



DegreeDays

News from the Virginia Propane Gas Association

Retailers Advised on Factors That Could Impact Supply This Winter

by **James Guyette**, contributing editor for LP Gas.



The pandemic may cause extra logistical challenges this winter. Photo by LP Gas staff.

Varying degrees of uncertainty over what winter will bring are routinely top-of-mind during the summer and fall propane-buildup periods, but the temperature has been turned up a notch for marketers preparing for this year's heating season.

Economic pressures, a virulent global pandemic, reduced refinery throughput, and robust overseas demand are among the perplexing challenges faced by propane retailers.

And even before the first snowflake falls, experts are already warning that relying on the spot market as a quick relief valve like in previous years could put retailers in a tight spot should a period of high demand take hold.

Advisories abound pertaining to contracting gallons and formulating a flexible business plan going into this winter's unforeseen circumstances.

"This is a really, really unknown situation," cautions consultant Mark Rachal of Cost Management Solutions.

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Upcoming Events

SPRING MEETING

April 25-27, 2021

Kingsmill Resort
Williamsburg, VA



SUMMER MEETING

July 11-13, 2021

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President's Message



Greetings! I hope you all continue to be happy and healthy. This week we held our fall committee and board meetings and I want to thank you all for your energy and participation in this year's virtual environment. There is still work to be done!

The commitment to push forward speaks to the strength and resilience of our association.

One of our main objectives this year has been to strengthen workforce recruitment and development in Virginia. We completed a 45-day pilot program with Vets2Techs and I am happy to report our decision to continue the relationship for the next nine months. A big thank you to Trent Johnson and Randy Doyle for their selfless effort in getting this accomplished. Be on the lookout for more information on how your company can participate with Vets2Techs.

The Workforce Development committee has other objectives including building three training centers in the state, development of a lab, and a relationship with the Associated Builders Contractors (ABC), as well as other partnerships throughout our state. These are possible but big objectives requiring volunteer time and commitment. Please consider contributing to these initiatives; we need

your help! Contact **Randy Doyle** at rdoyle@holtzmancorp.com or **Trent Johnson** at trent.johnson@berquistinc.com if you are willing to join the team.

Tough legislative challenges are not new to us and many of you have far more experience in this fight than I do. As powerful as our story may be, I have learned that the facts really don't matter. We must approach the impending issue of the Transportation & Climate Initiative (TCI) and electrification collectively and deliberately while positioning ourselves for inevitable future challenges. Mike O'Connor will be inviting us to a webinar on TCI and I encourage all to participate. We are also holding a webinar with PERC in November on how to have conversations on propane's place in a low carbon future. **(See page 4)** The cost of doing nothing is high and we must work together to get ahead of these threats.

So what's the good news? We are all very fortunate to be able to earn a living in this great industry and provide energy to the people of Virginia. We also lost \$0 in meeting expense this year! Please feel free to reach out to me to chat, complain, or say hi. Cheers!

Nicole Sullivan

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Steve Barton

| GovernmentAffairs

Last month Delegate Richard “Rip” Sullivan of Arlington penned a very interesting op-ed in the *Richmond Times-Dispatch* entitled, [*Let Competition Call the Shots in Energy Markets*](#). His message: new state mandates for offshore wind and solar should not be scrutinized for their impact on consumers’ ability to pay for them. He goes on to say that (the federal government) **“has upset the apple cart with a new rule by reaching its hand into the energy markets and putting its thumb on the scale.”** He is right. However, he needs to look no further than some of his colleagues in the House and unelected bureaucrats at the Department of Environmental Quality if he wants to see some of the most prominent scale tippers and apple cart upsetters right here at home.

Readers will remember that the VW Mitigation settlement produced \$88 million in new money for the Commonwealth, designed to reduce pollution in the state. Soon after it was announced, the electrification lobby and their sympathizers at the DEQ claimed this fund as their own personal piggybank and have since sole-sourced the overwhelming majority of funds—\$82 million at last count—for a variety of electrification projects including electric transit vehicles, electric charging stations, electric school busses, and even a plan to electrify diesel equipment at The Port of Virginia.

Your association tried to stop this rush to judgement this past winter. Thanks to Senators Emmet Hanger of Augusta County and Jill Vogel of Upperville, language was inserted in the Senate’s version of the budget stating that propane school busses should receive “substantial consideration” in the next round of VW funding. This language went to a committee of conference where the electrification lobby went to work on members of the House to drop it.

