

ADDITIONAL CEAP PRICING OPTIONS



**DEPARTMENT OF
SOCIAL SERVICES**

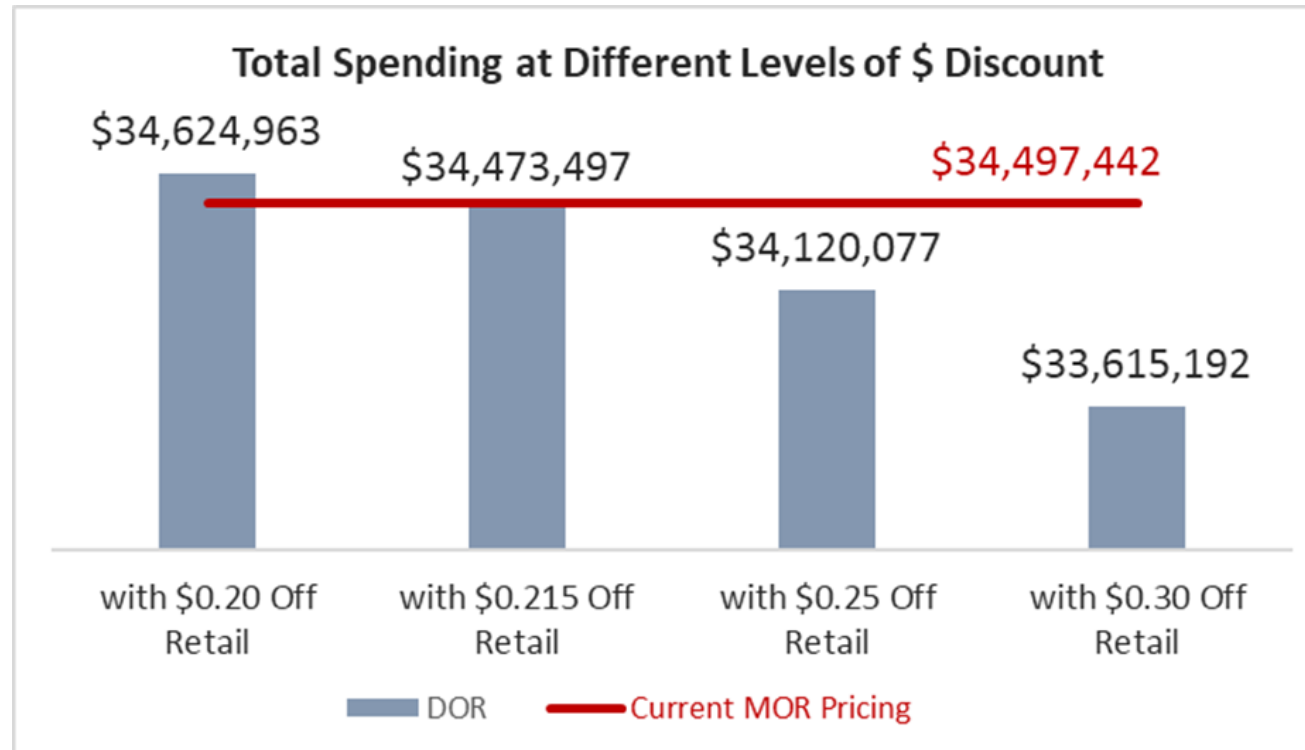
11/13/2024

- Adopting solely a Discount Off Retail (DOR) pricing option
- Offering Margin Over Rack (MOR) and DOR pricing options simultaneously, when:
 - MOR is based on OPIS and with current FM (\$0.50) and current county differential (CD)
 - MOR is based on regional DTN and with current FM (\$0.50)

***FMP:** Fixed Margin Price currently calculated by adding a \$0.50 Fixed Margin, to the OPIS daily price plus a County Differential (CD)*

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.



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.

