

# State of Nebraska

## Heating Oil and Propane Program

### *2005/2006 Winter Heating Season*

## Annual Report

### May 2006

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#### **Executive Summary**

Nebraska's [propane](#) prices were stable throughout the 2005/2006 heating season while maintaining a 20- to 30-cent increase from the previous heating season. The average home heating charge price for delivery of consumer grade propane, excluding taxes and cash discounts, in Nebraska for the 2005/2006 heating season was \$1.46 per gallon. For the last three years, propane prices have increased 20 to 30 percent each year.

[Heating oil](#) prices began this heating season one dollar per gallon higher than the previous heating season. Heating oil prices increased during October to over \$2.75 per gallon and then decreased to around \$2 per gallon in December and were stable for the remainder of the season. Over the last two years, heating oil prices have increased over 30 percent each year.

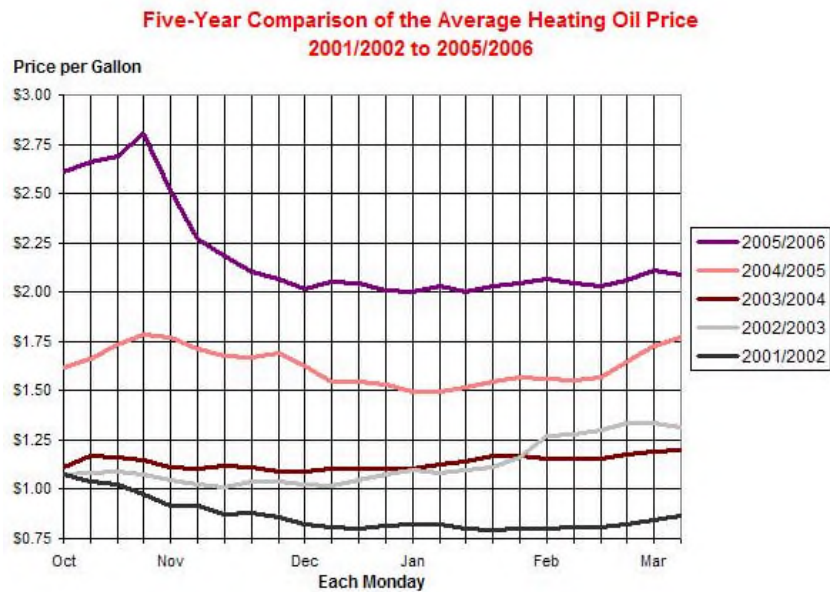
Factors that impact prices each season include: national and state inventory and import levels, refinery downtime, prices of crude oil and natural gas, the weather, the economy, and the political situation. All of these factors can lead to increased demand or lower-than-normal supplies during the winter heating season. Factors that impacted prices during the 2005/2006 heating season were.

- Discussions throughout the build season of a looming supply crisis in heating oil for the 2005/2006 winter season. Over 8,000 of the state's households (slightly more than one percent) use heating oil to heat their homes.
- Below-average regional distillate inventory levels at the beginning of the heating season and volatile levels throughout the heating season;
- An average national heating oil stockbuild from April to September;
- The regional propane storage goal of 25 million barrels not attained during the traditional build season (April through September). Nearly 70,000 Nebraska households (more than ten percent) use propane to heat their homes.
- Volatile regional propane inventory levels throughout the heating season;
- An above-average national propane stockbuild from April to September;
- Continued high crude oil prices;
- Continued high natural gas prices;
- Oil refinery shutdowns due to planned maintenance and unexpected hazards;
- BP's Texas City refinery explosion and fire on March 23, 2005;
- Ongoing war with Iraq;
- Crude oil exports from Ecuador brought to a standstill in August 2005 by protestors;
- The shutdown of the Dixie Pipeline in April 2005 due to contamination issues which interrupted supply to East Coast markets and reduced storage;
- Tropical Storms Arlene and Cindy and Hurricanes Dennis, Katrina, Rita, and Wilma; and

- Warmer-than-normal winter temperatures (11 percent warmer than normal).

Of the factors that impact prices, weather remains the key wildcard each winter. [Degree days](#) indicated weather in Nebraska to be warmer than normal by 11 percent. The state had an estimated 5046 heating degree days from October to March compared to 5667 normal heating degree days for that period.

