

CEAP Rate Analysis



**DEPARTMENT OF
SOCIAL SERVICES**

Presentation to LIHEAP Working Group (9/3/24)
DSS Business Intelligence and Analytics Division

Table of Contents

Background

- Eligibility and Benefits Level slide 3
- Heating Source Information slide 4
- Margin Over Rack (MOR) Pricing Model slide 5
- Margin Over Rack – Historical Context slide 6

Margin Over Rack Model – Research Questions

- OPIS New Haven vs. Other Terminals..... slide 8
- Fixed Margin and County Differentials keeping up with inflation..... slide 9

Regional Pricing: Changing the MOR Methodology

- Current Pricing Methodology slide 11

1. Replacing OPIS New Haven with DTN for the 4 terminals slides 12 - 13
2. Recalculating the County Differential for the 8 Connecticut Counties slides 14 - 16
3. Recalculating the County Differential Using the 9 Connecticut Regional Councils of Government (RCOGs) slides 17 - 19

Alternative Pricing Model

- Discount Off Retail (DOR) Model slides 21 – 22

What Other States are Doing slide 24

Connecticut Energy Assistance Program (CEAP)

Eligibility and Benefit Levels

FFY 2025 Proposed Allocation Plan Eligibility & Benefit Levels

<i>Estimated Budget: \$88.5 million</i>					<i>Estimated Caseload: 109,500</i>		
Proposed Eligibility Levels		Rental Assistance	Basic Benefit Amount		Crisis Assistance (deliverable fuel only)		
Budget Level	Income Eligibility		Vulnerable	Non-Vulnerable	1 st Benefit	2 nd Benefit	3 rd Benefit
1	At or below 125% FPG	\$125	\$530	\$480	\$410	\$410	\$410
2	126% FPG to 200% FPG	\$100	\$380	\$330	\$410	\$410	\$410
3	201% FPG to 60% SMI	\$75	\$230	\$180	\$410	\$410	\$410

Energy Assistance FFY 2025 Federal Poverty and State Median Income Guidelines

Benefit Level	Household Size	1	2	3	4	5	6	7	8
Level 1	Up to 125% FPG	\$18,825	\$25,550	\$32,275	\$39,000	\$45,725	\$52,450	\$59,175	\$65,900
Level 2	126% FPG to 200% FPG	\$30,120	\$40,880	\$51,640	\$62,400	\$73,160	\$83,920	\$94,680	\$105,440
Level 3	201% FPG – 60% SMI	\$45,505	\$59,507	\$73,509	\$87,511	\$101,513	\$115,514	\$118,139	\$120,765

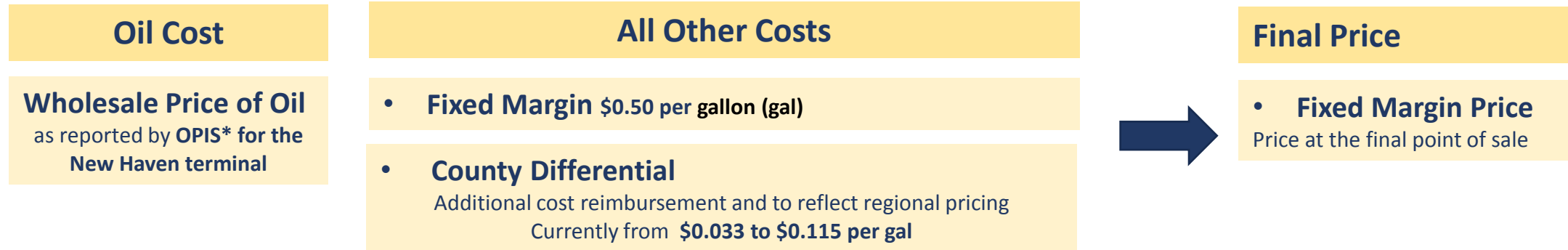
Heating Source Information

Fuel Type (Program Year 2023 – 2024)	% of Households	% of Benefits
Utility Heated	66%	46%
• Natural Gas	43%	
• Electric	23%	
Deliverable Fuel (all types)	34%	54%
• Oil	31%	
• Propane	3%	
• Other (kerosene, coal, wood, etc.)	1%	

- 66% of households heat with gas/electric and are protected by winter moratorium on shutoffs
- 34% of households heat with deliverable fuel and are “at risk” during winter months and most impacted by lower benefit levels
- Home heating oil is the dominant deliverable fuel; home heating oil benefits and costs have disproportionate budgetary impact

What is the Margin Over Rack (MOR) Pricing Model

What We Pay Our Vendors in 2024:



In addition, most vendors charge:

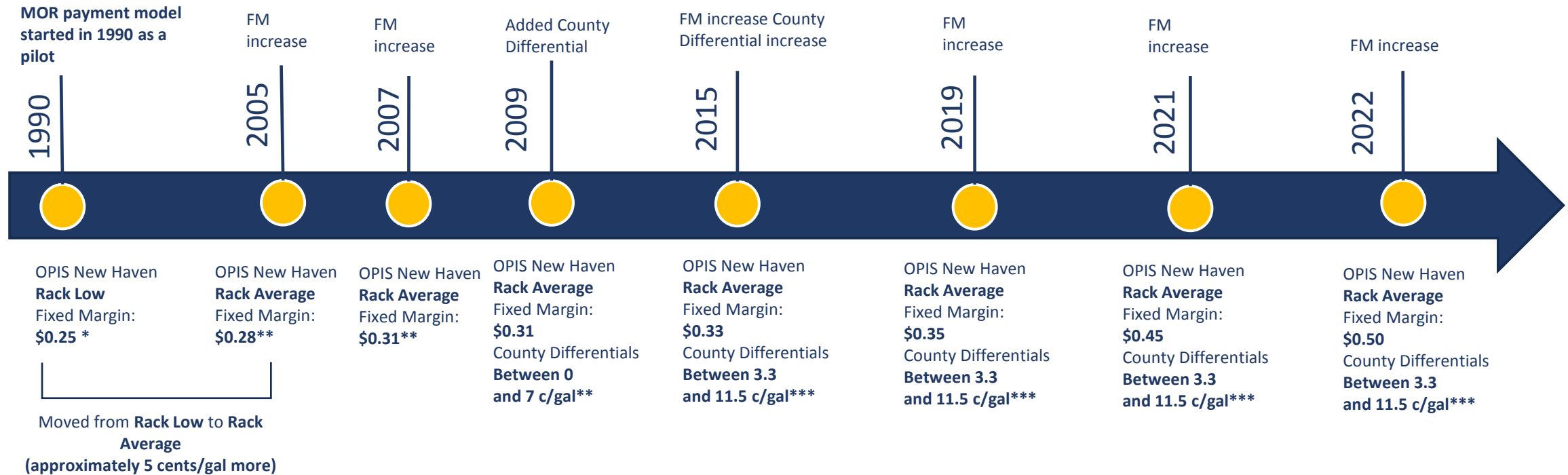
- Start Up Fees
- Miscellaneous Fees
 - For delivery on same day or weekend day
 - For delivery of less than a certain amount (most frequent, less than 100 gal)
- *These fees limit the amount of oil that CEAP recipients can receive because the fees come out of client benefits*

