Methodology for EIA Weekly Retail Price Estimates of Winter Fuels

October 2019
This report was prepared by the U.S. Energy Information Administration (EIA), the statistical and analytical agency within the U.S. Department of Energy. By law, EIA’s data, analyses, and forecasts are independent of approval by any other officer or employee of the U.S. Government. The views in this report therefore should not be construed as representing those of the U.S. Department of Energy or other federal agencies.
Methodology for EIA Weekly Retail Price Estimates of Winter Fuels

On October 7, 2019, the U.S. Energy Information Administration (EIA) implemented new samples based on methodological changes to improve the accuracy of its estimated weekly retail prices of residential No. 2 heating oil and propane. These methodological changes include:

- Updated sampling frames based exclusively at the outlet level
- New sampling and estimation methodologies
- Publication of standard errors for the weekly price estimates

EIA will monitor the results from this sample and the performance of the methods.

As a result of these changes, differences between the published price estimates for the 2018–19 heating season and 2019–20 heating season reflect changes in both the market and the samples that EIA uses to estimate the weekly prices. Documentation on the previous sampling methodology EIA used before these changes is archived on EIA’s website. The sections below discuss EIA’s methodology for the new samples.

Weekly Prices of Winter Fuels and Annual Sales Volume Data Collection

Every Monday from October through March of the heating season, EIA collects information on retail prices of residential No. 2 heating oil and propane from two independent samples (one for each of the two products) of retail outlets across the United States using Form EIA-877, Winter Heating Fuels Telephone Survey. This survey collects prices for these fuels when they are used for heating. The weekly survey also collects data by state on the price of these fuels offered to residential consumers, excluding taxes and discounts such as those given to cash or high-volume purchasers. The data collected represent the price as of 7:00 a.m. local time on Monday even during the weeks when data collection may be delayed a day or two because of a holiday.

Data are collected as a joint effort by State Energy Offices and EIA as part of the State Heating Oil and Propane Program (SHOPP). EIA collects residential heating oil prices for 21 states in the East Coast and Midwest regions and the District of Columbia (DC) and collects residential propane prices for 38 states in the East Coast, Midwest, Gulf Coast, and Rocky Mountain regions.

We collect the weekly prices by state via telephone or email from the two samples of outlets. All collected prices go through automated error checks during data collection and data processing. We verify any data flagged for potential errors with the respondents. Imputation (a statistical replacement process) is used to estimate prices for outlets we cannot reach during data collection or validation.

EIA uses price data from the samples to calculate volume-weighted average price estimates for the fuels at the national, regional, and state levels. The volumes are based on the most recently available annual...
sales volume data by state obtained from the sampled outlets using Form EIA-877. The volume data are used only for statistical purposes and are not published.

EIA publishes the average price estimates for residential No. 2 heating oil and propane at about 1:00 p.m. ET every Wednesday during the heating season, except when a government holiday occurs. In this case, EIA releases the data (still representing Monday's prices) on Thursday or Friday, depending on the day of the week when the holiday occurs. For more information, see the Holiday Release Schedule for the Heating Oil and Propane Update.

Sampling
The two target populations, corresponding to the two fuel types (No. 2 heating oil and propane), are all active retail outlets located in the states covered by SHOPP that sell residential No. 2 heating oil or propane to residences in the United States. Although these target populations do not include outlets located in other states that sell to residences located in the states covered by SHOPP, EIA believes that these outlets would have little effect on the published weekly price estimates. These outlets typically sell smaller volumes within SHOPP states compared with outlets that are located in SHOPP states.

The new samples were drawn from frames of about 5,000 retail No. 2 heating oil outlets and 7,000 retail propane outlets located in SHOPP states. EIA updated the original frames that were based on companies identified in the 2006 and 2010 data collection cycles of Form EIA-863, Petroleum Product Sales Identification Survey, to create the new outlet frames. EIA identified births and deaths by using outlet names, physical and mailing addresses, and ZIP codes obtained from the most recent SHOPP samples, as well as administrative records and third-party data sources. These data sources included State Heating Energy Assistance Program Office lists, the Bureau of Labor Statistics’ Quarterly Census of Employment and Wages (QCEW), the Equifax database, Data.com, and the National Propane Gas Association membership list. Each outlet on a frame was assigned to a county based on its available address information.