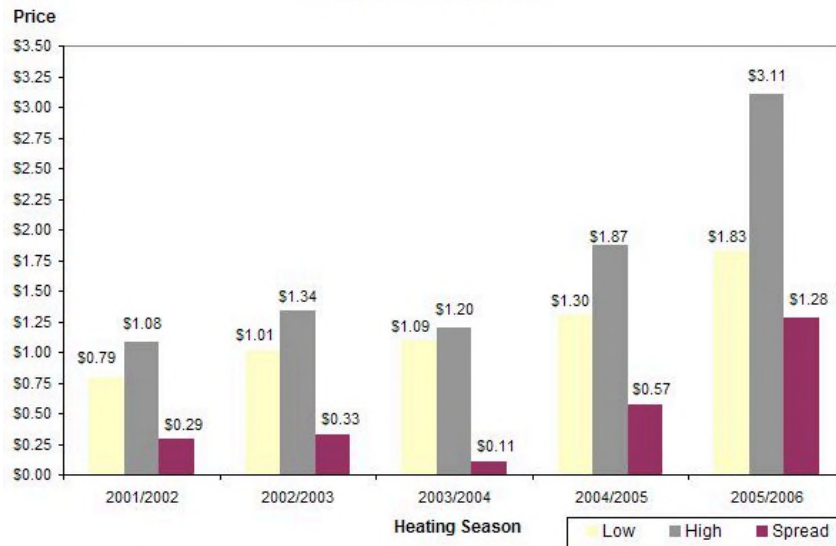
Heating oil prices began the most recent heating season a dollar (or over 60 percent) higher than the previous year due to increased crude oil and diesel fuel prices and lower distillate supply levels. While prices remained above \$2 per gallon during the 2005/2006 heating season, prices did fall during November and remained fairly stable from December to March. Throughout most of the season, prices were 50 cents higher than the previous season. The price at the end of the season was 52 cents, or 20 percent, lower than the price at the beginning of the season



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A low price spread is indicative of stability, i.e. no big increases or decreases in price. 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 the two prior seasons. The 2004/2005 heating season's spread indicated volatility, but the price spread of \$1.28 for heating season 2005/2006 was significantly larger. The graph below shows the lowest average price and highest average price per gallon of heating oil from the last five heating seasons and the difference, or spread, between the two prices.

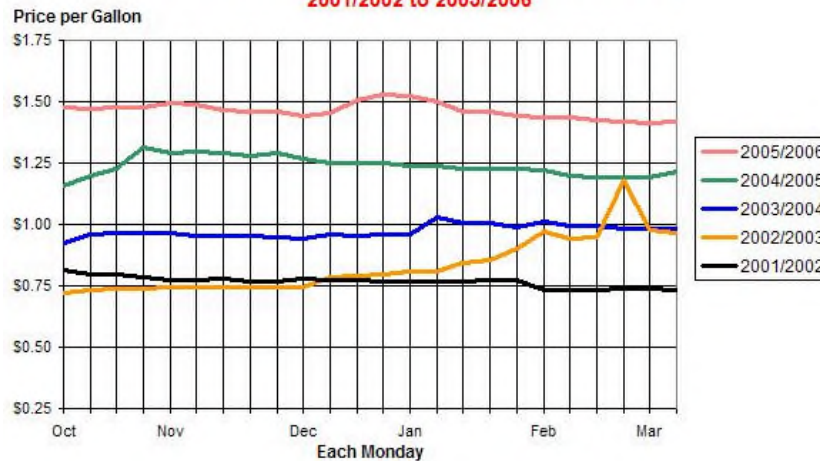
**Heating Oil Price Range and Spread Each Heating Season  
2001/2002 to 2005/2006**



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The 2005/2006 heating season began with a propane price that was 32 cents higher than last year, 55 cents higher than two years ago, 75 cents higher than three years ago, and 66 cents higher than four years ago. High crude oil and natural gas prices were major factors. Although the 2005/2006 heating season brought about much higher prices, prices were relatively stable due to the mild winter. The 2004/2005 heating season was very similar to the 2005/2006 heating season. During the 2003/2004 heating season, prices were stable although significantly higher due to the tight supply situation. 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.

