

# State of Vermont

## House of Representatives



Montpelier, Vermont

### House Resolution

H.R. 14

House resolution relating to federal regulation of the propane market

Offered by: Representative Martin of Wolcott

Whereas, propane serves a critical role in fulfilling Vermont's energy and heating needs, and

Whereas, 15 percent of Vermonters depend on propane as the primary heating fuel for their homes, and

Whereas, the propane market is largely unregulated by the federal government which allows for rapid and extreme fluctuations in the market-regulated propane prices and unbridled exports because propane exports are not subject to federal oversight in the same fashion as oil and natural gas exports; this has greatly driven up domestic propane prices because domestic users of propane must now compete with the highest bidders in the global market, and

Whereas, according to the U.S. Energy Information Administration's Heating Oil and Propane Update dated February 12, 2014, the price of residential propane has increased by more than \$1.40 per gallon, an increase of 62 percent in the time between October 2013 and February 2014, and

Whereas, according to the U.S. Energy Information Administration's Heating Oil and Propane Update dated February 12, 2014, the price of residential propane is \$1.45 per gallon higher, or an increase of 63 percent from what it was in February 2013, and

Whereas, the TEPPCO pipeline, which until 2013 provided the Northeast United States with up to 44 percent of its propane needs from a propane source in Texas, is no longer available for this purpose. The Federal Energy Regulatory Commission granted permission to the owner of the pipeline to reverse the flow of this pipeline to transfer natural gas from North to South for export from the Gulf of Mexico. Some of the resulting shortage is being made up by sea shipments of expensive propane from Norway and Algeria. Further, more supply and pricing pressure is likely as Kinder Morgan, Inc. implements its plans to reverse the flow of the Cochin pipeline in July 2014, cutting off Canadian supplies of propane to the Midwest so natural gas can be exported by pipeline to Canada, and

Whereas, the market is not effectively managing wholesale pricing of propane, which has increased by 112 percent from October 2013 to February 2014. This leads to decreased profit margins for propane retailers and to much higher prices for end consumers, and



Whereas, the United States now exports much more propane than it imports according to EIA report dated February 12, 2014. In January 2014, the United States exported 366,000 bbls/day compared with 138,000 bbls/day in January 2013. This is being accomplished using infrastructure historically available to the domestic market and represents an increase of 228,000 bbls/day or 165 percent. In January 2014, the United States imported 140,000 bbls/day compared with 150,000 bbls/day in January 2013, now therefore be it

Resolved by the House of Representatives:

That this legislative body finds the market of propane to be unsuited to market-based regulation and requests that federal regulation of propane exports and distribution be instituted such that the propane shipment infrastructure, including the TEPPCO and Cochin pipelines and other supporting infrastructure, is restructured to resemble the configuration existing before the modifications beginning in May 2013. Federal control of the propane market should be implemented regardless of the impact it may have on exports. If it can be shown to the satisfaction of the Secretary of Commerce and the Commissioner of the Federal Energy Regulatory Commission that unbridled exports can be resumed without negatively impacting supply or pricing to the domestic market, exports of propane should be permitted to resume, and be it further

Resolved: That this legislative body respectfully requests the President of the United States, the U.S. Congress, and the Federal Energy Regulatory Commission to enact laws to control pricing and force transparency of the propane industry, and be it further

Resolved: That the Clerk of the House be directed to send a copy of this resolution to President Barack Obama, the Vermont Congressional Delegation, Secretary of Commerce Penny Pritzker, and Acting Chairman Cheryl Lafleur of the Federal Energy Regulatory Commission.