

the Pilot

A newsletter for customers
of Clearwater Gas System **SPRING 2003**

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"SAVE With Gas"

Weather a Factor in Higher Gas Prices

By Brian Langille, Gas Supply & Technology Engineer

Energy prices are on the rise again, as evidenced by recent gasoline prices, and Clearwater Gas customers can expect higher energy bills due to increased commodity prices for natural gas. The primary drivers for increased natural gas costs are: colder than normal weather, higher oil prices, the slumping economy and threat of pending war. In addition, this winter's sustained cold temperatures have helped deplete natural gas storage supplies, which were 96% full at the start of the winter heating season. Currently natural gas storage is 50% below the 5-year average. The month of February posted temperatures nearly 20% colder than normal. Overall, natural gas prices have risen nationwide – nearly four times what they were just a year ago.

While no one can accurately forecast market conditions, the forces of supply and demand are expected to balance out over the next few months. To address some of the unknowns, we have compiled a list of frequently asked questions to give you a better understanding of natural gas pricing issues:

Q: Why have my natural gas bills increased?

A: In recent months, natural gas prices have increased sharply due to increased demand for natural gas based on colder than normal winter weather across the nation, decreased natural gas storage inventories, the slumping economy and threat of pending war. Prices have been subtly rising in recent weeks, and a perceived supply shortage in the natural gas industry has now accelerated the increase. The prices that gas utilities pay suppliers for natural gas have escalated, and the fuel portion of your natural gas bill reflects the increased commodity prices.

Q: Yes, I know it has been cold, but my bill is really HIGH!

A: The 2002-2003 winter has been very cold. Temperatures averaged 4 to 6 degrees colder than normal. By comparison, the past several winters have been warmer than normal (NOTE: If you compare usages for a given residence, use December 2000 and January 2001 for comparison. That period was very similar to what we are going through this winter). We are also experiencing an increase in the cost of natural gas. Natural gas is a commodity and is influenced by supply and demand. Due to the cold winter across the U.S., demand has increased, forcing prices up.

Q: Can you tell me more about what goes into determining my gas rate?

A: Your natural gas rate is made up of three components:

- 1) the cost of the natural gas commodity; this is the actual cost of fuel from the supplier. There is no mark-up; this is a direct pass through to **Clearwater Gas** customers.
- 2) the cost to transport the gas from where it is produced (Gulf of Mexico, Texas and Louisiana) to the **Clearwater Gas** gate station.
- 3) the cost to transport the gas from the gate station to your home.

Of these factors, the commodity cost of natural gas is the largest and most volatile component, fluctuating with the market as it relates to weather and supply and demand issues. The cost to transport the gas from the producer wells via transmission pipelines to our system's gate station is a function of the total volume of gas that all our customers require. The third component, the cost of distributing natural gas through our system to your home or business, is a fairly static cost based on your own consumption.

Q: You've told me that the cost of gas is the reason for the increase, why is the cost so much higher than this time last year?

A: This winter's sustained cold temperatures have helped deplete natural gas storage supplies, which were 96% full at the start of the winter heating season. February posted temperatures nearly 20% colder than normal. Natural gas prices have risen nationwide – nearly four times what they were just a year ago. Speculative energy traders may have also affected natural gas prices in response to higher crude oil prices, the down economy and fears of pending war. In response to dwindling storage supplies exploration and production companies have marginally increased drilling activity this winter; however, it will take several months to bring those supplies online.

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Clearwater Gas Celebrates “80 Years” of Service

By Chuck Warrington, Managing Director and Executive Officer

This year Clearwater Gas System (CGS) celebrates “80 Years of Service” to Clearwater and the surrounding communities. CGS was chartered by the City of Clearwater in 1923 and originally provided manufactured gas to customers and businesses near downtown Clearwater. This gas was made in a chemical process using coal, coke, and other products that were delivered by rail to the CGS Gas Plant at 400 North Myrtle Avenue. In the 40s and 50s gas lines were extended to Belleair and Clearwater Beach.

CGS converted to natural gas when underground pipelines were extended throughout Florida in the early 1960’s. Since then CGS has focused on providing our customers “one-stop shopping” – from appliance sales, installation and maintenance as well as selling natural and propane (LP) gas. We have also significantly expanded our service territory, extending lines as far north as State



Road 52 in Pasco County and throughout northern Pinellas County south to Redington Beach.

Our unique “full-service” provider approach has helped to grow our business from several hundred customers to nearly 17,500 customers, with a steady annual growth rate of about 7%. Today, CGS is the 4th largest municipal gas system in Florida, ranks 40th out of nearly 1,000 public gas systems in the United States, and is one of the fastest growing gas systems in America. Natural gas provides a strong economic development benefit to our 17 cities and 2 county area. It is



the most environmentally clean, reliable, and cost effective energy source for residential, commercial and industrial customers.

Celebrating “80 Years of Service” is a milestone for any institution. On behalf of our dedicated employees I would like to thank you, our customers for choosing Clearwater Gas System. We pledge to keep our services economical, while continuing to provide that special measure of personalized customer service that you have grown to expect from your hometown gas company.