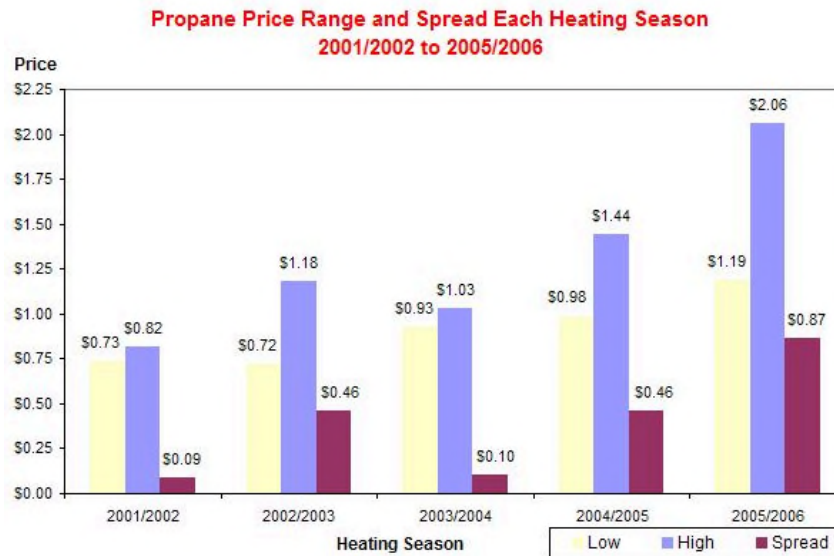
**Five-Year Comparison of the Average Propane Price  
2001/2002 to 2005/2006**



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The graph below shows the highest average price and the lowest average price per gallon of propane from the last five heating seasons and the difference, or spread, between the high and low prices. The 2005/2006 heating season continued the high prices from the 2004/2005 heating season. The 2005/2006 heating season saw prices that were over \$2 per gallon.

Although prices were higher than the previous season, the 2004/2005 heating season had the same price spread as heating season 2002/2003. The 2003/2004 heating season spread is consistent with the 2001/2002 level, indicating a tight range of prices. In 2002/2003, the high price was significantly greater while the low price remained similar to the previous season.



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## Introduction

This report summarizes the results of the heating oil and propane price survey during the 2005/2006 winter heating season in Nebraska. The Nebraska Energy Office conducted the survey under a cooperative agreement with 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 a 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 five 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 3, 2005, and was completed on March 13, 2006. 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 2005/2006 heating season was \$2.19 per gallon. The season average soared 56 cents higher than last season's average of \$1.63 and 80 cents more than the five-year average of \$1.39 per gallon.

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

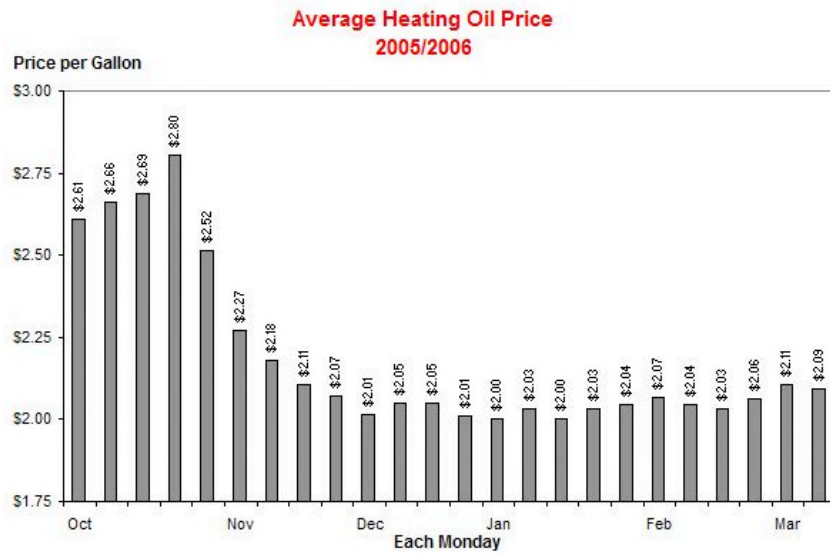
Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2005/2006	\$2.19	34%
2004/2005	\$1.63	43%
2003/2004	\$1.14	1%
2002/2003	\$1.13	30%
2001/2002	\$0.87	
<b>Average Five-Year Price</b>	<b>\$1.39</b>	

The average price for October heating oil over the past five years was \$1.52, an increase of nearly one dollar from last October. The table below lists the October average for each heating season and the difference from the previous October. The average price in October is indicative of weather conditions and the winter supply outlook.

