

The background of the slide is a close-up photograph of a gas stove burner. The burner is made of a light-colored metal and has several small holes. A bright blue and orange flame is visible, indicating that the burner is lit. The lighting is dramatic, with strong highlights and deep shadows.

Industry Perspective – Propane

2018 SHOPP Workshop

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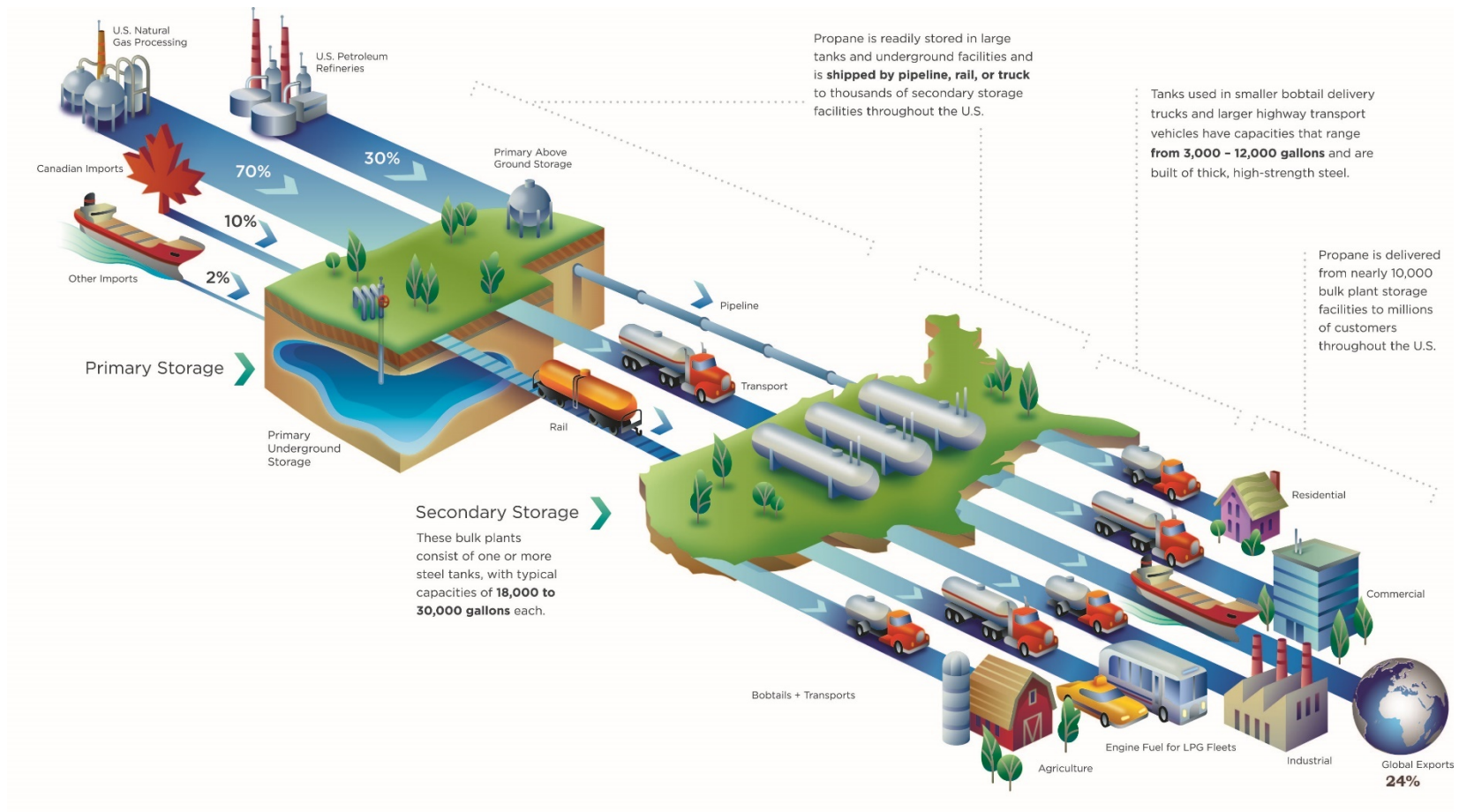
Wednesday, June 6, 2018

