

## State of Nebraska Heating Oil and Propane Program

### 2013/2014 Winter Heating Season Annual Report July 2014 Introduction

Propane stole the headlines in the 2013–2014 heating season. The industry explained the situation as an imbalance of supply caused by transportation and storage issues and heavy use by agriculture in the fall of 2013. There was no lack of gas, just not enough where the cold weather raised demand. Cold weather, last year’s wet corn crop, and changes to pipeline operations contributed to the supply–and–demand scenario.

A late harvest in Nebraska coincided with harvest in nearly every other Midwest state. Wet weather produced a wetter–than–normal corn crop. This led farmers to buy propane to fuel the drying machines used on the corn before it was stored. Three hundred (300) million gallons of propane were used to dry crops in the Midwest in the fall of 2013 whereas 65 million gallons were used in 2012.

Less propane arrived from Canada due to Canada’s high demand and the reversal of the Cochin pipeline.

Cold weather set in earlier than expected, which increased heating demand for homes and businesses.

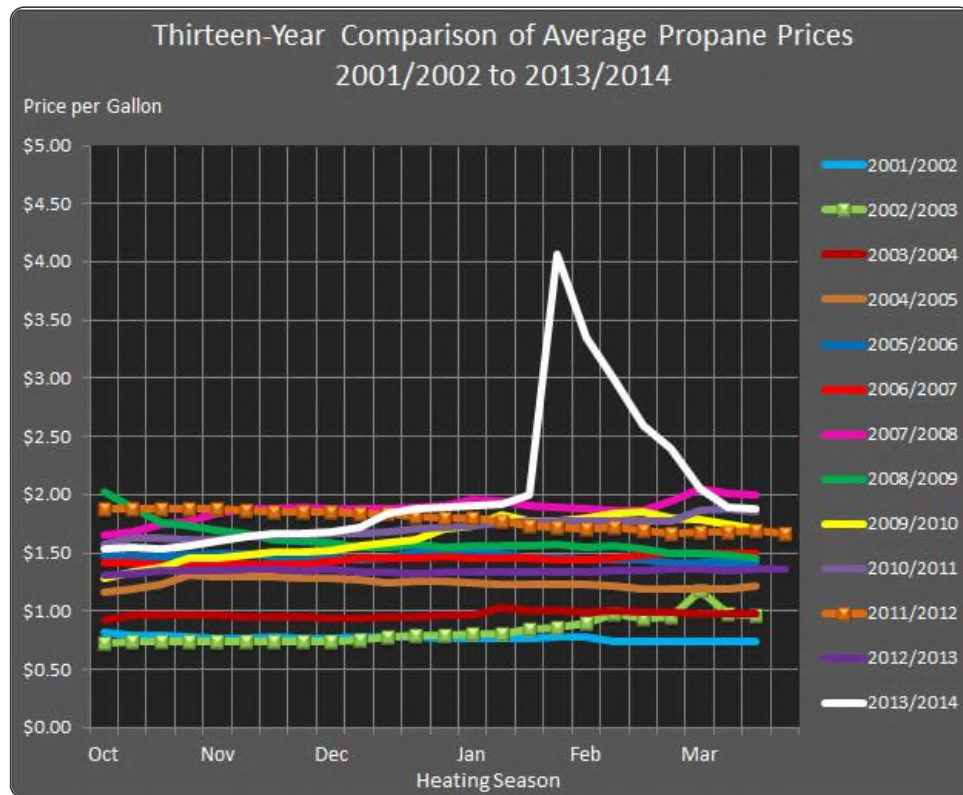
In November 2013, the United States became a net exporter of propane for the first time since the U.S. Energy Information Administration began tracking exports in 1973. Exports rose to a record 410,000 barrels per day.

Nebraska propane prices skyrocketed along with prices in other Midwestern states.

#### Propane for Home Heating

At the start of the 2013/2014 heating season, Nebraska’s average [propane](#) prices were in the midst of historical prices. As the season advanced, prices steadily rose. On the fourth week of January 2014, the average price spiked to \$4.07.

The average price began the heating season 22 cents higher than the beginning of last season at \$1.54 per gallon and finished the heating season at \$1.88. The average price of \$1.88 was 34 cents higher than the price at the beginning of the season.



