

Regional Energy Perspectives: Northeast - Winter 2012 - 2013

2012 Winter Fuels Outlook Conference

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Charles M. Wesley

Program Manager, Energy Analysis

NYS Energy Research & Development Authority

Agenda

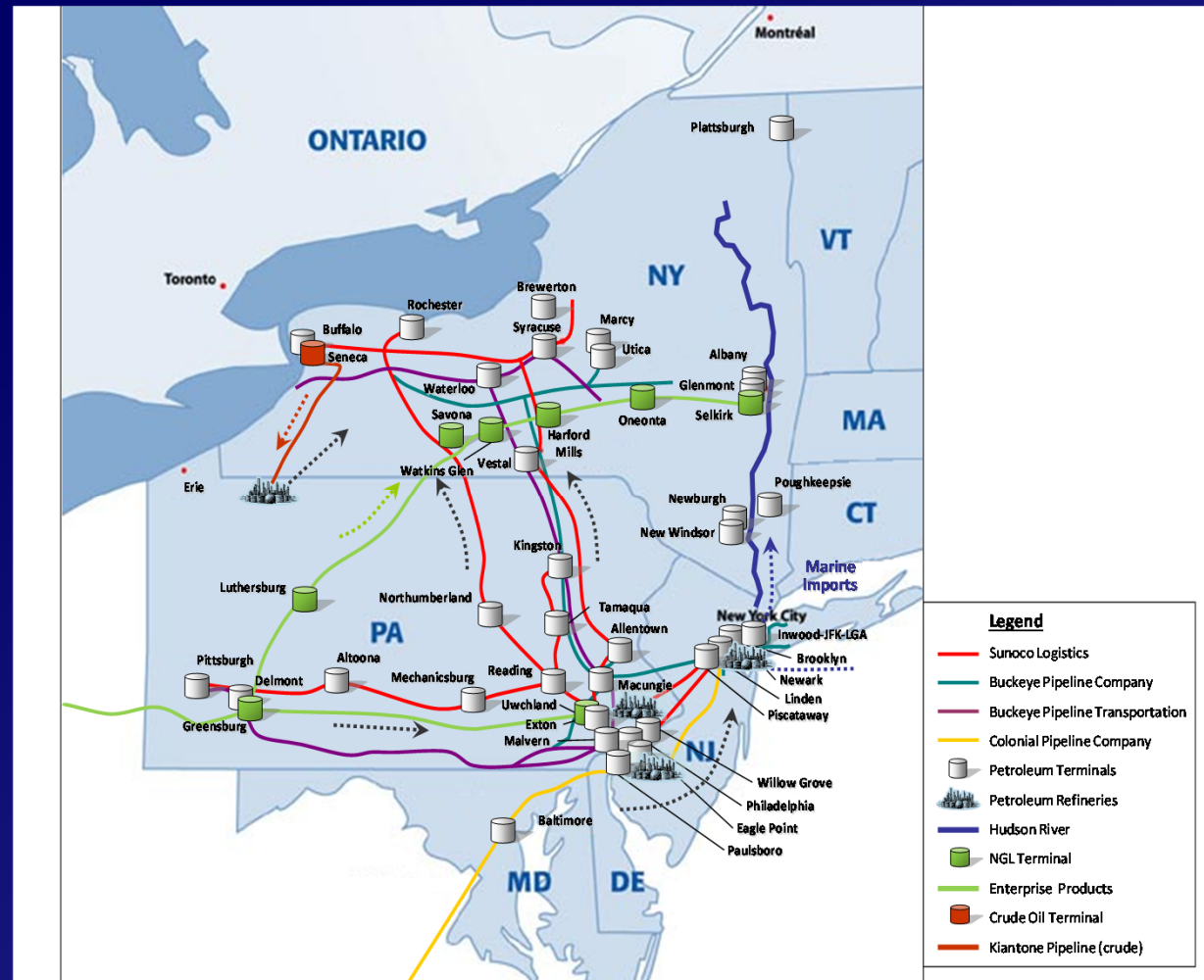
- NYS Agency Preseason Activity
 - Industry
 - State Government
- Distillate Heating Fuels Assessment
- Propane Assessment
- Natural Gas Assessment

