

## State of Nebraska Heating Oil and Propane Program

### 2015/2016 Winter Heating Season Annual Report July 2016 Introduction

Throughout the 2015/2016 heating season, propane stocks in the Midwest were either above or in the upper third of the 5-year range, which is a very good supply level. Propane stocks in the United States were above the 5-year range throughout the heating season. With most of the propane supply in the Gulf waiting to be exported, the Midwest still had adequate propane supply due to the lowered demand from grain drying.

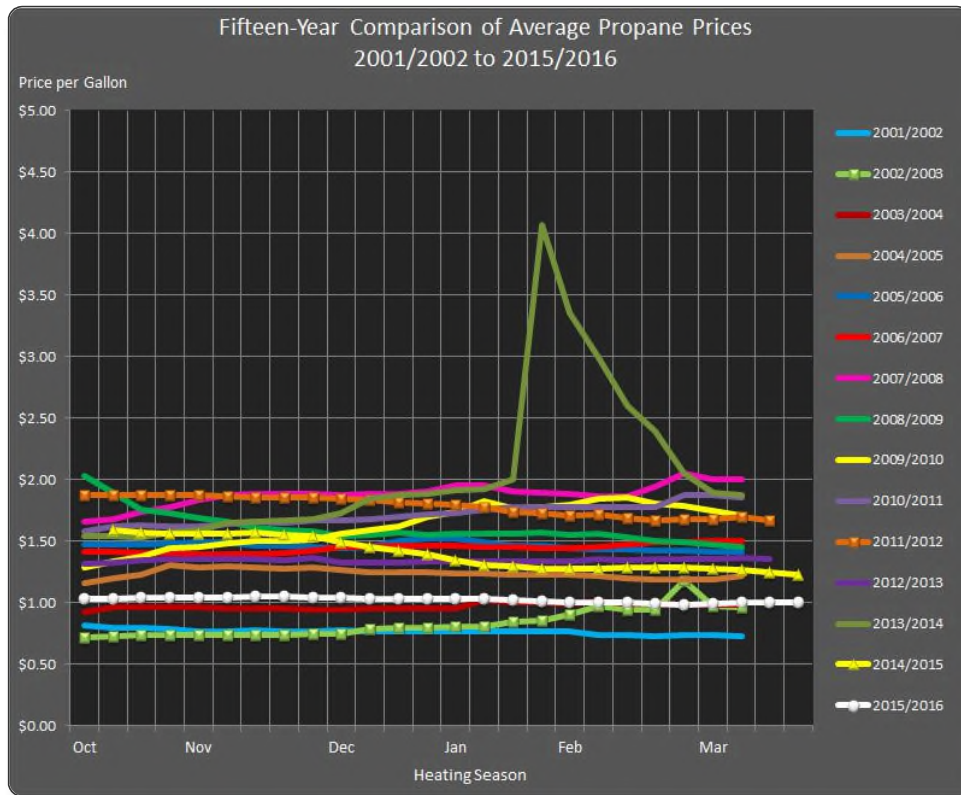
Heating oil stocks in the Midwest were in the bottom third of the 5-year range during October, but were in the upper third and above the 5-year range by the end of 2015. As of January 2016 and throughout the rest of the heating season, Midwest heating oil stocks were either above or in the upper third of the 5-year range. Although heating oil started the heating season with a low level of supply, heating oil stocks finished the season at good levels.

In Nebraska, even though refineries in planned and unplanned turnarounds created a heavy turnaround season and harvest created very heavy demand for fuels, propane supply and heating oil supply remained good. During harvest, there was very little or no rain to stop the machines but the pipelines still provided an adequate supply of fuel. Weather forecasts called for warmer-than-normal weather, and weather was milder this last heating season. The milder weather was also a key variable.

Lower crude oil prices, warmer temperatures, and an oversupply of distillate fuel were the driving forces leading to lower residential heating oil prices and average household heating oil expenditures this winter. Lower propane prices combined with lower consumption due to mild weather led to lower residential propane prices and lower average household propane expenditures this winter.

### Propane for Home Heating

As shown in the graph below, at the start of the 2015/2016 heating season, Nebraska's average propane price was \$1.03 per gallon, 57 cents lower than at beginning of the last heating season at \$1.60. As the season advanced, the average propane prices stayed within a 7-cent range. The average propane price finished the heating season at \$1.00, which was 3 cents lower than the price at the beginning of the season.



