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High winter heating bills may burn through wallets

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By Barbara Hagenbaugh, USA TODAY

WASHINGTON — Consumers may be enjoying some relief at the gasoline pump, but another energy shock likely is just around the corner.

Winter bills for heating oil, natural gas and electricity are expected to soar to records, putting a renewed crimp on household budgets.

Heating oil customers are forecast to see the biggest increases, according to the Energy Information Administration, the non-partisan statistical arm of the U.S. Energy Department. Heating oil users will pay \$2,644 on average to heat their homes this winter, up 36.3% from last year. Homeowners with natural gas, the most popular heating source in the USA, will pay \$1,059, a 23.8% increase, according to the EIA's early forecast.

The EIA's projections are based on government meteorologists' expectations for a winter that is colder than last year but warmer than the average seen from 1971 to 2000. An especially cold winter would hit household budgets even harder.

"If we ever needed a mild winter, we need it now," says Peter Beutel, head of energy-price consultant Cameron Hanover.

If government predictions come true, homeowners will spend \$22 billion more to heat their homes this winter than they did last year, estimates Mark Zandi, chief economist at Moody's Economy.com.

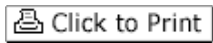
That could cut gross domestic product by 0.3 percentage points at the end of 2008 and into 2009 at a time when "the economy will be struggling to remain in positive territory," Zandi says. "The added financial burden of heating our homes will make this the toughest winter since that of 2001-2002," when the economy was coming out of a recession and employers were cutting jobs, as they are now.

"Not only are energy costs going through the roof, but people's incomes are going down," says Joseph Volk, executive director of Community Advocates, a Milwaukee-based non-profit that helps people pay heating bills. People who are worried they won't be able to pay to heat their homes have been lining up outside the group's doors this summer, months earlier than usual, Volk says.

Higher prices are forcing heating oil dealers to take out bigger credit lines at a time when credit has tightened. That means many dealers, who in the past may have let homeowners pay late, are not going to be as flexible, says Matt Cota, executive director of the Vermont Fuel Dealers Association.

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