

UNDERTAKING NO. J2.5: TO UNDERTAKE TO REVIEW THE TABLE IN S15.UNION-ENERGY PROBE.15 AND CONFIRM OR AMEND THE APPROPRIATE VERSUS NATURAL GAS COSTS THAT ARE SHOWN FOR THESE APPLICATIONS, SPECIFICALLY FOR SPACE HEATING AND WATER HEATING FOR PROPANE, AND ALSO TO INDICATE ABOUT THE COSTS OF CONVERSION OF MOVING FROM PROPANE TO NATURAL GAS AND THE CONVERSION COSTS

ORIGINAL TABLE FROM S.15.UNION-ENERGY PROBE.15:

Heating Fuel:	Annual Cost								
	Propane (Automotive)		Home Propane Estimate		Furnace Oil		Electricity	Natural Gas	
Space Heating	\$2,120	\$2,120	\$1,557	\$1,557	\$2,053	\$2,053	\$2,837	\$717	\$717
Water Heating- Propane	\$374		\$275						
Water Heating- Furnace Oil					\$362				
Water Heating- Electricity		\$501		\$501		\$501	\$501		\$501
Water Heating- Natural Gas								\$127	
Total	\$2,494	\$2,621	*\$1,832	\$2,058	\$2,415	\$2,554	\$3,338	\$844	\$1,218

RESPONSE:

The figure of \$1,832 used by Union and indicated with an asterisk above is not accurate, in GPMi's view. Based on the data assembled by GPMi, the more accurate figure for annual propane costs is \$1,688. This is the same figure previously provided by CPA in its response S2.CPA.Northeast.1(a).

The difference between the propane cost as determined by GPMi (\$1,688) and the natural gas costs provided by Union (\$844) is therefore \$844. (The fact that the cost difference and the gas price are both \$844 is purely coincidental). This assumes that Union's estimate of natural gas costs is accurate.

However, this method of comparison is misleading, as it ignores the cost to a customer of converting from propane to natural gas, which is in the thousands of dollars, regardless of whose figures you use. Conversion costs are one of the primary factors that will influence a customer's decision to convert. It also ignores the SES. At the very least, they will consider their total costs when deciding whether to convert or not, and not simply look at the distant commodity savings in the absence of the associated upfront costs. Also, as suggested in S2.CPA.VECC.5, there are also other non-economic factors that customers will consider before converting.

Finally, we point out that the figures above (\$1,688 for propane and \$844 for natural gas) are not fixed and will change over time. The EIA forecasts suggest that the price of natural gas will rise more than 2.5x faster than the price of propane between 2015-2025, as explained in S2.CPA.Union.5(b).

NOTE: Union Gas Undertaking J6.3 is intended to update and rely on the data cited above. CPA wishes to draw to Union's attention the figures set out by Mr. Goobie in this response J2.5 (\$1,688 and \$844) for reference in preparing its own response to J6.3.