**Propane's Average Price for the Heating Season:** The average home heating charge price for delivery of consumer grade propane, excluding taxes and cash discounts, in Nebraska for the 2015/2016 heating season was \$1.02 per gallon. This was a 27-percent drop from last season's average price. The 2015/2016 season's average price decreased 38 cents from last season's average of \$1.40 and was 39 cents lower than the fifteen-year average of \$1.41 per gallon. The season averages for the last fifteen years are listed in the following table:

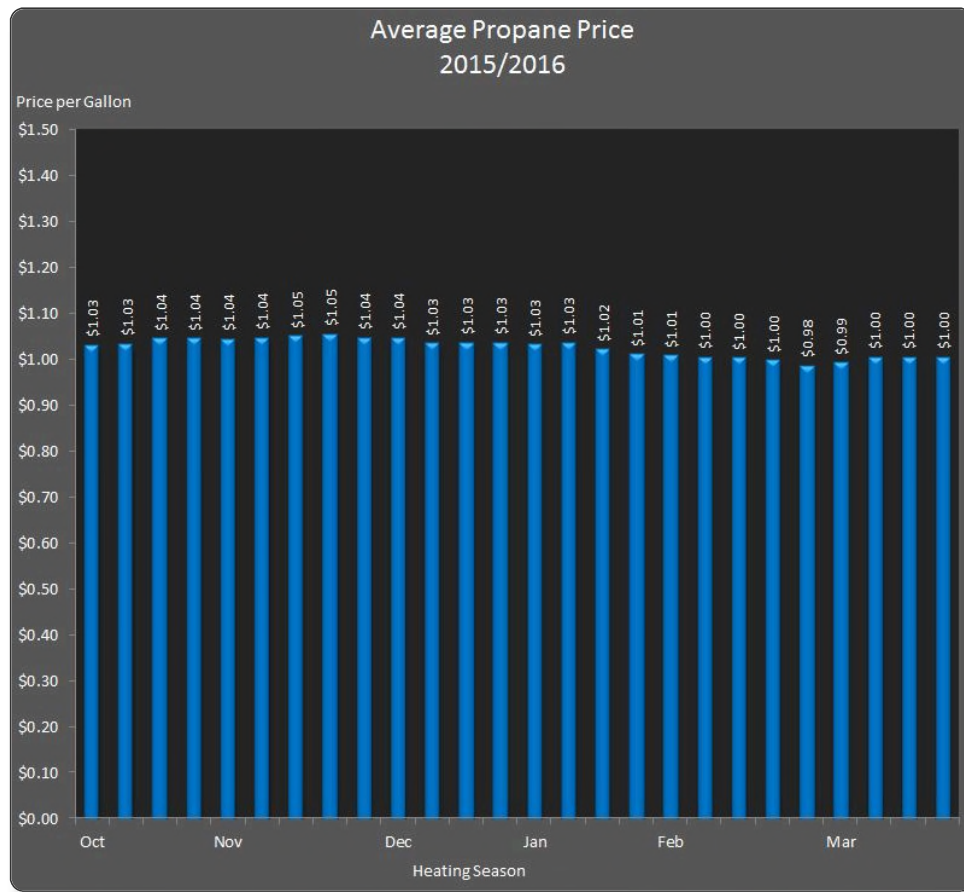
Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
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Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2015/2016	\$1.02	(27%)
2014/2015	\$1.40	(31%)
2013/2014	\$2.04	51%
2012/2013	\$1.35	(25%)
2011/2012	\$1.79	4%
2010/2011	\$1.72	6%
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	NA
Average Fifteen-Year Price	\$1.41	

