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ENERGY RESOURCES PLANNING TASK FORCE

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 ORIGINAL

10

PUBLIC HEARING

11

JUNE 2, 2021

12

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BEFORE:

14

BECKY KEOGH, CHAIRMAN AND SECRETARY OF THE
ARKANSAS DEPARTMENT OF ENERGY AND
ENVIRONMENTAL QUALITY

15

16

MICHAEL PRESTON, SECRETARY OF COMMERCE AND
EXECUTIVE DIRECTOR OF THE AEDC

17

LARRY BENGAL, DIRECTOR OF THE ARKANSAS OIL
AND GAS COMMISSION

18

19

KEVIN PFALSER, DIRECTOR OF THE ARKANSAS
LIQUIFIED PETROLEUM AND GAS BOARD

20

STEVEN SPARKS, DIRECTOR OF THE AEDC,
EXISTING BUSINESS RESOURCES DIVISION

21

22

TAKEN BEFORE Karisa J. Ekenseair, Certified Court
Reporter, LS Certificate No. 802, Bushman Court
Reporting, 620 West Third Street, Suite 302, Little
Rock, Arkansas 72201 on June 1, 2021 at the Arkansas
Department of Energy & Environmental Quality, 5301
Northshore Drive, North Little Rock, Arkansas
commencing at 10:24 a.m.

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1 SECRETARY KEOGH: Good morning. Today is
2 June 2nd, 2021. And appreciate your patience as
3 we've encountered a few technical issues this
4 morning, including a power outage at our location
5 here at the Arkansas Department of Energy and
6 Environment Headquarters.

7 I'm advised by Entergy that they're working
8 diligently to restore power to this area of the city
9 and we hope that we have that resumed later today.
10 But in the meantime, we are using other technology to
11 try to broadcast this. If you have difficulty
12 hearing, we apologize. We are recording this and you
13 should have access to this recording in the future,
14 should you desire to hear any testimony that you're
15 unable to hear during this live stream itself.

16 We are here today to hear testimony from in
17 person as well as through Zoom technology for the
18 Energy Resources Planning Task Force. I am Becky
19 Keogh. I'm Secretary of the Arkansas Department of
20 Energy and Environment. And I have the pleasure of
21 serving on this Task Force with also Secretary of
22 Commence, Mike Preston who sits to my right this
23 morning; Director of the Oil and Gas Commission,
24 Larry Bengal who is to my left; and to my far right,
25 Kevin Pfalser, Director of the Liquified Petroleum

1 Gas Board. And we appreciate all of those
2 participants and members participating this morning.

3 We also have a couple of people present in
4 the room and audience. I have a number of staff
5 supporting this, and I appreciate their work. But
6 due to time, I'm going to move forward at this point
7 and just move forward into the actual testimony
8 that's scheduled for this morning.

9 Before I do so, I wanted to, as a matter of
10 introduction, just mention that on March 3rd, 2021,
11 Governor Asa Hutchinson signed Executive Order 21-05
12 which established the Energy Resources Executive
13 Planning Task Force. This Task Force was set up with
14 the intention of conducting hearings and collecting
15 information that would be beneficial to the state to
16 do after-action assessments of the ice storms that we
17 encountered in February, as well as created lessons
18 learned for follow-up, should we encounter other
19 events.

20 So as we gather this information, we want
21 to better prepare ourselves and our state's energy
22 infrastructure in the event of another statewide
23 emergency.

24 As Chair of the Task Force, I will call
25 forward the speakers this morning that will provide

1 testimony. And when I do call your name, we -- your
2 organization, if you would come forward, and due to
3 the technology, stand adjacent to the computer that
4 we're using for Zoom this morning. We will be able
5 to hear and record your testimony in better shape.

6 With that, when you come forward, if you
7 would, state your name, title, and organization for
8 the record. We have allowed -- allotted five minutes
9 for an opening statement. We know that the
10 organizations that are appearing have submitted
11 prefiled testimony.

12 And so we will be asking for an opening
13 statement. And then following that opening
14 statement, we will open -- or I will open the Task
15 Force members -- the floor to the Task Force members
16 who will ask questions of the representatives here
17 before us. We've allotted about 15 minutes for that
18 process. And I know that we have Andrea Hopkins
19 sitting in front right here who will be gently
20 reminding people of the time, and we ask that
21 everyone be respectful of the time limits.

22 This morning we will -- our first speaker
23 will be Ozark Petroleum, and I'll ask you to come
24 forward, the representative from Ozark Petroleum this
25 morning, and begin the testimony as scheduled.

1 Thank you for being present.

2 SCOTT SEFTON: Welcome.

3 SECRETARY KEOGH: We appreciate your
4 participation and involvement.

5 SCOTT SEFTON: I'm Scott Sefton with Ozark
6 Mountain Petroleum. I'm a driver/dispatcher. We've
7 been in business about eight years transporting
8 propane. Actually, they have been -- Ozark Mountain
9 Petroleum has been in business transporting gas and
10 diesel for over 30 years and we've just started the
11 propane eight years ago. We currently run ten
12 transports.

13 SECRETARY KEOGH: Do you have any
14 additional comments?

15 SCOTT SEFTON: No.

16 SECRETARY KEOGH: Okay. Thank you. It's
17 helpful to know your operations here in the state. I
18 think that informs us of your presence here and we
19 appreciate Ozark being part of the Arkansas system
20 for liquified petroleum.

21 I'll begin and turn first to Director
22 Pfalser for questions. And then we'll kind of come
23 down the row here if there's follow-up questions by
24 any of the other Task Force members.

25 SCOTT SEFTON: Okay.

1 SECRETARY KEOGH: So I'll turn to Director
2 Pfalser to begin our questions this morning.

3 DIRECTOR PFALSER: Scott, we appreciate you
4 taking the time --

5 SCOTT SEFTON: Yes, sir.

6 DIRECTOR PFALSER: -- to be with us. And
7 you know, the events back in February that prompted
8 this Task Force being put together, you're well aware
9 of what kind of hardship that had on our industry.

10 SCOTT SEFTON: Oh, yeah.

11 DIRECTOR PFALSER: The oil and gas
12 industry.

13 SCOTT SEFTON: Yep.

14 DIRECTOR PFALSER: But in a broader sense,
15 let me ask you this: Outside of an event like that,
16 do you foresee or have you in the past had any
17 problems with supply outside of an event like this on
18 a year-to-year basis?

19 SCOTT SEFTON: Oh, yeah. Usually through
20 the winter, obviously, yeah. Supply does get tight.
21 You know, different reasons that I have heard, you
22 know, pipeline issues. And you know, we lost
23 this -- this last winter they, for whatever reason,
24 they closed the -- we lost a terminal.

25 DIRECTOR PFALSER: Rixie.

1 SCOTT SEFTON: Here in North Little Rock.

2 Yes.

3 DIRECTOR PFALSER: Okay.

4 SCOTT SEFTON: That was about a 1.2 million
5 gallon facility. Reasons unknown to me why they
6 closed it, you know. And then during the crisis we
7 had back during mid-February, there was some refinery
8 issues, you know, due to the extreme cold
9 temperatures.

10 DIRECTOR PFALSER: So when --

11 SCOTT SEFTON: And that was -- go ahead.

12 DIRECTOR PFALSER: So when that happened,
13 when that weather came in and we had one of the
14 terminals that had been servicing -- serving the
15 area --

16 SCOTT SEFTON: Yes.

17 DIRECTOR PFALSER: -- taken offline --

18 SCOTT SEFTON: Yes.

19 DIRECTOR PFALSER: -- I think that even a
20 refinery in Ponca City went down?

21 SCOTT SEFTON: Yes. Yes.

22 DIRECTOR PFALSER: Some of the terminals
23 that were fed off the pipeline because of the same
24 issues --

25 SCOTT SEFTON: Yep.

1 DIRECTOR PFALSER: -- that we heard in
2 testimony from natural gas --

3 SCOTT SEFTON: Yep.

4 DIRECTOR PFALSER: -- they could not get
5 propane to the terminal. So what did that mean as a
6 transporter for you?

7 SCOTT SEFTON: Well, we had to travel out
8 of state. As far as we're concerned: Hattiesburg,
9 Mississippi; Moberly, Missouri; Jefferson, Missouri;
10 and East St. Louis was the terminals that we had to
11 go to, which you're talking 300-plus miles either
12 direction, you know, to come back into the state.

13 And when you're traveling those distances
14 with the hours of service that we have to abide by,
15 you're looking at basically one load a day per truck.
16 And in our case, like I said before, we have ten
17 trucks. And you're taking if -- if we could load,
18 like, out of the Rixie terminal, for example --

19 DIRECTOR PFALSER: Right.

20 SCOTT SEFTON: -- you know, one of my
21 trucks could run three loads a day, you know, versus
22 if you're having to go to Hattiesburg, Mississippi,
23 for example, travel 300-plus miles down there, you
24 have to travel the same 300-plus miles back,
25 obviously. And you're looking at one load a day.

1 DIRECTOR PFALSER: Okay. And so -- and
2 you're not in a unique situation. If this is
3 happening with Ozark Petroleum, when you're -- it's
4 happening to everybody in the state?

5 SCOTT SEFTON: Yes. Everybody. Everybody.
6 Absolutely.

7 DIRECTOR PFALSER: So at the first of
8 February, I believe that the governor helped the
9 industry out with an hours of service on the 10th of
10 February. And that was just a few days prior to --
11 less than a week prior to the main event --

12 SCOTT SEFTON: Right. Exactly.

13 DIRECTOR PFALSER: -- happening.

14 SCOTT SEFTON: Yes.

15 DIRECTOR PFALSER: And so what -- what
16 would be your recommendation concerning hours of
17 service? I mean, that was a big help.

18 SCOTT SEFTON: Oh, yes. Tremendous.

19 DIRECTOR PFALSER: That allowed you all to
20 run longer.

21 THE WITNESS: Yes.

22 DIRECTOR PFALSER: It allowed the bobtails
23 and the independent dealers to run longer.

24 SCOTT SEFTON: Right.

25 DIRECTOR PFALSER: Once the propane did get

1 back.

2 SCOTT SEFTON: Yeah.

3 DIRECTOR PFALSER: So what would be your
4 suggestion concerning hours of service?

5 SCOTT SEFTON: I would say lifting them
6 sooner.

7 DIRECTOR PFALSER: Okay.

8 SCOTT SEFTON: You know, referring to
9 this -- this last winter, that would have helped us.
10 If we could have had another couple of weeks of
11 running -- you know, and you -- we run on hours of
12 service for a reason, you know. I mean, you can't
13 run around the clock obviously. But if we had a
14 little more leniency -- and like I said, if they
15 would have done it sooner, I think that would have
16 helped.

17 DIRECTOR PFALSER: And then -- and kind of
18 talk about, if a dealer has -- they have X number of
19 gallons of storage --

20 SCOTT SEFTON: Exactly.

21 DIRECTOR PFALSER: -- at their disposal --

22 SCOTT SEFTON: Yeah.

23 DIRECTOR PFALSER: -- and if that storage
24 is on the bottom side --

25 SCOTT SEFTON: Right.

1 DIRECTOR PFALSER: -- and you -- we run
2 into this situation and they have three bobtails,
3 four bobtails pulling out of one storage --

4 SCOTT SEFTON: Right.

5 DIRECTOR PFALSER: -- how many bobtails can
6 you fill off of one transport load?

7 SCOTT SEFTON: About four. We normally
8 carry about 9,000 gallons.

9 DIRECTOR PFALSER: Okay.

10 SCOTT SEFTON: And your average bobtail is
11 about 2600, which --

12 DIRECTOR PFALSER: Something --

13 SCOTT SEFTON: Yeah. You know --

14 DIRECTOR PFALSER: Between 3 and 4?

15 SCOTT SEFTON: That's the average. 23 to
16 26, you know.

17 DIRECTOR PFALSER: Okay. So when we see a
18 weather event occurring, maybe ask the governor to
19 consider that sooner --

20 SCOTT SEFTON: Yes.

21 DIRECTOR PFALSER: -- would be a benefit?

22 SCOTT SEFTON: Yes.

23 DIRECTOR PFALSER: Okay. Outside
24 of -- outside of that, what else could you see could
25 be a benefit to help mitigate the situation?

1 SCOTT SEFTON: Well, I would say going back
2 to what you said about the retailer storage, you
3 know, they -- some of them need more storage, you
4 know. And I think some more terminals, whether it's
5 rail terminals, could be placed in the state
6 strategically, maybe on the west side of the state,
7 the east side of the state, maybe in the central part
8 of the state, you know.

9 DIRECTOR PFALSER: Currently with Rixie
10 being taken out of the system, how many pulling
11 points do we have in the state?

12 SCOTT SEFTON: Currently we have the
13 Memphis refinery, which supplies a lot of the eastern
14 part of the state. Then you have the terminal at
15 Light, which is up just west of Paragould. And then
16 we have the West Memphis terminal.

17 DIRECTOR PFALSER: And what about, have you
18 ever pulled any product out of the river port?

19 SCOTT SEFTON: Yes. I forgot about that.
20 Yes. The port over here. NGL has the port terminal.
21 Yeah. And it's a rail facility.

22 DIRECTOR PFALSER: It's a rail facility?

23 SCOTT SEFTON: Yes.

24 DIRECTOR PFALSER: Are there any others
25 that you have pulled from in the state?

1 SCOTT SEFTON: None within the state. No.

2 DIRECTOR PFALSER: Doesn't the --

3 SCOTT SEFTON: Well, AmeriGas has the one

4 up here off of Broadway.

5 DIRECTOR PFALSER: The transloader?

6 SCOTT SEFTON: The transloader. Yes.

7 DIRECTOR PFALSER: That they have in North

8 Little Rock?

9 SCOTT SEFTON: Yes. Yep.

10 DIRECTOR PFALSER: Have you ever loaded

11 there before?

12 SCOTT SEFTON: Oh, yeah. Yes. But as far

13 as I know, the last year they did sell some gas to

14 other customers, but it's primarily for their --

15 DIRECTOR PFALSER: Their own use?

16 SCOTT SEFTON: Yes. Their own use. Yes.

17 Yes.

18 DIRECTOR PFALSER: Okay. And Light, the --

19 that's the Valero refinery you're referring to?

20 SCOTT SEFTON: No. The Valero is in

21 Memphis.

22 DIRECTOR PFALSER: In Memphis?

23 SCOTT SEFTON: Memphis refinery.

24 DIRECTOR PFALSER: And NGL is West Memphis?

25 SCOTT SEFTON: Yes. West Memphis and Light

1 and the port, as you referred to, over here off of
2 440.

3 DIRECTOR PFALSER: So there's almost
4 nothing on the western side of the state?

5 SCOTT SEFTON: No, sir.

6 DIRECTOR PFALSER: So --

7 SCOTT SEFTON: No.

8 DIRECTOR PFALSER: So possibly
9 incentivizing in some way to put in some -- maybe a
10 transloader --

11 SCOTT SEFTON: Yes. Yes. Yeah.

12 DIRECTOR PFALSER: -- would be the most
13 economic way to offset, to help out?

14 SCOTT SEFTON: Uh-huh.

15 DIRECTOR PFALSER: And storage, possibly
16 looking at some kind of incentive for the independent
17 dealer --

18 SCOTT SEFTON: Yes.

19 DIRECTOR PFALSER: -- to --

20 SCOTT SEFTON: Increase their storage
21 capacity.

22 DIRECTOR PFALSER: What are you seeing in
23 the way of storage in the state? Are we increasing
24 in storage naturally, or are you seeing storage
25 leaving the state, being taken out of the state?

1 SCOTT SEFTON: Unfortunately, I'm seeing it
2 leave the state. A lot of the nationals, I seen them
3 closing a lot of their locations, for whatever
4 reason. I don't know if it's because of loss of
5 business. I don't know. It's unknown to me why.
6 But I do see a lot of the retail locations storage
7 facilities leave.

8 DIRECTOR PFALSER: Okay.

9 SECRETARY KEOGH: Kevin -- or Director
10 Pfalser, I think we'll move on and we'll come back to
11 you for additional questions. I know you're very
12 familiar with this industry, but I want to make sure
13 all our Task Force members have time to address the
14 speaker.

15 DIRECTOR PFALSER: Absolutely.

16 SECRETARY KEOGH: So with that, I'll turn
17 to Secretary of Commence, Mike Preston, for any
18 questions he --

19 SECRETARY PRESTON: Thank you, Madame
20 Chair. And thank you, Scott, thank you for coming
21 down --

22 SCOTT SEFTON: You're welcome.

23 SECRETARY PRESTON: -- and taking the time
24 to share this info and providing testimony. I think
25 Kevin covered most of these pretty well.

1 I guess the only thing I would ask is
2 according to your testimony, you mentioned that you
3 weren't able to get your trucks out, obviously the
4 low supply. But were the roads impassable? Was that
5 an issue as well?

6 SCOTT SEFTON: Oh, yeah. Yes. We was down
7 for, if I remember it, right at seven days.

8 SECRETARY PRESTON: That you couldn't --

9 SCOTT SEFTON: We couldn't. No, we
10 couldn't move.

11 SECRETARY PRESTON: Okay.

12 SCOTT SEFTON: Now, there was -- of course,
13 we're based out of Mountain View. As you know, the
14 roads are -- it's a little different in our area than
15 it is in Jonesboro. I mean, you know, it's
16 relatively flat, you know. So some of my customers
17 are in Jonesboro and they was able to run bob trucks,
18 you know, like five days into the event, you know,
19 just to select locations, you know.

20 But yes, we was about seven days before we
21 could get trucks out.

22 SECRETARY PRESTON: Okay. That was a big
23 factor then?

24 SCOTT SEFTON: Yes. Very much so.

25 SECRETARY PRESTON: Thank you.

1 SCOTT SEFTON: You're welcome.

2 SECRETARY PRESTON: So you cover, you said,
3 over to Jonesboro. What's your territory? How far?

4 SCOTT SEFTON: We run pretty much
5 everything south of home down this way, and then we
6 have customers from this area all the way to over
7 into as far as Nashville, Tennessee, and then the
8 northern part of Mississippi.

9 SECRETARY PRESTON: Big area. Thank you.
10 That's all I have, Madame Chair.

11 SECRETARY KEOGH: Thank you. I'll turn to
12 Director Bengal and come back and ask a few questions
13 myself.

14 DIRECTOR BENGAL: Thank you for coming.

15 SCOTT SEFTON: Yes, sir.

16 DIRECTOR BENGAL: Listening to some of your
17 answers on the questions that Director Pfalser had,
18 when you say -- when referring to the word
19 "terminal", that means where you go pick up?

20 SCOTT SEFTON: Yes. We load.

21 DIRECTOR BENGAL: A distribution point.

22 SCOTT SEFTON: Yes. Yes.

23 DIRECTOR BENGAL: And do those have to be
24 along pipelines? I heard you say there is one served
25 by rail, but is that the most economic location,

1 along a pipeline or rail line?

2 SCOTT SEFTON: Yes. Yeah. Yeah. They
3 are -- well, like we referred to the AmeriGas
4 terminal at -- up here off of Broadway, it is
5 exclusively rail. You know, you have the terminal in
6 Light, the pipeline.

7 Now, when we're referring to the Memphis
8 refinery, they actually -- there's no pipeline. They
9 actually -- there's no pipeline. They actually
10 produce the propane. We go in and load it.

11 DIRECTOR BENGAL: Okay.

12 SCOTT SEFTON: And we also transfer some of
13 that product to the terminals, Light, West Memphis.
14 We bring some over to the port that I was referring
15 to. And then we also load gas out of the refinery
16 and go to different retail locations.

17 DIRECTOR BENGAL: Okay. So if there were
18 to be terminals located in the western part of the
19 state, for example --

20 SCOTT SEFTON: Yes.

21 DIRECTOR BENGAL: -- I'm not familiar with
22 any pipelines --

23 SCOTT SEFTON: No, sir.

24 DIRECTOR BENGAL: -- in that area. It
25 would have --

1 SCOTT SEFTON: It would have to be rail.

2 Yes.

3 DIRECTOR BENGAL: -- facility. And it
4 would come out of where, Oklahoma?

5 SCOTT SEFTON: I'm assuming. Yes. Some of
6 the gas that comes into the port over here, NGL port,
7 it comes out of the Dakotas. They even get some gas
8 out of Canada.

9 DIRECTOR BENGAL: Okay. So is there a
10 particular -- in a terminal situation, I know you're
11 involved with distribution. But is there a volume
12 that a terminal would have to -- that you could, from
13 experience, to make it economic to do?

14 SCOTT SEFTON: Yes. I would say so. Yeah.
15 You -- you would have to move a certain amount of
16 gallons to justify, you know.

17 DIRECTOR BENGAL: Is that possible in
18 western -- would there be enough customer usage in
19 western Arkansas to justify that?

20 SCOTT SEFTON: I would say absolutely.
21 Yes. Yeah. Yeah.

22 DIRECTOR BENGAL: And when you talk about
23 storage area, are you talking about the storage area
24 for the distribution, as yourself? Or the terminals?

25 SCOTT SEFTON: Well, actually when we're

1 talking about the retail storage, it's the storage
2 capacity that they have to pull from, you know, their
3 bobtail delivery trucks to come in and load.

4 DIRECTOR BENGAL: Right.

5 SCOTT SEFTON: Most of our customers,
6 they -- well, I have one up in Jonesboro. He has
7 about 150,000 gallons of storage and probably
8 wouldn't hurt to double that, you know.

