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Testimony SB 2242
Senate Energy & Natural Resources Committee - February 2, 2023

Chairman Patten and Members of the Energy and Natural Resources Committee:

My name is Jason Behm. I appreciate the opportunity to speak on behalf our company Behm Enterprises, Inc. We are a regional Propane and Fuel hauler based out of Minot. I am currently the National Propane Gas Association State Director for North Dakota. I also serve on the Board of Directors for the North Dakota Propane Gas Association. I appear today asking for a "DO PASS" recommendation on SB 2242.

Since the Cochin Pipeline was removed from service in April of 2014, ND has been short product. This shortage has been due to storage capacity and product flow. The Cochin pipeline used to supply 900,000 gallons of storage and would receive and disperse over 60,000 gallons per day. This loan would help marketers replace the supply that we lost. It would also help in times of need due to the extra storage capacity.

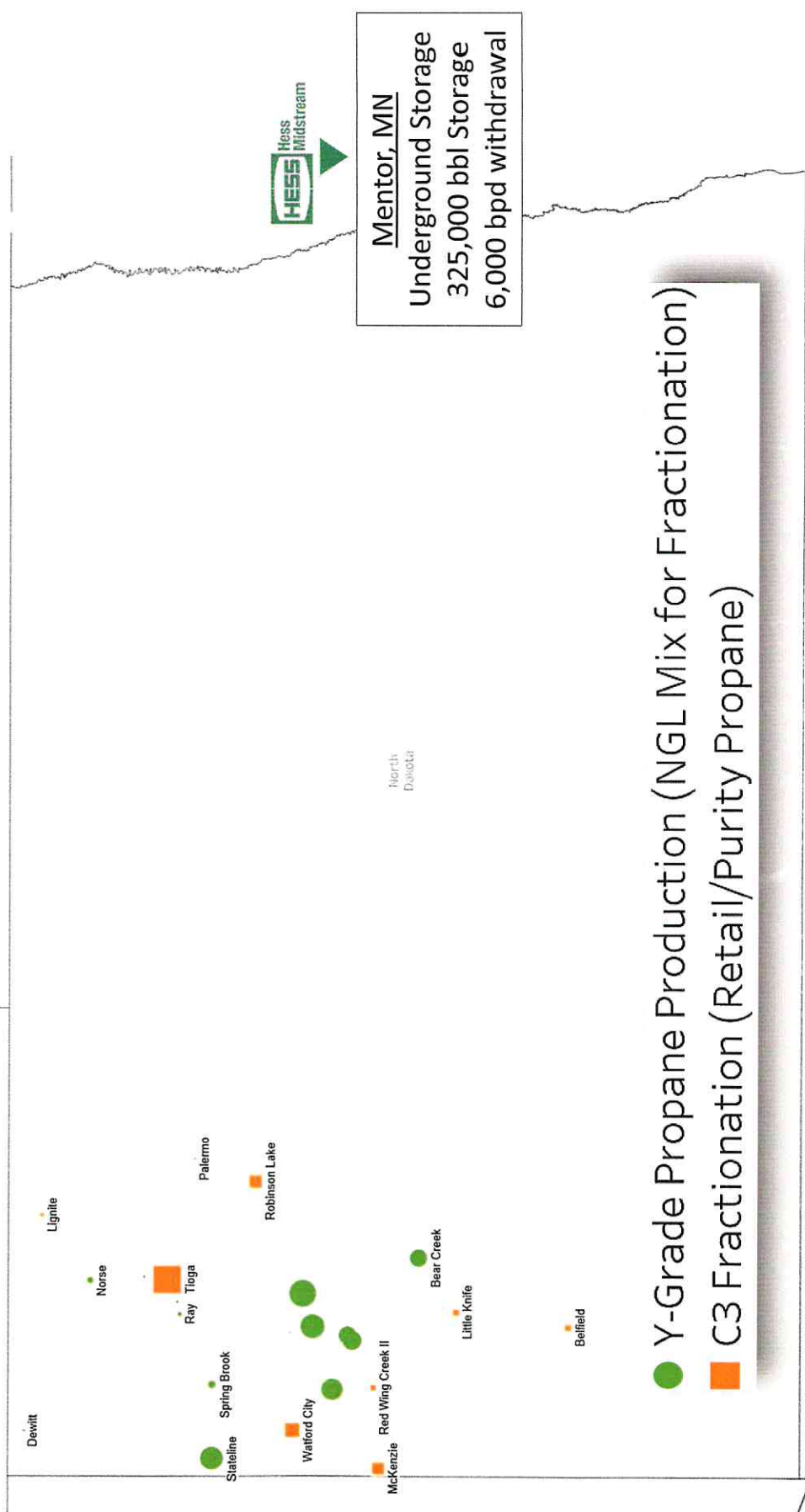
Although we have the Bakken Oilfield in Western ND, most of that product is either railed or piped out of state to storage caverns and facilities across the United States. It is even shipped overseas. We do not have the storage capacity to hold onto the gas here in our own state.