ABOUT NPGA

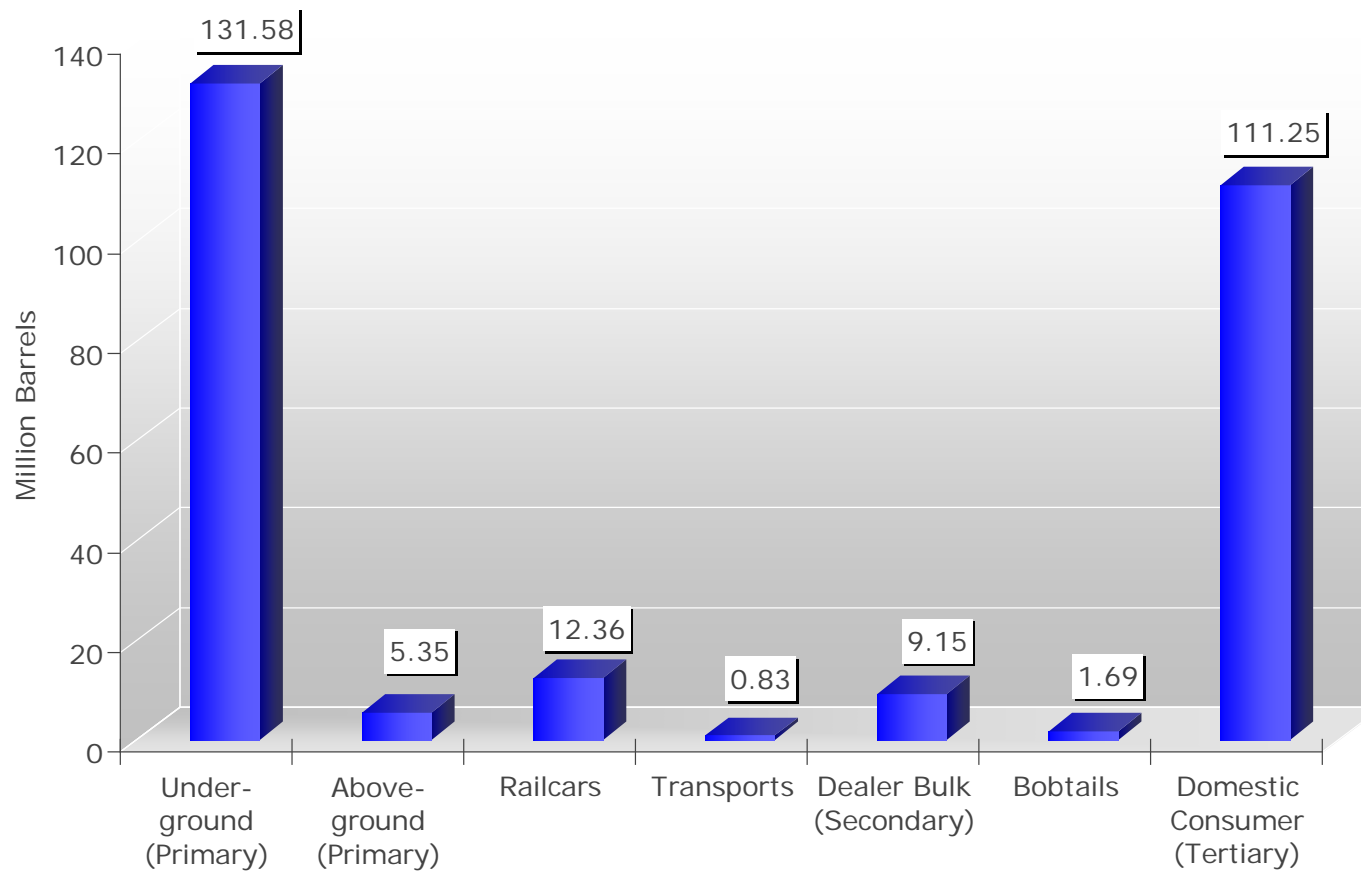
- **Nearly 2700 companies that produce, transport, and sell propane to millions of customers across America for use in many diverse applications**
 - Residential and commercial space heating, water heating, cooking, vehicle fuel, agricultural crop drying
- **Retail propane marketers largest membership segment (about 2300 total)**
 - Over 95% are small businesses
 - Membership also includes equipment manufacturers, distributors and service providers
- **Propane marketers on the front lines in dealing with consumers in terms of prices they must pay and supply reliability**