9 DIRECTOR BENGAL: And who regulates that or
10 determines that storage? Or is that --

11 SCOTT SEFTON: That's basically up to them.
12 Am I right, Kevin? The retailer themselves, you
13 know.

14 DIRECTOR BENGAL: So there's no
15 regulatory --

16 SCOTT SEFTON: No.

17 DIRECTOR BENGAL: -- process --

18 SCOTT SEFTON: I mean, as long as they have
19 property and can stay within the guidelines of the LP
20 board, I mean they can set as many tanks as they can.

21 DIRECTOR BENGAL: That's all the questions
22 I have.

23 SECRETARY KEOGH: All right. Well, thank
24 you.

25 SCOTT SEFTON: You're welcome.

1 SECRETARY KEOGH: Again, like the other
2 Task Force members, I want to express my appreciation
3 for you being here, and your patience as we encounter
4 our own challenges this morning.

5 Can you describe, to me, at least, the
6 nature of your customers, how they're using propane
7 or liquified petroleum products and how that fits
8 within, you know, their life or work during an ice
9 event or storm event? Can you explain the things of
10 the use of the propane?

11 SCOTT SEFTON: Yeah. Especially during the
12 cold part of the year, it's for heat. You know, and
13 a lot -- well, the power outage here, generators for
14 power outages.

15 SECRETARY KEOGH: Okay. Do you know if
16 anyone uses propane -- I guess they use it also for
17 purposes of heat, but also fueling cooking and things
18 like that?

19 SCOTT SEFTON: Yeah. Cook stoves. Yes.

20 SECRETARY KEOGH: Are most of your
21 customers, are they rural? Urban? A little bit of
22 both? Or how would you characterize --

23 SCOTT SEFTON: A little bit of both.

24 SECRETARY KEOGH: So you have propane usage
25 and store it -- customers deliveries?

1 SCOTT SEFTON: Uh-huh.

2 SECRETARY KEOGH: In your testimony that
3 you prefiled -- and I'm aware from Director Pfalser's
4 briefings, that supply seemed to be short before the
5 storm event.

6 SCOTT SEFTON: Correct.

7 SECRETARY KEOGH: Can you explain what led
8 to that shortage, or at least how that might be
9 avoided in the future, in terms of making sure
10 customers had full supplies that they needed before
11 coming into a storm event?

12 So could you explain that a little bit? Do
13 you know what led to that storage? Or is that a
14 common occurrence?

15 SCOTT SEFTON: It's -- it's pretty common.

16 SECRETARY KEOGH: Okay.

17 SCOTT SEFTON: Especially over the
18 last -- since we've been in business. And I've been
19 in the transportation business myself for about 13
20 years now. And since I've been in the business, it
21 seems to have steadily gotten worse over the years.
22 And I think a lot of it is pipeline issues.

23 But I'm not -- I mean, I hear, you know,
24 talk, but I'm not in that side of the business to
25 really know why they can't get gas up the line, you

1 know.

2 SECRETARY KEOGH: So there's nothing on
3 your end? If the --

4 SCOTT SEFTON: No, ma'am.

5 SECRETARY KEOGH: -- inventories were
6 available to you --

7 SCOTT SEFTON: Oh, yes.

8 SECRETARY KEOGH: -- you could be making
9 sure customers were --

10 SCOTT SEFTON: Yes.

11 SECRETARY KEOGH: -- full, ready to go --

12 SCOTT SEFTON: Yep.

13 SECRETARY KEOGH: -- as they go into the --

14 SCOTT SEFTON: Yep.

15 SECRETARY KEOGH: -- winter months --

16 SCOTT SEFTON: Right. Right.

17 SECRETARY KEOGH: -- where they might rely
18 on the --

19 SCOTT SEFTON: Yep.

20 SECRETARY KEOGH: -- fuel? That's
21 something I think is important as we look at what we
22 can do to make sure that these deliveries occur.

23 I know the governor did act as a result of
24 information that came to me, as well as to him, that
25 there was this shortage. And knowing that we were

1 entering the winter season --

2 SCOTT SEFTON: Right. Right.

3 SECRETARY KEOGH: -- we wanted to get ahead
4 of it. Obviously the storm came quickly after that
5 decision. And also in a more -- slightly more
6 significant way than everyone anticipated.

7 SCOTT SEFTON: Oh, yeah.

8 SECRETARY KEOGH: So we -- I think we got
9 caught short there too. So appreciate the work you
10 did during the storm to get out of -- a comment made
11 earlier in our hearings with other organizations was
12 the road conditions --

13 SCOTT SEFTON: Yes.

14 SECRETARY KEOGH: -- perhaps limited other
15 deliveries outside of liquified petroleum. Do you
16 know if the recommendation that came, and that was
17 perhaps engaging the National Guard or others to
18 assist earlier or help make sure roads were passable,
19 is that something you would recommend that we discuss
20 or --

21 SCOTT SEFTON: Yes. I would say.
22 Absolutely.

23 SECRETARY KEOGH: And I know that in
24 speaking to our National Guard commander, he
25 mentioned that they were on the road and down, I

1 believe, in the Hope area doing -- helping assisting
2 in delivery of propane, I believe, during the storm
3 event.

4 SCOTT SEFTON: Yeah.

5 SECRETARY KEOGH: So I know that they were
6 called out during the storm event itself. But I
7 guess, are there other resources that y'all utilize
8 for purposes of keeping the roads open, the counties,
9 or other -- can you think of any additional groups
10 that we might want to consider recommending?

11 SCOTT SEFTON: Yes. Well, other than the
12 normal highway department, maybe the county road
13 departments could help. You know, open -- because
14 some of our locations that we deliver to are actually
15 off of the main highways. You know, they're on the
16 county roads, you know. And absolutely, those could
17 be cleaned up.

18 And some of the trouble we had was actually
19 getting in and out of the customers' locations, you
20 know. Maybe we could look at some way to -- because
21 it's left up to them to clean their lot, you know.
22 And unfortunately, some of them don't do a very good
23 job, you know.

24 SECRETARY KEOGH: So are you -- is your
25 equipment, I guess, if you will, weatherized? Are

1 y'all equipped to go on icy, snowy roads and things
2 like that?

3 SCOTT SEFTON: No.

4 SECRETARY KEOGH: In terms of the vehicles?

5 SCOTT SEFTON: No, not really. I mean,
6 yes, there's things you can do. You can put on tire
7 chains, you know, to -- but that's a lot of work, you
8 know. And it's not really all that safe, to be
9 honest with you.

10 SECRETARY KEOGH: All right. Well, I
11 appreciate the feedback that you've given, the
12 comments you've got, the patience, again, you had
13 this morning.

14 And I'm going to turn it back to Director
15 Pfaller. I know he may have a follow-up question
16 from any of these discussions.

17 DIRECTOR PFALLER: Just one, Scott. When
18 the -- when the pipeline -- this is my
19 understanding -- and you're in the terminals all the
20 time.

21 SCOTT SEFTON: Right.

22 DIRECTOR PFALLER: But there was a couple
23 of lines that ran from Mont Belvieu up towards the
24 east coast --

25 SCOTT SEFTON: Yes.

1 DIRECTOR PFALSER: -- and came through the
2 state.

3 SCOTT SEFTON: Yes.

4 DIRECTOR PFALSER: And I understand that a
5 few years ago that they reversed one of those.

6 SCOTT SEFTON: Yes.

7 DIRECTOR PFALSER: And so that cut half the
8 capacity to pull from the pipeline.

9 SCOTT SEFTON: Oh, yeah. Yeah.

10 DIRECTOR PFALSER: And so, you know, maybe
11 that is one of the things that has caused on a
12 year-to-year basis.

13 SCOTT SEFTON: Yeah.

14 DIRECTOR PFALSER: But then inside the
15 terminals that exist, do you ever have a situation
16 where they have allocation and your customers then
17 don't have product available to them?

18 SCOTT SEFTON: Oh, yes. Absolutely. Yeah.

19 DIRECTOR PFALSER: Okay.

20 SCOTT SEFTON: We had customers this last
21 winter that simply could not get gas because of
22 allocation, and they was forced out of the state, you
23 know.

24 DIRECTOR PFALSER: So that's when you end
25 up going to -- did you ever go to -- as far away as

1 Demopolis?

2 SCOTT SEFTON: Yeah. Demopolis. We ran
3 some out of Demopolis. Yes, Alabama.

4 DIRECTOR PFALSER: Alabama. Okay. All
5 right. I think I don't have --

6 DIRECTOR BENGAL: I have a question. Who
7 determines the allocation you're referring to?

8 SCOTT SEFTON: That is the supplier.

9 DIRECTOR BENGAL: Okay.

10 SCOTT SEFTON: The owners of the terminals.

11 DIRECTOR BENGAL: Okay. So they're just
12 allocating their current supply --

13 SCOTT SEFTON: Exactly.

14 DIRECTOR BENGAL: -- spreading it around?

15 SCOTT SEFTON: Exactly. Exactly. Yeah.
16 Yes.

17 DIRECTOR BENGAL: When you talked about the
18 pipeline, is that a lack of pipeline capacity or just
19 the lack of product in the pipeline?

20 SCOTT SEFTON: Lack of product in the
21 pipeline.

22 DIRECTOR BENGAL: So where it's being
23 produced is just not sufficient to meet the supply?

24 SCOTT SEFTON: Right. Exactly. Exactly.

25 SECRETARY KEOGH: Are you aware of any

1 pricing adjustments that occurred during the time for
2 propane? I know we heard testimony about the impact
3 to the natural gas pricing. Are you in the loop, did
4 y'all have any impact on your financial --

5 SCOTT SEFTON: No, ma'am. No.

6 DIRECTOR PFALSER: The pricing that the
7 Secretary is referring to is the wild increases of
8 natural gas when the supply got scarce.

9 SCOTT SEFTON: Oh, okay. Yes.

10 DIRECTOR PFALSER: Going to supply.

11 SCOTT SEFTON: Yeah.

12 DIRECTOR PFALSER: We saw some marginal
13 increases at the rack, but nothing -- nothing like
14 that.

15 SECRETARY KEOGH: Nothing that affected
16 your ability --

17 SCOTT SEFTON: No, ma'am.

18 SECRETARY KEOGH: It wasn't a price choice
19 of whether you could get --

20 SCOTT SEFTON: Right.

21 SECRETARY KEOGH: -- product or not?

22 SCOTT SEFTON: Right.

23 SECRETARY KEOGH: All right. With that, I
24 appreciate your time.

25 SCOTT SEFTON: You're welcome.

1 SECRETARY KEOGH: And thank you for being
2 here. We're going to conclude -- we have an
3 additional speaker that was going to participate by
4 Zoom technology. They graciously rescheduled to this
5 afternoon as we look to get power restored.

6 So with that, I believe this will end our
7 morning hearing. And we'll be able to regroup as --
8 when hopefully full power is restored and
9 technology -- later in the day, or at a possible
10 alternative location. So we have several plans in
11 place.

12 But thank you for joining us, those of you
13 that are live streaming, and also thank you for those
14 of you that came this morning to participate in this
15 hearing.

16 (Whereupon the proceedings were adjourned.)

17 SECRETARY KEOGH: Good afternoon. Today is
18 June 2nd, 2021. And we are here at the Liquefied
19 Petroleum Gas building, which is an entity of the
20 Arkansas Department of Energy Environment. And we
21 are here -- assembled to hear testimony for the
22 Energy Resources Planning Executive Task Force.

23 I am Becky Keogh. I'm Secretary of the
24 Arkansas Department of Energy and Environment. And I
25 have the pleasure of serving this Task Force along

1 with Secretary of Commerce, Mike Preston, Director of
2 the Oil and Gas Commission, Larry Bengal, and
3 Director of Liquified Petroleum Gas Board, Kevin
4 Pfallser. We're happy to welcome Director Steve
5 Sparks who is the AEDC Existing Business Resources
6 Division this afternoon as he is sitting
7 participating today on behalf of Secretary of
8 Commerce Mike Preston. We welcome you, and happy to
9 have you join us.

10 To begin our hearings, on March 3rd, 2021,
11 Governor Asa Hutchinson signed Executive Order 21-05
12 to establish the Energy Resources Planning Task
13 Force. The purpose of this hearing this afternoon,
14 along with the other hearings that have been
15 conducted over the last several days, is to gather
16 information from testimony in order to better prepare
17 our state energy infrastructure in the event of
18 another statewide emergency.

19 And as I said yesterday, this
20 administration, unfortunately, has -- is not -- we
21 have experienced now three 100-year events in the
22 last three years between a 100-year flood event, of
23 course the global pandemic that we've all gone
24 through, and in February the record snow and ice
25 storm that was significant intensity but also

1 significant duration for the state.

2 So with that, we want to make sure, and I
3 know the governor is committed to make sure the state
4 is as prepared as possible and has worked hard to be
5 prepared in these events, but also looking forward to
6 looking at these events, go through an after-action
7 analysis and assessment with the idea that we can
8 take lessons learned from these events, and hopefully
9 embrace the good things and hopefully address some of
10 the gaps that might have been identified.

11 So we will be discussing that with folks
12 today during this testimony period. We have
13 organizations that have submitted prefiled testimony.
14 We appreciate the contributions that you made already
15 for the process. And I know the Task Force members
16 have spent time reviewing that testimony, written --
17 prefiled written testimony, and we'll be asking
18 questions just as follow-up to some of the
19 information already provided.

20 When I call your name, I'll call the
21 organizations that are present for this hearing. And
22 this afternoon, I will ask each of you to come
23 forward in a certain order. And when I call out the
24 organization, if you would just come up to the
25 podium -- I guess now we have this chair at the end

1 of the table. And just be sure to state your name,
2 title, and organization as you introduce yourself by
3 means of introduction.

4 That will help us for the purposes of
5 recording this. We have this being recorded. We
6 also have it being live streamed today. And we
7 appreciate Arkansas PBS for allowing us to make this
8 available to the public through their technology on
9 ARCAN.

10 After you -- we are allotting about five
11 minutes for organizations who -- to provide opening
12 statement, if you will, about your experience or any
13 recommendations you might have. And then after that
14 five-minute period, we will -- I will open the floor
15 to the Task Force members to ask questions. And
16 we've allotted about a 15-minute total window for
17 that for each organization.

18 I've asked Andrea Hopkins of our staff who
19 is up here in the front to be our timekeeper. She
20 will just gently remind you if the time is getting --
21 coming to an end. And she will ask you to be
22 respectful for the time limits, as we have several
23 speakers this afternoon, both in person and available
24 on Zoom.

25 So thank you for joining us in whatever

1 form you're here. Thank you. We will have this
2 hearing, we will take a short break, and then a
3 second session following this session.

4 So with that, I would like to recognize our
5 Department Chief Counsel Shane Khoury is here. We
6 also have a number of staff, Tricia Treece and Dan
7 Pilkington over taking notes. They're helping us
8 with the report preparation that's also part of the
9 executive order, and the communications team that's
10 done a stellar job to make sure these hearings are
11 conducted effectively.

12 And I know they encountered their own
13 perfect storm this morning when we had a power
14 failure at the AEE headquarters building and have had
15 to make some adjustments throughout the day. So with
16 that, the good news is we have -- Entergy worked
17 quite efficiently for the area and the power has now
18 been restored, which is important not only to our
19 operations but also to the surgical hospital and
20 other businesses there that adjoined in that business
21 park.

22 So with that, I'll move forward and I'll --
23 the first speaker we'll ask to come forward in this
24 hearing is Craft Propane. And as you come forward, I
25 will also let NGL Energy Partners, give you advice

1 that you'll be the one I call next, so just so
2 everything's in order and make you aware.

3 Appreciate if you'll just state your name,
4 title, and organization for the record. That would
5 be great.

6 RONALD CRAFT: My name is Ronald Craft.
7 I'm President of Craft Propane, Jonesboro, Arkansas.

8 SECRETARY KEOGH: Well, have a seat and
9 we'll look forward to having a conversation.

10 RONALD CRAFT: I don't think we'll have to
11 worry about the time. I'm not full of gas usually.

12 SECRETARY KEOGH: Well, thank you for being
13 here.

14 RONALD CRAFT: Well, thank you for taking
15 part and, Directors, thank you also for giving us the
16 time.

17 I'll give you a little bio on myself. I've
18 been in the propane business all my life. My father
19 started the business in 1954. I became active in
20 1978. Took control in 1982. This is our 67th year
21 in business.

22 I've also been active in the Arkansas
23 Propane Gas Association. I've been serving as Junior
24 and Senior Director through the years, served as
25 President in '94 and 2000. I was appointed by Mike

1 Huckabee, Governor Mike Huckabee, in 1996 to the
2 Liquefied Petroleum Gas Board. I served until 2018.

3 The propane business has changed over the
4 years, needless to say. We operate out of Craighead
5 County and the surrounding counties, and we also --
6 we do residential, agricultural, industrial,
7 commercial.

8 If you look at the letter that I sent in,
9 supply has become increasingly our problem, and
10 particularly since 2013. 2013, the Enterprise
11 pipeline reversed a line that runs through the center
12 part of Arkansas from -- I guess it comes from the
13 Shreveport area and comes up through Little Rock.
14 Moves through Light, Arkansas, goes to Dexter,
15 Missouri.

16 They were -- there was two lines there.
17 There was a 16 and 20-inch line. The 20-inch line
18 stayed busy all year long and the 16-inch line stayed
19 busy about a third of the time except during the
20 winter. The winter, it stayed full of propane. So
21 all the terminals on that pipeline could pull gas any
22 time they wanted to.

23 In 2013, they reversed the line, and ever
24 since then it's devastated our supply issue in
25 northeast Arkansas.

1 Now, I know we're here because some of the
2 dealers ran out of gas, and I'm assuming that's the
3 question. But I want to say that it's not always the
4 retailers' problem -- fault that someone runs out of
5 propane. I was going to explain a little bit about
6 our customer base, and what we -- and our terminology
7 that we use in the business.

8 You have keep-fulls, which are people you
9 keep on route. You keep them full. They pay their
10 bills. Everything is fine.

11 Then you have the will-calls, several
12 different kinds of will-calls. Some of them call you
13 early enough that you can get to them before they run
14 out, regardless of the condition. Then you have the
15 ones that call you when they're extremely low. Okay.
16 Then you have the other will-calls that never call
17 until their frigging power goes out. And they don't
18 think to look, even though they've been told that a
19 weather system is coming and the road may get bad.
20 They either don't look or can't afford it. That's
21 the other will-call. So it's not necessarily always
22 a retailers' fault.

23 Through the years, we've been -- I knock on
24 wood, we've been lucky enough that we've always had
25 supply. I have -- I am not going to say ample

1 storage, but we've made it through it. But we manage
2 our storage as best as we can.

3 Every time there's room for a load of gas,
4 we put it in. Even at the end of the day, I may run
5 my bobtails in to fill up to make room for another
6 load. And if a miss a load from one supplier or the
7 other, I'll reach out and I'll pull gas from Illinois
8 and Demopolis, Alabama, pull gas from Hattiesburg,
9 Mississippi. Because if you miss a load, it's hard
10 to ever catch back up.

11 Now, we also try to manage our customer
12 base best we can. And we were aware of this winter
13 event coming up to four weeks prior to its arrival.
14 I subscribe to weather forecasting agencies, and a
15 lot of times they'll tell you six weeks ahead. If it
16 keeps going currently, it may do this. And you
17 follow it every day.

18 Once we were sure that it was going to
19 arrive, we started running our routes, our keep-full
20 routes, even though they weren't ready, two weeks
21 prior to the event occurring. We could get those
22 customers taken care of and so they're fine through
23 that so we can handle the will-calls when they came
24 in, best we can.

25 We did not stop running during the ice. I

1 left it to driver's discretion. If they thought they
2 could get in a place and get out, we would let them
3 go. If not, they didn't have to go. However, we're
4 on Crowley's Ridge, we're not in the Ozarks. I'm
5 sure there's lots of places in the Ozarks that you
6 just cannot go with ice on the roads. We had a hard
7 enough time as it was.

8 And also in this, I wrote that extra
9 customer storage or extra retail storage would be
10 very effective, but with the price of steel where
11 it's at, it may be out of reach for some. And
12 particularly, lately the steel prices have just gone
13 through the roof.

14 It would be my hopes that maybe some more
15 terminals would pop up here in the state. That AEDC,
16 if I can pronounce it, could maybe help some of these
17 folks establish rail terminals or whatever. Because
18 our issue is running long distances once supply gets
19 short in northeast Arkansas.

20 And running down to Demopolis, Alabama and
21 back, I suppose a transport could only get one load a
22 day. If he's running 40 miles away to that terminal,
23 he gets six or seven loads a day and -- if it's there
24 to get.

25 The other thing, and I know it's hard to

1 do, is to get the hours of service waiver lifted
2 sooner rather than later. The weather event arrived
3 on February the 9th and hours of service was lifted
4 February the 23rd. We were already in the throws of
5 the emergency storage, everybody's storage below.
6 And we're already running long distances, so the
7 loads weren't coming in like they should have been or
8 could have been if they had closer storage.

9 And another thing that might help would be,
10 and the governor could do this, would be public
11 service announcements in such an event as we had last
12 February, urging the people to call ahead before it
13 actually arrived, trying to give us more time.

14 But we worked overtime hours. We worked
15 six-and-a-half days a week prior to it coming and
16 once it arrived -- once it arrives, then you're --
17 even though you're running on ice and snow, you've
18 got to run very slow. You can't run at normal
19 speeds. We do run on anything but freezing rain.
20 There's no way anybody can run on freezing rain.

21 Also when the roads got bad, the transport
22 stopped. Because they'll get stuck real easy and
23 plus, not to mention having a wreck or accident with
24 somebody and the liability issue involved there.
25 It's just not worth their while to do it.

