

RESIDENTIAL

Natural Gas Market Survey



**February 2005
(2003 Data)**



RESIDENTIAL NATURAL GAS MARKET SURVEY

2003 DATA

56th Annual Survey of the
U.S. Natural Gas Utility Industry

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CONTENTS

Introduction	1
Executive Summary	2
United States Housing Market in 2003	4
New Housing Completions	4
Existing Housing	8
Residential Natural Gas Customers in 2003	11
Total Residential Customers	11
House-Heating Customers	11
Natural Gas Customer and Unit Additions	11
House-Heating Conversions	11
Natural Gas Appliance Market Share and Consumption	13
Market Share of Natural Gas Appliances in Residences	13
Natural Gas Consumption per Appliance	16
Residential Bill Payment Assistance Programs	17
Competitive Residential Energy Prices	17

Appendix A – Sales Customers, Consumption, and Revenue Data by Company

Appendix B – Transportation Customers and Consumption Data by Company

Appendix C – Changes in Customers and Consumption from Previous Year by Company

Appendix D – Metropolitan Statistical Area Natural Gas Market Shares

Appendix E – U.S. Census Regions

LIST OF TABLES

	Page
1. 2003 Private Housing Completions by Heating Fuel.....	5
2. Comparison of 2002 and 2003 Private Housing Completions.....	6
3. Market Share of Private Housing Completions by Heating Fuel (1993-2003)	8
4. 2003 Household Space Heating Market Share.....	9
5. Historic Household Space Heating Market Shares.....	10
6. 2003 Gas Customers and Unit Additions.....	12
7. Market Share of Natural Gas Space Heating 1987-2003.....	13
8. Market Share of Natural Gas Cooking 1987-2003.....	13
9. Market Share of Natural Gas Water Heating 1987-2003.....	14
10. Market Share of Natural Gas Clothes Drying 1987-2003.....	14
11. Market Share of Natural Gas, 2003.....	14
12. Natural Gas Market Share by Sector, 2003.....	15
13. Market Share for Space Heating by Size of Home.....	15
14. 2003 Annual Gas Consumption per Appliance by Region.....	16
15. Energy Assistance and Energy Efficiency Contributions.....	17
16. 2003 Competitive Fuel Prices.....	18

LIST OF FIGURES

	Page
1. Gas versus Electricity and Oil Heat – Single Family Completions 1993-2003.....	3
2. Heating Market Share of All Private Housing Completions 1993-2003.....	7

Introduction

This year's report is the 56th annual *Residential Natural Gas Market Survey* conducted by the American Gas Association (AGA). The data collected for 2003 provide a unique and comprehensive portrait of the residential natural gas market. Detailed information is presented by state and region, including customers, market share, inventory additions from new homes, and conversions from alternative fuels. Company-specific data are reported in Appendices A, B and C. Appendix D presents natural gas market shares data for the metropolitan statistical areas.

A total of 81 natural gas utility companies responded to this year's survey. This is an increase from the 62 utilities that responded to the 2002 survey. Company-specific data were derived from the Energy Information Administration's Form 176 database.

Incorporated in the survey results are data regarding new private housing completions from the U.S. Bureau of the Census. The source of these data is different from the statistics compiled from the survey respondents and should be evaluated separately.

