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## **Ditching Oil, Converting to Gas**

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Suzanne and Dave Francione figured they could reduce their heating bill by \$1,300 this winter by switching from oil to natural gas, so they called the utility company and plumbers. That was in May. Today, the couple is still waiting on their conversion, which won't be done until September because of a growing backlog of other Northeasterners desperate to abandon costly heating oil.

"We were watching the price of oil escalate" and determined that the winter heating-oil bill would hit \$3,000, says Mr. Francione, a Needham, Mass., investment banker. "That's when we decided to convert."

Switching from oil to gas heating is a multistep process that usually costs between \$4,000 and \$8,000 for a single-family home, depending on the cost of installing a gas line and the model of furnace. At current prices and average usage, the conversion would take four to six years to pay for itself. With a total project cost of \$5,450, the Franciones say their swap should break even within five years.

But despite the upfront costs and uncertain payback period, natural-gas utilities and plumbers are reporting a flood of interest from residents in New York, New Jersey, Pennsylvania and the six-state New England region. About eight million homes in the U.S. rely on heating oil, and 6.2 million are located in the Northeast.

"It has become a huge part of our business over the last three months. ... We've been inundated with emails and phone calls" requesting the service, says Angelo Catania, who owns Gilson Air-O-Smith, a plumbing-and-heating company in northern New Jersey.

Gilson did "maybe one conversion" last year, Mr. Catania says. But now "there's about a 150-customer backlog on conversions. I think we'll be doing at least three to four a day every day from September well into November."

The price of heating oil is expected to rise in the Northeast this winter to \$4.35 a gallon, up 31% from \$3.31 this past winter and up 73% from \$2.51 two years ago, according to the federal Energy Information Administration's forecast published Tuesday.

The price of natural gas in the region is predicted to rise 16.7%, but it's still cheaper than oil. The equivalent heat contained in one gallon of oil at \$4.35 is expected to cost \$2.38 in natural gas, which is measured in cubic feet. And with U.S. production soaring and some analysts talking about a possible "gas glut," natural-gas futures have tumbled 9.2% in the past two weeks.

The price of heating oil -- a petroleum product closely related to diesel and kerosene -- tracks the price of crude oil on the commodities market much more closely than natural gas, a mostly methane product that can be extracted from non-oil deposits. As a result, the price of heating oil is more volatile.

Still, the heating-oil industry is hoping for a comeback. "I could see [oil] easily dipping under \$100 and I'm going to venture to say that it can get down to the \$80 range," says John Maniscalco, vice president of the New York Heating Oil Association. Heating-oil advocates say consumers have more choices in suppliers than natural-gas users. They also argue that a natural-gas disruption in one neighborhood can affect service at multiple houses, unlike a home that relies on oil heat.

Many heating-oil consumers are unconvinced. "Serious phone calls" from people in New York City and Long Island seeking to switch from heating oil have nearly doubled in the first six months of this year to 13,700, according to a spokesman for National Grid, the largest provider of natural gas in the Northeast.

During that period, National Grid completed 4,500 conversions, up 29% from last year. The company says it has also seen boosts in calls, up 48%, and conversions, up 13%, in its New Hampshire and Massachusetts regions.

The heating-oil industry has been losing market share nationwide by about 0.5% to 1% of its 8 million households each year, says John J. Huber, president of the National Oilheat Research Alliance. Attrition in earlier years was largely due to environmental concerns about heating oil -- like soot and leaking tanks -- although Mr. Maniscalco says modern equipment has minimized those problems.

Mr. Huber says potential oil-to-gas converters can save money just by replacing their outdated oil-heating system. New oil burners, which cost about as much as their gas-burning peers, are up to 50% more efficient than those from the 1970s and 1980s, he says. For consumers with a newer oil burner, however, the best approach is to buy a \$500 computerized regulating device that can improve efficiency by as much as 15% by managing the furnace more deftly, Mr. Huber says.