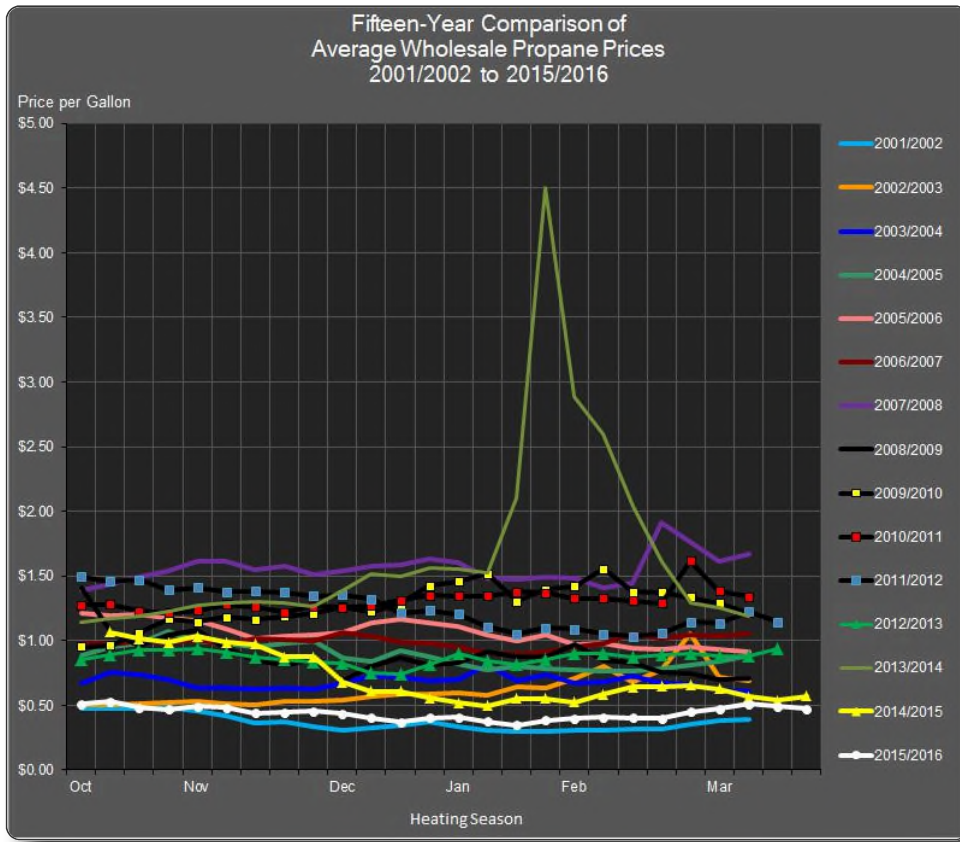
**Propane's Average Price in October:** The average price of propane in October reflects expected weather conditions and the winter supply outlook. The average price for October in the 2015/2016 heating season was \$1.04. This was a 34-percent drop from last season's average price in October. The 2015/2016 season's average October price decreased 54 cents from last season's October average of \$1.58 and was 33 cents lower than the fifteen-year October average of \$1.37 per gallon. The average October prices for the past fifteen years are listed in the following table:

Heating Season	Average October Price	Percent Increase/(Decrease) From Prior Year
2015/2016	\$1.04	(34%)
2014/2015	\$1.58	1%
2013/2014	\$1.56	16%
2012/2013	\$1.34	(29%)
2011/2012	\$1.88	17%
2010/2011	\$1.61	18%
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	NA
Average Fifteen-Year October Price	\$1.37	

During the 2015/2016 season, the average weekly price of propane started at \$1.03, stayed within a range of 7 cents the entire heating season, and ended at \$1.00. The season's average price was the same as the price at the beginning of the season. (See graph below.)



