



Rick Snyder, Governor
Valerie Brader, Executive
Director

Contact: **Judy Palnau**
517-284-8300
www.michigan.gov/energy

Michiganians to see savings on winter heating bills thanks to lower fuel prices, says Michigan Agency for Energy

October 21, 2015 – Michigan residents will likely save big on their heating bills this winter thanks to lower fuel prices and predicted warmer-than-normal temperatures, according to the Michigan Agency for Energy’s “[Michigan Energy Appraisal: Winter 2015/2016](#)” issued today.

The appraisal notes that Michigan’s energy market at the onset of winter will have adequate reserves and lower prices. With the expectation of a return to normal winter weather, consumption of home heating fuels (natural gas, propane, and distillate) will fall, while demand for motor fuels (gasoline and diesel) will rise.

Natural gas usage for electric generation has seen significant growth, echoing a trend seen across the nation. Weather is the most important factor when considering consumption of winter heating fuels. With the recurrence of a relatively strong el Niño this summer, Midwest winter forecasts are for a warmer than normal winter. According to the National Weather Service, Michigan has a 40 to 60 percent chance of a warmer than normal winter; at the same time, it is predicting that Michigan has a 40 percent chance of a drier than normal winter.

Electricity – Michigan’s total electricity sales in 2015 are expected to decrease by 0.2 percent from 2014 sales, assuming normal weather for the rest of the year. This projected decrease is driven by the industrial sector, whose usage is expected to fall by 4.4 percent. Residential demand is projected to decrease by 0.5 percent, with the commercial sector expected to increase by 3.6 percent. Increased energy efficiency, mild summer temperatures and projected increase in commercial employment appear to be contributing to these trends.

Natural Gas – Assuming normal winter weather for the remainder of the year, total natural gas sales in Michigan are projected to increase by 2.1 percent in 2015, to 859.5 billion cubic feet (Bcf). This increase is primarily due to consumption in the electric generation sector, which is expected to increase by about 50 percent from 2014. In recent years, the electric power industry has begun a shift toward natural gas generation, in part to reduce air pollutants and in part to take advantage of lower fuel costs. With an expected return to normal winter weather, natural gas consumption for the residential and commercial sectors should fall below 2014 levels. The average residential winter natural gas bill for the four largest utilities in Michigan is expected to average \$512, an 18 percent reduction from last year.

Petroleum – Total liquid fuels consumption rose by 0.8 percent in 2014 and is expected to increase by 1.7 percent or 330,000 barrels per day (bbl/d) in 2015. Increases in motor gasoline consumption make up most of these increases, registering an 80,000 bbl/d growth in 2014 and a projected 210,000 bbl/d (2.3 percent) increase for 2015. These increases are in spite of the continued fuel efficiency improvements seen in the U.S. fleet, and are predominately tied to positive economic growth and lower fuel prices. U.S. crude oil production averaged 8.7 million bbl/d in 2014, the highest production levels seen in decades. Continued growth is expected through the 2015 calendar year, reaching 9.2 million bbl/d in 2015, but is expected to retreat in 2016 as new investments are reduced in light of current crude oil prices. With continued high inventory levels of crude oil, the Energy Information Administration (EIA) projects that Brent crude oil will average \$54/bbl in 2015 and \$59/bbl in 2016, while West Texas Intermediate (WTI) is expected to average slightly lower at \$49 and \$54, respectively.

Motor Gasoline – Gasoline sales in Michigan are projected to increase by 3.1 percent in 2015, marking the third straight year of increased demand and bucking a decade-long trend of declining sales. Consumption increases in 2015 are likely contributable to significant decreases in the retail cost of gasoline, resulting from lower crude oil prices. Since summer 2014, crude oil prices have dropped steadily from a high of \$107/bbl in mid-June to the \$40 to \$60 range throughout 2015 to the current \$45/bbl range of today. According to the AAA Fuel Report, the average price for a gallon of regular unleaded gasoline in Michigan was \$2.48 on October 1, 2015, down 26 percent from this time last year (\$3.36).

Distillate Fuel Oil – Total distillate sales in Michigan are projected to see moderate growth in 2015, increasing by 1.3 percent to 1.13 billion gallons. This will mark the third year of growth in distillate sales, based in part on continued growth in the industrial sector, however largely influenced by the reduction in fuel costs. According to AAA Michigan, the average price of diesel in Michigan was \$2.57 for October 1, 2015, \$1.22 below the price seen at this time last year. In recent years, heating oil has become an increasingly small component of the overall distillate picture in Michigan because fewer homes use it as a primary heating source. The average cost of No. 2 distillate fuel (heating oil) was \$2.28 on September 28, almost 31 percent below the cost of heating oil at this time last year.

Propane – Michigan propane usage is projected to decrease by 5.8 percent in 2015, assuming normal winter weather for the remainder of the year. Colder than normal temperatures and a concerted effort to promote early fills, caused propane use to increase 15 percent in 2014. Propane prices this winter should be the lowest Michigan has seen in many years. Spot prices for propane at the two major trading hubs (Mont Belvieu, Texas and Conway, Kan.) are averaging over 40 percent lower than the same time last year. This would suggest that Michigan consumers will start the season with retail rates significantly under \$2/gallon, unless locked into long-term contracts. For the week of September 28, the average residential propane price in Michigan was around \$1.40/gallon about 60 cents lower than this time last year.

Winter Heating Bills – Assuming a return to normal weather, the usage of all heating fuels is expected to decrease significantly from the previous year. Accompanying this decrease in

usage is an expected reduction in fuel prices for natural gas, propane, and heating oil. Natural gas utility customers are expected to see an 18 percent reduction in winter heating bills.

In Michigan, 77.6 percent of households heat with natural gas; 8.7 percent use propane; 7.5 percent use electricity; 3.4 percent use wood; 1.6 percent use heating oil, and 1.2 percent use another heating fuel.

The [appraisal](#), published since 1978, reviews the projected prices and availability of energy in Michigan over the winter months.

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