Oil Price Information Service (OPIS): Price reporting agency. Gathers data daily, several times per day, from hundreds of transactions from wholesale suppliers and their customers. Provides reliable and accurate reporting due to volume of data gathered. Reports prices for the two main terminals in CT: New Haven and Hartford/Rocky Hill.

Terminal: The hub point where wholesale oil is sold to distributors

Rack: The place where oil vendor pull their trucks to get oil.

CEAP – History of the Margin Over Rack (MOR) Pricing Model



- In 1990, the pilot established the MOR model by adding a Fixed Margin (FM)/gal to the New Haven terminal price. The FM was determined by examining the contracts vendors in Connecticut had entered with state entities (i.e., group homes) with tanks of up to 250 gal.
- CEMA proposed the adoption of OPIS reporting price for the New Haven terminal.

Source: *DSS document

**LIHEAP Negotiations With Non-regulated Fuel Vendors | The LIHEAP Clearinghouse (hhs.gov);

***CEMA Pipeline Archive (multibriefs.com)

Margin Over Rack (MOR) Pricing

Research Questions

1. How does OPIS New Haven price compare to DTN price at other terminals?

OPIS Reporting

- **New Haven* - \$2.857**

- **Oil Price Information Service (OPIS)** is one of the four main Price Reporting Agencies (PRAs) for oil market price reporting including daily market price assessments

DTN Reporting

- Bridgeport - \$2.808
- New Haven - \$2.839
- Norwich - \$2.838
- Hartford - \$2.844

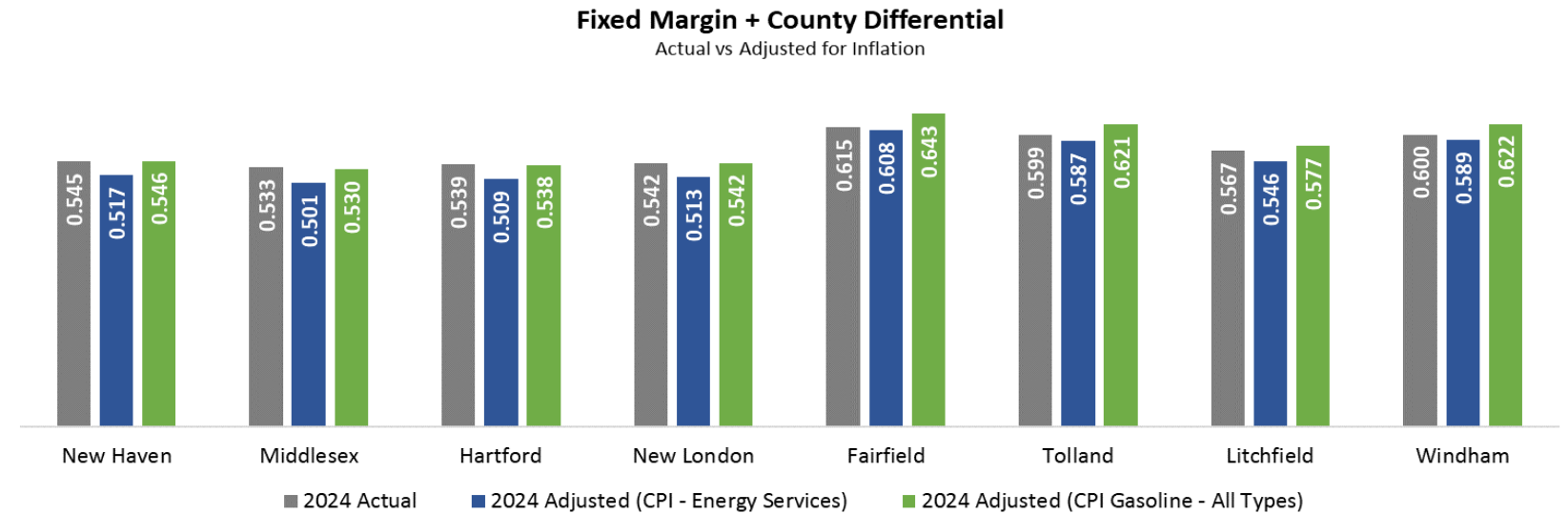
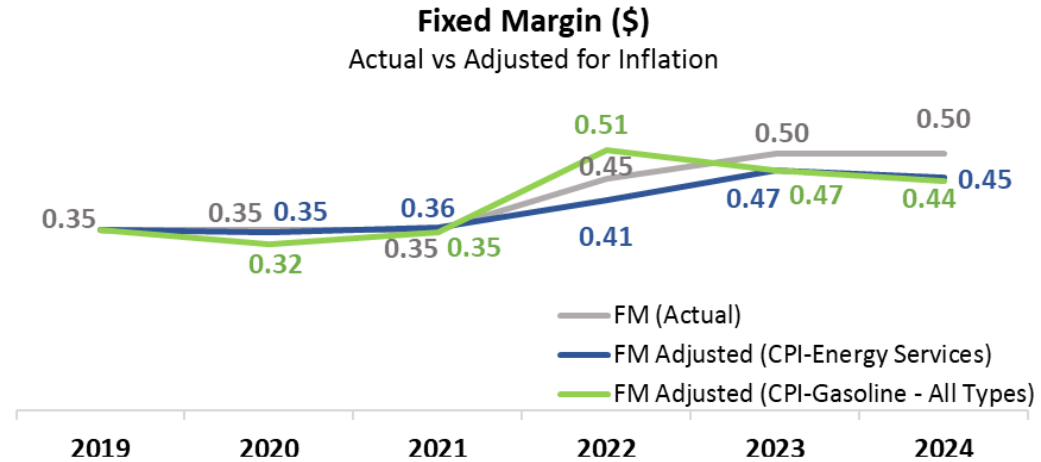
- **Data Transmission Network and Dataline (DTN)**, previously known as Telvent DTN, is a private company based in Bloomington, Minnesota that specializes in subscription-based services for the analysis and delivery of real-time weather, agricultural, energy, and commodity market information

Both these reporting agencies gather data through hundreds of daily transactions providing reliable and accurate oil price information.

