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Heating Bills to Send Chill Through Americans' Finances

Gasoline prices have receded, but heating costs will be the next source of sticker shock, depending on where you live



The Northeast has all the ingredients for a perfect storm this winter when it comes to heating costs. PHOTO: MATT STONE/MEDIANEWS GROUP/BOSTON HERALD/GETTY IMAGES

By [Jinjoo Lee](#)

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Heating bills are about to deliver an unpleasant jolt to American households.

In a November report, the U.S. Energy Information Administration said it expects retail natural gas heating expenditures this winter (October to March) to increase by 25% on average and electricity bills to rise 11%. Households using heating oil will see an even bigger shock: EIA [expects heating oil expenditures to rise 45%](#) this winter compared with the last one.

While [higher prices at the pump](#) tend to capture consumers' attention immediately, heating bills comprise almost as much wallet share as gasoline. In 2021, the average American consumer spent roughly \$179 on gasoline and \$176.67 on heating (electricity, natural gas and fuel oil) a month, each accounting for roughly 3% of total expenditures, according to survey data from the Bureau of Labor Statistics.

The [size of the winter sticker shock](#) will be shaped by three important variables: the primary fuel used for heating, the local electricity market structure and, of course, the weather. Given the relatively mild rise in electricity prices, parts of the country that rely more on it for heat, largely in the South, might experience less of a shock. With the exception of Texas, many states in the South also have regulated electricity markets where [power prices are more shielded](#) from the ups and downs of natural-gas prices because they tend to reflect the average cost of generation, which include sources such as nuclear, solar and wind energy. By contrast, power prices in deregulated markets tend to reflect that of natural gas, which sets the marginal cost of generation.

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heating oil as a primary heating fuel. Supplies on the East Coast are 32% below last year's levels, EIA data show.

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world switch from natural gas to heating oil.

Even electricity prices are set to surge in parts of the Northeast. Around 17% of households in the region primarily use electricity as their heating source, according to the EIA. Power markets in much of the Northeast are deregulated, which means electricity prices eventually will reflect the price of natural gas, even if there is a bit of a time lag.

For example, the average residential electricity rate of National Grid customers in Massachusetts is expected to surge to 51 cents per kilowatt-hour in December, up 73% from a year earlier, according to data on utility rates and bills gathered by consumer advocacy group Power for Tomorrow. For a household that consumes a typical 1,000 kilowatt-hours a month, that translates to a roughly \$510 monthly electricity bill, up from \$295 a year earlier.

Market and weather forces could make for a chilling combination this winter.

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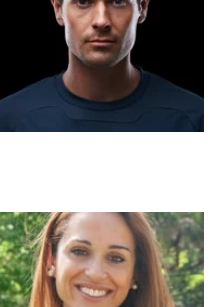
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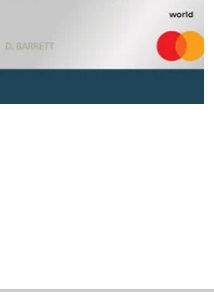
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