

Propane Supply Fall - 14

Legislative Energy Commission Meeting

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Presentation Content

- 2013/14 National Supply and Infrastructure Issue
- Propane Demand for 2013/14
- Industry Actions to Improve Supply
- Recent Results
- Moving Forward

2013/14 National Supply & Infrastructure Issues

- 5 Straight Years of reduced demand brought about by 5 warm winters.
- Propane storage was at all time lows
- Propane Marketers and Consumers achieved complacency due to 'Just in Time' delivery system
- The Cochin Pipeline, 36% of MN Propane Supply was being (and has been) reversed.
- Propane sales neared record levels in nearly $\frac{3}{4}$ of the US as well as in Minnesota

Recent Minnesota Propane Demand

- Numbers from American Petroleum Institute (API)
- 2009 440 Million Gallons
- 2010 341 Million Gallons
- 2011 338 Million Gallons
- 2012 308 Million Gallons
- 2013 406 Million Gallons (Include Fall Crop Drying)
- 2014 Estimated 495 Million Gallons

Industry Actions to Improve Supply

- Scenario
 - Cochin Line has been reversed
 - Need to replace 30% to 35% of our state propane supply
 - Industry has experience reduced demand
 - Propane production is at record highs and expected to continue increasing
 - Fueling competitions from propane alternatives
 - *Natural Gas, Electricity, Wood*
 - Propane Exports will continue to affect the market

Industry Actions to Improve Supply

- Actions by Industry
 - Increased Storage at Propane Marketer Level
 - Increased Storage at High Using Consumers
 - Farms - Business and Selected Homes
 - Encouraged Consumers to Summer Fill and Contract for Winter
 - Consumer storage is largest storage asset we have available at an estimated 100 to 125 million gallons
 - Shippers Constructed or Improved Rail Delivery Assets
 - Shippers worked to maximize the use of the existing pipeline assets

Recent Results

- Summer Fill Program resulted in 45 Million extra gallons sold for months April - September. (a 50% increase from 10yr average)
- Marketers Reported nearly a 50% increase in consumers pre-buying or contracting for gas.
- More consumers have opted for scheduled delivery programs that allow marketers to keep their tanks full
- Operational rail facilities did very well in compensating for the loss of the Cochin pipeline.

Moving Forward

- Marketers have more plans to invest in storage at both the Marketer and Consumers level.
- Third major rail facility will be on line shortly
- Marketers and the Minnesota Propane Association plan to promote continued summer fill and contracting in coming years
- Association continuing to work with railroads to gain understanding of operational challenges and efficiencies
- Industry will see more changes in pipeline utilization as the shale oil production continues to grow
- Export markets will continue to affect the amount and price of propane availability

Propane Industry Legislative Needs

- Seeking legislation to correct the states definition of ‘Synthetic Fuel’.
 - Currently this definition includes propane and other naturally occurring fuels that are not synthetic fuels. The current definition is included in the Public Utilities Commission rules and has been an impediment to increasing storage at the propane marketer and distributor level.
- Seeking legislation to increase the truck weight limit for truck transportation on Minnesota roads. This would increase shipping capacity and help hold down consumer costs.

Thank You

Questions?



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