Heating Season	Average October Price	Difference in Price from the Previous October
2005/2006	\$2.66	+ \$0.96
2004/2005	\$1.70	+ \$0.55
2003/2004	\$1.15	+ \$0.07

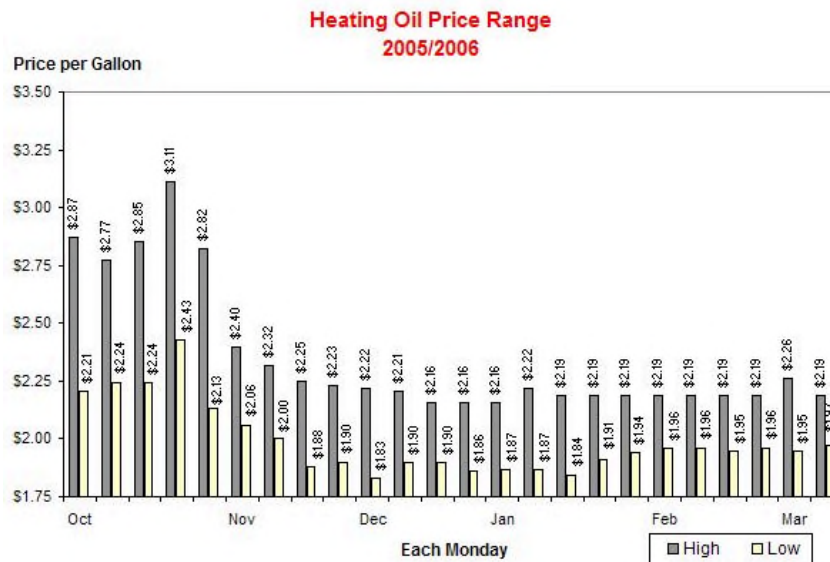
Heating Season	Average October Price	Difference in Price from the Previous October
2002/2003	\$1.08	+ \$0.07
2001/2002	\$1.01	
<b>Average Five-Year October Price</b>	<b>\$1.52</b>	

The average price of heating oil was volatile early in the season, but relatively stable over the final four months. Prices peaked the fourth Monday in October, rather than in January or February as is usual, possibly due to crude oil prices and a tight regional inventory through most of the season.



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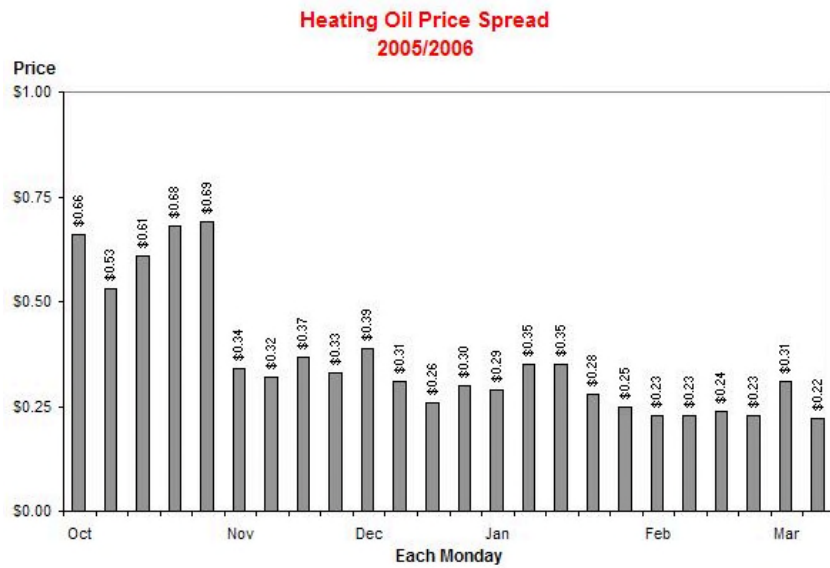
The high to low price range of heating oil from each Monday's survey is shown in the graph below. During the 2005/2006 heating season, the highest price ranged from \$2.16 to \$3.11, and the lowest price ranged from \$1.83 to \$2.43.



