

State of Nebraska Heating Oil and Propane Program *2002/2003 Winter Heating Season*

Annual Report May 2003

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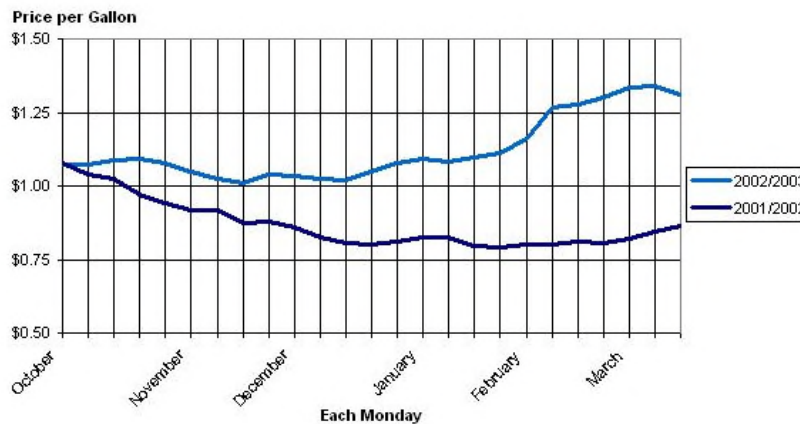
Executive Summary

Nebraska's [heating oil](#) and [propane](#) prices were more volatile during the 2002/2003 heating season than the previous year. Prices were impacted by the following factors:

- High natural gas prices;
- Tropical Storm Isidore and Hurricane Lili;
- Oil refinery shutdowns due to planned maintenance and unexpected hazards;
- Possibility of war with Iraq;
- Economy in recovery;
- Colder-than-normal temperatures; and
- Reduced national crude oil imports due to labor strikes in Venezuela.

All of these factors lead to increased demand or lower-than-normal supplies during the winter heating season. The graph below shows the range of Nebraska heating oil prices over the last two years. Heating oil prices began the most recent heating season at the same level as the previous year but finished quite higher.

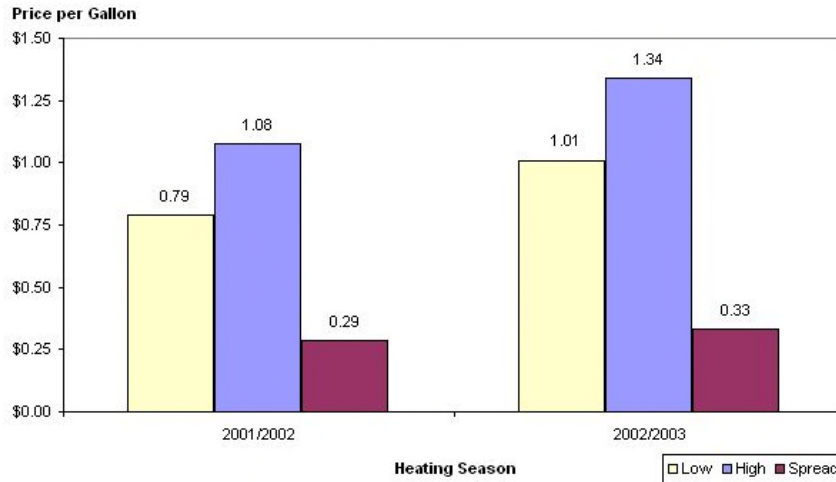
Average Heating Oil Price Two-Year Comparison 2001/2002 and 2002/2003



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The graph below shows the low price and high price per gallon of heating oil from the last two heating seasons and the spread between the two prices. The price spread from the 2001/2002 to the 2002/2003 heating season increased only slightly while the 2002/2003 heating season's low and high increased significantly.