Chuck Warrington

Chuck Warrington named Engineer of the Year

The 10 Engineering Societies of Tampa Bay proudly named Chuck Warrington, Professional Engineer and Clearwater Gas System managing director, the 2002 Florida West Coast Engineer of the Year. This award, which was presented February 21st at the 39th annual Tampa Bay Area National Engineers Week Banquet, is presented to a professional engineer who has demonstrated outstanding technical achievement, leadership and service to the engineering profession and the community.

In 2001, Warrington was also recognized by the Florida Professional Engineers in Government as the Government Engineer of the Year for the state. A graduate of the Georgia Institute of Technology and a licensed Professional Engineer, Warrington has been the Clearwater Gas System managing director since 1992. He has presided over the municipally owned gas system, which now serves nearly 17,500 customers in 17 cities in Pinellas and Pasco counties.

Coming Soon - Flame Retardant Water Heaters

On July 1, 2003, significant product design changes will be implemented that promise to increase the safety of gas water heaters. The entire U.S. water heater industry is getting ready for the most extensive product-design change since modern gas water heating was introduced more than a century ago. This design change will incorporate a revolutionary new water heater technology – called flammable vapor ignition resistance, or FVIR, which is the acronym used for new water heater designs that are resistant to igniting flammable vapors.

Rheem®, a leading North American manufacturer of gas water heaters, has introduced the Rheem Guardian System™ which includes a flame arrestor plate to shield the burner and prevent its flame from spreading beyond the arrestor and igniting vapors outside the water heater. Several years ago Rheem built FVIR testing facilities to assist in the testing and product development stage, which has created an entirely new class of Rheem FVIR water heaters.

The new American National Standards Institute (ANSI)

policy for FVIR water heaters manufactured in the U.S. becomes effective, July 1, 2003 and applies to 30, 40, and 50-gallon gas-fired residential water heaters. According to Rheem Vice President of Marketing David R. Martin, “Every residential gas water heater will eventually have to meet the new ANSI standard.”

The new ANSI standards regarding flammable vapors and gas water heaters does not include gas water heaters already installed in homes; it applies only to water heaters manufactured after July 1, 2003. While

units installed prior to July 1 are completely safe, consumers continue to be advised that flammable liquids such as gasoline must not be stored near water heaters. Rheem is working with the Consumer Products Safety Commission, the ANSI team, and a consortium of water heater manufacturers to address the problem caused by improper storage or use of gasoline or other flammable liquids. The new ANSI standard says, in part, that future water heater designs shall be such that they shall not ignite flammable vapors outside the water heater caused by gasoline spills.

For more information on the new Rheem Guardian System, contact Clearwater Gas at (727) 669-1958.

Clearwater Gas Installation Team wins City award

On February 5, the Clearwater Gas System (CGS) Installation Team was recognized as the Team of the Quarter by the City of Clearwater's Achievement Awards Committee. This award, based upon the accomplishment of a specific task or a set of specific tasks, is presented to 1 employees for outstanding teamwork.

The CGS Installation Team received the award for their “can-do” attitude and productivity, contributions that helped CGS surpass its 17,000 customer mark last year.

This total team effort is a key part of the Clearwater Gas System's mission to provide outstanding and timely service to our customers. Congratulations to the CGS Installation Team members: Rick Clendenin, Tom Coffey, Tom Grow, Jim Hornaday, Jim Jerkins, Jr., Brian Kately, Dan Luna, Keith Mays, John McQueeney, Delaney Mulholland, Jay Neal, John Oswald, Jon Russell, Tom Simak, Tony Simotes, Ken Szuba, Mark Tranter, Bill Wallace, Jade Weppler, and Greg Wolfe.



Sonic Depends on Clearwater Gas to Serve Hungry Guests

A trip to the Sonic Restaurant in Largo brings back fond memories of the days of the carhop restaurant craze. Did you know that Sonic Drive-in carhops have been serving up beloved American food and signature Sonic favorites since 1953?

Specializing in made-to-order fast food and personal carhop service, Sonic depends on natural gas from **Clearwater Gas** to provide reliable and dependable service to feed more than 1,000 hungry guests per day. "Our customers are referred to as our guests because that's how we feel about them. You always treat the guest of honor special," says Barbara Downing, owner and operator of the Largo Sonic franchise.

Sonic depends on its natural gas water heaters, fryers, and grills to help fire-up the steady stream of burgers, extra-long cheese coney, homemade

onion rings and tater tots, to name just a few of their delicious menu items. "As a matter of fact, we chose gas over electric simply because of the efficiency," explained Downing. "You can't beat gas energy for heat recovery, the heat comes back quicker and disperses better, giving you much more control."

One of few remaining drive-in, fast-food restaurant chains, Sonic is located in 30 states, coast-to-coast. Most recently, Sonic added a new restaurant in Largo, located at 8651 Ulmerton Road, the second Sonic Restaurant to open in Pinellas County; Sonic is also located in Kenneth City and a third restaurant is under construction in Oldsmar.