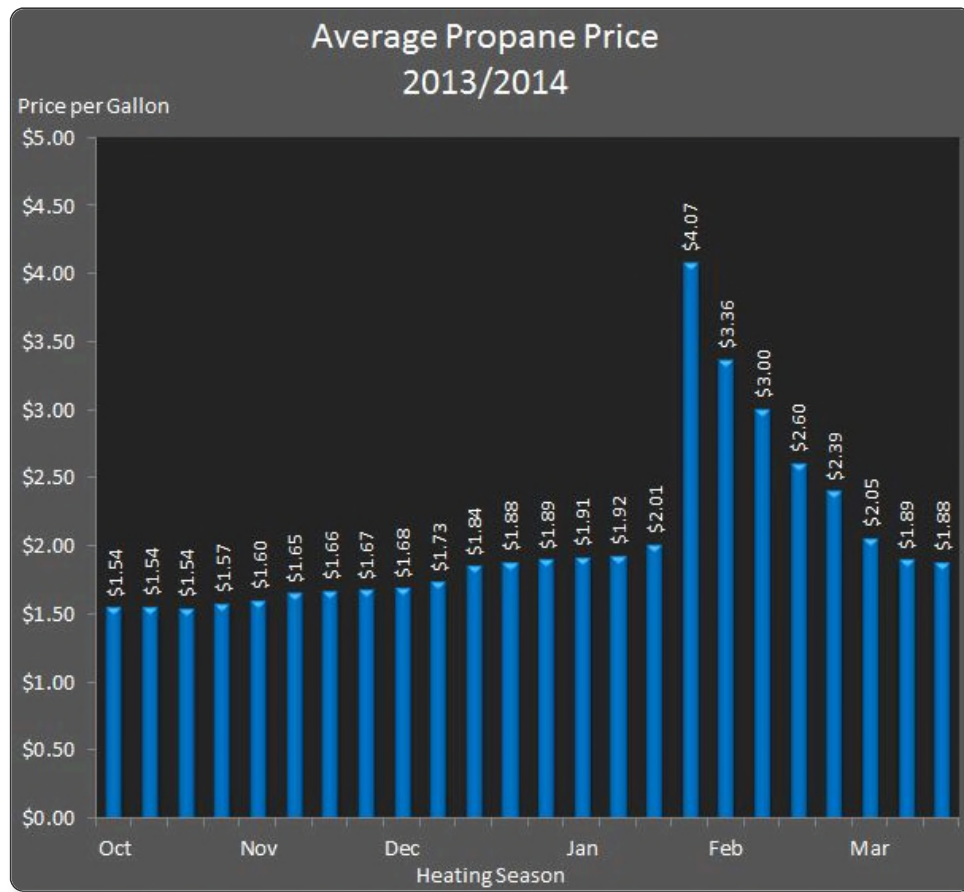
**Propane’s Average Price for the Heating Season:** The average home heating charge price for delivery of consumer grade propane, excluding taxes and cash discounts, in Nebraska for the 2013/2014 heating season was \$2.04 per gallon. This was a 51–percent jump from last season’s average price. The 2013/2014 season’s average price increased 69 cents from last season’s average of \$1.35 and was 60 cents higher than the thirteen–year average of \$1.44 per gallon. The season averages for the last thirteen years are listed in the following table:

Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2013/2014	\$2.04	51%
2012/2013	\$1.35	(25%)
2011/2012	\$1.79	4%
2010/2011	\$1.72	6%
2009/2010	\$1.63	1%
2008/2009	\$1.61	(14%)
2007/2008	\$1.88	30%
2006/2007	\$1.45	(1%)
2005/2006	\$1.46	18%
2004/2005	\$1.24	28%
2003/2004	\$0.97	17%
2002/2003	\$0.83	8%
2001/2002	\$0.77	NA
<b>Average Thirteen-Year Price</b>	<b>\$1.44</b>	

