

# State of Nebraska

## Heating Oil and Propane Program

### *2004/2005 Winter Heating Season*

## Annual Report

### May 2005

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#### **Executive Summary**

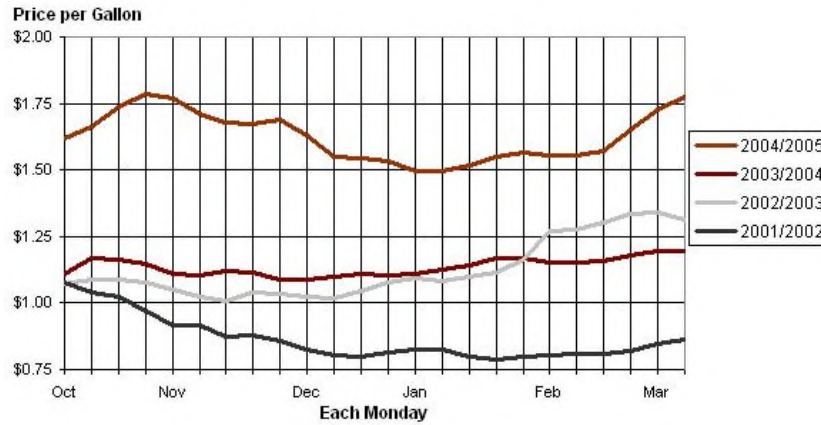
During the 2004/2005 heating season, Nebraska's [propane](#) prices were stable while [heating oil](#) prices leaped up, coasted down, and then fired back up. Factors that impact prices each season include: national and state inventory and import levels; refinery downtime; prices of crude oil and natural gas; the weather; the economy; and the political arena. All of these factors can lead to increased demand or lower-than-normal supplies during the winter heating season. Factors impacting 2004/2005 heating season prices were:

- Regional distillate inventory in the average range at the beginning of the heating season;
- Regional propane storage goal of 25 million barrels not attained during the traditional build season (April through September) although close with 24.4 million barrels on October 1;
- Strong propane imports;
- High crude oil prices;
- Continued high natural gas prices;
- Oil refinery shutdowns due to planned maintenance and unexpected hazards;
- Continued war with Iraq;
- Strengthening economy;
- Norwegian oil workers' strike;
- China's increase in demand for oil;
- Tropical Storm Bonnie and Hurricanes Charley, Frances, Ivan, and Jeanne;
- The fear of supply disruptions in Venezuela, Russia, Iraq, and Nigeria due to Venezuela's political situation surrounding the recall election, the Russian government's troublesome relationship with its largest oil producer, Yukos, and the uncertainties surrounding terrorism in Iraq and Nigeria; and
- Relatively normal winter temperatures (only 8 percent warmer than normal).

Of the factors that impact prices, weather remains the key wildcard each winter. The state had relatively normal winter temperatures since [degree days](#) indicated the weather to be warmer than normal by only 8 percent. The state had an estimated 5196 heating degree days from October to March compared to 5667 normal heating degree days during that period.

Heating oil prices began the most recent heating season 51 to 55 cents (or about 50 percent) higher than the previous three years. Towards the end of the 2004/2005 heating season, prices had begun to climb again and were 15 cents, or 9 percent, higher from prices at the beginning of the season.