In the past month, we have hauled over 40% of our loads from Canadian facilities to North Dakota and Montana. As a state that has the resources to supply our own product, this makes no sense. A storage facility would greatly impact the amount of gas we could keep right here in ND.

Please refer to the documents in my testimony relating to the Cochin pipeline for more impactive information on the changes since the Cochin Pipeline was shut down.

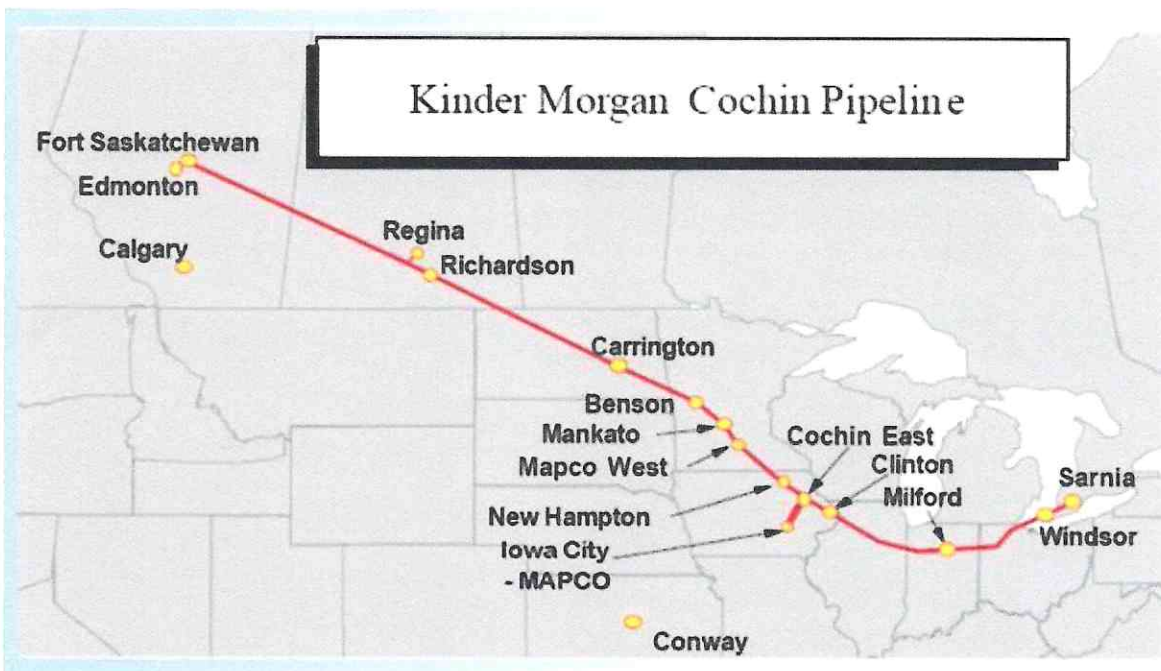
We, as a company, would not be purchasing storage under this bill. However, we would be hauling product to and from these facilities. Any extra storage capacity takes a huge weight off our shoulders and others in times of peak demand. It allows for proactive planning prior to long stretches of subzero weather or wet harvesting conditions, rather than reactive emergency waivers due to supply issues and long lines at terminals.