1 And I'm open for questions.

2 SECRETARY KEOGH: Well, thank you, again,
3 for your presence and for the information you shared.
4 I think all that is very helpful to us as we consider
5 recommendations. And it's always helpful to get
6 those recommendations directly from a source, such as
7 you who have the experience that you do and what you
8 bring to the table, so appreciate that.

9 I will begin the questioning today and I
10 just wanted to, again, just beyond thanking you, make
11 sure that we fully understood, you are on the eastern
12 side of the state, sounded like; is that correct?

13 RONALD CRAFT: I'm in Jonesboro, northeast
14 Arkansas.

15 SECRETARY KEOGH: Northeast territory? And
16 I think you noted that there was effect of the
17 pipeline system that ultimately affected propane
18 supply to Arkansas; is the correct, to the northeast
19 or to the --

20 RONALD CRAFT: To the whole state when they
21 reversed that line in 2013 and other terminals could
22 pull at will. That's one reason everybody goes to
23 Demopolis. They're sitting on top of a pipeline that
24 stays full of propane all through the year. And when
25 their storage tanks get low, they stop, light flashes

1 and all the truckers have to wait and they'll load
2 the tanks. Then they start loading trucks again.

3 SECRETARY KEOGH: Enterprise pipeline did
4 submit some prefiled testimony to us. Unfortunately,
5 they were not able to attend the hearing today or
6 declined our invitation to hear it today, but we hope
7 that we can continue to work with the pipeline
8 companies to ensure that Arkansas is adequately
9 supplied, and that you, as a dealer or whatever your
10 characterization is -- I don't want to call you the
11 wrong thing.

12 RONALD CRAFT: Jack of all trades mostly.

13 SECRETARY KEOGH: Okay. Make sure I don't
14 get it wrong. But that you have access to the fuel
15 you need to provide the customers.

16 RONALD CRAFT: Yes, ma'am.

17 SECRETARY KEOGH: I asked earlier in an
18 earlier meeting, would you characterize you -- would
19 you characterize what type of customers you're
20 serving? You mentioned some of the will-call. Are
21 they using the propane for residential heating, for
22 cooking --

23 RONALD CRAFT: For heat.

24 SECRETARY KEOGH: -- for backup generators,
25 or all of the above? Or can you characterize what

1 the use is in Arkansas as far as energy source? Can
2 you --

3 RONALD CRAFT: Residential, all of the
4 above. For hot water, for their generators, the
5 heating. In my area, Jonesboro, and if they're in
6 the city limits, the electricity is extremely
7 inexpensive there. So a lot of them are heat pumps
8 with gas backup.

9 SECRETARY KEOGH: Right.

10 RONALD CRAFT: They have fireplaces, water
11 heaters, and heaters, and generators. That's what
12 the residential part is. Industrial is forklift
13 cylinders. Commercial are restaurants, churches,
14 what have you.

15 SECRETARY KEOGH: So the propane gas backup
16 to those on electricity. I similarly live on
17 property -- I similarly rely -- would rely, as far as
18 backup, on propane not a natural gas line, due to its
19 availability.

20 How do you think the state can be better
21 prepared the next time? You gave us several
22 recommendations. Is there anything else that comes
23 to mind?

24 RONALD CRAFT: Without increasing the flow
25 of propane at the pipeline or more terminals being

1 built or in different locations in the state, the
2 only thing that in my opinion the state could do
3 would be get hours of service lifted sooner.

4 SECRETARY KEOGH: But I know the governor
5 asked us -- and I think Director Pfalser, I'll let
6 you address that question, but I know that we were
7 aware that there was a shortage of supply prior to
8 the storm event due to supply or transportation
9 issues; is that correct?

10 DIRECTOR PFALSER: Correct.

11 SECRETARY KEOGH: And so there was action
12 taken based on a recommendation from the petroleum
13 commission director that the governor act early. So
14 I know other states have different timelines as well,
15 that they were acting which might have affected some
16 of the Arkansas supply as well.

17 So anyway, with that, I'm going to turn the
18 questioning over, I believe, to my right to Director
19 Sparks and see if he has any additional questions for
20 you.

21 DIRECTOR SPARKS: Ron, thank you, again,
22 for being here and your testimony.

23 Did you run completely out?

24 RONALD CRAFT: No, sir.

25 DIRECTOR SPARKS: So your main issue at

1 that point was just distribution and weather that was
2 related to that?

3 RONALD CRAFT: Yes, sir. I said I managed
4 to stay in gas all these years. And I say knock on
5 wood, but if it continued on like it was, we probably
6 would have ran out. But we got lower than I like to
7 be, let me just put it that way.

8 DIRECTOR SPARKS: Would you mind sharing
9 just a little bit about additional terminals location
10 you were talking about? What would you need and
11 where you would you need them in order to have
12 adequate even if this ran a little longer?

13 RONALD CRAFT: Well, it's not just me. The
14 closest terminal to me is Light, Arkansas which is, I
15 guess, roundtrip 40 miles. Other than that, there's
16 one here -- there was one in Little Rock and they
17 took it down. They do have one, a rail service, here
18 in Little Rock. But that's -- and there's one in
19 West Memphis. I think AmeriGas has a transloader; is
20 that right?

21 DIRECTOR PFALSER: North Little Rock.

22 RONALD CRAFT: In North Little Rock. But
23 they don't sell out to independents like myself, just
24 supply themselves. That's about the long and short
25 of it, as far as I know. We pull out of Memphis at

1 the refinery there. But it got hit with the cold
2 weather too and it went down, just like it went down
3 in Texas.

4 So it was -- that made supply low because
5 basically you've got a pump pumping out of a pond
6 that's not being refilled and it was about to go
7 down. I'm sure that's what happened to the natural
8 gas companies as well. Infrastructure failed there
9 also.

10 DIRECTOR SPARKS: So in light of the
11 current situation with the bridge across Memphis over
12 there, what does that do to you if you have to pull
13 out of Memphis and can't get to Memphis?

14 RONALD CRAFT: Well, if it was in the
15 wintertime, it would be devastating.

16 DIRECTOR SPARKS: Okay.

17 RONALD CRAFT: It's -- bad as it is right
18 now, takes another hour, hour-and-a-half for a guy to
19 cross there. That cuts way down on how many loads
20 they can haul a day, no question about it.

21 I did talk to a transporter that said he
22 could run at night. One of them, he said he couldn't
23 sleep in the day, so he had to run during the day.
24 But if they could run at night, they could cross back
25 and forth across the bridge. That might be something

1 that would have to be done if it were such a case as
2 going down in the middle of wintertime.

3 DIRECTOR SPARKS: Thank you.

4 SECRETARY KEOGH: Thank you, Director
5 Sparks. I'll turn it over to Director Bengal and see
6 if he has additional questions.

7 I'll just -- to follow up on your question
8 though, sounds like from what we've heard this
9 morning that we don't really have terminals on the
10 western side west of Little Rock; is that correct?

11 RONALD CRAFT: Eastern side. I'm not sure
12 what's on the western side.

13 SECRETARY KEOGH: Do you know if there's
14 anything --

15 DIRECTOR PFALSER: There's not anything
16 that's in the state.

17 SECRETARY KEOGH: So that might be an area
18 of focus if, in fact, there was shortages, I assume
19 they get some of that propane delivered out of
20 Oklahoma as well. And I'm aware that, I believe, the
21 military department indicated to me that they were on
22 the ground helping provide propane in the Hope or
23 Texarkana area.

24 DIRECTOR PFALSER: I believe so. I believe
25 that's right.

1 SECRETARY KEOGH: They were called in being
2 it was the emergency in that area.

3 So anyway, with that, I'll shift over to
4 Director Bengal.

5 DIRECTOR BENGAL: I'll follow up a little
6 bit. Thank you, Ron, for being here. I'll follow up
7 a little bit.

8 Is the customer base growing or staying the
9 same?

10 RONALD CRAFT: It's growing.

11 DIRECTOR BENGAL: Is it more industrial
12 growth or more residential growth?

13 RONALD CRAFT: Both. I'd say more
14 residential. Construction's going out of the county.

15 DIRECTOR BENGAL: Okay.

16 RONALD CRAFT: By far.

17 DIRECTOR BENGAL: So if additional
18 terminals were to be relocated in other parts of the
19 state, even in the eastern part of the state, is
20 there sufficient customer base to justify someone
21 doing that?

22 RONALD CRAFT: I would think so.

23 DIRECTOR BENGAL: What would be the -- just
24 ballpark, what kind of investment would somebody have
25 to make to put in a terminal you're talking about?

1 RONALD CRAFT: I have no clue. You're the
2 Oil and Gas Commissioner. You tell me what the cost
3 is for the pipeline.

4 DIRECTOR BENGAL: Just from a construction
5 standpoint?

6 RONALD CRAFT: I would say millions.

7 DIRECTOR BENGAL: Is that in the facilities
8 for storage or a rail spur?

9 RONALD CRAFT: Storage. I guess, storage
10 and that's would be -- try to locate on a spur to
11 existing, that way it wouldn't cost too much money.

12 DIRECTOR BENGAL: Otherwise, the cost would
13 just be in tankage, loading equipment?

14 RONALD CRAFT: I'm not sure what a -- let's
15 see, was it 120,000 gallon tankers was 400,000 that
16 was built, or 500,000 when it was built?

17 DIRECTOR PFALSER: For that large storage
18 that was being considered? It was way up there.
19 Yeah. And you know --

20 RONALD CRAFT: One tank. That's one tank.

21 DIRECTOR BENGAL: Okay. I was just looking
22 at what kind of investment, if you're going to look
23 at incentive to do something like that, what was that
24 ballpark.

25 RONALD CRAFT: That, I'm not familiar with.

1 DIRECTOR BENGAL: Okay.

2 RONALD CRAFT: It would be several million
3 dollars though. Light, for instance, I think has ten
4 9,000 gallon tanks and they're at the pipeline.

5 DIRECTOR BENGAL: Right now, the cost of
6 steel, that's more than it was two years ago.

7 RONALD CRAFT: Yes. And the backlog
8 probably for -- well, domestic tanks, I ordered some,
9 I guess, month-and-a-half ago, to be constructed
10 August.

11 DIRECTOR BENGAL: Okay.

12 RONALD CRAFT: And cylinders right now, DOT
13 cylinders for 100-pound so and so forth
14 are -- they're way out there. I ordered some
15 forklift cylinders, to be built January 4th.

16 DIRECTOR BENGAL: Okay. So we're talking
17 about long lead times to address those?

18 RONALD CRAFT: Uh-huh.

19 DIRECTOR BENGAL: Thank you.

20 SECRETARY KEOGH: Director Pfalser, we'll
21 wrap it up with your -- I think any questions you
22 might have. And want to make sure we get to the
23 other witnesses. I appreciate it.

24 DIRECTOR PFALSER: Ron, the only question
25 that I have -- and you know, we've visited throughout

1 the weather event and everything going on. And you
2 manage your customers very well and were fortunate to
3 stay in gas.

4 Do you see a some -- kind of advice or even
5 a form of regulation coming from the board at some
6 point, a direction to allocate at the dealer level?
7 If -- if supply is short and you're filling all of
8 your customers' tanks, then you're limited -- you're
9 limiting the number of people that you can get gas
10 to.

11 Do you think that there would be any -- any
12 reason to consider something along the lines of,
13 okay, we're now on allocation, we need to limit the
14 number of gallons that we deliver for a period of
15 time to get more people gas? Or do you see that as
16 something that is not really feasible?

17 RONALD CRAFT: I don't see where that's
18 feasible. Dealers will limit its deliveries itself.
19 And we have, in the past, 2013 as a matter of fact,
20 limited our deliveries, amount of gallons, cut them
21 in half what we normally did to ensure supply.

22 This past year, I did that for about an
23 afternoon until I could secure extra loads, know
24 where it was coming from. Then I opened back up
25 again.

1 DIRECTOR PFALSER: Okay. I think
2 that that's the only question I have beyond what he
3 had shared.

4 SECRETARY KEOGH: Thank you so much. I
5 appreciate your time again. And the follow-up
6 question I'll ask several of you in the room today is
7 just, I know propane -- we talked about the customer
8 use of it appears more residential. Is there a
9 commercial use of propane?

10 RONALD CRAFT: Yes, ma'am.

11 SECRETARY KEOGH: And is there a potential
12 for propane to help us when we have natural gas
13 shortages? Or is that something that's not really a
14 suitable thing? It's either one or the other it
15 sounds like.

16 RONALD CRAFT: Well, that was curious to
17 me. Because in the '70s and '80s -- or '60s and '70s
18 there was a lot of standby systems built in the
19 industrial plants, but in the '80s they started
20 selling them off.

21 SECRETARY KEOGH: Okay.

22 RONALD CRAFT: And I'm assuming the natural
23 gas people said we'll be able to handle it, you
24 won't -- we won't curtail you. I never did -- it's
25 a -- I guess there's still some -- is there still

1 some standby systems?

2 DIRECTOR PFALSER: Not many.

3 RONALD CRAFT: Not many. Most of them are
4 gone.

5 SECRETARY KEOGH: Probably the cost. I
6 know that natural gas isn't very expensive. I know
7 the cost factors, I guess, propane would follow the
8 same cost model.

9 RONALD CRAFT: Just availability, I think,
10 at the time, being able to have enough pressure to,
11 say, push gas up to my area from -- on natural gas
12 pipeline. But you know, this wasn't the first year
13 they curtailed the industry. It's happened before.

14 SECRETARY KEOGH: All right. Well, thank
15 you, again, for your time and look forward to working
16 with you in the future through Director Pfalser. And
17 let us know how we can be of support.

18 RONALD CRAFT: Yes, ma'am. Thank you very
19 much.

20 SECRETARY KEOGH: Thank you for coming
21 forward today.

22 At this point I'll ask NGL Energy Partners
23 to come forward and make a presentation. I was
24 remiss in my earlier recognition to introduce
25 Donnally Davis, our director of communications back

1 here. I mentioned her team, but I know she keep --
2 she's a great leader of that effort. And I
3 appreciate all the work she's done, especially today,
4 and previous days. Thank you for joining us.

5 And I'll turn the room -- or the mic
6 that -- we don't have a mic, but to you.

7 AARON REESE: My name is Aaron Reese. I am
8 Senior Vice President of Liquid at NGL Energy
9 Partners. The -- we work closely with Mr. Craft, so
10 when you were discussing, you know, some of those
11 areas, we are actually -- you have your producers and
12 then you have your midstream people that are the ones
13 that are getting it from A to B, and then you have
14 the retailers that are getting it into the users. We
15 are that midstream portion of that product, where we
16 are taking it from A to B.

17 So if you flip to the second slide -- and
18 if you can blow that up just a little bit on
19 the -- are you in PowerPoint when you're doing this?

20 MR. DEAL: I am. I don't know that I can
21 blow this up.

22 AARON REESE: Go to the -- go to Slide
23 Show.

24 SECRETARY KEOGH: It's probably under your
25 top bar over to the right.

1 AARON REESE: So again, as Ron was saying,
2 the black line that's represented here is the TEPPCO
3 pipeline which is owned by Enterprise. The star
4 that's at Little Rock is actually a rail terminal
5 that we built within the last five years, I believe,
6 Kevin. And then the Light terminal is actually on
7 the TEPPCO pipeline, as is the West Memphis terminal.
8 And then just across the border up in Dexter,
9 Missouri is another one.

10 As Ron also indicated, we used to have a
11 terminal in what we call Rixie, which was North
12 Little Rock, which we actually did decommission just
13 in the last year because it literally sits in a
14 swamp, and the pipeline that was connecting it from
15 the pipeline up there was just becoming unsafe, in
16 our opinion. And so we decided to decommission that
17 terminal.

18 So as you can see, those terminals, each
19 have a significant amount of storage at each
20 location. So the terminal on the Memphis one is
21 indicating the Valero refinery that sits there, which
22 we also take 100 percent of that propane and market
23 it for Valero as well.

24 So a lot of times, we'll truck product
25 that's not being consumed in the local market at

1 Memphis, we'll truck it to Little Rock, we'll truck
2 it to Light, we'll truck it to West Memphis, we'll
3 truck it up to Dexter. So in addition to Light, West
4 Memphis, and Dexter receiving by pipeline, we'll also
5 receive by truck at those terminals.

6 Little Rock can receive by truck, but that,
7 of course, is primarily by rail, which I'll go into a
8 little bit more on the next slide.

9 So I know that map's a little small on the
10 right, but you can see -- if you squint really well
11 you'll be able to locate Arkansas in there. So the
12 TEPPCO pipeline is fed down from Mont Belvieu, Texas,
13 which is the termination of that line down in the
14 south.

15 And as Ron indicated, when the shale
16 revolution occurred out in the east, they stopped
17 shipping propane most -- I mean, it really started to
18 originate for the east, more in the Ohio, West
19 Virginia, Pennsylvania market. And so the pipeline
20 became very underutilized.

21 And as Ron indicated, before that time,
22 that pipeline was filled with propane. So you pretty
23 much could, whenever you wanted, you opened up our
24 spigot at our terminals and you could come in, fill
25 our terminals, and go on.

1 Well, now it's a batch pipeline. And so we
2 have to serve competition with refined products that
3 are also in that pipeline, so we have to create
4 batches within that pipeline in order to do that.

5 Well, the problem is that sometimes we
6 can't fill our terminals because we are the only ones
7 that are sending batches at certain times up that
8 line. So you can't receive off the pipeline quick
9 enough to fill the terminal up, right. And so that's
10 been somewhat of a limiting factor starting back, as
11 Ron indicated, in -- around that 2013 timeline.

12 The other thing on a pipeline, we have to
13 nominate before the 15th of the month prior. So as
14 he said, we kind of started to see the cold weather
15 event coming, but it really wasn't as for certain as
16 you'd like to have thought by the 15th of January,
17 which was actually a warm January, if you kind of
18 remember. And so our forecast was probably a little
19 off, which you're going to see in the next slide, but
20 we'll hold here for just a second.

21 Shipping cycle, so again, as we're serving
22 that shipping cycle, it happens every ten days. So
23 they can create a batch every ten days but that isn't
24 guaranteed that we can get on each batch coming out
25 of that Mont Belvieu, Texas market.

1 Again, because we -- just like you were all
2 talking about allocating to your customers, we are in
3 allocation on the pipeline. So we are fighting for
4 that allocation space on that TEPPCO pipeline in
5 order to ship product up there.

6 The transit time for products originating
7 in Mont Belvieu which is the only point of
8 origination for that pipeline is in Mont Belvieu and
9 it takes about 10 days to 12 days to get it through
10 the state at that point from start to finish.

11 For rail, our rail terminal in Little Rock
12 that we built, some product can come out of Conway,
13 Kansas. Which if you're looking straight in the
14 center of Kansas, that's where Conway, Kansas is at.
15 It's a major underground storage location. We're
16 able to ship product there by rail.

17 Also the Bakken, which is North Dakota,
18 another shale area, that gas up in Bakken kind of the
19 western North Dakota area is another origination for
20 gas. And then some will come out of Chicago,
21 Illinois out of those refineries, and there's
22 pipeline feeding that market as well.

23 So as you can see there, there's transit
24 times on that as well. So again, we kind of have to
25 forecast many days in advance from your origination.

1 And even once you forecast, let's say you're sending
2 20 cars to a terminal. Those aren't all going to
3 ship on the first day of the month. They're actually
4 going to spread them out the entire month and you're
5 going to receive them -- some that ship in February
6 aren't going to receive until March, right, because
7 you're serving 10 to 15 days out of Conway, 15 to
8 25 days of Bakken, and 7 to 10 days is how long it
9 takes a rail car that starts in those markets and
10 ends up at Little Rock.

11 And then trucks, there are some additional
12 options for truck. You've got refiners in Memphis,
13 of course, which was discussed. The Coffeyville
14 refinery up in Kansas, we actually take 100 percent
15 of that propane as well. And that will sometimes
16 make its way into northwest Arkansas. So that's
17 another market that can feed that.

18 There's a refinery in Tulsa that will make
19 it into this market. Wood River, also up there,
20 Phillips refinery up there could make it into this
21 market sometimes. And also El Dorado.

22 The pipelines, there's additional
23 pipeline-fed locations. We actually own the terminal
24 is East St. Louis, Illinois. Sometimes that gas
25 could come down.

1 Carthage, Missouri is actually fed by pipe.
2 There's a cavern there. That's in the southwest
3 corner of Arkansas. We have --

4 DIRECTOR PFALSER: Missouri.

5 AARON REESE: Excuse me, Missouri. And
6 that will often make it into northwest Arkansas. And
7 then as Ron indicated, Hattiesburg, which is a
8 storage cavern location which feeds the pipeline that
9 feeds Demopolis, that gas will make it up into this
10 market. And then also Target owns a terminal down in
11 Greenville, Mississippi that will make it up into
12 this area as well.

13 So there's -- Arkansas is a good market in
14 the fact that they have influence from a lot of
15 areas, but some of the issues that you do experience
16 is the west part of Arkansas, there's no pipelines.
17 And that make -- sometimes can make it difficult.

18 The other thing that is an issue right now
19 in the rail is that when the rich shale gas first
20 started going, the economics of rail -- shipping rail
21 gas into this market was very favorable, even more
22 competitive than shipping it by pipeline. But those
23 markets have kind of balanced out as there's been
24 more export opportunity and other homes for that gas.

25 And so getting rail into this market

1 economically, especially to compete with pipeline gas
2 or refinery gas, is very, very difficult, which is
3 why we have a -- we have a very nice terminal that we
4 built in Little Rock on that rail terminal that is
5 underutilized because of that exact reason right
6 there.