NATURE OF PROPANE

- **Major presence in rural America**
- **Seasonal nature of demand**
 - Winter heating demand typically 2-3 times summer demand
 - Some regions may sell 5X more propane gallons in Jan/Feb than in July
 - Relatively low demand in summer compared with other products
- **Delivery infrastructure critical during peak demand periods**



U.S. PROPANE STORAGE CAPACITIES: LIMITED STORAGE ALONG DELIVERY CHAIN



SUPPLY AND INFRASTRUCTURE CHALLENGES

- **Pipelines**
 - Transparency initiative
 - Enbridge Line 5
 - Reversal of Cochin Pipeline
 - Reversal of flows due to impact of shale plays
- **Rail Reliability**
 - Increased rail activity on existing tracks due to shale plays and pipeline issues
 - Cold weather, lower speeds, congested rails, manifest trains vs. unit trains, etc.
 - Operational concerns and increased transit times

SUPPLY AND INFRASTRUCTURE CHALLENGES

- **Truck Transportation**
 - National driver shortage impacting all trucking industries including propane
 - Drivers need CDL w/hazmat endorsement (HME)
 - Hours of Service constraints
 - FMCSA regional waivers last winter a huge help to industry
- **Effect of Exports**
 - U.S. is now a net exporter of propane
 - Competing in a world market rather than just a domestic one
 - Increases in export capacity
 - Mariner East 2

SUPPLY AND INFRASTRUCTURE CHALLENGES

What is NPGA doing?

- Pipelines - remain regularly engaged with FERC
- Rail – work directly with railroads is preferred but also have a good relationship with the STB
- Truck transportation
 - Driver shortage – focused on industry workforce development initiative
 - Support enactment of DRIVE Safe Act (HR 5358)
 - Maintain dialogue with FMCSA regarding Hours of Service
- Seek Jones Act waiver for propane shipments during winter
- Ensure that propane marketers position themselves as best they can to handle supply disruptions

OUTLOOK FOR PROPANE SUPPLY

- **Current supply stocks at low end of 5-year average**
- **Strong exports in April and May**
 - Total inventory on a days of disposition basis, entering the summer months at levels lower than last year.*
- **Production growth should allow days of disposition to increase at a faster pace than last year during the late summer months.**
 - If crude prices remain elevated through the remainder of the year, it may lead to propane as being a favored chemical feedstock and exports may be higher than currently forecasted leading to the possibility of low days of disposition again this winter.*

* *IHSMarkit*

FINAL THOUGHTS

- **Timely propane inventory, capacity and market data is critical in the supply planning process for NPGA's propane marketer members**
 - NPGA has worked on a collaborative basis with EIA to underscore the value to market participants and government decision makers of such data.
- **EIA has made great efforts, particularly since the winter of 2013-2014 to improve the data available to propane markets and market participants.**
- **FROM NPGA TO EIA: THANK YOU!**

The background of the slide is a composite image. On the left, there is a dark blue vertical bar. The main background is a close-up, slightly blurred photograph of a gas stove burner with a blue flame. In the foreground, a large, classical-style stone column is visible, partially obscuring the stove. The overall lighting is dim, with the flame providing a primary light source.

THANK YOU!

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