

# State of Nebraska

## Heating Oil and Propane Program

### *2009/2010 Winter Heating Season*

## Annual Report

### May 2010

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#### **Executive Summary**

Nebraska's average [propane](#) prices continued to be high during the 2009/2010 heating season although the prices began the heating season relatively low in comparison to previous years. The average home heating charge price for delivery of consumer grade propane, excluding taxes and cash discounts, in Nebraska for the 2009/2010 heating season was \$1.63 per gallon.

[Heating oil](#) prices began the 2009/2010 heating season at \$2.15, which was \$1.35 per gallon lower than the previous heating season. Heating oil prices were relatively stable during most of the 2009/2010 heating season ending at \$2.46 per gallon which was only a 31-cent increase over the beginning price.

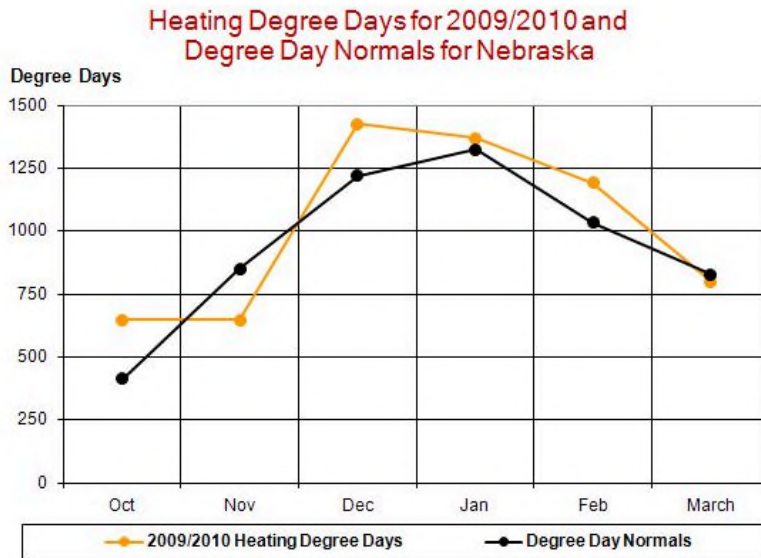
Factors that impact prices each season include: national and state inventory and import levels, refinery downtime, prices of crude oil and natural gas, the weather, the economy, and the political situation. Each of these factors can lead to increased demand or lower-than-normal supplies during the winter heating season. Factors that impacted prices during the 2009/2010 heating season included:

- Above-average regional distillate inventory levels during most of the heating season. Nearly one percent (0.85%) of the state's households (5,974) use heating oil to heat their homes;
- The regional propane storage goal of 25 million barrels was attained during the traditional build season (April through September). Eight percent (8%) of Nebraska households (56,446) use propane to heat their homes;
- Oil refinery shutdowns due to planned maintenance and unexpected hazards;
- Ongoing war with Iraq; and
- Cooler-than-normal heating season temperatures.

#### **Weather**

Of the factors that impact prices, weather remains the key wildcard each winter. The National Oceanic Atmospheric Administration forecast favored warmer-than-normal winter weather in 2009/2010. An analysis of [heating degree days](#) indicated weather in Nebraska for the 2009/2010 heating season to be cooler than normal by 7 percent. In other words, the heating season had cooler-than-normal winter weather (shown in the graph below). The state had an estimated 6084 heating degree days from October to March compared to 5667 normal heating degree days for that period. In reviewing weather from month to month, October 2009 had 57 percent cooler-than-normal weather for the month of October. November had weather that was 24 percent warmer than normal. December had weather that was 17 percent cooler than normal. The months of January and February 2010 had weather that was