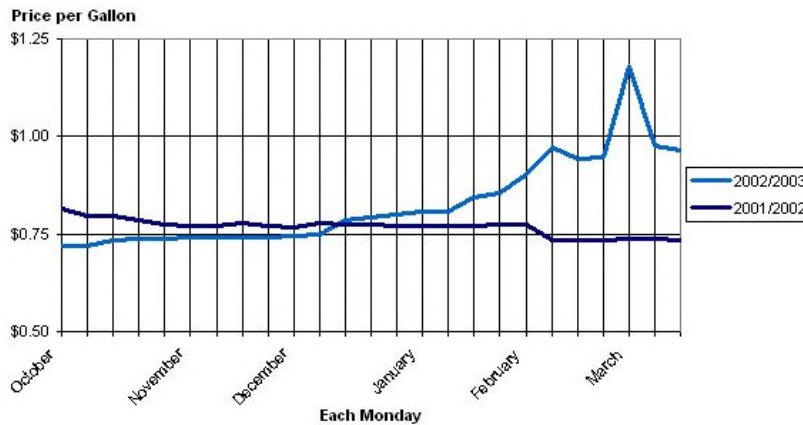
Heating Oil Price Range and Spread Each Heating Season 2001/2002 and 2002/2003



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Although the 2002/2003 heating season for propane began at a lower price than the previous year, the season average was higher. The graph below compares the average prices over the last two years. The 2001/2002 heating season was relatively flat, taking into account a mild winter, while the 2002/2003 heating season had higher prices in January and February with a late price spike in March.

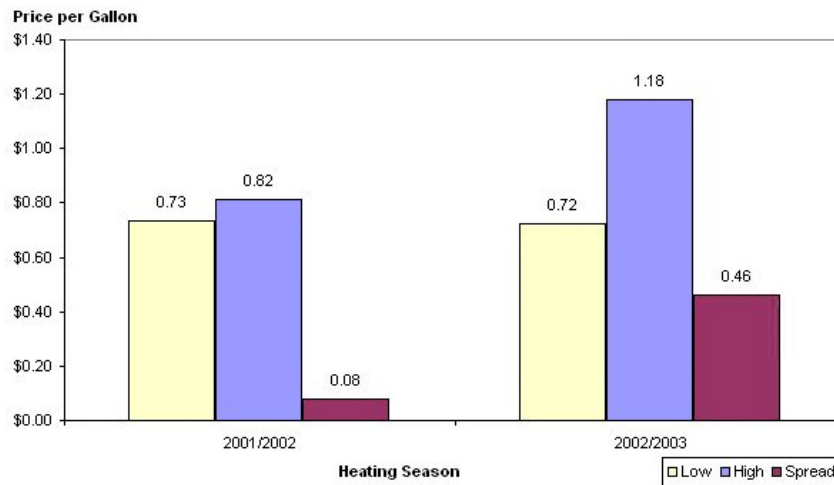
Average Propane Price Two-Year Comparison 2001/2002 and 2002/2003



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The graph below shows the low price and high price per gallon of propane from the last two heating seasons and the spread between the two prices. The price spread from the 2001/2002 to the 2002/2003 heating season shows a major increase. The increase is seen in the high price for 2002/2003 while the low price remained consistent to the previous season.

Propane Price Range and Spread Each Heating Season 2001/2002 and 2002/2003



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Introduction

This report summarizes the results of the heating oil and propane price survey over the 2002/2003 winter heating season in Nebraska. The Nebraska Energy Office conducted the survey under a cooperative agreement from the U.S. Department of Energy's [Energy Information Administration](#).

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Program Objectives

According to the 2000 census, 68,768 homes in Nebraska, or over 10 percent, use propane as the primary home heating fuel. More than 8,000 homes in Nebraska, or slightly more than one percent, use heating oil as the primary home heating fuel. The Nebraska Energy Office recognizes the need for winter fuels' price information to fulfill these objectives: (1) to provide information to the Governor and the public regarding the price and status of winter fuels, (2) to prepare the agency to respond in an effective, efficient manner to potential heating fuel problems, and (3) to improve the state, regional, and national pictures of the winter heating fuel status.

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Program Performance

The responsibilities of the Nebraska Energy Office included:

1. Collection of each Monday's retail heating oil and propane prices from 14 suppliers during the winter heating fuel season,
2. Maintenance of price database,
3. Weekly submission of the price data via an internet data collection system to the Energy Information Administration on a company-identifiable level to the extent permitted by State laws, and
4. Preparation and submission of an annual report.

The responsibilities of the Energy Information Administration included:

1. Preparation of a list of companies to be surveyed and the development of an estimation formula,
2. Technical assistance,
3. Publication of state, regional, and national data online,
4. Review of annual reports for accuracy and consistency, and
5. Preparation and distribution of a report to Congress, the states, and the public.

