

# AR Energy Resources Planning Task Force

June 1, 2021



## Overview

We are a customer focused, growth-oriented utility company with a tradition of improving life with energy and a vision to be the energy partner of choice. Based in Rapid City, South Dakota, the company serves 1.28 million natural gas and electric utility customers in eight states: Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming.

### Gas Utilities

Arkansas  
Colorado  
Iowa  
Kansas  
Nebraska  
Wyoming\*

### Electric Utilities

South Dakota  
Colorado  
Wyoming\*

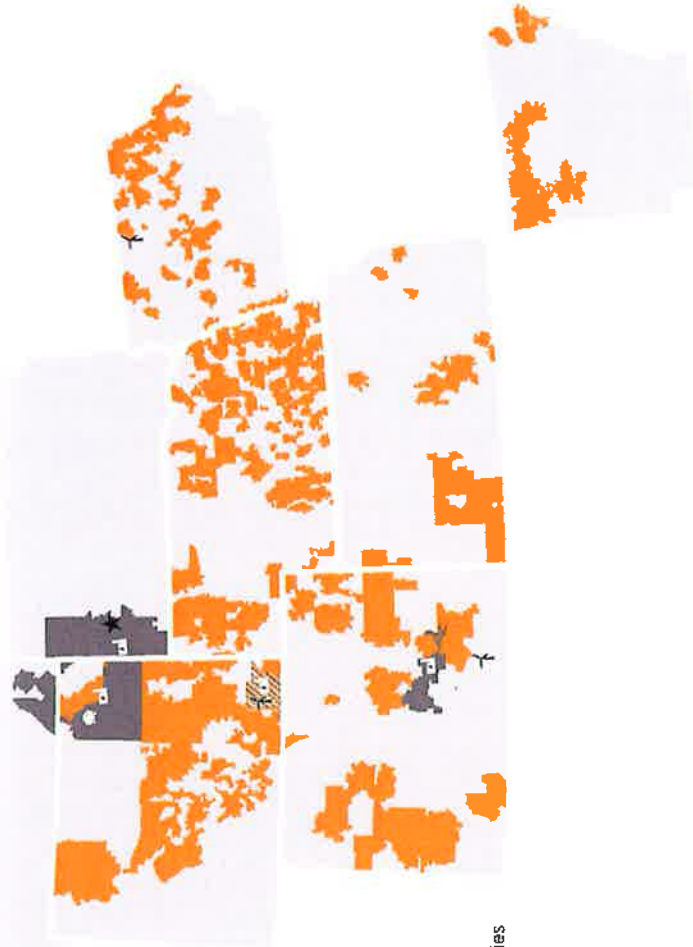
\*Utility supplies electric and gas service to Cheyenne, Wyoming and vicinity and gas service to northeast and northwest Wyoming

### Power Generation

Black Hills Electric  
Generation

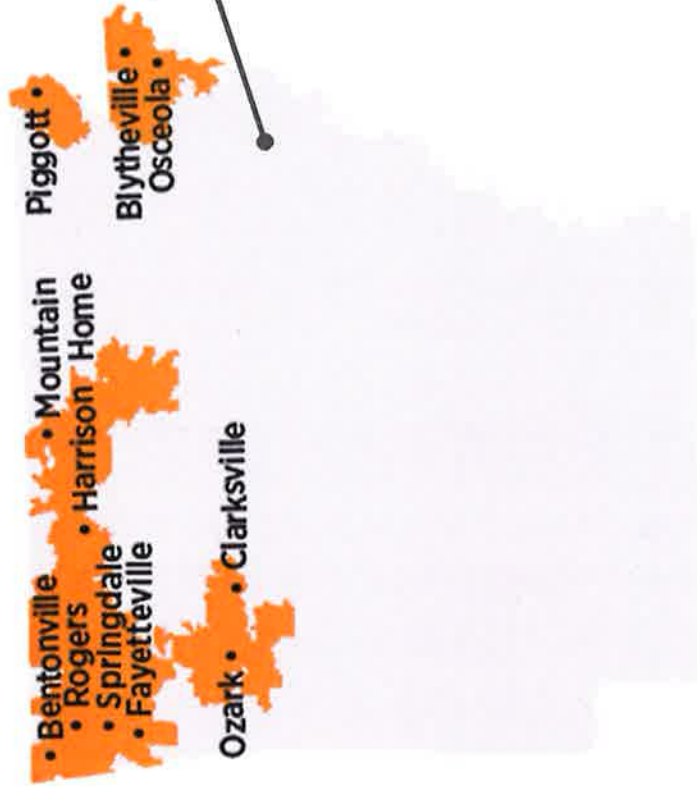
### Mining

Wyodak Resources



- Electric Utilities
- Natural Gas Utilities
- Electric and Natural Gas Utilities
- Mine
- Power Generation
- Wind Generation
- Company Headquarters

