



*The State Senate
Senate Research Office
204 Paul D. Coverdell Office Building
18 Capitol Square
Atlanta, Georgia 30334
404.656.0015 (office) 404.657.0929 (facsimile)*

**FINAL REPORT
OF THE
SENATE HOME HEATING FUELS
STUDY COMMITTEE**

Honorable Mitch Seabaugh
Senator, District 28, Chairman

Honorable Ronnie Chance
Senator, District 16

Honorable Greg Goggans
Senator, District 7

Honorable Judson Hill
Senator, District 32

Honorable Dan Moody
Senator, District 56

Honorable Terrell Starr
Senator, District 44

Honorable Regina Thomas
Senator, District 2

Honorable Jim Whitehead
Senator, District 24

2005

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	EXECUTIVE SUMMARY	1
III.	HEARINGS AND PRESENTATIONS	
A.	October 4, 2005	
1.	North American Energy Fundamentals	2
a.	Alaska and Canada	2
b.	Gulf of Mexico	3
c.	Rocky Mountains	3
d.	Global Liquid Natural Gas Supply	3
2.	Energy Market Trends and Issues (Pre and Post Hurricanes)	3
3.	Residential Heating in Georgia	4
4.	Impact and Challenges for Georgia Consumers	5
a.	Georgia Public Service Commission	5
b.	Georgia Department of Human Resources	6
B.	November 10, 2005	7
1.	National Association of State Energy Officials’ Annual Winter Fuels Conference	7
2.	Electric Providers	7
3.	Georgia Propane Association	8
4.	Natural Gas Providers	8
IV.	COMMITTEE FINDINGS AND RECOMMENDATIONS	10

I. INTRODUCTION

The Senate Home Heating Fuels Study Committee (HHF Study Committee) was created by the Committee on Assignments during the 2005 Special Session of the General Assembly. The idea for the HHF Study Committee was born following the destructive impact of Hurricane Katrina on Louisiana, Mississippi, and Alabama, and specifically, the pumping, refining, and transportation of the nation's fuel resources from the Gulf of Mexico to consumers throughout the United States. The importance of the role of the HHF Study Committee was confirmed after Hurricane Rita struck the Texas and Louisiana border, and dealt another destructive hit on the nation's fuel supply—specifically, the supplies of home heating fuels which provide necessary heating during cold winter months and the cost burdened onto the consumers for receiving such supplies.

The HHF Study Committee was chaired by Senator Mitch Seabaugh of Coweta County. The following senators served on the HHF Study Committee:

- Senator Ronnie Chance of Fayette County;
- Senator Greg Goggans of Coffee County;
- Senator Judson Hill of Cobb County;
- Senator Dan Moody of Fulton County;
- Senator Terrell Starr of Clayton County;
- Senator Regina Thomas of Chatham County; and
- Senator Jim Whitehead of Columbia County.

The HHF Study Committee convened on Thursday, October 4, 2005, to conduct a hearing on the status of the nation's home heating fuel supply and the impact and challenges for Georgia's consumers. The HHF Study Committee convened again on Thursday, November 10, 2005, to consider the testimony of Georgia's home heating fuel providers and marketers.

II. EXECUTIVE SUMMARY

The HHF Study Committee found that home heating fuels' costs were already expected to dramatically increase over the previous winter season prior to the impact of Hurricanes Katrina and Rita; however, the destruction and closure of off-shore drilling platforms and stations in the Gulf of Mexico and of refineries in the Mississippi River corridor and at the Texas and Louisiana border heavily and negatively impacted the supply of home heating fuels. Additionally, speculation regarding the future costs of home heating fuels aggravated the situation by driving up wholesale prices on the open market. Competition from emerging markets in Asia is a factor in escalating wholesale prices, as well.

Georgia's home heating fuels providers and marketers were and remain adequately prepared to meet the home heating fuels challenge; however, the retail cost for home heating fuels will be a particular challenge for Georgia consumers especially if the winter proves colder than expected or if another disaster strikes the Gulf of Mexico region from which Georgia is overly reliant to supply her home heating fuels needs.