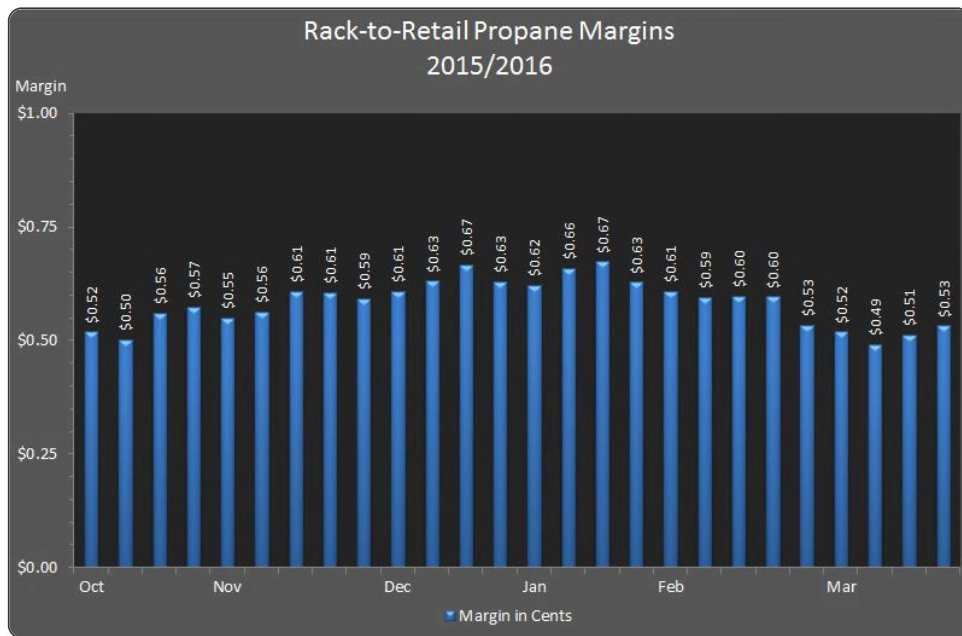
The average wholesale propane price began the 2015/2016 heating season at 51 cents, which was 56 cents lower than the beginning of the last heating season. Average wholesale propane prices declined through the heating season. The price finished the 2015/2016 heating season at 47 cents, which was four cents lower than the price at the beginning of the heating season. As the graph below shows, the average price of heating oil has taken a sizable jump or a sizeable drop at the beginning of each heating season a majority of the time over the fifteen surveyed years.



A comparison of average retail propane prices versus average wholesale propane prices shows that retail prices during the 2015/2016 heating season ranged from \$0.98 to \$1.05, while wholesale prices ranged from \$0.35 to \$0.53. (See graph below.)

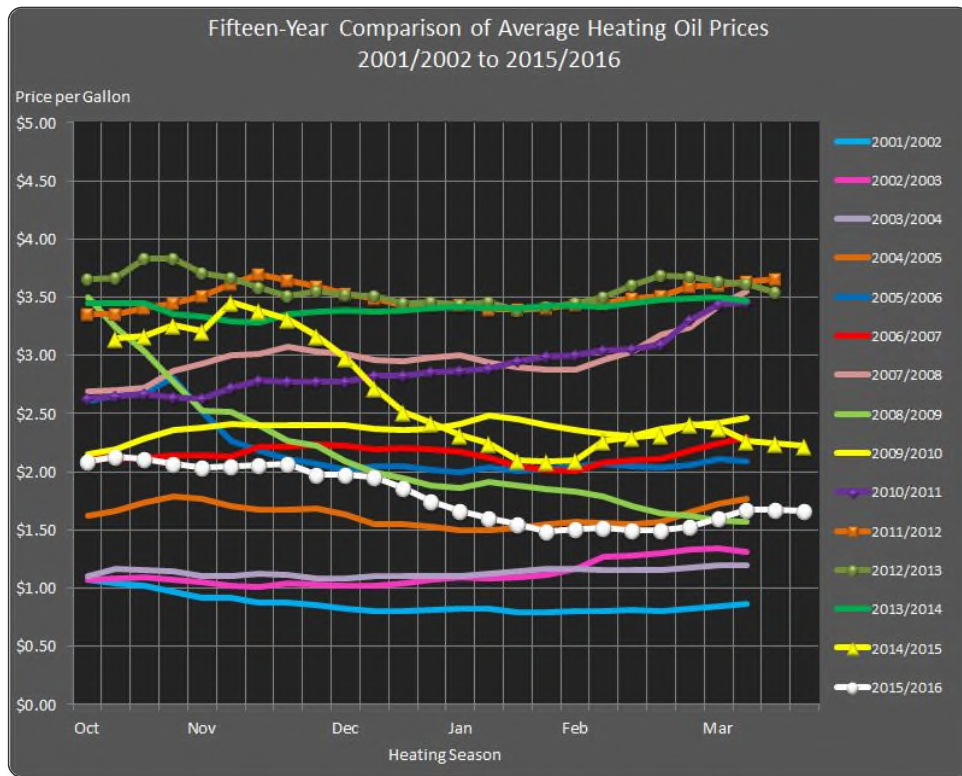


The graph below shows the rack-to-retail margins per gallon of propane for each Monday's survey. During the 2015/2016 heating season, the margin ranged from 49 to 67 cents.