# Black Hills Energy – Arkansas Gas



● Natural Gas Utilities

Ready

6:00 AM



# Gas Supply Overview

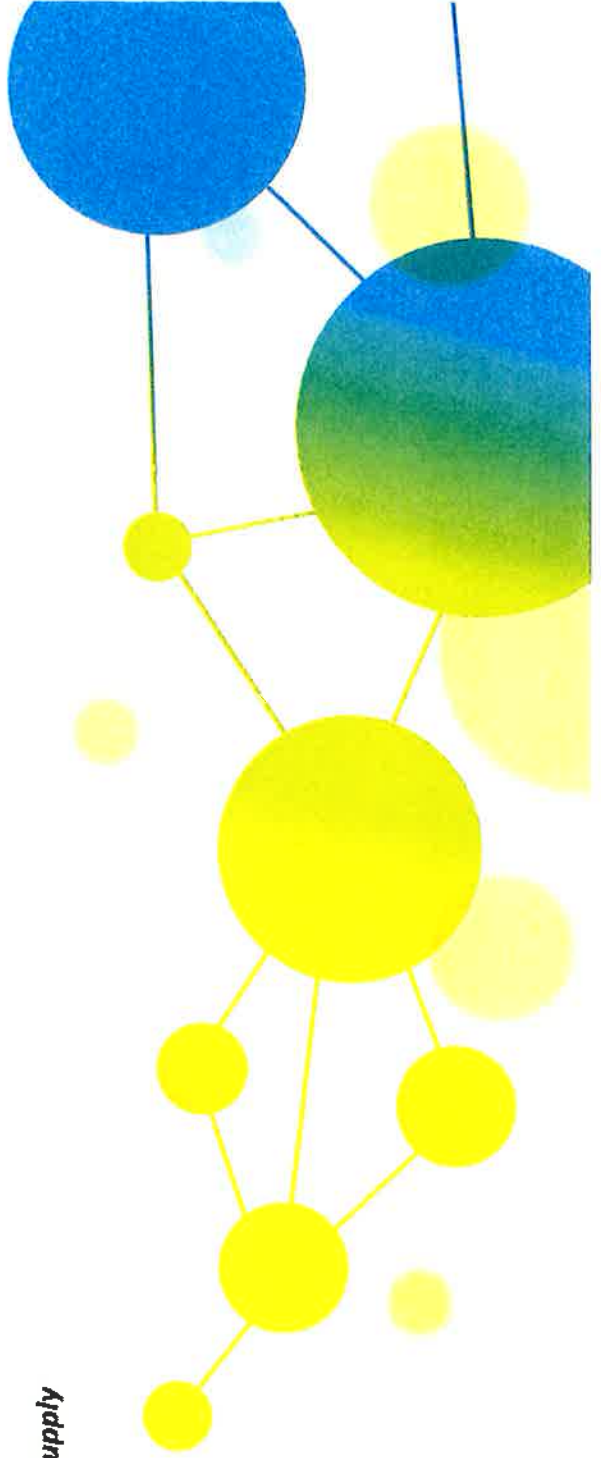
Arkansas Energy Task Force

**NOT PUBLIC DOCUMENT – NOT FOR PUBLIC DISCLOSURE**

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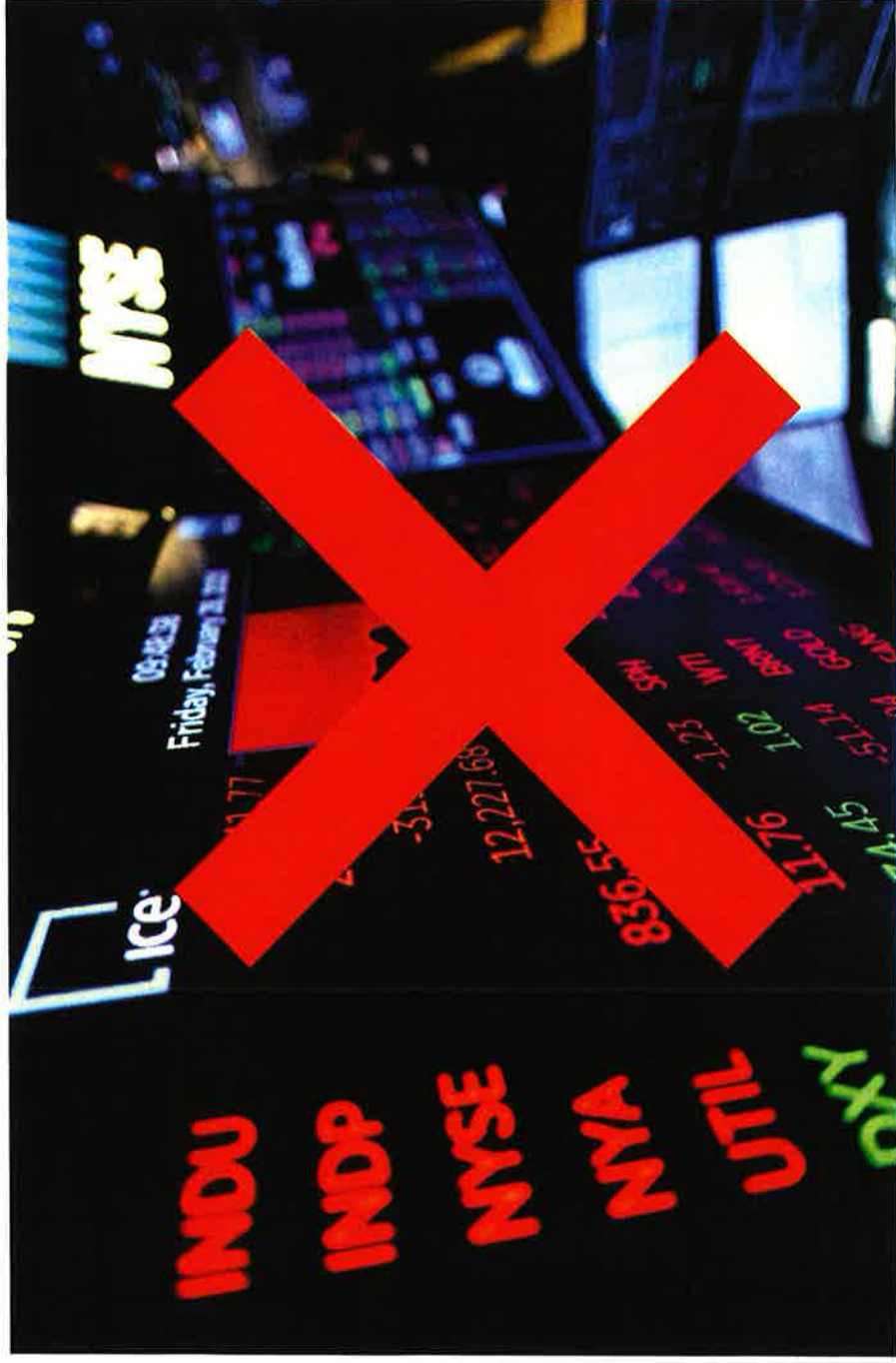
**Miles Kenny**  
*Vice President Gas Supply*

June 1, 2021



# NOT Speculative Traders

**We are NOT Natural Gas Traders, only Buyers!**



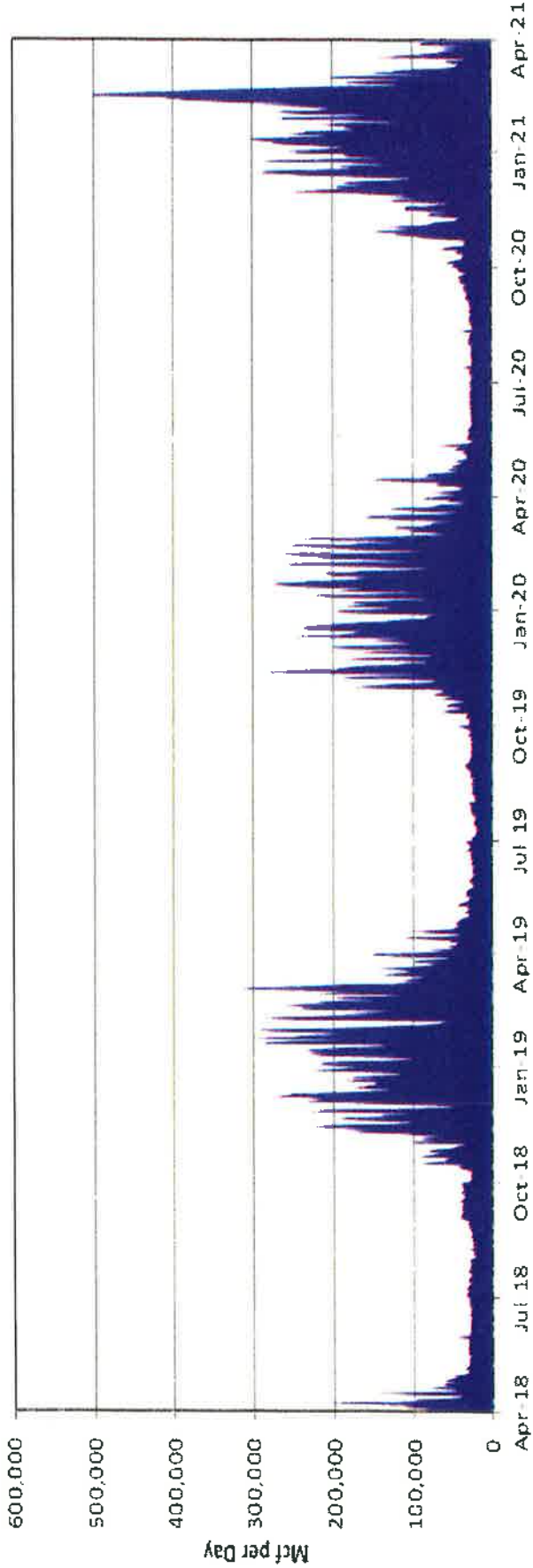


# Extreme Warm to Extreme Cold



- This chart represents 3 years of daily load patterns in Arkansas.
- This demonstrates the wide swings in customer demand that require a flexible portfolio.