North Dakota Gas Plants Propane Output



- Y-Grade Propane Production (NGL Mix for Fractionation)
- C3 Fractionation (Retail/Purity Propane)

U.S. Customs and Border Patrol ports of entry for propane shipments on Cochin pipeline



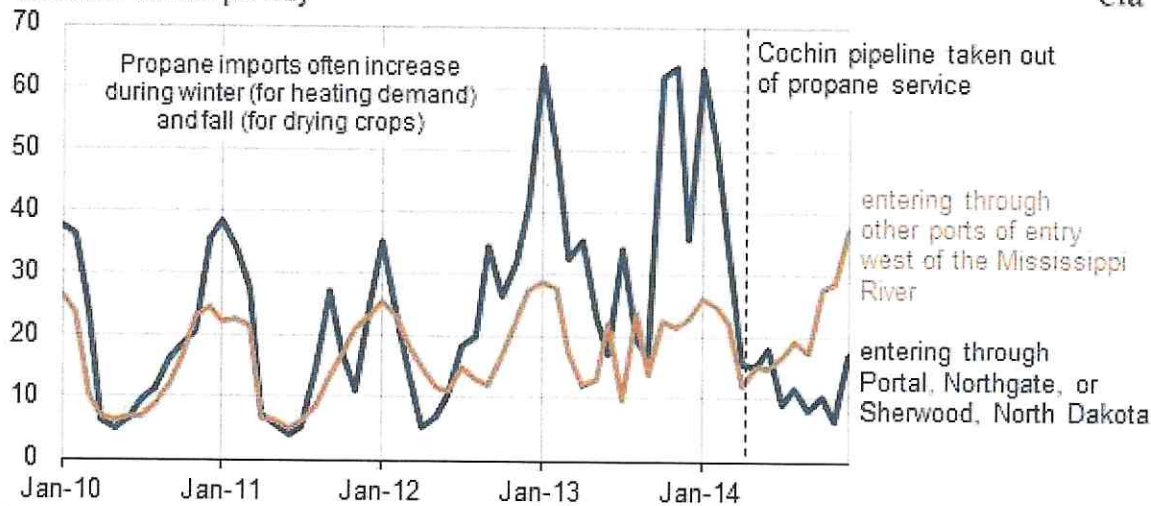


Today in Energy

March 27, 2015

Without the Cochin pipeline, western Canadian propane seeks new outlets

Monthly propane imports from Western Canada (2010-14)
thousand barrels per day



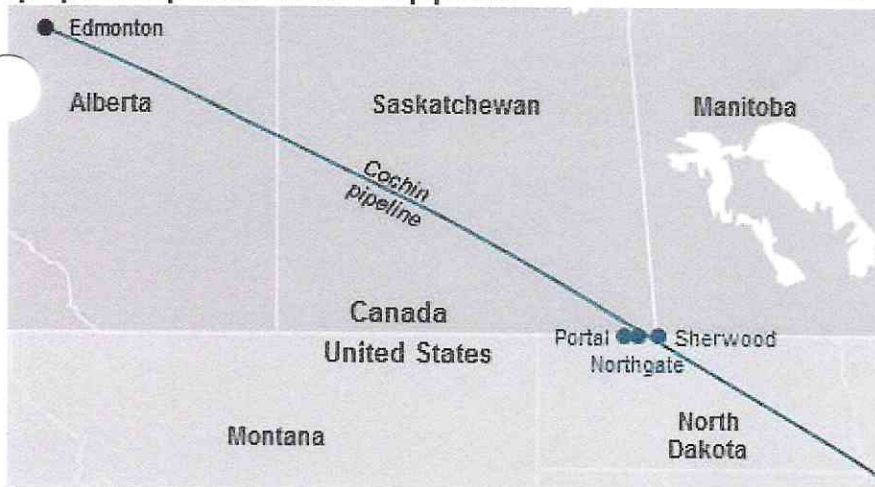
Source: U.S. Energy Information Administration, Form EIA-814

Published March 27, 2015, 10:15 a.m., graph was corrected.