EIA used similar sampling procedures for estimating weekly prices of residential No. 2 heating oil and propane. The new outlet samples are stratified systematic samples of about 1,000 retail No. 2 heating oil outlets in 21 states located in the East Coast and Midwest Regions and the District of Columbia, and about 1,600 retail propane outlets in 38 states located in the East Coast, Midwest, Gulf Coast, and Rocky Mountain Regions. For each frame, an outlet is assigned to a primary sampling stratum defined by which state the outlet is located in. These primary sampling strata are nonoverlapping, and one or more primary sampling strata may be combined to correspond to a publication cell.

The primary sampling strata are further substratified into secondary strata based on the average sales volume by outlet. We based these volumes on the most recently available company sales data collected from Form EIA-863, Petroleum Product Sales Identification Survey, and Form EIA-821, Annual Fuel Oil and Kerosene Sales Report, as well as annual sales volumes collected from propane outlets in the previous SHOPP sample. For a given primary stratum, outlets with the largest average sales volumes that meet specified size criteria are assigned to the certainty substratum and are given a sampling weight of 1. The remaining outlets in the primary stratum are assigned to one of two noncertainty substrata based on average company sales volumes – the large substratum and the other substratum. The large
substratum combined with the certainty substratum, accounts for about 75% of the aggregate of the primary stratum’s most recently available company sales volumes. The other substratum includes all other outlets in the primary stratum including outlets with small average company sales volumes and outlets with no available company sales volume data.

To perform the sampling within each substratum, EIA sorts the outlets by county and ZIP code and selects an independent systematic random sample without replacement. This procedure prevents selecting the sample for a given substratum consisting of outlets in only a certain part of the state, except for a small number of propane substrata in which more than half of the substratum were to be selected. For these propane substrata, we selected a simple random sample, instead of a systematic random sample, to allow each outlet in the substratum to have a chance of being selected in the sample.

The sample size for a primary stratum is determined by how the state compares with other states in terms of

- Number of outlets represented on the frame
- Variability in weekly price data from the previous SHOOP sample
- Attrition in the previous SHOOP sample as a result of outlets that were identified as being nonrespondents, out of business, or out of scope of the survey

Each year until the samples are redesigned, EIA continues to analyze available sources of information on new outlets since we constructed the sampling frames, with the goal of selecting independent birth samples annually to augment the initial samples. In designing these annual birth samples, geographic regions will be oversampled where relatively higher rates of sample attrition occur.

**Imputation and Estimation**

EIA calculates the survey response rate separately by fuel type (residential No. 2 heating oil and propane) based on the annual volumes represented by the reporting outlets in the sample. For each of the two samples, the volumes represented by the reporting outlets in the weekly survey (in terms of total weighted annual sales volume) typically account for at least 80% at the U.S. level. However, the reporting outlets may account for less of the total volume during the first month of the heating season.

Item and unit nonresponse to weekly winter fuel prices and annual sales volumes are handled at the outlet level by imputation using previous survey data reported by the outlet and survey data reported from other outlets in the sample.

The estimation for weekly prices uses two sources of data from the *Winter Heating Fuels Telephone Survey*: annual sales volumes for each outlet in the samples and weekly price data for those outlets. Before implementing the new weekly samples, EIA began collecting annual sales volumes for the retail outlets in the samples from owners of the outlets.

The sampling weight for a given sampled outlet is the reciprocal of the outlet’s probability of selection in the sample. Using the annual sales volume data to estimate average prices, EIA constructed the volume weight for a given sampled outlet by multiplying its sampling weight by its annual sales volume. These
volume weights are applied each week to the reported or imputed outlet winter fuel prices to obtain weighted average price estimates for the geographic areas that EIA publishes.

For quality assurance purposes, an average price estimate is withheld from publication if the outlets that reported price data contribute less than half of the total weighted annual sales volume for all active, in-scope outlets in the sample that could have reported price data.