Example of Arkansas Division Daily R&C Gas Purchase Pattern



# Gas Supply - High Level Strategy

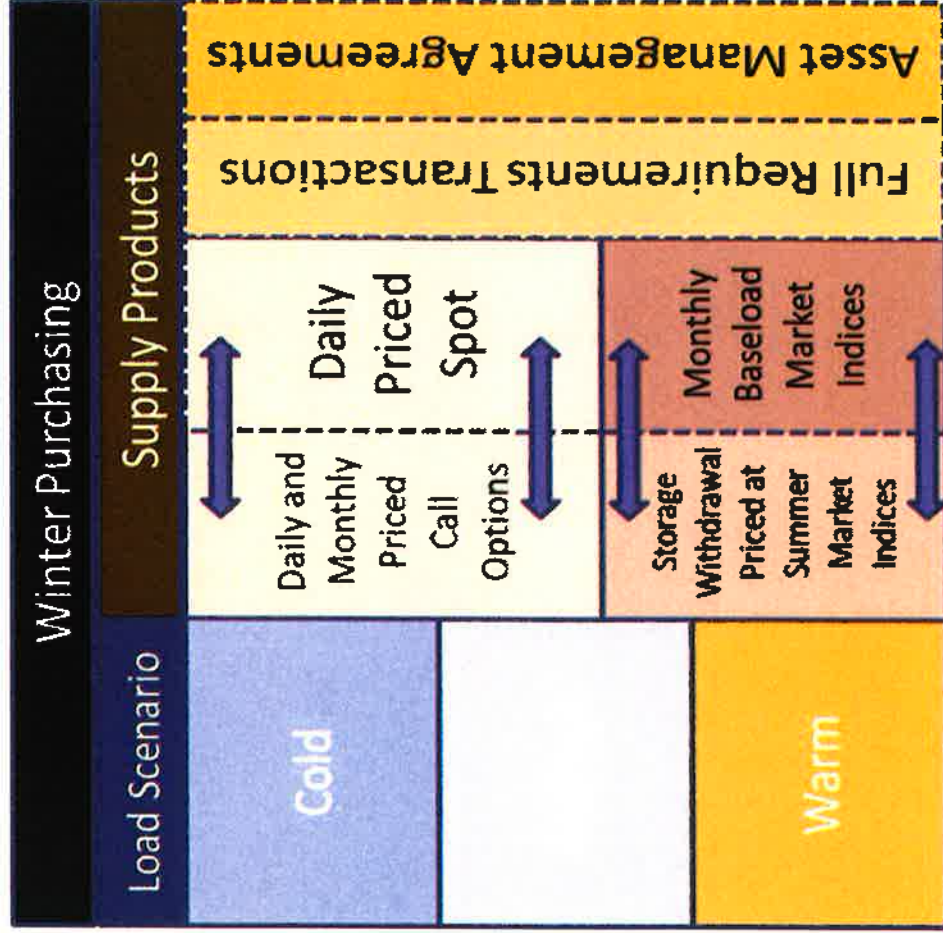


## Diversified portfolio

- Physical supply products
- Pricing structures

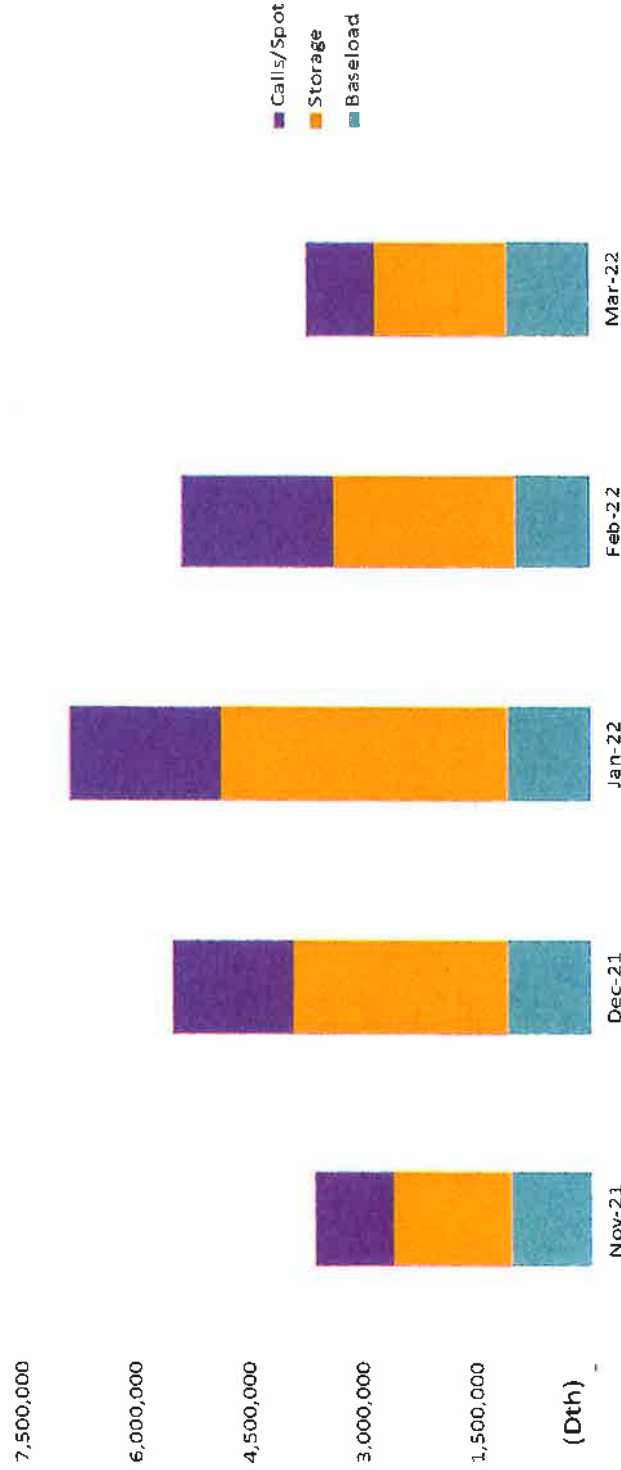
## Balanced portfolio

- Reliability
- Reduced price volatility
- Reasonable priced



# Plan: "Normal" Winter Supply & Demand

Arkansas Winter 2021-2022



	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Total
<b>Calls/Spot</b>	1,023,972	1,599,495	1,997,424	1,997,766	902,657	7,521,314
<b>Storage</b>	1,562,028	2,825,505	3,788,576	2,393,234	1,728,343	12,297,686
<b>Baseload</b>	1,050,000	1,085,000	1,085,000	980,000	1,085,000	5,285,000
<b>Totals</b>	<b>3,636,000</b>	<b>5,510,000</b>	<b>6,871,000</b>	<b>5,371,000</b>	<b>3,716,000</b>	<b>25,104,000</b>



# Actuals: Winter Storm Supply & Demand

## AR EGT Winter Supply Mix, February 12-22

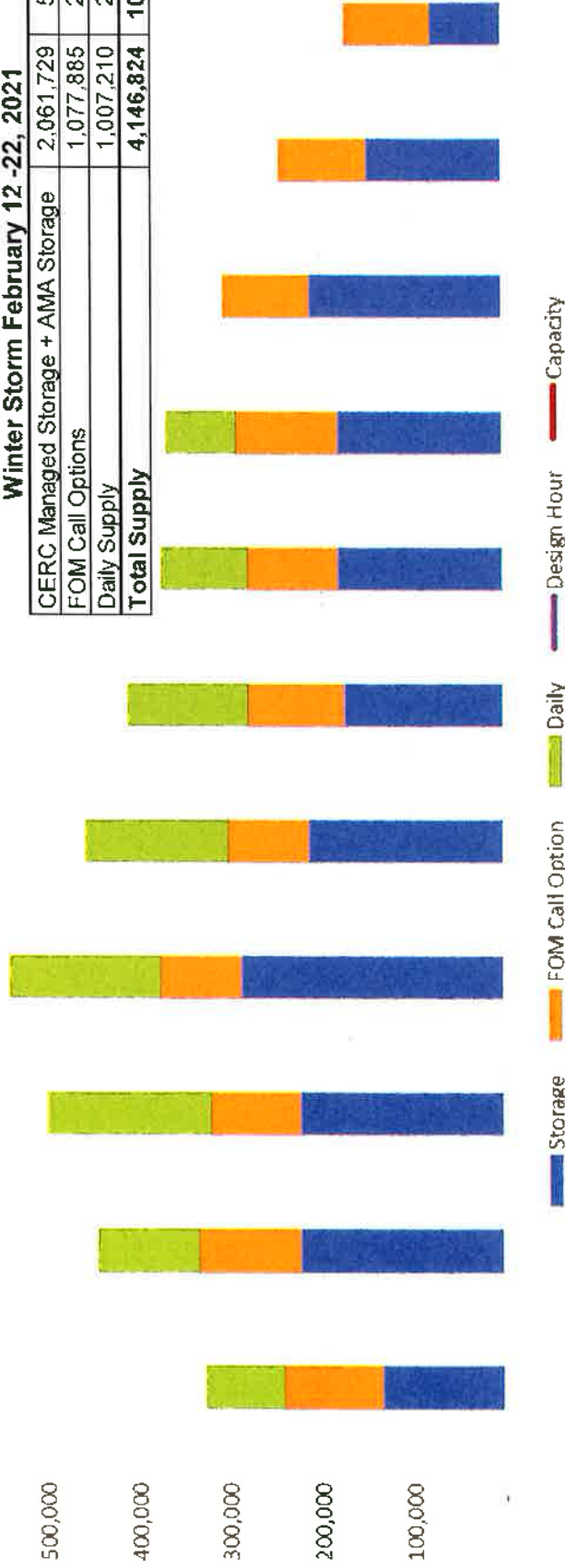
2/12/2021 2/13/2021 2/14/2021 2/15/2021 2/16/2021 2/17/2021 2/18/2021 2/19/2021 2/20/2021 2/21/2021 2/22/2021

Capacity = 636,384  
Design Hour = 610,384

### Supply Portfolio

#### Winter Storm February 12 -22, 2021

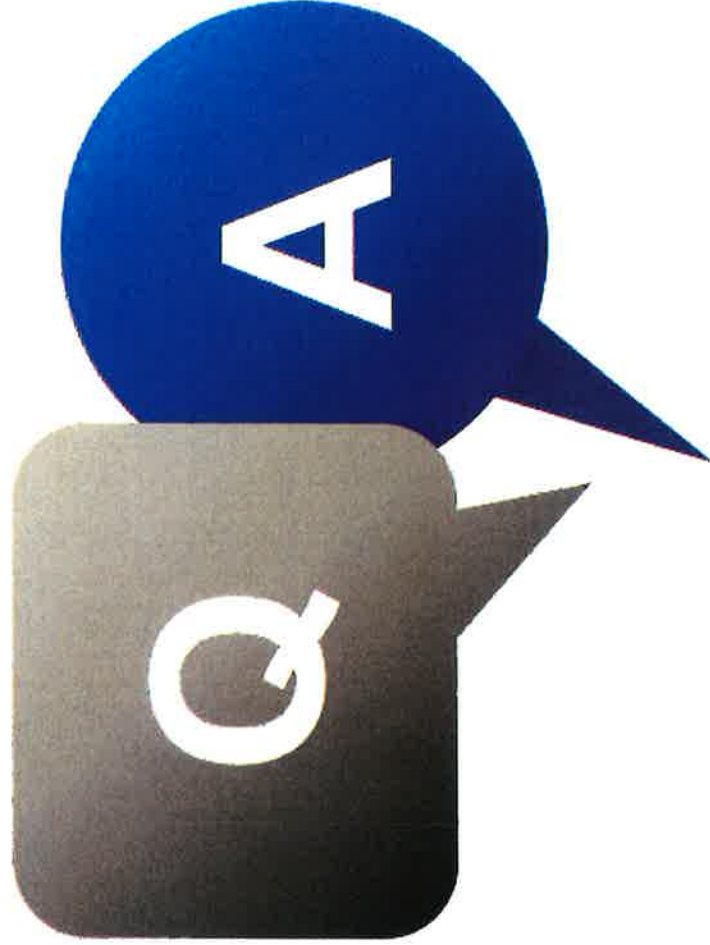
CERC Managed Storage + AMA Storage	2,061,729	50%
FOM Call Options	1,077,885	26%
Daily Supply	1,007,210	24%
<b>Total Supply</b>	<b>4,146,824</b>	<b>100%</b>



Represents capacity on EGT which is 92% of our upstream pipeline supply in AR. The additional 8% represents small market pipeline volumes which are fulfilled by a combination of storage, baseload and daily gas.

