New England Supply Slowdown Depletes Storage

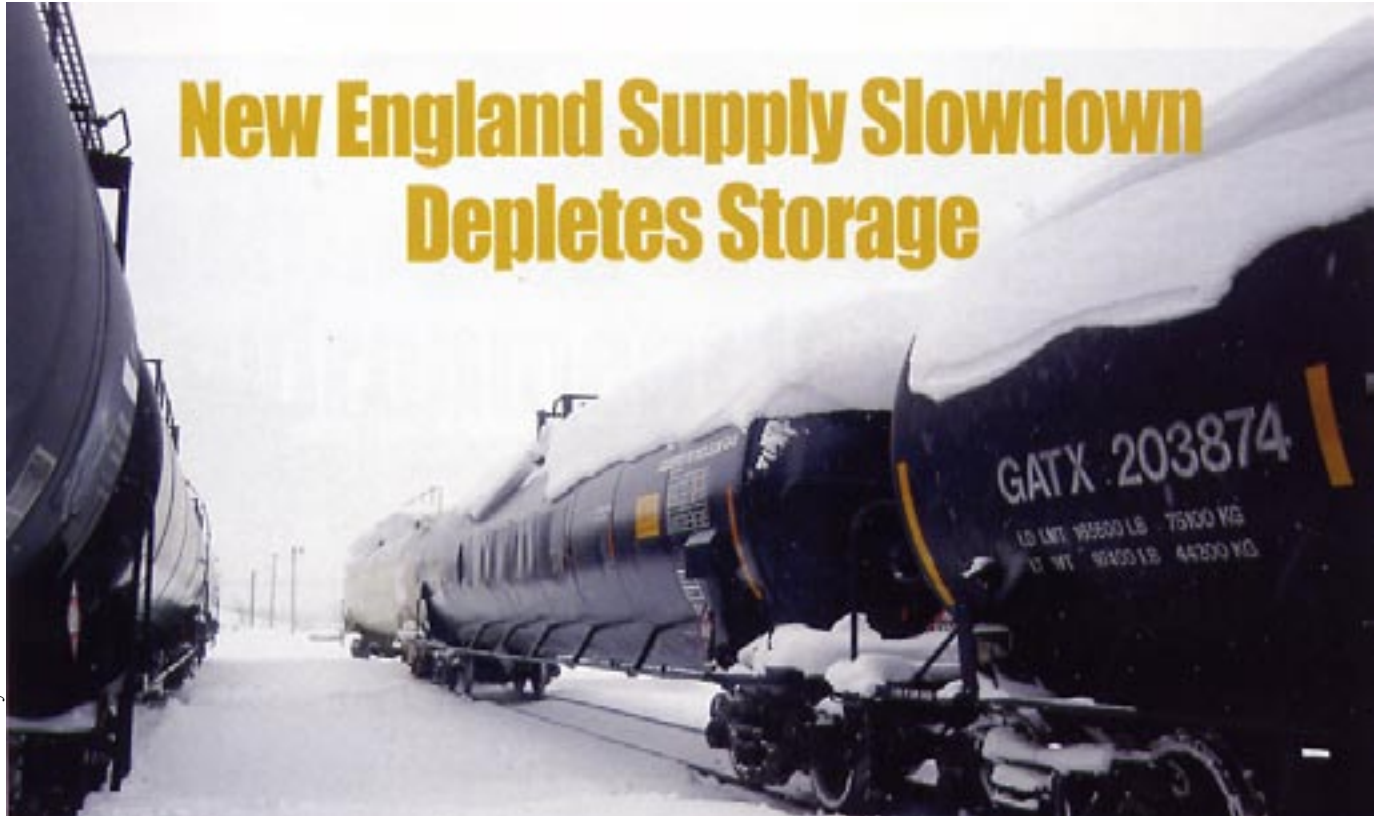

Photo courtesy of Jim Renaldo

Railroad strike, bad weather, and other hiccups left marketers, customers nervous.

Mother Nature was fashionably late in bringing cold temperatures and winter weather to the Northeast and many other regions east of the Mississippi River this year. But when she finally arrived in early February, it was with enough bad weather to shut down parts of the Upper Midwest and Northeast off and on into March.