### Heating Oil for Home Heating

The average [heating oil](#) price began the 2015/2016 heating season \$1.06 lower than at the beginning of the last heating season. Average heating oil prices were stable through October and November and then slowly decreased until the beginning of March. Although prices rose at the beginning of March, prices soon leveled out to finish the season. As the graph below shows, the average price of heating oil has taken a sizable jump or a sizeable drop at the beginning of each heating season a majority of the time over the fifteen surveyed years.



**Heating Oil's Average Price for the Heating Season:** The average home heating charge price for delivery of No. 2 heating oil, excluding taxes and cash discounts, in Nebraska for the 2015/2016 heating season was \$1.79 per gallon. The season's average price dropped 85 cents or 32 percent from last season's average of \$2.64, and was 51 cents below the fifteen-year average of \$2.30. The season averages for the last fifteen years are listed in the following table:

Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2015/2016	\$1.79	(32%)

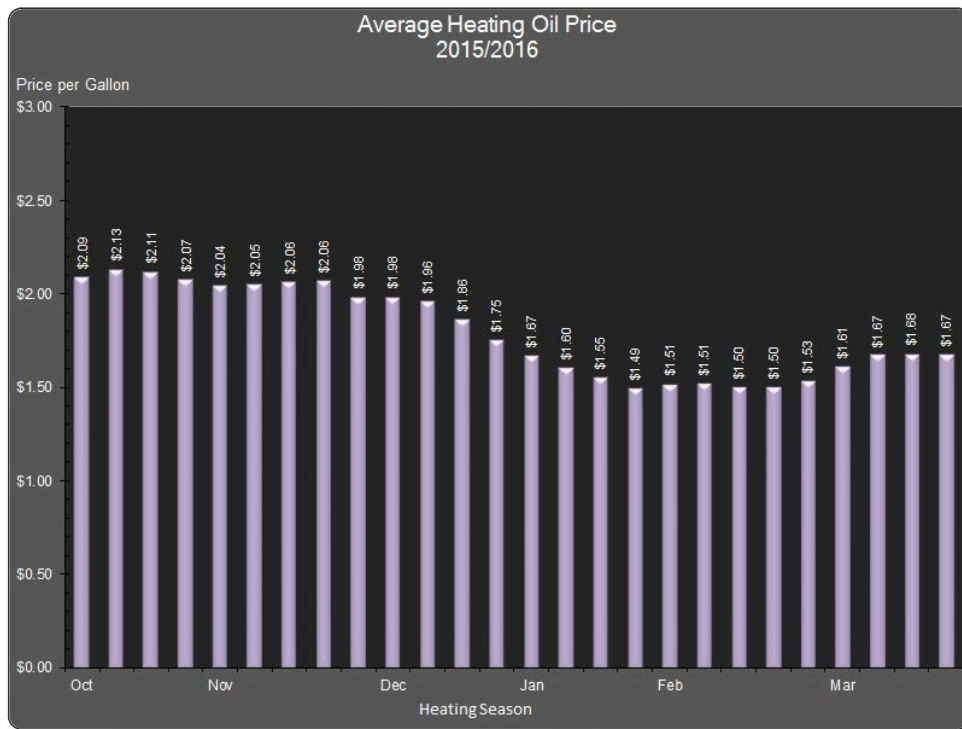
Heating Season	Average Price	Percent Increase/(Decrease) From Prior Year
2014/2015	\$2.64	(23%)
2013/2014	\$3.41	(4%)
2012/2013	\$3.57	2%
2011/2012	\$3.50	21%
2010/2011	\$2.90	22%
2009/2010	\$2.37	10%
2008/2009	\$2.15	(28%)
2007/2008	\$3.00	40%
2006/2007	\$2.15	(2%)
2005/2006	\$2.19	34%
2004/2005	\$1.63	43%
2003/2004	\$1.14	1%
2002/2003	\$1.13	30%
2001/2002	\$0.87	NA
<b>Average Fifteen-Year Price</b>	<b>\$2.30</b>	