7 Next slide, please.

8 So we all know what happened in February.
9 But one thing that I thought was interesting is
10 February '21, the heating degree days, which is the
11 time that the temperature's below 60 degrees was 815.
12 The five-year average is 546. The 20-year average is
13 487. So it wasn't our imagination. It was
14 definitely cold in February, right. Our sales in
15 February were 25 percent higher year over year in
16 that area.

17 Hazardous roads did make it difficult, as
18 Ron was indicating. There was times where trucks
19 just couldn't get on the road. And then a couple
20 things to make things worse, the batch that was
21 supposed to start at the beginning of February was
22 delayed a week because they were having issues
23 because they couldn't pump product because they were
24 having all -- I mean, it was just right -- Texas was
25 suffering, right.

1 So that was a big issue, that the pump that
2 was supposed to come up didn't get started for about
3 a week later. And then there was a small explosion
4 at the Valero refinery on February 15th that shut
5 propane production down until March 9th, so it
6 couldn't have happened at a worse time. So it was
7 definitely a perfect storm of activity that occurred
8 kind of all at once.

9 The next slide.

10 So my personal recommendations actually
11 align very well with what Ron had said. I think if
12 I -- if you went back to that original slide and you
13 looked at the amount of storage that we have at our
14 locations, the West Memphis terminal, by far, of all
15 the assets that we own has the most storage of any
16 asset that we own in our entire system, and we own 27
17 terminals.

18 So we could add storage. How much would
19 that be? We could add two 9,000 tanks at Little
20 Rock -- excuse me, or at Light, if we wanted to. I
21 think there's a much greater impact if you had 20
22 customers had 30,000 gallons of storage at each of
23 their individual retail locations because you can
24 spread it out more. They can prepare more in
25 advance.

1 Already indicated that sometimes we have a
2 hard time filling the storage we have due the
3 batch-size restraints we have. So to me, something
4 of low-cost loans or subsidized loans to make it
5 easier, especially with the price of steel right now,
6 to incentivize retailers would be helpful.

7 I know that Michigan is doing that right
8 now. They're doing low-cost loans, even doing a
9 little bit of loan forgiveness for that type of
10 thing.

11 Carriers, in addition to -- I know you guys
12 actually -- the State of Arkansas did do a nice job
13 of getting the extension of hours in very quickly.
14 There might be another opportunity for gross vehicle
15 weight waivers, to where you can allow them to load a
16 little heavier, allow bigger trucks to come into the
17 market sometime.

18 But I think there's an ongoing issue in
19 Arkansas that we have seen, and I know that we
20 actually have a carrier company that's probably
21 participating in the call, but we believe there's a
22 carrier shortage in Arkansas.

23 And again, it kind of goes back to how
24 you're incentivized. Partly could be a driver
25 shortage because if you could go drive from FedEx

1 over in Memphis, not have to drag a propane hose, not
2 have to have your HAZMAT certificate, not -- I mean,
3 not have to deal with that hazardous material and
4 drive a truck, somebody else loads it in the back
5 with a forklift and you go on down the road and
6 probably get paid more, a driver is going to
7 gravitate to that, right.

8 So I don't know. I don't have the answer
9 to that. And I usually tell people, don't bring up
10 problems unless they have answers. Well, I just did.
11 I broke my cardinal rule, right, where I brought up a
12 problem but I don't know that I have the answer. And
13 I don't know that the state can probably address
14 that. But I do feel like we do have a propane
15 carrier shortage as well.

16 So that concludes my comments and I'm open
17 for questions.

18 SECRETARY KEOGH: All right. Well, thank
19 you so much, again, for being here and giving us that
20 full perspective of the operations.

21 And as I mentioned earlier, Director
22 Pfalser has been educating me through the process of
23 propane. I have familiarity, just through my own
24 career in the refining side as a result of being an
25 engineer and working in the refining industry, but

1 the delivery side of it, I'm not as familiar with.
2 So he has made us aware of some of the challenges we
3 have in Arkansas, and some of dynamics that have
4 occurred in the marketplace that might drive some new
5 challenges. I'll leave that to him.

6 Do you have any thoughts around how we
7 might improve, I guess, the prioritization of the
8 pipeline for Arkansas? Is there -- I know you're not
9 the right company to ask, but since they're not
10 present, I guess, is there a way for us to
11 incentivize this larger pipeline operation to make
12 sure Arkansas is a priority for them?

13 AARON REESE: No. That's a -- that's a
14 very good question. We were actually concerned for a
15 while that Enterprise could actually delete the
16 propane tariff with the TEPPCO pipeline for a period
17 of time. But then back to refined products days,
18 Magellan building that refined products line coming
19 into North Little Rock, I think, saved that from
20 happening. So that created more capacity, available
21 capacity on the TEPPCO pipeline in our opinion. So
22 that -- that was a good thing that happened.

23 But at the end of the day, pipelines are
24 about keep -- got to keep the pipeline moving, right.
25 And you have to have a home for the product when it's

1 going there. So part of the issue is back to, even
2 if we could create larger batches, we still
3 wouldn't -- we may fill up all of our terminals, but
4 the problem is you have too much gas then at that
5 point, that has now gone past Dexter, Missouri which
6 is the last terminal until you get to Seymour,
7 Indiana. And so -- and then we also own another
8 terminal at Lebanon, Indiana that's on the TEPPCO
9 pipeline.

10 So you've got Dexter, Missouri, Princeton,
11 Indiana, Seymour, and then Lebanon. Those are the
12 only terminals that are really being fed gas from the
13 south at this point. So if those terminals do not
14 need gas past Dexter, Missouri, there's not a home
15 for that gas. And then it has to continue on to the
16 northeast which is not economical because there's
17 much cheaper supply being created in those northeast
18 market, those shale locations.

19 So I think that one thing that we -- we
20 always try to do is try to encourage customers to
21 always lift in the summer as much as they can. But
22 Ron can attest to this better than anybody, there's
23 not a lot of demand. So you're trying to earn your
24 allocation portion of that pipeline to the greatest
25 extent that you can.

1 So it's all about earning that allocation
2 on the pipeline, which, again, there's only so much
3 that you can get at that point.

4 SECRETARY KEOGH: Sounds like from his
5 recommendation of maybe PSAs encouraging customer to
6 try to fill sooner, earlier in the season, if that's
7 an option. I guess, there's no risk of filling too
8 soon.

9 But would that help spread out the demand.

10 AARON REESE: It would. But again, I think
11 you need additional storage at that level.
12 Otherwise, they'll run through their supply fairly
13 quickly.

14 And that's -- I know that's not a solution
15 that -- they can't continue to add storage because at
16 some point, then you run into working capital issues,
17 right. A lot of times they don't have the working
18 capital to fill that storage at that point, right.

19 And so -- and then the other thing is, if
20 they had gone and they would have filled all that
21 storage going into this weather event and it didn't
22 materialize, then they would have been stuck with a
23 lot of high-priced inventory as well. So he can
24 attest to that better than I can.

25 But it's a juggling act, right. You've got

1 to try to balance that the best that you can.

2 SECRETARY KEOGH: Thank you. That's very
3 helpful. I'm going to turn to my right, Director
4 Sparks, see if he has any follow-up questions as
5 well.

6 DIRECTOR SPARKS: Yeah. Again, thank you
7 for being here. Got a couple questions.

8 With the batch, with regard to how the
9 batches work, is each -- and the time span that it
10 takes, is that due to priority or volume or volume
11 based on priority or vice versa? Or is that actually
12 just the time it takes to move it through there?

13 What determines the batch time and the
14 frequency that you can get the batches?

15 AARON REESE: Very good question. And if I
16 get too technical, just wave your hand. So I said
17 that batches are done in ten-day cycles, right. And
18 so whenever we create a batch, it has to be large
19 enough -- typically, the minimum size batch that they
20 used to want us to do is 50,000 barrels. Which, if
21 you do the math, that's like 2 million gallons. So
22 we -- that was, like, the minimum batch size that
23 they've allowed.

24 Over the last couple of years, they've been
25 working -- to their credit, they've been working more

1 and more with us to try to get those batch sizes
2 larger. But typically, the minimum that we can
3 create is about -- just to go to Memphis --

4 So if you think, if you remember the
5 picture I showed you, you've got the main line and
6 then it splits off at the gray junction and it goes
7 over to Memphis at -- West Memphis at that point, to
8 our terminal over there.

9 We have to have a minimum of 18,000 barrels
10 to make that turn, okay, which is about
11 750,000 gallons. And the reason is that you have
12 isobutane on each end of that, and then refined
13 products. And so you create this interface that gets
14 very costly.

15 You have to figure out something to do with
16 it. If your batch sizes are smaller than that, then
17 you've created interface that's very expensive at
18 that point. So you have to get enough gallons
19 together that you can receive everything that they're
20 shipping you back to that. If it goes past your
21 terminals, then it's very costly again. So whatever
22 we create, we have to be able to receive.

23 And we have to receive a minimum of 750
24 going to West Memphis, and then between the other two
25 terminals at Dexter and Light, it's usually a minimum

1 total of 15,000 barrels which is 600,000 gallons.

2 So we have to receive a minimum of
3 600,000 gallons between Light and Dexter, we have to
4 receive a minimum of the 750,000 gallons at West
5 Memphis as we receive a batch. So that's part of the
6 issue that we have, to time that. We have to make
7 sure that we can receive it.

8 And then even if we can receive it,
9 sometimes they'll say, okay, yeah, you're on Cycle 7;
10 oh, no, now it's getting pushed to Cycle 8. Because
11 they're constantly managing the same thing on the
12 refined products side as well.

13 DIRECTOR SPARKS: So you get bumped
14 potentially up the line somewhere --

15 AARON REESE: Absolutely.

16 DIRECTOR SPARKS: -- if you don't have
17 volume?

18 AARON REESE: It can come backwards, newer,
19 earlier, but a lot of times then you're risking, can
20 we hold the product at that time.

21 DIRECTOR SPARKS: Gotcha. Second question
22 I had was, as drivers/carriers, is it a driver issue,
23 you think? Or is it a carrier distribution system
24 shortage that you perceive?

25 AARON REESE: That could be a better

1 question for Gammel, but I do think that it's a
2 little bit of both. I think, again, it's kind of
3 building a church for Easter Sunday, right.

4 If you've got -- if you have a bunch of
5 propane carriers that aren't doing anything in the
6 summer months, then you've got to find something for
7 that tractor to do, otherwise -- or that trailer,
8 right. So I think there's a little bit of that, but
9 I do think it's a little bit of a driver thing
10 sometimes as well.

11 It probably depends on the economy. With
12 the way that Amazon is working right now and mailing
13 stuff, I'm sure there's a heavy need for drivers
14 doing that, especially out of that Memphis market.

15 DIRECTOR SPARKS: Seasonally --

16 AARON REESE: Seasonally is a problem.

17 DIRECTOR SPARKS: -- I mean, that's a
18 situation that messes up that flow.

19 AARON REESE: Absolutely.

20 DIRECTOR SPARKS: Thank you.

21 SECRETARY KEOGH: Director Bengal, would
22 you like to follow up? And we'll wrap it up.

23 DIRECTOR BENGAL: Just a couple things.
24 Does NGL operate a pipeline except that small one
25 stated for propane? You operate a natural gas

1 pipeline?

2 AARON REESE: We do not operate any natural
3 gas pipelines. We do operate a crude pipeline that
4 goes basically from Colorado down to Cushing,
5 Oklahoma. And then we are in the process of
6 operating a pipeline that goes from basically north
7 of Detroit up to the Traverse City, Michigan area as
8 well. And then that will be a propane pipeline.

9 DIRECTOR BENGAL: So when you nominate a
10 batch on the TEPPCO line, you're basically buying
11 space on the line?

12 AARON REESE: Correct.

13 DIRECTOR BENGAL: At that point in time you
14 own that product in the line?

15 AARON REESE: Correct.

16 DIRECTOR BENGAL: So you have to have your
17 market at the other end?

18 AARON REESE: Correct.

19 DIRECTOR BENGAL: So you're making a
20 judgment call as to how much will get to the
21 terminals that serve the customers here in Arkansas?

22 AARON REESE: Correct.

23 DIRECTOR BENGAL: So if you're off on that,
24 there is no gas for the residential purchasers to go
25 pick up?

1 AARON REESE: That is correct. And if you
2 went back to the slide where I showed the transit
3 time, again, we're making that determination, at the
4 latest, by the 15th of the month prior.

5 And at that time, the cold weather event
6 was kind of coming in, but it wasn't necessarily for
7 sure. And so I'll be honest with you,
8 underforecasted. But again, it's because if you
9 based it off of last year's heating degree days,
10 which was not even close, we were not correct in
11 that. So we definitely underforecast in that period,
12 but we did it based upon the information we had at
13 the time.

14 And the Memphis refinery going down in the
15 middle of that couldn't have happened at a worse time
16 as well because, again, any excess would have made it
17 back into Arkansas as well.

18 DIRECTOR BENGAL: So the flexibility of
19 fuel availability, there's a lead time that has to be
20 based on predictive weather, predictive events which
21 makes that very difficult?

22 AARON REESE: Correct. And the issue you
23 have on rail is, rail terminals are typically going
24 to have nowhere near the amount of storage that we
25 have. And typically, it's going to be -- if

1 anything, you may store full rail cars, but it just
2 depends upon the rail siting that you have, right.

3 And so making those determinations far
4 enough in advance on rail can be very difficult. And
5 again, if I went to Chicago and said, oh, this
6 is -- February 1, this is looking very, very cold;
7 I'm going to order an additional 20 cars to go to
8 Little Rock, Arkansas, well, as I stated earlier,
9 those 20 cars aren't going to ship February 2nd.
10 They're going to ship one on the 2nd, one on the 5th,
11 one on the 10th, you know what I mean?

12 So even if I tried to buy additional gas to
13 react at that point, it's too little too late.

14 DIRECTOR BENGAL: So given those lead times
15 and given the risk you are taking as the product
16 owner at that point in time, in that transportation
17 network, is it even economically viable to build
18 additional terminals, which all that does is
19 continually expose your supply risk?

20 Might make it easier for the retail
21 industry to go get theirs, but how feasible it from a
22 supplier of the gas?

23 AARON REESE: That's a great question.
24 This is the -- you're, like, sitting in our supply
25 meeting every week, because we have that discussion,

1 especially about Arkansas. Because Arkansas can tip
2 very, very quick in February. And then if we
3 overship, we are -- we have shipped at the highest
4 price of the market and then we're sitting on that
5 inventory for the rest of the summer.

6 And then we literally won't take another
7 pipe batch until October at the earliest, more than
8 likely November at that point. So we rode the market
9 all the way down, if we do that. So it can be very
10 costly if we don't predict that correctly. And we
11 don't have a way of hedging off that backwardation of
12 the market either. There's no -- unless someone is
13 smatter than I am, we haven't figured out how to
14 hedge the backwardation when it comes to that. So we
15 try to -- we try to predict as closely as we can.

16 DIRECTOR BENGAL: Given that, would
17 somebody build more terminals?

18 AARON REESE: I think the problem you have
19 is that -- when I look at the map and if I was to
20 throw a dart, maybe you can think, oh, look, at the
21 big void in western Arkansas. But the problem is,
22 again, you've got a refinery in Tulsa that's got to
23 get rid of its gas. So competing with that refinery
24 becomes difficult, right.

25 And then your rail terminals aren't going

1 to build as much storage anyway. The rail terminals
2 just don't have the amount of storage that you do on
3 a pipe because you're not receiving large batches at
4 that point.

5 It's not to say that somebody couldn't, but
6 it would be very cost-prohibitive, I believe, to do
7 that. Just like when we looked at rebuilding the
8 terminal in Little Rock to replace the Rixie
9 terminal, I had back and forth e-mails with Kevin
10 around this as well.

11 We looked and looked and looked at that.
12 And because the amount of volume that came through
13 that facility, we couldn't justify to do the cost --
14 to do that, which is why we kept our rail terminal
15 there and then tried to make sure we had adequate
16 ability at Light in order to feed that market.

17 DIRECTOR BENGAL: Thank you.

18 SECRETARY KEOGH: Director Pfalser, would
19 you like to wrap up?

20 DIRECTOR PFALSER: Sure.

21 SECRETARY KEOGH: I will -- before you
22 start, I will say the next presentation will come
23 from the Arkansas Propane Gas Association. You're
24 fine. Go ahead.

25 DIRECTOR PFALSER: So earlier you were

1 talking about allocation on the pipeline. So what
2 months do you build allocation on the pipeline?

3 AARON REESE: TEPPCO is now a 12-month
4 rolling allocation basically. So you -- used to,
5 back in the old days, which I'm showing my age, you
6 would -- what you lifted in the summer kind of
7 unwound in the winter. So you got -- what you lift
8 in summer gave you allocation in the winter.

9 DIRECTOR PFALSER: Okay. That was still my
10 assumption, but that's not the way it is?

11 AARON REESE: TEPPCO is a 12-month rolling
12 allocation. But again, the bigger issue is gas --
13 motor gas is shipping year-round, so we're fighting
14 for that every month.

15 DIRECTOR PFALSER: Okay. So if you are --
16 if you're pulling and you control all the -- all the
17 gas that's coming off the Valero refinery?

18 AARON REESE: Correct.

19 DIRECTOR PFALSER: And what -- I've heard
20 that's around 20 loads a day, is that --

21 AARON REESE: It's actually closer to 11.
22 It can get down to 8. It can get as high as 15, but
23 average is about --

24 DIRECTOR PFALSER: Okay. I was way
25 overshot.

1 So does that hurt you in respect of -- to
2 Enterprise, you taking that gas in the summer? Do
3 they look at that and does that hurt your allocation
4 then on the pipeline for later?

5 AARON REESE: It could hurt it some because
6 it is taking away from allocation that we would earn
7 anyway. But the amount of gas that the refinery is
8 kicking off, we typically would not ship another
9 batch until October because we'll try to fulfill our
10 winter needs, try to time that just right in this
11 February time frame, maybe the beginning of March.
12 And then whatever gas we have there plus supplemented
13 by the refinery typically will get us through the
14 winter -- through the summer.

15 DIRECTOR PFALSER: Does NGL, do y'all have
16 any transloading operations?

17 AARON REESE: We do. The issue with
18 transloading operations is that load times are --
19 take a significant amount of time. We can load a
20 truck, you know, in that 25 to 30-minute time frame.
21 To load a transport off of a transloader is typically
22 going to take you at least an hour.

23 Then you have issues if you're going to be
24 a commercial transloader, unlike AmeriGas in Little
25 Rock where they're just -- they don't really care how

1 much went off of the rail car in the truck because
2 they're typically doing it for themselves, we need a
3 way of being able to -- you probably won't be able to
4 meter it on us. You need a way to scale, right. So
5 you need a scale in close proximity to do that.

6 Then the other issue is that you don't have
7 storage. So it's not like you're unloading the rail
8 car into a fixed storage that then you're loading out
9 of. You're loading right off the rail car, so you're
10 dependent upon the rail that's on the track at all
11 times.

12 DIRECTOR PFALSER: Right. And so -- how
13 many cars can you put on your spur in Little Rock?

14 AARON REESE: We can hold, I believe, it's
15 ten on and another ten off. And then we can unload
16 four cars at a time.

17 DIRECTOR PFALSER: So you're limited to the
18 size of your spur as to how much --

19 AARON REESE: Absolutely.

20 DIRECTOR PFALSER: And is it safe to say
21 that one rail car is about two-and-a-half transport
22 loads, something like that?

23 AARON REESE: Correct. It can be a little
24 bit more. It's about 30,000 gallons. So you can
25 fill three trucks off most of the time.

1 DIRECTOR PFALSER: Okay. Okay. And I
2 think -- I think that that's all the questions that I
3 have. We appreciated you all supporting us. You can
4 see that it -- the western side of the state is an
5 issue. And of course, when the -- when the
6 refinery -- I didn't realize that it was an
7 explosion. I just figured it was part of the weather
8 because it affected Ponca City. It affected Tulsa.

9 What line feeds the Carthage terminal?

10 AARON REESE: It's actually a line --
11 there's a line that goes to El Dorado, Kansas. And
12 then that is the start of the Magellan pipeline that,
13 again, is a refined products and propane pipeline
14 that serves that Carthage terminal. And then there's
15 a 200,000-barrel cavern that we lease from Magellan.

16 DIRECTOR PFALSER: In the Carthage area?

17 AARON REESE: In the Carthage area.

18 DIRECTOR PFALSER: Now, was there a point
19 where Carthage went down because of the weather
20 during that time?

21 AARON REESE: They were having -- it slowed
22 down, but it didn't completely go --

23 DIRECTOR PFALSER: Okay.

24 AARON REESE: Now, we actually ran out of
25 Carthage as well, because the demand got so high that

1 we did run out of Carthage. And then, again, we're
2 subject to batch times at that point.

3 DIRECTOR PFALSER: Gotcha. I appreciate
4 you taking the time to run over and be with us.

5 SECRETARY KEOGH: Thank you so much. I
6 guess I have a final question. I know we're running
7 short on time, so I'll keep this brief. Keep your
8 answer brief.

9 The western side, we talked about that.
10 There's no pipeline then in the western part of --
11 the eastern part of Oklahoma or Texas that serves
12 Arkansas?

13 AARON REESE: Correct. If you look at the
14 line --

15 SECRETARY KEOGH: A pipeline or serve
16 another --

17 AARON REESE: If you look at the lines
18 represented on that map on the right, those are the
19 only propane pipelines in the United States.

20 SECRETARY KEOGH: Okay. So this is --

21 AARON REESE: And we ship on every one of
22 them.

23 SECRETARY KEOGH: I just was curious, I
24 know siting terminals are challenging. Siting
25 pipelines can be even more challenging for both an

1 investment and an environmental standpoint.