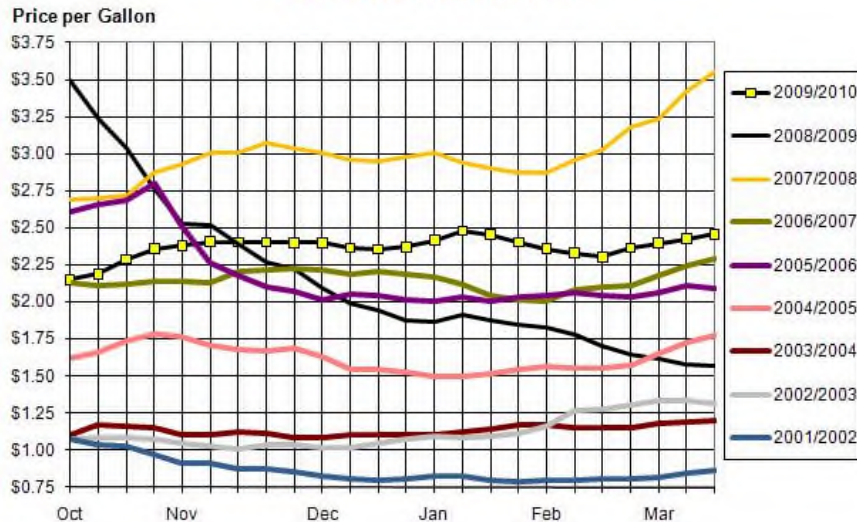
an estimated three percent and 15 percent, respectively, cooler than normal. During March 2010, the state had weather that was an estimated three percent warmer than normal for the month of March.



#### Multi-Year Comparison of Weekly Average Heating Oil Prices

Heating oil prices began the most recent heating season \$1.35 lower than the previous season but \$1.08 higher than eight years ago. During October, heating oil prices rose a few cents each week, but the rest of the 2009/2010 heating season was relatively stable for heating oil prices due to above-average inventory levels.

### Nine-Year Comparison of Average Heating Oil Prices 2001/2002 to 2009/2010

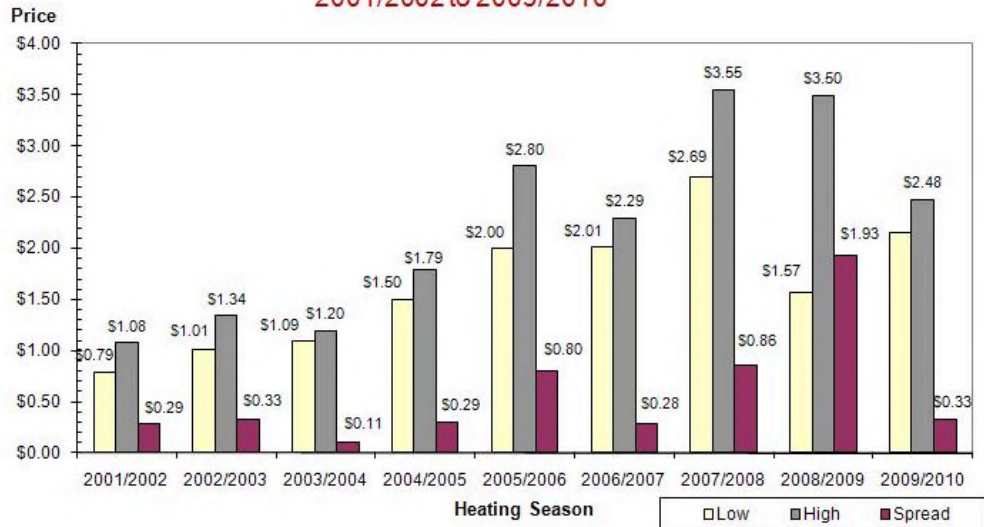


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#### Heating Oil Price Range and Spread

The graph below shows the price range of the highest average price and the lowest average price per gallon of heating oil from the last nine heating seasons and the difference, or spread, between the high and low prices. A low price spread is indicative of stability, i.e. no large increases or decreases in price during the heating season. The price spread for the 2009/2010 heating season was 33 cents, which reflects the relatively stable average price, and may be attributed to the ample supply.