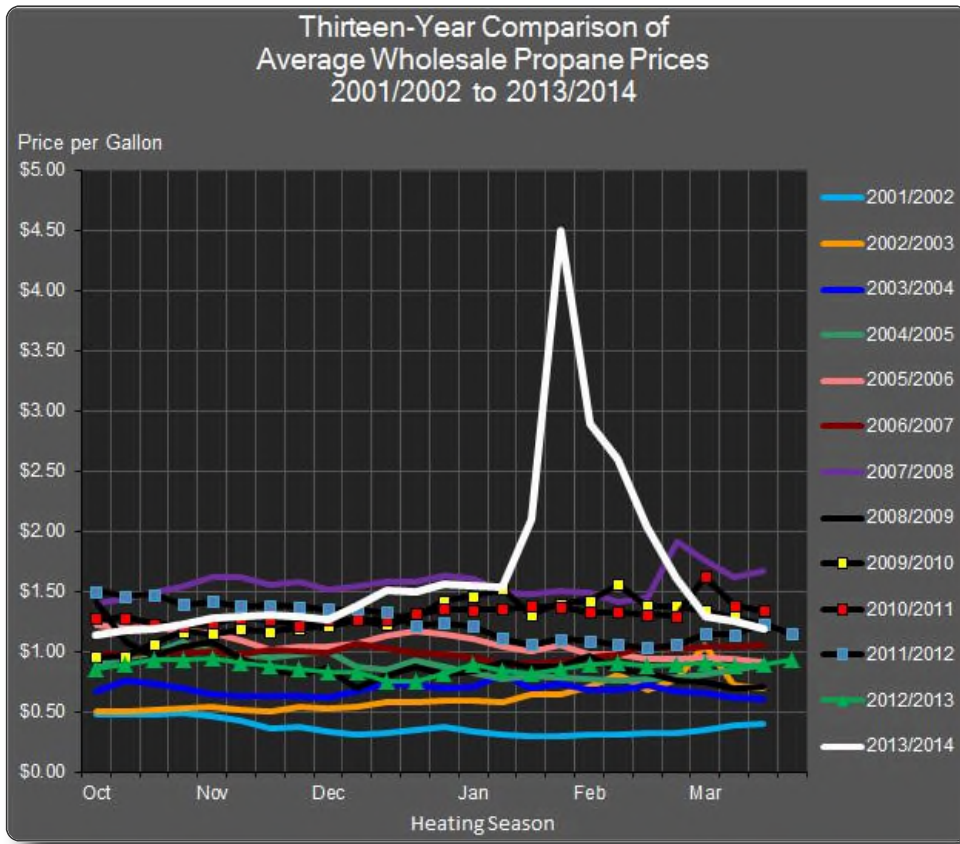
**Propane's Average Price in October:** The average price of propane in October reflects expected weather conditions and the winter supply outlook. The average price for October in the 2013/2014 heating season was \$1.56, which was 18 cents higher than the thirteen-year average and 22 cents higher than the previous October. The October average prices for the past thirteen years are listed in the following table:

Heating Season	Average October Price	Percent Increase/(Decrease) From Prior Year
2013/2014	\$1.56	16%
2012/2013	\$1.34	(29%)
2011/2012	\$1.88	17%
2010/2011	\$1.61	18%
2009/2010	\$1.36	(26%)
2008/2009	\$1.85	8%
2007/2008	\$1.71	21%
2006/2007	\$1.41	(5%)
2005/2006	\$1.48	21%
2004/2005	\$1.22	27%
2003/2004	\$0.96	32%
2002/2003	\$0.73	(8%)
2001/2002	\$0.79	NA
<b>Average Thirteen-Year October Price</b>	<b>\$1.38</b>	

During the 2013/2014 season, The average **Weekly** price of **Propane** started at \$1.54 and steadily increased until the average price spiked to \$4.07 during the last week of January. At the end of the heating season, the average price had fallen to \$1.88 per gallon, which was 34 cents higher than the price at the beginning of the season.



