

State of Nebraska Heating Oil and Propane Program *2003/2004 Winter Heating Season*

Annual Report July 2004

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Executive Summary

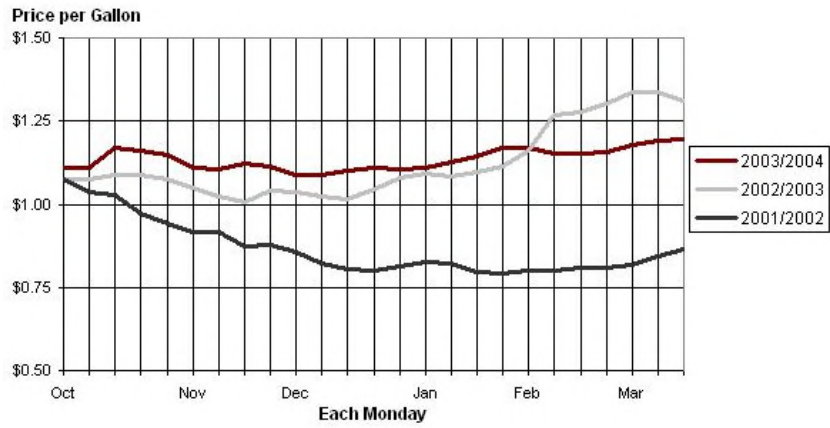
Nebraska's [heating oil](#) and [propane](#) prices were stable during the 2003/2004 heating season. Factors that impact prices each season include: national and state inventory and import levels; refinery downtime; prices of crude oil and natural gas; the weather; the economy; and the political arena. All of these factors lead to increased demand or lower-than-normal supplies during the winter heating season. Factors impacting 2003/2004 heating season prices were:

- National inventory level of heating oil near historical low at the end of the 2002/2003 heating season and the continuance of low levels at the beginning of the 2003/2004 heating season thereby lacking the normal cushion;
- National inventory level of propane at the lowest level in over 30 years at the end of the 2002/2003 heating season and the start of the 2003/2004 heating season below the level of 60 million barrels (the level considered to be adequate for winter);
- Regional propane storage goal not attained during the traditional build season (April through September);
- Strong flow of propane imports;
- High crude oil prices;
- High natural gas prices;
- Oil refinery shutdowns due to planned maintenance and unexpected hazards;
- Power blackout on August 14, 2003;
- War with Iraq;
- Improving economy; and
- Relatively normal winter temperatures.

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 5 percent. The state had 5393 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 3 to 4 cents higher than the previous two years. Prices at the end of the 2003/2004 heating season were below prices from a year ago while still considerably higher from prices of two years ago.

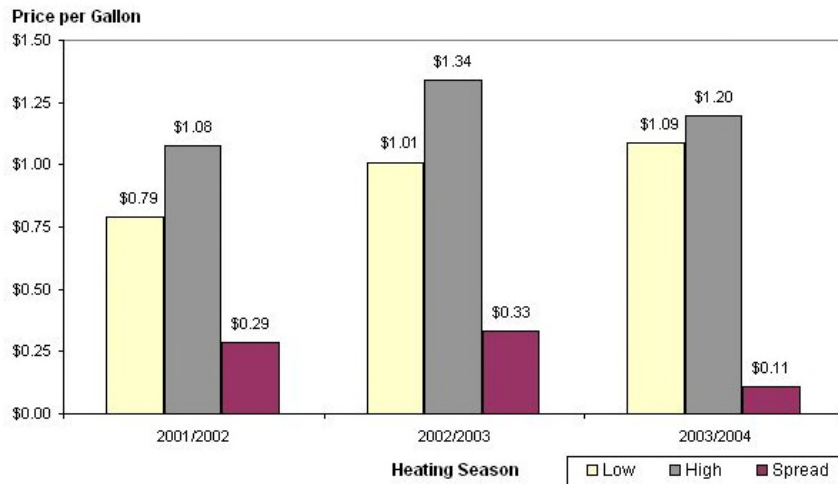
Three-Year Comparison of the Average Heating Oil Price 2001/2002 to 2003/2004



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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. This indicates stability--there were no big increases or decreases in price from week to week. The graph below shows the lowest average price and highest average price per gallon of heating oil from the last three heating seasons and the difference, or spread, between the two prices.

