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HURRICANES MAY HIKE PRICES FOR JEFFERSON CITY NATURAL GAS (Published in the October issue of the Jefferson City Business Times) - 10/1/2005

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HURRICANES MAY HIKE PRICES FOR JEFFERSON CITY NATURAL GAS

COLUMBIA, Mo. – Although government sources predict energy costs for Jefferson City businesses and residences will rise significantly this winter, AmerenUE suggests its prior purchasing of natural gas will lessen the pain.

In studying the industry's ability to recover from Hurricane Katrina, the Energy Information Administration's most recent mid-range forecasting scenario predicts that residential and commercial customers in the Midwest may pay 50 percent higher prices for natural gas than last winter and 40 percent higher for propane, said Anita Randolph, director of the Missouri Department of Natural Resources' Energy Center.

However, AmerenUE predicts only a 15 to 25 percent increase in natural gas prices for its roughly 25,000 electric and 15,000 natural gas customers in the Jefferson City area, according to spokesman Mike Cleary, because the company purchases and stores natural gas at less expensive rates during the summer in preparation for the peak heating season. Although AmerenUE will probably ask for an increase in its Purchased Gas Adjustment rate for natural gas November 1 after assessing the impact of hurricane season, the company already has 80 percent of the natural gas needed for a normal winter in storage or contracted at a lower rate, he said.

Cleary said there are no plans to raise local electric rates this winter although the EIA predicts electric rates will rise by 11 percent across the South. Most of AmerenUE's electricity comes from coal, nuclear and hydroelectric sources, whereas southern states such as Texas rely heavily on natural gas for electricity.

Hurricane Katrina slammed energy production facilities on the Gulf during the height of peak summer demand, disabling many of the nation's refineries, off-shore oil platforms and fuel pipelines and driving prices toward new heights. Facilities are slowly returning to production, but the increased winter demand for heating fuels is coming soon. And Hurricane Rita may wreak further havoc on the petroleum industry.

Worldwide demand for fuel and the speed of hurricane recovery in the petroleum industry will strongly influence the price of heating fuels, Randolph said. "This is all forecasting; it depends on whether the winter is cold or mild," she said. "If it's mild, then we skate by with less

increase. If it's cold, it may be worse than EIA thinks. If industry recovers from Katrina faster than the mid-range forecast, then that will ease prices also."

Meanwhile, the summer driving season is over, and gasoline prices appear to be dropping overall. In the quarter that ends this month, the price for gasoline at Midwest pumps is expected to average \$2.57 a gallon, but the Energy Information Administration estimates that, by the end of the year, gasoline prices will average \$2.32 for the year, Randolph said. Because people don't drive as much in the winter, gasoline demand usually drops during those months, she said.

"Energy efficiency is the best defense against rising energy prices," Randolph said. She suggested that homes and commercial buildings should be insulated and sealed from leaking heat through doors and windows. Energy-efficient lighting is also especially important for institutions with long hours of operation, as are the efficiency of heating and air conditioning systems and mechanical equipment.