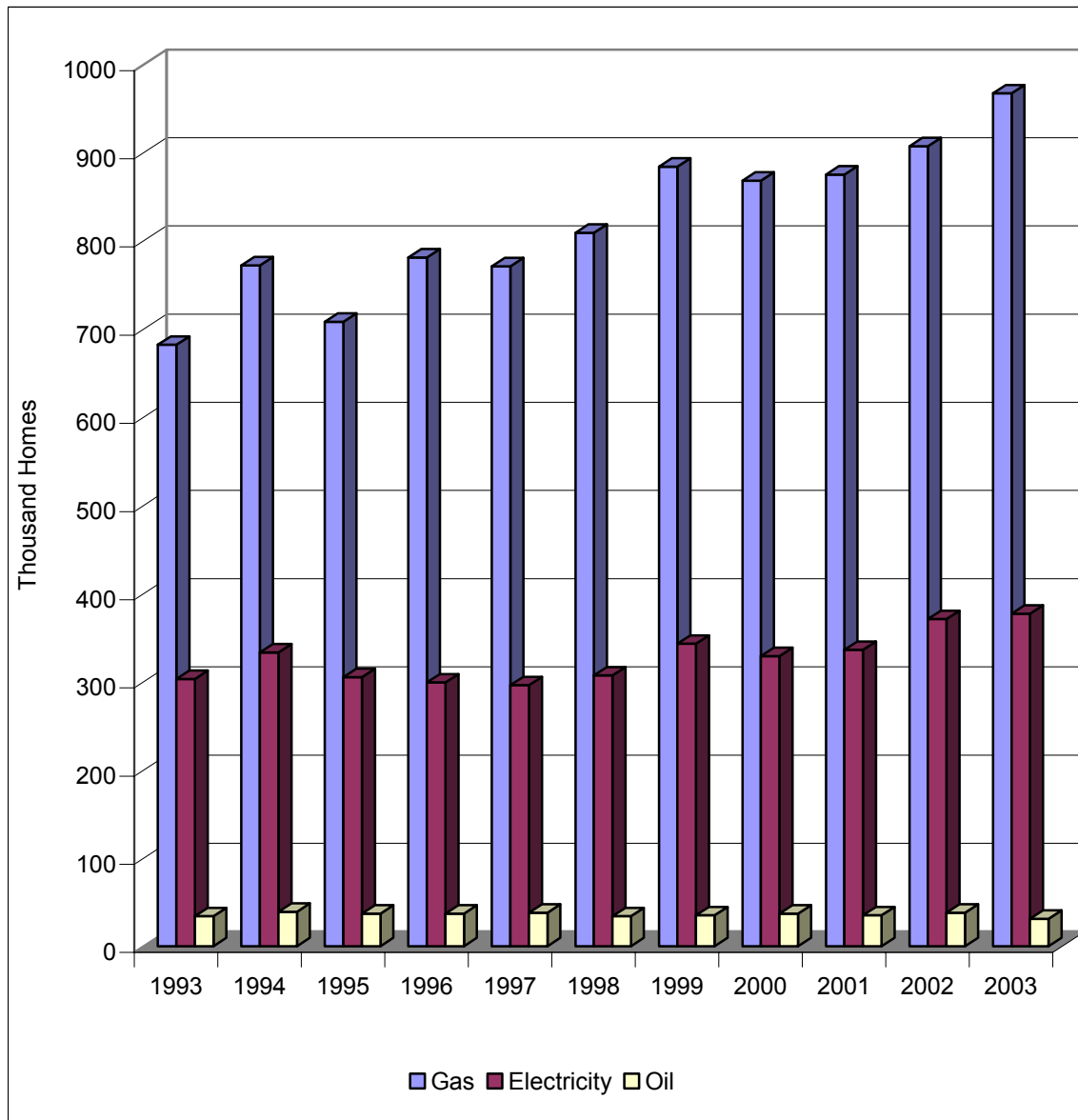
Our thanks go to those companies participating in the *2003 Residential Natural Gas Market Survey* information-gathering effort. Their cooperation and support are essential to making this publication a primary source of natural gas utility industry data and an important industry reference.

Executive Summary

The residential natural gas customer count exceeded 61 million in 2003, or 62 percent, of total U.S. households. Eighty-four percent of these natural gas customers use natural gas for house heating purposes.

- In 2003, seven of every 10 newly built single-family homes (70 percent) featured gas heat – up two percentage points from the 68 percent gas-heat share in 2002. The gas space-heating share of new single-family housing completions exceeded the electric share in all but one region of the country. New gas single-family home completions have exceeded all other energy sources for at least eleven years (see Figure 1).
- In the new multi-family housing arena, gas market share for space heating increased six percentage points, from 45 percent in 2002 to 51 percent in 2003. When both single and multi-family units are considered, the gas heating share of new housing completions increased to 67 percent, compared to 64 percent the previous year. The overall electric share decreased by two percentage points to 31 percent in 2003.
- Net additions to the number of residential natural gas customers totaled 720,000 million in 2003. This represents a decrease of 15 percent compared to 2002.
- The 2003 survey results showed that roughly 17 percent of all new natural gas customers came from homes converted from another energy source. The respondents were asked to provide a breakdown of conversions by fuel type. Based on these data, fuel oil conversions to natural gas accounted for 50 percent of all conversions. Approximately 25 percent of conversion customers had previously heated with electricity. The respondents were unable to identify the previous heating fuel for 25 percent of the homes.
- The overall market share for natural gas space heat in existing homes remained at 52 percent in 2003. Natural gas water heaters have maintained a similar market share as well, while shares for gas cooking and clothes drying remained at 36 percent and 22 percent, respectively.
- During 2003, more than \$3.6 billion went to assist low-income households pay their energy bills or weatherize their homes. Most of the funding came from LIHEAP, with \$2.0 billion in normal appropriations and emergency funds. Utilities, both electric and natural gas, accounted for 26 percent (\$951 million) of the total in the form of discounts, waivers, forgiveness of arrearages, and weatherization programs.