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Methodology

The Nebraska Energy Office has participated in the State Heating Oil and Propane Program for two years. Each year, the Energy Information Administration provides the Nebraska Energy Office with a list of companies identified as residential distributors to be contacted regarding their participation in the price survey. The residential price survey for this heating season began on October 7, 2002, and was completed on March 17, 2003. Data from the survey was transmitted to the Energy Information Administration using the Internet Data Collection System. The Energy Information Administration compiled, processed, and aggregated each state's reported data, weighted and stratified against other data streams, to estimate each state's average price.

The Nebraska Energy Office publishes the data in these reports: [Average Residential Propane Prices](#), [Average Wholesale Propane Prices](#), and [Average Heating Oil Prices](#).

The Energy Information Administration publishes the data in the following reports: Residential Propane Prices by Region and State, Residential Heating Oil Prices by Region and State, and Wholesale Propane Prices by Region and State.

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Residential Heating Oil Prices

The average residential home heating charge price for home delivery of No. 2 heating oil, excluding taxes and cash discounts, in Nebraska for the 2002/2003 heating season was \$1.13 per gallon. This price was 26 cents higher than last year's average price of \$0.87 and 13 cents more than the average two-year price (2001 through 2002) of \$1.00 per gallon.

The average prices for the last two years' heating seasons are listed in the following table:

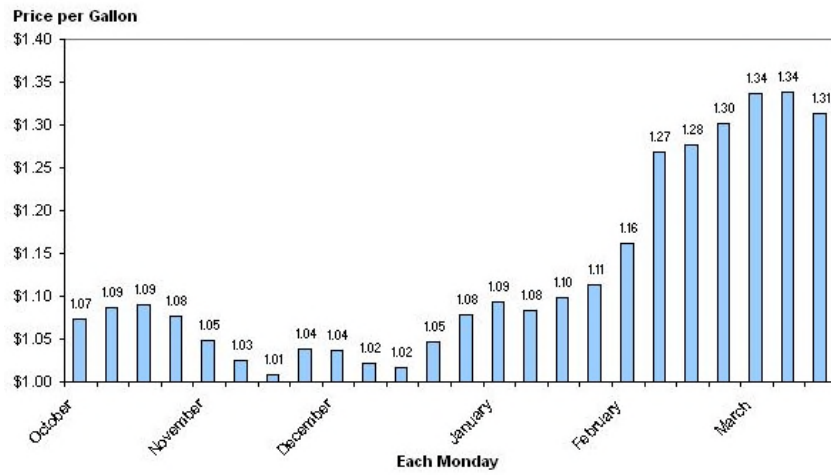
Heating Season	Average Price
2002/2003	\$1.13
2001/2002	\$0.87
Average Two-Year Price	\$1.00

The average price for October heating oil from 2001 to 2002 was \$1.05. The table below lists the October price for each heating season and the difference in price from the previous October.

Heating Season	Average October Price	Difference in Price from the Previous October
2002/2003	\$1.08	+ \$0.07
2001/2002	\$1.01	
Average Two-Year October Price	\$1.05	

The graph below shows that the 2002/2003 prices had a season high of \$1.34 per gallon on the first and second Mondays of March. The average price of heating oil was fairly volatile throughout the season although prices ranged only 33 cents (from \$1.01 to \$1.34). A late price spike came in March, rather than in January or February as usual, due to below-normal temperatures, heavy snowfall, and tight supplies. From the second Monday of March until the end of the heating season, the average propane price began moving downward, as the weather started warming, closing out the heating season at \$1.31 per gallon.

