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As Price of Oil Soars, Users Shiver and Cross Their Fingers

By **DIANE CARDWELL** and **CLIFFORD KRAUSS**

NORTH BROOKFIELD, Mass. — When David Harris built his 2,000-square-foot hilltop home nine years ago, he wanted to put in [natural gas](#), but the utility wouldn't run a line to his house. Like many people here, he was stuck using [heating oil](#).

Mr. Harris added a wood stove to help cut costs and now uses only about one-third of the [oil](#) the house would otherwise need. But that did not stop a deliveryman for Crowley Fuel from handing him a \$471.21 bill earlier this month for a refill that should get him to April.

"You just cross your fingers and hope that it doesn't get too much worse," Mr. Harris said.

Actually, it probably will — for him and the residents of the roughly eight million other American homes that use heating oil, mostly in a band from Maine to Pennsylvania.

While natural gas prices have plummeted to 10-year lows, heating oil prices have been steadily rising for years and are expected to reach record levels this winter, precipitated by higher costs for crude oil and the shutdown of several crucial refineries in the Northeast and in Europe. The Energy Department projects a price of \$3.79 a gallon over the next few months, more than a dollar above the winter average for the last five years. Analysts do not expect much relief in the longer term, either, because global oil prices are expected to stay high amid political instability in the Middle East and rising demand from developing countries.

With electricity prices also down, utilities are trumpeting that bills will drop this season for customers using gas and electric heat. Con Edison announced this week that residential gas heating bills in New York were expected to drop 11.5 percent this winter, and in New Jersey, PSE&G said that it would cut February bills for residential gas customers by an average of \$30.

"The people who have been unable to switch off of heating oil will be increasingly penalized in the coming years," said Jay Hakes, a former administrator of the Energy Information Administration and now the director of the Jimmy Carter Library and Museum. "There's going to be a continuing incentive to get off heating oil, because every day the headlines and experts say that over the foreseeable future, we will have natural gas at attractive prices."

Nationwide, the average household using oil spent \$2,298 on heat last year, compared with \$724 spent by gas users and \$957 spent by electricity users, according to the Energy Department.

This year, heating oil users are expected to spend 3.7 percent more than last year, while natural gas customers are expected to spend 7.3 percent less and electricity users will spend 2.4 percent less, according to the department.

Cheap natural gas was part of the appeal for Gus Kontoudakis, who spent about \$3,000 to switch from oil at the home he rents out in Plainfield, Conn. The boiler was due for replacement anyway, he said. He already had gas at his restaurant, Gus's Pub and Pizzarama. "I checked the bill and saw the difference and convinced myself to change it and give a break to my tenants," he said, adding that the oil heat was costing him about double what he now paid Yankee Gas.

But many oil users — living in places like Alaska, Maine and even affluent parts of Manhattan — do not have that option. Some are simply too far from a pipeline. For others, converting to natural gas is unaffordable, with costs that can run to tens of thousands of dollars for each home. As a result, they are trapped in a cycle of spending more and more for heat while those who use natural gas and electricity are generally spending less and less.

That dynamic is at work in households across the economic spectrum, but the cost gap looms as a crisis for the poor, experts warn, since [the federal government has cut financing for energy assistance programs](#).

"We're concerned about a public health problem if there isn't additional money found," said Mark Wolfe, executive director of the National Energy Assistance Directors' Association. "We've really never been in a situation before where we're going into the winter with very high prices" for heating oil, he said, adding that the highest prices tended to come near the middle or end of the season.

The use of heating oil, which rose after [World War II](#) as a replacement for [coal](#), has been on a long decline. As the use of virtually every other fuel has increased, the number of households that use heating oil has dropped from about 20 percent in 1975 to roughly 7 percent today, spurred by new home construction and population shifts to the West and South, closer to natural gas fields and pipelines. Government incentives for installing insulation also cut consumption of heating oil.

For decades, the prices of oil and gas moved virtually in tandem, but in recent years, vast increases in American gas supplies have made gas decisively cheaper.

Meanwhile, heating oil could grow more scarce in the Northeast this winter, the Energy Department warned last month. Companies have been closing refineries that produce heating oil because of declining profit margins. Sunoco and ConocoPhillips recently announced the idling of two major refineries in Pennsylvania, and a third refinery owned by Sunoco may close next

summer.

Encouraged by the low prices for natural gas and government and utility incentives, more oil customers have been looking to make the switch.

Thomas Dziki of Richmond Hill, Queens, said it was a \$750 bill to fill up his 150-gallon oil tank last winter that prompted him to call National Grid to convert. He spent about \$8,500 to switch his three-story home to gas. Now, his monthly bills are in the \$30 to \$50 range — so low, he said, that “you almost want to call and say, ‘Sorry, you’re not billing me enough.’”

For larger buildings in New York City, there is increased pressure to switch because of a new pollution regulation that will phase out the use of the heavier heating oils.

But conversion costs can be prohibitive, in part because Con Edison, the local utility, has to rip up the street to run pipes larger than those used for cooking gas.

“As a consumer, I’m very frustrated,” said Nancy T. Schmitt, an energy-sector investment adviser whose Upper East Side co-op burns the densest form of oil. Her complex of about 50 units is weighing whether to switch to natural gas or to a lighter fuel to meet the new rules. “I’m paying a high price for a dirty fuel, and I’ve got a cleaner fuel available and I want to see it happen,” said Ms. Schmitt, who was trained as an environmental engineer.

But by one estimate, she said, it would cost \$2 million to connect her complex to the existing lines. Con Ed has been working to help organize buildings into clusters for conversion, to lower costs and diminish the inconvenience.

Ultimately, heating oil faces a grim future, said Bob LaFlamme, who took over Crowley Fuel in North Brookfield from his wife’s family 23 years ago.

“People are looking for alternatives,” he said, adding, “Even one of my own employees switched over, so that’s telling you something.”