Preseason Activity

- July 1, 2012 NYS ULS heating oil transition
 - Potential refinery closures (700,000 b/d)
 - Meetings and discussions
- NYSERDA Winter Fuels Outlook Meeting
 - State Agencies; DEC, DPS, DOT, OEM, various human needs, NYC gov't., Coast Guard
 - Industry associations of all heating fuels, LDCs
 - Industry Infrastructure; trucking transport and delivery, storage, barge, pipelines, production
- Industry Associations Winter Meetings
- DPS/LDC winter preparedness meetings
- US Coast Guard Ice Breaking Meeting

Distribution of Petroleum Fuels Within NYS

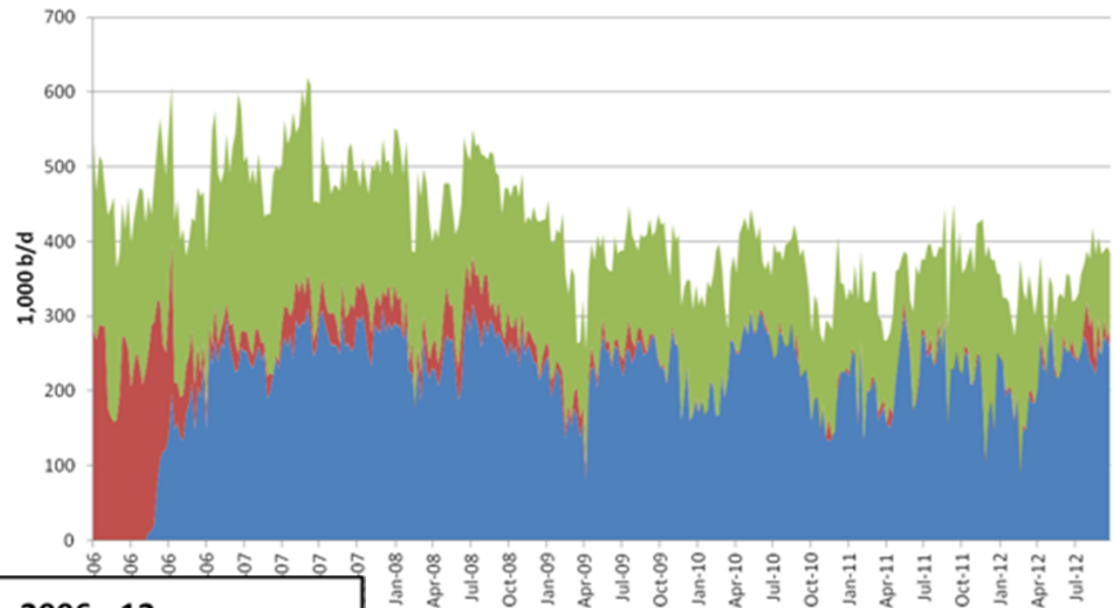
- Not just New York
- Significant NJ and PA production and distribution assets
- NE dependent
- Evolution of Mid-Atlantic distribution system to incorporate NYS switch to Ultra Low Sulfur heating oil effective 7/1/12
- NY State law effective 2010



- **PADD 1**
- Trainer refinery restart and ULS production rate?
- Marcus Hook Shutdown
- Philadelphia refinery utilization rate?