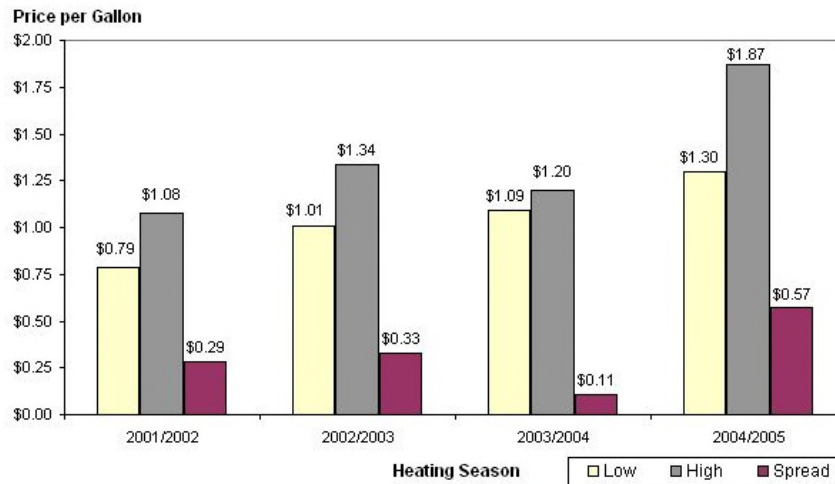
## Four-Year Comparison of the Average Heating Oil Price 2001/2002 to 2004/2005



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The price spread from the 2001/2002 to the 2002/2003 heating season increased only slightly while the 2003/2004 heating season's spread decreased significantly in comparison to both prior seasons. A low price spread is indicative of stability--there were no big increases or decreases in price from week to week. The price spread of 57 cents for heating season 2004/2005 shows volatility. The graph below shows the lowest average price and highest average price per gallon of heating oil from the last four heating seasons and the difference, or spread, between the two prices.

## Heating Oil Price Range and Spread Each Heating Season 2001/2002 to 2004/2005

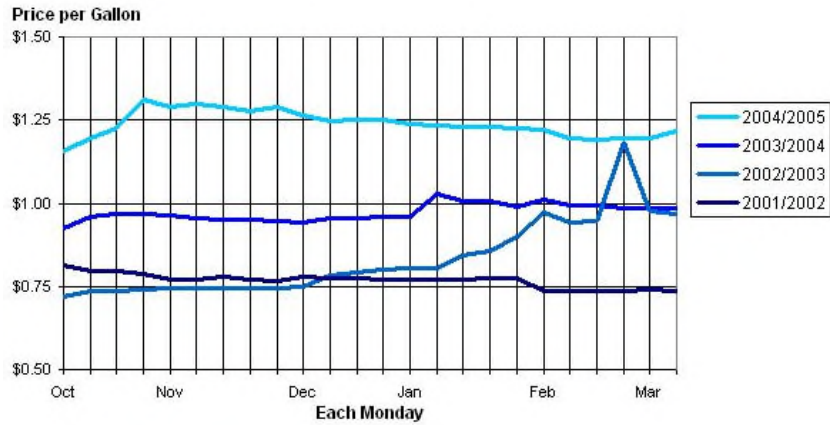


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The 2004/2005 heating season began with a propane price that was 23 cents higher than last year, 44 cents higher than two years, and 34 cents higher than three years ago. High crude oil and natural gas prices were major factors. Although the 2004/2005 heating season brought about much higher prices, those prices were relatively stable due to the mild winter.

During the 2003/2004 heating season, prices were stable although significantly higher due to the tight supply situation. While the 2002/2003 heating season had higher prices in January and February with a late price spike in March due to low supplies, the price trend during the 2001/2002 heating season was relatively flat or stable, taking into account a mild winter.

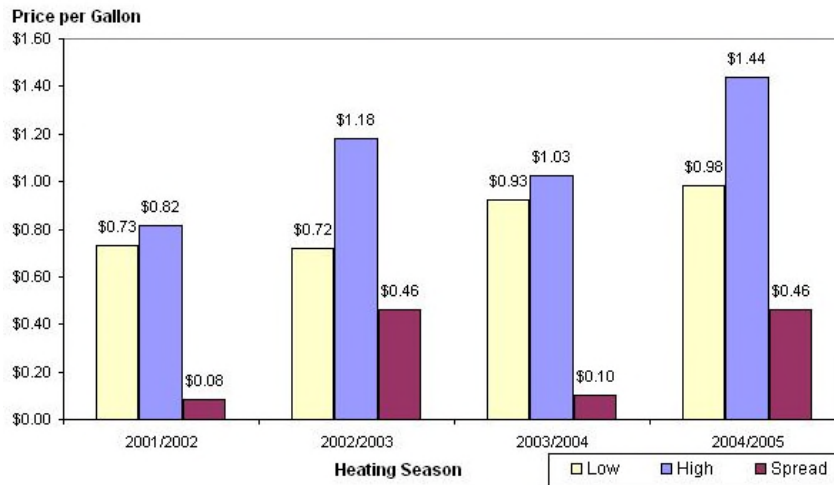
## Four-Year Comparison of the Average Propane Price 2001/2002 to 2004/2005