Figure 1
Gas vs. Electricity and Oil Heat
Single-Family Home Completions (1993-2003)



Source: U.S. Bureau of the Census, *Characteristics of New Housing 2003*

United States Housing Market in 2003

New Housing Completions

Additions to the U.S. housing market increased slightly from 2002 to 2003, with new completions totaling 1,678,000.

Natural gas heat continued to dominate the new single-family home market. According to the U.S. Bureau of the Census, new single-family completions heated by gas numbered 967,000 in 2003, up from 907,000 in 2002. Gas heating market share increased to 70 percent in 2003, compared to 68 percent in 2002. The 2003 electric heating market share of new home completions reached 27 percent, a slight decrease from 2002. Single-family home completions heated by gas exceeded electric completions for the 17th consecutive year.

In the new multi-family housing arena, gas market share for space heating increased six percentage points, from 45 percent in 2002 to 51 percent in 2003. The total number of multi-family units completed in 2003 decreased to 292,000 compared to 323,000 in 2002. Market share for electric heat fell by six percentage points compared to 2002, reaching 48 percent in 2003. Natural gas-heated multi-family units numbered 150,000 compared with 139,000 electric units in 2003.

When both single and multi-family units are considered, the market share of new housing heated by gas in 2003 was 67 percent. The overall 2003 electric house heating market share decreased two percentage points to 31 percent in 2003 compared to 2002.

Tables 1 and 2 present the regional breakdown of units completed by type of fuel. Single-family home completions heated by gas outnumbered electric completions in all regions except the South. The gas market shares in the Northeast, Midwest, South and West regions were 70 percent, 92 percent, 48 percent and 91 percent, respectively. Market share for natural gas increased all but one region compared to 2002. In the multi-family sector, gas completions exceeded electric in all regions but the South.

Table 3 shows new housing market share data from 1993 to 2003. The Census data show that overall, new housing market share of gas heat has been higher than electric for at least the last eleven years. The market share went from 64 percent gas and 31 percent electric in 1993 to 67 percent gas and 31 percent electric in 2003.

Table 1

2003 Private Housing Completions by Heating Fuel
(Thousands of Units)

	Share	Units (Thousands)				
Single-Family	(%)	US	Northeast	Midwest	South	West
Gas ¹	70%	967	80	251	305	331
Electricity	27%	377	4	21	328	24
Oil	2%	31	30	Z	1	Z
Other ²	1%	12	1	2	1	8
Subtotal	100%	1,386	114	274	635	363
Multi-Family						
Gas ¹	51%	150	40	42	17	51
Electricity	48%	139	Z	16	103	20
Oil	Z	1	1	0	Z	0
Other	NA	NA	NA	NA	NA	NA
Subtotal	100%	292	41	58	120	73
Combined						
Gas ¹	67%	1,117	120	293	322	382
Electricity	31%	516	4	37	431	44
Oil	2%	32	31	0	1	0
Other ²	1%	12	1	2	1	8
TOTAL	100%	1,678	155	332	755	434
Heat Pump ³						
Single-Family	24%	328	9	16	275	28
Mutli-Family	31%	90	2	8	61	19
Combined	25%	418	11	24	336	47
Manufactured Homes ⁴		138	11	25	76	26

¹Includes propane.

²Includes wood, coal, solar and other fuels.

³Subset of electricity. Share information reflects total market.

⁴Not included in the totals for Single-Family, Multi-Family, or Combined. Heating fuel information not available for manufactured homes. Source: U.S. Bureau of the Census Website.

Z = Less than 500 units or less than 0.5 percent.