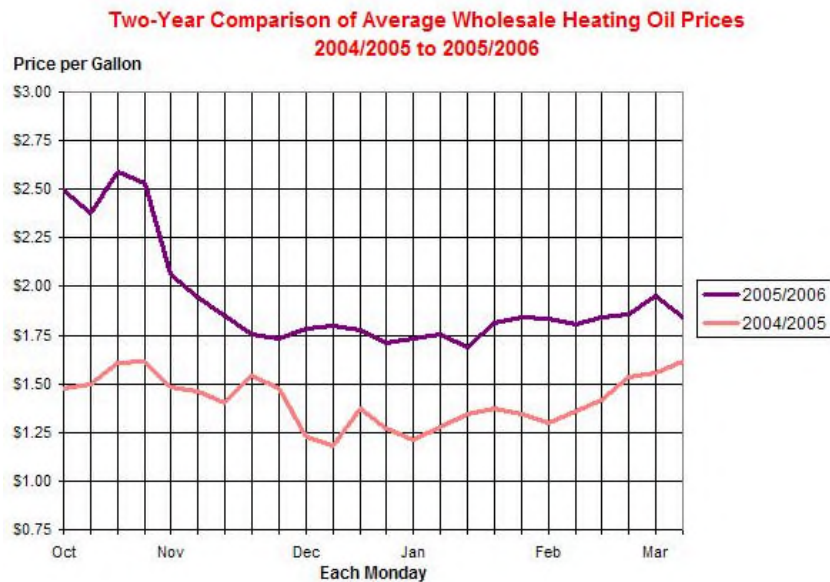
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The price spread between the high price and the low price from each Monday's survey is shown in the graph below. During the 2005/2006 heating season, the price

spread ranged from 22 cents to 69 cents.

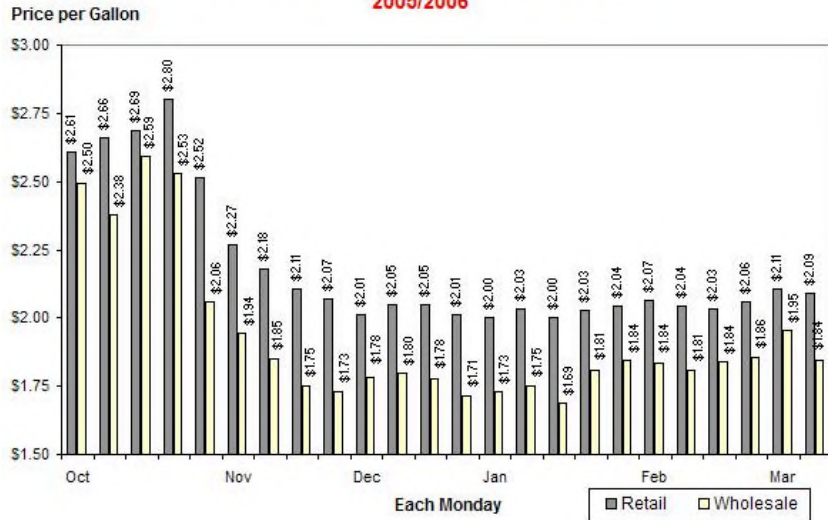


The 2005/2006 heating season was the second season in which wholesale heating oil prices were surveyed for Nebraska by the Oil Price Information Service (OPIS). Wholesale heating oil prices began the heating season more than one dollar (nearly 70 percent) higher than the previous season. While prices remained above \$2 per gallon during October of the 2005/2006 heating season, prices did fall during November and remained fairly stable from December to March. Throughout the season, prices were at least 40 cents higher than the previous season. The price at the end of the season was 65 cents, or 26 percent, lower from prices at the beginning of the season.