III. HEARINGS AND PRESENTATIONS

A. OCTOBER 4, 2005

The HHF Study Committee convened on October 4, 2005, in the Appropriations Room of the State Capitol Building. The HHF Study Committee heard testimony regarding:

1. North American Energy Fundamentals

Mr. Jim Trifon, Managing Consultant with Woods MacKenzie, presented information regarding the long-term marketed natural gas supply in the United States. Mr. Trifon testified that requirements for long-term growth are the following:

- Strong Commodity Price;
- Increased Access to Federal Acreage;
- Reduced Drilling Restrictions;
- Growth in Rig Fleet/Growth;
- Evolving Production Technology Including Directional Drilling; and
- Increased Pipeline Capacity.

Overall supply is holding steady; however, demand pressures are increasing annually. A robust domestic economy will continue to add to demand despite an unequal increase in new supply sources for the next few years. Mr. Trifon noted that the 2005/2006 winter season will bring a return to normally cold temperatures, and that the past four winters have been warmer than average. Residential and commercial demand will continue to grow, but gains in efficiency in productivity and transportation will assist in dampening the ever-increasing consumer demand; nonetheless, supplies remain in stagnation, and this stagnation is constraining demand and directly driving up the price of natural gas on the wholesale market.

Electricity demand hit a peak in 2002, but new demand is set to resume steady growth in the next decade. Electricity providers compete for winter home heating fuel supplies to generate necessary power to meet demand in both winter and summer seasons; some electrical providers are returning to coal-fire plants in order to meet demand. Gas prices are expected to remain significantly above coal prices in the long term; however, coal technologies are not cost competitive unless there is high utilization of coal power to offset the high capital costs associated with coal-fire plants.

a. Alaska and Canada

Mr. Trifon noted that Alaska production should be coming online by 2015, and that Alaska's production will be necessary as other producing areas begin to decline in productivity. Canadian supplies remain steady, and will be boosted when the MacKenzie River Delta supply near the Arctic Ocean becomes available to the open market in 2010. Canadian production is the primary source for home heating fuels in New England.

b. Gulf of Mexico

On the other hand, the Gulf of Mexico conventional production has reached maturity and is in decline; however, deep shelf production could provide slight growth in new natural gas supplies beginning in 2008. A federal moratorium currently prevents expanded exploration in the eastern Gulf of Mexico, and this prohibition is supported by local opposition by the State of Florida.

c. Rocky Mountains

The Rocky Mountains are increasing in productivity; however, distribution and transportation to the southeastern United States is difficult. Four major basins in the Rocky Mountain chain provide 87 percent of the supply originating in the Rockies. Those basins will continue to provide a large majority of supply even as the Rockies productivity for natural gas plateaus around 2015, but benefiting from the Rocky Mountain basins will be western and southwestern consumers.

d. Global Liquid Natural Gas Supply

Many new Liquefied Natural Gas (LNG) plants around the globe will be coming online in the next few years, and liquefaction capacity is poised for growth including pending projects and facilities which could be developed if additional markets are found. Not all projects are developed for supplying North America; India and China are primary competitors for projects and imports. Nine new terminals have received federal government approval, and will begin coming online in the next three years.

Mr. Trifon stressed that gas prices should be peaking due to supply constraints and wholesale speculation. As new supplies sources come online, wholesale trading prices should stabilize and return to pre-2001 levels, yet this expectation is made with the assumption that future hurricane or other natural and manmade disasters will not be variables. Noting that each disaster is unique, Mr. Trifon stressed the importance of a more geographically diverse refining capacity outside the Gulf Coast region. The futures markets begin reacting to the mere anticipation of landfall of a hurricane, but additional diverse refining capacity would quash such speculation. Considering that nearly 700 Gulf of Mexico platforms were evacuated for Hurricane Katrina (more platforms were evacuated and damaged by Hurricane Rita), any unknown variables such as an intense winter season or off-season storms could send home heating fuel prices to record levels.

