



Propane Gas

From the Office of Minnesota Attorney General Keith Ellison

About ten percent of Minnesota households—or over 200,000 homes—use propane gas as their primary heating fuel. This is significantly more than the national average of about five percent. Consumers are sometimes surprised to learn that the delivery and pricing of propane gas is not regulated under state law like other utilities in the State, such as electricity or natural gas. Consider the following when buying propane gas:

Different Types of Pricing Agreements and Delivery Arrangements with Suppliers

Some suppliers offer consumers the option to “lock in” a price for propane for a specific number of gallons of the fuel. These pricing contracts are generally offered in the summer, before the heating season begins. Minnesota law requires that additional fees cannot generally be added to such propane purchases contracts, if the customer has met all obligations of the contract. If the market price of propane goes up or down, you generally still pay the contracted amount. You should ask about any other fees or charges that may be imposed by your supplier, in addition to the agreed-upon price per gallon. If you do not contract with your supplier for a specific price per gallon, or if you use all the propane you reserved at the contracted price, you will generally be charged the “going rate” at the time of your order or delivery. Some suppliers may also offer budget payment plans that equalize costs into monthly payments.

Propane suppliers also offer varying options for delivery arrangements. Some suppliers offer to monitor your typical usage and the weather (to estimate how much propane is likely being used for heating your home) and deliver propane automatically as needed to refill your tank. Some customers may choose to monitor their tank and call the propane supplier when the tank runs low. Be sure to ask your propane supplier how long it will take

to arrange for delivery after you call in an order. During periods of extreme cold (and high use of propane), some customers have found that propane suppliers are not able to arrange delivery before the tank is empty with less than two weeks or more of advance notice.

The Price Per Gallon

Suppliers typically charge customers a per gallon price for propane. Although suppliers may promise low prices in their advertisements, consumers should not take the company’s word for it. Instead, consumers should request a quote for the per gallon price charged by the company before each delivery. Minnesota law requires that propane distributors must provide a written disclosure of price and all additional fees and charges to residential customers who rely on propane as their primary heating fuel. Where possible, consumers should shop around for the best price. Some companies—which appear to take advantage of the fact that many people don’t shop around and obtain competitive quotes for propane—may charge up to several dollars more per gallon than their competitors on the exact same day. Some companies may even give their delivery drivers discretion to raise or lower the price depending on which consumer they are serving on the route. These companies may even drop the price per gallon by several dollars for people who complain or ask for a quote. Consumers should know this: (1) At some companies, the price per gallon for propane is negotiable; and (2) it is always a good idea to shop around and obtain competitive quotes.

Renting Versus Owning a Tank

If you rent or lease your tank from a propane company, you may only fill the tank with propane supplied by that company (Minn. Stat. §299F.40, subd. 3). If you can afford it, you may want to purchase your own tank so that you can shop around from multiple suppliers for propane to fill the tank. This may help you obtain the best per gallon price among a variety of companies. Suppliers may be more likely to give you a better price if

they know that you are considering switching to another provider due to cost. On the other hand, they may be inclined to charge you a higher price if they know you cannot shop around because you rent or lease your tank from them. You may be able to purchase a used tank to save money or to purchase your existing tank from your current company. Some companies charge high tank pick-up fees to discourage consumers from moving their business to a competitor. Additionally, some companies will require a security deposit, a permit or inspection charge, or an equipment installation charge.

The Hidden Fees

As you shop around, ask the company for a list of its fees. Some companies may mask their costs by charging various fees in addition to per-gallon charges for the propane, such as low-use or no-use fees, delivery fees (including additional fees for “special trips” or after-hours deliveries), fees for filling only part of a tank, tank drop-off and pick-up fees, service diagnostic fees, leak or pressure test charges, meter read fees, equipment reconnection charges, late payment fees, insufficient funds fees, early service termination fees, pump out or restocking charges, equipment removal charges, and the like. Get a list of these fees as you comparison shop.

Rates in Minnesota

Between the months of October and March, the Minnesota Department of Commerce prepares weekly reports on the price of propane that include the statewide “average” price per gallon. You may contact the Department as follows:

Minnesota Department of Commerce

85 East Seventh Place, Suite 280
St. Paul, MN 55101
(651) 539-1500 or (800) 657-3602
www.mn.gov/commerce

The United States Department of Energy also conducts surveys of average propane prices and may be a resource for propane gas customers:

United States Department of Energy

1000 Independence Avenue SW
Washington, DC 20585
(202) 586-5000
www.energy.gov

For more information or assistance, or to file a consumer complaint, you may contact the Attorney General’s Office as follows:

Office of Minnesota Attorney General

Keith Ellison

445 Minnesota Street, Suite 1400
St. Paul, MN 55101
(651) 296-3353 (Twin Cities Calling Area)
(800) 657-3787 (Outside the Twin Cities)
www.ag.state.mn.us

Energy Assistance

Some low income consumers may qualify for energy assistance. For information about eligibility and how to apply for energy assistance, consumers may call (800) 657-3710, or contact the Minnesota Department of Commerce as listed above.

Opportunistic Pricing

Over 30 states have laws that specifically prohibit “price gouging” in times of emergencies. Minnesota does not. The Office of the Minnesota Attorney General previously proposed a law that would have prohibited suppliers of essential goods or services like propane from engaging in opportunistic pricing, or price gouging, during times of emergency or natural disaster, such as a national or local emergency or declared emergency by the Governor or President. Unfortunately, that legislation was defeated and did not become law. As a result, Minnesota is among the minority of states that does not have a law specifically prohibiting what many people commonly think of as price gouging during emergencies or disasters.