Anyone who has had to purchase propane in the past few months probably noticed a considerable hike in the price. The historical rise in propane costs can be attributed to a number of factors in the last few months.

“We’re finally on the back end of it now, and the worst is over with,” said Garrett Sporhase, vice president at Scholl Oil & Transportation Co. in Holyoke. “Things should almost get back to normal by next fall. A multitude of things went wrong. Basically there was a big drying season and then there was an extremely cold winter. Then propane suppliers got greedy and exported a whole bunch and created a shortage.”

Charlie Harvey, office manager at Scholl Oil & Transportation Co., explained that suppliers were exporting propane at a rate higher than any time in the past, about twice as much as last year. There are even future plans to continue to export more with bigger export facilities being constructed. Both Harvey and Sporhase noted that better planning would be necessary in the future to avoid any sort of supply shortage like this as exporting continues to grow.

The National Propane Gas Association identified four events beginning in late 2013 that led to the propane crisis. The first contributing event was an unusually wet harvesting season and a bumper corn crop, resulting in farmers using more propane than normal during harvest season.

Secondly, a pipeline that operates five propane terminals in the U.S. was closed for maintenance for most of December. The third contributing factor was that rail cars that typically carried propane were repurposed to carry crude oil, meaning a primary mode of propane transportation in the county was greatly reduced.

The need for construction of primary storage facilities was the last contributing piece identified by NPGA.

Problems began to surface in mid-January when temperatures plummeted across the Midwest and Northeast, causing people to use more propane to heat their homes. While Sporhase stated that west of Lincoln, Neb., didn’t actually have any supply problems, due to the shortages further east, the prices were greatly affected in the western states.

“The irony is our supply got better when the price got really high because nobody went and got it,” Sporhase said.

In November, Scholl Oil was selling propane for $1.55 a gallon. By early February their prices had soared to $3.25 a gallon but have since fallen back to $2.60. At the peak of the crisis, propane was selling in the $5 range from suppliers.

“This is the highest it’s ever been, and it has never been close to anything like this,” Sporhase explained.

Scholl Oil was able to work around the highest prices by short-filling customer tanks, meaning they made sure customers never ran out of product but did not completely fill tanks as to ensure a sufficient supply of the less expensive propane. Customers who bought year-long contracts were greatly benefited as they avoided the rise in costs.

If Scholl Oil had to purchase the propane when it was at its peak, Sporhase explained the consequences would have been very detrimental to the company.

“It would have been terrible,” Sporhase said. “The worst part is that our accounts receivable would have been impossible to collect. Most people could not afford to pay it. You’ve got to have it to heat your home, but at the same time, it would break your budget because it would have been about $1,000 a month at that price.”

Holyoke Enterprise February 27, 2014