2. Energy Market Trends and Issues (Pre and Post Hurricanes)

Mr. Terry Ciliske, President of EnVantage, Inc., presented testimony showing market trends in wholesale and retail pricing for home heating fuels. Mr. Ciliske stated that the United States has been lulled into a belief that there is an adequate cushion of energy supplies to meet the growing world economy's ever-increasing demand. Any cushion that may exist in the world energy supply might be of poor and inferior stock. The

natural gas supply in North America is becoming a globally-traded commodity, and that supply growth has been non-existent for several years.

Mr. Ciliske further noted that average commodities pricing on the futures market had been steadily increasing since January 1, 2003, with a brief decline during the autumn of 2004. Expected January 2006 prices will be near 142 percent over January 2005 prices due to the unforeseen consequences of two landfalls by major hurricanes in the western Gulf of Mexico. There was a significant loss of natural gas production in the Gulf of Mexico beginning in the days before Hurricane Katrina's approach through the arrival of Hurricane Rita. In fact, Mr. Ciliske noted that Hurricane Rita's effects were far more damaging due to its more-westerly path through dense areas of platforms near the Texas and Louisiana border. In all, both hurricanes passed through the heart of the energy complex of the Gulf of Mexico, and as much as 100 percent of oil production and 80 percent of the natural gas production was shut-in for weeks during September and October of this year.

During 2005, the Oil Producing Exporting Countries (OPEC) has effectively lost control of the wholesale market for oil as OPEC now has little or no surplus production capacity. Crude oil prices have been consistently increasing for nearly two years as world demand continues to reach new peaks combined with declining surplus availability. Even additional withdrawals for the Strategic Petroleum Reserve are moot because the United States lacks sufficient refining capacity following the two hurricanes. This is important because natural gas generally trades with crude oil prices acting as a cap on the natural gas prices; therefore, the two are directly linked.

The nation's largest LNG import terminal is located in Lake Charles, Louisiana, and it was closed and interrupted for weeks due to damage from Hurricane Rita and the closure of the Calcasieu River. Wholesale propane prices have remained traditionally low from a historical relationship with crude oil prices—until the impact of the two hurricanes. The good news for propane was that inventories remained steady; however, the loss of processing capacity could negatively affect propane pricing in mid-winter and into 2006.

The hurricanes merely exacerbated issues that were already present and occurring in the home heating fuels marketplace. Pipeline infrastructures are not keeping pace with regional gas supply and demand, and this may directly affect local retail pricing. The long-term lack of investment in the nation's energy infrastructure makes the energy marketplace vulnerable to any stress placed upon it—including additional hurricanes. Long-term solutions revolve around additional capital investment on supplies, infrastructure, and refining capacity.

3. Residential Heating in Georgia

Ms. Elizabeth Robertson, Director of the Georgia Environmental Facilities Agency Division of Energy Resources, presented testimony stating that on the federal and state levels, valuable sources of information are the United States Department of Energy Office of Energy Assurance and the Energy Information Administration.

Ms. Robertson stressed that energy conservation is the best way to combat increasing residential heating costs in Georgia; moreover, proactive preparation during warm months will assist Georgia consumers in cold months. Ms. Robertson proclaimed that “Change the Light—Change the World” is the theme for state energy officials, and that each consumer and each home is capable of making a difference in long-term demand by conserving energy at the present. Ms. Robertson reminded the HHF Study Committee that the Legislature authorized Georgia’s first *Energy Star Tax Holiday* weekend during the first weekend in October 2005, and commented that the same should be duplicated again in the spring season in preparation of summer cooling challenges. Because Georgia’s primary supply of home heating fuels finds its origins in the Gulf of Mexico, Georgia and the southeast should expect and be prepared for a challenging winter.