Portions of Northeastern New York were "lucky" enough to get about 110 inches of snow within a couple of days. Oswego, N.Y. on Lake Ontario declared a snow emergency more than once during the first two weeks of February because of the white-out conditions and the 10 feet of snow dumped at the beginning of the month from a large nor'easter. Snowstorms and hurricane-strength winds hammered many states, including parts of Ohio, where heavy snows resulted in the declaration of a *force majeure* by the Norfolk Southern railroad due to its inability to redirect shipments of propane.

Cold temperatures and lots of snow don't generally create that many problems for propane marketers, but there were just enough glitches in the supply and logistic infrastructure during this period to create a few problems in different areas. The Canadian Rail strike that began in mid-February not only impacted propane railcar deliveries throughout Canada. but also shipments to Northeastern U.S. states. Maine reportedly receives about 60% of its propane shipments into the state via CN.

While the strike lasted about two weeks, there were no reports from Maine marketers or others in nearby states of anyone running out of fuel, but storage levels did get uncomfortably low for some. As suppliers began shifting more volume into the region, supplies began to tighten elsewhere.

East Coast primary propane inventories ended January with about 5.6 MMbbl, about 1.8 MMbbl higher than the previous year. As February came to an end, East Coast stocks had dropped to 1.9 MMbbl according to the Energy Information Administration (EIA) which was approximately 1.6 MMbbl below the same week a year earlier. As of its March 7 "This Week in Petroleum" report. EIA said that the New England

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region (PADD IA) "warrants close monitoring over the next several weeks, as the recent railroad strike... combined to severely tighten propane supplies in that area... inventories in the region remain extremely susceptible to any adverse weather and/or other market disruptions."

The agency noted that February's overall propane stock drawdown set a record. There was a 16.5-MMbbl decline during the month, which reflected the colder than normal temperatures over large areas of the country. At the end of the month total propane stocks were about 28.7 MMbbl. Gulf Coast inventories fell about 6.6 MMbbl, while Midwest stocks dropped 6.4 MMbbl.

Another important factor contributing to tight fuel supplies in the Northeast was the Feb. 20 shutdown of TEPPCO's 20-in. refined products pipeline between Seymour, Ind. and Lebanon, Ohio due to a valve leak. The closure led to an allocation of deliveries at terminals from Todhunter, Ohio to Selkirk, N.Y. and on the spur into Pennsylvania. Other pipelines were feeling the pressure, including the Kaneb Pipeline, which had equipment problems at the head of its system in mid-February and had to divert flow from Bushton, Kan.; and the Cochin Pipeline was reportedly having problems. At about the same time, Valero shut down its McKee, Texas refinery following an explosion, and there was a fire at Imperial Oil's Ontario refinery. Both incidents helped tighten supplies to varying degrees.

Bad weather in the Atlantic delayed the arrival of waterborne imports to Northeastern ports. LPG carriers headed to both Sea-3's Newington, R.I. and TEPPCO's Providence, R.I. facility were delayed into late February or early March. Helping to refill inventories at Newington was the *Nantes*, on time and right behind the much-awaited *Rhoos*, which arrived at the end of February with about 16 MMgal.

Suppliers and common carriers shifted transports from other regions to accommodate heavy demand in the Upper Midwest and Northeast. Product was being brought into New England from storage facilities in Kansas and Iowa, according to one report.

Judy Taylor. National Propane Gas Association's (NPGA) New England district director, and executive director for the Propane Gas Association of New England, told ***BPN*** that marketers throughout the region worked together to make sure there was not only enough fuel for customers but that bobtails and transports could deliver the propane. Several state propane associations were able to get hours-of-service (HOS) exemptions, most of which helped drivers deliver fuel intrastate to customers. Exemptions in the Northeast were first approved by New York for certain counties beginning Feb. 8. Within days, all other Northeastern states had granted exemptions that lasted one to three weeks. The HOS state exemptions in six contiguous states in the New England area were cited by several marketers as beneficial.

With the weather and supply situation appearing to get worse. NPGA pressed the Federal Motor Carrier Safety Administration for a much larger exemption from HOS regulations for its Eastern Regional area, which covers 13 states and the District of Columbia. NPGA's request for a 30-day exemption beginning mid-February was not granted. The association posts state exemptions on its website as it is notified of them.

—Ann Rey