So, we were left on the sidelines, once again. Today, 92% of Virginia’s settlement dollars have gone to the electrification lobby. Virginia is an outlier, in that other states participating in the settlement have dedicated on average 10% of VW funds to support propane school busses, which are proven technology, protective of the environment, and have the ability to perform better in all weather conditions.

Why is this happening? Here in Virginia, we have a law that allows a Governor to serve only a single four-year term. As a result, the regulators of today realize that they will be looking for gainful employment in a little over a year—particularly if there is a change in party control at the Governor’s mansion. In past years we have seen many state employees go through the revolving door directly

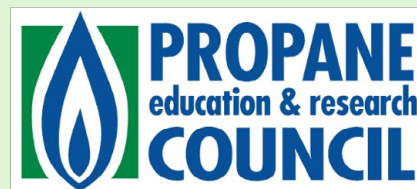


into entities they were previously regulating. We will be watching carefully over the next 15 months to see how this plays out.

To Delegate Sullivan—your position that competition must call the shots in energy markets is right on target. We hope colleagues of yours will follow your advice before any more thumbs tip the scales with sole source awards to the electrification lobby. All we want is a chance to compete fairly on a level playing field.

Mike O'Connor

PROPANE AND THE ENVIRONMENT WEBINAR



**Wednesday, November 18
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**Hosted by
Tucker Perkins, PERC President and CEO**

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We'd Like To Hear From You!

Do you have any company news to share? Big anniversaries? Success stories? Philanthropic events? We'd like to know! Please send your news to **Zach Eisenman**, Executive Director, at zach@eameetings.com. Your news may be published in future newsletters.

Happy 75 Years to VAPGA



We are optimistic for 2021 and have started making preparations for the Summer Meeting. After the disappointment of several postponed meetings this year, we know everyone will be looking forward to being together again very soon.

Summer will also mark an historic event for our association – the **75th Anniversary of The Virginia Propane Gas Association**. Since 1946, VAPGA has been the leading voice for the propane industry in the Commonwealth. We are actively looking for volunteers to help plan the celebration. If you have pictures, meeting mementos, or even just some funny stories to share – we want it all! Please contact the Chair of the 75th Anniversary Committee, **Meghan Kulinski**, at meghan@valleyenergy.org.

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| Safety/RegulationsUpdate

Commercial Driver's License

The Federal Motor Carrier Safety Administration (FMCSA) has granted an extension on the validity of commercial driver licenses (CDL) and commercial learner's permits (CLP) that expire between March 1, 2020 and December 30, 2020. Any CDLs or CLPs set to expire during this time will be extended to December 31, 2020, due to COVID-19.

Hazardous Material Endorsement (HME)

The validity of an HME that expired between March 1, 2020 and May 2, 2020 is extended for an additional 180 days. This extension is in addition to the prior extension of 180 days. An HME that has expired or will expire between May 3, 2020 and October 29, 2020 is extended for 180 days.

All HME holders receiving the extension must hold a valid CDL and initiate the process of renewing their security threat assessment no later than 60 days before the extended HME expiration date.

CDL holders' current HME expiration date is printed on their CDL. Any extensions to the expiration date can be viewed online by accessing their MyDMV account.

Below are examples:

- **March 1 and May 2:** CDL holders with HMEs expiring between these dates have an additional 180 days added to the prior 180 days, effectively 360 days beyond the HME expiration date, to renew.
- **May 3 and October 29:** Those with HMEs expiring between these dates will have up to 180 days beyond the HME expiration date to renew.
- **After October 29:** Those with an HME expiring after October 29 must renew the HME before the expiration date shown on the CDL.

Medical Examiner Certificates

UPDATE: Due to the COVID-19 emergency, FMCSA has granted an extension for medical examiner certificates. During this extension period, any medical examiner certificate, valid 90 days or more, that expired between March 1, 2020 and May 31, 2020 will be extended to October 31, 2020. Any medical examiner certificates valid 90 days or more, that expire between June 1, 2020 and December 30, 2020 will be extended to December 31, 2020.

FMCSA New Hours of Service Rules

The Federal Motor Carrier Safety Administration's hours of service rules changed beginning September 29. Primarily,



marketers may benefit from expansion of the short-haul exemption. In addition to expanded short-haul limits, FMCSA also updated the adverse driving condition provision, added a split-sleeper option, and modified the 30-minute break requirement.