In April 2014, after 35 years of shipping propane from western Canada to the upper Midwest, the [Cochin pipeline](#) was removed from propane service, and in July repurposed to ship light petroleum liquids north [from Illinois to western Canada](#). Without this pipeline, western Canadian propane production has been shipped by other existing transport modes or placed into inventory at Canadian storage facilities. Recently, the declining value of western Canadian propane has encouraged the development of projects to provide additional outlets for growing production.

Prior to its removal from propane service, the Cochin pipeline provided an effective outlet for western Canadian propane production. EIA tracks imports of propane by port of entry. Historically, propane imported from Canada on the Cochin pipeline had been reported at one of three border crossings into North Dakota: Portal, Northgate, and Sherwood. Imported propane on Cochin likely makes up most of the product reported at these locations. In 2013 and early 2014, propane imports at these three border crossings surpassed 60,000 barrels per day (bbl/d) in times of high demand for propane during winter heating or crop-drying seasons. The substantially diminished flows, approximately 10,000 bbl/d since April 2014, are assumed to be propane shipments by rail or truck.

U.S. Customs and Border Patrol ports of entry for propane shipments on Cochin pipeline



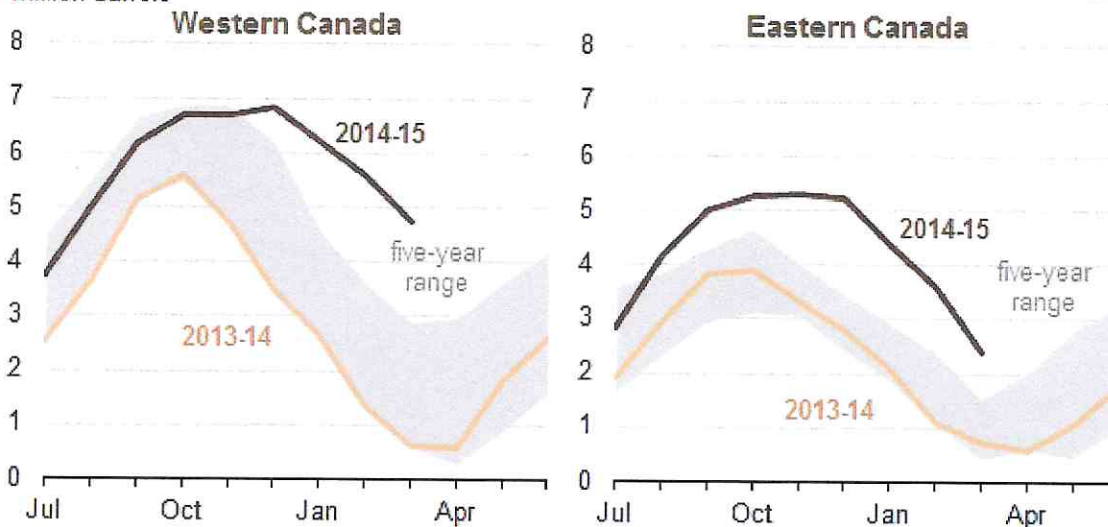
Source: U.S. Energy Information Administration

With decreased Canadian propane exports to the Midwest (as defined by Petroleum Administration for Defense District 2), there has been a rise in the use of the existing capacity of Canadian storage facilities. Western Canadian inventories at the start of March 2015 were more than six times higher than March 2014 levels, and eastern Canadian inventories were more than three times March 2014 levels, and more than double the five-year average.

Canadian propane exports to the United States at other border crossings, where rail is the primary mode of transport, reached a record 37,600 bb/d in December 2014. Propane has also been shipped out of western Canada in pipelines that carry a mixture of propane with other hydrocarbons; the mix is later processed to separate propane. For instance, propane mixed with other hydrocarbon gas liquids (HGL) is shipped out on the [Enbridge pipeline system](#), and propane mixed with natural gas and other HGL is shipped out on the [Alliance pipeline](#).