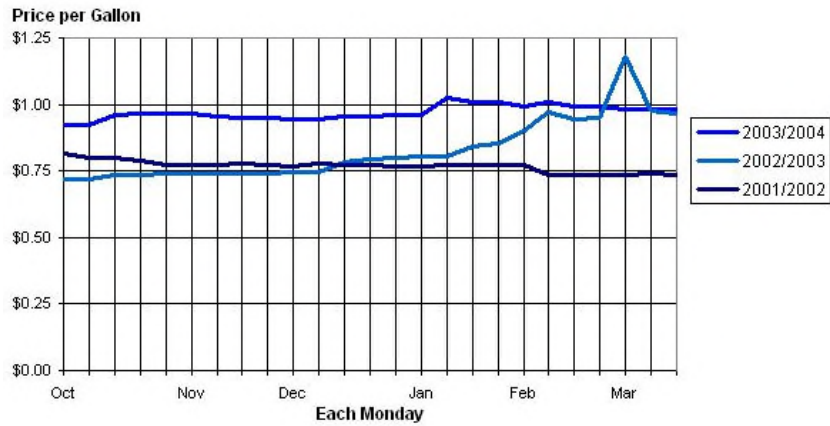
Heating Oil Price Range and Spread Each Heating Season 2001/2002 to 2003/2004



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The 2003/2004 heating season began with a price 20 cents higher than last year and 11 cents higher than two years ago. The price trend during the 2001/2002 heating season was relatively flat or stable, 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 due to low supplies. During the 2003/2004 heating season, prices were stable although significantly higher due to the tight supply situation.

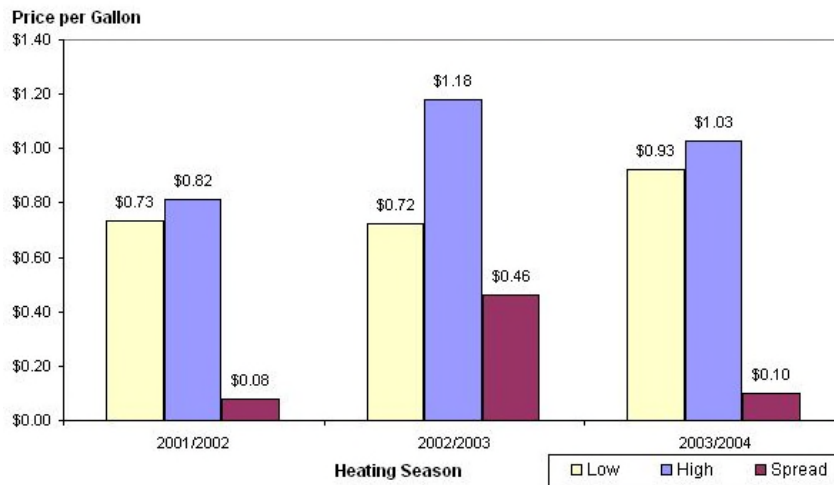
Three-Year Comparison of the Average Propane Price 2001/2002 to 2003/2004



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The graph below shows the highest average price and the lowest average price per gallon of propane from the last three heating seasons and the difference, or spread, between the high and low prices. The price spread from the 2001/2002 to the 2002/2003 heating season shows a major increase indicating volatility. The increase is seen in the high price for 2002/2003 while the low price remained consistent to the previous season. The 2003/2004 heating season spread shows a decrease back to the 2001/2002 level, again, indicating stable prices.

Propane Price Range and Spread Each Heating Season 2001/2002 to 2003/2004



Introduction

This report summarizes the results of the heating oil and propane price survey during the 2003/2004 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.

Program Performance

The responsibilities of the Nebraska Energy Office included:

1. Collection of each Monday's retail heating oil and propane prices from 15 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 three 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 6, 2003, and was completed on March 15, 2004. 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 home heating charge price for delivery of No. 2 heating oil, excluding taxes and cash discounts, in Nebraska for the 2003/2004 heating season was \$1.14 per gallon. The season average was only a penny higher than last season's average of \$1.13 and 9 cents more than the average three-year price (2001 through 2003) of \$1.05 per gallon.

