

## State of Nebraska Heating Oil and Propane Program

### 2014/2015 Winter Heating Season Annual Report July 2015 Introduction

The months of summer comprise the building season for propane and heating oil. The summer following the 2013/2014 heating season was a building season of phenomenal proportions for propane. All three storage tiers were nearly, if not totally, full by the beginning of the 2014/2015 heating season. The three storage tiers are primary storage - propane suppliers/companies, secondary storage - propane marketers/dealers, and tertiary storage - consumers. No one was willing to risk being unprepared if Nebraska had another winter like 2013/2014.

THROUGHOUT THE 2014/2015 HEATING SEASON, propane stocks in the Midwest were either above or in the upper third of the 5-year range, which is a very good supply. Heating oil stocks in the Midwest were below the 5-year range during October to December, 2014. As of January 2015 and throughout the rest of the heating season, Midwest heating oil stocks were either above or in the upper third of the 5-year range. Although heating oil started the heating season with a low level of supply, heating oil stocks finished the season at good levels.

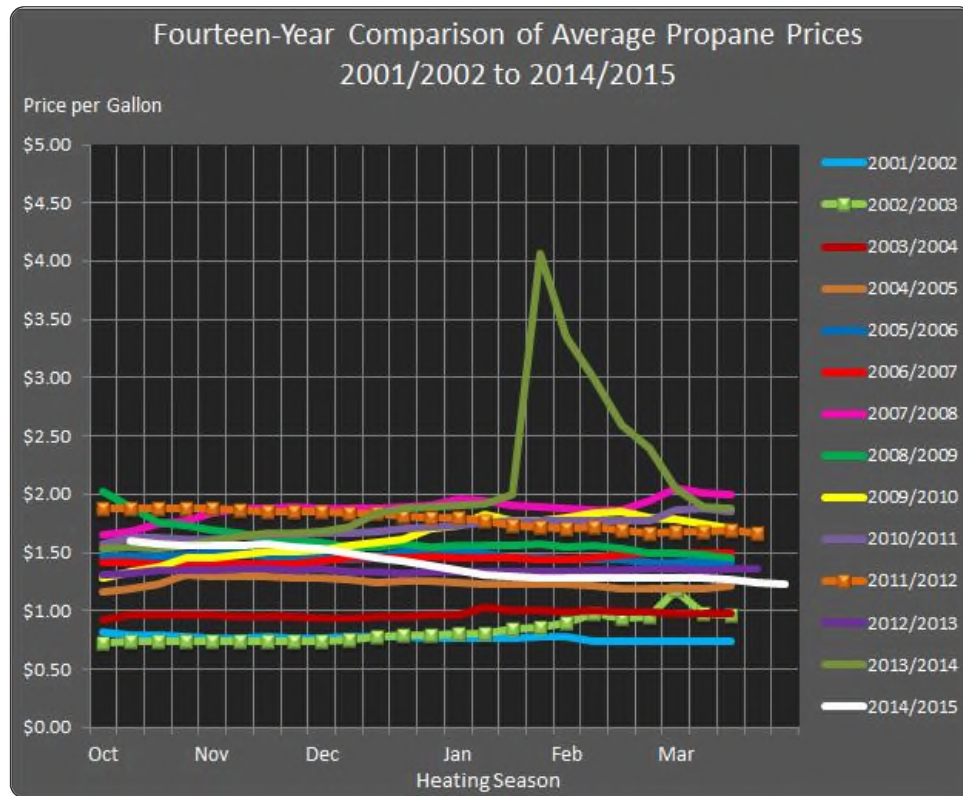
Halfway through 2013, petrochemical companies substituted propane with ethane due to the high price of propane. This continued into 2014 as the price spread between propane and ethane widened. This, in turn, put downward pressure on propane demand.

Through September, 2014, propane prices at the Conway, Kansas, distribution center were higher than prices at Mont Belvieu, Texas, which created an incentive for shipping propane north into the Midwest markets. Following the dropping crude oil price, heating oil prices were an average of 23 percent lower than the last heating season.