*Current Fixed Margin methodology uses oil prices reported by OPIS for the New Haven terminal. Prices presented here are average prices for the period 11/1/2023 to 4/5/2024
Source: Wikipedia, <https://www.opisnet.com>, <https://www.dtn.com>

2. Inflation and the Fixed Margin and County Differential

- The FM (Actual) for 2024 is currently higher than the 2024 value adjusted for inflation.
- When adding the county differential, and using CPI-Gasoline, the adjusted value for 2024 is higher than the actual for 4 counties, and lower for 2 counties.
- All adjusted values are lower when using CPI-Energy Services



“The **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.”

Source: Bureau of Labor Statistics

CPI used in the analysis was reported for Northeast U.S.

Note: Year represents a season, for example, 2019 stands for 2018-2019 CEAP season. CEAP season starts Nov 1st and ends May 31st of the following year.

REGIONAL PRICING:
Exploring Alternative MOR Methodologies

Current Pricing Methodology

- **Daily OPIS New Haven terminal + Fixed Margin (FM) + County Differential (CD)**

Current Pricing = OPIS + \$0.50 FM + Current CD						
County	Total Gallons Delivered*	Current CD	OPIS Price (Average)	Current FM (\$0.50)	Estimated Price per Gallon	Estimated Cost
Fairfield	1,185,712	\$0.115	\$2.857	\$0.50	\$3.472	4,116,791
Hartford	2,248,699	\$0.039	\$2.857	\$0.50	\$3.396	7,636,583
Litchfield	863,102	\$0.067	\$2.857	\$0.50	\$3.424	2,955,261
Middlesex	428,784	\$0.033	\$2.857	\$0.50	\$3.390	1,453,577
New Haven	2,946,313	\$0.045	\$2.857	\$0.50	\$3.402	10,023,358
New London	1,228,084	\$0.042	\$2.857	\$0.50	\$3.399	4,174,258
Tolland	485,401	\$0.099	\$2.857	\$0.50	\$3.456	1,677,547
Windham	711,619	\$0.100	\$2.857	\$0.50	\$3.457	2,460,066
Total	10,097,715				\$3.425	34,497,442

Notes:

Estimations are based on the quantity delivered from **11/1/2023 to 4/5/2024** to each county and the average prices for each county during that period.

Any discrepancy between the real cost and the estimated cost is due to the use of average prices in the estimation. The use of average prices is necessary to make the estimations comparable across all pricing alternatives.

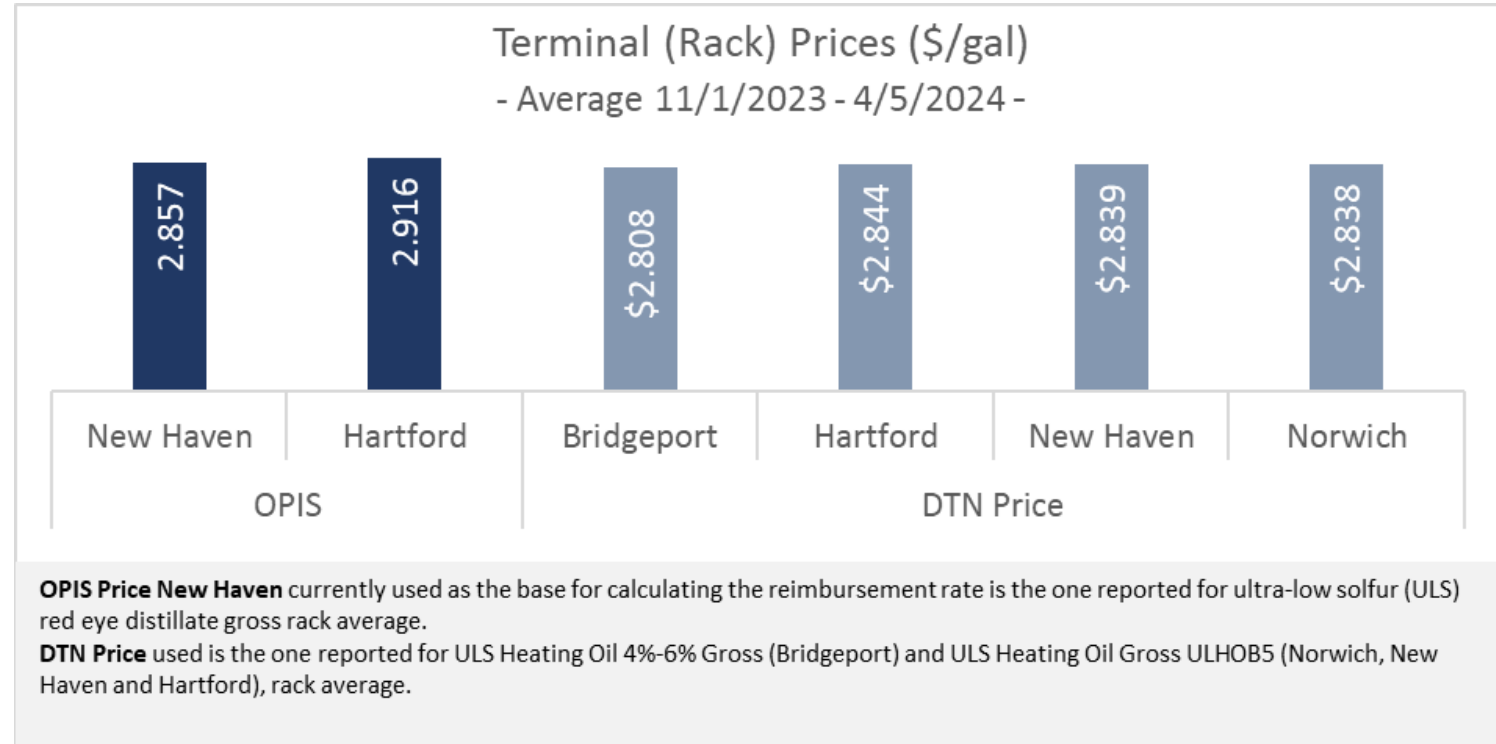
*Average Daily Base Price was calculated from OPIS reported daily prices for the New Haven terminal