Short-haul Exception

The new rules expand the short-haul exception to 150 air miles and allows a 14-hour work shift to take place as part of the exception. Remember, the 14 hours are consecutive hours and cannot be split.

Under the previous rules, drivers using the short-haul exception could not be on-duty for more than 12 hours or drive beyond a 100 air-mile radius, which equates to 115 miles. If a driver did exceed those limits, the exception would no longer apply, and they would be required to fill out a record of duty status, as well as take a 30-minute break.

The added flexibility under the new rules will allow more drivers to fall under the short-haul exception.

FMCSA has released an [online tool](#) to help better understand all of the new rules.

For additional information, please contact **Dennis Cruise** at propanetrainingservices@gmail.com or **(434) 841-1636**.

VAPGA Training

Due to COVID-19, the normal VAPGA training season will not be possible this year.

If you have training needs or would like to schedule CETP programs for your company, please contact **Dennis Cruise** at **(434) 841-1636** or propanetrainingservices@gmail.com

for availability. Dennis can offer a variety of training classes, including bobtail rollover training.

> Winter Supply, continued from page 1

"The only thing normal about this year is that nothing is normal," concurs Tucker Perkins, president and CEO of the Propane Education & Research Council (PERC).

"Everybody's going to have to be very vigilant and watching all of the fundamental pieces," Rachal reports, referring to the latest supply and demand scenarios: How is production running? Are imports lessening and exports growing? Has pipeline access been secured and/or rail cars procured? What are the latest cost factors? And perhaps most importantly, what's going on with your local weather conditions?

Rachal and others are predicting an uptrend in pricing this year. "Propane retailers need to be prepared for tightness of supply," he adds, urging them to build pipeline allocations in their marketing areas.

"If you can't get the rail cars from Canada, and you're getting less supply from the refineries, it's going to push more people to the pipelines," says Rachal. "We already know the pipelines have struggled recently – even in mild winters."

According to Perkins, "all of the advance signals" are suggesting the possibility of looming supply uncertainties. These can take the form of inventory shortages in a

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MemberClicks Launching in November



VAPGA will be transitioning over to the software platform MemberClicks next month! MemberClicks will allow VAPGA members to update their own company and individual contact information, access an online membership directory in real time, simplify event registration, connect with committees through dedicated listservs, and streamline the dues process.

More information to come as we get closer to launch on setting up a profile, accessing features, etc.

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4 Tips to Take Your Zoom Meetings to the Next Level

by **Randy Cummins**, Chief Operating Officer of James River Audio Visual Services

Zoom conferencing platforms have been a great and easy-to-use resource during the pandemic to keep communication going among work groups, clients, families, and friends. Annual meetings that were the norm for networking, reconnecting with contacts, and relaxing are moving to this virtual platform with varying degrees of success. The relaxation component may be lacking, but can be replaced with creative ideas such as virtual happy hours and open-topic chat sessions.

But as the impact of the pandemic stretches on and the “Zoom world” remains a critical adaptation tool, it would be wise to keep some key tricks and tips in mind to help keep your attendees engaged by upping your game from a tech standpoint.

1. Ensure the Best Audio

The importance of good audio for your Zoom meeting cannot be overstated. No matter how great you may look on the screen, if participants struggle to comprehend your comments they will tune out and your message will be lost. Consider upgrading to a quality USB external microphone that can be boom or tripod mounted at your workstation. There are also audio settings within Zoom such as automatic mic volume and intermittent background noise suppression that can be used to improve quality. There is an old adage in the AV world that good audio can make up for lousy video but not vice versa. Respect the power of sound.

2. Set Up the Ideal Video Image

By no means should you disregard the video component. Laptop cameras are convenient but consider purchasing an external webcam with an adjustable stand allowing for placement that aligns with your face. You want to look at your audience directly, so camera placement is crucial. Try to focus your attention on the camera and not the screen while speaking. A device such as the Zoom Q2n can perform double duty by upgrading your video image as well as enhancing your audio with built-in stereo microphones. It is also possible to record your presentation directly onto this unit.

