

Buying propane – consumer tips

Propane suppliers offer a wide variety of pricing agreements and delivery options. Following are tips to help you decide which option is best for you, and a list of questions to help you compare offers. Propane prices are not regulated under Wisconsin law. In general, the contract between consumer and the retail marketer sets the terms of the agreement. It is in the consumer's best interest to research options, ask questions, and get everything in writing.

Pricing agreements

Budget plans, pre-pay plans, and fixed-price plans can offer consumers savings when compared to buying at market price. Knowing your tank size and your typical propane usage can help you get the best price and avoid over- or under-buying. If you use up your contracted amount before the end of the season, you may have to pay the market price for additional propane. If you overbuy, your retail marketer may credit your account for the following year. Make sure you read your contract and understand the terms and conditions that apply to credits.

- **Budget plans** typically spread your projected annual propane cost over several months, evening out seasonal cost variations. Payments may be adjusted in mid-winter. If you paid for more fuel than you used, your remaining payments may be lower. If you used more than you paid for, your remaining payments could be higher.

- **Pre-pay plans** are offered during the summer and allow you to pre-purchase the propane you will need during the heating season at a fixed price. This allows you to know your expense ahead of time and avoid price spikes. Your retail marketer will continue to fill your tank at your contracted rate until you have used up your pre-purchased propane. You may be charged the market rate for propane fills exceeding the pre-purchased amount.

- **Price-cap and fixed-price plans** provide a guaranteed per-gallon price for the propane used during the heating season. Under a price-cap plan, your price will not exceed your established price-cap price per gallon, but can go down if the current market price drops. Some of these plans require an initial fee. Price cap options typically have a

higher per-gallon price than fixed price plans.

- **Market rate** contracts indicate you will pay the seller's daily rate for fuel. Be sure to ask your retail marketer if you will pay the market price on the day the propane is ordered or delivered. The market price can change dramatically between the time you order and the time propane is delivered. Since propane is sold as a commodity, retail marketers do not have control of the market price.

Delivery arrangements

Some retail marketers offer to deliver propane automatically to refill your tank. Others allow you to monitor your usage and call when you need a delivery. Make sure you know how much advance time your retail marketer needs to schedule a delivery.

If you are on a contract that combines pre-pay and keep-fill options, retail marketers will continue to refill your tank automatically even if you have used up your pre-purchased propane. Be aware that the price per gallon may increase after you have used up your pre-purchased propane.

Ask about fees and other charges

When you compare between retail marketers, do not ask only about per-gallon cost. Retail marketers may charge a variety of add-on fees, including trip fees, after-hours delivery charges, weekend fees, partial fills, and inspection fees. Those fees can have a major impact on your total out-of-pocket costs.

Tanks: rent or own?

- **Renting or leasing a propane tank** from the retail marketer is convenient for most consumers. If you rent or lease a tank and decide to change retail marketers, you may be charged a pick-up fee. Wisconsin law prohibits a propane retail marketer from delivering propane to a tank owned by another retail marketer.

- **Owning a tank** allows a consumer to compare the prices offered by different retail marketers, but it also comes with risk and considerable maintenance costs and responsibilities. A consumer who owns a tank has no guarantee of a contract for one-time or continuing service. Each new retail marketer who delivers propane must do a safety/inspection check and will charge a fee prior to filling the tank. The tank owner must ensure the tank meets state safety and maintenance requirements. Installation and maintenance must be

performed by a licensed technician.

Read the contract

Make sure you understand the terms of the contract before you sign. Get everything in writing. If you do not understand something in your contract, ask.

Get a signed and dated contract, and keep copies of receipts for at least a year. No matter what kind of agreement you reach, a written contract sets out the rights and responsibilities of both buyer and seller. Receipts are handy to have if there is a dispute between you and your propane supplier.

Comparison questions

We recommend that you ask these questions when comparing propane retail marketers:

- What service and payment options do you provide?
- Do you offer a monthly budget plan?
- How is the price I will pay for propane determined? (i.e. annual usage, area of residence, quantity of order, or other criteria)
- If I pay the market price for propane, will I be charged the price on the day of the order or the day of the delivery?
- What fees or other charges will be added on? Ask for a written list.

- How often will I receive delivery? What days are delivery days? Are deliveries made on weekends?

- How much will it cost to get delivery outside of my normal schedule?

- Do I have to call when I need gas, or will you schedule my delivery? If I call you for delivery, how much notice do you need?

- If you are not able to fulfill the terms of my pre-paid contract, what are my rights to a refund and how long will it take me to receive a refund?

- If I sign a pre-buy contract and use less than I thought I would, what are your policies related to a refund or credit?

We would like to thank the Wisconsin Bureau of Consumer Protection for this article.