



By Tim Linscott

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In a perfect world there would be no price spikes or shortages on anything, however, the reality is that a 'perfect storm' has created just that for the propane industry.

In late spring to the end of summer propane inventories are typically built up for winter use. However, in 2013, inventories were being stockpiled, but not at a rate that would be conducive for proper winter use, according to Brent Sinsel, energy manager at Hi-Line Coop of Grant, Elsie, Wallace, Sutherland, Roscoe and Brule.

Wet weather around harvest time created a demand for propane for drying out crops.

"The retailers saw it and demand was huge for drying during harvest," Sinsel said.

An early cold snap in the eastern portion of the United States depleted inventories across the country. Cold conditions never relented in spots across the U.S., keeping demand up from November to February.

"The demand was there but there was no real inventory," Sinsel said.

Exports of propane were still in full-swing during this time, further depleting stockpiles and adding fuel to 'the perfect storm.'

The Conway Pipeline, the main pipeline to Nebraska from Conway, Kan., was down for repairs in early fall when the cold snap hit in the east, not allowing for reserves to be properly built up for winter.

These factors drove up the price of propane to astronomical levels.

In January retail propane prices were at \$1.50 per gallon and quickly spiked to \$4.50 a gallon. Nebraska Attorney General Jon Bruning announced in early February that Nebraska was involved in a multi-state effort to monitor propane prices.

Now, relief is in sight as demand is going down, according to Lynne Schuller, executive director of the Nebraska Propane Gas Association, which is also driving the price down.

At Hi-Line, Sinsel explained that reserves are low, but they are low across the country, not just the region.

"No one is out, but there are shortages. We have had to be efficient. There are allocations for terminals," Sinsel said. "This has been a year like no one has ever seen before and I hope won't

re-live.”

Once prices and demand level out, stockpiles can once again begin for next year.

“No one wants to go through this again. It is tough on people on a fixed income and it can make for a very tough situation to endure,” Sinsel said.

States such as Wisconsin and Indiana were hit particularly hard during the depletion, according to Schuller. Two pipelines that generally in the winter months pump propane out of the Midwest were reversed to put more back into the system, Schuller indicated, upon the request of operators and federal officials.

During cold weather, one million barrels a week is drawn off of a system and the Midwest generally holds 7-8 million barrels in reserve, according to Sinsel, or about a month of reserve.

“We’re conserving propane right now. We’re keeping people warm but not keeping the tanks filled. If something dramatic happens, we can work through this,” Sinsel said.

He explained that drivers have come from different states to fill up their trucks with propane, showing that the shortage and need to conserve is very real.

Seeing this ‘perfect storm’ transpire this year, Sinsel said that consumers may see higher prices than the majority of the public is used to, but the spikes that happened this year are very unlikely going forward.

“We know we need to build up inventories and move forward to avoid this from ever happening again,” Sinsel said.

In late January governors in states from New Mexico to Maine issued decrees to hasten propane delivery as a means of sufficing the dilemma.

According to Jeff Petrash of the National Propane Gas Association, an issue that faced the United States across the Midwest was getting the supply of propane to where it needed to be (seven million homes, mostly in rural settings, not served by a gas pipeline, use propane for heat).

Schuller noted that several congressmen and senators are looking at bills to limit propane exports, to help domestic customers and build stockpiles.

The hope is to avoid another ‘perfect storm.’

In 2013 17.8 billion gallons of propane was produced in the U.S., up from 15.2 billion in 2008, according to the National Propane Gas Association. Despite the increased production domestically, the country exported 4.3 billion gallons in 2013, up from 800 million in 2008.

Schuller explained that a prudent way to save money in the long run and avoid price spikes is to explore set prices offered each year by propane companies.

“Every company offers a set price and, for example, had people signed up this year for a set price, they would have had a huge bargain,” she said.

Some of those hit the hardest in this situation has been the retailers, according to Schuller.

She noted that retailers would give customers a price quote but by the time the propane arrived, the price would have spiked.

“A lot of the retailers honored that price and took a loss rather than go back on their word,” Schuller said.