

RESPONDING TO THE PROPANE CRISIS

Prepared by the National Energy Assistance Directors' Association for the Office of Community Services within the U.S. Department of Health and Human Services Administration for Children and Families under contract #HHSP233201250026A.



ADMINISTRATION FOR
CHILDREN & FAMILIES

NEADA

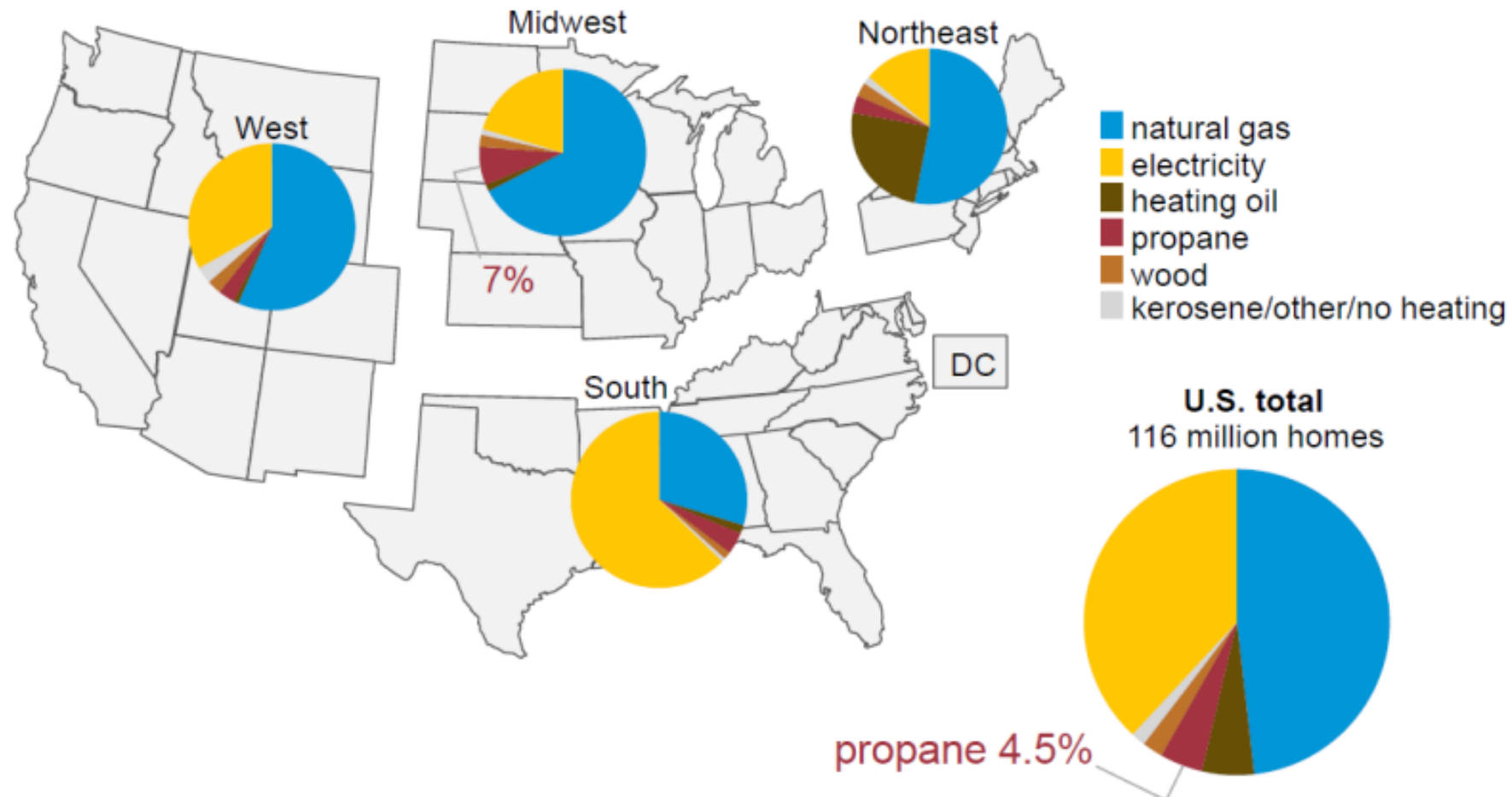
June 16, 2014

Presented by

**Lauren Christopher,
Administration for
Children and
Families**

PROPANE REPRESENTS 4.5% OF HEATING FUEL

Share of homes by primary space heating fuel within each Census Region (fuels add to 100%)