A comparison shows that retail prices ranged from \$2.00 to \$2.80, and the wholesale prices ranged from \$1.69 to \$2.59

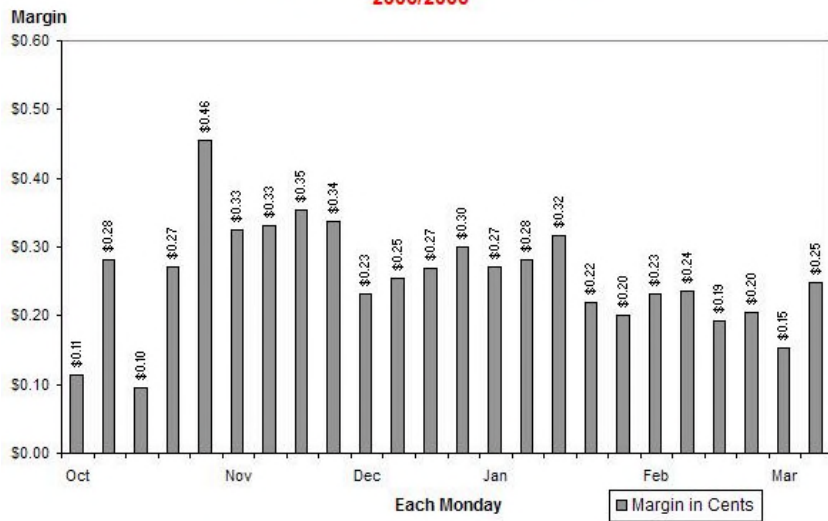
### Retail Versus Wholesale Heating Oil Prices 2005/2006



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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 2005/2006 heating season, the margin ranged from 10 to 46 cents.

### Rack-to-Retail Heating Oil Margins 2005/2006



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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 2005/2006 heating season was \$1.46 per gallon. The season average was 22 cents higher than last season's average of \$1.24 and 41 cents more than the five-year average of \$1.05 per gallon.

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

Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2005/2006	\$1.46	18%
2004/2005	\$1.24	28%
2003/2004	\$0.97	17%
2002/2003	\$0.83	8%
2001/2002	\$0.77	

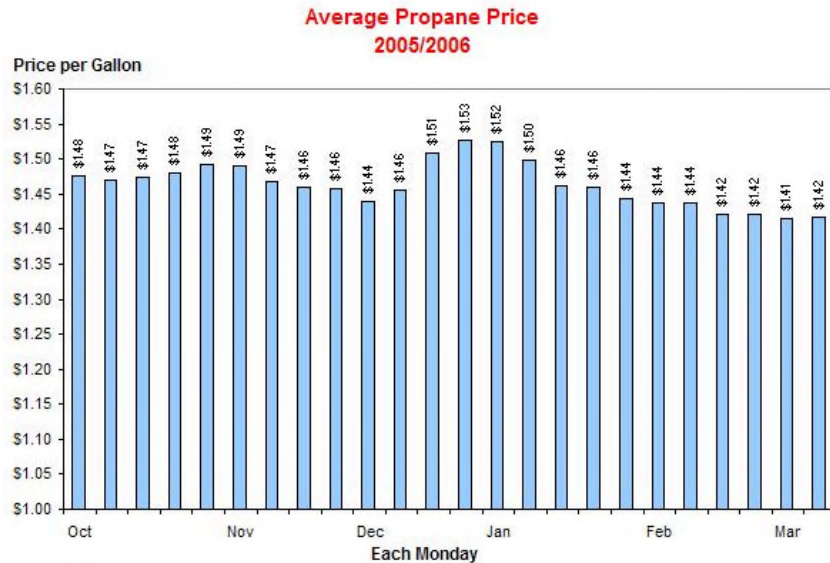


Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
<b>Average Five-Year Price</b>	<b>\$1.05</b>	

The average price for October propane from 2001 to 2005 was \$1.04. The last three 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
2005/2006	\$1.48	+ \$0.26
2004/2005	\$1.22	+ \$0.26
2003/2004	\$0.96	+ \$0.23
2002/2003	\$0.73	- \$0.06
2001/2002	\$0.79	
<b>Average Five-Year October Price</b>	<b>\$1.04</b>	