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The graph below shows the highest average price and the lowest average price per gallon of propane from the last four heating seasons and the difference, or spread, between the high and low prices. While having higher prices, the 2004/2005 heating season had the same price spread as heating season 2002/2003. The 2003/2004 heating season spread shows a spread consistent with the 2001/2002 level, indicating a tight range of prices. In 2002/2003, the increase from the previous year is seen in the high price while the low price remained consistent to the previous season. The price spread from the 2001/2002 to the 2002/2003 heating season showed a major increase.

## Propane Price Range and Spread Each Heating Season 2001/2002 to 2004/2005



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### Introduction

This report summarizes the results of the heating oil and propane price survey during the 2004/2005 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, over 10 percent or 68,768 homes in Nebraska 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 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 (SHOPP) for four years. Each year, the Energy Information Administration provides a list of companies to the Nebraska Energy Office. The companies are 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 4, 2004, and was completed on March 14, 2005. 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](#), [Average Residential Heating Oil Prices](#), and [Average Wholesale Heating Oil Prices](#). The Energy Information Administration publishes the data in the following reports: Residential Propane Prices by Region and State, Wholesale Propane Prices by Region and State, Residential Heating Oil Prices by Region and State, and Wholesale Heating Oil Prices by Region and State.

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## **Residential Heating Oil Prices**

The average home heating charge price for delivery of No. 2 heating oil, excluding taxes and cash discounts, in Nebraska for the 2004/2005 heating season was \$1.63 per gallon. The season average leaped 49 cents higher than last season's average of \$1.14 and 44 cents more than the four-year average of \$1.19 per gallon.

The season averages for the last four years are listed in the following table:

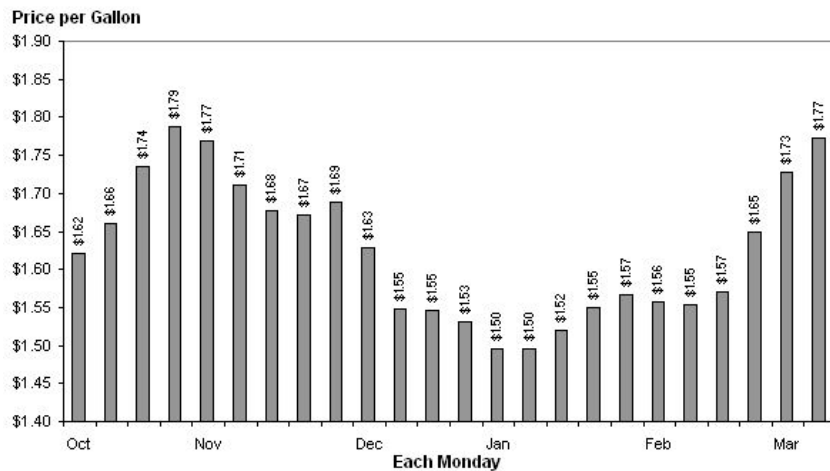
Heating Season	Average Price
2004/2005	\$1.63
2003/2004	\$1.14
2002/2003	\$1.13
2001/2002	\$0.87
<b>Average Four-Year Price</b>	<b>\$1.19</b>

The average price for October heating oil from 2001 to 2004 was \$1.24. This season shows a huge leap from last October. The table below lists the October average for each heating season and the difference from the previous October.

