

Approved January 23, 1990  
Date

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

The meeting was called to order by Representative Jeff Freeman at  
Chairperson

3:30 ~~xxx~~ p.m. on January 11, 1990 in room 526-S of the Capitol.

All members were present except:

Representative Grotewiel (Excused)

Committee staff present:

Raney Gilliland, Principal Analyst, Legislative Research  
Pat Mah, Legislative Research  
Mary Torrence, Revisor of Statutes' Office  
Maggie French, Committee Secretary

Conferees appearing before the committee:

Representative Joann Flower  
Lee Eisenhauer, Executive Vice-President, Kansas LP Gas Association  
Dan Stevens, Texaco  
Harold Poland, Manager of Propane Supply Operations, Texaco, Tulsa, Oklahoma

Vice-Chairman Jeff Freeman called the meeting to order.

Representative Eugene Shore presented a proposal for a bill on interest on retained earnings by gas and oil companies to be introduced as a committee bill by request and he requested that the bill be returned to the House Energy and Natural Resources Committee. Representative Shore motioned to approve the introduction of this bill and it was seconded by Representative Gayle Mollenkamp. Motion carried.

Representative Joann Flower was recognized by Vice-Chairman Freeman as a conferee on the continuation of the oversight hearing on problems associated with the recent rapid escalation of propane prices in Kansas. Representative Flower commended the committee for promptly responding to the sudden influx in propane fuel prices. She asked the committee to (1) continue to monitor the situation; (2) to admonish the wholesalers not to take advantage of prices; (3) encourage them to communicate with the consumers; and (4) reassure customers they will not be without fuel. Discussion followed.

Lee Eisenhauer, Executive Vice-President, Kansas LP Gas Association, was introduced by Vice-Chairman Freeman. She distributed information regarding the hearing in the U.S. House Energy and Commerce Subcommittee. (Attachment 1) She reported it was suggested at a federal meeting that additional funds be available for people who are in need of assistance to purchase fuel. Discussion followed concerning the escalation of propane prices.

Vice-Chairman Freeman introduced Dan Stevens, Texaco, to the committee. Mr. Stevens asked Harold Poland, Manager of Propane Supply Operations for Texaco in Tulsa, Oklahoma to provide some insight as to the general market. Discussion followed.

Representative Leroy Fry moved to draft a committee resolution to be sent to Congress regarding the escalation of propane prices. The draft is to be prepared for consideration by the committee. Representative Artie Lucas seconded the motion. Motion carried.

The meeting was adjourned at 4:25 p.m.

Date: 1-11-90

GUEST REGISTER  
HOUSE  
COMMITTEE ON ENERGY AND NATURAL RESOURCES.

NAME	ORGANIZATION	ADDRESS	PHONE
Woody Woodman	KCPK	HC MO 816	556-2155
Harold Polunin	Texas	Tulsa OK 918	560-6557
Robert Lenderman	Mid Cont Oil & Gas	Ottawa	737 5079
DAVID STEVENS	TEXACO	TULSA 918	560-6035
Joann Flower	Legislature	Oskaloosa	
MARK S. BRAUN	A.G.'s office	Topeka	2215
MATT QUEEN	A.G.'s OFFICE	TOPEKA	2215
James HARRIS	none	Langdon 316	596-2363
TREVA POTTER	100 SE 9th #1002	TOPEKA KS	<del>666</del> 235 5796
Jim Ludwig	KPL	Topeka	296-1915
MARY E TURKINGTON	Kans Motor Carriers Assn	Topeka	267-1641
Larry Deavenport	Kansas Motor Carriers Assn	Topeka	267-1641
Bill Suller	Kansas Farm Bureau	Manhattan	587-6110
Phil Kirk	U.S. Rep Jim Slattery	Topeka	295-2811
Alan Morgan	Governor's office	Lawrence	843-3310
Kirk Kennedy	Cowley County Farm Bureau	Atlanta	394-2467
RON DAVIS	Ruralgas Co Inc	Nortonville, KS	886-8471
Kenny Weishaar	Ruralgas Co Inc	Nortonville KS	886-6420
Jeff A. Younger	Younger Propane Inc.	HAYS, KS	628-8623
STEVE KENANEY	McGILL & ASSOCIATES	TOPEKA, KS	233-4512
ED SCHAUB	KPL GAS SERVICE	TOPEKA	296-6922
Jim PATTERSON	NONE	INDEPENDENCE	331-1522

