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To: State and Territory Energy Offices
From: David Terry, NASEO Executive Director
Subject: Results of NASEO's Propane Stakeholders Meeting
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Low propane inventories at the start of the 2013 – 2014 winter season coupled with cold weather in many areas of the nation created significant challenges in meeting customer demand for propane, particularly in the Northeast and Midwest. This situation led to record price increases, limited deliveries to customers in some states, and emergency declarations by a number of governors. Actions by state and federal officials and industry leaders to address the situation ranged from facilitating propane deliveries from distant terminals to obtaining state and federal funding to aid customers in bill payment to opening warming shelters. Concerns about this situation persist.

As a result of these events NASEO convened a propane stakeholder meeting on February 5, 2014, in Washington, D.C. Based on the discussion at this meeting NASEO prepared a set of mid- and long-term actions for consideration in addressing propane supply disruptions and price volatility. The issues identified below apply broadly to most regions, and in nearly all cases, would include a range of federal, state, and industry stakeholder engagement.

- 1) Examine changes in pipeline flows and actions that can mitigate the reversal of the Cochin Pipeline and other alternatives that could improve the capacity to supply propane to the Midwest by pipeline and rail.
- 2) Examine how commodity hedging might be better used to protect smaller propane dealers that offer customers price protection but may not have the capacity to fully offset risk during periods of high price volatility.
- 3) Review the action items identified from the Midwest Regional Propane meeting held on July 25, 2001. The action items followed propane shortages during the winter of 2000 – 2001.
- 4) Explore industry, state, and national options (e.g., energy efficiency, summer tank fill) for addressing fuel affordability.
- 5) Continue to enhance and streamline communication and information sharing with and among states. This includes improved capability – through training and facilitation – for states to provide higher quality situation reports that better quantify the severity, scope, and duration of supply and price problems.
- 6) Capture lessons learned from this winter's supply event and identify specific steps that could be taken to improve the federal and state responses. This could be done in a virtual, after-action meeting and could include collecting additional lessons learned from states, industry (e.g., propane, oil, natural gas), and DOE to identify areas for further analysis.
- 7) Document contingencies and supporting policies used by the states as examples of actions that other states could adopt and adapt when facing similar supply situations.
- 8) Consider developing longer-term, sustainable training and exercise programs for states which include an emphasis on the unique challenges presented by liquid fuels generally, and in particular propane and heating oil, which share some distribution characteristics.

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- 9) Continue to conduct the Winter Energy Outlook meeting held each October, which engages all market participants (e.g., state, federal, industry, business and government end-users, analysts) to focus on fuel supply issues. Consider leveraging the results of the outlook event, when appropriate, through follow-up briefing reports and actions targeting fuel types of particular concern.
- 10) Consider expansion of elements of the U.S. Energy Information Administration's (EIA) State Heating Oil and Propane Program (SHOPP). This long successful EIA-state partnership could be enhanced by adding more states to the program (*Action underway by EIA*). In addition, explore developing contingency reporting on a uniform set of questions that could be used by states to collect consistent and comparable information that would allow the scope and depth of the problem to be better quantified. This would also offer better means to predict tipping points which signal sub-markets moving into extreme stress. In addition, it may be helpful to resume the annual SHOPP meeting and include a petroleum outlook and sector interdependencies element with tutorials on energy market analysis (e.g., understanding product flows, estimating days of supply in inventory).
- 11) Improve data sharing between EIA and individual states by establishing a mechanism to share company level data as provided for by EISA Section 805(c)¹. The first data set that might be considered for sharing would be the EIA 782c Prime suppliers monthly report. This would provide states with information on the market share of companies and have a definitive list of these suppliers and how much product they are delivering into the state for final consumption.
- 12) Continue webinars on the use and interpretation of energy data. These could be recorded, archived, and available for later use.
- 13) Explore policy options that encourage market-based approaches encouraging adequate storage at the primary (terminal), secondary (dealer), and tertiary (customer) levels.
- 14) Consider additional state and national options (e.g., LIHEAP, WAP) for addressing fuel affordability for low-income households.
- 15) Assist in identifying potential existing federal (e.g., SBA, USDA) and state options for supporting dealer financing programs to ensure a robust and competitive fueling network.
- 16) Assist states in sharing policy options that promote consumer heating fuel diversity (e.g., low-temperature heat pumps, wood) for secondary heating sources to mitigate periodic supply disruptions or price volatility of primary fuel sources (e.g., propane, heating oil) in rural areas that have limited heating fuel options and challenging logistics considerations.
- 17) Create more effective means to ensure new state energy officials engage in energy assurance efforts generally, and, in particular, understand the importance of monitoring propane and other liquid fuels supply and price issues. Ongoing and strategic engagement is needed to address the normal turnover of energy officials.
- 18) Engage with the propane industry, DOE, to facilitate state input, coordination, and leverage of resources.
- 19) Provide input to DOE's Office of Energy Policy and Systems Analysis (EPSA) on the Quadrennial Energy Review. NASEO will utilize the newly established Resiliency and Interdependencies Taskforce as the vehicle for this input. Future infrastructure investments, as well as ongoing analytical and education needs that could be accomplished through joint federal-state-industry partnerships, are key attributes to this approach. In addition, interdependency issues impacting propane will be noted. The recommendations will be provided in the context of lessons learned from recent hurricanes, severe storms, market events, man-made supply disruptions (e.g., cyber) and changing markets.
- 20) Provide relevant input on the update of the Energy Sector Specific Plan of the National Infrastructure Protection Plan, which was issued in December 2013.

¹ Section 805(c) of the Energy Independence and Security Act of 2007 (EISA), Public Law 110-140 states, “(B) *share company level data collected at the State level with each State involved, in a manner consistent with the legal authorities, confidentiality protections, and stated uses in effect at the time the data were collected, subject to the condition that the State shall agree to reasonable requirements for use of the data, as the [EIA] Administrator may require.*”