3. Prepare for Proper Lighting

Balanced frontal lighting is required for a pleasant look of facial features. Do not have uncovered windows at your



back as a silhouette image will be the result. Turn your screen so that you face the window light. An easy trick is to set a blank white piece of paper on your keyboard to reflect room light up onto your face. LED ring lights are popular as the opening allows for placement of your new external webcam right in the middle, resulting in a soft, even-lit subject. These can easily be found online and some models can be powered from a USB port.

4. Learn a Few Essential Keyboard Shortcuts

If you use Zoom more than once a week, there are a couple of keyboard shortcuts worth learning to keep you from hunting with your mouse for common commands.

I is for Invite. Press Cmd+I (MacOS) or Alt+I (Windows) to jump to the Invite window, where you can grab the link to the meeting or send invitations to others via email.

M is for Mute. Press Cmd+Ctrl+M (MacOS) or Alt+M (Windows) when you are the meeting host and want to mute everyone else on the line.

S is for Share. Press Cmd+Shift+S (MacOS) or Alt+Shift+S (Windows) to share your screen. Then Alt + Tab to select the window or program to share.

In this new virtual world, we can all use as much help as we can get. Please share your experiences with others as to what worked and what didn't in your virtual meetings and let's all keep adapting together.



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> *Winter Supply, continued from page 7*

particular area of demand, reduced availability of spot product, an all-around tightness of credit regarding financial transactions and an assortment of pandemic-induced impacts on retailers' ability to schedule deliveries.

"The spot market is not nearly as robust as it has been in previous years," says Perkins.

"We do not have an issue of supply," he observes. "We have an issue of logistics." Plenty of overall supply is anticipated, but that supply needs to be where retailers can efficiently access it.

Retailers should be digging deeper than usual as they make their supply and demand calculations, Perkins says.

Alternative sourcing options should be accounted for on a continuing basis, as medical experts are expressing fears of an extra-fraught flu season coupled with heightened coronavirus outbreaks.

"It's important for you to realize where your gas is coming from, and make your contingency plans accordingly," says John Powell, senior vice president and head of the marketing, supply and logistics group at Crestwood Equity Partners.

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Virginia Propane Gas Association

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As retailers ponder the pandemic, according to Perkins, they should consider several key questions, such as:

1. What happens if the train crew aboard an anticipated rail delivery is waylaid by illness?
2. What is an alternative should the drivers of arranged transport runs suddenly face quarantine orders?
3. How are retailers expecting to maintain operations if members of their own staff are forced to call in sick or rendered homebound while caring for stricken family members?

"We're going to be dealing with COVID-19 for this entire winter, and marketers need to think this through," says Perkins. "We've all been thinking that there's going to be some miracle that will change things, but it looks like that miracle is not going to happen."

Local Market Tightness

Perkins encourages retailers to be proactive in reaching out to customers before wind chill factors into daily relevance.

"It is especially important to contact customers accustomed to calling in on an as-needed basis for a fill-up and hopefully get them under contract, as they are likely to be unaware of the disruption they can cause to a marketer when they are low on fuel in the middle of high heating demand or during periods of higher agricultural demand," says Perkins.

"There is plenty of propane supply in the U.S.," Rachal says, "as the nation has averaged exports of 1.119 million barrels per day (bpd) so far this year compared to 1.064 million bpd during the same period last year."

The amount of supply to meet this year's domestic needs is more than enough; the robust supply situation has been around for years, he points out, but that doesn't necessarily prevent tightness from developing in some areas, often due to short-term logistical issues.

"There is certainly an expectation of reduced imports via rail from Canada as producers there increase exports to other markets, namely Mexico and Asia," says Rachal.

"The potential for reduced rail availability is a real concern for this winter," he continues.

"That is especially true with a lot of crude and associated natural gas production shut in the Bakken that would normally provide more Midwest supply. Also, the supply from Marcellus and Utica shale plays that used to remain in the Midwest is now moving east to Marcus Hook for export or movement into the Northeast," Rachal says.

"We are confident there will be a lot more supply than demand overall," he explains. "So, we are not particularly concerned about huge price spikes at Mont Belvieu this winter. There would be more concern about a spike in prices at Conway during the peak domestic demand period."

Rachal notes that "we are also concerned about local market tightness due to the inattention to infrastructure needed for meeting domestic demand in the winter. That is no longer an industry focal point, and propane retailers are being saddled with the burden of maximizing assets and supply control to successfully navigate peak demand periods."