Heating Season	Average October Price	Difference in Price from the Previous October
2004/2005	\$1.70	+ \$0.55
2003/2004	\$1.15	+ \$0.07
2002/2003	\$1.08	+ \$0.07
2001/2002	\$1.01	
<b>Average Four-Year October Price</b>	<b>\$1.24</b>	

The average price of heating oil was volatile throughout the season. Prices peaked at the end of October and again in March, rather than in January or February as is usual, possibly due to crude oil prices and a tight national inventory. The graph below shows the season high of \$1.79 per gallon on the fourth Monday of October. The season high had a close second on the second Monday in March with a price of \$1.77

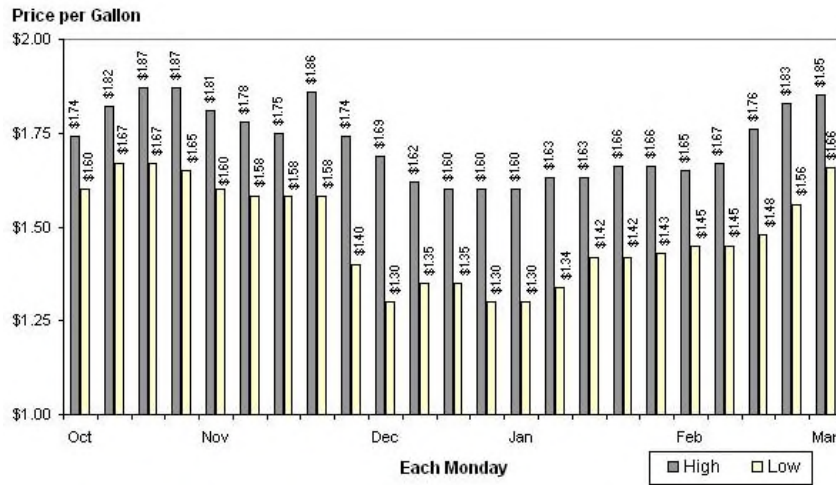
### Average Heating Oil Price 2004/2005



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The high to low price range of heating oil from each Monday's survey is shown in the graph below. During the 2004/2005 heating season, the highest price ranged from \$1.60 to \$1.87, and the lowest price ranged from \$1.30 to \$1.67.