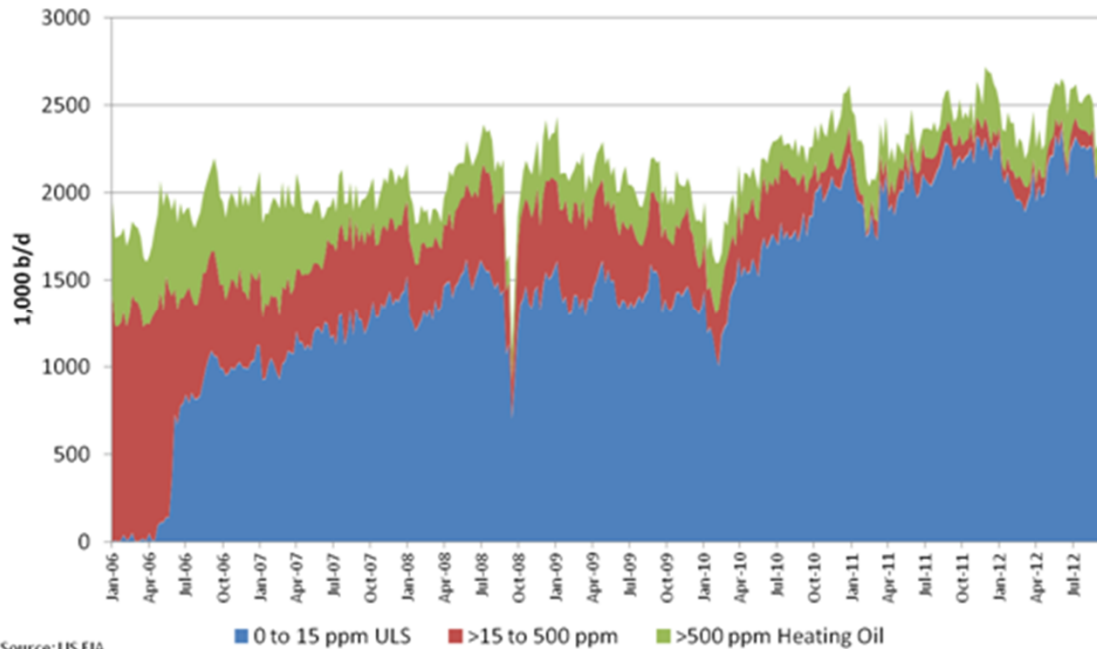
East Coast PADD 1 Distillate Production, 06-12

15ppm % 2009 = 58% 2010 = 63% 2011 = 61% 2012 (as of 9/28) = 67%



Gulf Coast PADD 3 Distillate Production, 2006 - 12

15ppm % 2009 = 68% 2010 = 78% 2011 = 87% 2012 = 88%



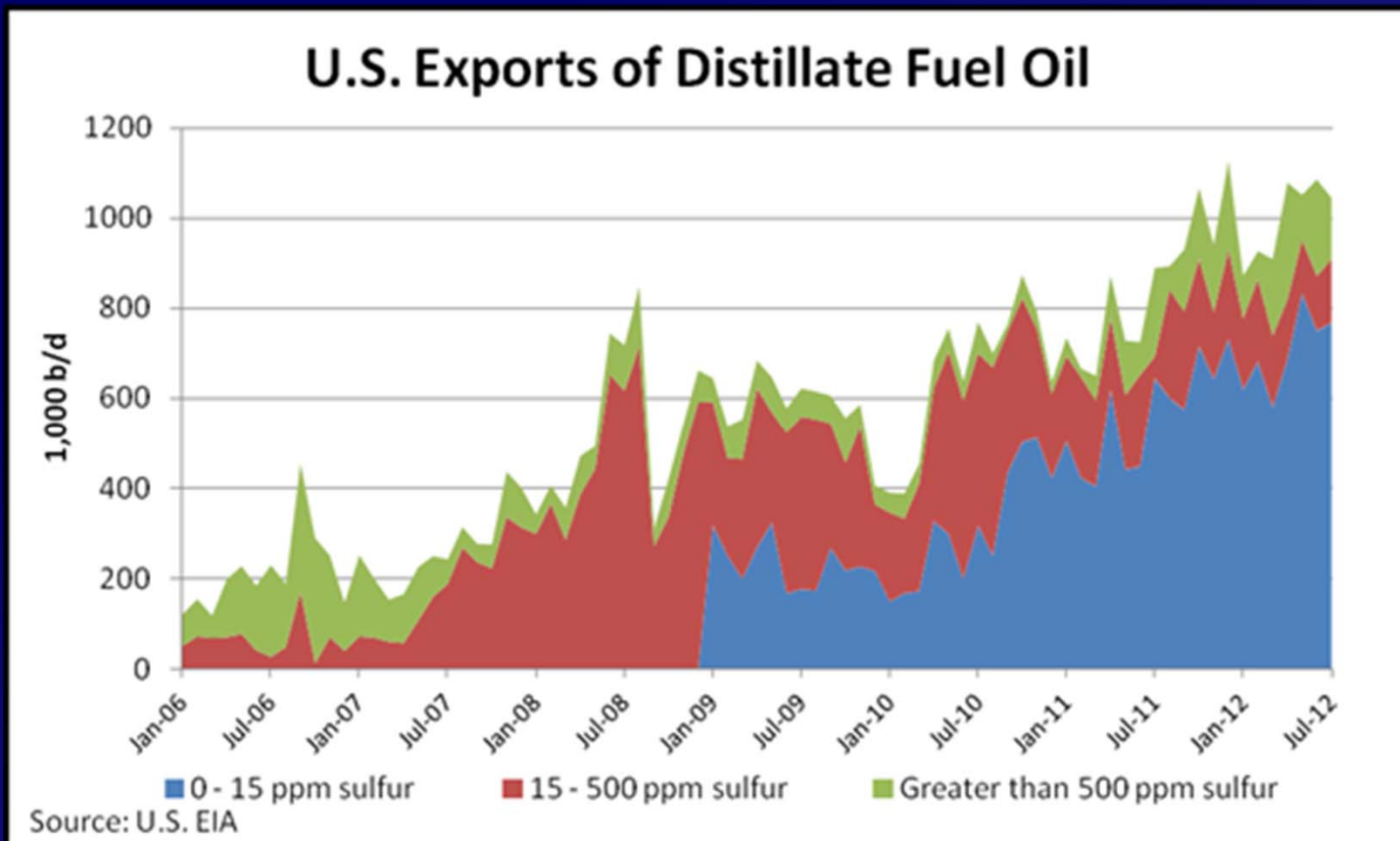
ppm ULS ■ >15 to 500 ppm ■ >500 ppm Heating Oil