NA = Not available

Note: Components may not add to totals due to rounding and withheld data

Source: U.S. Bureau of the Census, *Characteristics of New Housing: 2003*

Table 2

A Comparison of 2002 & 2003 Private Housing Completions
(Percent of Market)

	<u>US Total</u>		<u>Northeast</u>		<u>Midwest</u>		<u>South</u>		<u>West</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Single-Family										
Gas ¹	68%	70%	65%	70%	90%	92%	48%	48%	89%	91%
Electricity	28%	27%	4%	3%	9%	8%	51%	52%	8%	7%
Oil	3%	2%	31%	26%	Z	Z	Z	Z	Z	Z
Other	1%	1%	Z	Z	1%	1%	Z	Z	2%	2%
Multi-Family										
Gas ¹	45%	51%	91%	98%	69%	73%	13%	14%	64%	69%
Electricity	54%	48%	7%	Z	31%	27%	87%	86%	33%	28%
Oil	Z	Z	2%	2%	0%	0%	0%	0%	Z	Z
Other	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Combined										
Gas ¹	64%	67%	70%	77%	87%	88%	42%	43%	84%	88%
Electricity	33%	31%	5%	3%	13%	12%	58%	57%	14%	10%
Oil	2%	2%	24%	20%	0%	0%	0%	0%	0%	0%
Other	1%	1%	0%	0%	1%	0%	0%	0%	1%	2%

¹Includes propane.

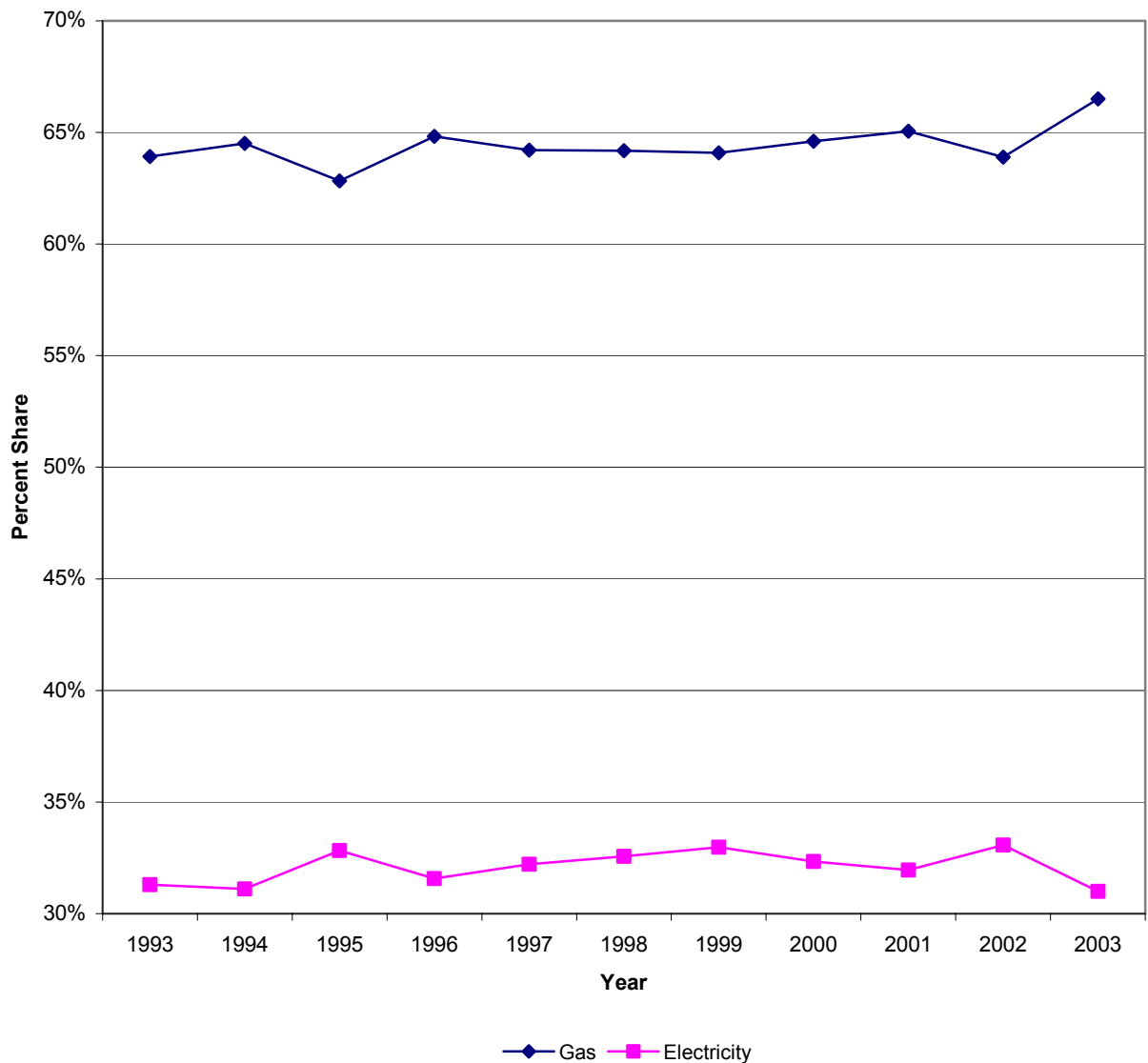
Z = Less than 500 units or less than 0.5 percent.