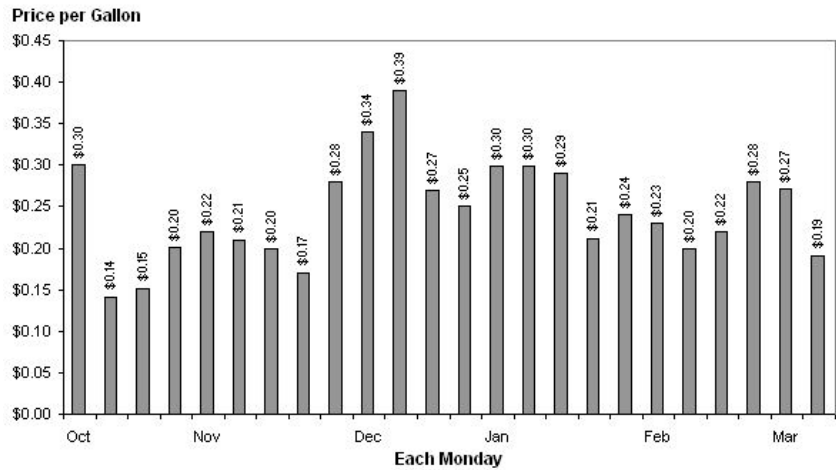
### Heating Oil Price Range 2004/2005



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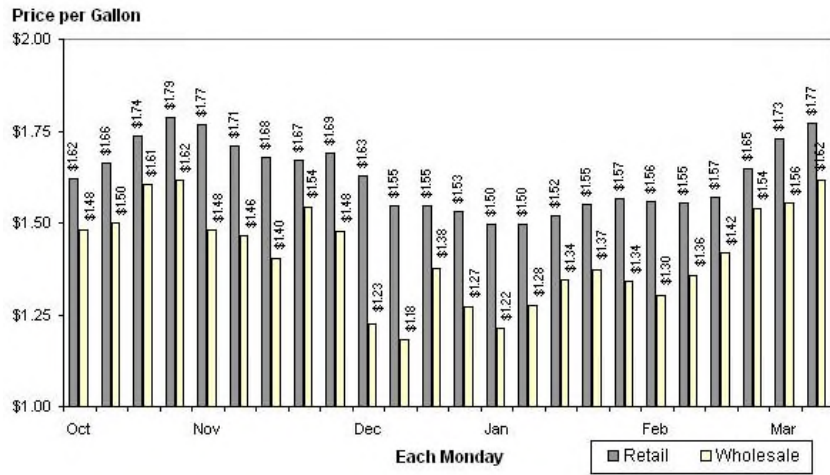
The price spread between the high price and the low price from each Monday's survey is shown in the graph below. During the 2004/2005 heating season, the price spread ranged from 14 cents to 39 cents.

### Heating Oil Price Spread 2004/2005



The 2004/2005 heating season was the first season in which wholesale heating oil prices were surveyed for Nebraska by the Oil Price Information Service (OPIS). A comparison shows that the retail price ranged from \$1.50 to \$1.79 and the wholesale price ranged from \$1.18 to \$1.62.

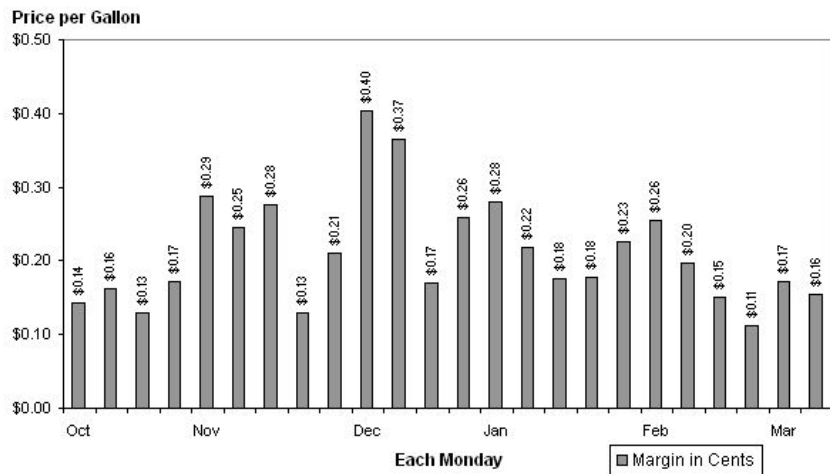
### Retail Versus Wholesale Heating Oil Prices 2004/2005



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The graph below shows the rack-to-retail margins per gallon of heating oil for each Monday's survey. During the 2004/2005 heating season, the margin ranged from 11 to 40 cents.

### Rack-to-Retail Heating Oil Margins 2004/2005



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### Residential Propane Prices

The average home heating charge price for delivery of consumer grade propane, excluding taxes and cash discounts, in Nebraska for the 2004/2005 heating season was \$1.24 per gallon. The season average was 27 cents higher than last season's average of \$0.97 and 29 cents more than the four-year average of \$0.95 per gallon.

The season averages for the last four years are listed in the following table:

Heating Season	Average Price
2004/2005	\$1.24
2003/2004	\$0.97
2002/2003	\$0.83
2001/2002	\$0.77
<b>Average Four-Year Price</b>	<b>\$0.95</b>