Better-prepared customers, milder weather, and a decrease in the amount of propane used to dry crops the past fall helped Nebraska avoid a repeat of 2014's propane crisis.

### Propane for Home Heating

At the start of the 2014/2015 heating season, Nebraska's average [propane](#) price was \$1.60 per gallon, 6 cents higher than at beginning of the last heating season at \$1.54. As the season advanced, the average propane prices steadily fell. The average propane price finished the heating season at \$1.23, which was 37 cents lower than the price at the beginning of the season.



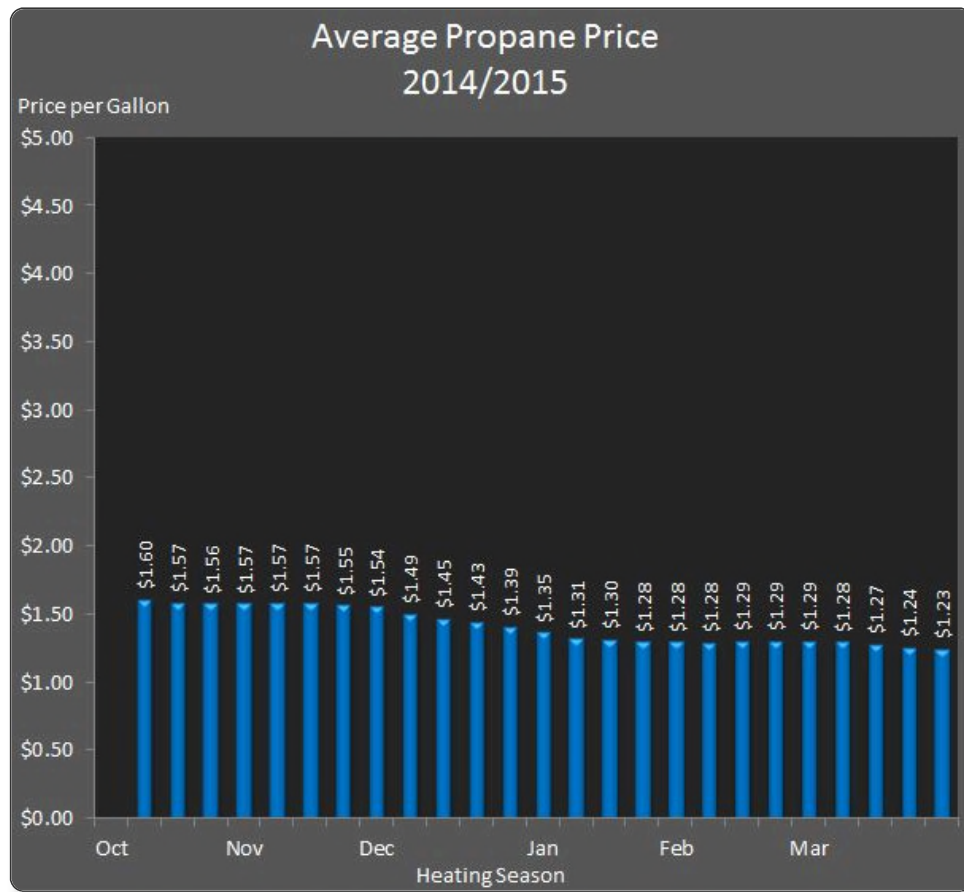
**Propane's Average Price for the Heating Season:** The average home heating charge price for delivery of consumer grade propane, excluding taxes and cash discounts, in Nebraska for the 2014/2015 heating season was \$1.40 per gallon. This was a 31-percent drop from last season's average price. The 2014/2015 season's average price decreased 64 cents from last season's average of \$2.04 and was four cents lower than the fourteen-year average of \$1.44 per gallon. The season averages for the last fourteen years are listed in the following table:

Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2014/2015	\$1.40	(31%)
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
Average Fourteen-Year Price	\$1.44	