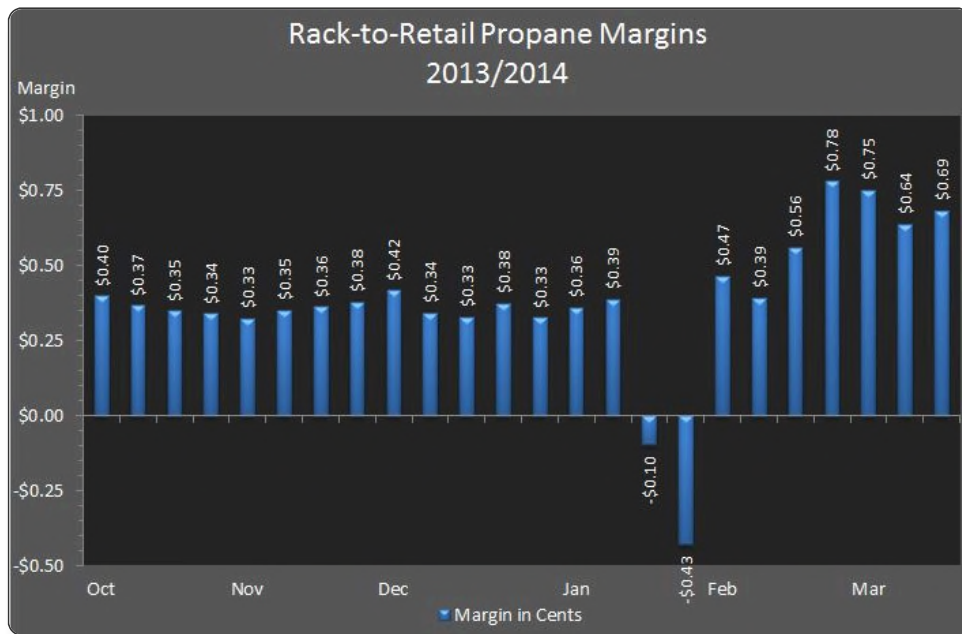
The average wholesale propane price began the 2013/2014 heating season 28 cents higher than the beginning of the last heating season. Average wholesale propane prices steadily increased with a slight dip at the end of November. In mid-January, the price jumped to \$2.10. The following week, the price skyrocketed to \$4.50. After spiking, the average wholesale price fell but not nearly as fast as it had risen. The price finished the 2013/2014 heating season at \$1.19, which was 5 cents higher than the price at the beginning of the heating season. As the graph shows, the average price of heating oil has taken a sizable jump or a sizeable drop at the beginning of each heating season a majority of the time over the thirteen surveyed years.



A comparison of average retail propane prices versus average wholesale propane prices shows that retail prices during the 2013/2014 heating season ranged from \$1.54 to \$4.07, while wholesale prices ranged from \$1.14 to \$4.50.

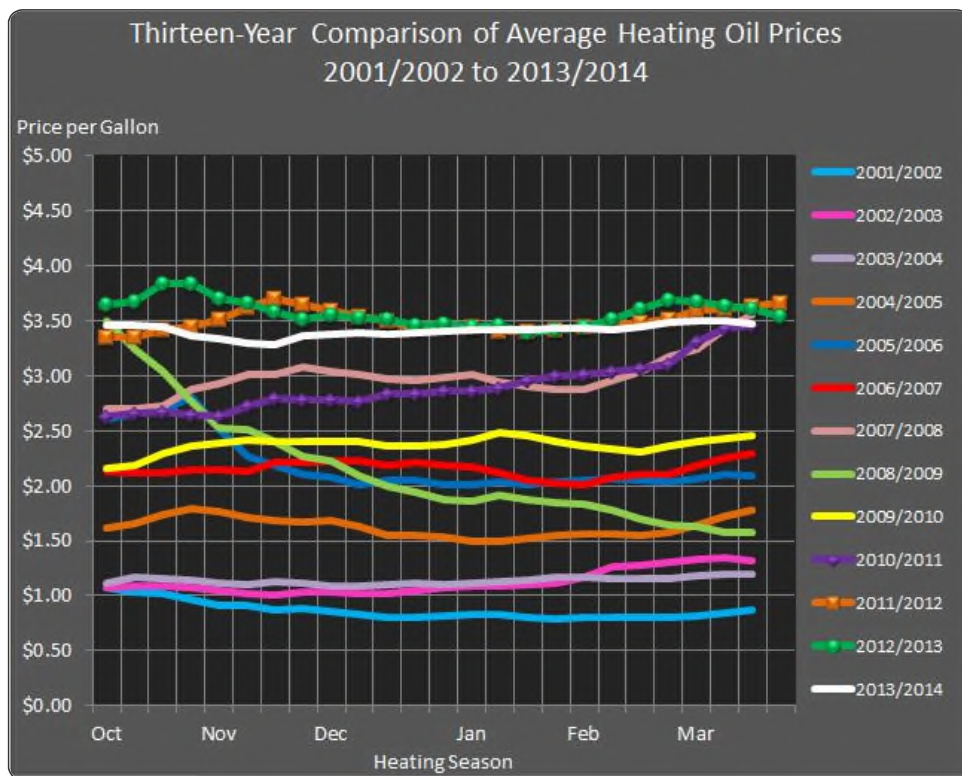


The graph below shows the rack-to-retail margins per gallon of propane for each Monday's survey. During the 2013/2014 heating season, the margin ranged from -43 to 78 cents.



