Propane Price Protection Programs

Winter is behind us for now, but it is not far away. It is time to think about how to save on your propane. First, contact your provider to see what is available for price protection programs.

Be leery of the very low first-fill rates designed to catch your attention. Who wouldn't want to take advantage of a very low cost during the spring and summer propane prices. You need to look beyond the low-use summer months, and consider what you will pay during the high-use heating season. Make sure to ask about any additional fees and determine what you're really paying per gallon.

Here is a list of available programs to ask about (not all propane suppliers offer all listed programs):

Pre-Buy Programs: By purchasing your gas in advance, you can take advantage of a lower price now and save money when winter comes. How this works is you purchase a set amount of propane now (usually starts June 1 through July 31, but check with your supplier) and over the year, the propane that is delivered will be deducted from your pre-buy account.

Fixed Price Programs: Lock in a guaranteed price on all your deliveries for the upcoming season. Make sure to ask your supplier if they charge a participation fee for this type of program.

Budget Programs: Spread your propane costs out evenly with a budget program. Your supplier, if they offer this program, reviews your annual usage and divides that evenly over the budget year, allowing you to pay for your monthly propane cost with no surprises. The 12-month budget year typically begins with the June billing statement, although customers can enroll any time. May is the settle-up month. Monthly budget payments are calculated based on delivery history and price per gallon. Budget accounts are periodically reviewed and may be recalculated during the budget season. Missed or late payment may result in removal from the budget program.

Cap Price Programs: With this option, you are guaranteed the maximum price per gallon you will pay for the contract period. It also allows you to take advantage of lower prices. If the market price of propane drops below the capped price, you pay less. If the market price rises above the capped price, you still pay the capped price. Make sure to ask about any fees for this program. According to Michigan Agency for Energy/Michigan Public Service Commission, price cap options typically have a higher per-gallon price than fixed price plans.

2016 Michigan Home Heating Credit: Make sure to ask your tax preparer about the Home Heating Credit. Any money you get back can go towards your propane usage. Deadline is September 30, 2017.

Asking The Right Questions

It is important to ask the right questions in order to get the information you need to make an informed decision. When shopping, don't just look for the lowest price as price alone can be a deceiving number:

- ☑ **What is your current price per gallon?**
- ☑ **Is this your regular price, or is it a special price for new customers?** Sometimes it's for the first fill or even for the first year, but what happens after that introductory period is over?
- ☑ **Will I have to pay a delivery fee or other charges?**
- ☑ **Do you offer a price protection program?** Most suppliers are now offering "capped price" programs. Make sure to ask about any additional fees for this benefit.
- ☑ **Do you offer an auto-fill program?** Your supplier will estimate how much propane you use and will schedule accordingly to keep your tank full. This program helps to make sure you don't run out of propane and have to pay an additional fee for an emergency delivery (these fees can be $100 and higher).
- ☑ **Do you have program and payment options?** Whether it's a budget plan or metered program service, you should have options to help spread out your costs.

What is your REAL price per gallon? If you are price shopping, be sure to ask about charges that are not part of the promoted rate. Some of the common fees include safety/hazmat, delivery and lock-in. These may not seem like much, but they add up.

Follow the math to see how added fees ultimately impact your propane budget:

Example:

Promoted price per gallon: **$1.39**

Other Fees:

Safety/Hazmat fee: $5 (per delivery)

Delivery Fee: $7.50 (per delivery)

Lock-in Fee: $50 (One time annual fee)

Safety Check: $20 (One time fee for the first-time customers)

(Annual cost is based on three deliveries of 200 gallons each)

$1.39 x 200 gallons = $278 (per delivery at promoted rate)

$278 + $5 + $7.50 = $290.50 (per delivery with fees)

$290.50 x 3 deliveries per year = $871.50 (annual cost)

$871.50 + $50 + $20 = $941.50 (lock-in and safety check)

$941.50 / 600 gallons = **$1.57 final price** per gallon with fees

Annual cost at promoted price per gallon: $834.00, Actual annual cost with all added fees: $941.50.

emPower
a truenorth community service

45 YEARS truenorth community services
Inspiring · Leading · Changing