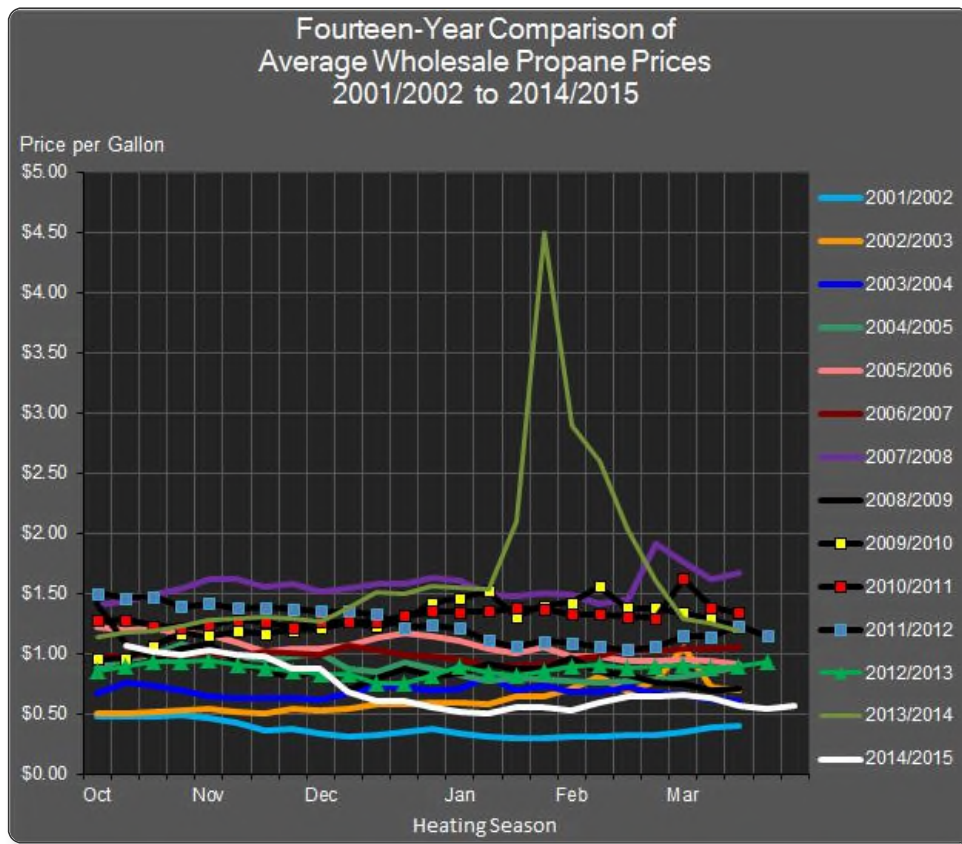
**Propane's Average Price in October:** The average price of propane in October reflects expected weather conditions and the winter supply outlook. The average price for October in the 2014/2015 heating season was \$1.58, which was 19 cents or 1 percent higher than the fourteen-year average and two cents higher than the previous October. The October average prices for the past fourteen years are listed in the following table:

Heating Season	Average October Price	Percent Increase/(Decrease) From Prior Year
2014/2015	\$1.58	1%
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
Average Fourteen-Year October Price	\$1.39	

During the 2014/2015 season, The average **Weekly** price of **Propane** started at \$1.60 and steadily decreased until the average price had fallen to \$1.23 at the end of the heating season. The average price was 37 cents lower than the price at the beginning of the season.