Note: The figures presented represent current estimates and are subject to change

Offering a **Discount Off Retail (DOR)** pricing concurrently with **Margin Over Rack (MOR)**

Margin Over Rack (MOR) Pricing Option

- OPIS Price (average for 2024 season) : **\$2.857/gallon (gal)**
- Fixed Margin (FM): **\$0.50/gal**
- County Differential (CD) (see table)

- Estimated MOR Pricing: **\$3.42/gal**
- Average oil use per family: **362 gal**

- **Estimated Total Cost: \$34,497,442**

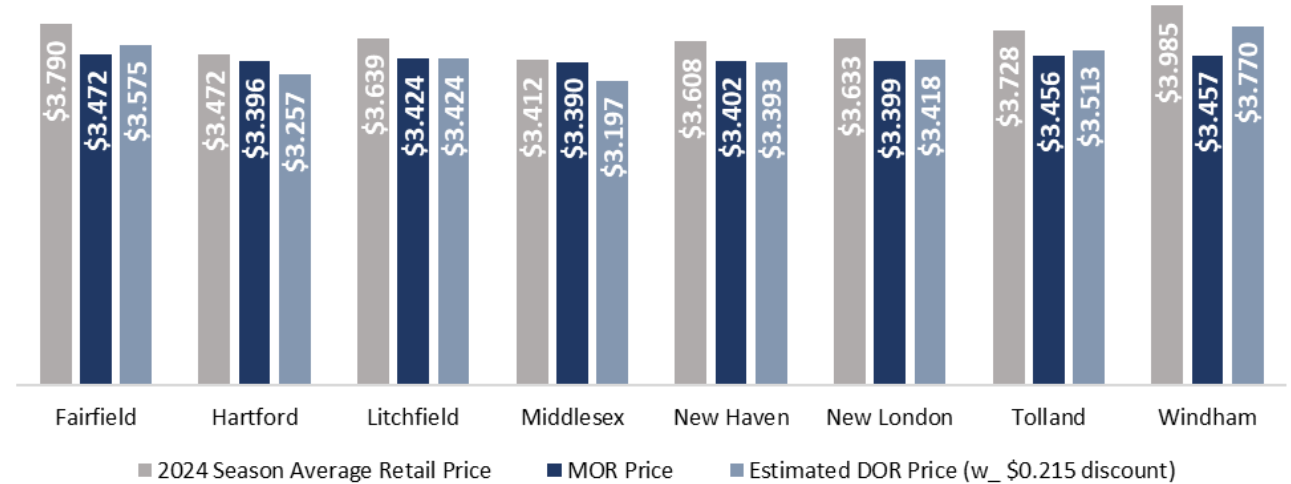
<u>County</u>	<u>Current County Differential</u>
Fairfield	\$0.115
Hartford	\$0.039
Litchfield	\$0.067
Middlesex	\$0.033
New Haven	\$0.045
New London	\$0.042
Tolland	\$0.099
Windham	\$0.100

- **Margin Over Rack (MOR)** – Under this model, the reimbursement is based on the wholesale oil price on the "rack," or terminal price, to which a fixed margin (FM) is added. The FM is designed to cover distribution costs from the terminal to the final point of sale. Currently, Connecticut adds a county differential to the rack price and the FM.

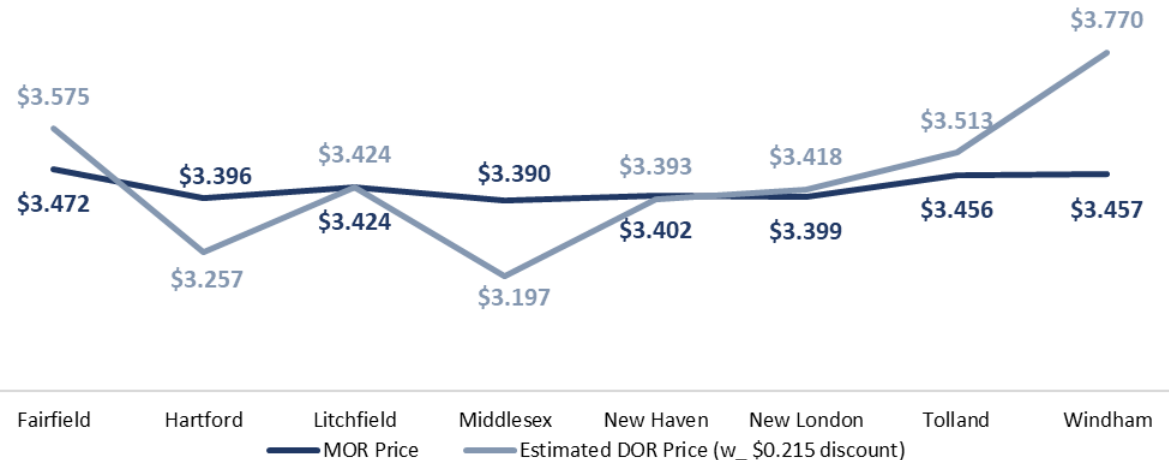
Note: The figures presented represent current estimates and are subject to change

- With a **\$0.215** DOR, vendors in Fairfield, Tolland and Windham (also, possibly New London) counties would have chosen the DOR Pricing
- Using the average prices and volume at county level to estimate spending, would assume that all vendors in a county will choose the same pricing option.
- Additionally, vendors were delivering in more than one county, making the estimation difficult
- For a more precise estimation we should look at how individual vendors would have chosen their preferred pricing option.