Canadian propane inventories (2013-15)

million barrels

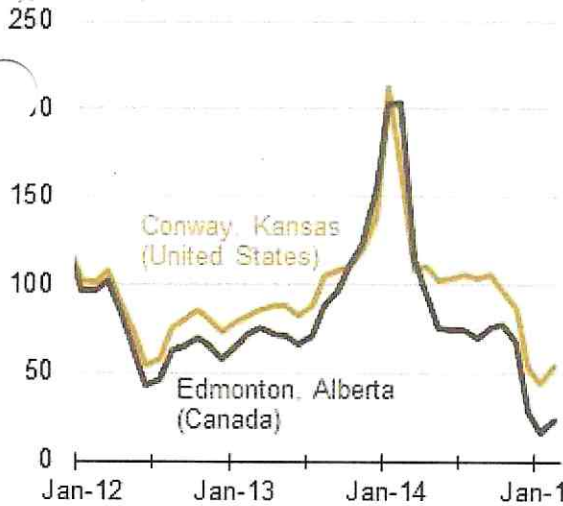


Source: National Energy Board of Canada

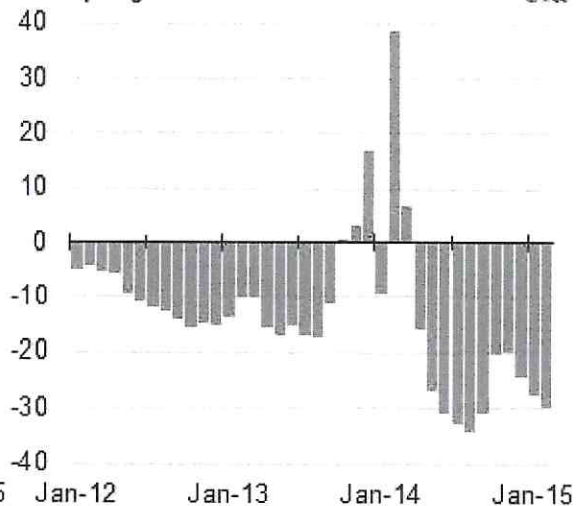
Note: Western Canada inventories include underground storage in Alberta and Saskatchewan; Eastern Canada inventories include underground caverns in southern Ontario.

Higher utilization of existing storage and transportation capacity, coupled with increased propane production from shale gas plays in the United States, has placed downward pressure on Canadian propane prices. Before the 2013-14 winter, spot propane prices in Edmonton, Alberta, regularly traded at about \$0.12/gallon below those in Conway, Kansas. This price difference generally reflected the cost of shipping propane by pipeline between the western Canadian and Midwestern markets. During the 2013-14 winter, prices at both locations were above \$2.00/gallon at a time when high propane demand coincided with pipeline and processing facility maintenance outages and low inventory levels. Since then, Edmonton propane has sold at \$0.27/gallon below the price at Conway, reflecting the higher transportation costs in the absence of Cochin's propane-shipping capacity.

Monthly average spot propane prices
cents per gallon



Edmonton minus Conway price spread
cents per gallon



Source: U.S. Energy Information Administration, based on Bloomberg

This widening price differential has prompted the development of other options for moving and using/consuming propane, including:

- A 22,000 bbl/d [propane dehydrogenation](#) (PDH) plant to process propane into propylene (an important petrochemical industry feedstock) that Williams Energy Canada [plans](#) to build in Alberta by 2018
- Four projects to build marine terminals to export [liquefied petroleum gases](#) to Asia, with potentially up to 150,000 bbl/d of capacity
- Two planned rail terminals from [Keyera](#) and [Plains Midstream](#) to provide approximately 85,000 bbl/d of additional rail capacity. The rail terminals would support the shipment of propane and butane to the West Coast marine terminals, Midwest markets, and Gulf Coast export terminals.

For a more detailed explanation of hydrocarbon gas liquid (HGL) supply and demand fundamentals, see EIA's [HGL Market Trends and Issues report](#).

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