## Heating Oil Price Range and Spread Each Heating Season 2001/2002 to 2009/2010

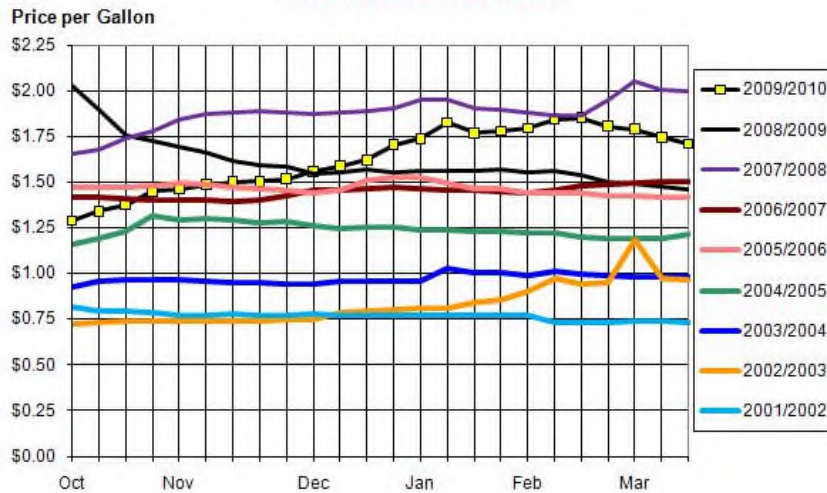


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### Multi-Year Comparison of Weekly Average Propane Prices

The 2009/2010 heating season began with a propane price that was 74 cents lower than last year but 47 cents per gallon higher than eight years ago. The average prices had a slight upward trend and ended the heating season only 42 cents higher than the beginning of the heating season. Crude oil prices and natural gas prices remained major factors that impacted propane prices.

### Nine-Year Comparison of Average Propane Prices 2001/2002 to 2009/2010



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### Propane Price Range and Spread

The graph below shows the price range of the highest average price and the lowest average price per gallon of propane from the last nine heating seasons and the difference, or spread, between the high and low prices. A low price spread is indicative of stability, i.e. no large increases or decreases in price during the heating season. The price spread for the 2009/2010 heating season was 56 cents

## Propane Price Range and Spread Each Heating Season 2001/2002 to 2009/2010



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### Introduction

This report summarizes the results of the heating oil and propane price survey during the 2009/2010 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 latest [American Community Survey](#) conducted by the U.S. Census Bureau, eight percent, or 56,446 homes, in Nebraska use propane as the primary home heating fuel. Nearly one percent, or 5,974 homes, in Nebraska 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 strengthen the state, regional, and national analyses of winter heating fuel prices.

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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 a midseason report and 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 the midseason report and the annual report for accuracy and consistency, and
5. Preparation and distribution of a report to Congress, the states, and the public.

## Methodology

The Nebraska Energy Office has participated in the State Heating Oil and Propane Program (SHOPP) for nine 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 5, 2009, and was completed on March 15, 2010. 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

In the following sections, additional indicators of price volatility may be viewed. The indicators include the heating season's average price, the average price for the month of October, the weekly average price, the price range, the price spread, a multi-year wholesale price comparison, a retail/wholesale price comparison, and rack-to-retail margins.

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### Heating Season's Average Price

The average home heating charge price for delivery of No. 2 heating oil, excluding taxes and cash discounts, in Nebraska for the 2009/2010 heating season was \$2.37 per gallon. The season average rose 22 cents from last season's average of \$2.15, and remained above the nine-year average of \$1.85.

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

Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
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	
<b>Average Nine-Year Price</b>	<b>\$1.85</b>	

### October's Average Price

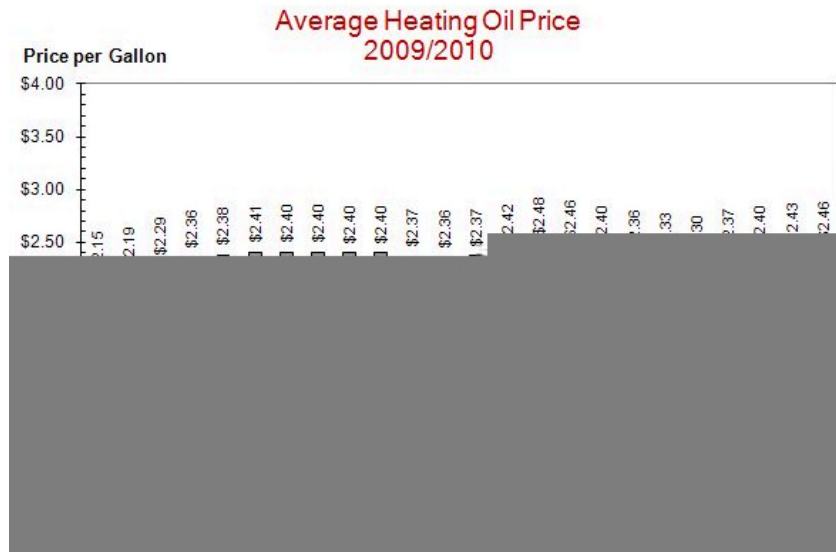
The average price of heating oil in October reflects weather conditions and the winter supply outlook. The National Oceanic Atmospheric Administration forecast favored warmer-than-normal winter weather in 2009/2010. At the end of September, the Midwest Region had 1.9 million barrels of heating oil in stock, a level of inventory which was above-normal. The average price for October was \$2.25, which was only 26 cents higher than the nine-year average but 89 cents less than the previous

