

# **Residential Propane Price Analysis Interim Report**

**Economics and Statistics Administration  
U.S. Department of Commerce**

## **SUMMARY**

Pursuant to the requirements of the Propane Education and Research Act of 1996 (PERA),<sup>[1]</sup> the Department of Commerce (Department) is required to analyze changes in propane prices relative to other energy sources. This interim report comes 180 days after the latest report found that propane prices exceeded a threshold established by PERA. This report presents the relevant price data and concludes that in 2008 propane prices still exceeded the threshold established by PERA. As a result, certain activities of the Propane Education and Research Council (Council) continue to be restricted. The Department will conduct another propane price analysis and issue a full report in 180 days, as required by PERA.

## **BACKGROUND**

The Council was established under PERA to enhance consumer and employee safety and training, to provide for research and development of clean and efficient propane utilization equipment, and to inform and educate the public about safety and other issues associated with the use of propane.

With regard to the Department's price analysis and restrictions, section 9 of PERA provides as follows:

### **SEC. 9. MARKET SURVEY AND CONSUMER PROTECTION.**

(a) **PRICE ANALYSIS.**—Beginning 2 years after establishment of the Council and annually thereafter, the Secretary of Commerce, using only data provided by the Energy Information Administration and other public sources, shall prepare and make available to the Council, the Secretary of Energy, and the public an analysis of changes in the price of propane relative to other energy sources. The propane price analysis shall compare indexed changes in the price of consumer grade propane to a composite of indexed changes in the price of residential electricity, residential natural gas, and refiner price to end users of No. 2 fuel oil on an annual national average basis. For purposes of indexing changes in consumer grade propane, residential electricity, residential natural gas, and end user No. 2 fuel oil prices, the Secretary of Commerce shall use a 5-year rolling average price beginning with the year 4 years prior to the establishment of the Council.

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<sup>[1]</sup> See Pub. L. No. 104-284, 110 Stat. 3370 (1996).

(b) **AUTHORITY TO RESTRICT ACTIVITIES** – If in any year the 5-year average rolling price index of consumer grade propane exceeds the 5-year rolling average price composite index of residential electricity, residential natural gas, and refiner price to end users of No. 2 fuel oil in an amount greater than 10.1 percent, the activities of the Council shall be restricted to research and development, training, and safety matters. The Council shall inform the Secretary of Energy and the Congress of any restriction of activities under this subsection. Upon expiration of 180 days after the beginning of any such restriction of activities, the Secretary of Commerce shall again conduct the propane price analysis described in subsection (a). Activities of the Council shall continue to be restricted under this subsection until the price index excess is 10.1 percent or less.

## RESULTS

This report used annual energy prices from the Energy Information Administration to compare residential consumer-grade propane prices to the composite energy price for residential electricity, residential natural gas, and refiner price to end users of No. 2 fuel oil.<sup>[2]</sup> Table 1 presents the ratio of the 5-year rolling average residential propane price to the residential composite energy price index covering the years 2000 to 2008.

**Table 1. Ratio of Residential Propane Prices to Composite Index of Residential Electric, Natural Gas, and Fuel Oil Prices**

	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Propane price/ Composite price index</b>	<b>0.96</b>	<b>0.98</b>	<b>0.99</b>	<b>1.03</b>	<b>1.08</b>	<b>1.09</b>	<b>1.12</b>	<b>1.17</b>	<b>1.22</b>

This propane price analysis concludes that the ratio of the 5-year rolling average price index of residential consumer-grade propane relative to the composite index of other residential energy sources increased from 0.96 in 2000 to 1.22 in 2008. This ratio continues to be greater than the threshold of 1.101 mandated under section 9 of PERA. As a result, certain activities of the Council continue to be restricted. The Department will conduct another propane price analysis in 180 days, as required by PERA.

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<sup>[2]</sup> For more details regarding the analysis, see the last full report at [http://www.esa.doc.gov/propane\\_price\\_analysis\\_0809.pdf](http://www.esa.doc.gov/propane_price_analysis_0809.pdf)