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

Heating Season	Average Price
2003/2004	\$1.14
2002/2003	\$1.13
2001/2002	\$0.87
Average Three-Year Price	\$1.05

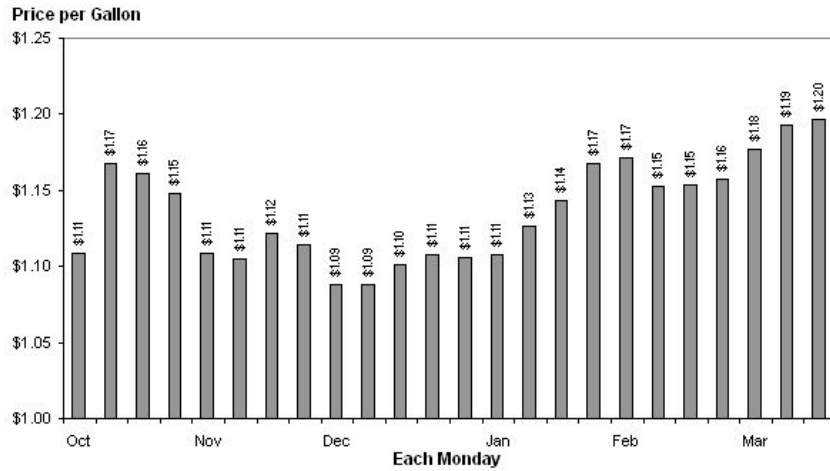
The average price for October heating oil from 2001 to 2003 was \$1.08. The table below lists the October average for each heating season and the difference from the

previous October.

Heating Season	Average October Price	Difference in Price from the Previous October
2003/2004	\$1.15	+ \$0.07
2002/2003	\$1.08	+ \$0.07
2001/2002	\$1.01	
Average Three-Year October Price	\$1.08	

The average price of heating oil was fairly stable throughout the season. Prices increased in February and March, rather than in January or February as is usual, due to below-normal temperatures in February and tight supplies. The graph below shows the season high of \$1.20 per gallon on the third Monday of March. The heating season ended with the season high possibly due to the increase in the price of crude oil.

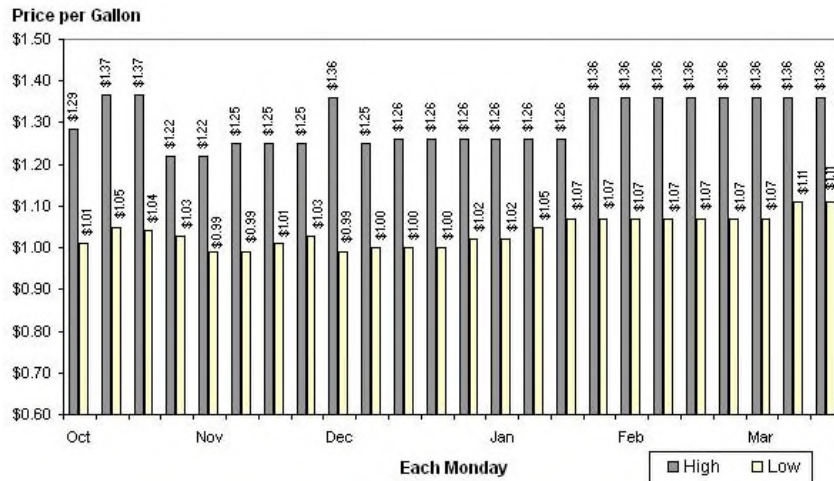
Average Heating Oil Price 2003/2004



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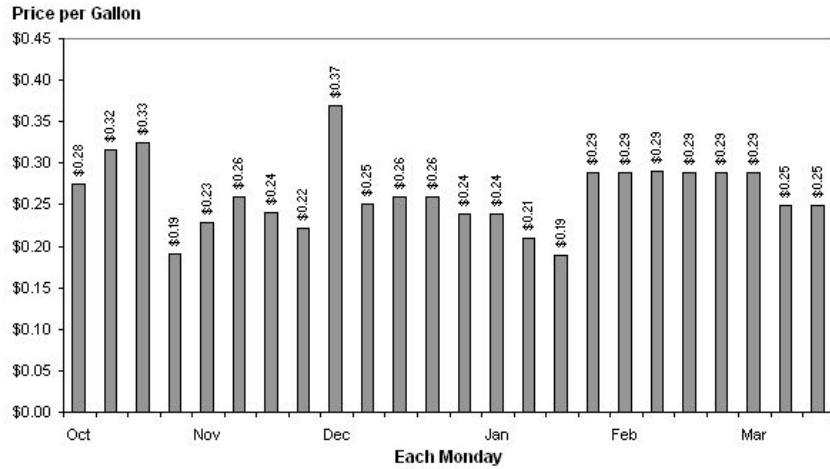
The high to low price range of heating oil from each Monday's survey is shown in the graph below. During the 2003/2004 heating season, the highest price ranged from \$1.22 to \$1.37, and the lowest price ranged from \$0.99 to \$1.11.

