



EAP

Minnesota Energy Assistance Program

Propane Prepurchase Program (PreBuy) Report

Minnesota Department of Commerce Office of Energy Assistance Programs

Background

When the U.S. Department of Health and Human Services (HHS) released LIHEAP contingency funds in FFY2006, the Minnesota Department of Commerce (DOC) used \$3.7 million of those funds to establish the PreBuy Program to prepurchase liquid propane gas (LP) at summer prices and distribute it to households through the Energy Assistance Program (EAP) for the 2006-2007 heating season.

As required by *Sec. 12. [216B.0951] Propane Prepurchase Program* (See attachment) *Subd. 3.*

Report. The Department of Commerce is issuing this report containing the following information:

- (1) Average Price per gallon of prepurchased fuel was \$1.70.
- (2) 2,212,264.5 gallons prepurchased.
- (3) The average cost of propane each month between October and the following April:

Month	Avg.
October 2006	\$1.641
November 2006	\$1.638
December 2006	\$1.654
January 2007	\$1.651
February 2007	\$1.691
March 2007	\$1.730
April 2007	\$1.828

- (4) The number of energy assistance program households receiving pre-purchased fuel was 5,971.
- (5) The average savings accruing or benefit increase provided to energy assistance households is -\$9.93 (Loss).

Attachment:

Sec. 12. **[216B.0951] PROPANE PREPURCHASE PROGRAM.**

Subdivision 1. Establishment. The commissioner of commerce shall operate, or contract to operate, a propane fuel prepurchase fuel program. The commissioner may contract at any time of the year to purchase the lesser of one-third of the liquid propane fuel consumed by low-income home energy assistance program recipients during the previous heating season or the amount that can be purchased with available funds. The propane fuel prepurchase program must be available statewide through each local agency that administers the energy assistance program. The commissioner may decide to limit or not engage in prepurchasing if the commissioner finds that there is a reasonable likelihood that prepurchasing will not provide fuel-cost savings.

Subd. 2. Hedge account. The commissioner may establish a hedge account with realized program savings due to prepurchasing. The account must be used to compensate program recipients an amount up to the difference in cost for fuel provided to the recipient if winter-delivered fuel prices are lower than the prepurchase or summer-fill price. No more than ten percent of the aggregate prepurchase program savings may be used to establish the hedge account.

Subd. 3. Report. The Department of Commerce shall issue a report by June 30, 2008, made available electronically on its Web site and in print upon request, that contains the following information:

- (1) the cost per gallon of prepurchased fuel;
- (2) the total gallons of fuel prepurchased;
- (3) the average cost of propane each month between October and the following April;
- (4) the number of energy assistance program households receiving prepurchased fuel; and
- (5) the average savings accruing or benefit increase provided to energy assistance households.