



Highlights of [GAO-03-762](#), a report to the Honorable Tom Udall, House of Representatives

Why GAO Did This Study

More than 4.6 million residential households in the U.S., many with low incomes, rely on propane to heat their homes. Unfortunately, propane prices have been subject to major price spikes in two of the last three winters. Responding to congressional concern caused by these price spikes, GAO undertook a study to address the (1) factors that affect residential propane price volatility, (2) options available to propane consumers to mitigate price volatility, and (3) federal role in the propane market.

What GAO Recommends

We are recommending that the Departments of Commerce and Energy provide more active oversight of the legislatively established Propane Education and Research Council. In addition, we are recommending that Department of Energy's Energy Information Administration study the potential cost and benefits of continuing to improve information for propane market participants.

In commenting on the report, the Departments of Commerce and Energy generally agreed with our findings and recommendations. However, the Department of Energy disagreed that it has oversight responsibility for the Propane Education and Research Council. In addition, the council questioned the value of federal oversight of the council's programs and activities.

www.gao.gov/cgi-bin/getrpt?GAO-03-762.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jim Wells at (202) 512-6877 or Wellsj@gao.gov.

PROPANE

Causes of Price Volatility, Potential Consumer Options, and Opportunities to Improve Consumer Information and Federal Oversight

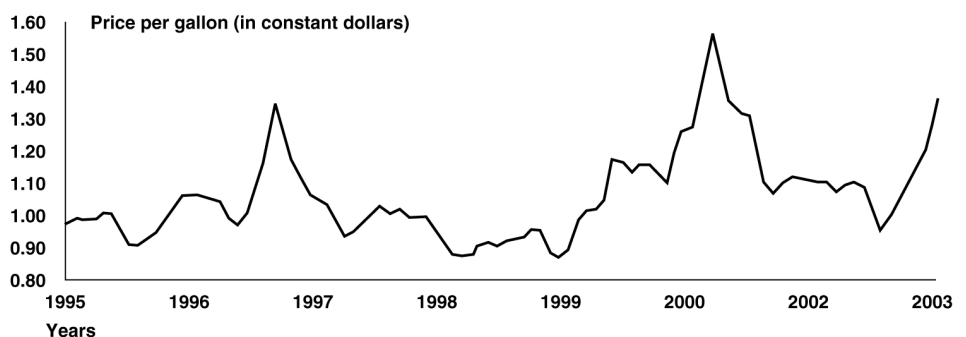
What GAO Found

Propane price spikes are generally caused by the inability of propane supplies to adjust to unusual demand increases, such as those caused by especially cold winters. In addition, the lack of local propane storage and the constrained capacity of the distribution system can create bottlenecks in moving propane to consumers in periods of high demand.

Potential options to help propane consumers deal with price spikes include programs to pre-buy propane at a certain price. Such price stabilization programs help consumers mitigate the impact of price volatility. Participants in such programs may pay higher or lower prices compared to those who buy propane at the market price but would not be subject to price volatility. However, the extent to which such programs have broader potential is unclear. In locations where such options are available, for various reasons, use has been mixed, with low participation rates overall. These options are not available in some markets, and some consumers may not be able to afford to pre-buy propane. Energy assistance programs can help these consumers. But federal funding has declined, and the timing of funding availability generally does not allow participation in price stabilization programs. Improved information on such programs may be useful to consumers not facing other barriers.

A number of federal agencies are involved to some extent in different aspects of the propane market, but some opportunities exist to improve their propane related roles. In 1996, the Congress authorized the establishment of the Propane Education and Research Council to provide programs for propane research and development, safety and training, and consumer education, with oversight from the Departments of Commerce and Energy, but that oversight has been insufficient. Also, the Department of Energy's Energy Information Administration could study the potential costs and benefits of continuing to improve the propane market information it provides to propane market participants.

Propane Prices, Adjusted to 2002 Dollars



Source: GAO analysis of EIA data.