Crop Drying Demand

- Record Corn Crop
  - 13.9 billion bushels
- Cooler than normal weather in July and August delayed the harvest.
- Above-average rainfall in October
- Grain drying season started late and finished late
Colder than Normal Weather

October to March
Heating Degree Days

The 2013/2014 winter was:

- 7.5 percent colder than 30-year normal weather
- 10.5 percent colder than last winter
- 27.9 percent colder than the winter of 2011/2012
Winter Demand vs. Normal

- Nationally, ICF estimates that between October 2013 and March 2014, propane demand came in about 570 million gallons higher than it would have been with “normal” weather:
  - Grain Drying: 160 million gallons
  - Cold Weather: 410 million gallons
Increasing Reliance on Rail?
Weather Slows Train Delivery
Changes to the TEPPCO System

- Outage at Todhunter, OH Propane Storage Facility
- Reversal of TEPPCO’s line for ethane service (ATEX)
- Growth in Priority Diluent Transportation

American Shale Production

- Growth in NGL transportation requirements to the Gulf Coast.
- Growth in propane petrochemical and export demand from the Gulf Coast.
- Growth in Canadian demand for diluent (Pentanes+) demand for the oil sands industry.
In 2013, U.S. Propane Production Increased by 1.4 Billion Gallons. So Why are We Short of Supply?

1) Crop Drying  
   – +260 million gallons
2) Colder Weather  
   – +850 million gallons
3) Cargo Exports  
   – +2.0 billion gallons
4) Change in Inventories  
   – -1.4 billion gallons

<table>
<thead>
<tr>
<th>Changes in Propane Supply Balance Between 2012 and 2013 (Million Gallons)</th>
<th>2012</th>
<th>2013 (Prel.)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Propane Supplied</td>
<td>16,265</td>
<td>19,237</td>
<td>2,973</td>
</tr>
<tr>
<td>U.S. Natural Gas Plant Production</td>
<td>10,950</td>
<td>12,394</td>
<td>1,445</td>
</tr>
<tr>
<td>U.S. Refinery Production</td>
<td>4,227</td>
<td>4,346</td>
<td>119</td>
</tr>
<tr>
<td>U.S. Propane Imports</td>
<td>1,644</td>
<td>1,633</td>
<td>(11)</td>
</tr>
<tr>
<td>U.S. Propane Stock Drawdown</td>
<td>(556)</td>
<td>864</td>
<td>1,420</td>
</tr>
<tr>
<td>Total Propane Consumption</td>
<td>13,644</td>
<td>14,610</td>
<td>965</td>
</tr>
<tr>
<td>U.S. Consumer Demand (excl. Grain Drying)</td>
<td>7,674</td>
<td>8,527</td>
<td>853</td>
</tr>
<tr>
<td>U.S. Grain Drying Demand</td>
<td>65</td>
<td>325</td>
<td>260</td>
</tr>
<tr>
<td>U.S. Petrochemical Demand (Est.)</td>
<td>5,905</td>
<td>5,757</td>
<td>(148)</td>
</tr>
<tr>
<td>Propane Exports</td>
<td>2,620</td>
<td>4,628</td>
<td>2,007</td>
</tr>
</tbody>
</table>

Note: Improvements in efficiency and other market changes offset about 80 million gallons of consumer propane demand in 2013.
Thank You