# Q & A

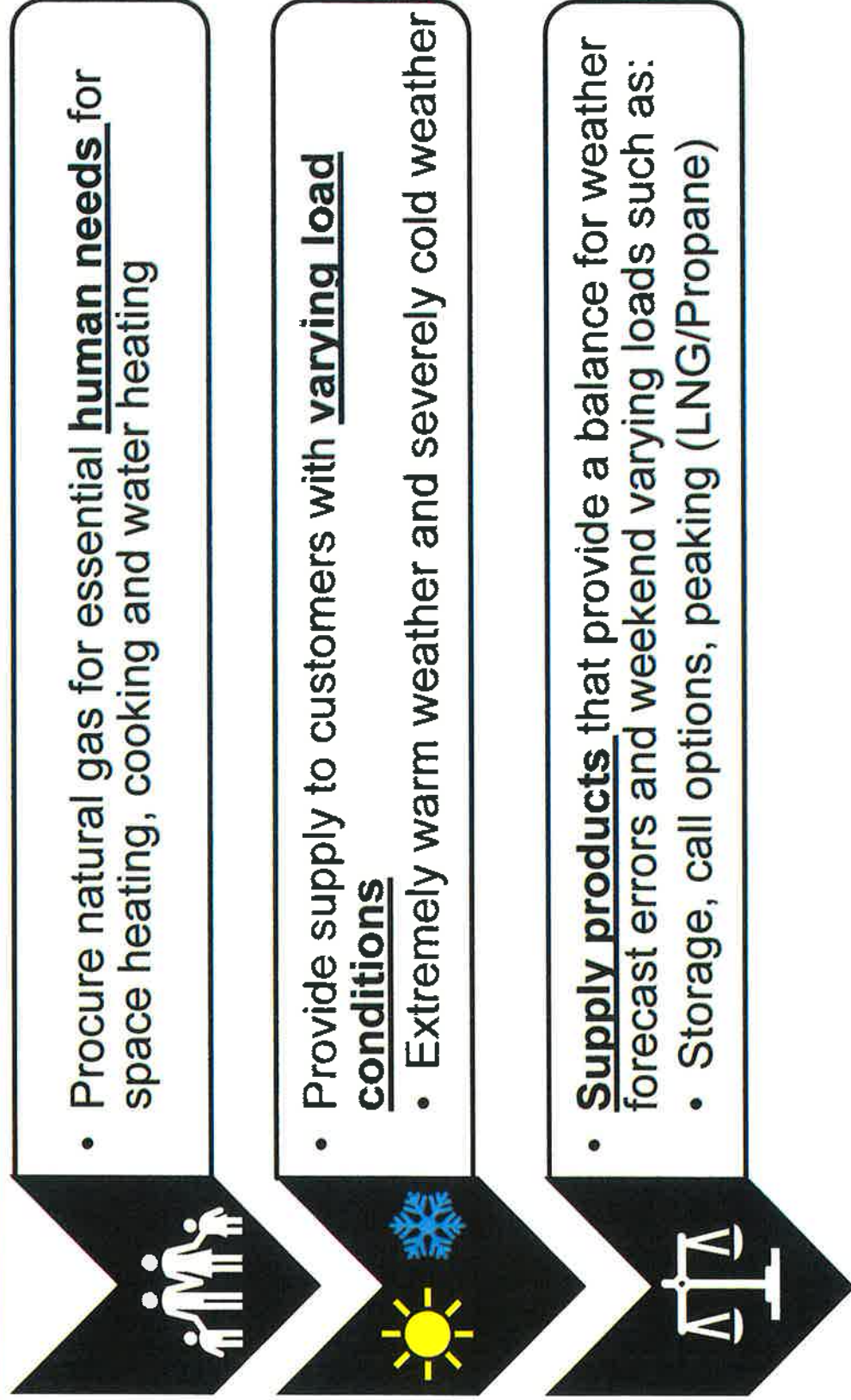
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# APPENDIX

# Buying Obligations



# Price Stabilization – Entire Winter



Storage and AMA gas stabilized the gas supply price

2020-21 Winter Season	Winter Actual		Winter Plan	
	Dth	%	Dth	%
CERC Managed Storage	2,581,282	10%	2,798,651	11%
Hedge Priced Gas (AMA)	15,891,726	59%	15,891,726	64%
Indexed Priced Gas	<u>8,495,859</u>	<u>31%</u>	<u>6,099,623</u>	<u>25%</u>
Total Winter Supply	26,968,867	100%	24,790,000	100%
Percent Stabilized		69%		75%



## Product Types

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**Spot - Daily Market** – supply purchased in the daily market, price at gas daily – not pre-arranged supply

**Swing - Call Options** – pre-arranged supply purchased prior to the winter months, priced at gas daily plus a premium. Daily call rights to the supply

**Storage** – purchased (injected) in the summer months and withdrawal in the winter at a fixed summer price

**Baseload** – purchased monthly or seasonally, flows everyday of the year/season – priced at Inside FERC first of the month index