# KANSAS

## L.P.-Gas Association

LEE EISENHAUER  
Executive Vice-President

701 Jackson Street, Suite 200  
Topeka, Kansas 66603

913/354-1749

January 10, 1990

To: House Energy and Natural Resources Committee Members  
From: Lee Eisenhauer, KLPGA Executive Vice-President  
Re: Propane Supply and Escalated Prices

Attached for committee information re yesterday's hearing in the U.S. House Energy and Commerce Subcommittee are copies of the Honorable Philip R. Sharp's Opening Statement and article from today's Oil Daily.

H ENERGY AND NR  
1-11-90

ATTACHMENT 1

PHILIP R. SHARP, INDIANA, CHAIRMAN

L JIM WELLS, PENNSYLVANIA  
A WASHINGTON  
W J WELLS, TAUNTON, MASSACHUSETTS  
JIM BATES, CALIFORNIA  
JIM COOPER, TENNESSEE  
TERRY L. BRUCE, ILLINOIS  
EDWARD J. MARKEY,  
MASSACHUSETTS  
MICKEY LELAND, TEXAS  
MIKE SYNAR, OKLAHOMA  
RALPH M. HALL, TEXAS  
BILL RICHARDSON, NEW MEXICO  
JOHN BRYANT, TEXAS  
JOHN D. DINGELL, MICHIGAN  
(EX OFFICIO)

CARLOS J. MOORHEAD, CALIFORNIA  
WILLIAM E. DANNEMEYER, CALIFORNIA  
JACK FIELDS, TEXAS  
MICHAEL G. OXLEY, OHIO  
HOWARD C. NIELSON, UTAH  
MICHAEL BILIRAKIS, FLORIDA  
JOE BARTON, TEXAS  
SONNY CALLAHAN, ALABAMA  
NORMAN F. LENT, NEW YORK  
(EX OFFICIO)

**U.S. House of Representatives**  
**Committee on Energy and Commerce**

**SUBCOMMITTEE ON ENERGY AND POWER**

**Washington, DC 20515**

**Opening Statement**

**Honorable Philip R. Sharp**

The unprecedented fuel price increases of the last month are devastating the pocketbooks of homeowners, truckers, farmers, and businesses. These record price hikes combined with record cold weather will mean a rough new year for many small businesses and consumers on a budget, especially low-income and senior citizens.

Our witnesses this morning will help us understand what has happened and what has caused these increases.

We need to take at least three different kinds of action:

First, the Administration -- including the Justice Department, the Federal Trade Commission, and the Department of Energy -- must vigilantly monitor and investigate these record price hikes for evidence of illegal pricing practices. Vigorous anti-trust efforts are an important deterrent at all times but especially now must be a top priority. So far we have not seen evidence of illegal price-fixing. If someone has such evidence we will be pushing to see that the Justice Department moves very quickly to investigate and prosecute.

Second, our citizens need fast remedial action to help the hardest hit with their disastrous fuel bills. When prices double and consumption doubles, fuel bills quadruple. Right now, federal disaster relief goes to hurricane and earthquake victims, but not to families hit by these huge bills -- even though for many families this may be the equivalent of a national disaster. We owe these families a response. Low-income energy assistance has been cut in recent years. That trend has to be reversed.

Third, we have to prepare for the future, to prevent a repeat of this costly experience. We have spent \$14 billion to store crude oil to meet an international energy crisis. What we should now do is store fuel oil, diesel fuel, propane, and other refined products in regional refined product reserves. This would enable the Energy Department to provide immediate relief by quickly selling some fuel to ease sudden, harsh rises.