### Heating Oil for Home Heating

The average [heating oil](#) price began the 2013/2014 heating season 20 cents lower than the beginning of the last heating season. Average heating oil prices steadily fell through mid-November hitting a low of \$3.28. After that point, the average price was relatively stable hitting a peak of \$3.50 the second week of March. The price finished the 2013/2014 season at \$3.47. As the graph shows, the average price of heating oil has taken a sizable jump or a sizeable drop at the beginning of each heating season a majority of the time over the thirteen surveyed years.



**Heating Oil's Average Price for the Heating Season:** The average home heating charge price for delivery of No. 2 heating oil, excluding taxes and cash discounts, in Nebraska for the 2013/2014 heating season was \$3.41 per gallon. The season's average price fell 16 cents from last season's average of \$3.57, but was \$1.10 above the thirteen-year average of \$2.31. The season averages for the last thirteen years are listed in the following table:

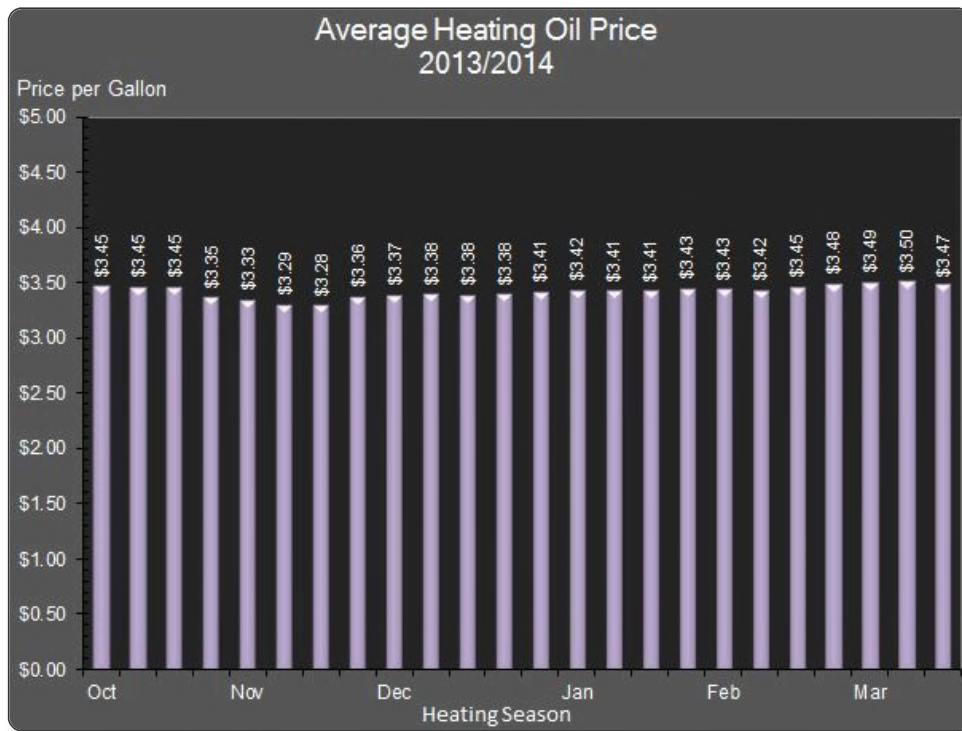
Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2013/2014	\$3.41	(4%)

Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2012/2013	\$3.57	2%
2011/2012	\$3.50	21%
2010/2011	\$2.90	22%
2009/2010	\$2.37	10%
2008/2009	\$2.15	(28%)
2007/2008	\$3.00	40%
2006/2007	\$2.15	(2%)
2005/2006	\$2.19	34%
2004/2005	\$1.63	43%
2003/2004	\$1.14	1%
2002/2003	\$1.13	30%
2001/2002	\$0.87	NA
Average Thirteen-Year Price	\$2.31	