In addition to publishing retail price estimates, EIA publishes wholesale price estimates for No. 2 heating oil and propane. Wholesale heating oil prices are calculated for selected states from the Oil Price Information Service (OPIS) city-level prices for states where sufficient data are available. Wholesale propane prices are provided to EIA directly from OPIS. EIA calculates most regional and U.S. average price estimates as weighted averages of the state-level price estimates using as weights the annually aggregated state-level prime supplier volumes collected in Form EIA-782C, Monthly Report of Prime Supplier Sales of Petroleum Products Sold for Local Consumption. The exceptions are Kansas and Texas, where the most recent state residential volumes from the petroleum marketing surveys are used in the weighting because of the influence of the Conway (Kansas) and Mt. Belvieu (Texas) propane storage facilities on prime supplier volumes for those states.

**Sampling Error, Measures of Sampling Variability, and Confidence Intervals**

Sampling error is a statistical term for the error caused by observing a sample instead of the entire sampling frame. Statistics based on a sample, such as averages, generally differ from statistics for the entire frame because the sample includes only a subset of the frame.

Statisticians use measures of sampling variability, such as the standard error and the coefficient of variation, to measure the sampling error. These measures of sampling variability are typically estimated from the sample that was selected. The standard error, which is measured in the same units (current dollars per gallon for weekly winter fuel prices) as the estimate, is a measure of the sampling variability of the estimate based on all possible samples that could have been selected using the chosen sample design. The coefficient of variation, which may also be referred to as the relative standard error, is the standard error expressed as a fraction of the estimate.

Each average price estimate published by EIA has a corresponding estimated standard error published in the *Detailed Price and Standard Error Report*. For quality assurance purposes, average price estimates are flagged if the corresponding estimated coefficient of variation is more than 5%.

Data users can use the estimated standard error to compute a confidence interval centered about the corresponding published average price estimate with a desired level of confidence. EIA selected only one of many possible samples for the *Winter Heating Fuels Telephone Survey*. If it were possible to construct a confidence interval for each of these possible samples, the percentage of confidence intervals containing the census value (if we had surveyed the entire sampling frame) would be expected to equal the level of confidence. For example, if it were possible to construct a 95% confidence interval for each possible sample, then one would expect that 95% of these confidence intervals would contain the value obtained from taking a census of the sampling frame.
To determine the width of the confidence interval for a published average price estimate, users can compute the margin of error (MOE) using the estimated standard error. The MOE is defined as the estimated standard error of the estimate multiplied by the standard normal percentile for the level of confidence, rounded up to the nearest unit used in publishing the corresponding estimate. The lower bound of the confidence interval is the estimate minus the MOE, and the upper bound of the confidence interval is the estimate plus the MOE. For the standard normal percentile, 1.645 is used for a 90% confidence interval, and 1.96 is used for a 95% confidence interval.

For example, suppose an average price estimate of $1.670 has an estimated standard error of $0.0230482625709464 in the Detailed Price and Standard Error Report. The 95% margin of error would be 1.96 * $0.0230482625709464, which rounds up to $0.046. The 95% confidence interval would then be $1.670 +/- $0.046, or $1.624 to $1.716.

**Nonsampling Errors**

Potential errors unrelated to sampling, called nonsampling errors, include various response and operational errors, such as those related to data collection, respondent reporting, transcription, and nonresponse. All these types of errors could also occur even if every known outlet had been surveyed under the same conditions as the sample survey. Although nonsampling error is not measured directly, EIA employs quality control procedures throughout the survey process.

In particular, preliminary price estimates for the previous week may be revised in the publication for the current week based on data that were received late or were revised. Revision error is the difference between published preliminary and final estimates for the previous week.

**Confidentiality of Information**

Beginning with the 2019–20 heating season, the information collected on Form EIA-877 is protected under the Confidential Information Protection and Statistical Efficiency Act of 2018 (CIPSEA). As a result, the information collected on Form EIA-877 is used for statistical purposes only and is confidential by law. Under CIPSEA and other applicable federal laws, responses will not be disclosed in identifiable form without consent. Under the Federal Cybersecurity Enhancement Act of 2015, federal information systems are protected from malicious activities through cybersecurity screening of transmitted data. Every EIA employee, as well as every agent, is subject to a jail term, a fine, or both if they make public any identifiable information reported on Form EIA-877.