Comparing Retail Price with Estimated MOR and DOR Prices



Estimated Price for the Two Pricing Methodologies, MOR and DOR



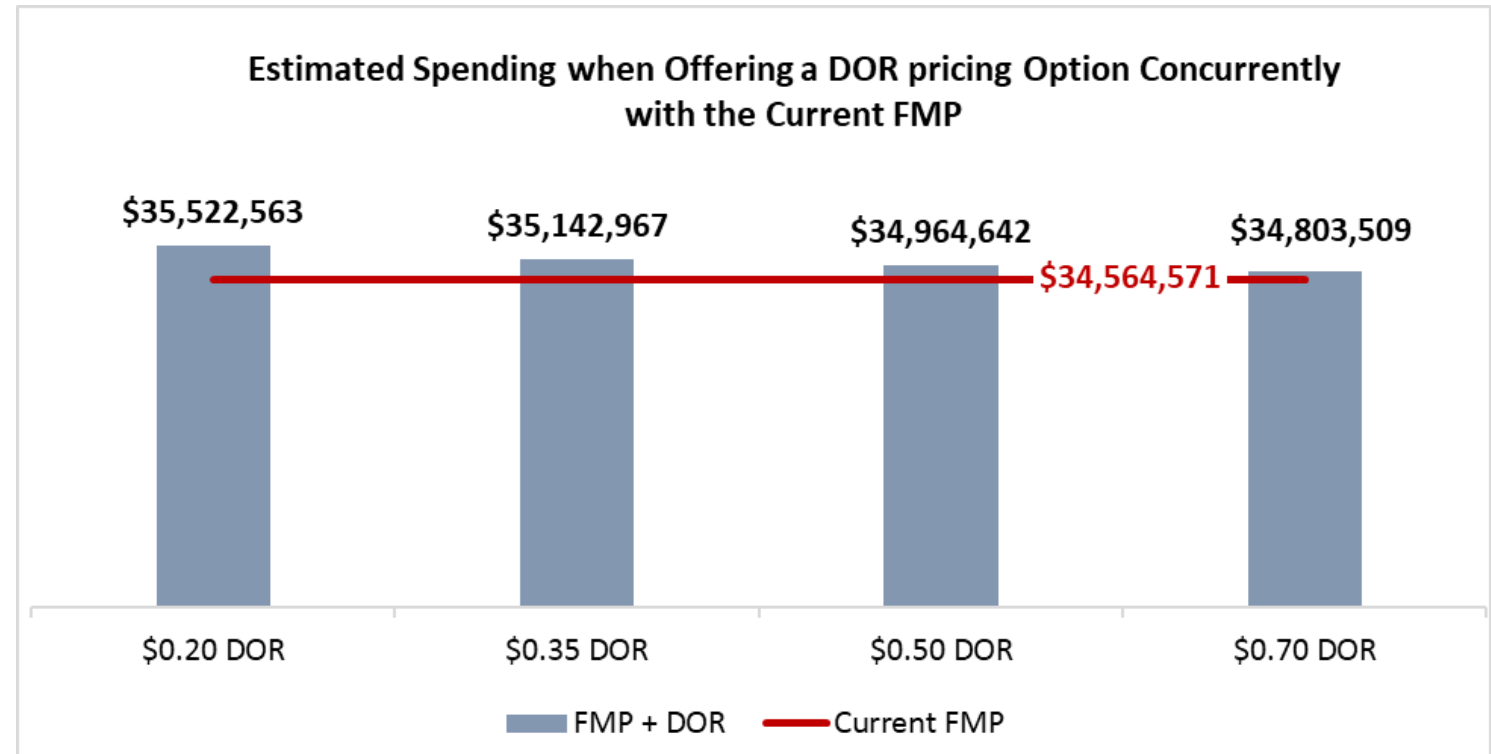
Estimations are based on data from Nov 1st, 2023, to April 4th, 2024;

MOR pricing: OPIS price with \$0.50 FM and the current differential;

DOR Pricing: \$0.215 discount off retail

Note: The figures presented represent current estimates and are subject to change

- Vendors would have chosen their preferred pricing option at the beginning of the season
- Basing the estimations on discount off the average retail price per vendor instead of county would provide a more accurate estimation
- Maintaining the current MOR with a \$0.50 FM and offering a DOR concurrently would have raised the estimated cost at every level of discount.