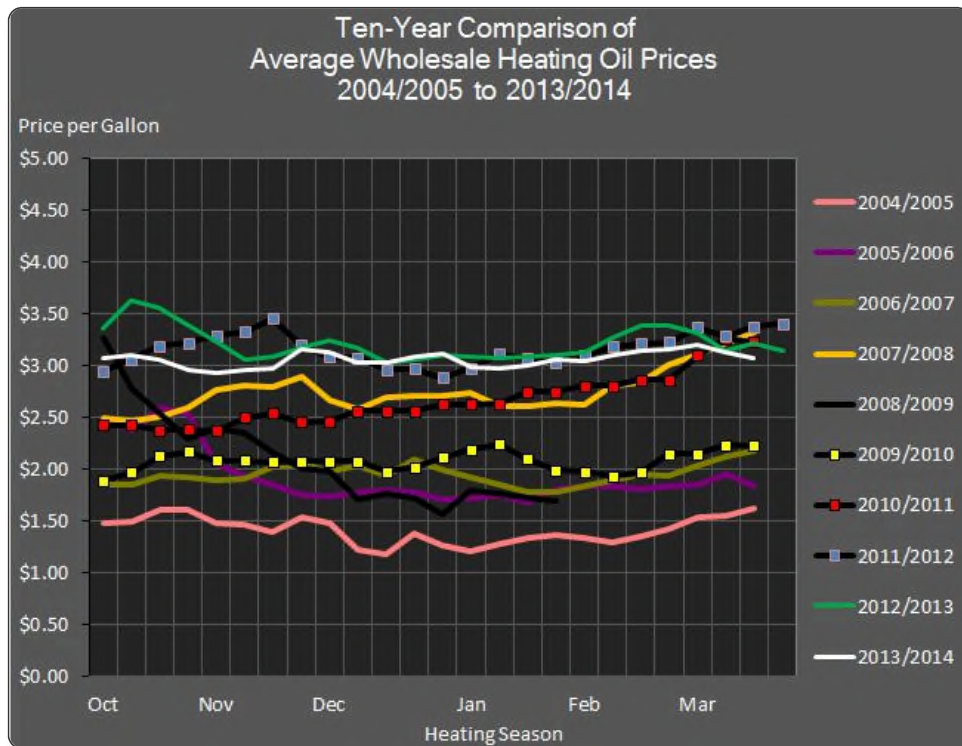
**Heating Oil:** The average price of heating oil in October reflects expected weather conditions and the winter supply outlook. The average price for October in the 2013/2014 heating season was \$3.41, which was \$1.02 higher than the thirteen-year average but 33 cents less than the previous October. The October average prices for the past thirteen years are listed in the following table:

Heating Season	Average October Price	Percent Increase/(Decrease) From Prior Year
2013/2014	\$3.41	(9%)
2012/2013	\$3.74	10%
2011/2012	\$3.39	28%
2010/2011	\$2.65	18%
2009/2010	\$2.25	(28%)
2008/2009	\$3.14	14%
2007/2008	\$2.75	29%
2006/2007	\$2.13	(20%)
2005/2006	\$2.66	56%
2004/2005	\$1.70	48%
2003/2004	\$1.15	6%
2002/2003	\$1.08	7%
2001/2002	\$1.01	NA
Average Thirteen-Year October Price	\$2.39	

