

Natural gas costs could leave consumers cold this winter

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Energy prices are high and will likely stay that way, with the biggest winter sticker shock expected in the Midwest, according to a Purdue University agricultural economist.

Wally Tyner, professor of agricultural economics, said Midwest homeowners will see some of the highest price jumps in the country when they receive their natural gas bills this winter.

"Last winter was warmer than normal in this part of the country, and natural gas prices were lower in the Midwest than elsewhere in the nation," Tyner said. "That means the price rise locally this year will seem even steeper."

Tyner said the U.S. Department of Energy predicts an average price increase of 52 percent this winter for natural gas across the nation and a whopping 71 percent for the Midwest. That's based on mid-range Hurricane Katrina recovery price predictions, he said.

"About 64 percent of the Midwest gas heating cost increase is based on the expected increase in natural gas prices, while 7 percent of the boost is related to the expectation that this winter will be colder than last year," Tyner said.

For homeowners there is no relief in sight. Natural gas prices could go higher, he said, because the 71 percent increase estimate is based on median predictions. However, if conditions improve, the cost increase

would be lower but will still be high. Tyner said the only good news is we probably won't run out of natural gas, as supplies are adequate.

Those who heat with other fuels still won't escape the high cost of staying warm this winter. People who use propane instead of natural gas can expect price increases of around 40 percent. He said electricity costs are expected to rise 11 percent, and the price of coal is expected to increase 16 percent.

"Consumers should expect to pay close to 50 percent more this year for all of their energy needs," he said.

Tyner said consumers are already cutting back on other purchases based on high gasoline prices. He predicts even more belt tightening when heating bills hit mailboxes starting next month.

"People are going to have to make some tough decisions. A roughly 70 percent increase in natural gas cost is a big jump that probably most people have not planned for," he said.

Source: Purdue University

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