4. Impact and Challenges for Georgia Consumers

a. Chairwoman Angela Speir and Commissioner David Burgess of the Georgia Public Service Commission

Chairwoman Angela Speir of the Georgia Public Service Commission (PSC) presented testimony discussing the impact and challenges for home heating costs to be borne by Georgia consumers. Ms. Speir noted that the average cost of natural gas for residential consumers of Atlanta Gas Light Company’s distribution system has increased by \$550 since September 2003. This increase is due to the wholesale market which is beyond the control of any elected official and representative body. The average price per therm charged by Georgia marketers has been increasing since September 2000—notably a 50 percent increase since September 2003. There are two natural gas distribution companies regulated by the PSC: Atlanta Gas Light Company and Atmos Energy Corporation.

Ms. Speir noted that electrical energy providers are allowed by Georgia law to pass along energy costs to their consumers, and the PSC must allow the electrical providers to pass along the increased fuel cost—notably natural gas costs. The same applies for the two aforementioned natural gas distribution providers.

The Universal Service Fund (USF) receives funding of about \$11.5 million annually which is authorized by O.C.G.A. § 46-4-161 to do the following:

- Enable Atlanta Gas Light Company to expand pipeline capacity;
- Assist low-income customers; and
- Assist low-income customers of a regulated provider by allowing access to the USF to cover bad debt.

Funding for the USF does not meet the demands of the expected \$55 million increase in heating bills for Atlanta Gas Light Company-eligible customers, and Ms. Speir noted that this amount does not include low-income customers who do not use Atlanta Gas Light Company and are thereby ineligible for USF assistance.

Ms. Speir reported that the PSC has disbursed over \$21 million to the Low Income Home Energy Assistance Program (LIHEAP) which assists low-income customers in paying natural gas bills. The PSC voted to increase funding by \$6 million for this winter to a total funding of \$27 million. Only 95,000 of eligible households received LIHEAP funds during the last year despite the fact there are estimated to be over 400,000 LIHEAP-eligible households in Georgia. The maximum amount available for assistance through the Georgia Department of Human Resources (DHR) is \$440 per household.

Public Service Commissioner David Burgess provided information regarding winter preparedness by Georgia consumers. Mr. Burgess noted that the PSC uses a variety of tools to inform consumers regarding utilities including the purchase of radio ads, public affairs programs, consumer advisories, and utility brochures.

Additionally, Mr. Burgess noted that the PSC has seasonal restrictions prohibiting consumer disconnection if temperatures are forecasted to be below 32 degrees during a 48-hour period for natural gas and 24 hour period for electricity. Natural gas marketers must give 15 days written notice prior to disconnecting service for non-payment. There are also protections for medical illness and payment alternatives.

b. Mary Ellen Brown, State Program Manager for Family Independence Georgia Department of Human Resources

Ms. Mary Ellen Brown of the Georgia Department of Human Resources (DHR) stated that the DHR disburses and oversees disbursements of assistance to eligible Georgia consumers. The DHR contracts with local community action agencies to receive the funds from the state and disseminate the funds to qualifying consumers in that community. One of the programs providing much-needed assistance is Heating Energy Assistance Team (HEAT). Ms. Brown noted that the Heating Energy Assistance Team (HEAT), is a 501 (c)(3) Georgia non-profit organization. It is the oldest fuel fund program in Georgia dedicated to assisting low-income Georgians with winter heating expenses. HEAT began in 1983, and has distributed more than \$14.5 million dollars to more than 73,000 Georgia families since 1983. Through HEAT, the State of Georgia partners with citizens who donate monies, concerned energy companies and providers, local corporations, and the previously mentioned local agencies. Ms. Brown further noted that HEAT funds become available annually in mid-December, and families meeting the eligibility criteria may apply in their local county for assistance.¹ The HEAT program disbursed more than \$570,000 in 2004 to Georgia households. Ms. Brown also noted that assistance is available for the person who is responsible for paying the energy costs for the home, and that the qualifying recipient is a United States citizen or legal resident.

¹ Eligibility requirements may be found online at <http://www.heatga.org/assistance/eligible>.

B. NOVEMBER 10, 2005

The HHF Study Committee convened on November 10, 2005, in Room 450 of the State Capitol Building. The HHF Study Committee heard testimony from representatives of Georgia's home heating fuels service providers and marketers.

