



NEWS from U.S. Senator Bob Dole

(R.—Kans.)

New Senate Office Building, Washington, D.C. 20510 (202) 225-6521
FOR IMMEDIATE RELEASE CONTACT: JANET ANDERSON
TUESDAY, JULY 9, 1974

HIGH COST, LOW SUPPLY OF WINTER PROPANE CONCERNS DOLE

WASHINGTON, D.C.--Senator Bob Dole today asked Federal Energy Administrator John Sawhill for his expectation on the propane supply outlook and also for a report on action being taken to resolve the disproportionate pricing on propane. Dole's questions came after discussions last week with retail members of the propane industry in Kansas.

In a letter to Sawhill, Dole said he has been advised that "unusually high wholesale prices for propane have not been resolved in spite of actions by the Federal Energy Administration and that homeowners and rural consumers may have supply problems in the coming fall and winter months." Dole added that the wholesale price for propane continues to be more than 250 percent higher than in the base period and since other fuels have not increased this much, it appears refiners are continuing to charge disproportionately high prices for propane.

"Retail members of the trade advise me that wholesale prices have been rising steadily for the past two months," Dole said, "This situation has not attracted a great deal of attention because of the normal low summer demand. However, a continuation of the trend is likely to result in recurrence of extremely high heating bills for homeowners and rural residents in Kansas and other midwestern states this winter."

Dole also told Sawhill he had received reports that propane refiners plan to supply less product to dealers and more to large quantity industrial users. "This would leave homeowners, farmersture and other other small volume consumers without a supply of fuel," the Senator said.

Senator Dole said that last winter's FEA propane allocation program, in spite of its inherent weaknesses, helped insure an adequate supply of propane to farmers and homeowners in Kansas. "If an end to the allocation program is being planned, specific measures to prevent dislocations should be implemented and I would like to be kept advised of these efforts," Dole added. He also asked Sawhill for a report of FEA efforts to insure continuation of an adequate supply of propane to small volume users.

United States Senate
WASHINGTON, D.C. 20510

July 8, 1974

Honorable John Sawhill
Administrator
Federal Energy Administration
Washington, D. C. 20461

Dear Dr. Sawhill:

Retail members of the propane industry have advised me that unusually high wholesale prices for propane have not been resolved in spite of actions by the Federal Energy Administration and that homeowners and rural consumers may have supply problems in the coming fall and winter months.

It is my understanding that the average wholesale price for propane continues to be more than 250 percent higher than it was in the base period. Since the prices of gasoline, diesel and other fuels have not increased this much, it appears that refiners are continuing to charge disproportionately high prices for propane. The conclusion reached by myself and members of the trade is that regulations by FEA requiring the allocation of increased oil and refining costs in direct proportion to the quantity of each refined product have failed.

Members of the trade advise me that wholesale prices have been rising steadily for the past two months. This situation has not attracted a great deal of attention because of the normal low summer demand. However, a continuation of the trend is likely to result in the recurrence of extremely high heating bills for homeowners and rural residents in Kansas and other midwestern states this winter.

It has been suggested that the best way to resolve the pricing problem is to deregulate petroleum products. A return to a market regulated by supply and demand is expected to prevent further discrimination against propane consumers. Your comments on this suggestion and information on any action the Federal Energy Administration is taking to resolve the disproportionate pricing on propane would be much appreciated.

Also of great concern to me are reports that propane refiners are preparing to move away from supplying dealers and to ship larger quantities to industrial, petrochemical and synthetic natural gas users.

Honorable John Sawhill

Page 2

July 8, 1974

This would leave homeowners, agriculture and other small volume consumers without a supply of fuel. At the same time, FEA is considering phasing out the propane allocation program.

Last winter, the allocation program, with its inherent weaknesses, helped insure an adequate supply of propane to farmers and homeowners in Kansas and other states. A sudden disruption of the propane supply to these consumers brought on by ending the allocation program could be financially disastrous. If an end to the allocation program is being planned, specific measures to prevent dislocations should be implemented and I would like to be kept advised of these efforts. A report on your expectations for the propane supply outlook and your efforts to insure a continuation of an adequate supply to small volume users would be greatly appreciated.

It is widely felt among propane dealers that the government has damaged the image of the industry by permitting disproportionately high wholesale prices to be charged. There is concern that the government will now undermine the economic future of the industry by ending the supply protection of propane dealers. I strongly urge that the FEA do everything possible to resolve further doubts about these matters and would like to be kept advised of your efforts.

Sincerely yours,

BOB DOLE
U. S. Senate

BD:sla