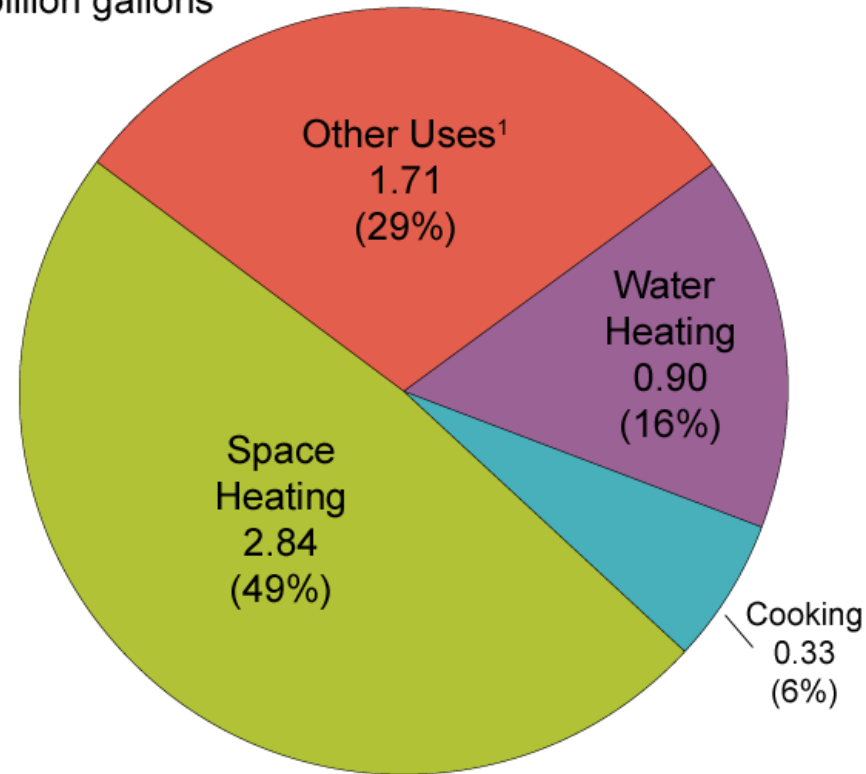


Source: U.S. Census Bureau, 2012 American Community Survey

PROPANE PRIMARILY FOR SPACE HEATING

Residential Propane Consumption by End-Use, 2009

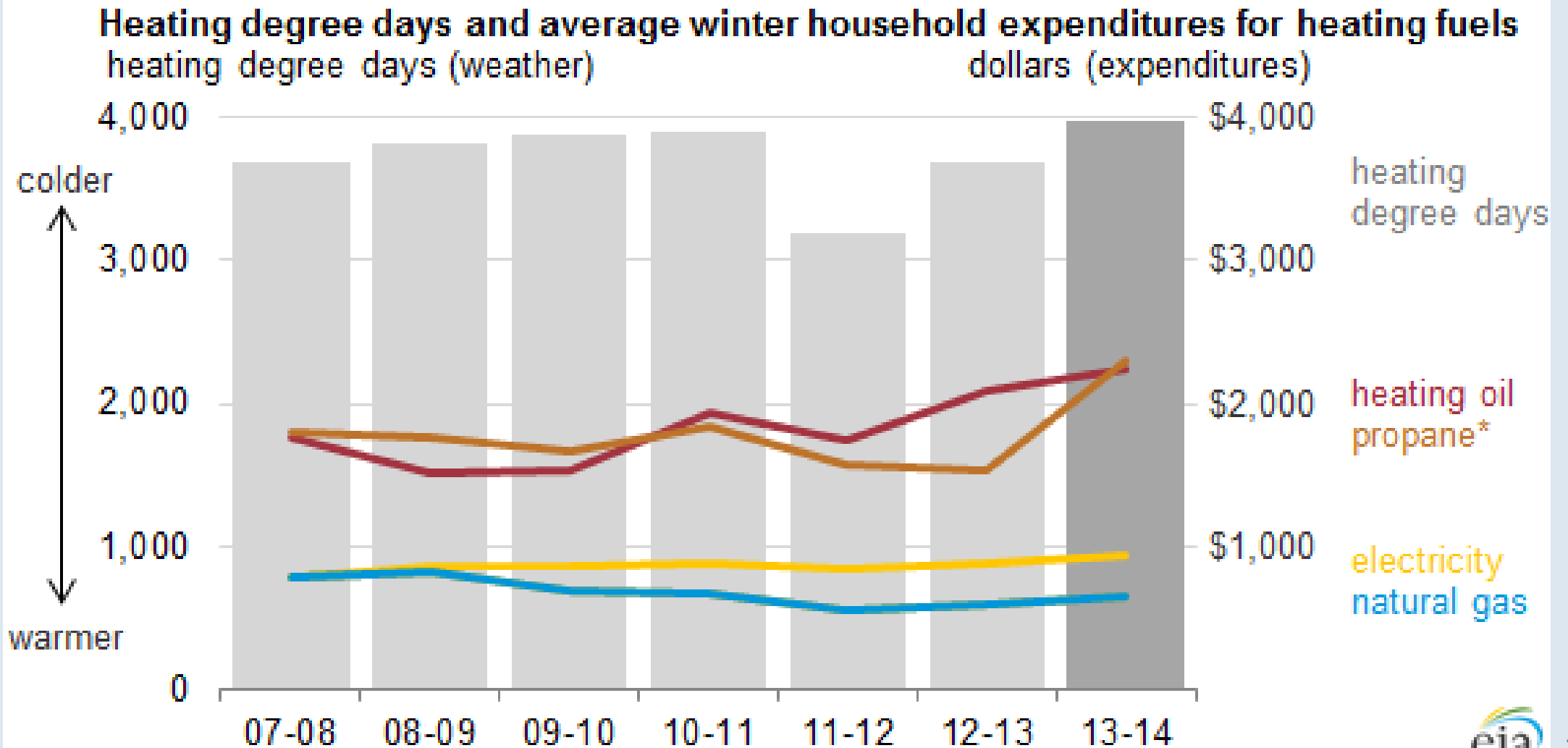
billion gallons



¹ Other uses include clothes drying, outdoor grills, mosquito traps, etc.

Source: U.S. Energy Information Administration, *Annual Energy Outlook 2011*, Table 4 (April 2011).

2014 PROPANE PRICE SPIKE



PROPANE PRICES WERE HIGH IN 2014 COMPARED TO RECENT YEARS

LIHEAP: Winter Heating Program Purchasing Power FY 2010 - FY 2014 (2/26/2014)

Est. Home Heating Costs (2009-10 to 2013-14)

Winter Heating Season	Natural Gas	Electricity	Heating Oil	Propane	All Fuels
2009-10	\$689	\$869	\$1,533	\$1,642	\$863
2010-11	\$671	\$881	\$1,943	\$1,817	\$891
2011-12	\$567	\$840	\$1,735	\$1,563	\$796
2012-13	\$603	\$891	\$2,092	\$1,503	\$847
2013-14	\$714	\$1,019	\$2,489	\$2,356	\$1,013
% Change: 2012/13-2013/14	18.4%	14.3%	19.0%	56.7%	19.5%
Dollar Change	\$111	\$128	\$397	\$853	\$166

Est. Average % of Home Heating Purchased with LIHEAP (FY 10- FY 14)