**Heating Oil:** The average price of heating oil in October reflects expected weather conditions and the winter supply outlook. The average price for October in the 2015/2016 heating season was \$2.10. This was a 34-percent drop from last season's average price in October. The 2015/2016 season's average October price decreased \$1.09 from last season's October average of \$3.19 and was 32 cents lower than the fifteen-year October average of \$2.42 per gallon. The average October prices for the past fifteen years are listed in the following table:

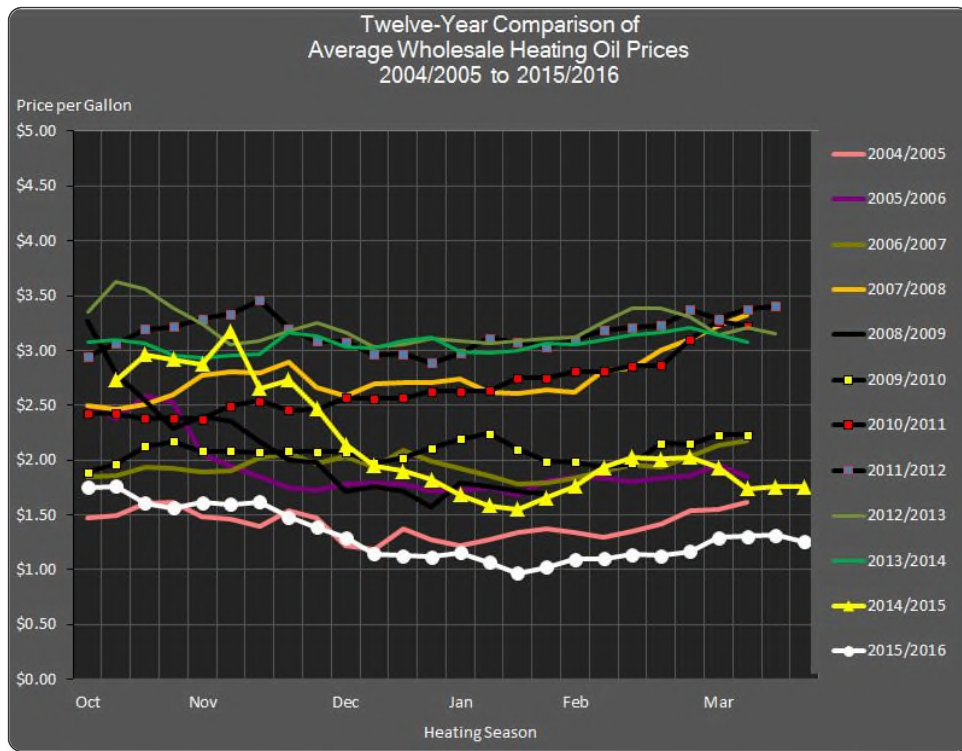
Heating Season	Average October Price	Percent Increase/(Decrease) From Prior Year
2015/2016	\$2.10	(34%)
2014/2015	\$3.19	(6%)
2013/2014	\$3.41	(9%)
2012/2013	\$3.74	10%
2011/2012	\$3.39	28%
2010/2011	\$2.65	18%
2009/2010	\$2.25	(28%)
2008/2009	\$3.14	14%
2007/2008	\$2.75	29%
2006/2007	\$2.13	(20%)
2005/2006	\$2.66	56%
2004/2005	\$1.70	48%
2003/2004	\$1.15	6%
2002/2003	\$1.08	7%
2001/2002	\$1.01	NA
<b>Average Fifteen-Year October Price</b>	<b>\$2.42</b>	

The graph below shows that the average price of heating oil started the 2015/2016 season at \$2.09. The price was stable through October and most of November but then started falling. The price declined from that point until the end of February at 50 cents. The price rose eight cents and stayed for the last three weeks of the heating season. The last week's average price was \$1.67, which was 42 cents lower than the price at the beginning of the season.