NA = Not available

Note: Percentages may not add up to 100% due to rounding

Source: U.S. Bureau of the Census, *Characteristics of New Housing: 2003*

Figure 2
Heating Market Share for All Housing Completions
 (1993-2003)



Source: See Table 3

Table 3

**Market Share of Private Housing Completions by Heating Fuel
(1993-2003)**

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Single-Family											
Gas ¹	66%	67%	67%	69%	69%	70%	70%	70%	70%	68%	70%
Electricity	29%	29%	28%	26%	26%	26%	27%	27%	27%	28%	27%
Oil	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%
Other	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Multi-Family											
Gas ¹	52%	52%	47%	48%	45%	44%	43%	45%	47%	45%	51%
Electricity	45%	46%	51%	52%	54%	55%	55%	54%	53%	54%	48%
Oil	S	S	1%	0%	0%	1%	1%	Z	Z	Z	Z
Other	3%	2%	1%	NA	NA	1%	NA	NA	NA	NA	NA
Combined											
Gas ¹	64%	65%	63%	65%	64%	64%	64%	65%	65%	64%	67%
Electricity	31%	31%	33%	32%	32%	33%	33%	32%	32%	33%	31%
Oil	3%	3%	3%	2%	3%	3%	2%	2%	2%	2%	2%
Other	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

¹Includes propane.

S = Data withheld because they did not meet publication standards on the basis of response rate, associated standard error or consistency review.

Z = Less than 500 units or less than 0.5 percent.

NA = Not available

Note: Percentages may not add up to 100% due to rounding

Source: U.S. Bureau of the Census, *Characteristics of New Housing: 2003*

Existing Housing

According to the U.S. Department of Census, more than half of the existing housing units in 2003 used gas to heat their homes, accounting for 62 million of the total 108 million housing units in the U.S. (see table 4).

Gas holds the largest market share in the Midwest, where 79 percent of the homes in that region have gas-heating systems. Gas has the lowest market share in the warmer climate of the South. About 41 percent of the houses in the South used natural gas space heating in 2003.

Gas heating also beats out the competition in the Northeast and West regions of the country. Natural gas house-heating market share in the Northeast was 52 percent, while the natural gas share was 63 percent in the West.