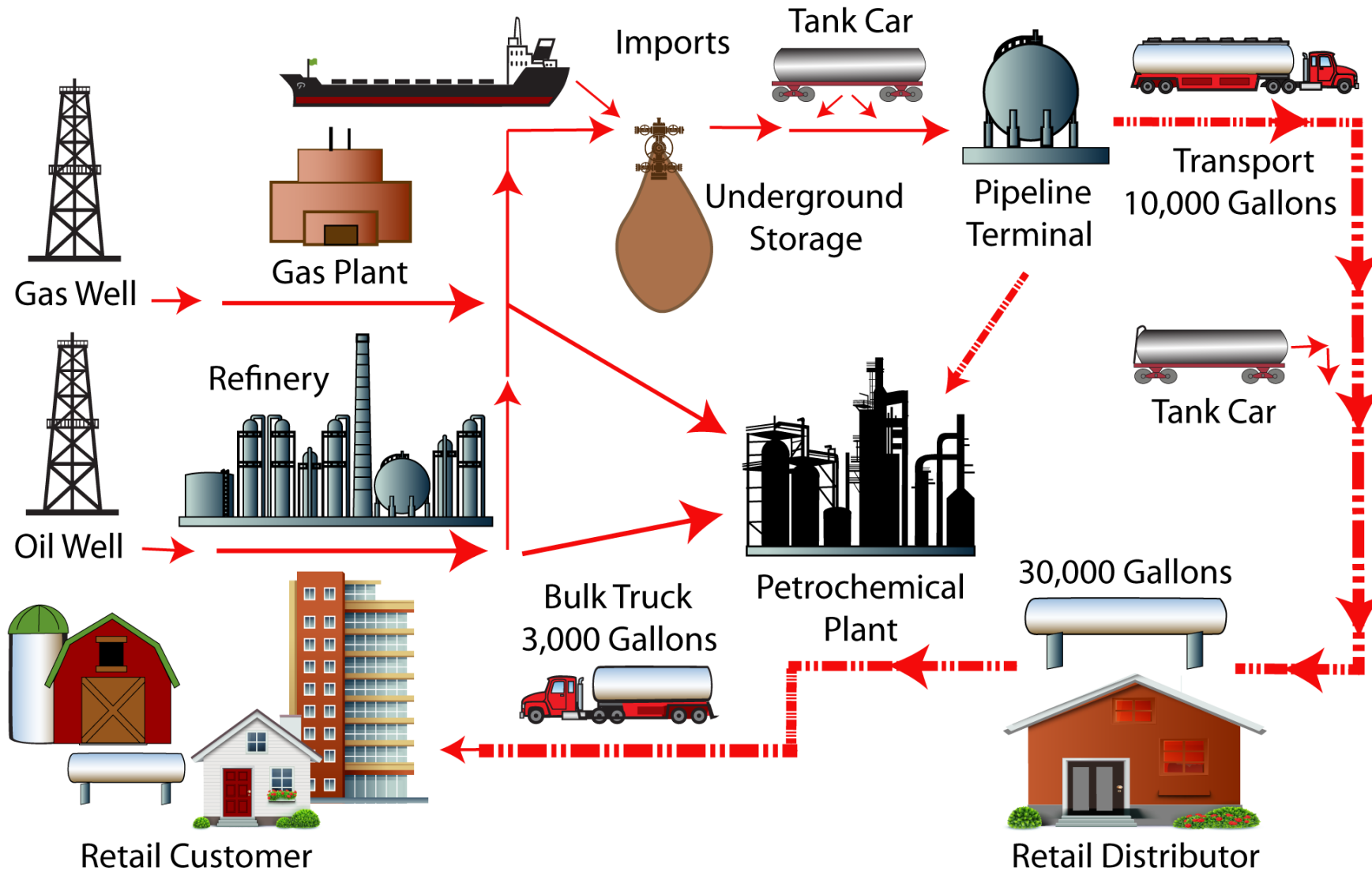
Fiscal Year	Natural Gas	Electricity	Heating Oil	Propane	All Fuels
2010	75.4%	59.8%	33.9%	31.7%	60.2%
2011	71.7%	54.6%	24.8%	26.5%	54.0%
2012	72.8%	49.1%	23.8%	26.4%	51.8%
2013	66.0%	44.7%	19.0%	26.5%	47.0%
2014	56.8%	39.8%	16.3%	17.2%	40.0%

WHAT CAUSED THE CRISIS?

- **Higher Demand:** Unusually cold temperatures around the country and increased use of propane for agriculture drove prices up.
- **Transportation Infrastructure:** Two pipelines in the Midwest were shut down/repurposed, restricting the amount of propane that could be moved around the country.
- **Storage:** The majority of propane is stored outside the Northeast and Midwest where most propane is used, leading to a delay in resupply during periods of high demand.
- **Exports:** Propane exports have grown to 20 percent of U.S. production, up from 5 percent in 2008, making less available for domestic use.