2 Is there thoughts of additional pipeline?

3 AARON REESE: No. It would be not
4 cost-effective to do that for sure. So there --

5 SECRETARY KEOGH: Just wanted to clarify
6 that.

7 AARON REESE: The pipeline that is up in
8 Michigan, the yellow one, which is the one I was
9 referring to previously --

10 SECRETARY KEOGH: Right.

11 AARON REESE: -- we actually recommissioned
12 an ethane pipeline in -- and turned it into propane.
13 So you could maybe find that in some areas where a
14 pipeline is no longer being used. But if it was a
15 refined products pipeline, it would have to meet
16 pressure specifications. That could be hard
17 sometimes.

18 If you found a natural gas pipeline, you
19 could recommission a natural gas pipeline, but those
20 have a tendency to not be decommissioned typically.

21 SECRETARY KEOGH: Right. Thanks so much.
22 Appreciate all the great information.

23 At this point I'll ask American -- I'm
24 sorry, Arkansas Propane Gas Association to come
25 forward (indiscernible) --

1 THE REPORTER: I can't hear --

2 LANEIGH PFALSER: My name is Laneigh
3 Pfalser. I work for Capital Partners which
4 represents the Arkansas Propane Gas Association.

5 So leading up to the week of February 14th,
6 the propane industry began making plans to combat the
7 effects of severe weather. Some dealers did a great
8 job of making sure their customers had propane, while
9 others struggled to do so.

10 One of the most influential aspects of
11 dealing with this adverse event, though, was the
12 governor's willingness to waive the hours of service
13 requirements. As a personal note, I dealt with my
14 peers and colleagues in the surrounding states and
15 let's just say, I'm very grateful to our
16 administration with the -- our interactions were very
17 positive.

18 So when the roads became that hard to
19 navigate and the bobtails and transporters were
20 waiting so long at the terminals for product, the
21 hours of service waiver was a critical component. We
22 talked a little about how critical that was. It
23 helped keep our citizens safe, warm, and alive in
24 their own homes. And I want to thank the Hutchinson
25 administration for their support with that endeavor.

1 But regardless, the members of my
2 association did face other issues during this time.
3 And we've asked one of our members, Hardy Thompson
4 with Island Energy, to speak more specifically about
5 his experiences during the storm.

6 And at this point, I think I'd like to turn
7 it over to him.

8 SECRETARY KEOGH: Thank you. Thank you for
9 joining us as well.

10 HARDY THOMPSON: You're very welcome. Can
11 you hear me?

12 SECRETARY KEOGH: Yes.

13 DIRECTOR PFALSER: We can.

14 HARDY THOMPSON: Okay. My name is Hardy
15 Thompson. I founded Island Energy about 12 years
16 ago. I come from an electrical utility background.
17 Got an engineering degree. So we kind of look at the
18 propane business, you know, differently than a lot of
19 marketers do. Because I wasn't born into it. We're
20 not third generation. So we kind of got to build it
21 from the ground up.

22 What we're talking about now is what
23 happened in February. We did a pretty good job with
24 our people. We never ran out of gas. Ron touched on
25 the different types of customers, and that's really

1 pretty critical, in that the complaints that you may
2 not have got.

3 Keep-filled customers, we extensively use
4 tank monitoring to where we know what they've got in
5 their tanks at all times. In fact, that pretty much
6 saved our good customers this past winter because I
7 already had monitors on all their tanks. We've gone
8 to 100 percent keep-filled monitors on our tanks.

9 We try to limit call customers actually.
10 If we've got a customer and we sat an Island
11 Energy-owned tank, they're going to be a keep-filled
12 customer with a monitor, no exception. So it kind of
13 eliminates all those unknowns that the call customers
14 cause.

15 Now, that's a different direction than, you
16 know, historically propane companies do. But I
17 just -- I feel like that's a better way to go and I
18 really haven't got any pushback from our new
19 customers.

20 And then there's a whole other type of
21 customer. There's a customer that owns their own
22 tank. They call around every year to find whoever is
23 cheapest in their view and they'll buy -- they'll buy
24 gas from them. But when that happens, I mean,
25 nobody's really obligated to that customer. And

1 that's what it really takes.

2 You need to have a relationship with your
3 propane supplier in order to get service during times
4 like this. There was about a week that we refused
5 any new customers. There was about a week in there
6 that we were only taking minimum amounts to our
7 customers because trucks had stooped. We only had so
8 much storage sitting. And it was, you know -- we
9 have obligations to our customers to service them.

10 And so there was many, many different phone
11 calls I took from people that were, you know,
12 bordering on being desperate, that said, hey, you
13 know, I've got so-and-so's tank, can you bring the
14 gas? I'm like, well, no, for one, I can't fill
15 somebody else's tank.

16 And even after the emergency effect went
17 into order when we could fill up people's tanks,
18 there were times that I couldn't because I was
19 needing to take care of our own customers.

20 And to circle back, what happens when
21 somebody owns their own tank and uses various
22 different suppliers, those people would call and say,
23 hey, I got gas this summer from so-and-so, I own my
24 own tank, just bring me some gas, I don't care what
25 it takes. I'm like, I can't do it. I've only got so

1 much gas that my existing customers have helped me
2 earn an allocation from NGL, the people we just
3 talked to, and I've got to distribute that on my own.

4 And it was just -- it was really sad.
5 Basically told them that the best choice of action
6 they had was to call who they had been buying gas
7 from and tell them their situation and tell them they
8 needed to bring them some gas. And you know, I hated
9 being in that situation. I was there for seven days.

10 When I say seven days, it's because -- it's
11 because it was a full week that transport trucks
12 couldn't run, that we were just relying on storage
13 that we had in our bulk facilities and our trucks.
14 And so it was a rough time. But it's a success story
15 for us. We've gotten a lot of new customers because
16 of, you know, our mindset of taking care of our
17 people.

18 So as far as what we can do different, I
19 think more on-site storage at our place and other
20 marketers is probably a good idea. Now, does it
21 necessarily make economical sense? No, it does not.
22 Otherwise, we would all have 100,000 gallons of
23 storage just sitting everywhere we wanted it.

24 Everybody's kind of got the storage they
25 need based on historical use. Well, this was just

1 not a normal February. We bought most of our gas
2 from the NGL refinery and that hit us very hard when
3 the refinery went down. Luckily, we worked out other
4 things with NGL and other suppliers that weren't NGL
5 up in Illinois and Missouri, and we were able to get
6 gas brought in. But the refinery going down really
7 hurt us.

8 From my electrical background in the
9 utility business, we had something called diversity.
10 When we would build power, we did not size it for
11 everybody turning on everything they had all at once,
12 you know. And it's a diversity. It's taught in
13 school.

14 And the propane business is very similar.
15 You can't -- you can't build your distribution
16 system, which is basically trucks and drivers and
17 storage, for everybody calling all at once being out
18 of gas. So that's where the tank monitors help. I
19 can trickle that in. I can keep everybody full as I
20 need to.

21 It's just a difficult business when you
22 have the demand we had, and then you had supply, in
23 my case, being cut in half or more with the refinery
24 going down.

25 So trying to think of anything else I can

1 think of. You guys got any questions for us?

2 SECRETARY KEOGH: Thank you so much.

3 Appreciate you for --

4 HARDY THOMPSON: You're welcome.

5 SECRETARY KEOGH: -- being here and your
6 candid discussion. We'll move through a few
7 questions.

8 I think I will start. Just, you mentioned
9 your strategy of monitoring tanks, and that's
10 excellent if you have the technology to do that. I
11 think that's great. And I assume that that
12 communicates back to you realtime or when they're
13 needed; is that correct? Or is that how you do it?

14 HARDY THOMPSON: It talks to us every
15 morning, and then if there's an event, whether
16 there's a tank fill or a rapid draw or if it
17 triggers, you know, a tank level. Like, say, I want
18 it to alarm me at 30 percent, it sends me an alarm.
19 Yes.

20 SECRETARY KEOGH: We love remote sensing
21 and technology in our world.

22 HARDY THOMPSON: Yes.

23 SECRETARY KEOGH: I appreciate that you use
24 that as well.

25 Do you think any -- I think there was a

1 reference to early notice to customers, perhaps
2 preseason notice. Is that of any value, or do you
3 feel like your technology probably compensates enough
4 for that, that you don't need it?

5 HARDY THOMPSON: You know, I don't -- as
6 far as a statewide push for early notification of
7 fills, I think it's going to be a
8 marketer-by-marketer area basis. We do a pretty good
9 job with social media and that type of thing to
10 communicate with our customers. We really -- we
11 stress that, and it's important to us.

12 But as far as the people that aren't our
13 customers, you know, it's hard for me to say what
14 would help them, except that they need to have a good
15 relationship with their supplier and really know
16 about their supplier.

17 I don't -- I don't -- you know, back when
18 all this happened, they asked, hey, do you want us to
19 send out a notice that says, hey, everybody conserve
20 gas? Well, in my mind, that's going to make my
21 customer panic and call me and say, fill my tank up.

22 SECRETARY KEOGH: I think that's
23 probably --

24 HARDY THOMPSON: And that's -- that's what
25 would happen.

1 SECRETARY KEOGH: Good point. Well, thank
2 you. And I -- that's probably one of the concerns on
3 the electric grid as they notice conserve. Everyone
4 probably turned their heat up a little bit, just in
5 case it went out, but hopefully not. I think there
6 was good efforts by citizens across the state to try
7 to conserve actually.

8 HARDY THOMPSON: Absolutely.

9 SECRETARY KEOGH: I think --

10 HARDY THOMPSON: And we did put out a
11 Facebook push to our -- to our customers, hey,
12 conserve gas, you know, we've got your -- we've got
13 you covered, but you know, we can't get transport
14 trucks down the road.

15 And it wasn't our trucks. We ran seven
16 days a week, just like Ron did. But the transport
17 trucks, you know, they were stopped so we only had
18 what we had.

19 SECRETARY KEOGH: Right. And I know at my
20 household we went the other way, trying to conserve
21 as much as possible.

22 With that, I'll move on to Director Sparks
23 to see if he has any follow-up questions.

24 DIRECTOR SPARKS: Again, Hardy, thank you
25 so much for being here. Quick follow-up question on

1 the monitors.

2 What percentage of the industry has those
3 in place? Any idea other companies got those out
4 there? And kind of a follow-up to that, is it
5 high-dollar to install that kind of a system?

6 HARDY THOMPSON: Well, it's a very small
7 fraction of tanks out there with monitors on them.
8 And you know, I'm a small independent. I'm the owner
9 of the company. And I feel like it's a good
10 economical decision for me to monitor my customers,
11 especially, you know, the higher use ones, the ones
12 that are keep-filled.

13 And I think the propane business, it's so
14 fragmented. Historically, they're just -- they drag
15 their feet on technology. And I don't think that
16 anybody would disagree with that, even Kevin, I'm
17 sure. It's just hard to get a lot of people together
18 and praise technology. Well, the way I see it, I'm
19 going to make more money at the end of the day, keep
20 my customers happier with tank monitoring. And I
21 think, you know, if people would look at it
22 differently like that, they would embrace it more.

23 But to answer your question, very tiny
24 fraction of tanks out there are monitored.

25 DIRECTOR SPARKS: Thank you so much.

1 HARDY THOMPSON: You're welcome.

2 SECRETARY KEOGH: Director Bengal across
3 the table from me may have a question.

4 DIRECTOR BENGAL: Just to follow up quickly
5 on the monitors: Do you use the customers' internet
6 service to connect or is it a cell phone connection
7 at the monitor on its own?

8 HARDY THOMPSON: The monitors I use are
9 dual band cellar, so they use either Verizon or AT&T
10 systems. But they are -- they have ten-year battery
11 and they're on cell phone.

12 DIRECTOR PFALSER: Do you bear the cost of
13 them than as the supplier, or do you pass that on in
14 the gas price?

15 HARDY THOMPSON: Well, I mean, we only have
16 one way to charge anybody for anything, it's through
17 our gas price. But I don't detail it out as an extra
18 charge or anything --

19 DIRECTOR BENGAL: Okay.

20 HARDY THOMPSON: -- like that. That's just
21 part of being a customer of Island Energy.

22 DIRECTOR BENGAL: But the cost is minimal
23 enough, it's not that big of a deal, I assume?

24 HARDY THOMPSON: Well, it adds up, but it
25 is minimal. I think it costs about -- you can

1 average \$3.00 a month per tank.

2 DIRECTOR BENGAL: That's good.

3 HARDY THOMPSON: But if you have 1,000
4 tanks, that adds up.

5 DIRECTOR BENGAL: That's all the questions
6 I have.

7 SECRETARY KEOGH: Director Pfalser, do you
8 have questions of either of our speakers?

9 DIRECTOR PFALSER: Hardy, you were talking
10 about the storage and steel and you all are in a
11 growth area over there. You -- how long has it been
12 now since you've acquired the location in Osceola?

13 HARDY THOMPSON: We took over Osceola in
14 March of 2017.

15 DIRECTOR PFALSER: Okay.

16 HARDY THOMPSON: And then as you know, just
17 this past summer we opened up another store in
18 Pocahontas. And thankfully we did, we were able to
19 help a lot there, but it's a good area.

20 DIRECTOR PFALSER: And the steel, the steel
21 prices, are you typically -- right now, are you
22 purchasing new steel or are you purchasing used
23 steel, or anywhere you can get steel?

24 HARDY THOMPSON: We'll buy used and we'll
25 buy -- okay. First, we'll buy refurb's out of

1 Oklahoma where they've been sandblasted and
2 everything fixed. That's our preferred way to buy
3 domestic tanks.

4 We will buy used if we have to, because
5 apparently it's hard to get domestic tanks, just like
6 everything else. And I will buy new tanks if I have
7 to. But my preferred is refurbished tanks out of
8 Oklahoma.

9 DIRECTOR PFALSER: And what have you seen
10 with steel prices? Kind of crazy?

11 HARDY THOMPSON: They've gone up. Just
12 used tanks in one year from last summer to this
13 summer, they've probably gone up 60 percent. And
14 then I haven't bought a 30,000 gallon tank in a long
15 time, but I'm sure that they are extremely expensive.

16 DIRECTOR PFALSER: Okay. The hours of
17 service, was that a benefit to -- to have that waived
18 to where you can run longer?

19 HARDY THOMPSON: Oh, certainly. And as far
20 as I'm concerned, you know, the way this works is
21 once you get behind, you're always behind.

22 And the hours of service, I know they've
23 got to look at a storm or they've got to look at a
24 weather event to decide whether they're going to do
25 that. I'm not so sure we don't need to just have a

1 blanket January, February hours of service lifted
2 every winter. That way people once they're behind,
3 they can't -- they don't have to stay behind.

4 DIRECTOR PFALSER: Well, and what months do
5 you think -- if your business is 60, 70 percent
6 domestic, then what months are you looking at to do
7 all your business for the year? I mean, it's --

8 HARDY THOMPSON: Okay. Yeah. Number one
9 month is January typically. Number two month is
10 February. Number three month is either March or
11 December. That's it.

12 DIRECTOR PFALSER: That's where you --

13 HARDY THOMPSON: This year -- this year it
14 flip-flopped because February was so bad. But
15 normally January, February and either March or
16 December.

17 DIRECTOR PFALSER: So those are the months.
18 And so the rest of the time then, we're trying to
19 staff for months where there's no -- there's no need,
20 but you have to have them for basically those three
21 or four months?

22 HARDY THOMPSON: Well, we're in the
23 fortunate position to where we use the rest of those
24 months to set tanks. But we also do a significant
25 forklift industrial service. So we stay pretty busy

1 with that all year.

2 But yeah, you've got, you know, three or
3 four months that are pretty intense and then you've
4 got, you know, the rest of the year that slacks off
5 quite a bit.

6 DIRECTOR PFALSER: I don't know what that
7 would look like to approach a permanent hours of
8 service for a certain period of time, but that makes
9 sense because of the way our business, the industry
10 does business.

11 HARDY THOMPSON: Well, you know, we just
12 got through talking about how you can't prevent
13 the -- you can't predict the weather in advance far
14 enough to get the executive order done in time,
15 because by the time it's done, everybody's already
16 empty and behind.

17 So if you could just maybe pick December,
18 January, and February or something like that to help
19 get ahead of things, because, you know, there are
20 only so many trucking companies. The pipeline, you
21 know -- the pipeline is not predictable as far as I
22 am concerned, which is why we were on the refinery
23 gas. Well, I learned my lesson there too.

24 Any other rail facilities in Arkansas --
25 you know, I would like to see a rail facility

1 somewhere in northeast Arkansas just like Ron would,
2 but I don't know who would, you know, economically
3 decide that, hey, that's what we're going to do.

4 DIRECTOR PFALSER: Right.

5 HARDY THOMPSON: Let's see, that's mostly
6 the things that I wanted to talk about. But I'll be
7 glad to answer any questions you've got. We try to
8 stay ahead of things, but during times like that,
9 it's really hard.

10 DIRECTOR PFALSER: Well, Hardy, I
11 appreciate you, like everybody else, taking the time
12 to be with us. It's been helpful.

13 SECRETARY KEOGH: And I'll just -- as I
14 mentioned, our other folks that have testified, this
15 is a process that this Task Force is going through.
16 We'll be combining our notes.

17 And if you have any additional feedback or
18 thoughts that you may have missed today that you
19 think would be meaningful for us to know, this is not
20 a final chance. You can reach back out through your
21 association. She can provide it to Troy through our
22 e-mail site or directly to Director Pfaller. We'll
23 make sure that the report drafters and those that are
24 preparing the recommendation, that we will review it
25 together and incorporate as much as possible that

1 we're hearing from these hearings.

2 So thank you for your time today. I know
3 that I want to give a chance back to Laneigh to make
4 any closing comments, but -- and if anyone has a
5 question for her. I appreciate, Laneigh, as well,
6 your thoughts and your appreciation for that time of
7 service.

8 I know the governor acted prior to the
9 winter event, actually, because of a shortage already
10 in place, as I understand it, in some parts of the
11 state. So I'm not sure what occurred on the 23rd.
12 It was referenced later, but I know that may have
13 been --

14 DIRECTOR PFALSER: It was an extension.

15 SECRETARY KEOGH: Extension --

16 DIRECTOR PFALSER: The 10th was the
17 original one and then the 23rd --

18 SECRETARY KEOGH: And so I know that other
19 states, as you mentioned, we had communications, were
20 not as comfortable with those changes. And I know
21 it's a safety consideration for your drivers, but
22 it's also a safety consideration for those that need
23 gas at that time.

24 So with that, I'll turn it back and thank
25 you again for your comments.

1 HARDY THOMPSON: I did -- I did have one
2 more little thing.

3 If you can reach back out to NGL at some
4 point, you might look at our inventory right now
5 based on inventory last year in our area. They're
6 31 percent lower right now than they were at this
7 time last year. So just something to think about for
8 this next fall.

9 SECRETARY KEOGH: I think you got their
10 attention in this room.

11 HARDY THOMPSON: It's true.

12 SECRETARY KEOGH: That's good to know.
13 That's something we should work with the companies.
14 And maybe, Kevin, we can work on that. That's a good
15 way to evaluate, you know, each year to make sure
16 that we're on forecast, or at least if we feel like
17 there's a potential of a problem going forward.

18 With that, I guess, Laneigh, you want to
19 make a comment?

20 LANEIGH PFALSER: Just from a national
21 standpoint in working with colleagues in other
22 states, just some things that I, you know, think
23 might be necessary to be aware of.

24 So we have -- you have asked, like, is it
25 industrial? Is it, you know, home-based? Like, what

1 was the customer base? We also have a couple of
2 other members in our association who have clients in
3 the manufacturing industry.

4 I did some research during this related to
5 a legislative issue. And so we'll be doing some more
6 extensive research over the next year in preparation
7 for 2023. But we have two new -- or we have one
8 facility I'm aware of and we have just a brand-new
9 facility that goes in that uses propane in their
10 manufacturing process that is coded manufacturing for
11 their kilns, to fire their kilns. They're very, very
12 large kilns, is my understanding. And they do a
13 large number -- amount of gallons a day.

14 So we also have an autogas bus. One of the
15 school districts here in central Arkansas has bought
16 two autogas buses. And these are -- whenever we say
17 autogas, they're propane-type fired buses and they're
18 not run by diesel. And the buses are not -- were not
19 outfitted to become propane. They were originally
20 manufactured to be propane buses. It's a
21 clean-burning energy, and so they have headed that
22 direction.

23 So when we talk about product and moveage
24 and where the propane industry is headed, these are
25 where we're headed. And obviously, as an advocate, I

1 hope to expand that even further. So those are
2 things to be made aware of in the future. That's all
3 I've got.

4 SECRETARY KEOGH: I know we're talking
5 about all kinds of new modern infrastructure and
6 modern automobile technology as we look at our
7 fleets. And so I suspect, especially when you're
8 looking at the difference between -- different
9 vehicles and buses, transports --

10 LANEIGH PFALSER: We're actually even at
11 the national level, our national association is going
12 to be starting to offer perks to our members this
13 next year to convert their own bobtails to autogas.
14 There will be perks involved with that so we will be
15 utilizing the product that we sell.

16 SECRETARY KEOGH: All right. Thank you,
17 again, for your time. At this point, it's -- we're
18 about four minutes over. So thank you for your
19 patience as we wrap this first session of the
20 afternoon up. We'll take a break and then we'll
21 reconvene, for those of you that might be listening
22 in, at 2:45. So a short break, 10-minute break.

