

Residential Gas Heating Rates – Winter 2009-2010

For specific residential gas heating rates, know as R3 rates; please go to the official web site for the gas utility in your area. Links to those utility sites can be found on MOC's site under the Energy Information link on the home page. Click on Energy Links. MOC has calculated rates for 150 therms of gas from each utility using the published 2009-2010 R3 rates. To find those calculations, click on Oil-to-Gas Comparison under Energy Information

- **Calculating Natural Gas Rates**

Given the complexities of a gas heat bill, the vast majority of existing gas heat customers will find it difficult to explain and/or figure out their gas heating costs. It becomes especially difficult for Oilheat customers to understand gas heating costs because they are accustomed to a simple per gallon charge.

Gas heat rates are approved yearly by the state's Department of Telecommunications & Energy (DTE). A typical residential gas heat rate contains a customer charge, the cost of gas, a headblock rate, a tailblock rate, a gas adjustment factor (GAF) and sometimes a local distribution adjustment factor. Here's an explanation of each element:

- **Customer Charge**

This is a flat monthly charge for all customers

- **Cost of Gas**

This is the cost of purchasing the gas the utility sells.

- **Head Block**

This is the rate charged for initial gas consumption up to a certain level. That level is referred to as the block break. To calculate the head block charge, multiply the gas consumption up to and including the block break by the head block rate.

- **Tail Block**

This is the rate charged for gas consumption after the so-called block break. To calculate the tail block charge, multiply the tail block rate by any consumption after the block break. If the monthly consumption is less than the block break, the tail block does not apply.

- **Gas Adjustment Factor (GAF)**

This is how utilities recoup their gas costs from the previous season.

- **Local Distribution Adjustment Factor (LDAF)**

This is how utilities recoup their local distribution costs from the previous season. Like the GAF, the LDAF is approved by the DTE for winter (November through April) and summer (May through October) periods. It is often combined with the GAF.

- **Energy Conservation Service (ECS)**

This is the charge that all gas customers pay so the utility can provide energy conservation services to its customers.