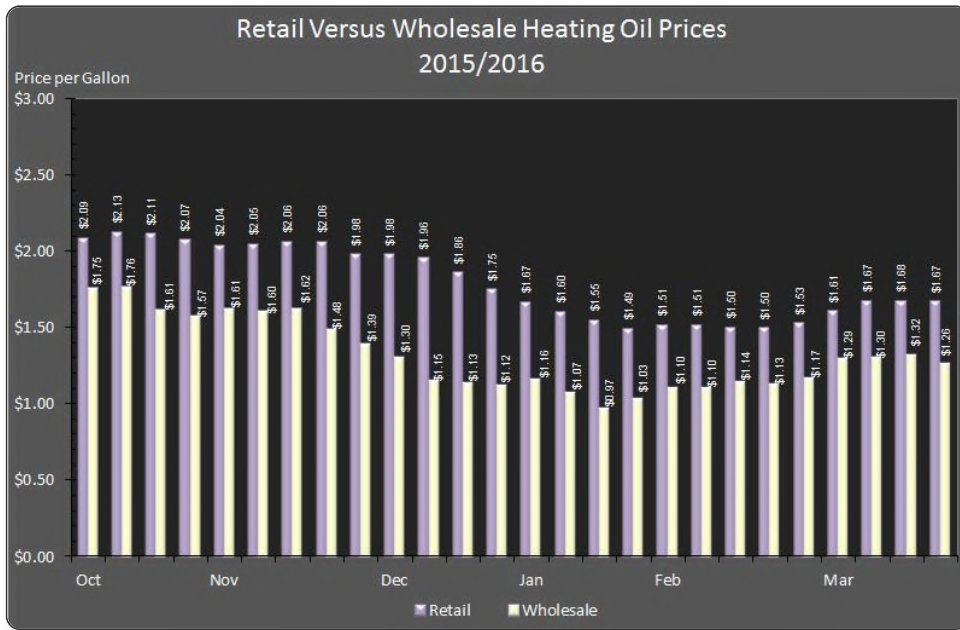




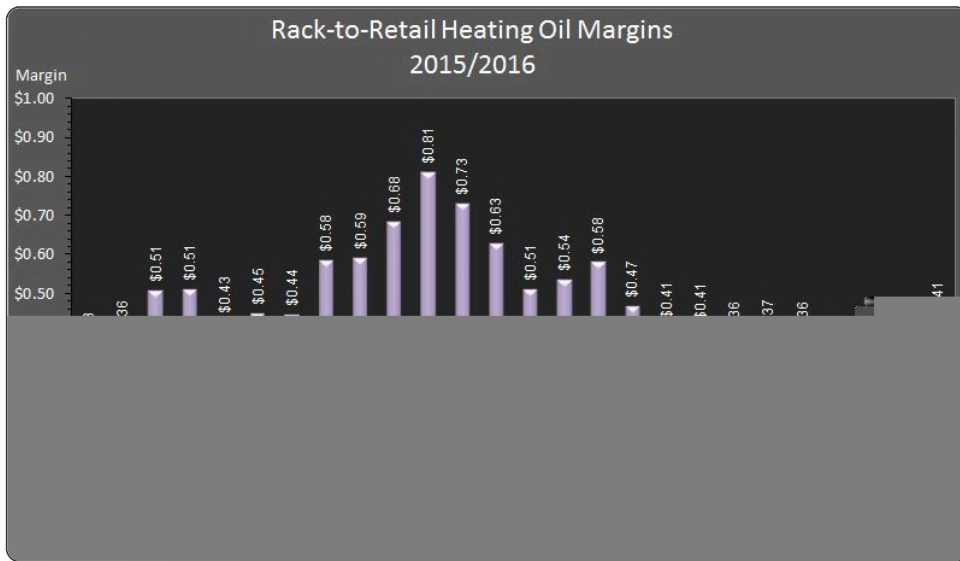
The average wholesale [heating oil](#) price began the 2015/2016 heating season 98 cents lower than the beginning of the last heating season. As the graph below shows, the average price of heating oil has taken a sizable jump or a sizeable drop at the beginning of each heating season a majority of the time over the twelve surveyed years.



**Average Retail prices versus Average Wholesale Heating Oil Prices:** A comparison of retail prices and wholesale prices in the graph below shows that, during the 2015/2016 heating season, retail prices ranged from \$1.49 to \$2.13, while wholesale prices ranged from \$0.97 to \$1.76.



The graph below shows the rack-to-retail margins per gallon of heating oil for each Monday's survey. During the 2015/2016 heating season, the margin ranged from 32 to 81 cents.



**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 July, 2016.*