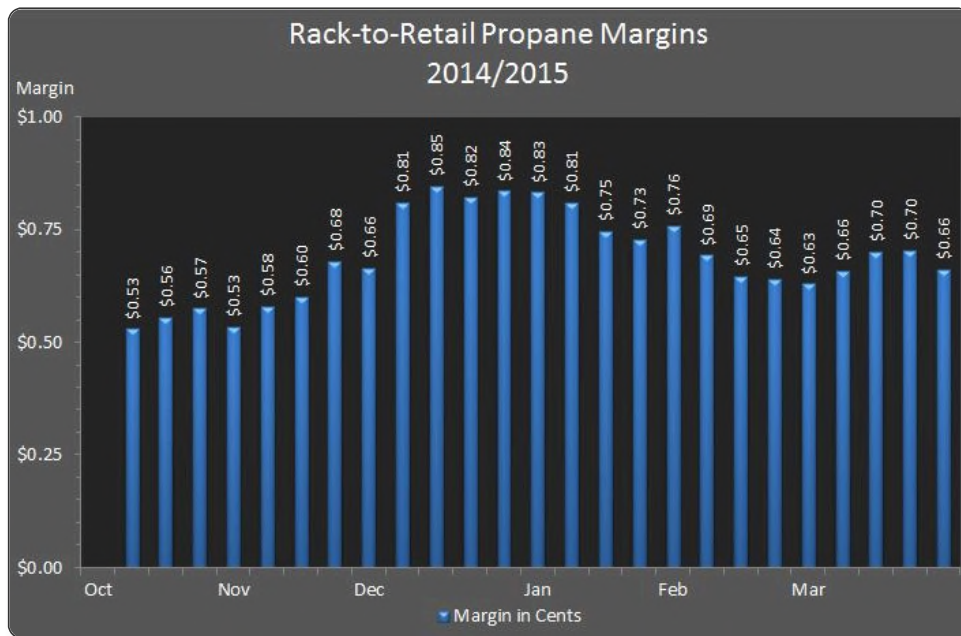
The average wholesale propane price began the 2014/2015 heating season at \$1.07, which was 11 cents lower than the beginning of the last heating season. Average wholesale propane prices steadily declined through the heating season. The price finished the 2014/2015 heating season at \$0.57, which was 50 cents lower 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 fourteen surveyed years.



A comparison of average retail propane prices versus average wholesale propane prices shows that retail prices during the 2014/2015 heating season ranged from \$1.60 to \$1.23, while wholesale prices ranged from \$0.57 to \$1.07.