Heating Oil Price Range 2003/2004



The price spread between the high price and the low price from each Monday's survey is shown in the graph below. During the 2003/2004 heating season, the price spread ranged from 19 cents to 37 cents.

Heating Oil Price Spread 2003/2004



Residential Propane Prices

The average home heating charge price for delivery of consumer grade propane, excluding taxes and cash discounts, in Nebraska for the 2003/2004 heating season was \$0.97 per gallon. The season average was 14 cents higher than last season's average of \$0.83 and 11 cents more than the average three-year price (2001 through 2003) of \$0.86 per gallon.

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

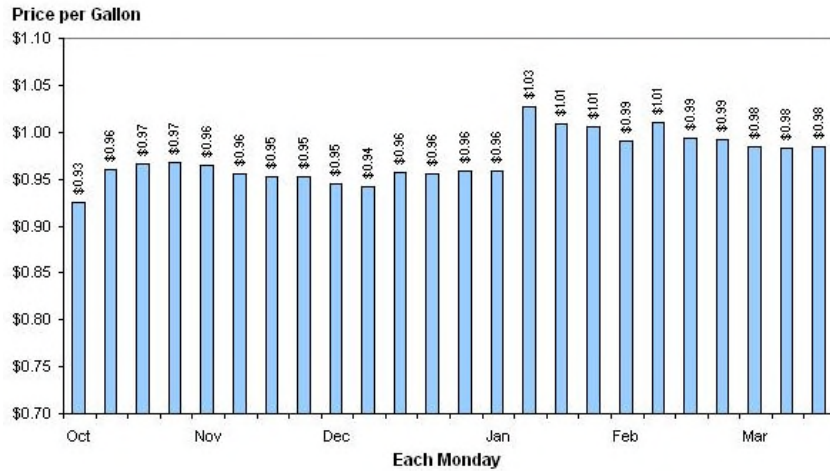
Heating Season	Average Price
2003/2004	\$0.97
2002/2003	\$0.83
2001/2002	\$0.77
Average Three-Year Price	\$0.86

The average price for October propane from 2001 to 2003 was \$0.83. 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
2003/2004	\$0.96	+ \$0.23
2002/2003	\$0.73	- \$0.06
2001/2002	\$0.79	
Average Three-Year October Price	\$0.83	

The average price of propane remained relatively flat, or stable, from the first Monday in October to the first Monday in January. During that period, the average propane price increased 3 cents from \$0.93 per gallon to \$0.96 per gallon. The graph below shows the season high of \$1.03 per gallon on the second Monday of January. The price increase was due to tight supplies. From that point on, the average propane price began moving downward closing out the heating season at \$0.98 per gallon.

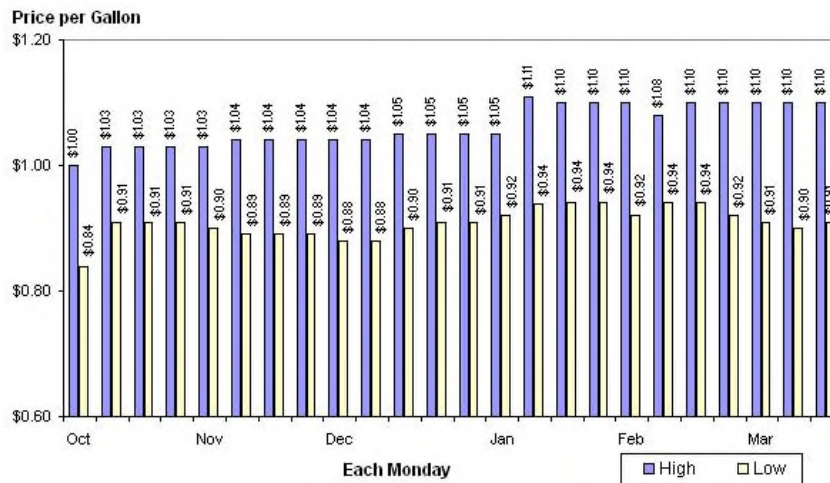
Average Propane Price 2003/2004



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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 2003/2004 heating season, the highest price ranged from \$1.00 to \$1.11, and the lowest price ranged from \$0.84 to \$0.94.