Leslie Anderson, president and CEO of the Propane Gas Association of New England, observes that she too is harboring concerns over supply and distribution issues that could be

aggravated by the COVID-19 situation.

The pandemic's impact and lower crude prices, plus a decline in oil and gas production "are reducing propane supplies from all major basins, resulting in what may end up being a squeeze across the propane industry for supply and demand," according to Anderson.

"Now that we have export terminals hooked up to some of the pipelines and the demand for exports is increasing out of British Columbia and Marcus Hook, the rail that we've been getting as a result of how it was moving to these markets in the past is not going to be there this year," she elaborates.

"We should not count on rail moving across the U.S.; now it will be piped directly to these facilities or go west to Ridley Island instead of coming across to the east," she says. "It's a big concern for us" as vigorous exports could put a crimp on domestic surplus supply.

"We should not count on rail moving across the U.S.; now it will be piped directly to these facilities or go west to Ridley Island instead of coming across to the east...It's a big concern for us."

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"Couple that with regional production being down and more regional volumes being exported," says Anderson, and "we could have our local markets facing disruption if there's a cold-weather event this year. If that happens, barrels will be moving further distances to meet demand," thus leading to higher costs.

"Some of the big Canadian suppliers from past years have pulled out and are not supplying to our region anymore, and we're having to adjust to accommodate that," she adds. "As a result, it's going to be tighter."

Anderson advises retailers to be wary about reducing their contracted gallons due to a large commercial account undergoing a coronavirus-induced shutdown or other anxiety-producing disruptions that could turn out to be temporary or offset by different demand sources.

"We found last winter you shouldn't decrease your gallons based on an account not coming back online," she recounts, "because we're seeing an increase on the residential side."

Uptick in Gallons

D.D. Alexander, president of Global Gas who serves on the National Propane Gas Association's Executive Committee along with its Propane Supply and Logistics Committee, noticed an uptick in gallons this spring with so many people staying home.

"If COVID-19 lingers into this fall and winter, I believe we will see the uptick in gallons again from people being home more," she says.

The overall summer build was proceeding at a strong level, according to Alexander. "However, please don't let that fool you," she says, forecasting that the biggest issues for this winter will be increased exports on the West Coast and Mid-Atlantic regions.

Surplus propane has been coming down into the U.S. and Mexico from western Canada, and "now with the exports out of western Canada, the gas that has been in ample supply will no longer be so readily available to be railed to the Northwest and Mid-Central states. The same goes for exports out of the Mid-Atlantic. The gas that had been surplus and readily available will be used for exports," Alexander says.

"The slowdown in production, especially in the gas-rich Marcellus shale region, has exacerbated the issue in the Northeast. Supply will truly be a local issue this winter. The experts are saying that there may not be the extra gas in other PADDs to help out PADDs with supply issues," she says.



Crop Reports

As with industry organizations throughout the country, the Iowa Propane Gas Association (IPGA) has been hosting frequent conference calls and other confabs with propane stakeholders and relevant government officials. The approach of harvest season was a key topic of conversation.

With the corn crop maturing at a faster rate due to higher temperatures and lower rainfall, initial crop reports suggested that less propane than last year would be needed for crop drying.

Then Iowa experienced a derecho—a powerful complex of storms that produce straight-line winds—that impacted about 33 percent of the corn crop, according to Gov. Kim Reynolds.

For New Century FS, an agricultural cooperative that operates in the hardest-hit areas of Iowa, that means a slower crop drying season and perhaps fewer supply constraints than last year during the upcoming heating season, says Jay Christie, energy sales manager at the company.

"Our demand will be cut at least in half – probably more – for crop drying," he says.

Despite the likelihood that crop drying demand will be down, IPGA has been preparing for possible supply issues.

"Since last fall and winter, the propane industry has been working with wholesalers and pipelines as well as truck and rail transportation specialists to ensure we can provide what our customers need, when they need it," says IPGA CEO Deb Grooms.

Overall, as of mid-summer, the grain drying season was shaping up to be business as usual and nothing like the headache-laden harvest of 2019, according to data compiled by PERC.

"Current trends show a drier season and more irrigation needed ahead of the 2020 harvest season, making it less likely that significant grain drying will occur as heating needs increase, as was the case in 2019," says Mike Newland, PERC's director of agriculture business development.

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