Table 4
2003 Household Space Heating Market Share

	<u>GAS*</u>	<u>ELECTRICITY</u>	<u>FUEL OIL</u>	<u>OTHER</u>
UNITED STATES	57%	31%	9%	2%
NORTHEAST	52%	11%	34%	0%
<i>NEW ENGLAND</i>	<i>37%</i>	<i>12%</i>	<i>48%</i>	<i>0%</i>
Connecticut	32%	16%	50%	0%
Maine	9%	5%	79%	0%
Massachusetts	47%	14%	38%	0%
New Hampshire	29%	8%	57%	0%
Rhode Island	50%	7%	41%	0%
Vermont	29%	4%	57%	0%
<i>MIDDLE ATLANTIC</i>	<i>58%</i>	<i>11%</i>	<i>29%</i>	<i>0%</i>
New Jersey	72%	10%	17%	0%
New York	52%	8%	37%	0%
Pennsylvania	57%	16%	23%	0%
MIDWEST	79%	16%	3%	1%
<i>EAST NORTH CENTRAL</i>	<i>80%</i>	<i>14%</i>	<i>3%</i>	<i>0%</i>
Illinois	87%	12%	0%	0%
Indiana	71%	24%	2%	0%
Michigan	87%	7%	3%	0%
Ohio	75%	18%	5%	0%
Wisconsin	76%	13%	7%	0%
<i>WEST NORTH CENTRAL</i>	<i>76%</i>	<i>19%</i>	<i>3%</i>	<i>0%</i>
Iowa	82%	14%	2%	0%
Kansas	79%	18%	0%	0%
Minnesota	79%	12%	6%	0%
Missouri	70%	26%	0%	0%
Nebraska	76%	21%	0%	0%
North Dakota	60%	29%	8%	0%
South Dakota	69%	21%	7%	0%
SOUTH	41%	53%	3%	1%
<i>SOUTH ATLANTIC</i>	<i>34%</i>	<i>58%</i>	<i>6%</i>	<i>0%</i>
Delaware	47%	28%	23%	0%
District of Columbia	67%	27%	5%	0%
Florida	8%	90%	1%	0%
Georgia	60%	38%	1%	0%
Maryland	50%	33%	14%	0%
North Carolina	36%	51%	11%	0%
South Carolina	33%	62%	3%	0%
Virginia	40%	46%	12%	0%
West Virginia	50%	36%	7%	0%
<i>EAST SOUTH CENTRAL</i>	<i>49%</i>	<i>48%</i>	<i>1%</i>	<i>0%</i>
Alabama	50%	48%	0%	0%
Kentucky	51%	44%	2%	0%
Mississippi	57%	42%	0%	0%
Tennessee	43%	54%	1%	0%
<i>WEST SOUTH CENTRAL</i>	<i>51%</i>	<i>47%</i>	<i>0%</i>	<i>0%</i>
Arkansas	60%	36%	0%	0%
Louisiana	47%	52%	0%	0%
Oklahoma	70%	27%	0%	0%
Texas	47%	51%	0%	0%
WEST	63%	29%	2%	1%
<i>MOUNTAIN</i>	<i>65%</i>	<i>30%</i>	<i>1%</i>	<i>0%</i>
Arizona	39%	58%	0%	0%
Colorado	80%	16%	0%	0%
Idaho	54%	30%	5%	0%
Montana	69%	17%	5%	0%
Nevada	63%	33%	2%	0%
New Mexico	79%	15%	0%	0%
Utah	89%	10%	0%	0%
Wyoming	72%	21%	1%	0%
<i>PACIFIC</i>	<i>63%</i>	<i>28%</i>	<i>2%</i>	<i>1%</i>
Alaska	50%	11%	34%	0%
California	73%	21%	0%	0%
Hawaii	4%	33%	0%	0%
Oregon	43%	45%	5%	0%
Washington	36%	52%	5%	0%

*Includes propane

Source: U.S. Bureau of the Census

Table 5 illustrates the changing nature of household space-heating energy. In the 1940s and 1950s, coal or coke was the dominant fuel, with wood enjoying a large market share – currently, use of those fuels in homes has dropped dramatically. Fuel oil gained its largest market share in the 1960s, but its popularity has declined since. Propane has gained in market share somewhat over the time period. Electricity increased significantly since 1950, particularly after 1970 when the heat pump became popular. Natural gas’ popularity increased substantially over the time period – the advent of the interstate pipeline system and the expansion of local distribution networks increased the availability of this fuel.

Natural gas has been the preferred home heating energy source since 1960.

Table 5

Historic Household Space Heating Market Shares

<u>Year</u>	<u>Utility Gas</u>	<u>Bottled, Tank, or LP Gas</u>	<u>Electricity</u>	<u>Fuel Oil, Kerosene, Etc.</u>	<u>Coal or Coke</u>	<u>Wood</u>	<u>Other Fuel</u>	<u>No Heat</u>
1940	11.3%	NA	NA	10.0%	54.7%	22.8%	0.4%	0.8%
1950	26.6%	2.3%	0.7%	22.6%	34.6%	10.0%	1.8%	1.4%
1960	43.1%	5.1%	1.8%	32.4%	12.2%	4.2%	0.4%	0.9%
1970	55.2%	6.0%	7.7%	26.0%	2.9%	1.3%	0.4%	0.6%
1980	53.1%	5.6%	18.4%	18.2%	0.6%	3.2%	0.2%	0.7%
1990	51.0%	5.7%	25.8%	12.2%	0.4%	3.9%	0.4%	0.6%
2000	51.2%	6.5%	30.3%	9.0%	0.1%	1.7%	0.4%	0.7%

Source: U.S. Department of Census

Residential Natural Gas Customers in 2003

Total Residential Customers

Based on the Energy Information Administration's Form 176 database, the total number of residential natural gas customers reached almost 62 million in 2003. This represents a 1.2 percent increase from 2002.