*Note: Estimations are based on data from Nov 1st, 2023, to April 4th, 2024;
MOR pricing: OPIS price with \$0.50 FM and the current differential;*

There is no level of DOR that would have allowed the provision of the same level of benefits.

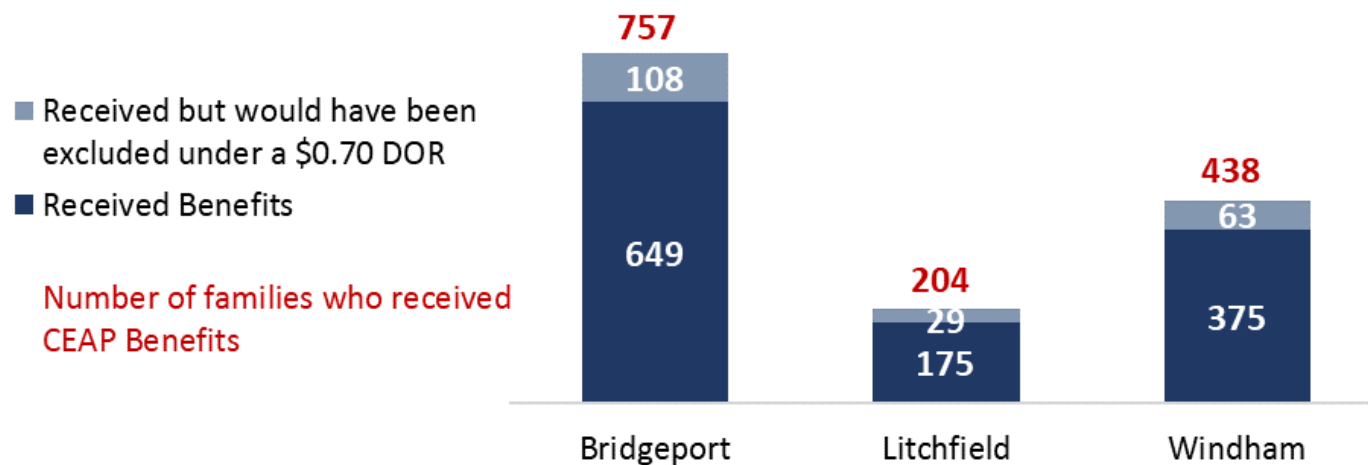
For example, even at a \$0.70 discount, some vendors would have still chosen DOR, spending would have increased by **\$238,938**.

This would have prevented **193** families from getting benefits.

Any discrepancy between the total cost estimated at county level and total cost estimated at vendor level is due to the county level estimates being based on estimated average FMP, while the vendor level estimates were calculated from observed prices per gallon for each vendor for each delivery during the 2023-2024 season, as well as the observed FMP.

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Total Families with CEAP (Oil only) Benefits FY 2024



- Offering a **\$0.70 DOR** pricing option would have excluded **193** families from getting benefits
- **1 in 7** families currently receiving CEAP benefits for heating oil in, Bridgeport, Litchfield and Windham would have been excluded

Families with CEAP benefits refers here to families who received CEAP funds for heating oil only