October. The October averages for the past nine years are listed in the following table:

Heating Season	Average October Price	Percent Increase/(Decrease) From Prior Year
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	
<b>Average Nine-Year October Price</b>	<b>\$1.99</b>	

### Weekly Average Price

The average price of heating oil was considered relatively stable during the 2009/2010 season. Prices reached \$2.46 per gallon by the end of the heating season, which was 31 cents higher than the price at the beginning of the season

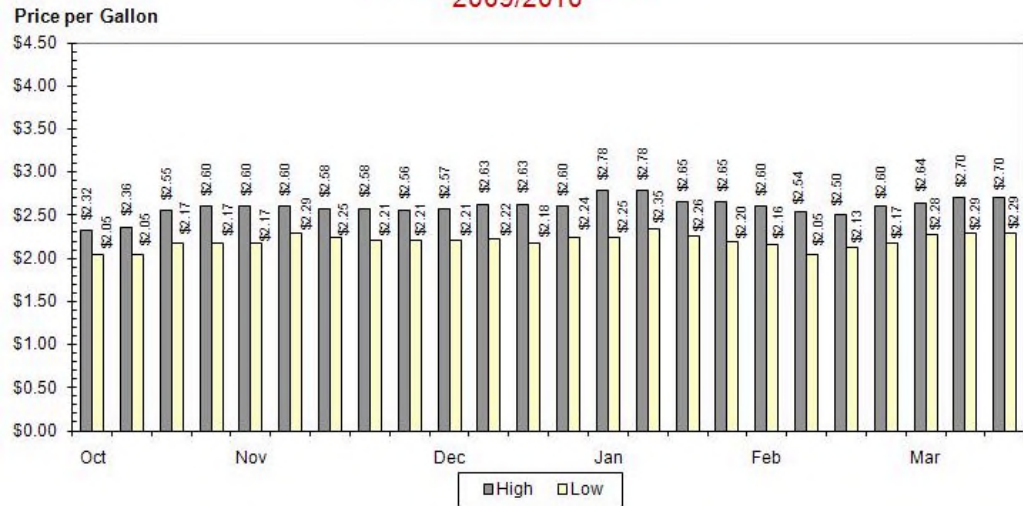


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### Price Range

The high to low price range of heating oil from each Monday's survey is shown in the graph below. During the 2009/2010 heating season, the highest price ranged from \$2.32 to \$2.78, and the lowest price ranged from \$2.05 to \$2.35.

## Heating Oil Price Range 2009/2010

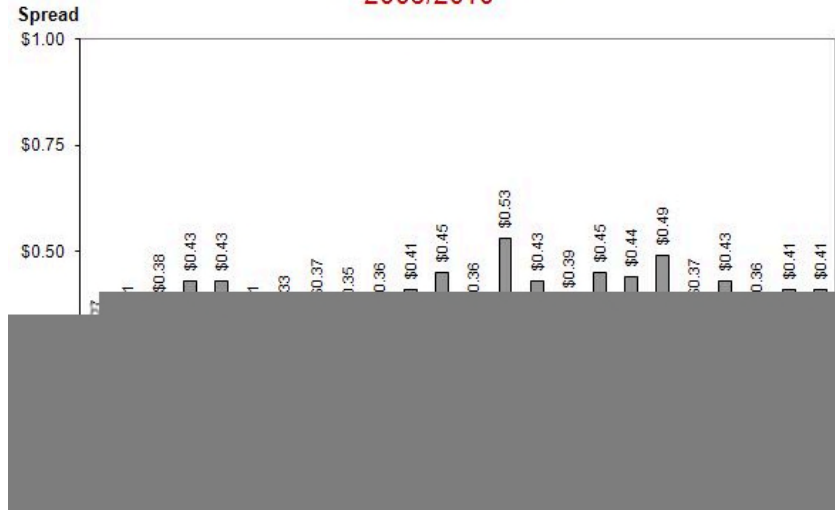


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### Price Spread

The price spread between the high price and the low price from each Monday's survey is shown in the graph below. During the 2009/2010 heating season, the price spread ranged from 27 cents to 53 cents.