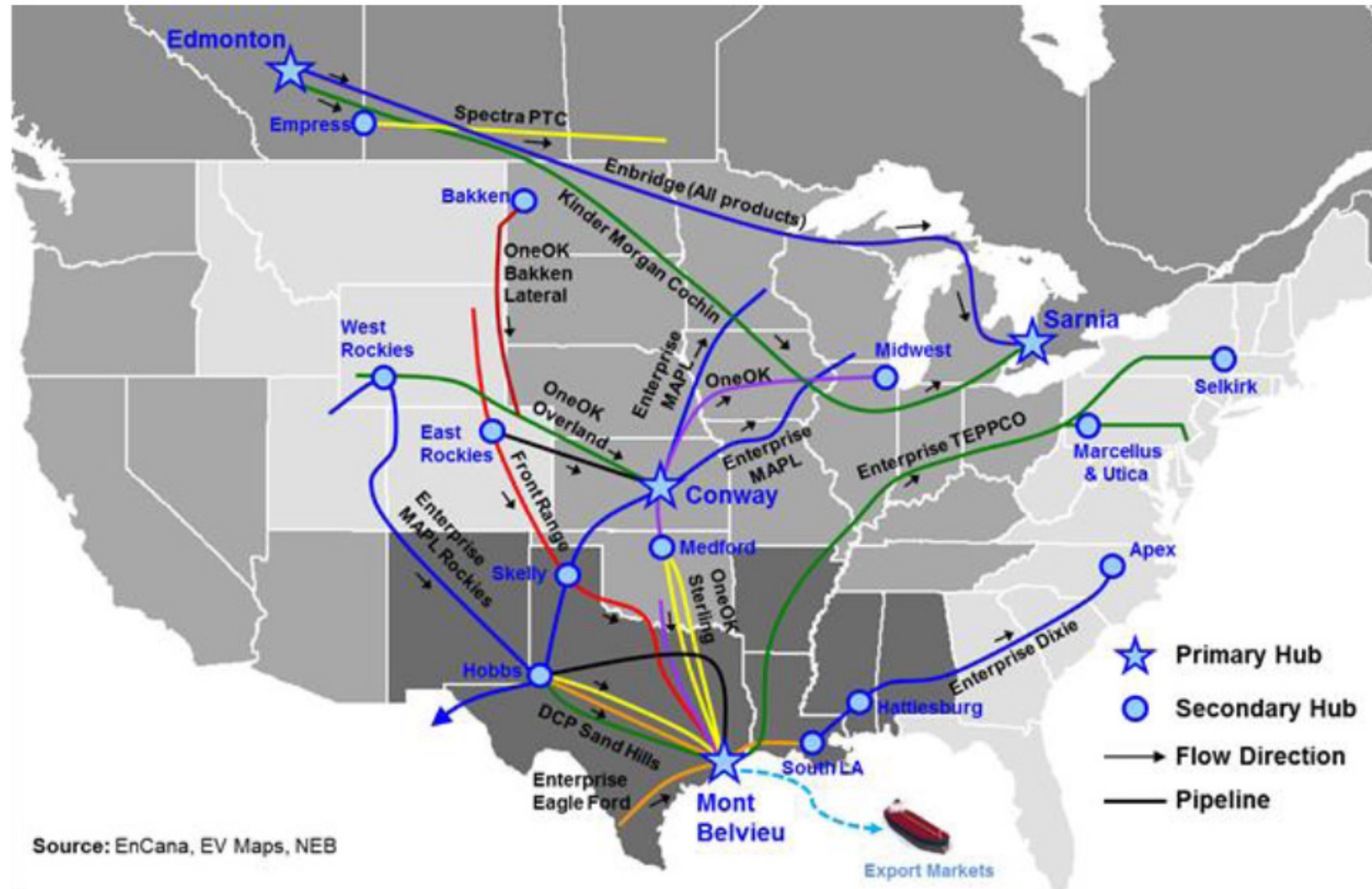
Source: Propane Education & Research Council