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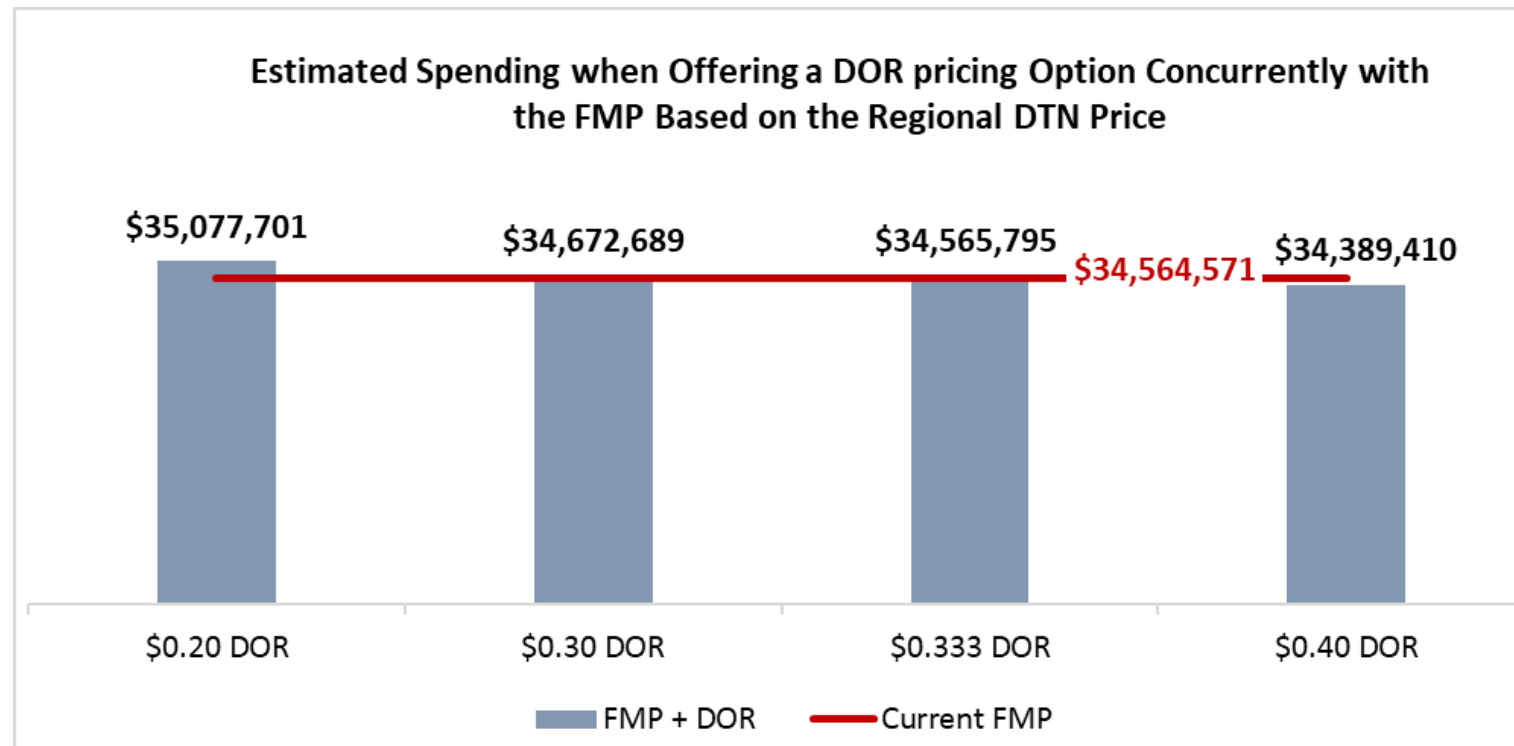
Offering a Discount Off Retail (DOR) (\$) Pricing Option when:
 MOR is based on OPIS and with **current FM (\$0.50)** and **current CD (Detail)**

Pricing Option	Number of vendors	Average Retail Price	Average Fixed Margin Price	Average Final Price	Estimated Spending	Change in Spending from Current Option	Impact on Families
A. Current Pricing Option: MOR (based on OPIS price + FM + CD)							
	252		\$3.42		\$34,564,571		
B. Current MOR pricing and adding a DOR pricing with a \$0.20 Discount							
would have chosen DOR	87	\$3.92	\$3.42	\$3.72	\$12,095,550		
would have chosen MOR	165	\$3.43	\$3.42	\$3.42	\$23,427,013		
Total	252				\$35,522,563	↑ \$957,992	774 fewer families
C. Current MOR pricing and adding a DOR pricing with a \$0.35 Discount							
would have chosen DOR	48	\$4.10	\$3.42	\$3.75	\$6,400,450		
would have chosen MOR	204	\$3.48	\$3.42	\$3.42	\$28,742,517		
Total	252				\$35,142,967	↑ \$578,396	467 fewer families
D. Current MOR pricing and adding a DOR pricing with a \$0.50 Discount							
would have chosen DOR	28	\$4.28	\$3.42	\$3.78	\$3,617,646		
would have chosen MOR	224	\$3.51	\$3.42	\$3.42	\$31,346,996		
Total	252				\$34,964,642	↑ \$400,071	323 fewer families
E. Current MOR pricing and adding a DOR pricing with a \$0.70 Discount							
would have chosen DOR	14	\$4.57	\$3.42	\$3.87	\$2,540,595		
would have chosen MOR	238	\$3.54	\$3.42	\$3.42	\$32,262,914		
Total	252				\$34,803,509	↑ \$238,938	193 fewer families