The money we've spent preparing for an international crude oil crisis doesn't help us now: Today, our problem involves regional shortages of refined products and frozen or disrupted transportation that means oil can't get from the Texas refinery to the pump in Boston.

Holding more supplies of heating oil for quick release nearer to that pump -- nearer to "the scene of the crime" is necessary.

This crisis is not a good way to reawaken public interest in energy policy. But worse future energy shocks may be in store for us, if we don't start preparing better for the tough situations that may lie ahead.

# Energy Department Promises to Review Heating Oil Price Rise

By Marvin Murphy

WASHINGTON — Department of Energy officials told the House Energy and Power Subcommittee Tuesday that it would carry out a full-scale study of the causes for the sharp rise in home heating oil and propane prices last month.

At the same time, Assistant Energy Secretary John Easton told the subcommittee that the Justice Department also is looking into the sudden runup in prices during December, the coldest month in over 60 years of recorded history.

The Justice Department has received numerous complaints of in-

ordinately high heating oil price increases. Several governors, he said, also had called for an investigation into these charges.

## Probe Not Justified

The department has responded to the complaints but has not "found anything, at the moment, to justify an investigation," said Easton.

Meanwhile, the Federal Maritime Administration was accused of blocking foreign-flagged vessels from delivering home heating oil to the Northeast last month — at a time when it might have eased the situation.

(Continued on back page)

(Continued from page 1)

Under the Jones Act, foreign vessels are prohibited from delivering cargoes from one U.S. port to another. Waivers can be granted only in the interest of national security or if it can be shown that there are not enough U.S. vessels available for making deliveries.

The Customs Service has the authority to approve these waivers, usually on the advice of the Transportation Department's Maritime Administration.

Of 11 waiver requests for emergency fuel shipments received recently, only one was approved. This application came from Bay States Gas of Canton, Mass., which was granted permission to hire a Danish-flag ship to carry 100,000 barrels of propane.

Maritime Administration spokesman Walter Oates said his agency had recommended approval of the Bay State waiver because no American vessels were available at the time.

However, Oates added, additional waivers for heating oil shipments could not be justified because U.S. ships were available, he added.

Approval of waivers for additional supplies would have helped ease the supply crush, according to Phil Chisholm, executive vice president of the Petroleum Marketers Association of America.

Chisholm also told the subcommittee that petroleum refiners, not the home heating oil dealers, stood to profit from the sudden price jump.

"There is no question that refiners have substantially increased their margins during the month of December," he said.

Dealers, he contended, have been unable to keep up with wholesale price increases. As a result, retail prices have trailed wholesale prices simply because

additional costs could not be completely absorbed by dealers.

These increases include, among other things, higher labor costs associated with overtime for drivers and dispatchers as well as higher transportation expenses, said Chisholm.

Helmut Merklein, administrator of DOE's Energy Information Administration, told the subcommittee that EIA would begin collecting data on distillate and propane prices immediately and would follow up later with a more thorough analysis.

The complete analysis, including an investigation into charges of price gouging, will have to await the release of first quarter reports from the oil companies, probably sometime in May, he said.

Both he and Easton admitted that, unlike heating oil and other middle distillate price data kept by the department, comparable propane price information does not exist.

That situation, he told the subcommittee, will be corrected. This promise followed a sharp exchange between Easton, Merklein, and several members of the subcommittee.

Rep. Jim Cooper, D-Tenn., for example, accused DOE of being extremely "pro-industry" and with "not caring a flip for propane."

"My state is primarily a propane state," he said, noting the lack of solid data on which to determine the cause of unusually high price increases during December.

"If there is sufficient evidence that there may be illegal or undue profits," he said, "we will be able to tell you where in the chain profits were made."

DOE, following a Dec. 23 meeting of federal, state and local officials, concluded that the biggest contributing factor to the sharp price increases was abnormal demand, spurred by the coldest temperatures ever recorded.

Governors Michael Dukakis of Massachusetts and William O'Neill of Connecticut were scheduled to testify, but because of heavy fog and transportation problems, failed to appear.