Propane Production and Distribution System



Source: U.S. Energy Information Administration

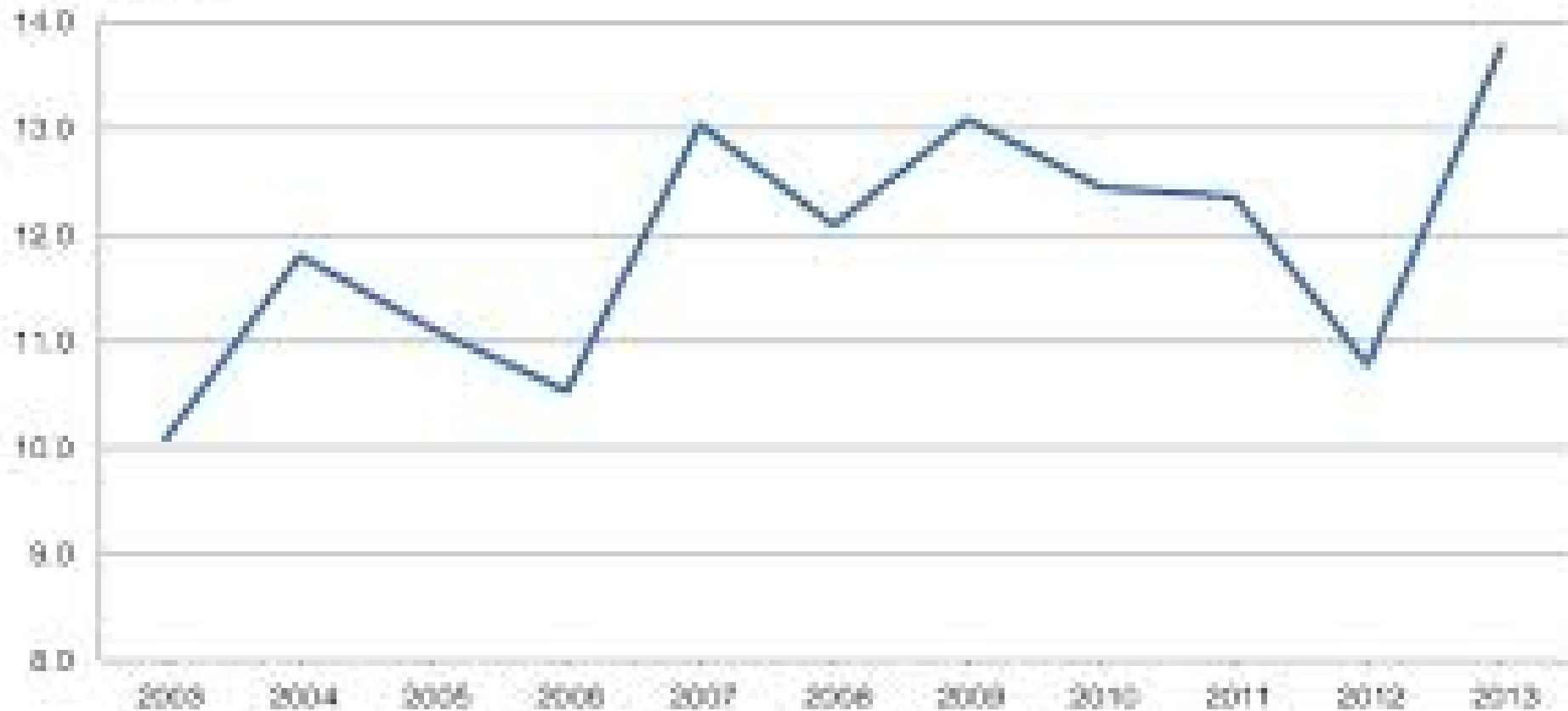
PIPELINE HUBS



RECORD CORN HARVEST

Corn Production – United States

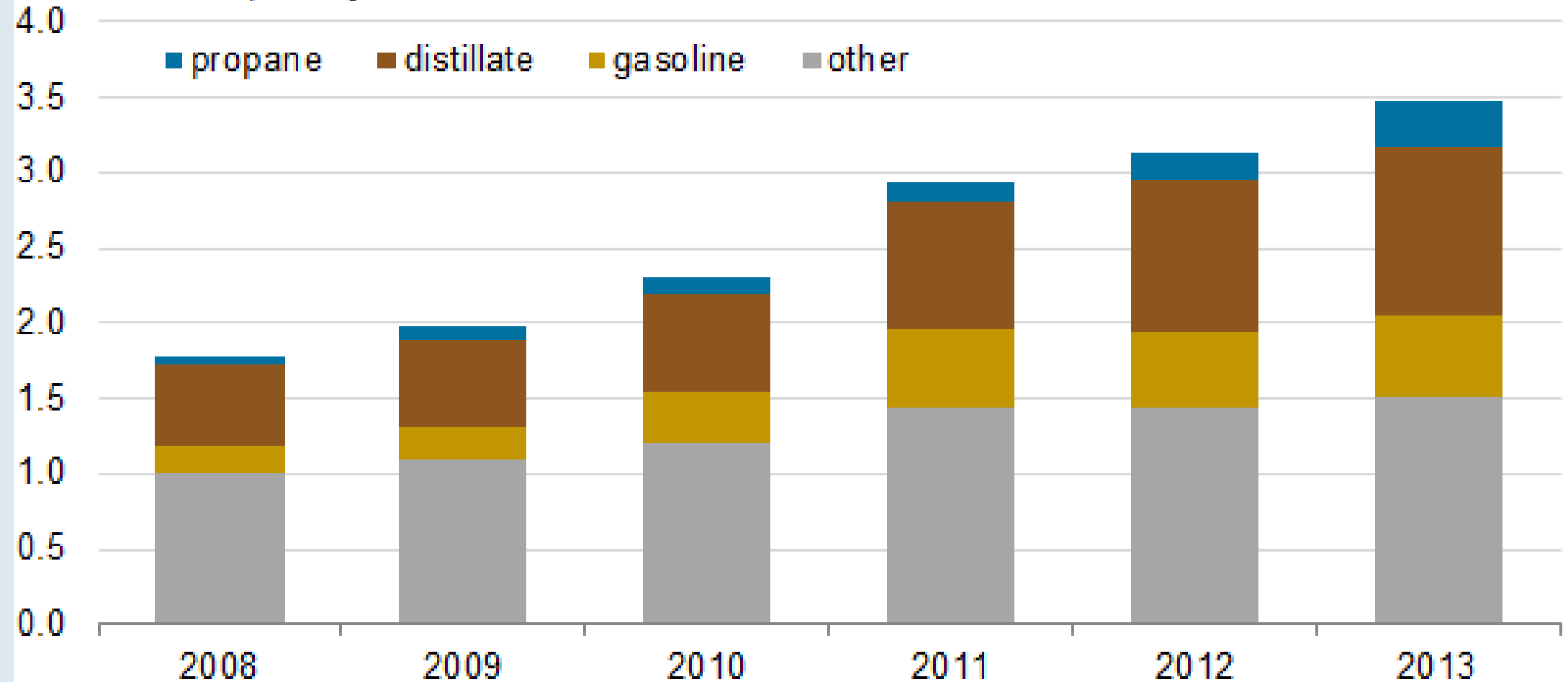
Billion bushels



SOURCE:
CORN AND
SOYBEAN
DIGEST

INCREASED EXPORTS

Average annual petroleum product exports
million barrels per day



WHY IT MATTERS

- While propane only represents 4.5% of home heating, communities that use propane are often in rural areas and have limited access to alternative fuels.
- In general, delivered fuel prices are significantly higher than electricity and natural gas and have been for several years. This puts pressure on LIHEAP programs to shift additional funds to families using those fuels.
- Propane prices have generally been lower than heating oil, but last year's prices exceeded the cost of heating oil.

RESPONSES TO THE CRISIS

HHS/ACF participated on a federal interagency propane crisis work group

Federal government action included extending working hours for truckers and FERC pipeline intervention

Grantees have responded to the crisis by:

- State of emergency declarations (IA, IN, MN, MT, NE, SD, WI)
- Releasing additional crisis funds for propane customers (WI: \$8.5 million, IN: \$5 million, IA: \$600,000)
- Raising the maximum crisis benefit (IN, IA)
- Creating a propane hotline to help people get assistance and access to local resources (MN)
- Opening emergency shelters (Standing Rock Sioux)

LIMITING THE EFFECT OF THE CRISIS

Some grantees have policies in place that prepare them for price crises including encouraging summer heating purchases to even out demand and pay lower prices.

Other potential solutions include negotiating innovative purchasing programs similar to those in heating oil such as:

- Margin-over-rack
- Fuel discounts for LIHEAP recipients

ADDITIONAL INFORMATION

- U.S. Energy Information Administration, Short Term Energy Outlook publication:

http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf

CONTACT INFORMATION

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The State of Wisconsin's Response to the Propane Crisis

Presented By:
Barb Klug-Sieja

Bureau Director, State of Wisconsin
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Home Energy Plus (HE+)



WHEAP



HE+
Furnace



Weatherization

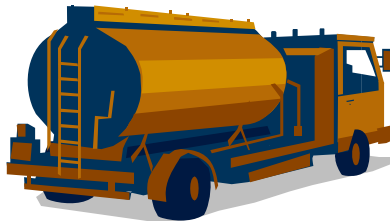
Where Wisconsin Was

- Where We Were
 - 250,000 Wisconsin residences and businesses heat with propane
 - 13% of the Wisconsin Home Energy Assistance Program (WHEAP) caseload lists propane as their primary heat source
 - Communication with WI Propane Association on an as needed basis to address particular situations



What Wisconsin Did

- Governor Walker issued multiple Executive Orders allowing propane transport drivers to log additional hours (Hours of Services) to transport more propane through March 15.
- Governor Walker signed an Act of the Legislature that allowed propane transport trucks to operate over certain local roads (frozen roads) subject to special weight limits in the spring

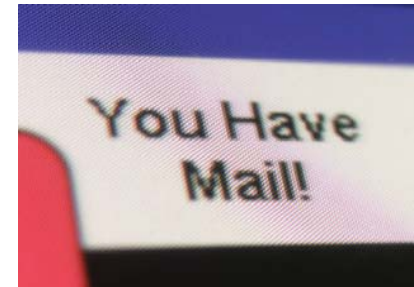


What Wisconsin Did

Customer Support, Call Center, and Wisconsin Home Energy Assistance Program (WHEAP) Actions



- Instituted a statewide toll-free number that was provided to the public
 - From the end of January to mid-April; the toll-free number fielded over 15,000 calls
- Direct mailing to nearly 23,000 WHEAP Propane Customers
 - Advised them to contact their propane vendor early
 - Provided education on the propane shortage
 - Provided information on WHEAP



