



**Environmental Services Division**  
Energy and Waste Management Bureau

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**ENERGY PRICES RECORD NEW HIGHS; E-85 SALES SOAR IN WAKE OF HURRICANE KATRINA**

DES MOINES — Refinery shutdowns and lost crude oil and natural gas production due to Hurricane Katrina combined to drive energy prices to a record high in early September. By September 15, prices had retreated, but the average price for a gallon of self-serve, regular gasoline blended with ethanol in Iowa was still \$2.72 per gallon, a new record for the survey. This was \$0.27 higher than last month, and 56 percent higher than this time last year (\$1.74 per gallon).

The latest data shows that ethanol-blended gasoline represented 75 percent of all retail gasoline sold in July. All auto manufacturers warrant the E-10 blend of 10 percent alcohol and 90 percent gasoline for use.

The average price for regular gasoline in Iowa was \$2.76, also a new record for the survey. This was \$0.26 higher than last month, and \$1.00 higher than this time last year (\$1.76 per gallon).

“Although prices have eased, we’re still in hurricane season,” said Jennifer Moehlmann, energy data analyst for the DNR. “Any additional damage to the oil infrastructure, or the threat of such damage, could send prices higher again.”

The sustained high prices of gasoline, combined with the increasing availability of E-85, a blend of 85 percent renewable ethanol and 15 percent gasoline, have driven interest in the alternative fuel. More than 90,000 vehicles registered in Iowa can use the fuel. So far this year, retail stations reported sales of nearly 370,000 gallons of E-85, compared to the nearly 141,000 gallons sold during the entire 12 months of 2004.

“More and more Iowans are choosing E-85,” said Tami Foster, DNR energy planner and coordinator of the Iowa Clean Cities program, which focuses on expanding the alternative fuels market in the state. “Using E-85 reduces petroleum consumption and offers considerable environmental benefits.”

E-85 typically sells for about 40 cents per gallon less than regular unleaded. According to Foster, drivers may notice a loss in fuel economy with E-85, with the loss ranging from 10 to 30 percent.

“The difference in price is intended to help offset the loss in mileage,” said Foster.

E-85 can be used in flexible-fuel vehicles, which are manufactured to use any blend of ethanol and gasoline up to the 85/15-percent blend. Many automobile manufacturers offer vehicles that can use E-85, including Daimler Chrysler, Ford, General Motors and Nissan. For a list of flexible-fuel vehicles, visit [www.e85fuel.com](http://www.e85fuel.com).

Diesel prices rose as well, setting a new survey record on September 15 at \$2.72, up \$0.18 from last month, and \$0.85 higher than this time last year (\$1.87 per gallon). Diesel prices rose on increasing crude oil prices as well as concerns about potential supply shortfalls due to refinery shutdowns.

Fuel prices are not regulated by state or federal laws, but companies are prohibited from conspiring to set prices. Iowa retail prices react mainly to changes on the wholesale market, where oil, gasoline and diesel are traded as commodities – much like corn or hogs. To limit the impact of high prices on their wallet, Iowa consumers can drive more efficiently, keep vehicles tuned up, and plan and combine trips. Consumers can also choose ethanol at the pump, purchase E-85 for flexible fuel vehicles and choose biodiesel blends for diesel vehicles. To help consumers improve fuel efficiency, the Iowa DNR has placed tips and information on fuel savings and alternative fuels on its Web site at [www.iowadnr.com](http://www.iowadnr.com).

Oil prices again surged past \$70 per barrel in early September, then fell as the industry began to recovery from Hurricane Katrina, settling at \$66.28 on August 15, \$1.52 less than one month ago but still 48 percent higher than last year (\$43.90).

According to the DNR’s September 15 fuel price survey, the average retail price of propane was \$1.45 per gallon, \$0.19 higher than the previous month and 22 percent above the retail price of propane at this time last year (\$1.15 per gallon). This is the highest price for propane recorded by the survey, which began in 1980. The Energy Information Administration predicts propane expenditures this winter may rise 40 percent, compared to last year.

The price survey reported the average retail price of No. 2 heating oil was \$2.33 per gallon, \$0.24 higher than last month and 33 percent above last year’s price at this time (\$1.75 per gallon). This is the highest price for heating oil recorded by the survey, which began in 1980. The EIA predicts heating oil expenditures this winter may rise 31 percent, compared to last year.

On August 12, natural gas was trading at \$9.31/MMBtu, \$1.52 higher than last month and 71 percent above the price of natural gas at this time last year (\$5.45/MMBtu). The Iowa Utilities Board predicts residential natural gas bills this winter may rise 31 to 44 percent, depending on the weather.

With higher heating prices predicted this year, consumers should make improvements to their homes’ efficiency to help lessen the blow. Simply caulking and weather-stripping to eliminate air leaks can save 10 percent on a typical home’s energy bill. More tips for saving energy and money at home and on the road are available at [www.EnergySavingTips.gov](http://www.EnergySavingTips.gov).

#### MOTOR FUELS SURVEY STATE AVERAGES

<b>Self-Serve</b>	<b>August 15</b>	<b>September 15</b>	<b>Change</b>
Regular Unleaded with Ethanol	2.45	2.72	+0.27
Regular Unleaded	2.50	2.76	+0.26
Premium Unleaded	2.56	2.81	+0.25
Diesel	2.54	2.72	+0.18

Source: Oil Price Information Service, [www.opisnet.com](http://www.opisnet.com)

#### AVERAGE SELF-SERVE REGULAR WITH ETHANOL PRICES IN MAJOR CITIES

	<b>August 15</b>	<b>September 15</b>	<b>Change</b>
Ames	2.48	2.68	+ 0.20
Cedar Rapids	2.50	2.66	+ 0.16
Council Bluffs	2.47	2.55	+ 0.08
Davenport	2.53	2.84	+ 0.31

Des Moines	2.39	2.61	+ 0.22
Dubuque	2.46	2.65	+ 0.19
Fort Dodge	2.41	2.79	+ 0.38
Iowa City	2.51	2.75	+ 0.24
Sioux City	2.43	2.65	+ 0.22
Waterloo	2.38	2.73	+ 0.35
Webster City	2.41	2.87	+ 0.46
Average Metro Price	2.45	2.71	+ 0.26

Source: Oil Price Information Service, [www.opisnet.com](http://www.opisnet.com)

#### WHOLESALE PRICES IN METROPOLITAN AREAS IN IOWA

<b>Unleaded Gasoline</b>	<b>August 11</b>	<b>September 8</b>	<b>Change</b>
Des Moines	1.86	2.44	+0.58
Dubuque	1.87	2.49	+0.62
<b>Ethanol</b>	<b>August 11</b>	<b>September 8</b>	<b>Change</b>
Chicago	1.86	2.71	+0.85
<b>Diesel Fuel</b>	<b>August 11</b>	<b>September 8</b>	<b>Change</b>
Des Moines	1.84	2.18	+0.34
Dubuque	1.86	2.20	+0.34

Source: Oil Price Information Service, [www.opisnet.com](http://www.opisnet.com)

#### HEATING FUELS SURVEY

	<b>August 12</b>	<b>September 15</b>	<b>Change</b>
Natural Gas	9.31	11.14	+1.83
Propane	1.26	1.45	+0.19
#2 Heating Oil	2.09	2.33	+0.24

Sources: Wall Street Journal, Iowa Department of Natural Resources