- Total estimated cost under the current pricing methodology is **\$34,497,442** providing benefits for **27,897** families with an average of **\$1,236 per family**

1. Replacing OPIS New Haven with DTN

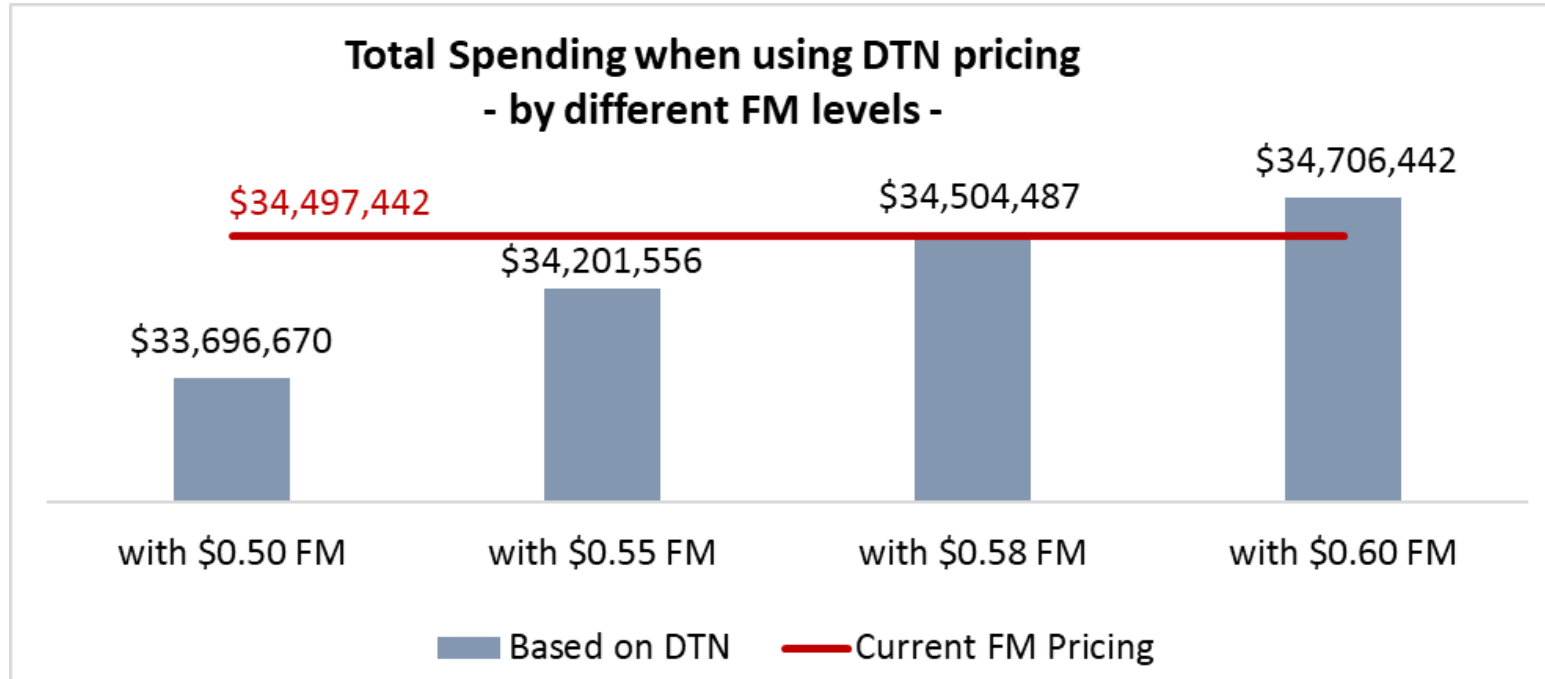
- Rack Prices -

- DTN reports wholesale prices for 4 Connecticut terminals: Bridgeport, Hartford, New Haven and Norwich
- Could be used to assign counties or regions to each terminal based on the delivery address



1. Replacing OPIS New Haven with DTN

- Spending -



- The Pricing Methodology based on DTN terminals does not include County Differential due to regionality of the 4 terminals.

County of Delivery	DTN Terminal Assigned
Fairfield	Bridgeport
Hartford	Hartford
Litchfield	
Tolland	
Middlesex	New Haven
New Haven	
New London	Norwich
Windham	

- Adoption of DTN price for the 4 terminals and a **\$0.58** Fixed Margin would have allowed for the provision of the same level of benefits

Estimations are based on the quantity delivered from 11/1/2023 to 4/5/2024 to each county and the average prices for each county during that period.

2. Recalculating the County Differential for the 8 Connecticut Counties

- **County Differential** adjusts the fixed margin to account for pricing differences between regions:

Recalculated CD:

Current County Differentials

County	DSS- CEAP	DAS- Contracts for up to 500 gal tanks
Fairfield	\$0.115	\$0.019
Hartford	\$0.039	-\$0.003
Litchfield	\$0.067	\$0.021
Middlesex	\$0.033	-\$0.003
New Haven	\$0.045	-\$0.011
New London	\$0.042	-\$0.005
Tolland	\$0.099	\$0.013
Windham	\$0.100	\$0.027

Based on differences relative to the county with the lowest price

County	Average Retail Price(\$)	% difference in price relative to the lowest county	FM	New CD
Fairfield	\$3.79	11%	\$0.50	\$0.056
Hartford	\$3.47	2%	\$0.50	\$0.009
Litchfield	\$3.64	7%	\$0.50	\$0.034
Middlesex	\$3.41	0%	\$0.50	\$0.000
New Haven	\$3.61	6%	\$0.50	\$0.029
New London	\$3.63	6%	\$0.50	\$0.033
Tolland	\$3.73	9%	\$0.50	\$0.047
Windham	\$3.99	17%	\$0.50	\$0.084
Average	\$3.67			

- The percentages are calculated relative to the county with the lowest average retail (vendor) price. They are then applied to the \$0.50 fixed margin. If the fixed margin increases, the new CD will also change.
- Estimations were based on vendor prices for the period 11/1/2023 – 4/5/2024

Avg Retail Price = Average of the Retail Price by county, as reported by the vendors on the invoice submitted for each delivery during the period 11/1/2023 – 4/5/2024. Estimations are based on the quantity delivered from 11/1/2023 to 4/5/2024 to each county and the average prices for each county during that period.