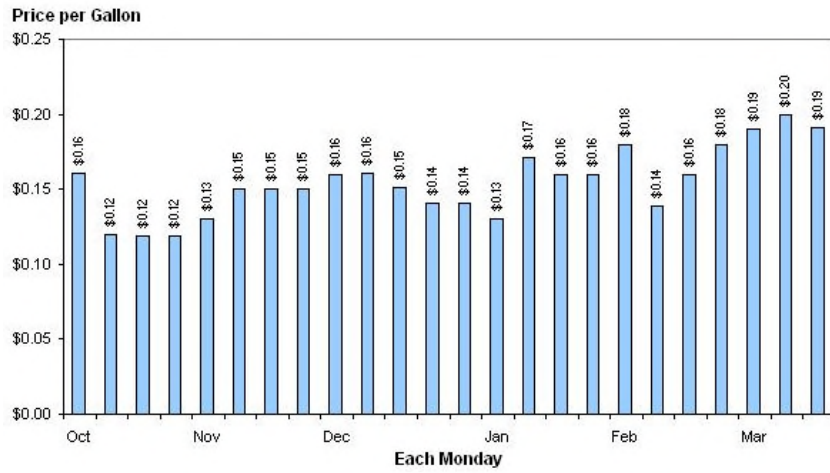
Propane Price Range 2003/2004



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The price spread between the high price and low price of each Monday's survey is shown in the graph below. During the 2003/2004 heating season, the price spread ranged from 12 cents to 20 cents.

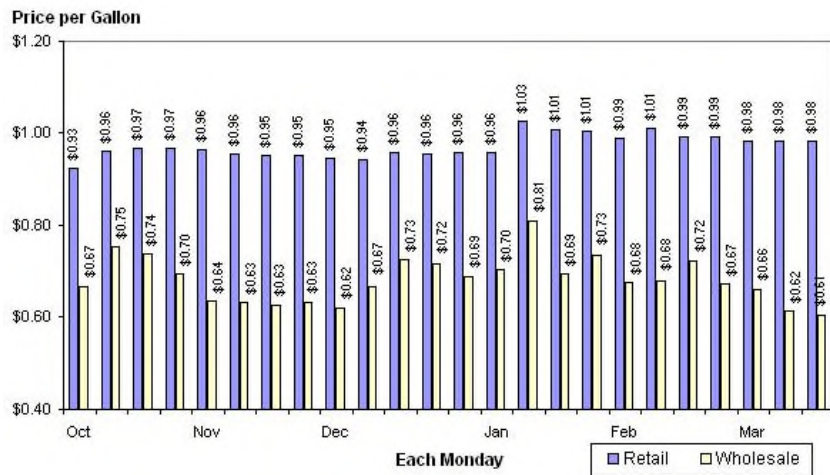
Propane Price Spread 2003/2004



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During the 2003/2004 heating season, the retail price ranged from \$0.93 to \$1.03 and the wholesale price ranged from \$0.61 to \$0.81.

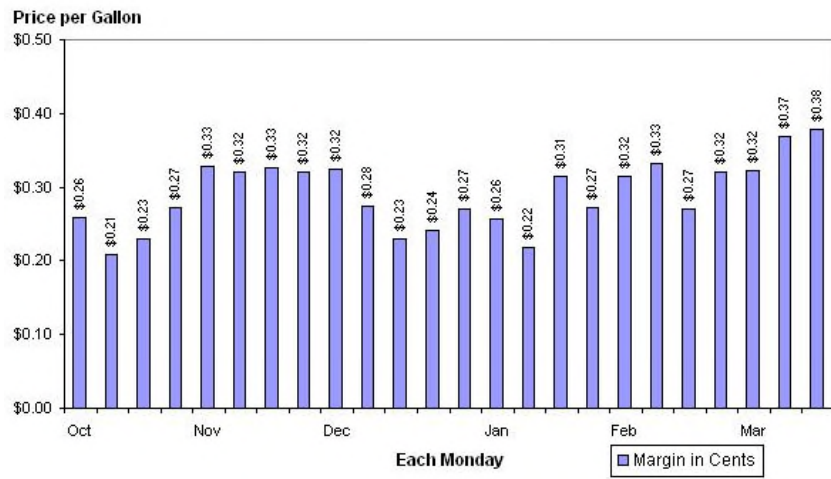
Retail Versus Wholesale Propane Prices 2003/2004



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The graph below shows the [rack-to-retail](#) margins per gallon of propane for each Monday's survey. During the 2003/2004 heating season, the margin ranged from 21 to 38 cents.

Rack-to-Retail Margins 2003/2004



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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 July 9, 2004.

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