23 And then we have several speakers,
24 including Enable Energy, Summit Utilities, and I
25 believe CHS, who we asked to reschedule this

1 afternoon due to our power glitch this morning. So
2 we expect to hear from them beginning at 2:45. Thank
3 you.

4 (Whereupon the hearing was adjourned.)

5 SECRETARY KEOGH: Good afternoon. Thank
6 you for those of you that are joining us this
7 afternoon. Today is June 2nd, 2021. While we
8 planned to be at the Arkansas Department of Energy
9 and Environmental Headquarters, due to actually a
10 power outage, we shifted over to this lovely
11 facility, the home of the Liquified Petroleum Gas
12 Board. I like to coin it as E&E's North Little Rock
13 East, but we're happy to join all of you here and
14 appreciate your patience and flexibility.

15 I know we have a number of Zoom people this
16 afternoon, so I think most of our in-person witnesses
17 were handled in the previous session. So as we
18 continue our discussions, for those of you just
19 joining us, I am Becky Keogh. I'm Secretary of the
20 Department of Energy and Environment. I have the
21 pleasure of serving on this Task Force with the
22 Secretary of Commerce, Mike Preston; Director of Oil
23 and Gas Commission, Director Larry Bengal; and the
24 Liquified Petroleum Gas Board Director Kevin Pfalser.

25 For this afternoon, Director of the AEDC

1 Existing Business Resources Division, Director Steve
2 Sparks is joining us due to a conflict that Secretary
3 Preston had this afternoon as he's presenting
4 expansion of our technologies across our state.
5 Hopefully, it's a proposal that could be -- help
6 further our internet services and broadband
7 capabilities across the state of Arkansas. So
8 hopefully he's on that proposal.

9 On March 3rd, 2021, Governor Hutchinson
10 signed Executive Order 21-05 which established the
11 Energy Resources Planning Executive Task Force. And
12 the purpose of the Task Force and the hearing today
13 is to gather information as an administration from
14 this testimony in order to better prepare our state's
15 infrastructure in the event of another statewide
16 emergency.

17 I mentioned earlier that this
18 administration has endured three 100-year
19 emergencies: First, a 100-year flood, global
20 pandemic, and now 100-year ice/storm event. So we
21 want to make sure that as we go through these events,
22 while we can't control those occurrences, we can
23 definitely learn from them.

24 And the governor is focused on after-action
25 assessments and developing and learning best

1 practices and learning from these events to be
2 prepared and to enhance the certainty of our --
3 stability of our -- and certainty of our
4 infrastructure to our citizens, as well as our
5 commercial businesses.

6 As chair of the Task Force, I have the
7 pleasure of calling on each of you to present today.
8 And I will call out the name of the organization that
9 will testify. And if you will just, however you're
10 participating via Zoom or via in person, I guess in
11 this case basically Zoom, I'll ask you -- once I
12 introduce you, I'll ask you to state your name,
13 title, and organization. This is primarily for the
14 purpose of our recording and creating a record so
15 that we can review it and later prepare a report for
16 the governor that you will have a chance to review
17 and have input to.

18 After -- if you would open with opening
19 comments, that would great, or any statement that you
20 have. We would ask you to limit that to five
21 minutes, just out of respect for the other
22 participants this afternoon.

23 After that five-minutes-or-less
24 presentation, we'll -- I'll open the floor to the
25 Task Force members here today to ask questions.

1 Again, our Task Force members have studied the
2 testimonies that were prefiled, the question and
3 answers that many of your organizations prefiled with
4 us. And so hopefully, these questions will build on
5 those or fill in any questions that we might have.

6 We've allotted about 15 minutes, so we
7 don't want to tie up too much of your day. And I
8 appreciate that you've been on hold with us this
9 afternoon. We did, as I said, encounter some
10 unexpected events and I think we've done well.

11 Andrea Hopkins, who you may be able to see
12 or -- I don't know how many of you can see her in the
13 room, but maybe she or Troy Deal may send you a
14 warning that your five minutes is closing in on a
15 time limit. So if that's the case, that's the gentle
16 urge to try to bring your comments to close so we can
17 move forward.

18 So with that, I will begin. I think our
19 first presenter this afternoon will be Enable
20 Midstream. So thank you for joining us, Enable. And
21 they are a neighbor of us and I know they also
22 encountered a power disruption today at their
23 operations in North Little Rock.

24 So following Enable, I will ask Summit
25 Utilities to speak, so that's to give you a little

1 bit of a two-minute warning, or maybe a 20-minute
2 warning, for those of you that will follow that.

3 So Enable, I will turn the attention to you
4 at this point.

5 STEVEN TRAMONTE: Good afternoon, thank
6 you. My name is Steven Tramonte. I'm the Vice
7 President of Commercial for the Transportation and
8 Storage segment at Enable Midstream Partners. My
9 prepared remarks today address the operation of the
10 two Enable pipelines that operate in the state of
11 Arkansas and the impact the weather event in February
12 had on those systems, as well as potential
13 investments that could be made to the pipeline to
14 help in future extreme weather events.

15 We operate two natural gas transportation
16 pipelines in the state of Arkansas: Enable Gas
17 Transmission, or EGT, and Enable Mississippi River
18 Transmission, or MRT. EGT and MRT are interstate
19 pipelines subject to the jurisdiction of the Federal
20 Energy Regulatory Commission.

21 EGT and MRT are exclusively providers of
22 transportation services, meaning they receive gas
23 from or for the account of their shippers, sometimes
24 store that gas for a period of time, and redeliver
25 that gas to those shippers at various delivery points

1 located on the respective pipeline systems.

2 In regards to our preparation for the
3 weather event, Enable has put in place plans that
4 include having personnel on-site around the clock at
5 key facilities such as compressor stations and
6 storage fields to maintain reliability.

7 Our field personnel also tests backup
8 generation to ensure that any interruption in power
9 delivery would not impair the operation of equipment.

10 Other preparations prior to and throughout
11 the weather event included monitoring weather
12 forecasts to evaluate the potential supply loss
13 anticipated from wellhead freeze-offs, as well as to
14 forecast the increased demand on the pipeline system
15 due to the dropping temperatures.

16 On the coldest day in Arkansas, EGT
17 experienced a loss of almost 50 percent of supply
18 from levels flowing prior to the severe weather. And
19 during the same period, demand for natural gas on EGT
20 increased over 45 percent from February 1 levels.

21 The combination of decreasing supply,
22 increasing demand, and having both of those events
23 occur an extended period of time can cause severe
24 operational issues on the pipeline. So in
25 preparation for the coldest days of the event, both

1 EGT and MRT issued operational flow orders, or OFOs,
2 to provide guidance to customers on the operating
3 requirement needed to ensure the reliability and
4 integrity to the systems.

5 As the event unfolded, EGT began to
6 experience a sharp decline in actual supply entering
7 the system. This was a very fluid environment where
8 producers and gathering companies were battling to
9 bring wells back online as others were freezing up.

10 During this time frame, we had customers
11 taking more gas off the pipeline than they were
12 bringing onto the pipeline, which was creating short
13 imbalances. These short imbalances over time will
14 reduce pressure across the system and will limit the
15 pipeline's ability to run necessary compression and
16 meet customers' pressure requirements.

17 It's also important to note that the volume
18 of gas a customer is entitled to move on the pipeline
19 is governed by the level of service they have
20 contracted for. And some customers, during this
21 period, exceeded those contractual rights. This is
22 an indication that some customers did not hold
23 sufficient capacity or space on the pipeline to meet
24 their peak needs.

25 As system conditions continued to

1 deteriorate and pipeline pressures continued to fall,
2 EGT continually reminded customers to remain in
3 balance and notified them that EGT will prioritize
4 loads serving human needs.

5 Both EGT and MRT have provisions in their
6 respective tariffs that allow the pipelines in
7 certain circumstances to prioritize human needs
8 customers above all other customers, regardless of
9 the level and type of service contracted for.

10 Fortunately, we did not have to enact the
11 prioritization on the basis of human needs, but the
12 preparation for that prioritization did cause many
13 customers to cut back loads to help the system.

14 One additional note, our storage assets
15 performed well during the weather event and provided
16 a critical role in supplementing the supply loss due
17 to freeze-offs.

18 Since the weather event, EGT has been
19 exploring options to increase customer access to
20 additional sources of supply. Currently, the EGT
21 system is designed primarily to bring gas from
22 production areas in the northern and western portions
23 of the system to customers and markets in the eastern
24 and southern position of the system.

25 Supply in Arkansas and Oklahoma will

1 continue to be a valuable source of supply for EGT,
2 but the recent weather events highlighted a
3 vulnerability to extreme temperatures. And EGT's
4 plan to create additional access to southern supply
5 basins and additional storage assets will complement
6 the Arkansas and Oklahoma supply.

7 EGT will need to install additional
8 facilities to allow customers to access supplies from
9 areas like the Perryville hub and other liquid supply
10 areas in the south, potentially including compression
11 and pipeline looping.

12 In fact, just yesterday, EGT announced an
13 open season, soliciting interest in a project we are
14 calling the Supply Diversity Project. EGT will need
15 its customers to support that investment with
16 contracts for transportation service and to ensure
17 their contractual commitments meet their peak load
18 requirement and they have access to flow and supply
19 in the next extreme weather event.

20 In conclusion, I would like to commend our
21 field and operational personnel that braved extreme
22 weather and dangerous conditions to ensure the
23 integrity and reliability of our systems. These men
24 and women were the main reason we were able to
25 deliver every molecule we received throughout the

1 weather event.

2 That concludes my prepared remarks. I'd be
3 happy to address any questions you may have. Thank
4 you.

5 SECRETARY KEOGH: Thank you so much, again,
6 for your presentation, your prepared remarks. And
7 thanks to your able staff and their willingness to,
8 as you said, brave some very unusual conditions to
9 make sure that Arkansans were equipped with the gas
10 they desperately needed in some cases. So appreciate
11 that.

12 Want to focus a couple of questions and
13 then I'll pass onto the other members of the Task
14 Force. One of the questions that we brought up
15 yesterday with our natural gas supplier companies in
16 Arkansas, and producers, and some of even the utility
17 group, we talked about notification to our customers
18 when gas might be short or subject to curtailment.

19 And I know that the governor received a few
20 calls. I obviously received a few calls. I know
21 Director Sparks mentioned a number of calls around
22 industrial customers on the natural gas side.

23 So can you speak to what you've learned
24 through that and where we might do better in terms of
25 making sure that those customers, one, are educated

1 to make sure they have the right agreements in place;
2 but secondly, that if there is an effort initiated by
3 the supplier or the pipeline company, whoever is the
4 distributor, that that customer be notified
5 that -- that the -- you know, someone's about to show
6 up at their gate, if you will, to make that
7 curtailment happen?

8 So can you speak -- I don't know if y'all
9 are involved in that process, but can you speak to
10 your involvement in that?

11 STEVEN TRAMONTE: So recognizing, you know,
12 very early that we as the interstate pipeline have a
13 little bit broader view of the potential supply
14 impacts from cold weather, and we certainly have seen
15 events like the temperatures we've seen, but perhaps
16 not the duration.

17 So very early on, we started to communicate
18 the importance of our customers remaining in balance
19 and making sure that their physical supply coming in
20 was matching up with their physical deliveries. And
21 that continued throughout the event.

22 I will say, though, that from the
23 interstate standpoint, this -- the duration of this
24 was -- and the extreme temperatures combined, caused
25 us to have to enact the prioritization of human needs

1 in ways that we had never done before, and we had
2 never experienced that.

3 So our communication to our customers
4 regarding human needs was for them to have to submit
5 an affidavit justifying, you know, or attesting to
6 the fact that they are, indeed, serving human needs
7 and what volumes they required from that.

8 So that had to deal with -- and these are
9 all -- it's all prescribed by our tariff. That
10 pertained to not only utility customers, but also
11 industrial customers to the extent that service was
12 needed to avoid catastrophic damage to their
13 equipment.

14 So we enacted that. And frankly, that's
15 a -- that's a process that we had never been -- done
16 before. So certainly a lot of learning on our part
17 about how to go through that process, a lot more
18 knowledge about what it takes to actually get those
19 affidavits done, especially during the middle of
20 a -- during a weather event.

21 And probably would try to be a little bit
22 more proactive next time on thinking about the --
23 when we see the duration of this being so long,
24 perhaps getting ahead of some of those human needs
25 affidavits prior to an event of this -- of this

1 duration.

2 SECRETARY KEOGH: Thank you. And I guess
3 the following question, we also heard from the
4 electric utility side and the gas side as well, that
5 certain compressor stations may have been subject to
6 power loss as well, which might have disrupted
7 additional ability to keep pressure on the gas lines.

8 Did y'all experience that yourselves? Or
9 do you have backup power systems on your compressor
10 delivery systems that, in the event natural gas
11 became short, you could continue to deliver gas or
12 electricity?

13 STEVEN TRAMONTE: A number of our -- on the
14 pipeline, a number of our compressor stations do have
15 backup power.

16 EGT did not experience any power
17 interruptions that impacted, you know, our
18 compression. Our biggest issue from an operational
19 standpoint were customers taking more gas off the
20 system than they're having supply come on. And what
21 happens in that case, as I mentioned in my prepared
22 remarks, is your pressures start to drop along the
23 pipeline. And that impacts the ability to run
24 compression.

25 Luckily, we were able to centralize our

1 compression along our system to then make sure we
2 could deliver every molecule that we received.

3 SECRETARY KEOGH: Okay. And that may be
4 that that was more at the wellhead compressors, or it
5 may be those compressors -- I know we were listening
6 to some stories from Texas where I believe a number
7 of their compressor stations are tied into the
8 electric grid, as opposed to having, you know -- many
9 of the Arkansas ones I know are more remote, and
10 therefore, they are set up with backup generators.

11 Anyway, appreciate that. I'm going to turn
12 now to Director Sparks to see if he has any
13 additional follow-up. Thank you.

14 DIRECTOR PFALSER: Great. Thank you,
15 Steven. Quick question with regard to your affidavit
16 process.

17 You mentioned that you were having to do
18 things that you've never done before, lessons learned
19 on that, timing, process. What have you guys learned
20 that we might benefit from as a Task Force to look at
21 that on a larger scale?

22 STEVEN TRAMONTE: Well, one thing we
23 learned was, you know, the supply on EGT, we could
24 have brought in a lot more supply from the south if
25 we had that physical capability.

1 And so the gas pricing differential was
2 quite dramatic between our northern part and southern
3 part because most of our supply is out in western
4 Oklahoma and throughout Oklahoma and into northern
5 Arkansas. That saw the largest impact to wellhead
6 freeze-offs.

7 So one of the things that we're looking at,
8 and I mentioned it briefly in my comments, were
9 projects to have increased supply availability
10 throughout the -- throughout northern Arkansas, is
11 the primary consideration, of being able to get that
12 gas from south to north. That would have provided
13 access to a lot more supply and actually a lot more
14 storage assets that are primarily located in kind of
15 north Louisiana.

16 DIRECTOR SPARKS: Okay. Thank you. With
17 regard to the affidavit process, what have you found
18 the best way to communicate and get that information
19 back to you to make those calls?

20 STEVEN TRAMONTE: So I think the largest
21 part there is helping everybody understand that the
22 the tariff does allow for a prioritization based upon
23 human needs. And now that we've gone through that
24 process and having familiarized people with the forms
25 that they'll have to provide, perhaps taking a more

1 proactive step.

2 And this may not just be for cold weather
3 events. It may just be prior to the winter, is
4 helping us understand prior to each winter what,
5 indeed, those loads are. And that would prepare us
6 for these events and not having to go out and get
7 affidavits during the event.

8 DIRECTOR SPARKS: Thank you.

9 SECRETARY KEOGH: All right. And to the --
10 to your affidavits, I'll just comment, I know we've
11 heard -- and our recommendations may focus on some --
12 in addition to human needs, I think there is some
13 provision for protection of, as you said, commercial
14 or industrial equipment that might undergo
15 significant damage, having a minimum amount of gas,
16 not necessarily production level, but minimum of gas
17 to maintain that heat.

18 Or even we heard poultry operations, to
19 maintain loss of significant livestock or, in that
20 case, poultry. So those are some things that I think
21 all play into that affidavit process.

22 But we've heard some recommendations in
23 that regard, so we're happy to share those with you
24 as well as we look forward to that.

25 With that, I'm going to turn over to

1 Director Bengal, if you want to address questions.

2 DIRECTOR BENGAL: Thank you for coming.

3 Just a couple questions.

4 The Enable pipeline, it's a east/west along
5 the Arkansas river route, is it not?

6 STEVEN TRAMONTE: We do move gas primarily
7 east to west, and then really down south into north
8 Louisiana.

9 DIRECTOR BENGAL: So from the standpoint of
10 the Arkoma basin gas in western Arkansas, does that
11 area contribute much to your supply in your pipeline?

12 STEVEN TRAMONTE: It contributes -- it is
13 not the majority of supply, but it does -- it does
14 feed into our system.

15 DIRECTOR BENGAL: So how much of your
16 system that you bring into the state stays in the
17 state, versus moves on east?

18 STEVEN TRAMONTE: So those numbers, I'm
19 sorry, I'd have to get, you know, more information to
20 you offline about those exact numbers. But the
21 percentage wise, the gas that's coming in the Arkoma
22 would probably be a much smaller percentage, as
23 opposed to the volume that we're receiving in
24 Oklahoma that moves into Arkansas to supply northern
25 Arkansas.

1 DIRECTOR BENGAL: And I think you have a
2 line that takes a large portion of the Fayetteville
3 shale gas on east?

4 STEVEN TRAMONTE: So our particular system,
5 EGT, receives very little volume from the
6 Fayetteville shale. There are competing pipelines
7 that move the vast majority of that volume further
8 east.

9 DIRECTOR BENGAL: Okay. That's all.

10 SECRETARY KEOGH: All right. Director
11 Pfalser, this is your chance to ask.

12 DIRECTOR PFALSER: Thank you. Like
13 everybody else, I appreciate you taking the time to
14 be with us today.

15 Storage, this is something that I didn't
16 realize happened with natural gas, and you had
17 mentioned that. Where is your storage at?

18 STEVEN TRAMONTE: Yes, sir. So we have
19 storage facilities in Oklahoma and north Louisiana on
20 our EGT system.

21 DIRECTOR PFALSER: Okay. And that is a
22 geological, is what allows for the storage? That has
23 to be in place before it can be utilized for natural
24 gas?

25 STEVEN TRAMONTE: That's correct. So our

1 storage facilities consist of reservoir storage
2 facilities on EGT. There are other storage
3 facilities that are salt caverns that are located --
4 excuse me, in north Louisiana that we connect to but
5 aren't owned by EGT.

6 DIRECTOR PFALSER: Okay. All right. That
7 was all that I had. Thank you.

8 SECRETARY KEOGH: All right. Thank you for
9 your time today. Appreciate the information. If
10 there's any information that you think may be --
11 comes to your attention in the upcoming month or so
12 that you think may be beneficial as we prepare our
13 recommendations -- we hope to pull that together in a
14 draft report, share it back. But also we'll
15 ultimately be briefing the governor with those
16 recommendations.

17 So appreciate any input as you -- as you go
18 through your reviews, as well as anything else you
19 have to offer, we appreciate that. So feel free to
20 reach out through our communications team. We've set
21 up a specific e-mail site. Troy Deal can help you
22 with that if there's something -- if you have a
23 report that y'all put together or any documentation
24 that would be helpful to us that you're willing, you
25 know -- it's open to the public for sharing.

1 So thank you, again, for being present
2 today though.

3 STEVEN TRAMONTE: Thank you for your time.

4 SECRETARY KEOGH: With that, I'll shift
5 gears. I will ask, I guess, the next organization
6 will be Summit Utilities, who is also joining via
7 Zoom, I believe. We'll ask for their organizational
8 representatives to open with their name, title, and
9 the name of your organization.

10 WALT CARTER: Good afternoon. Thank you
11 for hosting us today to speak about the winter storm
12 events. I'm Walt Carter. I'm the manager of Gas
13 Supply and Contracts for Arkansas Oklahoma Gas, or
14 AOG. I'm joined today by our Vice President of
15 Sustainability and Corporate Affairs, Lizzy Reinholt,
16 and our Director of Operations in Arkansas and
17 Oklahoma, Tony Parker, and also our Chief Customer
18 Officer, Fred Kirkwood.

19 Perhaps I can start out by giving you some
20 background on AOG and then we'll speak a little bit
21 about the events of February, if that's okay.

22 SECRETARY KEOGH: Great. Thank you.

23 WALT CARTER: AOG is a natural gas
24 distribution company that serves the Fort Smith, Van
25 Buren, and surrounding areas. We have about 60,000

1 customers in total, majority of which reside in
2 western Arkansas. As an energy provider to homes,
3 businesses, and industry, we provide safe and
4 reliable and affordable natural gas to our customers.

5 During Winter Storm Uri, our system was
6 challenged due to upstream gas supply constraints
7 that were beyond our control, but we were able to
8 successfully preserve gas supply for our human needs
9 and our residential customers throughout the storm
10 thanks to a combination of our gas supply plan,
11 enhanced communications with customers, and
12 successful execution of our curtailment plans.

13 As a background, AOG always takes weather
14 events into consideration as part of our gas supply
15 planning. Our gas distribution plan uses historic
16 weather data to project daily and monthly demands
17 under various weather scenarios. It also uses
18 historic weather events and market response to
19 monitor our hourly and daily requirements under
20 extreme weather conditions. The models are
21 comparable to the planning models of other LDCs
22 across the country, including Black Hills.