2. Recalculating the County Differential for the 8 Connecticut Counties (cont.)

- Estimating Payments -

- Impact of new CD with different FM levels

		Pricing with New CD and Different FM Levels											
		w/ FM=\$0.50				W/ FM=\$0.55				w/ FM=\$0.60			
County	OPIS Price (Average)	FM	New CD	Estimated Price	Estimated Cost CEAP	FM	New CD	Estimated Price	Estimated Cost CEAP	FM	New CD	Estimated Price	Estimated Cost CEAP
Fairfield	\$2.857	\$0.50	\$0.056	\$3.413	4,046,834	\$0.55	\$0.061	\$3.468	4,112,049	\$0.60	\$0.067	\$3.513	4,165,406
Hartford	\$2.857	\$0.50	\$0.009	\$3.366	7,569,122	\$0.55	\$0.010	\$3.417	7,683,806	\$0.60	\$0.011	\$3.466	7,793,992
Litchfield	\$2.857	\$0.50	\$0.034	\$3.391	2,926,779	\$0.55	\$0.037	\$3.444	2,972,523	\$0.60	\$0.041	\$3.491	3,013,089
Middlesex	\$2.857	\$0.50	\$0.000	\$3.357	1,439,427	\$0.55	\$0.000	\$3.407	1,460,866	\$0.60	\$0.000	\$3.457	1,482,306
New Haven	\$2.857	\$0.50	\$0.029	\$3.386	9,976,217	\$0.55	\$0.032	\$3.439	10,132,371	\$0.60	\$0.035	\$3.486	10,270,848
New London	\$2.857	\$0.50	\$0.033	\$3.390	4,163,205	\$0.55	\$0.036	\$3.443	4,228,294	\$0.60	\$0.039	\$3.490	4,286,014
Tolland	\$2.857	\$0.50	\$0.047	\$3.404	1,652,306	\$0.55	\$0.051	\$3.458	1,678,518	\$0.60	\$0.056	\$3.504	1,700,846
Windham	\$2.857	\$0.50	\$0.084	\$3.441	2,448,681	\$0.55	\$0.093	\$3.500	2,490,666	\$0.60	\$0.101	\$3.541	2,519,842
Grand Total				\$3.389	34,222,572			\$3.442	34,759,093			\$3.489	35,232,343

Gain/Loss	\$274,871	-\$261,651	-\$734,901
Impact on Families	222 additional families	211 fewer families	594 fewer families

Estimations are based on the quantity delivered from 11/1/2023 to 4/5/2024 to each county and the average prices for each county during that period.

2. Recalculating the County Differential for the 8 Connecticut Counties (cont.)

- Keeping the Same Level of Benefits -

County	OPIS Price (Average)	w/ FM=\$0.525			
		FM	New CD	Estimated Price	Estimated Cost CEAP
Fairfield	\$2.857	\$0.525	\$0.059	\$3.441	4,080,034
Hartford	\$2.857	\$0.525	\$0.010	\$3.392	7,627,588
Litchfield	\$2.857	\$0.525	\$0.036	\$3.418	2,950,083
Middlesex	\$2.857	\$0.525	\$0.000	\$3.382	1,450,147
New Haven	\$2.857	\$0.525	\$0.031	\$3.413	10,055,767
New London	\$2.857	\$0.525	\$0.035	\$3.417	4,196,363
Tolland	\$2.857	\$0.525	\$0.049	\$3.431	1,665,412
Windham	\$2.857	\$0.525	\$0.089	\$3.471	2,470,029
Grand Total				\$3.416	34,495,424

Difference from Current Pricing Methodology

Gain/Loss

\$2,018

- With the new CD, raising the FM by **\$0.025** would have allowed for the provision of **the same level of benefits**

3. Recalculating the County Differential Using the 9 Connecticut Regional Councils of Government (RCOGs)

Current County Differentials*

RCOGs	Current CD
Capitol	\$0.050
Greater Bridgeport	\$0.114
Lower Connecticut River Valley	\$0.034
Naugatuck Valley	\$0.050
Northeastern Connecticut	\$0.098
Northwest Hills	\$0.067
South Central Connecticut	\$0.045
Southeastern Connecticut	\$0.050
Western Connecticut	\$0.109

Possible New Methodology:

Based on differences relative to the RCOG with the lowest price

County	Average Retail Price(\$)	% difference in price relative to the lowest county	FM	New CD
Capitol	\$3.51	3%	\$0.500	\$0.013
Greater Bridgeport	\$3.79	11%	\$0.500	\$0.053
Lower Connecticut River Valley	\$3.43	0%	\$0.500	\$0.000
Naugatuck Valley	\$3.60	5%	\$0.500	\$0.026
Northeastern Connecticut	\$3.96	15%	\$0.500	\$0.078
Northwest Hills	\$3.65	7%	\$0.500	\$0.034
South Central Connecticut	\$3.62	6%	\$0.500	\$0.028
Southeastern Connecticut	\$3.68	7%	\$0.500	\$0.037
Western Connecticut	\$3.80	11%	\$0.500	\$0.055
	\$3.67			

- The percentages are calculated relative to the county with the lowest average retail (vendor) price. They are then applied to the \$0.50 Fixed Margin. If the Fixed Margin increases, the new CD will also change.
- Estimations were based on vendor prices for the period 11/1/2023 – 4/5/2024.

* Each town had their own specific CD assigned based on the county they belong to. The CD was carried over when reassigning towns to RCOGs. If different towns reassigned to a specific RCOG had different CD, the CDs were averaged over all the towns belonging to that RCOG.