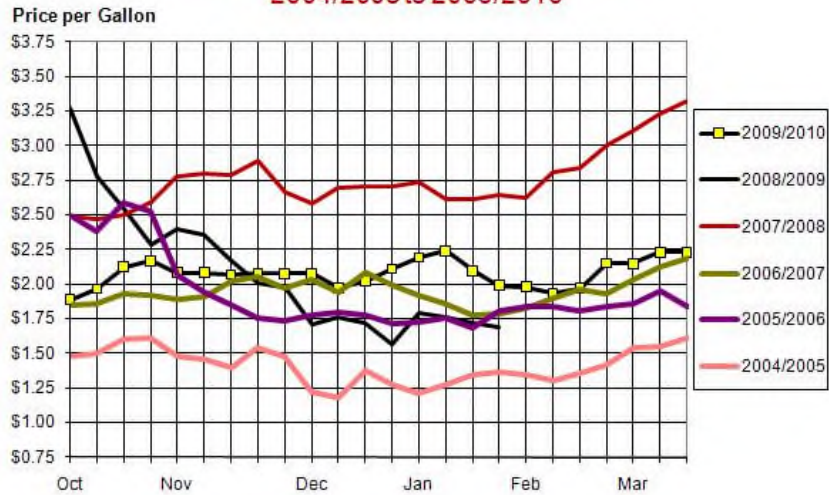
## Heating Oil Price Spread 2009/2010



### Multi-Year Wholesale Price Comparison

Wholesale heating oil prices began the 2009/2010 heating season \$1.38 lower than the previous season. The wholesale average price ended the 2009/2010 season at \$2.23 (only 34 cents) higher than the price at the beginning of the season

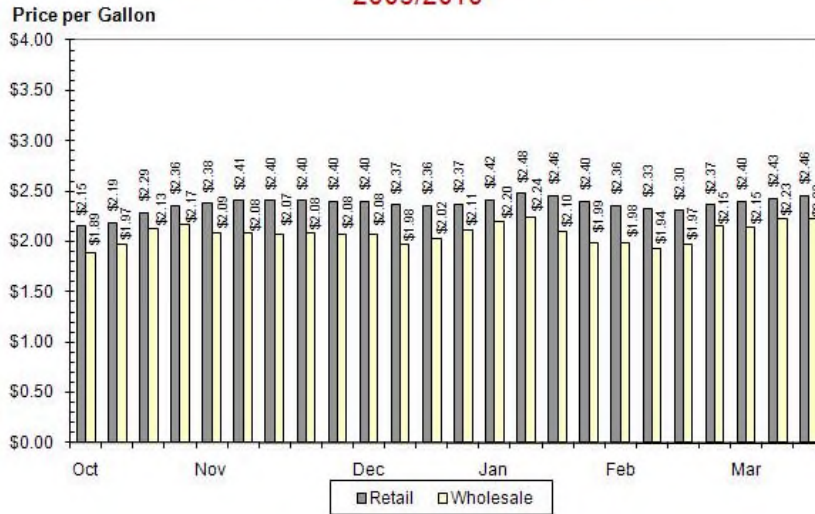
### Six-Year Comparison of Average Wholesale Heating Oil Prices 2004/2005 to 2009/2010



### Average Retail Prices Versus Average Wholesale Prices

A comparison shows that retail prices during October to January of the 2009/2010 heating season ranged from \$2.15 to \$2.48, while wholesale prices ranged from \$1.89 to \$2.24