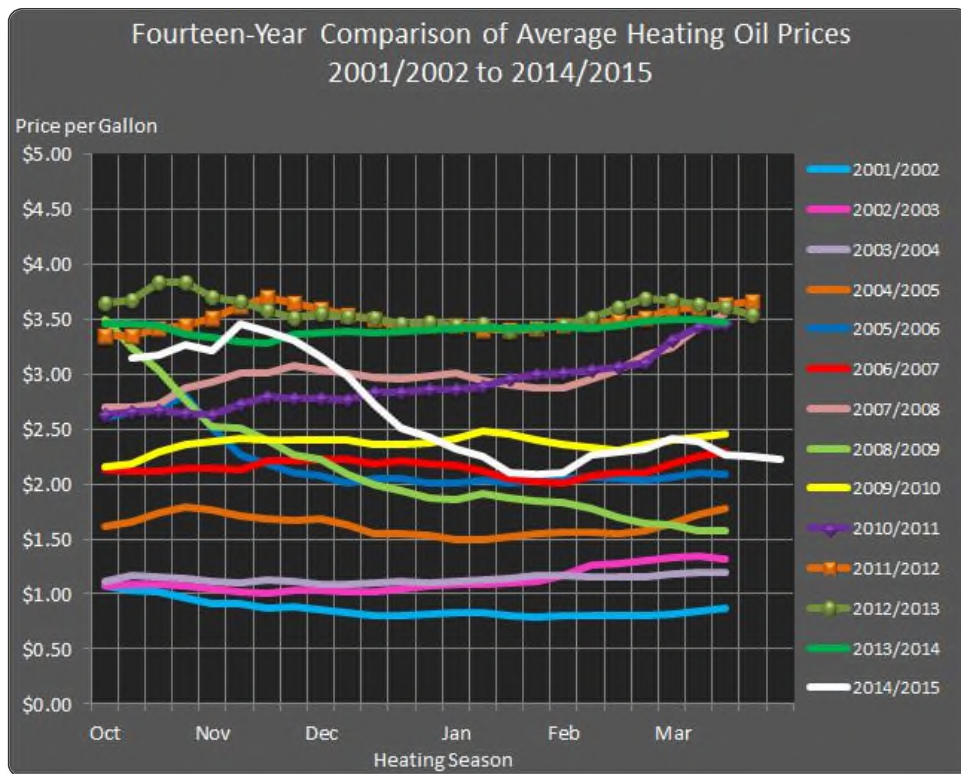


The graph below shows the rack-to-retail margins per gallon of propane for each Monday's survey. During the 2014/2015 heating season, the margin ranged from 53 to 85 cents.



### Heating Oil for Home Heating

The average [heating oil](#) price began the 2014/2015 heating season 31 cents lower than at beginning of the last heating season. Average heating oil prices were stable through October, jumped at the beginning of November hitting a high of \$3.46. After that point, the average price steadily fell—bottoming out at \$2.09 at the end of January. The average price rose 32 cents before falling again; this time hitting \$2.22 during the fifth week of March to finish the 2014/2015 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 fourteen 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 2014/2015 heating season was \$2.64 per gallon. The season's average price dropped 77 cents or 23 percent from last season's average of \$3.41, but was 31 cents above the fourteen-year average of \$2.33. The season averages for the last fourteen years are listed in the following table:

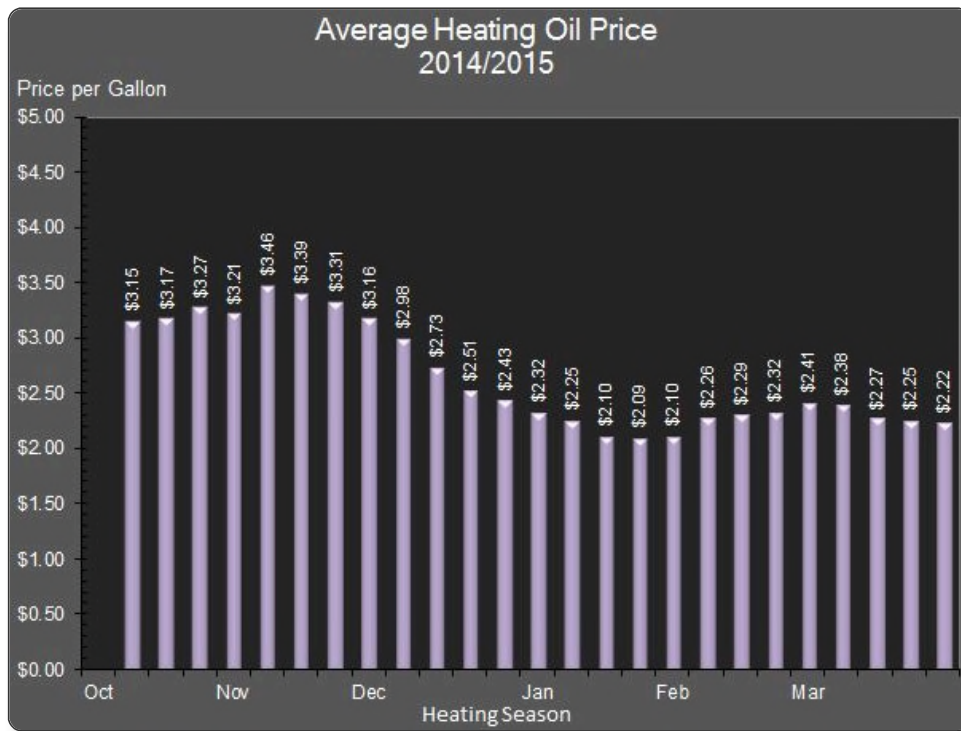
Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2014/2015	\$2.64	(23%)

Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2013/2014	\$3.41	(4%)
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
<b>Average Fourteen-Year Price</b>	<b>\$2.33</b>	