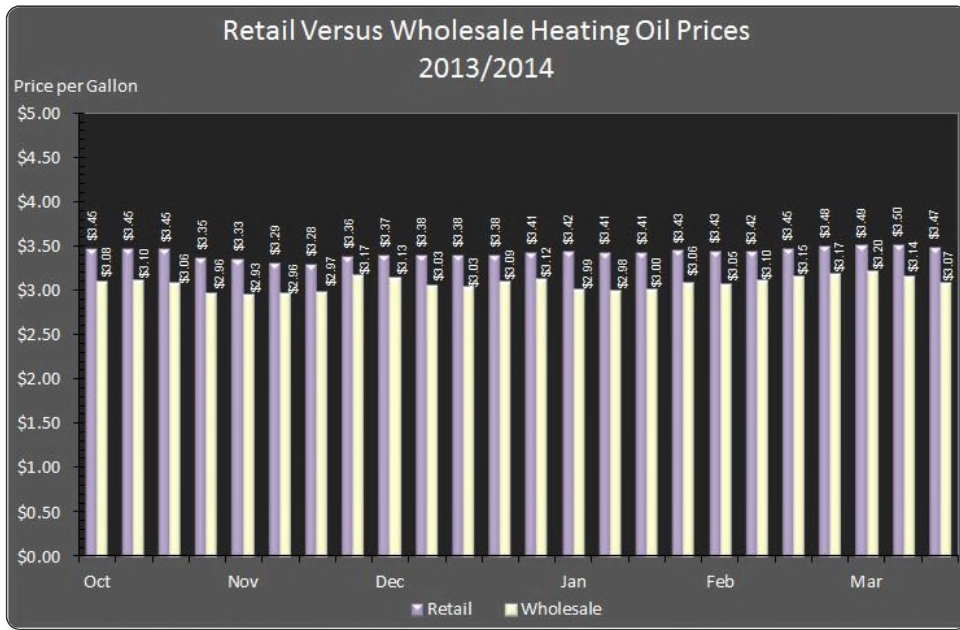
The average price of heating oil started the 2013/2014 season at \$3.45, not moving until the end of October, and steadily decreasing until mid-November. The average reached \$3.50 per gallon just before the end of the heating season. The last week had an average of \$3.47, which was only 2 cents higher than the price at the beginning of the season.



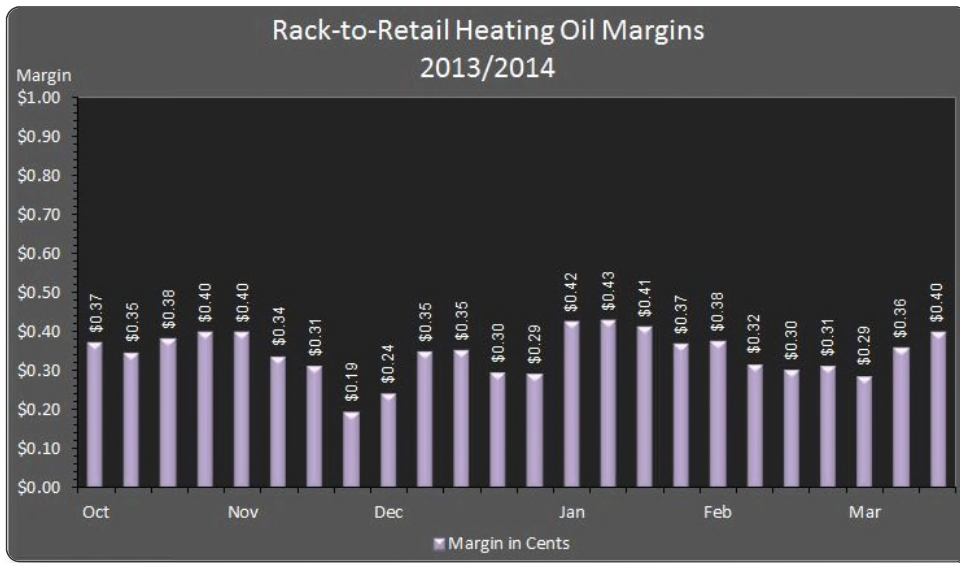
The average wholesale [heating oil](#) price began the 2013/2014 heating season 28 cents lower than the beginning of the last heating season. Average wholesale heating oil prices were relatively stable throughout the heating season finishing at \$3.07. As the graph shows, the average price of heating oil has taken a sizable jump or a sizeable drop at the beginning of each heating season a majority of the time over the thirteen surveyed years.



**Average Retail prices versus Average Wholesale Heating Oil Prices:** A comparison of retail prices and wholesale prices shows that, during the 2013/2014 heating season, retail prices ranged from \$3.28 to \$3.50, while wholesale prices ranged from \$2.93 to \$3.20.



The graph below shows the rack-to-retail margins per gallon of heating oil for each Monday's survey. During the 2013/2014 heating season, the margin ranged from 19 to 43 cents.



Sources: *State Heating Oil and Propane Survey* and the *Weekly Petroleum Status Report*. Energy Information Administration, Washington, DC. Nebraska Energy Office, Lincoln, NE.

*This report was completed July, 2014.*