### Retail Versus Wholesale Heating Oil Prices 2009/2010



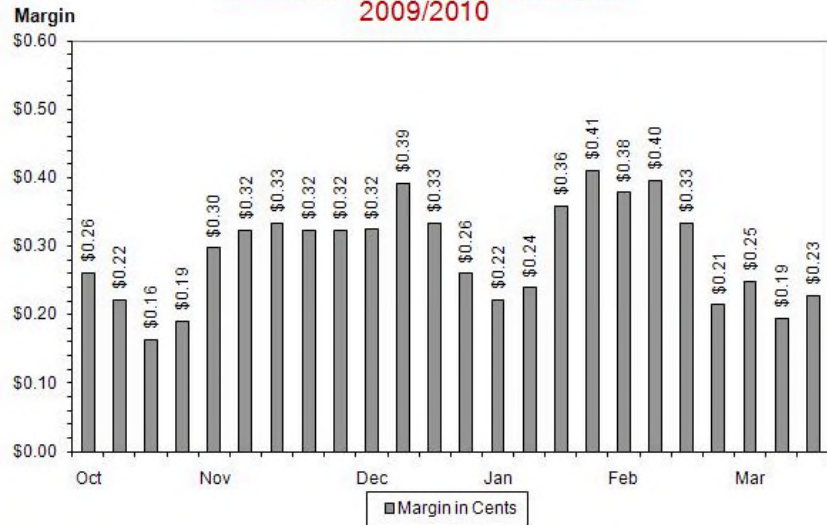
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### Margins

The graph below shows the rack-to-retail margins per gallon of heating oil for each Monday's survey. During the 2009/2010 heating season, the margin ranged from 16 to 41 cents.



### Rack-to-Retail Heating Oil Margins 2009/2010



### Residential Propane Prices

In the following sections, additional indicators of price volatility may be viewed. The indicators include the heating season's average price, the average price for the month of October, the weekly average price, the price range, the price spread, a multi-year wholesale price comparison, a retail/wholesale price comparison, and rack-to-retail margins.

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### Heating Season's Average Price

The average home heating charge price for delivery of consumer grade propane, excluding taxes and cash discounts, in Nebraska for the 2009/2010 heating season was \$1.63 per gallon. The season average increased only two cents from last season's average of \$1.61 but was 31 cents higher than the nine-year average of \$1.32 per gallon.

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

Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
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	
<b>Average Nine-Year Price</b>	<b>\$1.32</b>	

### October's Average Price

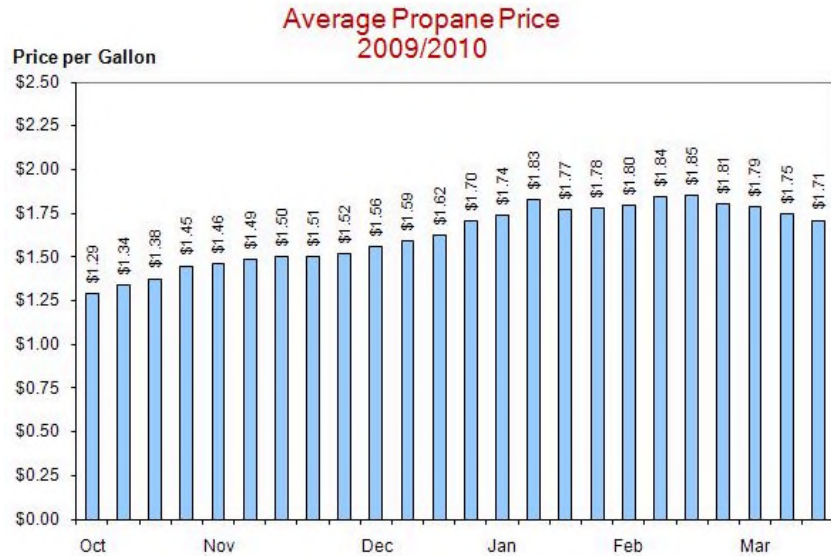
The average price of propane in October reflects weather conditions and the winter supply outlook. The National Oceanic Atmospheric Administration forecast favored warmer-than-normal winter weather in 2009/2010. At the end of September, the Midwest Region had 31 million barrels of propane in stock, a level of inventory which was above the normal range. The Energy Information Administration estimates 25 million barrels in storage by the end of September to be a benchmark for the Midwest Region. In other words, 25 million barrels is considered adequate for winter's demand under most conditions. The average price for October was \$1.36, which was only eight cents higher than the nine-year average but 49 cents less than

the previous October. The October averages for the past nine years are listed in the following table:

Heating Season	Average October Price	Percent Increase/(Decrease) From Prior Year
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	
<b>Average Nine-Year October Price</b>	<b>\$1.28</b>	

### Weekly Average Price

The average price of propane continued to be high during the 2009/2010 heating season although the price steadily decreased as the heating season progressed. Prices reached \$1.71 per gallon by the end of the heating season, which was 42 cents higher than the price at the beginning of the season



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### Price Range

The high to low price range of propane from each Monday's survey is shown in the graph below. During the 2009/2010 heating season, the highest price ranged from \$1.40 to \$2.06, and the lowest price ranged from \$1.14 to \$1.74.