1. National Association of State Energy Officials' Annual Winter Fuels Outlook

Ms. Elizabeth Robertson, Director of the Georgia Environmental Facilities Agency Division of Energy Resources, returned to provide information presented at the National Association of State Energy Officials' Annual Winter Fuels Outlook Conference which was held in Washington, District of Columbia, on Wednesday, October 12, 2005.

Ms. Robertson reports that if expected winter temperatures are just 10 percent colder than predicted, then that would lead to an increase of at least 67 percent in winter heating costs. It was also reported that states and local agencies should establish one verification process for LIHEAP, HEAT, and any conservation and weatherization grants to ensure efficiency for consumers. Applications for the elderly and homebound consumers are accepted November 1st annually, and the remainder of applications for low-income assistance are accepted December 1st annually; eligibility requirements allow consumers and households within 150 percent of the federal poverty guidelines to submit these applications.

2. Electrical Providers

Georgia's electrical service providers and marketers provided testimony on the status of their respective energy situations and what, if any, programs are being initiated to assist consumers in preparation for winter home heating costs. Representing the electric industry were:

- Mr. Ed Holcomb, *VP of Governmental and Regulatory Affairs*, Georgia Power;
- Mr. Bill Verner, *VP of Government Relations*, Georgia Electric Membership Corporation; and
- Mr. Frank Crane, *Director of Government & Corporate Affairs*, Municipal Electric Authority of Georgia.

Mr. Holcomb reported that Georgia Power remains heavily-reliant on coal for energy generation, and that the market continues to be volatile. Georgia Power is the largest coal-using utility in the United States, but Georgia Power is not adding more coal generating plants. Mr. Holcomb noted that the state needs more nuclear power, and that process to secure more nuclear generation, if started this year, would not be online until the year 2015, at the earliest. Georgia Power is prepared for a constrained energy supply;

electrical providers generally observe a delayed impact from disruption in oil and gas supplies.

Mr. Verner informed the HHF Study Committee that the Georgia Electrical Membership Corporation includes Oglethorpe Power, and that electrical cooperatives provide electrical service to over 73 percent of Georgia's land area. All of the members are meeting demand, and any significant increases in pricing would be affected by the continuing strain on gas supplies from the Gulf of Mexico.

Mr. Crane reported that Georgia's municipal electrical providers are co-owners in the same electrical generation plant, and that they use a diverse mixture to meet the needs of power generation. The municipal providers rely heavily upon nuclear power—one of the highest percentages of generation in the United States.

3. Georgia Propane Association

Mr. Ed Bistany represented the Georgia Propane Association. Mr. Bistany reported that there are 120 propane dealers in Georgia, and over 150 propane outlets in the state. Propane is delivered to Georgia consumers through the Dixie Pipeline from the Gulf of Mexico, and is transferred at three terminals: Albany, Alma, and Metter. Georgia has modern storage facilities.

Storage capacity is continuously monitored, and remains adequate, but a colder-than-expected winter could begin to strain storage reserves in Georgia. The United States Environmental Protection Agency (EPA) heavily regulates piping capacity, and it would be extremely difficult to expand capacity for transportation of additional propane supply into Georgia. Additional storage capacity would assist in meeting such demand. Mr. Bistany noted that speculation on the wholesale market drives costs, and it is estimated that propane cost will increase 29 percent this winter.

4. Natural Gas Providers

Georgia's natural gas providers and marketers were represented by:

- Mr. Brett Newsom, *Director, Regulatory Affairs & Pricing*, SCANA Energy;
- Mr. Gary Bunce, *VP of Customer & Energy Services*, Walton EMC Natural Gas;
- Mr. Clay Jones, *Attorney, Sutherland, Asbill, & Brennan*, on behalf of Energy Service Providers Association (ESPA);
- Mr. Scott Tolleson, *Manager of Member Support*, Municipal Gas Authority of Georgia (MGAG);
- Mr. Joe Monroe, *VP of External Affairs*, Georgia Natural Gas; and

- Ms. Suzanne Sitherwood, *President*, Atlanta Gas Light Company.

