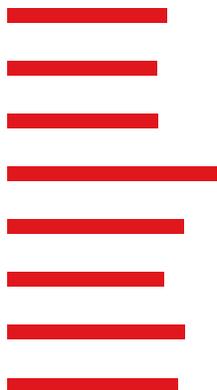




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Experts predict gas, electric prices to climb; lack of supply, regulation changes to blame

By Mary Beth Breckenridge
Beacon Journal staff writer

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It looks like we'll be singing the home-energy blues again — maybe at a more fevered pitch.

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Packing up, heading out

The cost of natural gas is expected to rise dramatically before the next home-heating season arrives, and electricity is poised to go up as well.

"It's looking pretty ugly for next winter," said Richard Lubinski, an independent energy consultant from Silver Lake.

Based on what he's seeing now in the commodities market, Lubinski, president of Think Energy Management LLC, expects the delivered price of natural gas to exceed \$15 per thousand cubic feet and perhaps reach \$16 or \$17 — an increase of 50 percent or more over the one-year fixed rates of \$9.49 to \$10 per mcf being offered last fall, and an even bigger jump compared with non-contract rates.

It wouldn't be the first time we've seen rates that high. After Hurricanes Katrina and Rita in 2005, marketers were offering fixed rates as high as \$15 or even \$21 per mcf, but many people didn't have to pay that because they were locked into rates around \$10 or \$11. Jeff Murphy, director of rates and gas supply for Dominion East Ohio, expects a more modest 10 to 15 percent increase.

But the increase may seem even steeper to customers who are seeing their budgets adjusted to reflect last winter's use, Murphy said. Because the winter was colder than expected, most customers used more gas than they were budgeted for, so their unpaid balances will be added to the coming year's bills, he said.

Reasons for increase

One factor affecting prices is depleted storage because of the colder-than-normal winter, Murphy said. It used to be that natural gas utilities could replenish their supplies over the summer, when demand was low. But now they're competing with gas-powered electric generating plants at the time of year when electricity demand peaks.

Add to that the reality that supplies of natural gas are dwindling, Ohio Consumers' Counsel Janine Migden-Ostrander noted. Based on current technology, the United States has only 67 years' worth of supplies that are economically feasible to recover, she said.

In addition, all of Ohio's major natural-gas utilities are seeking delivery-rate increases to improve infrastructure and replace meters with automatic meter readers. Although Migden-Ostrander pledged to make every effort to ensure that's done in the most cost-effective way, "the writing (regarding price increases) is on the wall," she said.

The outlook for electricity is cloudier, but one thing is known: Starting Jan. 1, the state is changing the way it regulates the portion of electric bills that represents the cost of generating electricity. Electric utilities must negotiate electric security plans with the Public Utilities Commission of Ohio, and as a result, electric rates are almost sure to go up.

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"We should be seeing electrical rate increases that are substantial," Lubinski said. No one knows what will happen, he said, but he expects FirstEnergy's increase to be "in the double digits."

"It's certainly going to be more than the rate of inflation," he said.

FirstEnergy spokesman Ralph DiNicola is more cautious. "Nobody knows what the price will be for next year," he said. "There's so much that's not known."

Upward trend

In the meantime, FirstEnergy has already filed for an increase in the distribution portion of its bills. Migden-Ostrander said the increase the company is seeking would amount to more than \$340 million for all three of its Ohio companies — Ohio Edison, the Illuminating Co. and Toledo Edison — and would increase Ohio Edison customers' total bills 6 to 7 percent. However, her office is challenging more than \$300 million of that increase, she said.

In the long run, the rising cost of coal because of global competition and the possibility of new environmental regulations will probably increase electrical costs, FirstEnergy's DiNicola conceded.

In the near term, though, he doesn't foresee electricity prices increasing as much as natural gas or gasoline.

Regardless, home-energy prices have been on the rise the last five years, and "we don't really see that changing," said Ronnie Kweiler, a spokesperson for the Alliance to Save Energy, a nonprofit coalition that promotes energy efficiency. Nationwide, the average household is expected to spend about \$2,200 this year on residential energy, about half of that for heating and cooling — up from about \$2,100 in 2007 and \$1,700 in 2004.

So more than ever, energy conservation is essential, the energy experts said.

Lubinski thinks consumers who have been complacent up to now will finally be spurred to action with this round of price increases.

"It's like the first time you fill up your gas tank for \$100 and say, 'Oh, *now* I get it,' " he said.

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