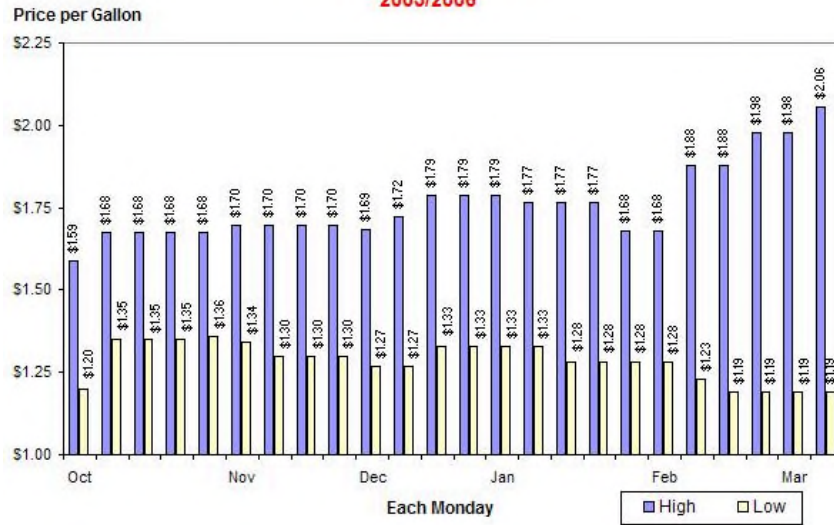
The average price of propane remained relatively flat, or stable, during the heating season. Prices peaked for two weeks due to cold weather--at \$1.53 at the end of December and at \$1.52 at the beginning of January. From that point on, the average propane price began moving slightly downward closing out the heating season at \$1.42 per gallon



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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 2005/2006 heating season, the highest price ranged from \$1.59 to \$2.06, and the lowest price ranged from \$1.19 to \$1.36.

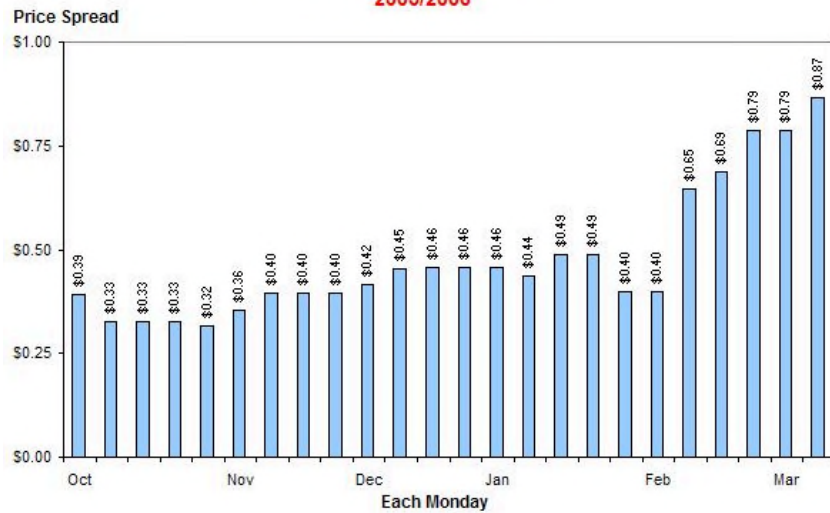
### Propane Price Range 2005/2006



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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 2005/2006 heating season, the price spread ranged from 32 cents to 87 cents.