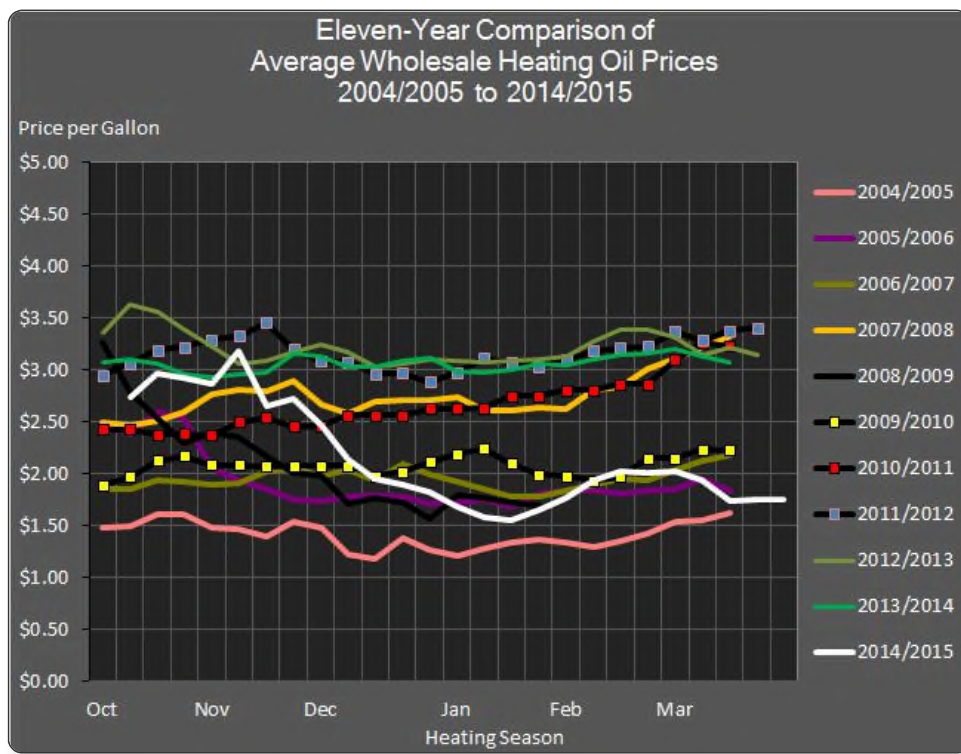
**Heating Oil:** The average price of heating oil in October reflects expected weather conditions and the winter supply outlook. The average price for October in the 2014/2015 heating season was \$3.19, which was 74 cents higher than the fourteen-year average but 22 cents or 6 percent less than the previous October. The October average prices for the past fourteen years are listed in the following table:

Heating Season	Average October Price	Percent Increase/(Decrease) From Prior Year
2014/2015	\$3.19	(6%)
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
<b>Average Fourteen-Year October Price</b>	<b>\$2.45</b>	