House-Heating Customers

Based on survey responses and Census information, approximately 84 percent of all residential natural gas customers used gas to heat their homes (see Table 6). The East North Central region of the country had the highest penetration, in excess of 94 percent in 2002, while the New England region had the lowest penetration, around 66 percent.

Natural Gas Customer and Unit Additions

The number of natural gas customers increased 718,000 in 2003. The Pacific, Mountain, and South Atlantic regions had the highest percentage increase in customers while the East North Central region registered a the smallest increase.

Most of the additions were estimated to be from new construction. Of the total additions reported by the survey respondents, 17 percent were from conversions of customers from another fuel. Other factors that should be considered include reductions in the number of customers (demolition, conversion to another fuel, etc.) and reclassification of customers from master-metered apartments to individual meters.

House-Heating Conversions

In 2003, companies responding to the survey reported that 58,637 new customers came from homes converted from another fuel to natural gas. The respondents were asked to provide a breakdown of conversions by fuel type. Based on these data, fuel oil conversions to natural gas accounted for 50 percent of all conversions. Approximately 25 percent of conversion customers had previously heated with electricity. The respondents were unable to identify the previous heating fuel for 25 percent of the homes.

Table 6: 2003 Gas Customers and Unit Additions

Region, Division and State	GAS CUSTOMERS			GAS UNIT ADDITIONS		
	Total(1)	House Heating(2)	Percent Heating(2)	Total(1)	Reported Conversions	Reported Conversions as % of All Reported Additions
UNITED STATES	61,857,913	51,960,647	84.0%	717,893	58,637	17%
NORTHEAST						
NEW ENGLAND	2,140,568	1,407,827	65.8%	27,097	15,439	
Connecticut	466,913	328,240	70.3%	4,339		
Maine	18,385	12,667	68.9%	464		
Massachusetts	1,315,103	831,145	63.2%	19,151	15,439	63%
New Hampshire	88,170	60,837	69.0%	1,023		
Rhode Island	221,141	153,030	69.2%	1,372		
Vermont	30,856	21,908	71.0%	748		
MIDDLE ATLANTIC	9,353,782	7,047,067	75.3%	102,168	17,963	
New Jersey	2,562,856	2,001,591	78.1%	128,323	4,613	33%
New York	4,218,180	3,041,308	72.1%	(40,044)	10,417	42%
Pennsylvania	2,572,746	2,004,169	77.9%	13,889	2,933	21%
MIDWEST						
EAST NORTH CENTRAL	13,254,407	12,477,932	94.1%	71,892	1,970	
Illinois	3,702,308	3,413,528	92.2%	14,056	5	10%
Indiana	1,644,715	1,513,138	92.0%	(12,925)		
Michigan	3,140,021	2,983,020	95.0%	21,564	1,783	11%
Ohio	3,225,908	3,080,742	95.5%	22,442		
Wisconsin	1,541,455	1,487,504	96.5%	26,755	182	3%
WEST NORTH CENTRAL	5,087,675	4,703,466	92.4%	53,181	1,485	
Iowa	832,230	773,974	93.0%	8,012	143	
Kansas	850,464	761,165	89.5%	7,069	3	
Minnesota	1,308,143	1,249,277	95.5%	25,392	933	
Missouri	1,343,614	1,202,535	89.5%	2,888	311	4%
Nebraska	492,451	472,753	96.0%	5,119	95	1%
North Dakota	110,048	105,096	95.5%	1,332		
South Dakota	150,725	138,667	92.0%	3,369		
SOUTH						
SOUTH ATLANTIC	6,445,061	4,975,672	77.2%	99,915	3,701	
Delaware	129,870	107,143	82.5%	3,452		
District of Columbia	136,258	115,819	85.0%	(7,616)	112	38%
Florida	617,373	369,806	59.9%	13,683	279	12%
Georgia	1,747,017	1,457,012	83.4%	11,954		
Maryland	987,863	786,339	79.6%	9,544	264	4%
North Carolina	953,732	699,086	73.3%	47,916	1,962	12%
South Carolina	516,362	389,853	75.5%	7,676	645	20%
Virginia	996,564	755,396	75.8%	14,043	439	4%
West Virginia	360,022	295,218	82.0%	(737)		
EAST SOUTH CENTRAL	3,034,157	2,547,097	83.9%	32,509	770	
Alabama	809,002	656,910	81.2%	7,785		
Kentucky	762,130	650,859	85.4%	5,945	92	14%
Mississippi	438,861	370,838	84.5%	3,840		
Tennessee	1,024,164	868,491	84.8%	14,939	678	13%
WEST SOUTH CENTRAL	6,244,264	4,971,412	79.6%	52,401		
Arkansas	553,211	466,357	84.3%	19		
Louisiana	958,794	762,241	79.5%	1,764		
Oklahoma	872,612	767,026	87.9%	(2,726)		
Texas	3,859,647	2,975,788	77.1%	53,344		
WEST						
MOUNTAIN	4,842,618	4,091,951	84.5%	103,486	4,629	
Arizona	957,442	562,976	58.8%	32,690	970	1%
Colorado	1,453,974	1,394,361	95.9%	41,051	372	1%
Idaho	274,481	227,819	83.0%	13,262	1,787	14%
Montana	232,839	203,734	87.5%	3,824		
Nevada	610,756	532,579	87.2%	30,437		
New Mexico	498,852	414,546	83.1%	11,246		
Utah	678,833	637,424	93.9%	18,156	1,500	7%
Wyoming	135,441	118,511	87.5%	(47,180)		
PACIFIC	11,455,381	9,795,775	85.5%	175,244	12,680	
Alaska	100,404	92,874	92.5%	3,327		
California	9,803,306	8,391,630	85.6%	76,664		
Hawaii	30,473	-	0.0%	(258)		
Oregon	625,398	505,947	80.9%	61,654	4,638	29%
Washington	895,800	805,324	89.9%	33,857	8,042	26%