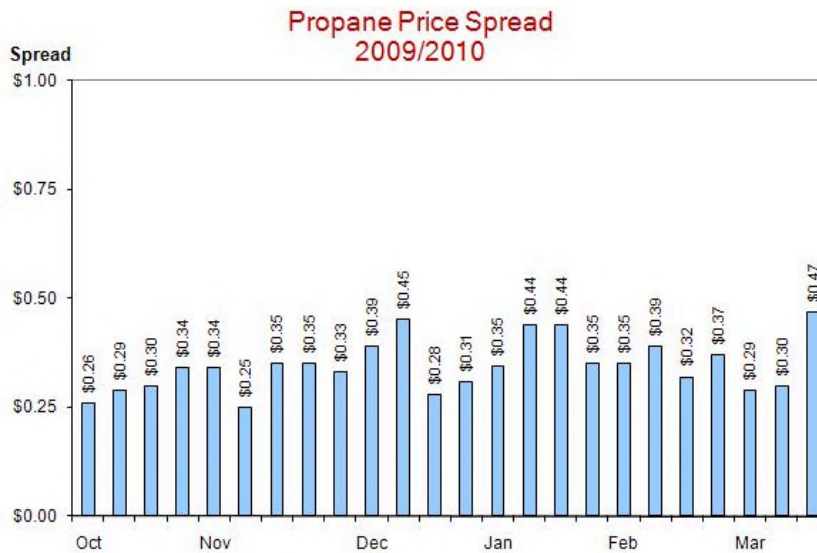
## Propane Price Range 2009/2010



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### Price Spread

The price spread between the high price and low price of each Monday's survey is shown in the graph below. During the 2009/2010 heating season, the price spread ranged from 25 to 47 cents

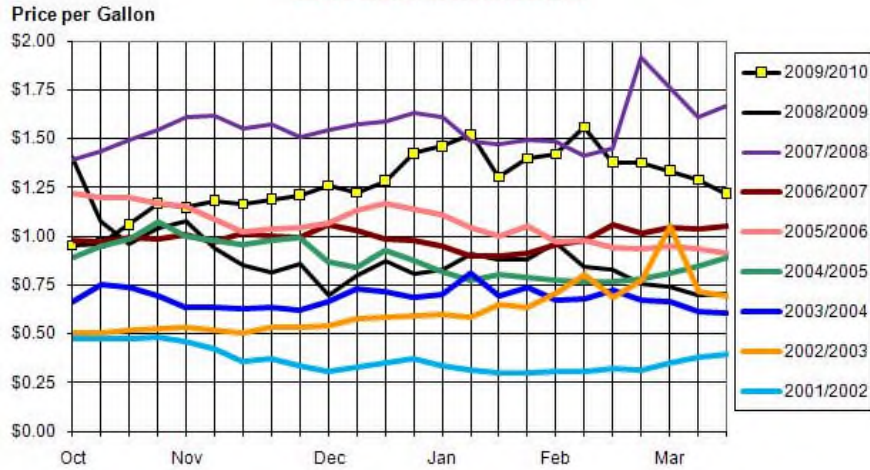


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### Multi-Year Wholesale Price Comparison

The 2009/2010 heating season began with a wholesale propane price that was 45 cents lower than last year due to 2008/2009 prices starting high but then dropping. Prices of 2009/2010 reached the level of 2007/2008 prices during January and February but steadily declined during March to close out the heating season.

### Nine-Year Comparison of Average Wholesale Propane Prices 2001/2002 to 2009/2010



### Average Retail Prices Versus Average Wholesale Prices

During the 2009/2010 heating season, the retail propane price ranged from \$1.29 to \$1.85, while the wholesale price ranged from \$0.95 to \$1.56.

### Retail Versus Wholesale Propane Prices 2009/2010



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### Margins

The graph below shows the [rack](#)-to-retail margin per gallon of propane for each Monday's survey. During the 2009/2010 heating season, the margin ranged from 28 to 49 cents per gallon.

## Rack-to-Retail Propane Margins 2009/2010



**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 May, 2010.*

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