

Consumer Prices

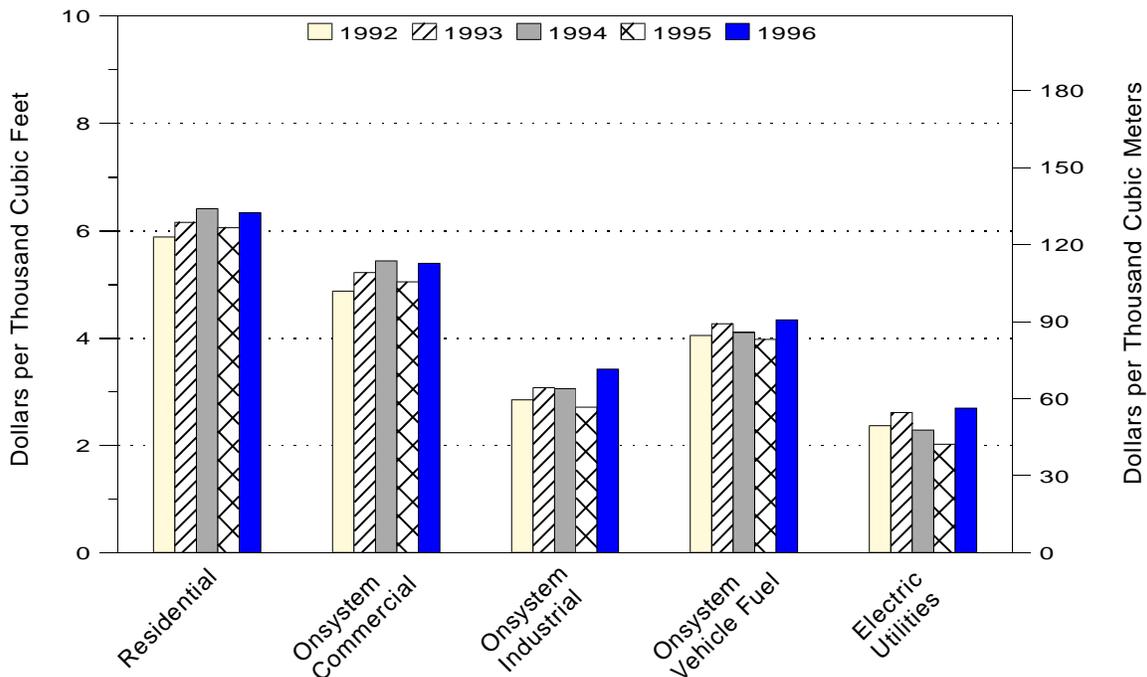
During 1996, the price of natural gas from the wellhead to the burner tip rebounded from the low levels seen in 1995. Following the sharp rise in price at the wellhead, prices at the city gate and for sales to the industrial and electric utility sectors rose greatly. By contrast, prices paid for deliveries to the residential and commercial sectors showed comparatively modest increases and were slightly lower than in 1994.

Over the year, the prices in the industrial and electric utility sectors, the end use sectors with the greatest consumption per customer, showed substantial increases of 26 percent and 33 percent, respectively. Among the onsystem sales customers, industrials and electric utilities are large volume customers with relatively high load factors which enable them to take advantage of economies of scale in purchases. They also are in a better position to elect whether to stay

with their local distribution company (LDC) or seek supplies from alternate sources. Because the price of natural gas paid by electric utilities is monitored by a survey that goes directly to the utility, the coverage of the electric utility price is much greater than that for the industrial price.

Prices rose much more modestly in the residential and commercial sectors, 5 percent and 7 percent, respectively. These consumers pay higher prices for gas than industrial and electric utility consumers because they have fewer options for service and require high quality service during periods of peak demand. Also they may be paying an increasing share of the fixed costs of long distance transportation and local distribution as more customers choose to purchase gas from third parties in place of local distribution companies (LDC's). A discussion of prices by each sector follows.

Figure 13. Average Price of Natural Gas Delivered to Consumers in the United States, 1992-1996



Notes: Onsystem sales deliveries represent 77.6 percent of commercial deliveries, 19.4 percent of industrial deliveries, and 94.0 percent of vehicle fuel deliveries in 1995. In 1996, consumption of natural gas for agricultural use is classified as industrial use. In 1995 and earlier years, agricultural use was classified as commercial use.
Sources: Energy Information Administration (EIA), Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition" and Federal Energy Regulatory Commission (FERC), Form FERC- 423, "Monthly Report of Cost and Quality of Fuels for Electric Plants."