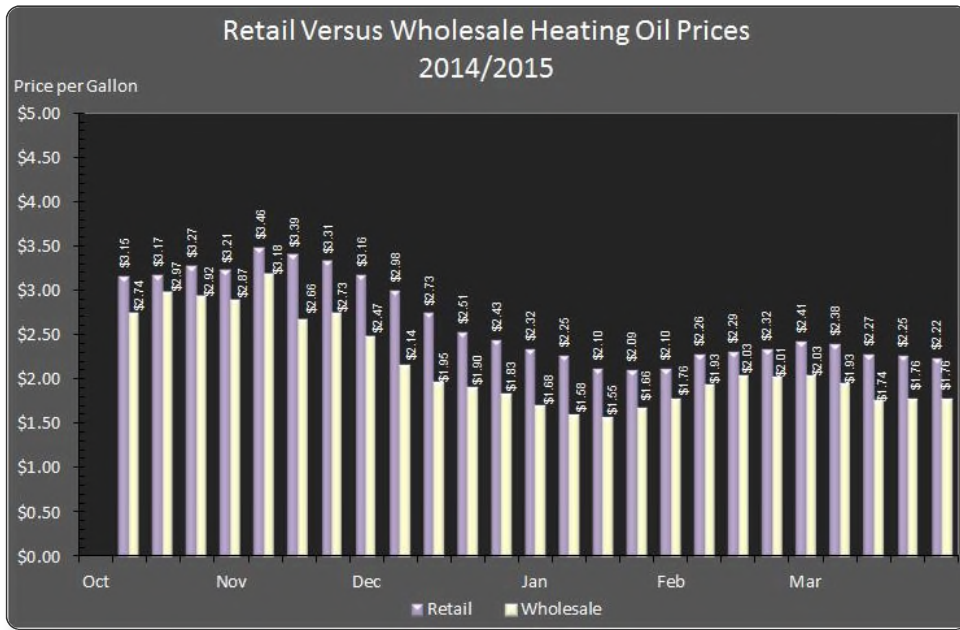
The average price of heating oil started the 2014/2015 season at \$3.15. The price was stable through October and started rising the second week of November. The price declined from that point until the end of January at \$2.09. The price rose 31 cents and then fell each week for the rest of the heating season. The last week's average price was \$2.22, which was 93 cents lower than the price at the beginning of the season.



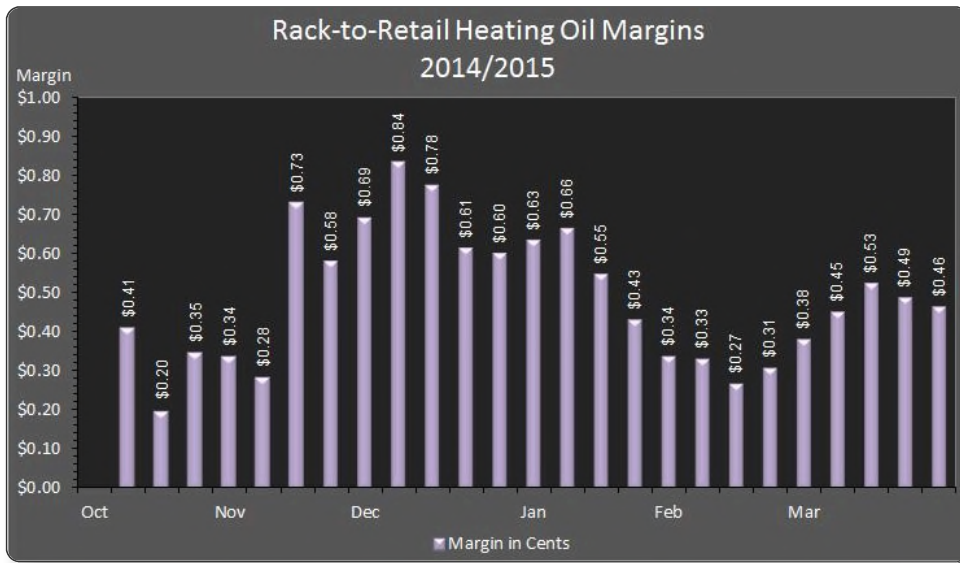
The average wholesale [heating oil](#) price began the 2014/2015 heating season 37 cents lower than the beginning of the last heating season. Average wholesale heating oil prices were relatively volatile from October through the end of November. The wholesale price then did a freefall through the middle of January, only to rise each week through the end of January and beginning of February. The price leveled off during the last part of February and the first week of March. The wholesale price fell for two weeks and then leveled off again for the last three weeks of March. 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 eleven surveyed years.



**Average Retail prices versus Average Wholesale Heating Oil Prices:** A comparison of retail prices and wholesale prices shows that, during the 2014/2015 heating season, retail prices ranged from \$2.09 to \$3.46, while wholesale prices ranged from \$1.55 to \$3.18.



The graph below shows the rack-to-retail margins per gallon of heating oil for each Monday's survey. During the 2014/2015 heating season, the margin ranged from 20 to 84 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, 2015.*