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To: Wisconsin Legislature

**From: Bill Skewes, Executive Director
Wisconsin Utilities Association**

Re: Winter Heating Costs

Date: February 3, 2022

As Wisconsin enters the heart of the Winter of 2022, utility customers have likely noticed an increase in their home heating costs. In fact, [utilities noted last fall that customers](#) could expect to see a monthly increase of between \$25 and \$65 due to higher natural gas costs, which range from 25% and 45% and 30% to 94% for propane* above 2021 levels.

Since about 2/3 of Wisconsin homes heat with natural gas and about 1/8 heat with propane, WUA outlines below some key drivers of that increase and what customers can do to mitigate its effects. For more information specific to your district and utility service territory, visit the links provided to contact your utility directly.

Natural Gas and LP Prices Have Risen Due to Higher Demand, Struggling Production

- After a decline in the demand for natural gas during the height of the pandemic when some businesses and factories suspended operations, demand for natural gas rose when those businesses returned to pre-pandemic levels. Producers of those fuels have since struggled to meet that demand.
- U.S. natural gas prices briefly spiked last February during a winter storm that strained natural gas and electricity markets in Texas and Oklahoma. Prices then increased through October as economic recovery contributed to overall growth in natural gas **demand**, which outpaced growth in natural gas **supply**. At the same time, inventories were low after the February winter storm.
- Natural gas prices remained volatile due to [weather-related consumption and production outages](#), high international natural gas prices that encouraged exports, key pipeline outages, the prices and availability of substitute fuels for power generation, summer storage injection needs, and the pace of growing natural gas production.

Profits, Cost-Mitigation Strategies and Supply

- Natural gas is a pass-through expense, meaning **utilities don't earn a profit** from the higher costs of natural gas.
- Utilities routinely take steps to mitigate price hikes by using multi-faceted procurement approaches, which include buying natural gas in the summer months when it's generally cheaper. They also lock in fixed contracts at a guaranteed rate for "baseload" electricity generation and some are proposing to build more facilities to store natural gas for the coldest days when supplies shrink and prices spike.
- U.S. prices of natural gas were about three times higher this fall than at that point in 2020. Prices have reached a 13-year high, according to the International Energy Agency, an organization that advises governments on energy policy. This doesn't mean bills or rates will go up by that amount because utilities undertake multiple steps including using hedging strategies to mitigate the risk of gas price increases over time. Rates, including the recovery of natural gas costs, are set by the [Public Service Commission](#).
- The U.S. has an approximately 100-year supply of natural gas underground. However, the profitability of extracting and refining that gas at times of low demand, as during the pandemic, causes producers to slow production until demand resumes, causing a lag between production and sale. The effects of that lag are what we're experiencing in today's natural gas market.

What Can Customers Do?

Customers can check with [Focus On Energy](#) on installing energy-saving equipment such as smart thermostats and energy efficient appliances. Lower-income Wisconsinites can also apply for cash assistance for weatherizing homes and heating bills. Households with an annual income at or below 60% of the state's median level are eligible to apply for a one-time payment to help cover the costs of winter heating bills through the [Wisconsin Home Energy Assistance Program](#), or WHEAP. The program is managed by the [Wisconsin Department of Administration](#), which disburses payments through local public and private agencies.

Utilities also advise those at risk of falling behind on their bills to work out a payment plan with their utility. Below are links to the energy provider members of the WUA:

<https://www.alliantenergy.com/> , <https://www.mge.com/> ,
<https://www.wisconsinpublicservice.com/> , <https://www.we-energies.com/> ,
<https://wi.my.xcelenergy.com/s/> , <https://www.swlp.com/>

Other Helpful Links: EIA Gas prices: <https://www.eia.gov/energyexplained/natural-gas/prices.php> , EIA Trends/Issues: <https://www.eia.gov/naturalgas/issuestrends/>

***WUA members do not sell propane, only natural gas service.**