23 AOG's supply strategy includes
24 diversification of its supply portfolio. 20 percent
25 of our design-day needs supplied from gas wells in

1 the Arkoma basin, and 40 percent from each of our two
2 upstream pipelines, Enable and Ozark. All of our
3 contracts are confirm service.

4 AOG began preparing for Winter Storm Uri
5 February the 10th by reviewing our system operating
6 conditions, our demand forecasts, and our active
7 supply agreements, and also by communicating
8 frequently with our gas suppliers and upstream
9 pipelines about our upcoming needs.

10 During the course of the following week,
11 historic weather conditions throughout the region
12 resulted in natural gas supply shortages and extreme
13 index pricing. As gas would show up in our upstream
14 pipelines, our system supply nominations were cut.

15 At that point, we were required to curtail
16 our interruptible and commercial customers in order
17 to preserve supply for our residential heat load
18 customers. We also issued customer communications
19 asking our customers to conserve usage where they
20 could.

21 Thanks to these curtailments and the
22 customers reducing their gas usage, we were able to
23 keep homes warm and maintain service to human needs
24 customers, despite significant gas supply issues
25 beyond our control.

1 Thankfully, we were (disruption in audio)
2 before any further curtailments were necessary and we
3 were soon able to restore service to our all
4 customers.

5 (Disruption in audio) due to our staff,
6 both in the field and in the office. They worked
7 incredibly hard to keep everything going that week.

8 While our 2021 gas supply plan forecasted a
9 maximum daily requirement of just over 100,000 MMBTU,
10 as a result of the extreme demand we experienced in
11 February, our new design-day increased to almost
12 106,000 MMBTU, or almost 6 percent.

13 AOG is continuing to evaluate our options,
14 to diversify our supply portfolio even further in
15 order to ensure reliability of service to our
16 customers. We look forward to speaking with you more
17 today and I'm happy to answer any questions you may
18 have about our response to the winter storm. Thank
19 you.

20 SECRETARY KEOGH: Thank you. Do appreciate
21 the others for participating as well. Is there any
22 statements or comments that they would like to make
23 at this time?

24 LIZZY REINHOLT: We're just here based on
25 questions so that we made sure to have the

1 appropriate folks in the room.

2 SECRETARY KEOGH: Thank you for being
3 present and thank you for all your efforts in
4 Arkansas. Thank you for your partnership.

5 I know -- I guess I would raise the
6 question that I raised to the previous speakers
7 around notification, just in terms of your approach
8 to notifications, particularly with your commercial
9 customers as those were the ones that seemed to be a
10 bit on the surprise element, I think.

11 So I guess it was just -- and I'm not sure
12 we heard from your direct customer, so I'm
13 not -- this is not a comment about your operation at
14 all. But just anything that you found as a helpful
15 lesson learned that we can put in our recommendations
16 going forward to all our natural gas providers in the
17 state and our commercial organizations, as far as
18 preparing themselves better for a potential
19 curtailment in the future?

20 I don't know who to turn back to, but I
21 guess --

22 LIZZY REINHOLT: Fred, do you want me to
23 start that or do you want -- do you want to speak to
24 particularly industrial and large commercial and I
25 can speak a little bit to the small commercial and

1 the residential, if needed?

2 FRANK KIRKWOOD: Yes. Let me speak to the
3 industrial/commercial. And first of all, this was a
4 unique experience for us as a company, as well as
5 those industrial customers.

6 I want to start by saying that one thing
7 that first comes to mind in addition to notification
8 is preparation. And a lot of our industrial
9 customers are so used to having a reliable natural
10 gas, that they didn't have any backup sources. So it
11 made it difficult then to even respond when we
12 reached out to them.

13 But from a notification process, lessons
14 learned in this instance, is that we should -- we as
15 a company and as the industrial customers we serve,
16 we had a lot of communications around updating our
17 customer profiles to make sure that we have current
18 information on who the direct contacts are. In many
19 times, we reached out to folks and we had to locate
20 folks in other states and jurisdictions to get to the
21 key communicators to actually not only make the
22 decision, but also implement the curtailment that was
23 needed.

24 So I think the most -- best lesson learned
25 is around just having a continuous process to update

1 customer profiles of information. Because in many of
2 these corporations, there's a person who makes the
3 decision. There are people who actually run the
4 equipment, and people that will follow through with
5 their employees. So just having that information
6 updated, I think, is the most helpful tool that we
7 learned in this process.

8 SECRETARY KEOGH: Thank you. You had
9 additional comments about smaller customers, I
10 believe or --

11 LIZZY REINHOLT: I think it's worth noting,
12 one thing that we did do in this instance is we did
13 curtail the large industrial, you know, the transport
14 customers, and those were shut off. For our small
15 commercial, what we did is, it was a tremendous
16 amount of -- you know, it was a number of different
17 customers. We weren't able to call each and every
18 one of them one on one like Fred's team did with the
19 large commercial and transport customers.

20 But we did not physically shut them off.
21 We told them they were being curtailed, but they were
22 able to turn their thermostats down and, you know --
23 and we asked them to do that.

24 You know, obviously one of the things that
25 was really bad about this situation was the little

1 notice we had around our supply shortages. We had
2 nominated the proper amount of gas, but we didn't
3 necessarily have a huge heads-up as to when we were
4 going to lose that supply which limited the window of
5 time we had to communicate with the customers.

6 Though we had been communicating with
7 customers since February 10th about how to conserve,
8 about winter storm issues, really the turnaround,
9 right -- no one thinks they're actually going to lose
10 their gas service. And the turnaround in being able
11 to communicate with them, that short window really
12 made it difficult.

13 One thing we did during this storm that
14 we're definitely going to be using moving forward was
15 we set up a text message program. We hadn't used
16 text messaging prior to the Winter Storm Uri. And
17 I'll tell you, that program was a real lifesaver for
18 us in communicating with residential customers about
19 conserving, but also with commercial customers when
20 it came to the overall curtailment.

21 And Fred's team did a great job too of also
22 keeping customer service on longer hours to answer
23 questions because we knew customers were going to
24 have them and curtailment came near the end of the
25 day.

1 So we did everything we could to really
2 make sure we were still there for our customers,
3 despite the lack of reliability, and answer their
4 questions. But given that this was the first time
5 that this had ever happened and now, it gives us time
6 to educate folks about exactly what happened and why
7 those curtailments happened.

8 SECRETARY KEOGH: Thank you. I guess I
9 know that the supply diminished quickly as you
10 mentioned. So hopefully, I guess the other
11 conversation we heard was weatherization yesterday.

12 So is there any comments that you have
13 around what you may do on your system in response to
14 assuring, you know, if you had any issues with
15 weatherization in terms -- or if it was more on the
16 wellhead issues that resulted in the shortfalls to
17 you?

18 So is there's any comments there that you'd
19 like to make or recommendations?

20 WALT CARTER: So the assumption is, you're
21 talking about our system, our ability to deliver the
22 gas that was actually presented to us --

23 SECRETARY KEOGH: Right. I understand the
24 wellhead, many of those froze, and you can't control
25 that. But is there anything that you encountered in

1 your system that is a recommendation that -- or a
2 lesson learned or an investment that you'll be making
3 in the future?

4 WALT CARTER: The AOG system functioned
5 very well during the cold weather that we had, what
6 you would expect. We had lower pressures at some of
7 the dead-end feeds. We had enough gas on the mains
8 that we were able to maintain those feeds. We didn't
9 lose any customers because of freeze-offs or
10 equipment issues.

11 So it did -- it was -- I wouldn't say
12 flawless, but it performed very well. We had a lot
13 of people in the field paying attention, bypassing
14 where necessary to help save the load and the
15 pressures.

16 But as far as system improvements, you
17 know, short of storage, I think right now we're
18 looking at supply. Supply is just -- was our
19 downfall and supply is the answer.

20 SECRETARY KEOGH: Okay. Well, I'll turn
21 over to the other Task Force members. They may have
22 questions specific to storage and supply. So with
23 that, I'll turn over to Director Sparks to see if he
24 has any questions about your comments or any
25 follow-up.

1 DIRECTOR SPARKS: Thank you very much. I
2 think actually you've covered all the questions that
3 I had. I appreciate that information. Thank you.

4 SECRETARY KEOGH: I'll shift over to
5 Director Bengal from our Oil and Gas Commission.

6 DIRECTOR BENGAL: Thank you for being here.
7 You know, it's good to know that every time I Google
8 AOGC if I want to find our webpage for the Oil and
9 Gas Commission, AOG comes up first. I'm always going
10 to scroll through and down to AOGC. You're first on
11 that Google search.

12 The question I had: Did you experience --
13 did you have to purchase any of that higher-cost gas
14 to augment your system? Or you just stayed with your
15 contracted amounts that you had that were delivered
16 to you?

17 WALT CARTER: So similar to the other
18 Arkansas lessees, we have all of our gas contracted
19 for in one annual process. And we have these
20 packages of reserve gas to call on as we go
21 throughout the winter. We experienced shortages on
22 several of those packages of gas, required us
23 to -- we always try to nominate the gas in order of
24 economic priority, right. So we try to get the lower
25 cost gas in first.

1 And unfortunately due to supply cuts, we
2 had to go into those higher-price packages and the --
3 that were tied to the index pricing that really went
4 crazy. So we did shift our gas packages out of
5 necessity, but we didn't go outside of the contracts
6 that we had, the winter contracts we had in place and
7 had to go out in the spot market. Unfortunately,
8 nobody had gas to sell.

9 DIRECTOR BENGAL: Sounds like the customers
10 that may have experienced higher prices during that
11 time, was it -- were you able to allocate that to
12 industrial, or did residential customers also have to
13 experience some of that?

14 WALT CARTER: It's going to be primarily on
15 the residential customers, residential and small
16 commercial. The industrial customers, of course,
17 were buying their gas from third-party marketers or
18 suppliers. We didn't -- weren't attributing any of
19 the kind of high price gas demand to those customers.

20 DIRECTOR BENGAL: That's all I have.

21 SECRETARY KEOGH: Director Pfalser, do you
22 have follow-up?

23 DIRECTOR PFALSER: Yes. Again, thank you
24 all for taking the time to be with us today. Where
25 is your customer base located within the state of

1 Arkansas?

2 WALT CARTER: We have five counties in
3 western Arkansas, primarily Sebastian County, and
4 Crawford, Scott -- somebody could help me out.

5 TONY PARKER: Franklin and Logan.

6 DIRECTOR PFALSER: Okay. And Secretary
7 Keogh was -- talked about this just briefly, the
8 notification and communication. And y'all said that
9 you had fairly short notice when supply was dropping.
10 Who would that come from to you? Who would be the
11 one to communicate that to you?

12 WALT CARTER: So there's three parties in
13 this relationship. It's the distribution companies
14 communicating with its gas suppliers who are putting
15 the commodity in the pipe in the upstream pipeline
16 and the interstate pipeline system.

17 And so we would, during the event, we were
18 watching our -- we go in and we put our supply
19 nominations into the pipeline and we say, this is how
20 much gas we're going to put in your pipe for delivery
21 to our system.

22 But then as the gas didn't produce into the
23 pipe, then we were getting notified by the pipelines
24 that, hey, we're going to have to reduce or cut your
25 nominations down to match what's actually coming into

1 the pipe for you.

2 So those communications were primarily
3 coming to us from the pipelines. And then we were
4 calling the suppliers and asking if they could do
5 anything, or what they could do to help us get more
6 gas on.

7 DIRECTOR PFALSER: Okay. So it wasn't
8 necessarily coming from the producers or who you're
9 buying the gas from? It was coming from the
10 transporters, the pipeline, as they were seeing
11 pressures drop or something like that?

12 WALT CARTER: Yes. Exactly. Yeah. They
13 were -- they were notifying us that, hey, we're
14 losing pressure on our system. You guys are taking
15 off more gas than you're -- you put into the pipe on
16 your behalf. So then we would communicate with the
17 producers and suppliers at that point.

18 DIRECTOR PFALSER: I gotcha. Okay. That's
19 all I had. Thank you.

20 SECRETARY KEOGH: I, again, thank you for
21 being present. I think Director Bengal mentioned one
22 of the other notification questions that, I think,
23 typically, there's a human needs, like you said,
24 affidavits and notifications when there's a
25 curtailment or lack of supply in this case.

1 But I know that a number of customers, at
2 least on the natural gas side, seemed to have been
3 not -- either caught off guard or not monitoring the
4 fact that the costs were increasing significantly so
5 maybe ended up with a higher level. And some have
6 indicated they might have chosen to do a little more
7 voluntary cutback had they known the cost.

8 Is there anything that you think on the
9 natural gas -- I mean, the electric grid has a
10 protocol for that through a, you know, interruptible
11 tariff, the process where someone on the front end
12 can say, hey, if the prices get over this amount, you
13 know, slow me down or cut me off, whatever.

14 Is there a process that natural gas can
15 use? Is that even practical in the natural gas
16 world, that we might look at going forward?

17 WALT CARTER: Possibly so. Yes. One
18 distinction, though, is that the large industrial
19 plants are those customers buying their gas from a
20 third party. They're not buying utility's gas.
21 We're just distributors. So I know a lot of them
22 worked with their marketers to buy the gas and put
23 the gas in the pipe on their behalf.

24 On issues like cost, and sometimes it is
25 more economical for them to shut down or stop

1 production rather than to run a high-cost situation.
2 So that's possibly -- I think that would be a process
3 that they work out with their -- with their gas
4 supplier.

5 SECRETARY KEOGH: All right. Thank you.
6 That's an excellent answer. Appreciate your time
7 today, all of you. Appreciate your work in Arkansas,
8 your support to our citizens and our important
9 commercial customers and utility. So thanks for
10 that. And we will wrap up our conversation with you
11 today.

12 Again, as I said earlier, if there's any
13 information or lessons learned that you have -- are
14 comfortable sharing with us that we can incorporate,
15 we'd love to share that with the governor as well.
16 So feel free to reach back out to us through the
17 contact that you have and we'll make sure that we
18 take a look at that as we put together this draft
19 report.

20 That report should be available for -- we'd
21 like to ask folks that participated in this to look
22 at it sometime in early August. Hopefully, it will
23 give us time to turn it around according to the
24 deadline expressed by the governor in his executive
25 order. So perhaps a little bit earlier, but I don't

1 know. I won't make a commitment because I know my
2 staff is working hard and has to interview all four
3 of us and has to do all kinds of things to get that
4 report compiled.

5 With that, I will close this conversation
6 and move on to our final group today, which is CHS.
7 I forgot to do the warning, but I believe we've got
8 someone on the phone or in the Zoom format to join
9 us. And again, thank you, again, to AOG for their
10 work.

11 CHS, I know that we have really asked you
12 to make adjustments today, and that is greatly
13 appreciated as we had to --

14 MARK PORTH: Glad to do it.

15 SECRETARY KEOGH: -- change our schedule
16 and make some changes, but thank you for joining us.
17 And I will just turn it over to you now to introduce
18 yourself and your organization and provide opening
19 comment.

20 MARK PORTH: Thank you very much. Really a
21 privilege to be able to speak with you guys today.
22 And I applaud you guys for being progressive to try
23 to figure out how to help the energy in the state of
24 Arkansas to be better.

25 I apologize, I may have some internet

1 issues as you guys may have also, so if it's okay, I
2 may drop my video. That way my audio will work
3 better. Is that all right?

4 SECRETARY KEOGH: That's fine.

5 MARK PORTH: Okay. Very good. My name is
6 Mark Porth. I do work for CHS. CHS is one of the
7 largest wholesalers of propane in the country. We do
8 cover propane from the east to west coast, from the
9 north to the south.

10 I am currently charged with the -- with the
11 state of Missouri, Kansas, Arkansas, Oklahoma, Texas,
12 and a part of New Mexico. So I cover a pretty good
13 expanse of territory and see a lot of different
14 supply opportunities and sources as the winters roll
15 through. And am very excited about, you know, what
16 can happen in Arkansas.

17 From the propane side, Arkansas is a little
18 bit of an anomaly that the majority of its fuel comes
19 in from outside of the state. You have one central
20 pipeline that runs up through the middle of the
21 state, and then the majority of it comes in from all
22 sides. And so -- and that's where we, CHS, step in
23 and supply a large percentage of that fuel that will
24 come out of Missouri. That fuel will come out of
25 Illinois. That fuel will come out of Kansas. That

1 fuel will come out of Oklahoma. That fuel will come
2 out of Mississippi into the state of Arkansas.

3 And so all of that fuel must be trucked.
4 And so during the summer months, there is sufficient
5 fuel in through the local infrastructure to be able
6 to manage the demands and needs of the state. But as
7 soon as it starts to cool off, that changes to where
8 we are going to be much heavily -- more heavily
9 reliant upon our transportation carriers to be able
10 to bring our fuel into the state of Arkansas.

11 And I think that's where we need to look
12 and -- as a piece of an answer, how to be progressive
13 and how to help the state of Arkansas supply itself
14 with propane.

15 We, CHS, really none of our customers had
16 an extended outage or any outage at all because most
17 of them we had worked through and had a plan prepared
18 and developed. Because winter shows up every winter,
19 you know. It's going to get cold sometime, right.

20 And so with a plan and preparation, whether
21 that's an alliance with carriers or our supply
22 locations or just planning and preparing and getting
23 fuel into the right locations, most of our customers
24 did not have issues.

25 Did they short fill? Did they allocate

1 themselves? Possibly. And those could happen for
2 multiple different reasons.

3 But you know, for the most part, it was a
4 tough winter, no doubt about it, and I'm glad we're
5 on the other side of it. And again, I applaud you
6 guys for being progressive in trying to figure out
7 how we can make this better.

8 And so with that I'll stop, and ask some --
9 stand for questions. Sure.

10 SECRETARY KEOGH: All right. Well, thank
11 you, again, for those comments and your perspective.
12 If you could kind of describe -- you provide -- tell
13 me a little bit about your footprint in Arkansas and
14 how -- what exactly your core business is in
15 Arkansas.

16 MARK PORTH: You bet. I would say the
17 majority of our fuel that we provided into the state
18 of Arkansas is in the northern half, North Little
19 Rock and north. From east to west North Little Rock
20 and north is where the majority of our fuel is -- is
21 consumed. And so -- and again, that fuel can come in
22 from Oklahoma.

23 We have refineries that we manage the
24 offtake of in Oklahoma. We have refineries in
25 Kansas, multiples there, where we can bring fuel into

1 the state that typically, always does every year,
2 comes into Arkansas from Kansas. Missouri, whether
3 that's off the Enterprise line through central
4 Missouri coming a long way down into Arkansas, or it
5 can also be out of the Illinois refineries right
6 there on the border of Missouri and Illinois. That
7 fuel can come south into Arkansas. So the majority
8 of our fuel is coming from the north into northern
9 Arkansas.

10 SECRETARY KEOGH: Okay.

11 MARK PORTH: Did that answer your question?

12 SECRETARY KEOGH: It did. Thank you so
13 much.

14 MARK PORTH: You bet.

15 SECRETARY KEOGH: I would assume your
16 customers are both residential and industrial?

17 MARK PORTH: So we are -- right. We would
18 provide to the retailer in the area, and then they
19 would, in turn, deliver by bobtail to grandma's 500
20 or 1,000 gallon tank or to the commercial business
21 that is consuming propane. So we are a wholesaler
22 only and do not supply to the retail level.

23 SECRETARY KEOGH: Okay. We've heard an
24 early testimony that we may have a shortage in
25 carriers. Does that affect you or is that more on

1 the retailer side?

2 MARK PORTH: It definitely does. It
3 definitely does. Again, the majority of the fuel in
4 the wintertime is coming from outside of the state of
5 Arkansas. Carriers are the hugest -- are a huge
6 piece of what we do.

7 And the hours of service is something
8 that -- I don't know if you heard that, those words
9 yet, to where they limit the amount of hours that a
10 carrier can run. And typically during the summer
11 months, those hours of service are perfectly adequate
12 for the carriers to be able to do their business.

13 But as soon as they are having to go from,
14 let's say, West Memphis, Arkansas to Mississippi to
15 Petal, Mississippi or Hattiesburg, they just tripled
16 their drive time. Therefore, they're running out of
17 hours. So a truck that normally could make that run
18 in a day is now taking two days to make that travel.
19 So therefore, we've cut our trucking fleet in half.

20 So I think being progressive on getting
21 hours of service to where the truckers can run
22 further on -- before they hours-out, and doing that
23 earlier before we get behind would be a great benefit
24 to my customers.

25 SECRETARY KEOGH: Thank you. And I know

1 the governor, at the request of Director Pfalser and
2 through me, you know, through the Secretary, we -- we
3 pursued that option. This time it was just a few
4 days before the storm, I guess, recognizing that we
5 already had a shortfall. So unfortunately, the storm
6 caught up quickly to us and was extreme duration,
7 so --

8 MARK PORTH: By the time the storm hit, we
9 were already behind.

10 SECRETARY KEOGH: Right. And I know
11 that --

12 MARK PORTH: For storage, customers, they
13 have 18 to 30 or 60,000 or more gallons of storage,
14 but they're already deep into using that storage
15 without the backfill of the new trucks coming in to
16 fill that storage back up.

17 SECRETARY KEOGH: And that may be we need
18 to look at that window being opened up earlier and
19 then --

20 MARK PORTH: You bet.

21 SECRETARY KEOGH: -- shut off maybe a
22 little bit sooner --

23 MARK PORTH: Yes.

24 SECRETARY KEOGH: We can talk about that in
25 our recommendation.

1 MARK PORTH: Gotcha.

2 SECRETARY KEOGH: I think --

3 MARK PORTH: That would be a huge benefit,
4 is if the carriers -- if, once they have to start
5 going further, if we could help them to be able to
6 run that -- and they're still in their standard day,
7 they're able to run a lot farther and be able to get
8 back to their customers.