What Wisconsin Did

Crisis Allocations to Address Propane Price Spike/Shortage

- Division of Energy Services released an additional \$8.5 million in Crisis Benefits
 - Crisis benefits for FFY 2014 totaled \$10.8 million
- DES lifted the maximum benefit cap and co-payment requirements for recipients of crisis assistance that heat with propane
- Provided frequent updates via broadcasts and conference calls to local WHEAP agencies
- Revised heating assistance benefit formula in April to adjust for increase in demand for WHEAP benefits

What Wisconsin Did

Financial Support for the Keep Wisconsin Warm Fund (KWWF)

- Division of Energy Services donated \$1 million to KWWF in October
- Governor Walker approved the release of \$1 million in additional funds to KWWF to assist propane households
- KWWF increased income eligibility to serve households that heat with propane from 60% State Median Income (SMI) to 80% SMI
- KWWF increased the maximum allowable benefit to \$600 and allowed a household to receive up to two payments annually

What Wisconsin Did

Coordination Efforts with State Agencies

- Consumer and Supplier Issues Referred to the Department of Agriculture, Trade, and Consumer Protection (DATCP)
- Coordination Efforts with Wisconsin Emergency Management (WEM)
- Stakeholder management with Propane Associations, Co-ops, and Propane Wholesale Suppliers-weekly reporting of fuel prices
- Interaction with Midwest Regional State Energy Offices to coordinate efforts and exchange ideas

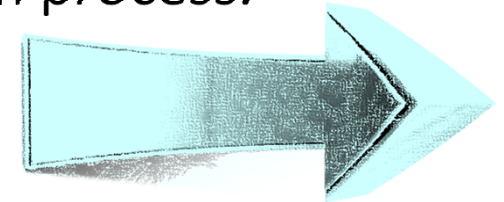
What Wisconsin Did

Delivery of Utility Propane to At-Risk Areas of the State

- An agreement between the State of Wisconsin, Madison Gas and Electric (MG&E), and We Energies that allowed the state to use more than 117,000 gallons of propane stored at these utilities to help address the current propane shortage. The propane was replenished this summer.
- All propane was delivered to targeted areas to help meet the needs of citizens qualifying for low-income energy assistance who could not obtain propane
- DES created contracts with these propane vendors, lists of eligible WHEAP recipients, required signed delivery receipts by the WHEAP customers.

Where Wisconsin is Going

- Wisconsin will be using \$1.5 LIHEAP crisis funds targeting over 5500 fixed income, propane, homeowner households in July to fill their tanks.
- Sending letters to remaining 21,000 propane households encouraging them to apply in August or September, receive a projected benefit amount notice, and to get their tanks filled.
- DES will be providing frequent updates via broadcasts and conference calls to local WHEAP agencies and propane vendors working through this early application process.



Contact Information

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Missouri's Response 2014 Propane Crisis

Missouri's Low Income Home Energy Assistance Program
Presentation by Heather Jones, LIHEAP Manager



Propane Crisis

- January 22, 2014, received call from a propane supplier very concerned about the shortage of propane and rising cost.
- Missouri Propane Association contact.
- State Emergency Management Agency (SEMA) conference calls.



Missouri's Response

- February 3, 2014, Governor Nixon announces the release of \$14.9 million in LIHEAP funding to assist with rising heating costs including propane.
- February 6, 2014, contract amendments issued for additional Energy Crisis Intervention Program (ECIP) funds.
- February 8, 2014, propane Energy Assistance (EA) benefits were increased.
- February 12, 2014 propane supplemental process issued on 17,895 households.



Supplemental Results

- EA benefit increase for the remaining household that applied after February 8, 2014, resulted in additional \$876,552.45 in payments.
- Missouri also had an increase of 568 propane households in Federal Fiscal Year (FFY) 2014.
- Missouri expended a total of \$6.3 million on the supplemental propane payments.
- Over 17,574 households received a supplemental payment.
- Many propane companies waived minimum deliveries and gave priority to customers that were either very low or out of propane.



Supplemental Results

- Customers shared how it made a difference in obtaining a delivery. “If it had not been for the additional payment I don’t know what we would have done.”
- Propane suppliers indicated that the increased propane and supplemental payments assisted their customers. “The state did a great job and I know my customers were happy for the help.”



Planning for Federal Fiscal Year 2015

- Midwest Governor's Association.
- Missouri Propane Association.
- State Emergency Management Agency (SEMA).



Reference Information/Questions

- Missouri's LIHEAP information can be found on the following web site:

<http://www.dss.mo.gov/fsd/liheap.htm>

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