# Market Pricing – ICE

## SLIDE IS NON-PUBLIC



Product	Hub	Strip	Begin...	End Date	RFO	+	-	Sell	B Qty	Bid	Offer	O Qty	Buy	Last	Chg.	Settlement
NG Firm Phys. FP	ANR-SW	Next Day Gas	11Mar18	11Mar18	-				1800	2.0000	2.0350	10000		2.0000	0.02	1.9730
NG Firm Phys. FP	CG-Mainline	Next Day Gas	11Mar18	11Mar18	-				5000	1.6500				1.7200	1.72	1.7200
NG Firm Phys. FP	CG-Mainline South	Next Day Gas	11Mar18	11Mar18	-				5000	1.6000				1.6300	1.63	1.6300
NG Firm Phys. FP	EGT-North	Next Day Gas	11Mar18	11Mar18	-				8500	2.5500	2.6200	10000		2.6200		2.6200
NG Firm Phys. FP	EGT-South	Next Day Gas	11Mar18	11Mar18	-				2500	2.5800	2.7000	10000		2.7000		2.7000
NG Firm Phys. FP	GTN-Main	Next Day Gas	11Mar18	11Mar18	-				1000	1.7500	1.7900	5000		1.7900	-0.04	1.8300
NG Firm Phys. FP	Golden Triangle	Next Day Gas	11Mar18	11Mar18	-				10000	2.6000				2.6000	2.60	2.6000
NG Firm Phys. FP	HSC-HPL Pool	Same Day	10Mar18	10Mar18	-				10000	2.8000	2.7500	10000		2.7500	-0.01	2.7370
NG Firm Phys. FP	HSC-HPL Pool	Next Day Gas	11Mar18	11Mar18	-				5000	2.7250	2.8400	10000		2.7200		2.7200
NG Firm Phys. FP	Henry	Next Day Gas	11Mar18	11Mar18	-				5000	2.3500	2.5000	2000		2.7300	0.01	2.5660
NG Firm Phys. FP	Iroquois (Int)	Next Day Gas	11Mar18	11Mar18	-				5000	2.3500	2.8000	10000		2.8000		2.8000
NG Firm Phys. FP	Kay-Oasis	Same Day	10Mar18	10Mar18	-				5000	2.7000	2.7500	9300		2.7250	0.05	2.6730
NG Firm Phys. FP	Kay-Oasis	Next Day Gas	11Mar18	11Mar18	-				5000	2.1000	2.3000	5000		2.1950	2.19	2.1950
NG Firm Phys. FP	NGPL-Mid Pool	Next Day Gas	11Mar18	11Mar18	-				5000	1.8500	2.0350	10000		2.0300	0.04	1.9830
NG Firm Phys. FP	NGPL-Midcont Pool	Next Day Gas	11Mar18	11Mar18	-				5000	2.4200	2.4500	20000		2.4200	0.02	2.4000
NG Firm Phys. FP	NGPL-Norco	Next Day Gas	11Mar18	11Mar18	-				10000	2.4200	2.5000	10000		2.4200	2.42	2.4200
NG Firm Phys. FP	NGPL-Norco	Next Day Gas	11Mar18	11Mar18	-				3800	2.5500	2.5700	4000		2.5400	0.00	2.5330
NG Firm Phys. FP	NGPL-TXOK East	Next Day Gas	11Mar18	11Mar18	-				3800	2.3300	2.3500	5000		2.3300	0.13	2.2000
NG Firm Phys. FP	NING-Demarc	Next Day Gas	11Mar18	11Mar18	-				5000	1.6475	1.6900	2900		1.6900	1.69	1.7700
NG Firm Phys. FP	NWP-Wyoming	Next Day Gas	11Mar18	11Mar18	-				10000	1.7100	1.7900	5000		1.7200	-0.05	2.6180
NG Firm Phys. FP	Obal	Next Day Gas	11Mar18	11Mar18	-				2500	2.7450	2.7700	1600		2.7500	-0.05	1.8900
NG Firm Phys. FP	FG&E-Clingate	Next Day Gas	11Mar18	11Mar18	-				13400	2.0000	2.0200	3700		2.0100	0.12	1.8900
NG Firm Phys. FP	Panhandle	Next Day Gas	11Mar18	11Mar18	-				1500	2.6900	3.0000	2500		1.5000	1.50	3.2400
NG Firm Phys. FP	Socad-Clingate	Next Day Gas	11Mar18	11Mar18	-				5000	1.5200	1.6300	1500		2.1800	2.18	
NG Firm Phys. FP	TGP-24 Marcellus	Next Day Gas	11Mar18	11Mar18	-				5000	2.1500	2.2000	5000		2.1800	2.18	
NG Firm Phys. FP	TGP-25 200L	Next Day Gas	11Mar18	11Mar18	-				5000	2.1500	2.3500	10000		2.3500		
NG Firm Phys. FP	TGP-28 200L	Next Day Gas	11Mar18	11Mar18	-				8500	2.5500	2.6200	10000		2.5750	0.05	2.5130
NG Firm Phys. FP	EGT-Flex	Next Day Gas	11Mar18	11Mar18	-				1100	2.5000				2.5000		
NG Firm Phys. FP	EGT-Flex	Same Day	10Mar18	10Mar18	-				5000	2.1000	2.3500	5000		2.2850	2.28	2.2850
NG Firm Phys. FP	AGT-CG (non-C)	Next Day Gas	11Mar18	11Mar18	-				800	2.6800	2.6500	10000		2.6800	2.68	2.6800
NG Firm Phys. FP	CG-Mainline	Same Day	10Mar18	10Mar18	-				10000	2.5750	2.5800	1500		2.5800	0.02	2.5680
NG Firm Phys. FP	CG-Mainline	Next Day Gas	11Mar18	11Mar18	-				1100	3.1200	2.7300	5000		2.7250	0.01	2.7130
NG Firm Phys. FP	Transco-85	Next Day Gas	11Mar18	11Mar18	-				5000	3.1100	3.1700	2500		3.1800	3.18	
NG Firm Phys. FP	Socad-CG Imbalance	T - 1	9Mar18	9Mar18	-				10000	2.5700	2.5800	8900		2.5800	-0.02	2.6030
NG Firm Phys. FP	TGP-Manwah	Next Day Gas	11Mar18	11Mar18	-											
NG Firm Phys. FP	TGT-Mainline	Next Day Gas	11Mar18	11Mar18	-											

# ENERGY RESOURCES PLANNING TASK FORCE

## PUBLIC HEARING AGENDA

WEDNESDAY, JUNE 2, 2021

10:00 a.m. – 4:15 p.m.

10:00 a.m. –  
11:30 a.m. **Call Meeting to Order**

**Public Hearing Guidelines:**

- Task Force Chair will moderate
- Testimony will be limited to five minutes
- Q&A will be limited to fifteen minutes

**Order of Testimony:**

1. CHS (ZOOM)
  - Mark Porth, Senior Account Manager
2. Ozark Petroleum
  - Scott Sefton, Transport Driver/Dispatch

11:30 a.m. **Recess for Lunch**  
Lunch will be provided for Task Force members

1:00 p.m. –  
2:30 p.m. **Call Meeting to Order**

**Public Hearing Guidelines:**

- Task Force Chair will moderate
- Testimony will be limited to five minutes
- Q&A will be limited to fifteen minutes

**Order of Testimony:**

1. Craft Propane
  - Ron Craft, President
2. NGL Energy Partners LP
  - Aaron Reese, Senior Vice President of Liquids
3. Arkansas Propane Gas Association (ZOOM)
  - Hardy Thompson, Owner of Island Energy

2:45 p.m. –  
4:15 p.m. **Call Meeting to Order**

**Public Hearing Guidelines:**

- Task Force Chair will moderate
- Testimony will be limited to five minutes

- Q&A will be limited to fifteen minutes

**Order of Testimony:**

1. Enable Midstream (ZOOM)
  - Steven Tramonte, Vice President of Transportation Storage
2. Summit Utilities (ZOOM)
  - Lizzie Reinholt, Vice President of Sustainability Corporate Affairs
  - Walt McCarter, Manager of Gas Supply and Contracts

# ENERGY RESOURCES PLANNING TASK FORCE

## MINUTES

### DETAILS

**Date and Time:** 6/2/21 Session 1: 10 – 11:30,  
Session 2: 1 – 2:30,  
Session 3: 3 – 4:30

**Location:** Department of Energy and Environment (E&E) Headquarters for Session 1 and Liquefied Petroleum Gas Board for Sessions 1 and 2, Live streamed on Arkansas PBS

**Subject:** Public Hearing

### Task Force

<b>Becky Keogh</b> , E&E Secretary, Task Force Chair	<b>Kevin Pflaiser</b> , Liquefied Petroleum Gas Board Director, Task Force Member	<b>Lawrence Bengal</b> , Oil and Gas Commission Director, Task Force Member
<b>Mike Preston</b> , Secretary of Commerce (Morning Session)	<b>Steve Sparks</b> , Director, Arkansas Economic Development Commission, Existing Business Resources, representing Mike Preston, Commerce Secretary (Afternoon Sessions)	

### Other Attendees

<b>Scott Sefton</b> , Ozark Mountain Petroleum, Inc.	<b>Ronald Craft</b> , President, Craft Propane, Inc.	<b>Aaron Reece</b> , Senior Vice President of NGL Energy Partners, LP
<b>Laneigh Pflaiser</b> , Director, Arkansas Propane Gas Association	<b>Hardy Thompson</b> , Island Energy, Inc.	<b>Steven Tramonte</b> , Vice President, Commercial Transportation and Storage, Enable Midstream Partners, LP
<b>Elizabeth Reinholt</b> , Vice President, Sustainability and Corporate Affairs, Summit Utilities, Inc.	<b>Fred Kirkwood</b> , Chief Customer Officer, Summit Utilities, Inc.	<b>Walt McCarter</b> , Manager, Arkansas Oklahoma Gas Corporation
<b>Mark Porth</b> , Account Manager, CHS Inc.		
<b>Andrea Hopkins</b> , E&E	<b>Shane Khoury</b> , E&E <b>Daniel Pilkington</b> , E&E	<b>Donnally Davis</b> , E&E <b>Troy Deal</b> , E&E



## **AGENDA ITEMS**

### **1. Call to Order**

**Secretary Keogh**

Secretary Keogh, as Task Force Chair, called the meeting to order at 10:24 am. The hearing was delayed due to a power outage at E&E Headquarters. Secretary Keogh explained hearing logistics. For each organization, opening testimony was limited to five minutes with up to fifteen minutes for questions and answers from Task Force Members. Opening logistics were repeated at the start of each session.

### **2. Summary of Testimony from Scott Sefton, Truck Driver**

**Ozark Mountain Petroleum, Inc.**

Mr. Sefton explained that he is a driver and dispatcher with Ozark Mountain Petroleum (Ozark Petroleum), which transports propane.

Mr. Sefton was asked whether Ozark Petroleum had any problems with supply outside of an event like the February 2021 winter weather event. Mr. Sefton explained that supply usually gets tight during the winter. For example, pipeline issues and loss of a terminal in North Little Rock constrained propane supply last year. During the February 2021 winter weather event, there were also some issues with propane supply from the refinery in Memphis due to the extreme cold temperatures.

Mr. Sefton was asked what the terminal being taken offline and other issues with the pipeline meant to Ozark Petroleum during the February 2021 winter weather event. Mr. Sefton explained that Ozark Petroleum drivers had to travel further distances to terminals, sometimes over 300 miles per trip. Traveling those distances limits the number of truck loads that can be delivered in a day.

Mr. Sefton was asked if Ozark Petroleum's situation was unique. Mr. Sefton responded that the supply issue is happening to everyone in the state.