During the 1950s, Sonic's unique use of curbside speakers to allow customers to place food orders without ever leaving their cars, spawned the slogan "Sonic, Service with



the Speed of Sound." In recent years, that slogan has been replaced with "Sonic, America's Drive-In." Today, Sonic is the largest chain of drive-in restaurants in America.

Sonic Drive-In is eager to meet the community, so stop by and mention this article to receive a *free* ice-cream sundae.

For more information on how natural or propane gas can work for your home or business, please call **Clearwater Gas** at (727) 669-1958 or visit our website at www.clearwater-gas.com.



Sonic Restaurant serves hungry guests at the new Largo location

meter reading safety

Each and every month, City of Clearwater meter readers read some 58,000 water and gas meters in Clearwater, portions of Pinellas and Pasco counties. For your safety and theirs, all meter readers carry City of Clearwater picture ID cards, which they are happy to display when asked.

In order to obtain accurate meter readings in a safe manner, we need your help:

- Please make sure that plants and shrubs do not block gas meter dials.

- If your meter is located inside a locked, fenced area, please provide us with a key or combination for access.

- Please restrain your dog. We know that Fido & Fluffy are just doing their job, please help us do ours by keeping your dog indoors or on a leash when your meter is due to be read.

Please call Clearwater Customer Service at (727) 562-4600 for your future meter reading date. Thanks for your help!!

Sun Ketch Construction

“Gets Gas” in new community

Nestled between Highland Avenue and Druid Road on Lake Avenue an exciting new community of 32 townhomes has arrived in Clearwater. These luxurious townhomes, known as the Sun Ketch Townhomes at Lake Avenue, are located just 10 minutes from Clearwater Beach and feature the many comforts of natural gas such as gas water heaters and dryers with a gas fireplace, range and grill options.

Floor plans include three bedrooms, two-car garage, two and a half baths, and a luxurious kitchen with soaring ceilings, large windows and a private patio. Each home is built with uncompromising quality and attention to detail. Best of all, the Townhomes at Lake Avenue offers homeowners the unsurpassed comfort, economy and reliability of natural gas. “We are excited about the installation of gas appliances in the Townhomes at Lake Avenue,” said Tom Quartetti, Sun Ketch Vice-President. “With natural gas, homeowners can expect a higher level of efficiency compared to electric energy.”

Sun Ketch Construction, voted 2001 Builder of the Year, is a family-owned company tracing its roots through 30 years of Florida Suncoast real estate



Sun Ketch Townhomes at Lake Avenue

development. Sun Ketch Construction has been a major player in the new home market in Pinellas County. Sun Ketch has constructed nine townhome communities throughout Pinellas County. Property locations extend from the southern tip of Pinellas to Pasco County. Sun Ketch prides itself on serving a broad market with quality-built homes and townhomes ranging from entry-level to golf course townhomes, luxury homes in private communities and beachfront estates. “With mortgage rates at

historic lows and models affordably priced from just \$175,000, now is a great time to buy. But hurry - models are going fast,” Quartetti said.

For more information on how natural or propane gas can work for your home or business, please call **Clearwater Gas** at (727) 669-1958 or visit our website at www.clearwatergas.com. To checkout the Townhomes at Lake Avenue visit their website at www.sunketch.com.

per energy unit basis, natural gas is the most efficient and economical energy source. And natural gas remains the cleanest, safest, most reliable energy source available. For water heating, cooking and other typical applications, natural gas remains the most economical energy choice.

Q: You’ve told me it’s about supply and demand. Are we running out of natural gas?

A: No. 99% of the natural gas used in the United States is produced in North America, and there are still abundant supplies available. According to a recent Department of Energy estimate there is at least a 55-year supply of domestic natural gas available at current production levels. In fact, many

energy experts believe that the United States has several hundred years of natural gas reserves.

Q: Does the price of gasoline have an impact on the price of natural gas?

A: Not really. The two fuels are independent of one another. Gasoline is a highly refined product of crude oil, and thus directly related to the price of crude oil, while natural gas is produced directly from underground deposits. The increased price of natural gas is largely influenced by increased demand due to weather conditions. The increased price of gasoline and other petroleum derivatives is more influenced by foreign production factors and the international market.

contact us

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We would like to hear from you! Please send all Pilot related questions to the editor, Lisa Brown at:
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Q: Is this happening just in our area or in other areas of the country?

A: Prices are going up nationwide. The drivers of increased demand for energy and reduced inventories are affecting the natural gas industry nationwide, which impacts consumers all over the country.

Q: Can I expect these kind of prices in the future?

A: In the short run, natural gas prices may stay up. However, longer term prices are expected to moderate as new supplies from increased drilling activity come online.

Q: So what is Clearwater Gas doing about the higher cost of fuel?

A: We make every attempt to purchase long-term “strips” of gas at competitive prices to provide for the base gas load of our customers. Natural gas demand in excess of the base load is purchased on the daily market and is subject to some price volatility.

Q: How does natural gas compare to other energies?

A: The energy marketplace as a whole is undergoing changes that are driving up the prices of all energy sources including electricity, propane, and fuel oil. Despite these price increases, natural gas is still your best energy value. On a price

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A gas grill or pool/spa heater from
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grill models starting at \$599.00
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