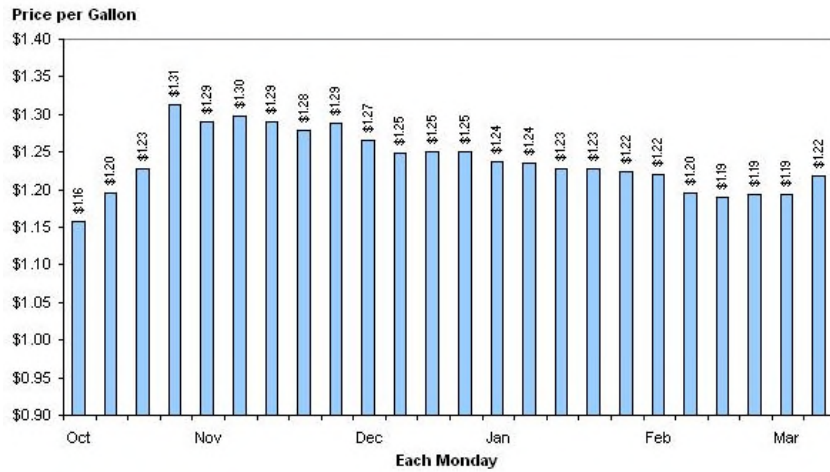
The average price for October propane from 2001 to 2004 was \$0.93. The last two seasons have shown huge leaps from one October to the next. The table below lists the October average for each heating season and the difference from the previous October.



Heating Season	Average October Price	Difference in Price from the Previous October
2004/2005	\$1.22	+ \$0.26
2003/2004	\$0.96	+ \$0.23
2002/2003	\$0.73	- \$0.06
2001/2002	\$0.79	
<b>Average Four-Year October Price</b>	<b>\$0.93</b>	

After increasing 15 cents in the first four weeks of the season, the average price of propane remained relatively flat, or stable, and dropping a cent or two each week. The graph below shows the season high of \$1.31 per gallon on the fourth Monday of October. The price increase was due to snowy weather and the expectation of winter temperatures. From that point on, the average propane price began moving downward closing out the heating season at \$1.22 per gallon

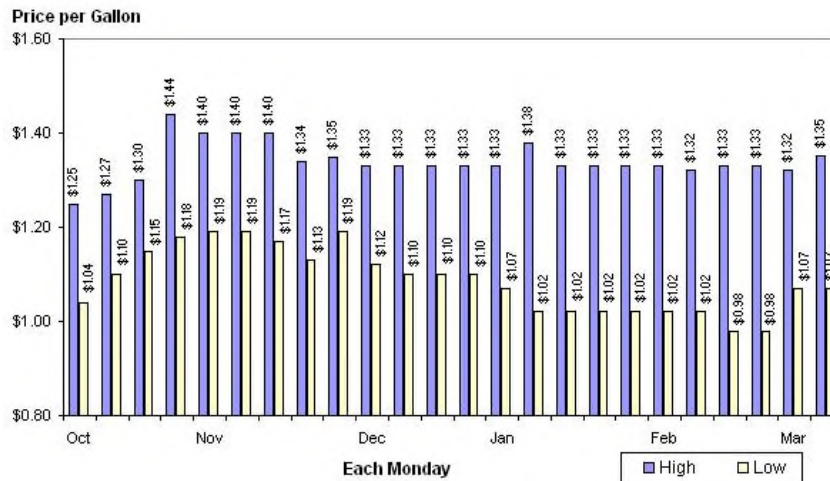
### Average Propane Price 2004/2005



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The high to low price range of propane from each Monday's survey is shown in the graph below. During the 2004/2005 heating season, the highest price ranged from \$1.25 to \$1.44, and the lowest price ranged from \$0.98 to \$1.19.