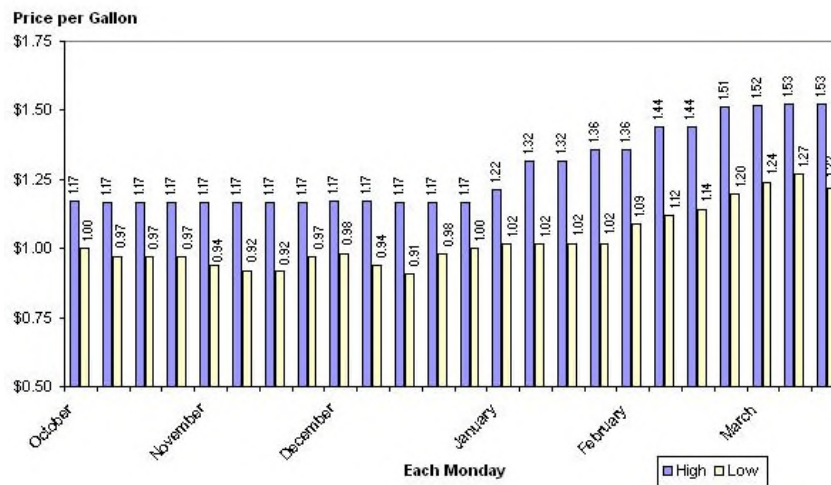
Average Heating Oil Price 2002/2003



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The high to low price range per gallon of heating oil for each survey is shown in the graph below. During the 2002/2003 heating season, the high price for each survey ranged from \$1.17 to \$1.53, and the low price ranged from \$0.91 to \$1.27.

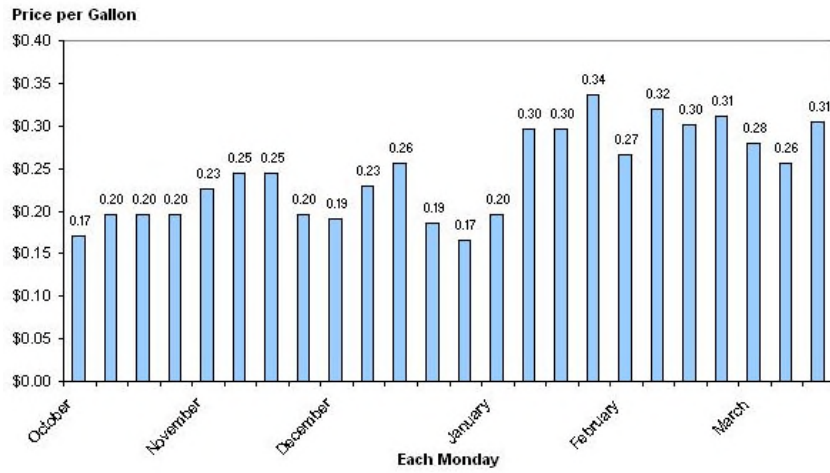
Heating Oil Price Range 2002/2003



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The price spread for each survey is shown in the graph below. During the 2002/2003 heating season, the price spread ranged from 17 cents to 34 cents.

Heating Oil Price Spread 2002/2003



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Residential Propane Prices

The average residential home heating charge price for home delivery of consumer grade propane, excluding taxes and cash discounts, in Nebraska for the 2002/2003 heating season was \$0.83 per gallon. This price was 6 cents higher than last year's average price of \$0.77 and 3 cents more than the average two-year price (2001 through 2002) of \$0.80 per gallon.

The heating season average prices for the last two years are listed in the following table:

Heating Season	Average Price
2002/2003	\$0.83
2001/2002	\$0.77
Average Two-Year Price	\$0.80

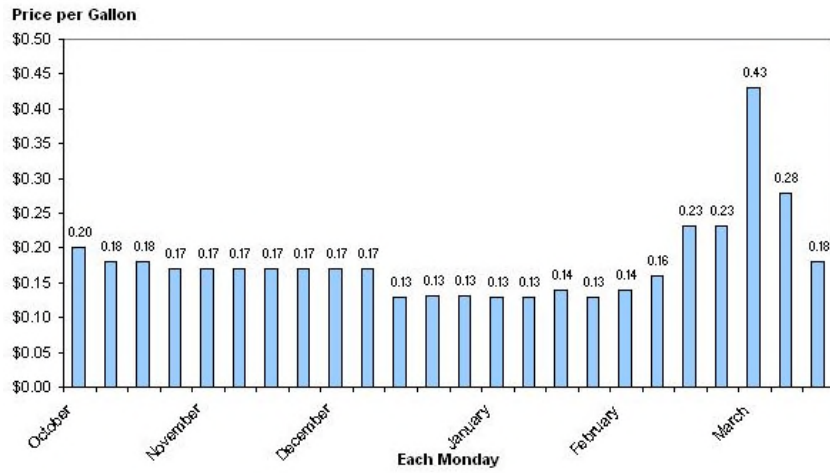
The average price for October propane from 2001 to 2002 was \$0.76. The table below lists the October price for each heating season and the difference in price from the previous October.