Each representative was afforded the opportunity to make any comments and address any concern which should be brought before the HHF Study Committee.

Mr. Newsom noted that SCANA's retail prices for natural gas are directly reflective of the wholesale market, and the wholesale prices continue to climb.

Mr. Bunce stated that margins remain tight in pricing, and that Walton EMC offers some of the lowest fixed prices in the state. Mr. Bunce continued that it is difficult for natural gas providers to plan when the market is volatile and disrupted.

Mr. Jones reminded the HHF Study Committee that ESPA represents the numerous providers in Georgia:

- Commerce Energy;
- Infinite Energy;
- PS Energy;
- Shell Energy; and
- Vectren Source.

Mr. Jones noted that ESPA members are adequately meeting demand, but that constraints on supply and the speculation in the wholesale market are the reasons for increasing retail natural gas rates. ESPA members provide special pricing plans for seniors and budget billing for all customers.

Mr. Tolleson reported that MGAG represents 84 systems and was created in 1987 by the Legislature. Membership includes systems in other states in mostly rural areas. Supplies are purchased in long-term contracts that originated in the late 1990's, and because the supplies are purchased in bulk, MGAG systems are able to offer lower and very competitive rates. Mr. Tolleson noted that margins are fixed, and profits may be utilized for other municipal services.

Mr. Monroe stated that the nation's energy infrastructure needs expanded capacity. Energy efficiency and conservation programs should be a priority in any federal or state energy plan. Georgia Natural Gas offers bilingual publications and participates in LIHEAP and HEAT, and further encourages its customers to donate to these programs. Georgia Natural Gas sets fixed rates on a daily basis, and it expects to meet demands this winter. Mr. Monroe also reminded the HHF Study Committee that the nation's energy prices are driven by the wholesale market, and that the market thrives on the temperatures and demands in the northeastern United States. In short, consumer retail prices in Georgia are directly linked to temperatures and demand in the northeastern states.

Ms. Sitherwood also stressed that infrastructure remains an issue for the United States' energy concerns. Ms. Sitherwood reminded the HHF Study Committee that Atlanta Gas Light Company is Georgia's regulated provider.²

The Gulf of Mexico is the primary source of home heating fuels for the southeast and Georgia. Pipeline rates and expansion are regulated by the federal government. Atlanta Gas Light Company utilizes the Southern Natural Gas Pipeline, and has sixty seven (67) connects on the pipeline throughout Georgia. Since natural gas is a traded commodity, the pricing is volatile. The global economy is driving demand, and India and China are now major competitors for natural resources.

Ms. Sitherwood stated that long-term solutions include increased supply to Georgia by expanding diversification of the state's sources.

IV. COMMITTEE FINDINGS AND RECOMMENDATIONS

The HHF Study Committee has found that Georgia is heavily reliant on the Gulf of Mexico to supply winter home heating fuels to consumers; moreover, conventional production in the Gulf of Mexico has reached maturity. Absent further exploration in the eastern Gulf of Mexico and advances in exploration technology, Georgia should be proactive in diversifying home heating fuel supply sources including the Rocky Mountains, the Arctic coastline, and LNG importation. The federal government should move to allow increased refining capacity and pipeline transportation nationwide. Additional supply sources are anticipated to come online in the next decade; however, the remainder of this decade should prove challenging in meeting supply demands and maintaining affordability at the retail level. Competition from growing foreign markets will continue to drive up the wholesale price of home heating fuels in the open market, and increasing retail costs will follow.