N/A = Insufficient data available due to lack of survey response.

¹Derived from Energy Administration Form 176 Database (see Appendix 3)

²Derived from survey responses and Census information

³Based on survey responses only: Does not reflect entire population.

Natural Gas Appliance Market Share and Consumption

Market Share of Natural Gas Appliances in Residences

The Department of Commerce's Bureau of the Census reports the number of residences in the United States by region, along with type of fuels in various applications. This report, American Housing Survey, is released every two years and reflects the number of existing households at a particular time. Therefore, the data does not represent the beginning or end of a year.

Table 7

Market Share of Natural Gas Space Heating from 1987- 2003

	<u>2003</u>	<u>2001</u>	<u>1999</u>	<u>1997</u>	<u>1995</u>	<u>1993</u>	<u>1991</u>	<u>1989</u>	<u>1987</u>
Northeast	47%	46%	45%	45%	43%	43%	42%	40%	40%
Midwest	72%	71%	70%	70%	70%	70%	70%	71%	70%
South	35%	35%	35%	36%	35%	36%	36%	37%	38%
West	65%	64%	63%	62%	62%	61%	60%	61%	62%
US Total	52%	52%	51%	51%	51%	51%	50%	51%	51%

According to the U.S. Department of Commerce's Census Bureau, the market share of natural gas in the residential space heating sector has remained at 50 - 52 percent over the last 16 years. The largest gain in market share for natural gas furnaces was in the Northeast region, where gas grew by seven percentage points. The South exhibited a loss in market share, where gas dropped three percentage points.

Table 8

Market Share of Natural Gas Cooking from 1987- 2003

	<u>2003</u>	<u>2001</u>	<u>1999</u>	<u>1997</u>	<u>1995</u>	<u>1993</u>	<u>1991</u>	<u>1989</u>	<u>1987</u>
Northeast	49%	48%	48%	48%	49%	48%	48%	49%	50%
Midwest	38%	38%	39%	39%	39%	40%	40%	41%	40%
South	22%	22%	22%	23%	23%	24%	24%	25%	26%
West	44%	42%	41%	41%	41%	40%	40%	39%	39%
US Total	36%	35%	35%	36%	36%	36%	36%	37%	37%

Despite the fact that the West region increased its market share five percentage points for natural gas cooking, the overall market share for gas cooking has decreased from 37 percent in 1987 to 36 percent by 2003. The largest losses were in the South region, where gas fell by four percentage points. The Midwest region followed the South in market share losses by dropping two percentage points.