3. Recalculating the County Differential Using the 9 Connecticut Regional Councils of Government (RCOGs)

- Estimating Payments -

- Impact of new CD with different FM levels

Pricing with New Regional Differential and Different FM Levels													
		w/ FM=\$0.50				w/ FM=\$0.55				w/ FM=\$0.60			
RCOG	OPIS Price (Average)	FM	New CD	Estimated Price	Estimated Cost CEAP	FM	New CD	Estimated Price	Estimated Cost CEAP	FM	New CD	Estimated Price	Estimated Cost CEAP
Capitol	2.857	\$0.500	\$0.013	\$3.370	8,369,248	\$0.55	\$0.014	\$3.421	8,495,904	\$0.60	\$0.015	\$3.472	8,623,206
Greater Bridgeport	2.857	\$0.500	\$0.053	\$3.410	1,568,954	\$0.55	\$0.058	\$3.465	1,594,259	\$0.60	\$0.063	\$3.520	1,619,605
Lower CT River Valley	2.857	\$0.500	\$0.000	\$3.357	1,508,835	\$0.55	\$0.001	\$3.408	1,531,758	\$0.60	\$0.000	\$3.457	1,553,790
Naugatuck Valley	2.857	\$0.500	\$0.026	\$3.383	7,206,321	\$0.55	\$0.028	\$3.435	7,317,089	\$0.60	\$0.031	\$3.488	7,428,925
Northeastern CT	2.857	\$0.500	\$0.078	\$3.435	2,027,910	\$0.55	\$0.086	\$3.493	2,062,151	\$0.60	\$0.093	\$3.550	2,095,724
Northwest Hills	2.857	\$0.500	\$0.034	\$3.391	1,916,648	\$0.55	\$0.037	\$3.444	1,946,604	\$0.60	\$0.040	\$3.497	1,976,539
South Central CT	2.857	\$0.500	\$0.028	\$3.385	4,638,126	\$0.55	\$0.031	\$3.438	4,710,747	\$0.60	\$0.033	\$3.490	4,782,414
Southeastern CT	2.857	\$0.500	\$0.037	\$3.394	4,511,177	\$0.55	\$0.041	\$3.448	4,582,951	\$0.60	\$0.044	\$3.501	4,653,617
Western CT	2.857	\$0.500	\$0.055	\$3.412	2,455,252	\$0.55	\$0.060	\$3.467	2,494,830	\$0.60	\$0.065	\$3.522	2,534,417
Grand Total					34,202,471				34,736,294				35,268,236

Difference from Current Pricing Methodology	Gain/Loss	\$293,513	-\$240,311	-\$772,253
	Impact on Families	237 additional families	194 fewer families	625 fewer families

Estimations are based on the quantity delivered from 11/1/2023 to 4/5/2024 to each RCOG.

3. Recalculating the County Differential Using the 9 Connecticut Regional Councils of Government (RCOGs)

- Keeping the Same Level of Benefits -

RCOG	OPIS Price (Average)	w/ FM=\$0.528			
		FM	New CD	Estimated Price	Estimated Cost CEAP
Capitol	2.857	\$0.528	\$0.014	\$3.399	8,441,268
Greater Bridgeport	2.857	\$0.528	\$0.056	\$3.441	1,583,217
Lower CT River Valley	2.857	\$0.528	\$0.000	\$3.385	1,521,420
Naugatuck Valley	2.857	\$0.528	\$0.027	\$3.412	7,268,096
Northeastern CT	2.857	\$0.528	\$0.082	\$3.467	2,046,802
Northwest Hills	2.857	\$0.528	\$0.036	\$3.421	1,933,604
South Central CT	2.857	\$0.528	\$0.030	\$3.415	4,679,232
Southeastern CT	2.857	\$0.528	\$0.039	\$3.424	4,551,051
Western CT	2.857	\$0.528	\$0.058	\$3.443	2,477,560
Grand Total					34,502,250

Difference from Current Pricing Methodology

Gain/Loss

-\$6,267

- With the new CD, raising the FM by **\$0.028** would have allowed for the provision of **the same level of benefits**

ALTERNATIVE PRICING Model

Discount Off Retail (DOR) Model

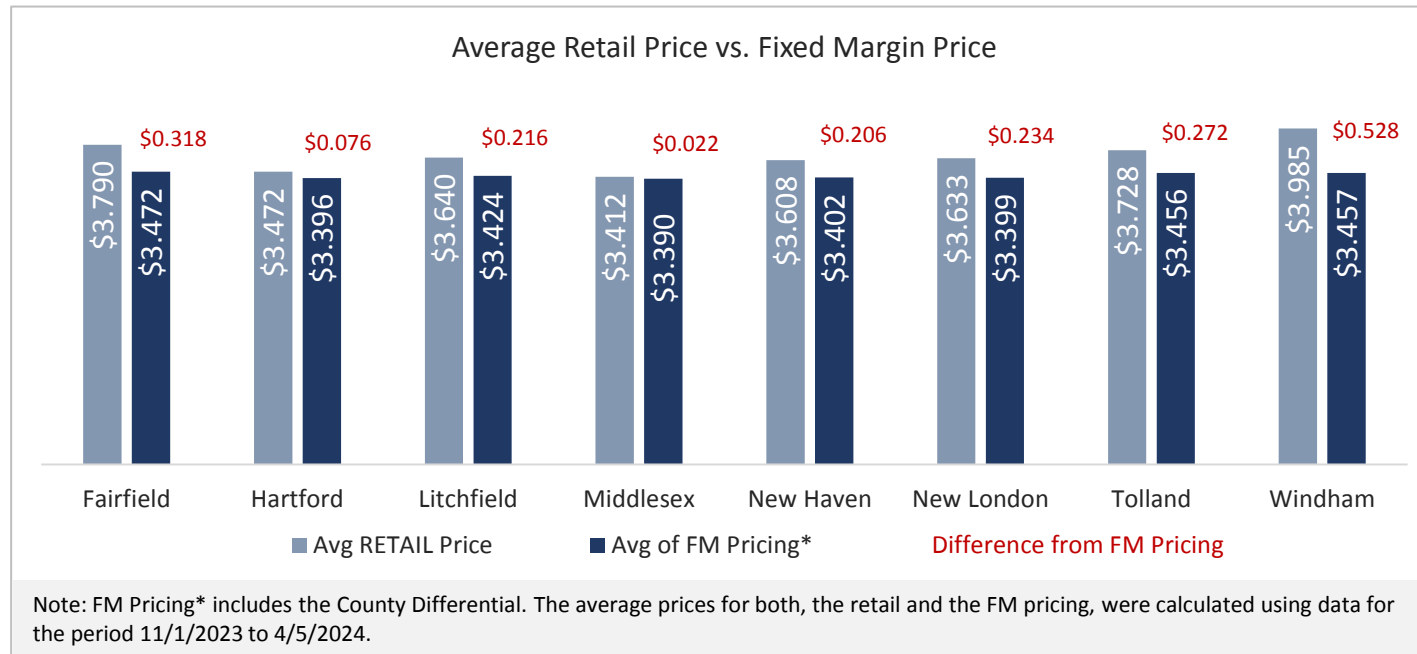
Retail vs. Fixed Margin (FM) Pricing

Discount Off Retail (DOR) – Under the DOR model, vendors making deliveries to CEAP recipients agree to be paid the daily retail price at the time of delivery, less a certain amount per gallon discount.