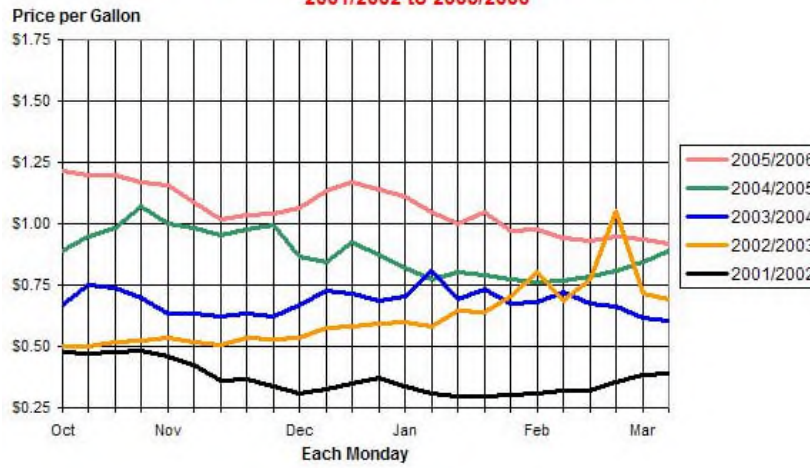
### Propane Price Spread 2005/2006



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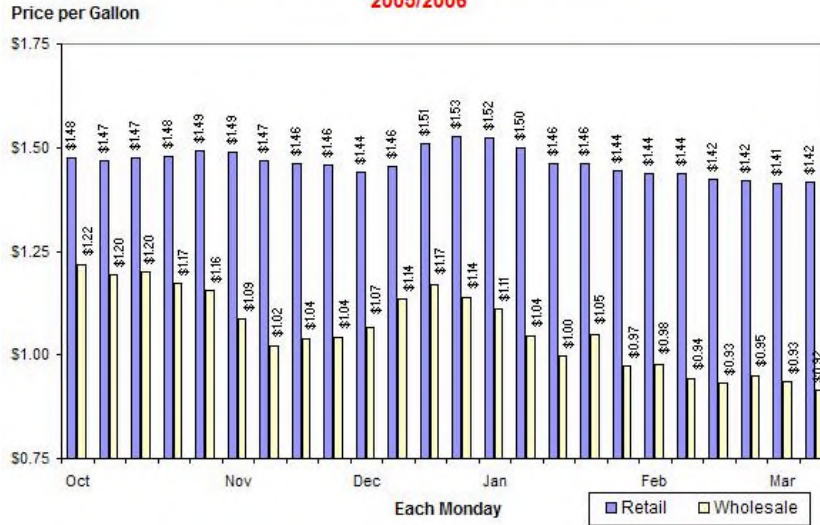
The 2005/2006 heating season began with a wholesale propane price that was 33 cents higher than last year, 55 cents higher than two years ago, 72 cents higher than three years ago, and 74 cents higher than four years ago. The average wholesale price of propane remained relatively flat, or stable, during the heating season. There was a slight peak for a few weeks in late December and the beginning of January that did not surpass the average price at the start of the heating season. The price at the end of the season was 30 cents, or 25 percent, lower than prices at the beginning of the season.

**Five-Year Comparison of Average Wholesale Propane Prices  
2001/2002 to 2005/2006**



During the 2005/2006 heating season, the retail propane price ranged from \$1.41 to \$1.53, and the wholesale price ranged from \$0.92 to \$1.22.

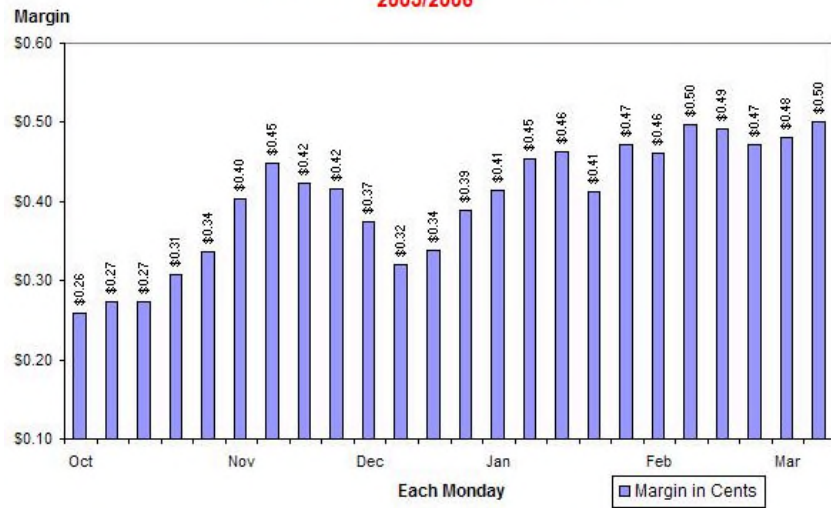
**Retail Versus Wholesale Propane Prices  
2005/2006**



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The graph below shows the [rack](#)-to-retail margins per gallon of propane for each Monday's survey. During the 2005/2006 heating season, the margin ranged from 26 to 50 cents.

### Rack-to-Retail Propane Margins 2005/2006



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**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 on on May 23, 2006.*

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