Note: The figures presented represent current estimates and are subject to change

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

Counties were assigned to the regional DTN terminal based on the delivery address.



*Note: Estimations are based on data from Nov 1st, 2023, to April 4th, 2024;
MOR pricing: regional DTN price with \$0.50 FM;
DOR Pricing: Different levels of discount*

- Basing the MOR pricing on the regional DTN price (with a \$0.50 FM) adjusts the MOR to reflect regionality
- Additionally, offering a DOR with an appropriate level of discount, provides the opportunity for vendors delivering in regions with higher prices to opt for the price that better reflects regional differences.

- Replacing OPIS price with regional DTN price for the MOR Pricing and offering a **\$0.35 DOR would have allowed for the provision of the same level of benefits**

Note: The figures presented represent current estimates and are subject to change

Offering a \$ Discount Off Retail (DOR) (\$) Pricing Option when: MOR is based on regional DTN and with current FM (\$0.50) (Detail)

Pricing Option	Number of vendors opting	Average Retail Price	Average Fixed Margin Price	Average Final Price	Estimated Spending	Change in Spending from Current Option	Impact on Families
A. Current Pricing Option: MOR (based on OPIS price + \$0.50 FM + CD)							
	252		\$3.42		\$34,564,571		
B. Replacing OPIS with regional DTN price: MOR (based on DTN price + \$0.50 FM)							
	252		\$3.30		\$33,708,548		
C. MOR based on DNT pricing (+\$0.50 FM) and adding a DOR pricing with a \$0.20 Discount							
would have chosen DOR	115	\$3.84	\$3.33	\$3.64	\$17,700,870		
would have chosen MOR	137	\$3.40	\$3.34	\$3.34	\$17,376,831		
Total	252				\$35,077,701	↑ \$513,130	414 fewer families
D. MOR based on DNT pricing (+\$0.50 FM) and adding a DOR pricing with a \$0.30 Discount							
would have chosen DOR	86	\$3.93	\$3.33	\$3.63	\$12,116,599		
would have chosen MOR	166	\$3.43	\$3.34	\$3.34	\$22,556,090		
Total	252				\$34,672,689	↑ \$108,118	87 fewer families
E. MOR based on DNT pricing (+\$0.50 FM) and adding a DOR pricing with a \$0.333 Discount							
would have chosen DOR	77	\$3.96	\$3.33	\$3.62	\$10,680,772		
would have chosen MOR	175	\$3.44	\$3.34	\$3.34	\$23,885,023		
Total	252	\$3.60			\$34,565,795	↑ \$1,224	
F. MOR based on DNT pricing (+\$0.50 FM) and adding a DOR pricing with a \$0.40 Discount							
would have chosen DOR	58	\$4.04	\$3.32	\$3.64	\$8,638,141		
would have chosen MOR	194	\$3.47	\$3.34	\$3.34	\$25,751,269		
Total	252				\$34,389,410	↓ \$175,161	141 additional families

Note: The figures presented represent current estimates and are subject to change

- A \$0.215 (or a 6%) Discount Off Retail with no other pricing option would have maintained the same level of benefits;
- Maintaining the current MOR pricing (\$0.50 FM +CD) and offering a DOR pricing option concurrently, would increase the level of spending at any level of discount, negatively impacting CEAP families;
- Changing the MOR pricing option by basing the price on the regional DTN price with a \$0.50 FM and offering a \$0.333 (or an 8.5%) Discount Off Retail pricing concurrently would have maintained the same level of benefits;
- A MOR based on DTN price with a \$0.50 FM combined with the DOR methodology offer a pricing strategy that better reflects the regional differences in heating oil pricing;

The estimated costs provided do not account for administrative and system upgrade expenses associated with transitioning from the current MOR pricing model.
Further revisions to the estimates would be necessary to include these additional costs.

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