Average Retail Price: **\$3.67/gal**

Estimated Average FM Pricing: **\$3.42/gal**

Difference between the two average prices: **\$0.234**

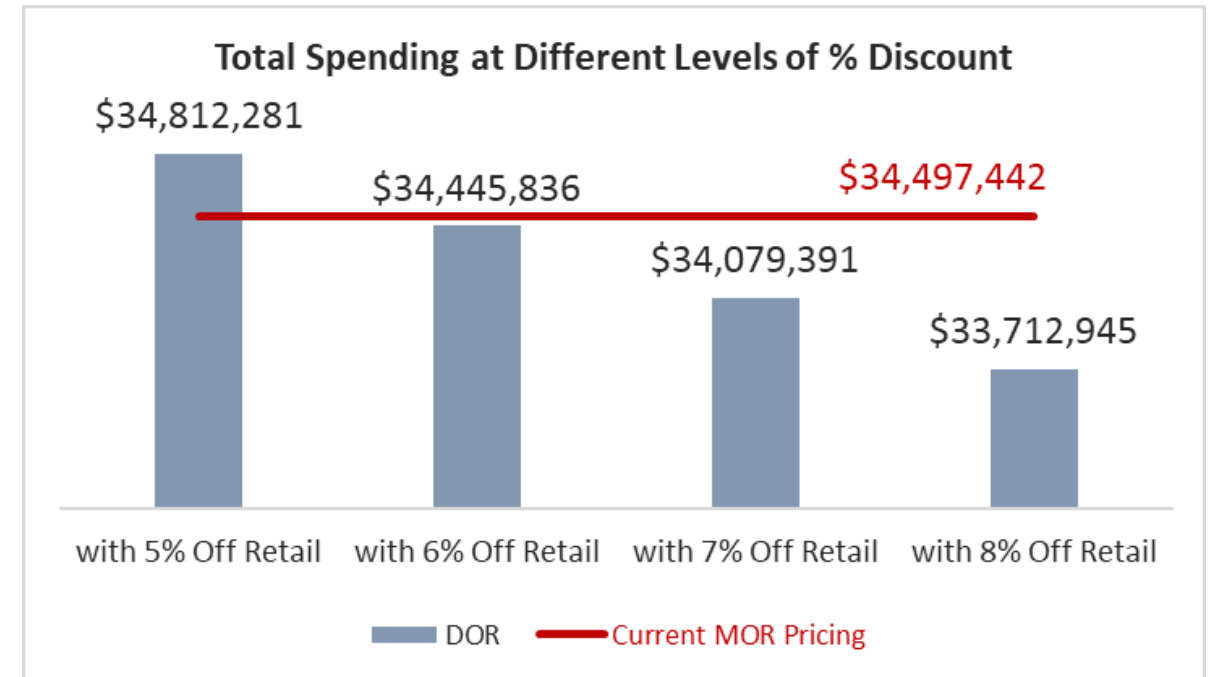
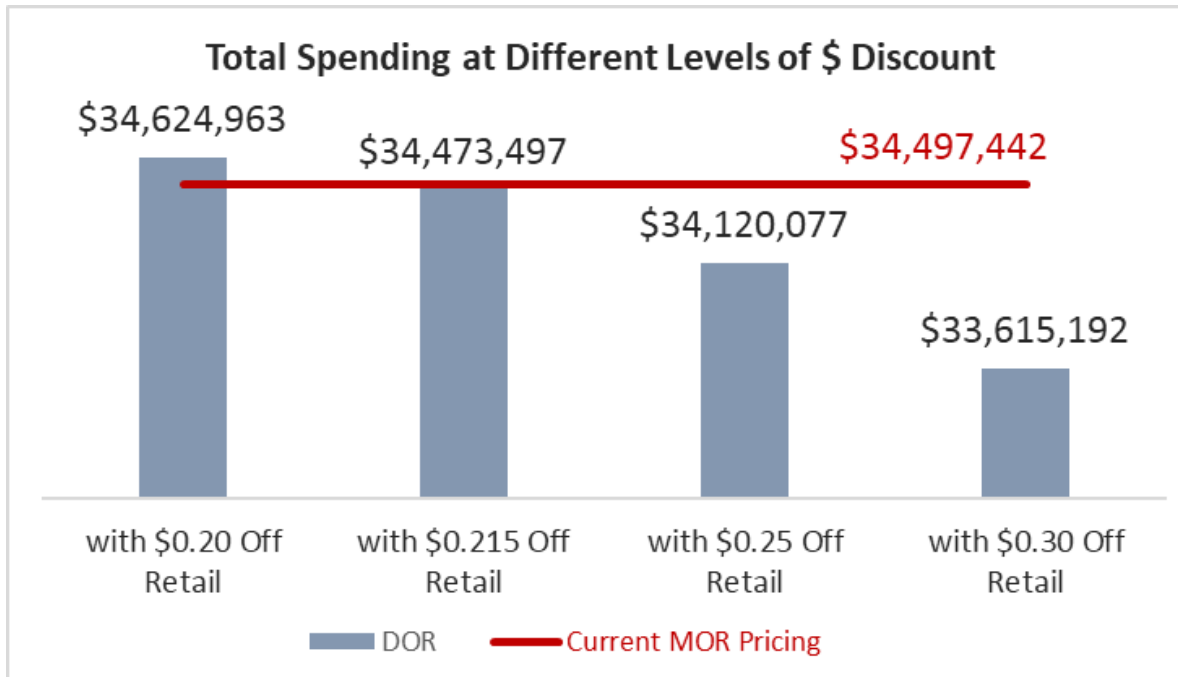


With the current Fixed Margin methodology, on average, we are paying **\$0.234** less than retail price, with the highest in Windham (**\$0.528**) and the lowest in Middlesex (**\$0.022**)

Discount Off Retail - \$ Discount vs. % Discount

Discount Off Retail (DOR) – Under the DOR model, vendors making deliveries to CEAP recipients agree to be paid the daily retail price at the time of delivery, less a certain amount per gallon discount.