Low-income Georgia consumers may be eligible to receive state assistance through a variety of programs including LIHEAP, HEAT, and the USF. The PSC increased funding for LIHEAP for this winter season, yet only a quarter of eligible LIHEAP households received monetary assistance during the last winter season.³ HEAT also provides assistance to Georgia consumers. State and local verification processes for LIHEAP, HEAT, and other weatherization grants should be streamlined for efficient and easy use by consumers. Federal LIHEAP funds are disproportionately weighted and allocated to northern and midwestern states. Georgia should also request the federal

² The Atlanta Gas Light provided the following information pursuant to a question by a HHF Study Committee member:

The number customer shut-offs due to non-payment of utility bills has remained constant over last three years, and represents 3 percent of Atlanta Gas Light Company's customer base of 1.5 million. Of these customer shut-offs, there is a significant amount of those who are turned off at the end of the heating season and will come back on at the onset of the next heating season. Atlanta Gas Light Company performs shut-offs at the order of the marketer; under certain extreme cold weather situations, shut-offs are not allowed pursuant to order by the Public Service Commission.

³ LIHEAP funds may be used for heating and cooling; however, Georgia's funds are not distributed for cooling assistance.

LIHEAP allocation formula be revisited to adequately reflect Georgia's growing population.⁴ Georgia's non-qualifying middle-income consumers should have options for assistance, as well; rebates, deductions, credits, and waivers are potential options.

Georgia is in need of more nuclear power, but the federal application procedure is cumbersome and lengthy; a new plant or reactor applied for this year would not be online, at the earliest, until 2015. Georgia Power remains heavily dependant on coal energy, but no additional coal generating plants are planned. Propane is transported to Georgia consumers from the Gulf of Mexico, and propane is stored and maintained, but storage expansion depends upon pipeline expansion which is heavily regulated by the EPA.

Accordingly, the state should proactively lobby to expand propane pipeline capacity to encourage additional storage in Georgia. Natural gas retail prices are now much higher than in previous years, yet this winter's expected temperatures are expected to average near "normal" levels as opposed to warmer-than-normal temperatures of the past few winters. Home heating fuel retail rates are directly linked to the wholesale market as driven by international competition and by demand in the northeastern United States.

The State of Georgia should assist Georgia's low-income and non-qualifying middle-income consumers to meet monthly bill obligations where the state is authorized to do so; however, all of Georgia's consumers possess the best and most effective control over the impact of high home heating prices during cold winters. Consumers have the ability to request and should review educational materials regarding assistance programs, billing options, and energy efficiency and conservation programs. Consumers may contact their home heating providers or the PSC for suggestions. Some effective measures to combat high heating bills include:

- Hanging lined draperies over windows;
- Using draft blockers along windows and doors;
- Allowing sunlight in during daylight hours to provide natural heating;
- Having service performed on furnaces to ensure optimal performance;
- Lowering the hot water heater thermostat setting to 120 degrees;
- Installation of programmable thermostats;
- Weathering all the windows and doors in the home; and
- Installing the highest R-value installation for the home.⁵

Additionally, consumers should be afforded with the opportunity to negotiate per therm rates and billing options at any time while under contract. It is important to remember that each home heating fuel consuming household has the most control over the monthly home heating energy bill.

⁴ 2005 Census estimates show Georgia has a population of 9,072,000, and is ranked ninth nationally.

⁵ The higher the R-value, the greater protection exists from outdoor elements.

If a low-income consumer is unable to make a monthly home heating payment then the consumer should contact the service provider and the Energy Assistance Program of the DHR for assistance option; however, most assistance programs begin receiving applications in November or December of each year so it is important to plan household budgets prior to the onset of colder temperatures.

Long-term goals regarding home heating should reflect the need for diversification and expansion of the state and nation's energy capacity and infrastructure. The short-term concerns turn on ensuring that Georgia's consumers are provided with the most accurate information and plentiful options from home heating providers so that each household may prepare, weatherize, and budget for the challenge that each winter may bring.

FINAL COMMITTEE REPORT

Prepared by:

Brian Scott Johnson, Esq.

Senate Research Office

**THE SENATE
HOME HEATING FUELS
STUDY COMMITTEE**

**Senator Mitch Seabaugh
District 28, Chairman**

**Senator Ronnie Chance
District 16**

**Senator Greg Goggans
District 7**

**Senator Judson Hill
District 32**

**Senator Dan Moody
District 56**

**Senator Terrell Starr
District 44**

**Senator Regina Thomas
District 2**

**Senator Jim Whitehead
District 24**