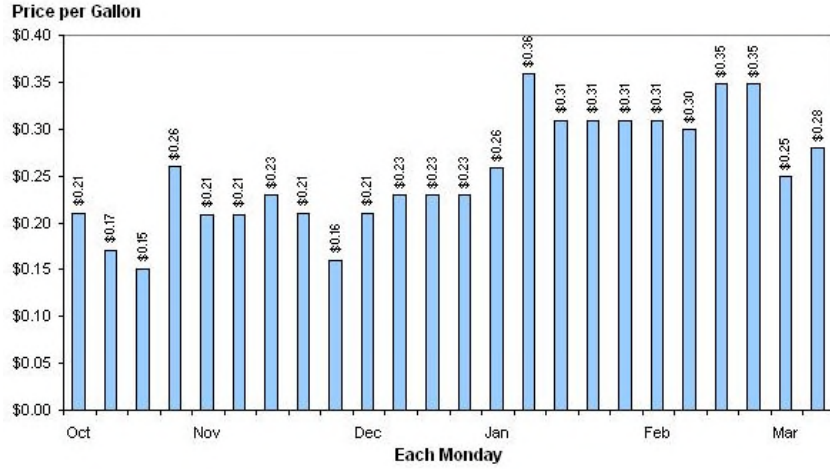
### Propane Price Range 2004/2005





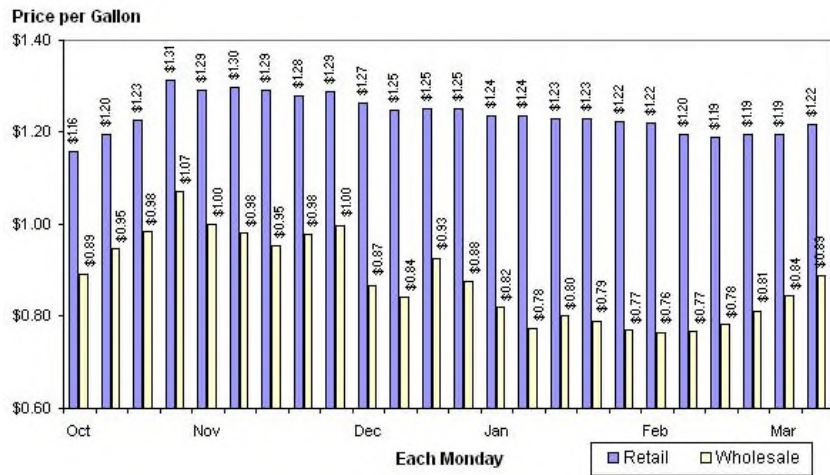
The price spread between the high price and low price of each Monday's survey is shown in the graph below. During the 2004/2005 heating season, the price spread ranged from 15 cents to 36 cents.

### Propane Price Spread 2004/2005



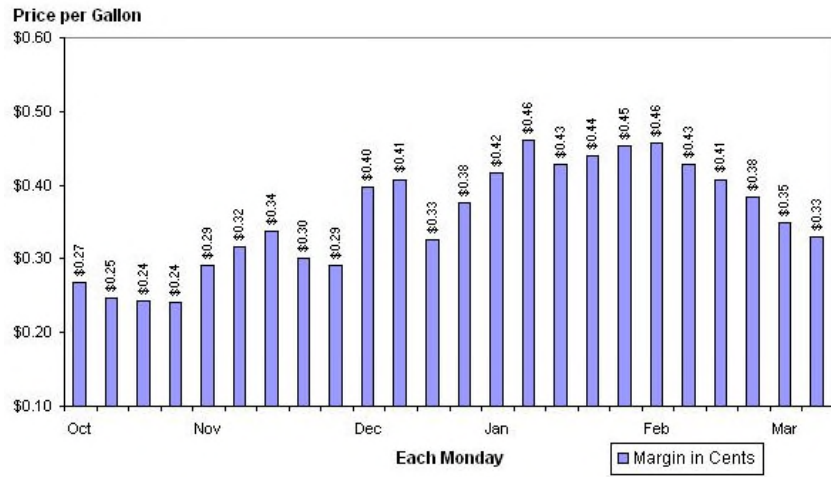
During the 2004/2005 heating season, the retail price ranged from \$1.16 to \$1.31 and the wholesale price ranged from \$0.76 to \$1.07.

### Retail Versus Wholesale Propane Prices 2004/2005



The graph below shows the [rack-to-retail](#) margins per gallon of propane for each Monday's survey. During the 2004/2005 heating season, the margin ranged from 24 to 46 cents.

### Rack-to-Retail Propane Margins 2004/2005



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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 on May 13, 2005.*

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