With the DOR pricing methodology, neither the Fixed Margin nor the County Differential are included.



- A discount of **\$0.215** off the retail price would have allowed for the provision of the same level of benefits

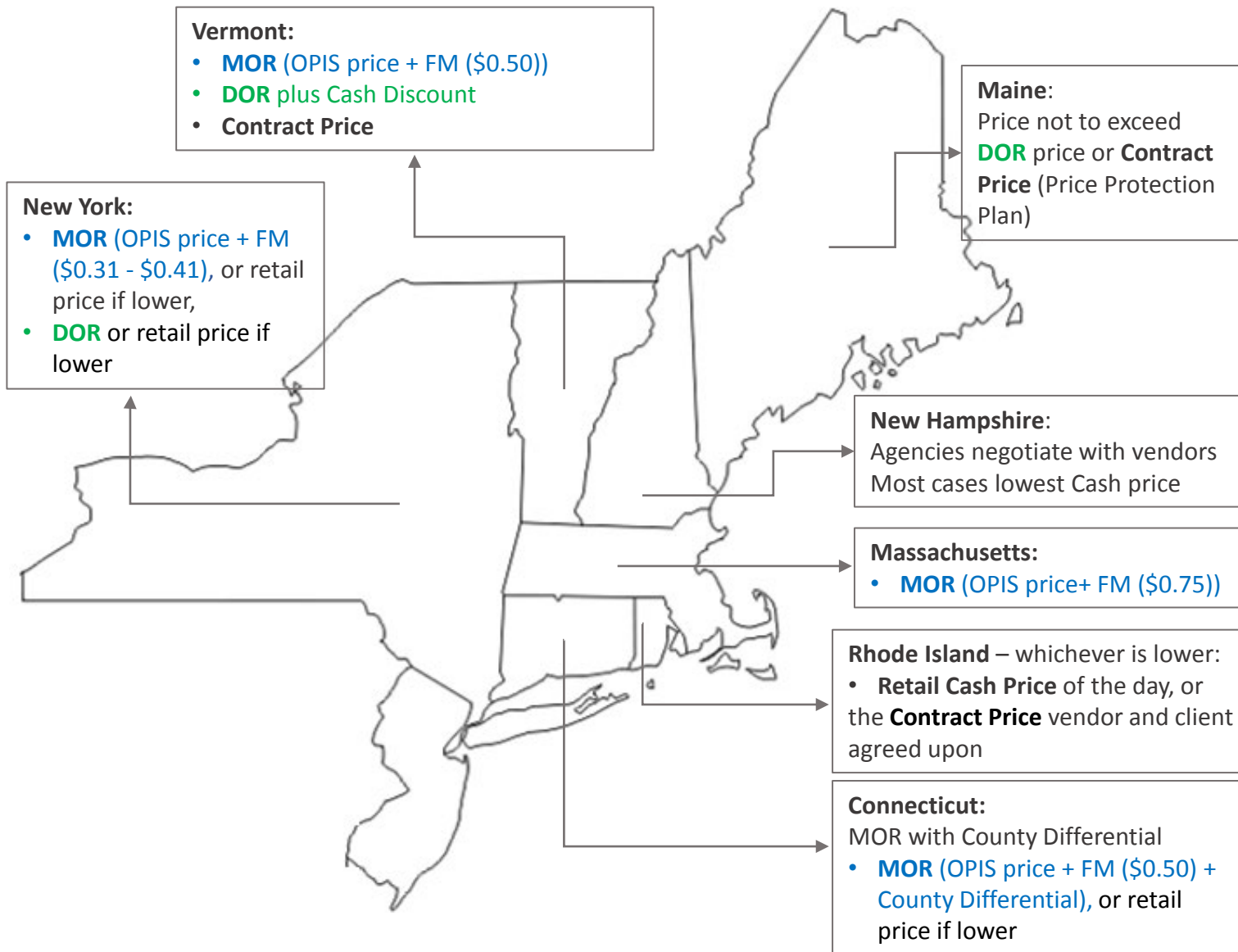
- A discount of **6%** off the retail price would have allowed for the provision of the same level of benefits

The calculations using this pricing methodology assume it would be applied statewide with no other pricing methodology being implemented at the same time as the DOR methodology.

Data available for the period 11/1/2023 to 4/5/2024 was used in the estimations.

What Other States Are Doing

What Other States are Doing



Different CEAP Pricing Models:

Margin Over Rack (MOR) - The MOR model of reimbursement is basing the wholesale oil price on the "rack," or terminal price, to which a fixed margin is added. The fixed margin is designed to cover expenses from the terminal to the final point of sale.

Discount Off Retail (DOR) – Under the DOR model, vendors agree to be paid the daily retail price at the time of delivery, less a certain amount per gallon discount.

Retail Price: Price charged by the vendor on the day of delivery

Retail Cash Price: Price charged by the vendor when the customer pays cash, usually lower than retail price

Contract Price: Price to be paid during the season, but charged by the vendor and agreed upon at the beginning of the season

Some states have limitations on the amount of fees their vendors can charge

DSS Preliminary Takeaways

- DTN is a viable alternative to OPIS with prices reasonably closely aligned
- The current Fixed Margin (FM) and the County Differential (CD) are closely aligned to inflation-adjusted prices
- Replacing OPIS New Haven + FM/CD with DTN + FM for 4 terminals could be an alternative for regional pricing
- The explored alternative approach to County Differential could provide a consistent and updatable method to reflect current differences between geographical areas
- Discount Off Retail (DOR) pricing could be a possible MOR alternative
- All modeling is based on the particular model being used exclusively statewide. If any combination of pricing methods is offered, then adjustments to the various approaches would need to be made in order to maintain consistent levels of customer benefits.