- **PADD 3**
- Motiva expansion delay
- 10/3/12 Exxon Baytown desulfurization unit production interruption

Source: US EIA

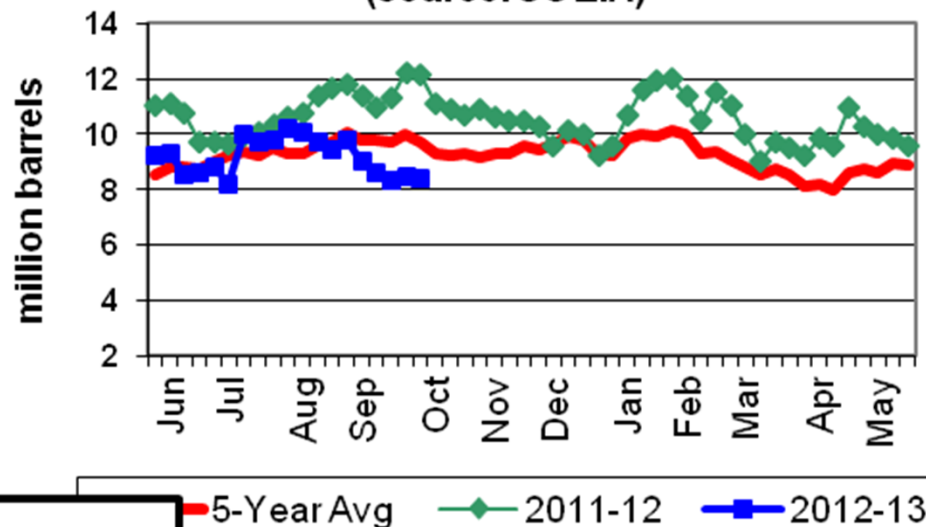
US Distillate (ULS) Exports

- If needed, what will it take to move volumes to the Northeast?
- Foreign supply sources?