Mr. Sefton was asked what his recommendations would be considering the hours of service requirements that were lifted on February 10<sup>th</sup>. Mr. Sefton recommended lifting the hours of service requirements sooner.

Mr. Sefton was asked how many bobtails a truck can fill. Mr. Sefton indicated that a truck load could fill about 4 bobtails.

Mr. Sefton was asked what else could be done to mitigate the propane supply situation. Mr. Sefton suggested that having more retail storage and more retail storage strategically located in the west, east, and central parts of the state would mitigate the propane supply situation.

Mr. Sefton was asked how many hold points there are for propane in the state. Mr. Sefton responded that there were hold points at the Memphis refinery, west of Paragould, the West Memphis Terminal, the River Port, and at the Amerigas Transloader.

Mr. Sefton was asked if there was nothing on the western side of the state and if incentivizing a transloader on the west side of the state might help. Mr. Sefton affirmed that there was nothing on

the western side of the state and incentivizing a transloader there would help.

Mr. Sefton was asked if an incentive for independent dealers to increase capacity would help. Mr. Sefton affirmed that it would.

Mr. Sefton was asked what he is seeing with storage. Mr. Sefton explained that he has seen storage leaving the state with a lot of nationals closing their locations. He is unsure why.

Mr. Sefton was asked whether they were able to get trucks out given the road conditions during the February 2021 winter weather event. Mr. Sefton stated that there were 7 days they couldn't move.

Mr. Sefton was asked about Ozark Petroleum's service territory. Mr. Sefton responded that they run everything south of Hope Arkansas up to Nashville Tennessee and into northern Mississippi.

Mr. Sefton was asked whether terminals have to be located along pipelines or rail. Mr. Sefton affirmed this. Mr. Sefton stated that some terminals are exclusively supplied by rail, others by pipelines. Mr. Sefton mentioned that they also load gas out of the refinery in Memphis.

Mr. Sefton was asked if terminals in the western part of the state would have to be supplied with propane by rail. Mr. Sefton confirmed this.

Mr. Sefton was asked where propane serving the western part of the state comes from. Mr. Sefton said it comes out of the Dakotas and Canada.

Mr. Sefton asked if there is a volume that a terminal would have to experience to make it economic. Mr. Sefton responded that it would have to move a certain volume to justify the terminal.

Mr. Sefton was asked if there would be enough propane customers in western Arkansas for a terminal, which was affirmed by Mr. Sefton.

Mr. Sefton was asked about whether there is additional storage needed for distribution or terminals. Mr. Sefton indicated that increasing retail storage would be beneficial. However, the amount of storage is up to the retailers themselves. There is no regulatory minimum or maximum.

Mr. Sefton was asked to describe how customers are using propane and how it fit into their life for work during the ice event. Mr. Sefton said propane is used for heat, cooking, and generators.

Mr. Sefton was asked how he would characterize his customers. Mr. Sefton said he had both rural and urban customers.

Mr. Sefton was asked how being short of propane before a storm event could be avoided in the future. Mr. Sefton responded that propane supply shortages were common and that it has gotten worse over the years.

Mr. Sefton was asked whether he would recommend engaging the national guard and others to assist earlier to make sure roads were passable. Mr. Sefton answered affirmatively.

Mr. Sefton was asked what other groups might be able to help assist in delivery of propane during a storm event. Mr. Sefton suggested the Highway Department and County Road Departments. Mr. Sefton mentioned that some of the trouble they had was getting in and out of the customer locations. The customers would have to clear those areas. There are some things that can be one to weatherize the trucks, but it's a lot of work and not really all that safe.

Mr. Sefton was asked about whether Ozark Petroleum has experienced a situation where they have allocation, but customers don't have product available to them. Mr. Sefton affirmed that this happened for some customers who were forced to get propane from out of state.

Mr. Sefton was asked who determines allocation. Mr. Sefton responded that it was the suppliers and owner of the terminals.

Mr. Sefton was asked whether the problem was a lack of capacity or product in the pipeline. Mr. Sefton responded that not enough propane was being produced.

Mr. Sefton was asked whether he was aware of any pricing adjustments on propane during the period. Mr. Sefton was not aware of any.

**Recess**

**10:52 – 1:10**

**3. Summary of Testimony from Ronald  
Craft**

**Craft Propane, Inc.**

Mr. Craft described changes happening in the propane industry over the years. He stated that supply has increasingly become a problem since 2014 when the Enterprise pipeline reversed a line that runs through the center of Arkansas. He said some of the dealers in NE Arkansas ran out of gas. Mr. Craft mentioned that there were two types of customers: keep fulls and will calls. For keep fulls, Craft Propane tops the tank on a regular route. For will calls, some customers wait to call until they are extremely low.

Mr. Craft said that through the years they always had supply. Craft Propane works to manage its supply and have pulled gas from as far away as Alabama and Mississippi. Mr. Craft stated that, if you miss a load, it is hard to catch up.

Mr. Craft discussed working to manage their customer base during the storm. They were aware of the potential for bad weather 4 weeks prior to arrival. Craft Propane continued running its keep full routes to ensure that those customers were taken care of so they could handle will calls when they came in. Mr. Craft stated that they kept running during the ice if it was safe to do so.

Mr. Craft suggested that extra retail storage would have been effective, but it may not be economic due to the current high prices of steel. Mr. Craft also suggested that having more terminals established in the state would reduce the need to run long distances once supply gets short. Mr. Craft also suggested lifting the hours of service requirements sooner. He explained that they were already in the middle of the emergency before hours of service requirements were lifted during the February 2021 weather event. Mr. Craft also suggested public service announcements urging people to call ahead.

Mr. Craft was asked where Craft Propane was located. Mr. Craft stated they were located in the Jonesboro area.

Mr. Craft was asked to characterize his customers and how they are using propane. Mr. Craft responded that propane is being used for hot water, generators, and heating for residential customers. Mr. Craft mentioned that industrial fork lifts use propane. Mr. Craft also mentioned that they have commercial, restaurant, and church customers.

Mr. Craft was asked how he thinks the state could be better prepared. Mr. Craft responded that without more terminals or pipelines, the only thing the state could do would be to lift hours of service requirements sooner.

Mr. Craft was asked if they completely ran out of propane. Mr. Craft responded that they did not.

Mr. Craft was asked if the main problem with the propane industry was distribution. Mr. Craft said that he has managed to stay in gas all these years, but got lower in supply than they would like to be.

Mr. Craft was asked where they would need additional terminal locations. Mr. Craft mentioned that the closest terminal is 40 miles and that there are a few others. Mr. Craft stated that the Memphis refinery went down due to the cold weather reducing available supply.

Mr. Craft was asked how the I-40 bridge repairs affects transportation. Mr. Craft responded that if the 40 bridge was down in winter, it would be devastating due to the additional hour and a half that would be required to travel.

Mr. Craft was asked if his customer base was growing, which he affirmed.

Mr. Craft was asked if the growth was industrial or residential to which Mr. Craft responded both.

Mr. Craft was asked if additional terminals were put in other parts of the state if there would be a sufficient customer base to justify it. Mr. Crafted said he thinks so.

Mr. Craft was asked what kind of investment additional storage would require. Mr. Craft responded that it would cost millions of dollars and that the high cost of steel would make it even more expensive now than it was two years ago.

Mr. Craft was asked if he sees any advice or regulation coming from the board to allocate propane at a dealer level if supply is short instead of completely filling tanks. Mr. Craft did not think that was feasible.

Mr. Craft was asked if there was a commercial use of propane, which he affirmed.

Mr. Craft was asked if propane could help when we have natural gas shortages. Mr. Craft stated that in the 1960's and 1970's there was a lot on standby at industrial plants, but many were sold off in the 1980's.

**4. Summary of Testimony from Aaron  
Reece, Senior Vice President of NGL  
Energy Partners, LP**

**NGL Energy  
Partners, LP**

Mr. Reece explained that NGL is a midstream supplier moving propane from producers to dealers. NGL operates a terminal in Little Rock and Dexter, MO. They formerly operated a terminal in North Little Rock, which was decommissioned last year because the pipeline was unsafe. NGL Energy Partners also markets propane from the Valero refinery in Memphis. They truck propane up to the terminals and also receive propane via pipeline or rail.

When the shale revolution occurred, the Techno pipeline became underutilized. Now it is a batch pipeline. Propane competes with other refined products in the pipelines. Sometimes they can't fill the terminals because they aren't receiving a batch. They have to nominate batches before the 15<sup>th</sup> of the month prior. On January 15<sup>th</sup>, they did not forecast the needs they would have during the February 2021 winter weather event. Mr. Reece also explained that shipping cycles for propane to Arkansas terminals are ten days long via pipeline. For rail, some product takes even longer. They have to forecast needs many days in advance. Mr. Reece indicated that Arkansas is a good market with supply available from many different directions. Mr. Reece mentioned that there are no pipelines in the western part of Arkansas and that rail became more competitive after the shale gas revolution.