Heating Season	Average October Price	Difference in Price from the Previous October
2002/2003	\$0.73	- \$0.06
2001/2002	\$0.79	
Average Two-Year October Price	\$0.76	

The graph below shows that the 2002/2003 prices had a season high of \$1.18 per gallon on the first Monday of March. The average price of propane remained flat from the first Monday in October to the second Monday in December. From mid-December to the first Monday in March, the average propane price increased from \$0.78 per gallon to \$1.18 per gallon. This price increase was due to colder-than-normal temperatures, snowfall, and tight supplies. From the second Monday of March until the end of the heating season, the average propane price began moving downward, as the weather started warming, closing out the heating season at \$0.97 per gallon.

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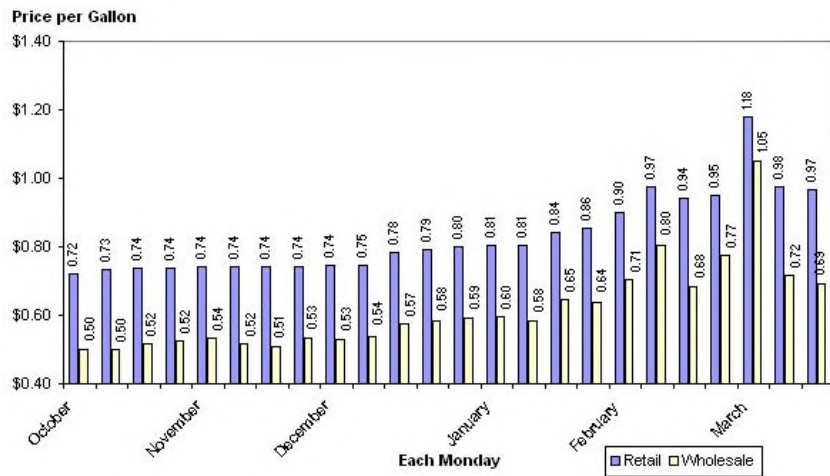
Average Propane Price 2002/2003



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The graph below shows the retail and wholesale prices per gallon of propane for each survey. During the 2002/2003 heating season, the retail price ranged from \$0.72 to \$1.18 and the wholesale price for each survey ranged from \$0.50 to \$1.05.

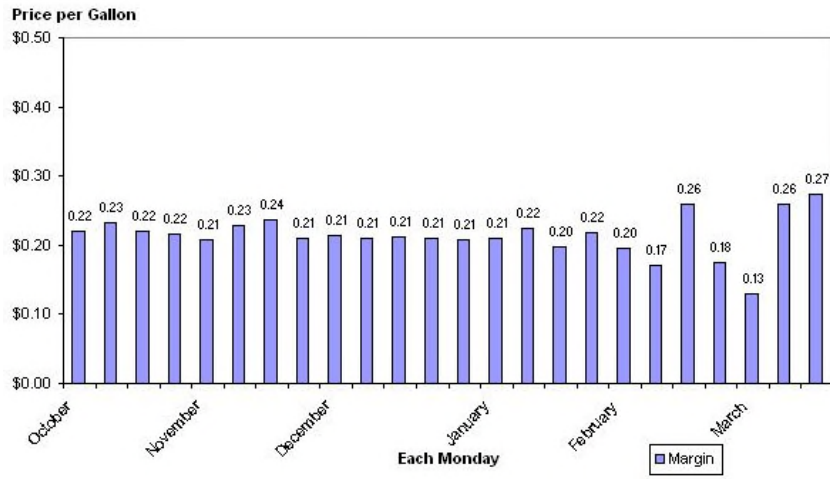
Retail Versus Wholesale Propane Prices 2002/2003



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The graph below shows the [rack](#)-to-retail margins per gallon of propane for each survey. During the 2002/2003 heating season, the margin ranged from 13 to 27 cents.

Rack-to-Retail Margins 2002/2003



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

This report was completed on May 6, 2003.

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