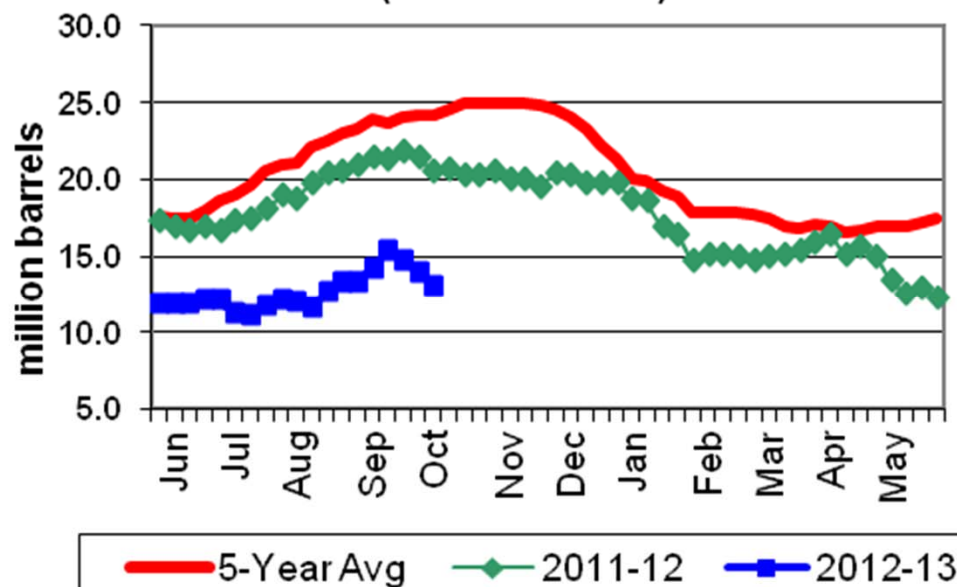


- Mid-Atlantic ULS (diesel) stocks below historic transportation only demand trend

Mid-Atlantic Ultra-low Sulfur Diesel Stocks (0-15 ppm)
(source: US EIA)



Mid-Atlantic Heating Oil Stocks (>500 ppm)
(source: US EIA)

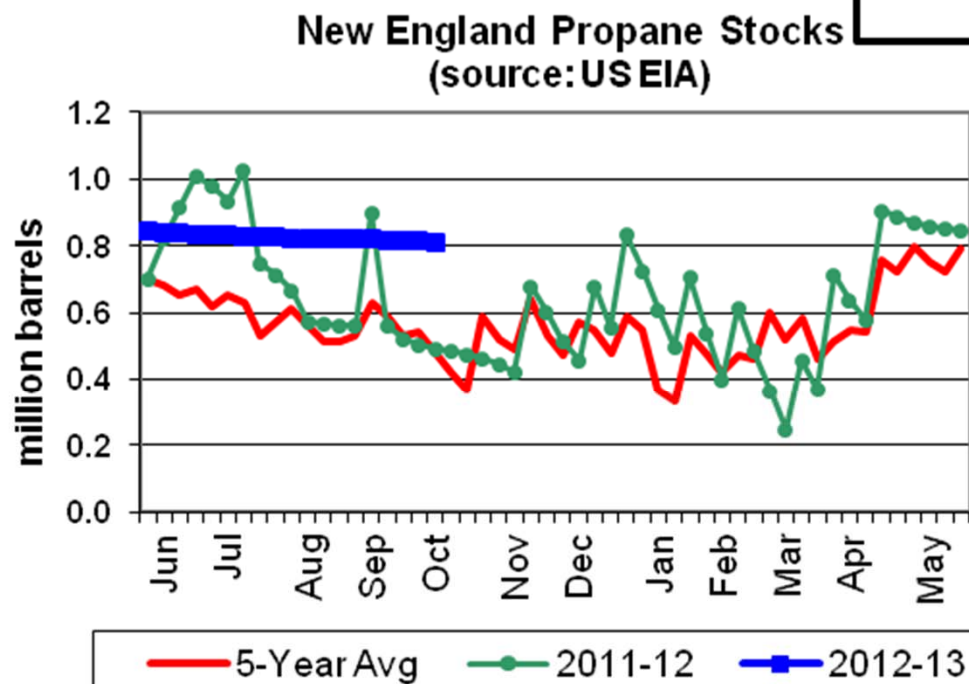
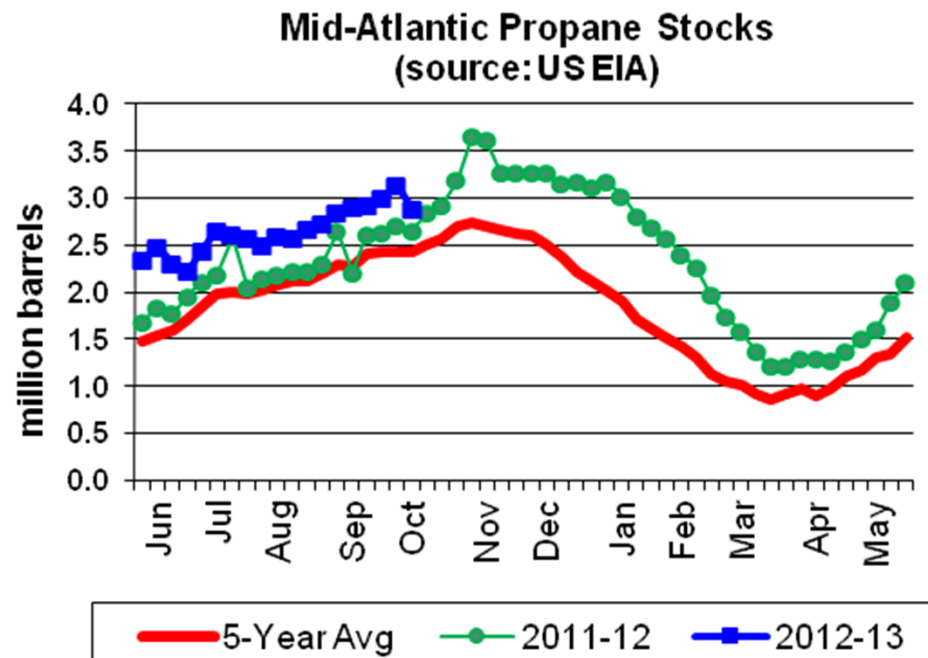