Mr. Reece stated that sales in February 2021 were 25% higher than in 2020 and that hazardous roads also made transportation difficult. Furthermore, Mr. Reece conveyed that there was a delay in their February batch and a small explosion at the Valero Refinery cut off that source of supply during the storm.

Mr. Reece suggested that subsidies or low cost loans to incentivize retailers to put in more storage would be helpful. He pointed to Michigan as a state that is doing this. Mr. Reece also suggested that gross vehicle weight waivers could help by allowing bigger trucks to deliver propane.

Mr. Reece mentioned that Arkansas has a carrier shortage. It is difficult to recruit commercial drivers with hazardous materials training when they aren't paid more than they could get working for FedEx.

Mr. Reece was asked if he has any thoughts around how to prioritize propane for Arkansas on the pipeline. Mr. Reece responded that there was actually concern that Enterprise might delete propane from the tariff before the Magellan pipeline was built. Mr. Reece explained that, at the end of the day, a pipeline is about keeping things moving and having a home for product. Mr. Reece indicated that if there is propane remaining after filling up all of the terminals through Dexter, MO, the remaining supply doesn't have a home. Mr. Reece suggested encouraging customers to lift propane during the summer so they could earn allocation of the pipeline.

Mr. Reece was asked about encouraging customers to pull earlier in the season. Mr. Reece responded that, to do this, there would need to be additional storage at the retail level.

Mr. Reece was asked what determines batch time and frequency. Mr. Reece responded that you need a minimum quantity, but that they need to make sure that they can hold the product at the terminal.

Mr. Reece was asked whether they have a carrier distribution system or driver problem. Mr. Reece responded that it is a little bit of both. He mentioned that with Amazon and other shipping, there is a heavy need for drivers.

Mr. Reece was asked if NGL operates a natural gas pipeline. Mr. Reece responded that they did not.

Mr. Reece was asked if they were making a judgment call about volume of propane when they nominate space on the pipeline. Mr. Reece confirmed that they make this determination on or before the 15<sup>th</sup> of the month prior.

Mr. Reece was asked about the lead time that they have based on predicted weather events. Mr. Reece said that making determinations far enough in advance for rail is difficult because rail terminals typically don't have as much storage. Mr. Reece said that even if they had tried to buy additional gas to react to the forecast, it would be too late given the lead times.

Mr. Reece was asked whether it is economically viable to build more terminals. Mr. Reece responded that storage can be very costly if they don't predict correctly. He mentioned that it would be difficult to locate a pipeline in western Arkansas because competing with the refinery in Oklahoma would make it cost-prohibitive.

Mr. Reece was asked what months that they build allocation on the pipeline. Mr. Reece mentioned that they used to lift in the summer to receive allocation in the winter. However, the Tepco pipeline is now 12-month rolling.

Mr. Reece was asked whether taking gas from Valero hurt their allocation on the pipeline for later. Mr. Reece affirmed that it could take away from the allocation.

Mr. Reece was asked about transloading operations. Mr. Reece answered that load times with a transloader takes a significant amount of time. He stated that you wouldn't have storage and that it is different from unloading a rail car into storage.

Mr. Reece was asked about the number of rail cars used in transloading operations. Mr. Reece responded that they can have 10 cars on and 10 off on a spur.



Mr. Reece was asked about the volume of one rail car. Mr. Reece responded that they can usually fill 3 transports with one rail car.

Mr. Reece was asked about who feeds the Carthage pipeline. Mr. Reece responded the Magellan pipeline and a 2000 barrel cavern leased by Magellan.

Mr. Reece was asked whether the Carthage pipeline went down because of the weather. Mr. Reece confirmed this.

Mr. Reece was asked if there were no pipelines in Texas and Oklahoma feeding into western Arkansas. Mr. Reece confirmed this.

Mr. Reece was asked whether he had any thoughts on additional pipelines. Mr. Reece responded that they could use some existing pipelines that are no longer in use if they have the correct pressure specification. He stated that they could repurpose a natural gas pipeline, but that those pipelines tend to not be recommissioned.

**5. Summary of Testimony from Laneigh Pfalser, Director and Hardy Thompson, Island Energy, Inc.**

**Arkansas Propane Gas Association/Island Energy, Inc.**

Ms. Pfalser spoke about the APGA members gratitude for lifting the hours of service requirements during the February 2021 winter weather event. She mentioned that the members of the association faced other issues and that Mr. Thompson was going to speak to his experiences.

Mr. Thompson of Island Energy discussed his businesses' use of monitors on tanks and serving exclusively "keep fill" customers. Mr. Thompson emphasized the need for relationships with propane suppliers to get service. Mr. Thompson mentioned that there was a week during the February 2021 winter event when they were only taking minimum amounts to their customers and weren't taking any new customers. Mr. Thompson explained how customers who own their tank shop can make it difficult for suppliers to supply them. The supplier can't rely on these customers for their allocation. Mr. Thompson discussed their reliance on storage during the February event, which was built based on historical needs. Mr. Thompson explained that this was just not a normal time and that they worked with other groups like NGL and other suppliers to get gas brought in when the Memphis refinery went down.

Mr. Thompson explained that the propane business is similar to utilities in that diversity is needed. Mr. Thompson talked about how sensors in tanks help his company manage demand.

Mr. Thompson was asked whether the tank monitors communicate in real time. Mr. Thompson responded that the sensors provide notifications to him about tank levels every morning or if the tank reaches a certain level.

The APGA representatives were asked about early seasonal notice to customers. Mr. Thompson responded that notice is going to vary from marketer to marketer. They use social media to communicate to their customers, but aren't sure what would help people who aren't their customers. Mr. Thompson mentioned that putting out a conserve gas notice might cause a panic.

Mr. Thompson was asked what percentage of the propane industry has tank monitors in place. Mr. Thompson responded that very few tanks have monitors. Mr. Thompson said they make sense for his business and that it's a good economic decision for higher use customers. Mr. Thompson mentioned that the propane business is very fragmented and it is hard to get a lot of people together around a new technology.

Mr. Thompson was asked whether the tank monitors use the customer's internet service or if his company pays for their network use. Mr. Thompson responded that they use dual band cellular and that the cost is minimal (\$3/tank).

Mr. Thompson was asked about how long it has been since his company acquired the location in Osceola. Mr. Thompson responded that they acquired in it in March 2017 and that they have also opened a store in Pocahontas.

Mr. Thompson was asked whether they are purchasing new or used steel. Mr. Thompson responded that their first preference was to buy refurbished tanks out of Oklahoma, but that they will buy used or new tanks if they have to.

Mr. Thompson was asked about the impact of steel prices. Mr. Thompson responded that the cost of used tanks have gone up by 60%.

Mr. Thompson was asked whether the hours of service waiver was beneficial. Mr. Thompson responded that it was. He explained that once you get behind you are always behind. Mr. Thompson suggested lifting hours of service requirements every winter instead of the waiver being triggered by an event.

Mr. Thompson was asked what months he does most of his business. Mr. Thompson mentioned that most of their business is in January, February, March, and December. They use the off months to set tanks. They also do significant fork lift service year round.

Mr. Thompson was asked what a periodic hours of service waiver would look like. Mr. Thompson responded that they can't predict the weather soon enough to make a decision. By the time the Executive Order was issued, it was already late and there are only so many trucking companies. Mr. Thompson mentioned that he would like to see propane delivered by rail in Northwest Arkansas, but that he isn't sure it would be economical.

Ms. Pfalser explained that propane can also be used in manufacturing and for powering school buses.

## **Recess**

**2:34 – 2:50**

## **6. Summary of Testimony from Steven Tramonte, Vice President, Commercial Transportation and Storage**

**Enable Midstream Partners, LP**

Mr. Tramonte explained that Enable operates two interstate natural gas pipelines –EGT and MRT. These pipeline are subject to FERC rules. Enable is exclusively a transportation provider. Mr. Tramonte described Enable's preparation for the weather event, including keeping personnel on site at compressor stations and storage sites and testing back up generation to ensure that an interruption in power wouldn't impair equipment. Mr. Tramonte stated that they lost almost 50% of their supply due to well and pipeline freezes while demand increased by 45% over the course of the February 2021 winter weather event. Mr. Tramonte described imbalances reducing their ability to meet system pressure requirements. As the system deteriorated, they prioritized loads for human needs customers above all other customers regardless of level and type of service. Storage and customers cutting back on their usage helped the system. Mr. Tramonte stated that Enable is also exploring additional sources of supply.

Mr. Tramonte was asked if he could speak to what Enable learned about customer notifications during the event and whether customers could be better educated to have the right agreement in place. Mr. Tramonte explained that Enable had seen events with similar temperatures, but never for the duration experienced in February 2021. Mr. Tramonte stated that the extreme temperatures and

duration caused Enable to have to enact prioritization of human needs in a way they hadn't done before. Mr. Tramonte stated that customers have to submit an affidavit saying that they do serve human needs and how much they need for that. They are learning about utility and industrial customer needs to avoid catastrophic damage to equipment and how to go through the process to get those affidavits done.