9 It's a three-legged stool, without a doubt.
10 You've got to have a carrier. You've got to have a
11 supply location. And you've got to have somebody who
12 owns that supply. And that's that three-legged stool
13 who then delivers to the consumer or to the retailer.

14 And you've got incredible retailers who
15 genuinely care about their customers all across the
16 state. And those guys and their desire to work hard
17 and keep everybody warm is very, very real.

18 And so the more that we can help them keep
19 in fuel -- because the fuel is there. It's not a
20 supply issue. It's a distribution issue. We've got
21 the gas, we just can't get it to the right spot in
22 the right time, if that makes sense.

23 SECRETARY KEOGH: That's good to know, even
24 during an extreme weather event. Unfortunately, that
25 was not the case with natural gas during the event.

1 So appreciate that and some of the challenges of
2 distribution, besides road conditions. And I
3 understand storage could be a solution too, but very
4 costly.

5 So with that I'm going to turn that over to
6 Director Sparks and others to pursue any of those
7 lines of questioning with you. So with that,
8 Director Sparks, do you have questions?

9 DIRECTOR SPARKS: Thank you so much. Mark,
10 again, thanks for joining us.

11 Quick question follow-up on your
12 distribution system. We've heard from other
13 facilities that truck drivers were an issue. Were
14 you guy experiencing things like that? How can we
15 help?

16 MARK PORTH: Drivers are an issue
17 throughout a lot of industries, whether it's the
18 propane industry or just simply moving XYZ widgets
19 from one location to the other. Carrier drivers are
20 a big deal. Especially (disruption in audio) --

21 SECRETARY KEOGH: He froze up. May have to
22 go off.

23 DIRECTOR PFALSER: Hey Mark, if you can
24 hear us, you have frozen. So we did not catch that
25 last bit because maybe your video was taking up some

1 bandwidth.

2 SECRETARY KEOGH: There you go.

3 MARK PORTH: All right. How is that? Am I
4 any better?

5 SECRETARY KEOGH: Sort of.

6 MARK PORTH: Am I back?

7 DIRECTOR PFALSER: You are.

8 MARK PORTH: Okay. Very good. Sorry about
9 that. Your internet issues are my internet issues or
10 something like that today, right.

11 So yeah. The National Propane Gas
12 Association, which is our national organization that
13 oversees all of the propane marketers in the country,
14 is desperately looking for answers to the carrier or
15 driver shortage, trying to find younger -- you know,
16 the -- quite frankly, we're all getting a little old,
17 you know. When I started I had a whole lot of hair
18 and a dark beard, right.

19 And but through the times trying to find
20 younger people who are willing to invest into a
21 career of driving HAZMAT vehicles is a challenge. So
22 yes, carrier drivers are an issue that anything the
23 state of Arkansas could do -- and I don't have an
24 answer for that honestly, sir. I wish I did.
25 Because that would be an answer that a lot of people

1 are looking for.

2 You know, but helping with trade schools
3 and encouraging -- and again, it's just not HAZMAT
4 drivers. It's any driver of any kind of a larger
5 vehicle that requires a CDL is a tough thing to get.
6 And then you throw the extra complication of HAZMAT
7 on top of that, whether it's a bobtail driver that
8 the retailer must have to be able to run that smaller
9 model to be able to deliver his fuel to the country,
10 or if it's the transport driver who is bringing the
11 larger 95,000 gallons to them from various locations.

12 DIRECTOR SPARKS: Thank you.

13 MARK PORTH: Excellent question. But man,
14 what a big -- what a big hole.

15 DIRECTOR SPARKS: Thank you, sir. One
16 quick follow-up on that, if you find drivers and can
17 get them hired, how is the retention issue with that?
18 Are you able to retain them if you find them?

19 MARK PORTH: For the most part, yes,
20 because they pay them well.

21 DIRECTOR SPARKS: Okay.

22 MARK PORTH: Because they know the value of
23 that driver. They know that that guy is worth, you
24 know, more than -- especially a HAZMAT driver, is
25 worth more than, you know, not that more than another

1 employee, but they're very valuable, I guess, is the
2 best way to say. I don't want to shoehorn myself
3 into a corner.

4 DIRECTOR SPARKS: Yeah.

5 MARK PORTH: But they're a valuable
6 employee.

7 DIRECTOR SPARKS: Okay. Thank you.

8 MARK PORTH: Yeah. And I'm sure that you
9 would've had carriers -- I would hope that you have
10 some carriers that you have been able to ask these
11 questions to. Director Pfalser probably has had
12 those people in here and, hopefully, those guys are
13 able to speak to that in a better manner than I am.

14 Transportation is not my stronghold, but I
15 have great relationships with my carriers that I work
16 with because I know how valuable they are.

17 DIRECTOR SPARKS: Thank you, sir.

18 MARK PORTH: Yeah. You bet.

19 SECRETARY KEOGH: Again, I'll turn to
20 Director Bengal to see if he has any follow-up
21 questions.

22 DIRECTOR BENGAL: Thank you, Mark. You
23 said you were a wholesaler?

24 MARK PORTH: Yes.

25 DIRECTOR BENGAL: Are you operating what we

1 term a terminal or are you sort of a -- something
2 different?

3 MARK PORTH: So we would operate and bring
4 fuel in to the state of Arkansas through probably ten
5 different locations possibly. So we are working
6 through a terminal, yes. And those terminals would
7 either be pipeline connected or would have storage
8 associated with them to where they're holding excess
9 capacity on-site.

10 DIRECTOR BENGAL: So when you bring that
11 gas from those sources or terminals, what does your
12 facility consist of?

13 MARK PORTH: My facility, you know, would
14 consist of the -- of putting the two together, of
15 being able to have the supply where we make
16 commitments at storage and have supply positions and
17 prepared for a transport carrier to come and pick
18 that fuel up and deliver to the customer, to my
19 customer.

20 DIRECTOR BENGAL: So you don't necessarily
21 manage a storage facility where you bring gas into it
22 and retailers come and get it?

23 MARK PORTH: We do, but that's not solely
24 what we do. Because we go to so many other locations
25 to bring -- be able to -- we have -- yes. We have

1 that storage facility, plus we have a lot of other
2 supply sources where we are able to buy through.

3 DIRECTOR BENGAL: Okay. Because one of the
4 things we've looked at and talked about is the lack
5 of, I guess, a terminal or at least a wholesale point
6 in western Arkansas.

7 MARK PORTH: Sure.

8 DIRECTOR BENGAL: Is what you do
9 transferrable to that part of the state, or not?

10 MARK PORTH: You can do that through many
11 different ways. You can invest in a rail car
12 facility. That will bring fuel in. And we have
13 looked at those opportunities, but based on
14 economics, they don't work eight or nine months out
15 of the year. And it's very difficult to invest those
16 kinds of dollars for a three -- or 90-day facility.

17 Because of the other -- you know, the other
18 locations that are around you must move their fuel
19 also, whether it's a refinery that has limited
20 storage capacity that they're going to sell their
21 fuel, but they're also one-to-one. For every load
22 they make in the summer, they only make one in the
23 winter.

24 DIRECTOR BENGAL: So the --

25 MARK PORTH: So those one-to-ones are still

1 coming into Arkansas, but the ratio of demand is
2 three-to-one. They need three loads for every one
3 they pull in the summer.

4 DIRECTOR BENGAL: So the retailers in that
5 part of the state have to go a fair distance --

6 MARK PORTH: Yes.

7 DIRECTOR BENGAL: -- to get their gas --

8 MARK PORTH: They're going to have to go to
9 Conway, you know. That northwest Arkansas goes -- a
10 lot of trucks go to Conway, Kansas, which is the
11 second-largest storage facility in the world.

12 DIRECTOR BENGAL: Okay. Thank you.

13 MARK PORTH: Yeah. There's a lot of gas in
14 Conway, Kansas that's available. It's just not
15 local. And that comes back to our hours of service.
16 Because they may send that truck to Conway, and that
17 truck may sit for six or seven hours in line to be
18 able to get its load. And with that, it's already
19 used up all of its hours, so he hasn't made any miles
20 at all, being able to deliver to fuel, other than sit
21 in line. Yes.

22 DIRECTOR BENGAL: Thank you.

23 SECRETARY KEOGH: Director Pfalser, do you
24 have follow-up questions?

25 DIRECTOR PFALSER: Yes. Thank you. Hey,

1 Mark, I appreciate you being with us today.

2 MARK PORTH: You bet.

3 DIRECTOR PFALSER: It's been -- it's been a
4 little while since I have seen you because you've
5 worked on the beard.

6 MARK PORTH: Well, I -- come -- just come
7 December, I do don a red suit for a lot of short
8 people, who are the most wonderful people you could
9 ever, you know, be able to have the opportunity to
10 spend a moment with.

11 DIRECTOR PFALSER: That's fantastic. We
12 have talked before about this situation and about how
13 CHS might strengthen their position within the state.
14 And I understand that economics is what drives this
15 and has to.

16 Have you discussed how a transloading
17 operation, which would be, you know, a lot less
18 expensive to facilitate, is that doable in your
19 discussion? Have you had any discussions along those
20 lines?

21 MARK PORTH: We sure have. We've looked at
22 that in multiple locations to try to figure out how
23 to make that work. And again, it's winter-only
24 supply. If you're going to a -- to -- you're going
25 to go to North Dakota, you're going to go to Calgary

1 and ask for winter supply of rail cars, which is
2 where a lot of those cars would come out of --

3 DIRECTOR PFALSER: Right.

4 MARK PORTH: -- the value that they tack
5 onto that winter-only is -- makes it just almost cost
6 prohibitive, to where you can easily put a truck on
7 the road and run to Hattiesburg, run to Conway, run
8 to wherever you need to go. You know, of course, we
9 can always go to Mont Belvieu, Texas which, you know,
10 fuel in southern Arkansas readily goes to Mont
11 Belvieu to get its fuel --

12 DIRECTOR PFALSER: Right.

13 MARK PORTH: -- or some of the other
14 locations that, you know, have storage.

15 And so, you know, we have looked at rail.
16 We have looked at transloading. I know you guys --
17 you know, the LP Gas Board has been very progressive
18 in trying to get transloading available. And when
19 the economics work, I think that that would
20 definitely be a great source.

21 But trying to source that on a -- and plan
22 that to know that I'm going to need that transloader
23 from December 15th through February 12th, how do you
24 pay for it the other parts of the month or the rest
25 of the year, is the difficult part of that.

1 DIRECTOR PFALSER: Is the actual piece of
2 equipment, if there was spurs identified that could
3 hold, you know, 10 to 20 cars, something like that,
4 and it was already being utilized year-round for
5 other purposes, but for a -- for a relative short
6 period of time they could switch over and allow --
7 and allow you access for, you know, a 90-day window,
8 would that be beneficial if those locations were
9 already identified?

10 MARK PORTH: You bet. And we have -- we,
11 CHS, have a couple of those already in place. We
12 have agreements with the people that could possibly
13 do that. We have equipment. We have the
14 transloaders. It's just -- it's literally the supply
15 side of that winter-only, deliver in the heart of the
16 winter. The premium that is associated with those
17 makes it difficult.

18 DIRECTOR PFALSER: I got you. I got you.

19 MARK PORTH: Doesn't make it
20 economically -- you can easily drive a truck, you
21 know. Yeah, a rail car brings three trucks at a
22 time, but it's -- yes. I would -- we could have
23 those sites if we had transloaders sitting, you know.
24 They're \$300,000 a piece for a transloader, is what
25 one of those machines costs. So that's no small

1 change either --

2 DIRECTOR PFALSER: No.

3 MARK PORTH: -- to have that asset sitting,
4 not doing anything other months -- and rail economics
5 can change. There used to be quite a bit of fuel
6 that came in by rail to the state of Arkansas. But
7 then we -- you know, there's an export facility that
8 got put on the west coast that took a lot of the
9 excess fuel that would normally come south into the
10 states, is now going on -- is now on a ship headed to
11 China.

12 DIRECTOR PFALSER: Yep. Yep.

13 MARK PORTH: Or the same thing happened
14 over in the Marcellus, over in the Pennsylvania
15 market where those rail cars would have normally come
16 back into this, there's an new export facility that
17 that fuel is easier and more economic to go to Japan
18 than, you know, than to stay here in the states.

19 DIRECTOR PFALSER: One last thing, Mark.
20 And I appreciate you talking to us about that.

21 MARK PORTH: You bet.

22 DIRECTOR PFALSER: The transporter --
23 transport situation, we -- we have probably three or
24 four more companies this year starting in January
25 than we did the last January that have received

1 permits.

2 MARK PORTH: Great.

3 DIRECTOR PFALSER: So during the course of
4 that -- that first couple of weeks in February, did
5 you have trouble finding transportation?

6 MARK PORTH: Not really.

7 DIRECTOR PFALSER: Okay.

8 MARK PORTH: Yeah. Not really. Again,
9 because we work very closely with our carriers. And
10 you know -- and the carriers have the opportunity to
11 have slack, you know. They may have -- that same
12 pressure vessel may be hauling anhydrous, but then
13 once winter arrives, they clean that trailer out and
14 put a red tag 1075 on it and it's now hauling
15 propane.

16 DIRECTOR PFALSER: Right.

17 MARK PORTH: So the carriers are our best
18 friend, no doubt about it. And however we can make
19 their lives easier would be a great benefit, whether
20 that's helping them find qualified drivers and
21 helping them retain those drivers or simply helping
22 them with hours of service and not having the battle
23 of, you know --

24 Again, propane has an incredible track
25 record for safety. The people work really, really

1 hard to remain safe. They're well trained. And but
2 they're also motivated to take care of their
3 customers.

4 And so if we can have carriers -- again, I
5 come back around, the carriers are the key to it.
6 And I'm not sure which one asked about how can we
7 help with carriers, how can we help with drivers.
8 But you are right in the middle of what we need, is
9 qualified people who can get behind the steering
10 wheel and drive, whether it's a transport or a
11 bobtail or a service truck or any of the other pieces
12 and parts. Qualified employees are very difficult to
13 get and keep.

14 DIRECTOR PFALSER: Okay. Well, hey, Mark,
15 again, I hope you understand how helpful you've been
16 and I appreciate the time you've taken to be with us.
17 And I might be reaching back out as we move through
18 this process.

19 And I'll turn it back over to Secretary
20 Keogh at this time.

21 SECRETARY KEOGH: Thank you, again, for
22 your helpful information. And I would encourage you
23 two to talk and communicate if there's additional
24 thoughts that come to mind. This is not an ending
25 point. It's really a starting point for us to be

1 able to compile this set of recommendations and
2 obviously, set conversation forward so that we -- I
3 believe open communication will help us, not only for
4 this event but in future events.

5 I think, part of us, having not gone
6 through one recently, a lot of -- those venues of
7 communication had to be established. Again, I
8 appreciate the participation --

9 MARK PORTH: You bet.

10 SECRETARY KEOGH: -- and those that are
11 involved in it. So thank you. I think that will --

12 MARK PORTH: Like I said in my opening
13 statement, I cover a lot of ground. I cover a lot of
14 different states. And I sit on the board of
15 directors for almost all of those states. And
16 Arkansas is the only one that's doing something like
17 this. You guys are ahead of the game. And I applaud
18 you for trying to find out and figure out how to do
19 it better.

20 Good job. Good job. And I am happy to
21 help. I -- you know, I've been selling propane a
22 long time and see a lot of different things. And
23 Kevin is a great resource for you guys. We've known
24 each other a long time and he's a good guy with
25 extensive knowledge. So that's why he's sitting in

1 the seat that he is.

2 And so, but yes, I'm happy to help wherever
3 I can.

4 SECRETARY KEOGH: All right. Well, I want
5 to thank you. I want to thank our Task Force members
6 who have been diligent in this process and been
7 available to -- thank you for, you know, Secretary
8 Preston, I know he had a number of pressures on his
9 schedule this week, as well as -- and thank you
10 Director Sparks for joining in with us, and Director
11 Bengal, Director Pfalser.

12 I know we had the services of Arkansas PBS
13 helping live stream this to our citizens, which
14 hopefully, for those that are interested, I know
15 we've had participation ranging from state agencies
16 to natural gas suppliers to our utility, electric
17 utility generators and transmission, down to some of
18 the propane industry and natural gas pipeline.

19 So a lot of activity around energy
20 resources, but I think the success story is that
21 Arkansas is blessed with energy resources. We're
22 blessed with great providers and producers. And we
23 hope that, as you said, Mark, that our efforts are to
24 move forward in making sure that Arkansas is a great
25 place to live. It's a great place to work. And it's

1 a great place to recreate. So we encourage you to
2 come visit us some time if you haven't, for tourism.

3 With that, we will close out our official
4 hearing and look forward to follow-up conversations
5 through our staff to the Task Force members as we
6 begin to evaluate what we've heard over the last
7 three days of hearings.

8 Thank you so much, Mark. And I will end
9 the hearing at this point and we'll close off the
10 Zoom link at this point as well. Thank you.

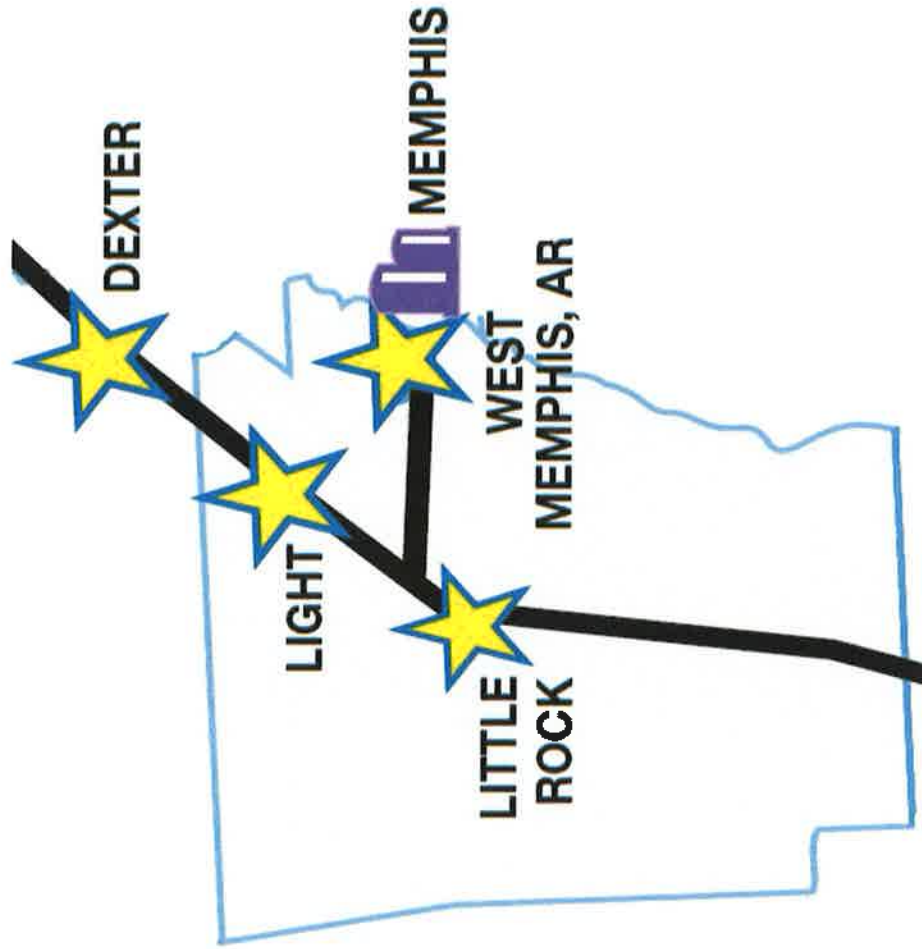
11 (Whereupon the proceedings were adjourned.)
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Arkansas Energy Resources Planning Task Force

June 2, 2021

NGL Energy Partners Arkansas Propane Asset Summary



- Dexter
 - Pipeline and truck supplied
 - 1,170,000 gallons storage
- Light / Bono
 - Pipeline and truck supplied
 - 900,000 gallons storage
- Little Rock
 - Rail and truck supplied
 - 90,000 gallons storage
 - Railcar siding 10 onsite / 20 offsite
- West Memphis
 - Pipeline and truck supplied
 - 2,865,000 gallons storage

Arkansas Propane Supply Influences

- **TEPPCO Pipeline**
 - Mont Belvieu, TX is the only source
 - Nominate on 15th month prior
 - Shipping cycle every 10 days
 - 10-12 days transit
- **Rail**
 - Conway, KS 10-15 days transit
 - Bakken, ND 15-25 days transit
 - Chicago, IL 7-10 days transit
- **Truck**
 - Refineries: Memphis, Coffeyville, Tulsa, Wood River, El Dorado
 - Pipelines: East St. Louis, Carthage, Hattiesburg, Demopolis
 - Barge: Greenville



February 2021 Challenges

- February deep freeze was not well forecasted
- Heating Degree Days
 - February 21 815
 - 5 year avg 546
 - 20 year avg 587
- February 21 sales were 25% higher than February 20
- Hazardous roads made it difficult for trucks to make it to our terminals
- February pipe batch delayed a week due to cold weather causing pump issues at Mont Belvieu
- Valero refinery had a small explosion February 15th shutting in propane production until March 9th



Recommendations

- Increased bulk plant storage
 - Low cost loans
 - Subsidized loans
- Carriers
 - Temporary GVW waivers
 - Timely exemptions for driver hours
 - Arkansas is short propane carriers

Questions





MEETING REGISTRATION SHEET

ENERGY RESOURCES PLANNING TASK FORCE

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