- Mid-Atlantic heating oil below historic trend, even with NYS demand volumes removed

Northeast Propane Assessment

- Mid-Atlantic
 - Inventories are at or above traditional levels
 - Retail prices are low relative to the price of crude oil
 - Growing propane supply from Marcellus Shale area
 - New rail terminal under construction in Albany
- New England
 - Inventories above traditional levels, but...
 - New & expanding rail terminals under construction
 - World propane prices higher than U.S.
 - Unsure mid-season ocean terminal resupply
- Question for New England region?
 - Can rail terminal supply operations and trucking replace traditional ocean terminal supply?

- Mid-Atlantic stocks in good shape
- Increase cavern capacity in upstate New York utilized for propane storage



- New England stocks in good shape,
- Ocean terminal activities limited,
- Rail and truck supply operations underway

Northeastern US Supply Locations



New York Traditional Propane Supply Alternatives

- Pennsylvania
 - TEPPCO system terminals
 - Marcellus production facilitates?
- Sarnia and western Canada locations
- Ohio & distant Mid-West terminals
 - TEPPCO system terminals, Todhunter, Ohio caverns
- New Jersey
 - Refineries
- New England
 - Ocean terminals

Railcar Questions

- Availability of railcars
- Timeliness of resupply cycle
- Rail delays – snow, temperatures, ice
- Timeliness of rail switch yard operations
- New rail terminals under construction
 - Will they be ready?
 - Are there contracts for deliver?
- Upgrades at some existing rail terminals

Natural Gas Supply Assessment

- Storage is near peak capacity
- Prices are lower than recent years
- Production capacity is strong
- Marcellus volumes are replacing Gulf Coast, Rocky Mtn., & Canadian supplies
- Mid-Atlantic pipeline infrastructure continues to expand
- Electric Sector & Interruptible Gas Supply
 - LDC Interruptible customer system test (non-electric)
 - Backup fuels

Questions & Discussion

Charles Wesley

cmw@nyserda.org

518-862-1090 ext. 3364