Mr. Tramonte was asked whether their compressor stations experienced a power loss and if they have back-up power systems. Mr. Tramonte responded that a number of compressor stations do have back-up power and that they did not experience power interruptions at their compressor stations. Mr. Tramonte emphasized that the problem was that more gas was being taken off the system than coming on, causing pressure drops on the pipeline.

Mr. Tramonte was asked about lessons learned. Mr. Tramonte responded that most of the supply in Oklahoma and Northern Arkansas saw the largest impacts from the wellhead freeze off. Mr. Tramonte explained that increased supply ability in northern Arkansas would have provided access to more supply and storage assets located in northern Louisiana.

Mr. Tramonte was asked about the best way to communicate about the affidavit process. Mr. Tramonte responded that being more proactive is pivotal so that customers understand priority each winter and they don't wait until an event to get affidavits.

Mr. Tramonte was asked whether Enable's pipeline runs east to west along the Arkansas River. Mr. Tramonte responded that it runs primarily east to west then south to Louisiana.

Mr. Tramonte was asked whether the Arkoma basin supplies gas in their pipeline. Mr. Tramonte responded that it contributes, but is not the majority of supply.

Mr. Tramonte was asked how much of the gas that is brought into the system stays in Arkansas. Mr. Tramonte responded that he would have to follow-up with this information.

Mr. Tramonte was asked whether a large portion of the Fayetteville Shale gas goes east. Mr. Tramonte stated that competing pipelines move a majority of that volume further east.

Mr. Tramonte was asked where storage of natural gas happens. Mr. Tramonte responded that it occurs in Louisiana and Oklahoma. Mr. Tramonte discussed the use of geological reservoirs and salt caverns as storage facilities.

**7. Summary of Testimony from Elizabeth Reinholt, Vice President, Sustainability and Corporate Affairs, Summit Utilities, Inc., Fred Kirkwood, Chief Customer Officer, Summit Utilities, Inc., Walt McCarter, Manager, Arkansas Oklahoma Gas**

**Arkansas Oklahoma Gas Corporation/ Summit Utilities, Inc.**

Mr. McCarter described the Arkansas Oklahoma Gas Corporation (AOG) owned by Summit Utilities as a gas distribution company that operates in western Arkansas. Mr. McCarter explained that AOG always takes weather into consideration for natural gas procurement. They use historic events and market response to model needs.

Mr. McCarter explained that the AOG supply strategy includes a diverse portfolio with firm service contracts. Mr. McCarter described the extreme index prices and shortages due to the February 2021 winter weather event. AOG curtailed interruptible and industrial customers to ensure they could serve residential customers. They issued communications to conserve.

The Summit Utilities representatives were asked whether they had any lessons learned that they can put in the Task Force's recommendations that could apply to all natural gas providers in the state and to commercial organizations to better prepare for potential curtailments. Mr. Kirkwood explained that this was a unique experience for both them and the customers. He suggested updating customer profiles to ensure that they have the appropriate direct contacts. Mr. Kirkwood explained that they called large industrial customers, but couldn't call all of their smaller commercial customers. They did not physically shut the smaller commercial customers off, but they did tell them they were being curtailed and to turn down thermostats. Mr. Kirkwood explained that they didn't have much notice of the supply shortages. He stated that they nominated the appropriate amount of gas but weren't notified in advance that they couldn't get all of the supply they nominated. They set up a text messaging program to help with communications about conserving and overall curtailment. They also kept customer service representatives on for longer hours to answer customer questions.

The Summit Utilities representatives were asked whether they had any issues with weatherization. The representatives responded that the AOG system functioned well during the cold weather, but that they had lower pressures at some of the dead end feeds due to the supply shortage.

The Summit Utilities representatives were asked whether they had to purchase any higher cost gas to augment the system. The representative responded that AOG contracts all of their gas in an annual process. They always try to nominate gas in order of economic priority. They did have to call on higher priced gas, but didn't have to go outside contracts onto the spot market.

The Summit Utilities representatives were asked about how the costs of the higher gas were allocated to customers. The representatives responded that they were primarily allocated to residential and small commercial companies. They stated that larger customers typically buy on third-party contracts so they are not attributing the high price gas demand to those customers.

The Summit Utilities representatives were asked where their customer base is located. They responded that their customers are located in five counties in western Arkansas in the Fort Smith/Van Buren area.

The Summit Utilities representatives were asked who would communicate to them that the natural gas supply is dropping. The Summit Utilities representatives responded that there are three parties in the relationship: Distributors, suppliers, and pipeline operators. They put supply nominations into the pipeline for delivery to the system. When the gas didn't produce, they got notifications from the pipeline about it. Then, they had to call suppliers regarding what they could do to get more gas.

The Summit Utilities representatives were asked whether there was a process to notify customers of cost increases so they could choose to voluntarily reduce. The representatives responded that it's possible. For large industrials, they buy through a third party and AOG is just a distributor. The industrials would need to work with their marketers on issues of cost.

## **8. Summary of Testimony From Mark Porth, Account Manager**

**CHS Inc.**

Mr. Porth described CHS as a wholesaler of propane covering coast-to-coast. He works in the Missouri, Arkansas, Kansas, Texas, and New Mexico region. Mr. Porth explained that most of the fuel in Arkansas comes from out of state. In the summer, there is enough local infrastructure to support demand. When it cools off, they are more heavily reliant on transportation carriers bringing fuel into Arkansas. Mr. Porth stated that none of their customers had an outage because they had a plan prepared for winter.

Mr. Porth was asked about where in Arkansas is his core business. Mr. Porth responded that CHS serves primarily the northern half of the state and that fuel can come in from Oklahoma, Kansas, Missouri, and Illinois.

Mr. Porth was asked who his customers are. Mr. Porth responded that they provide to the retailers who then deliver to residential or industrial customers. CHS is wholesale only.

Mr. Porth was asked whether a shortage of carriers affects his business. Mr. Porth explained that a majority of propane in the winter comes from outside Arkansas and that carriers are a huge part of what they do. Mr. Porth stated that hours of service requirements limit what a carrier can run. In the summer, they have adequate carriers. But when they go long distances, it can cut their trucking fleets ability to deliver fuel. Mr. Porth recommended that being progressive on hours of service requirements before they get behind would be a great benefit to his customers, especially when the carriers must travel long distances to get propane. Mr. Porth stated that the propane industry has a distribution issue, rather than a supply issue. Mr. Porth explained that there is a shortage of drivers with the required commercial driver's license and hazardous materials training.

Mr. Porth was asked about retention of existing propane drivers. Mr. Porth responded that the drivers are paid well and are very valuable employees. Mr. Porth indicated that a carrier may be better able to speak to driver retention.

Mr. Porth was asked if CHS operates a terminal or something different. Mr. Porth responded that they bring propane into Arkansas through 10 different locations working through a terminal.

Mr. Porth was asked how CHS operates. Mr. Porth responded that they prepare the supply and the transport carrier then delivers the propane to the customer.

Mr. Porth was asked whether CHS has storage. Mr. Porth responded that they have a storage facility and other supply sources.

Mr. Porth was asked whether wholesale services are transferrable to western Arkansas, which currently lacks a terminal or whole sale point. Mr. Porth explained that you could do that through many different ways. For instance, you can invest in a rail car facility. But, rail car facilities are typically not economic in the propane industry 8 or 9 months out of the year. Mr. Porth said that other locations must also move fuel. For every load they make in the summer, they make one in the winter. But demand in the winter is three times that in summer. Retailers in western Arkansas have to go to Conway, Kansas for their gas. The time required to get gas from their and the time a truck sits and waits in line both count against a driver's hours of service.

Mr. Porth was asked how CHS could strengthen its position in the state and whether a transloading operating would be feasible. Mr. Porth responded that they are looking at multiple locations to see what might work. Mr. Porth described the cost premium that North Dakota and Calgary put on winter propane rail cars. This cost makes it more economic to send trucks to their suppliers.

Mr. Porth was asked whether having access to a spur for a 90-day window would be beneficial. Mr. Porth responded that they already have a couple of these in place, but the cost premium makes it difficult. Having the asset sitting for months is not economic. Mr. Porth also discussed export facilities on the west coast and in Pennsylvania diverting fuel that would otherwise go south to the states.

Mr. Porth was asked whether they had difficulty finding transportation the first couple of weeks in February. Mr. Porth responded that they didn't. Mr. Porth commented that CHS works closely with carriers. He explained that carriers have some slack and can haul other things in the off season. Mr. Porth suggested that helping with hours of service would make things easier and that drivers have an incredible track record for safety.

## **9. Closing Remarks**

**Secretary Keogh**



Secretary Keogh concluded the hearing at 4:00 pm.