

Propane Market Pulse



Your Industry Ally

By Scott Pearson,
vice president,
CHS propane

Our biannual Propane Special Edition may not be new to you, but in my first column as CHS propane vice president, I want to take this opportunity to introduce myself.

Some of you may already know me from previous roles as the director of propane safety and operations or working with our CHS energy equipment group, but I'm excited to be connecting with customers like you in this new role.

I've held a wide variety of roles across the company since joining CHS back in 2005. And while I came to CHS looking for new opportunities, it's the mission grounded in delivering a reliable propane supply network with industry-leading solutions across the country that drew me to CHS Propane, and it's what fuels my passion for the work our propane group delivers today.

Our newest facility, the CHS propane terminal in Yuma, Colorado, is a prime example of how we put that spirit into action to deliver for our customers. The opening of this terminal is certainly an accomplishment for CHS Propane, but we couldn't have done it alone. Years of analysis, close partnership and collaborative problem solving between our propane teams, our retail counterparts and countless internal stakeholders were invested to leverage resources from across the enterprise and bring this asset from concept to reality.

But more importantly, we didn't just rely on our internal partners. This project was propelled, in part, by feedback we heard directly from our customers. The need for more central infrastructure in the region was clearly communicated by local customers and served a key role in bringing this facility online.

With that in mind, I want to encourage customers like yourself to reach out to me with your feedback, questions, concerns and challenges. Don't hesitate to bring your ideas forward. We're here to listen and harness our relationships and resources to work, both at the highest industry levels and down to the local farm level, to best serve you and your customers.

Email: Scott.Pearson@chsinc.com
Work phone: 651-355-8509

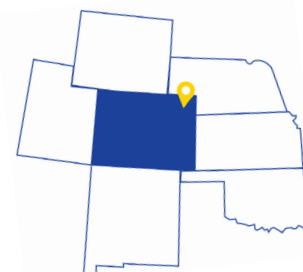
New Propane Terminal Opens in Yuma



This fall, CHS officially completed the construction of a propane rail reship terminal in Yuma, Colorado.

The facility, which came online September 21, will fill a significant gap in the local market, helping propane marketers in eastern Colorado, western Nebraska and the western Kansas watershed avoid the long trip to the Conway propane hub in Kansas.

"We've been searching for ways to support this area for years and we were determined to ensure our customers had access to a central, reliable supply. Without a resource like this terminal, some of our customers have had to make the eight to 10-hour trip to fill up," says Scott Pearson, vice president, propane.



Supply chain disruptions, recent gas plant closures, and the switch at a nearby refinery to produce renewable diesel have all weakened local product supply, while driver shortages have been an added challenge in a region where securing product can require a long haul.

"Historically for our team, low supply throughout the region has meant losing a day or two to shop around and source an alternate spot to lift gallons on the opposite end of the state and substantially increasing our freight," says David Dodson, vice president of energy for Ag Valley Co-op in Edison, Neb. "A new resource like this is what's going to help me keep my customers supplied, even at the height of the heating season."

"This new supply point is going to go a long way in easing the bottlenecks we're seeing in our supply chain system at the lift points currently available to us," says Jess Wimmer, petroleum division manager, WESTCO. "With a big demand for supply and long lines for limited supply at critical times, we're excited see this stress relief coming to the region."

The new terminal features two loading stations, 24-hour access and capacity for 12 rail cars for shorter transport load times.

"This terminal allows CHS to continue to be a dependable supplier and make the process of lifting gallons faster, easier and more convenient, especially for those in the heart of America."

To learn more about lifting gallons from the Yuma terminal, contact Paul Searle at Paul.Searle@chsinc.com or call 651-355-8412 to plan your propane supply needs.



New Way to Stay Safe

The little black clip-on device is fairly small – about the size of a walkie-talkie – but it can deliver big safety benefits for propane workers in the field.



The Blackline safety system being installed at CHS Propane locations around the country this year harnesses the latest monitoring and communications technologies in an easy-to-use package that centers around the personalized monitors.

“We’re excited about providing our workers with the ‘lone worker’ and gas detection features,” says Elizabeth Woods, operations manager for CHS Propane. “The Blackline lone

worker feature is ideal for some CHS Propane locations, where one person is often responsible for moving tens of thousands of gallons of product.

“There is always the potential for a work-related accident, and if they are by themselves, it may not always be possible for them to call for help, she says. “The Blackline system has a motion sensor that can detect if motion stops, a fall detection feature and a panic switch that allows an injured worker to quickly summon help. All of these features, when activated, will immediately alert the monitoring center that help is needed. Additionally, each monitor can have a customized notification list to directly notify their supervisor or other employees that there is an issue.”

The system uses GPS tracking and provides exact coordinates to first responders, Wood explains. “In remote areas where cell service is poor, it works via satellite, which alleviates one of our biggest safety concerns – making sure workers in isolated areas are safe or have quick access to help, when it’s needed.”

The handheld devices are equipped with four gas detection sensors, which monitor for carbon monoxide, oxygen, flammable gases and ammonia or hydrogen sulfide. “The monitor very accurately measures gas levels, warns of unsafe environments, and can help in isolating a leak,” adds Woods.

CHS currently has deployed these devices at 30 locations nationwide and is continuing to expand the usage to encompass all of its propane operations and beyond.

Contact Energy Equipment for details at 1-800-852-8186, Option 1



Five On Your Fall To-Do List

Prepare for the busy winter ahead by reviewing this list of five key pre-season tasks:

- 1 **Update demand forecasts.** Look beyond the next month or two and make monthly forecasts four to five months out, taking you through the winter season. Review each of the next few months, making adjustments based on demand and delivery cycles through coordinated discussions with your account manager and nominations planning. Consider short and long-term weather forecasts, review volumes from past winters and look for any changes or trends. The CHS Propane Control Room is a convenient supply planning tool that simplifies the updating processes.
- 2 **Identify backup terminals.** Building in supply flexibility is important for dealing with unexpected infrastructure problems. Choosing a third and sometimes fourth terminal source is important to do ahead of time to ensure your drivers will be properly trained, wherever they need to go. Remember, your CHS account manager can bring a wealth of information and connections to the terminal selection process.
- 3 **Get carriers carded now.** Have your carriers schedule terminal driver training well ahead of the busy winter season. That will ensure they’re qualified to load at all terminals you might need to use, including third and fourth options.



- 4 Keep your suppliers in the loop.** Good communication is a two-way street. To help you meet your goals and secure adequate and timely propane supplies, your account manager needs to be connected and working with you in real time, in order to stay in step with you as market developments and regional demand surges occur. Our account manager regularly communicating with you, the retailer, is the best way for both to stay in lockstep as the season flows.
- 5 Customer messaging is key.** Looking at the winter ahead, industry propane supplies should be adequate, overall. Current industry data show domestic propane inventories are now 16% higher than this time last year. But that doesn't mean product will always be where it's needed, when it's needed. There are likely to be demand spikes throughout the winter. Having your customers on monitors is a good way to avoid the impact of those spikes, and should help in convincing them to upgrade.

CHS Propane-Powered™ Rebate Programs: *Sunsetting August 2024*

Since 2019, CHS Propane-Powered™ Rebate Programs have helped CHS Propane marketers grow their gallons through investment in autogas infrastructure and other propane-powered technologies. With more than one hundred autogas dispenser installations by 84 marketers across fourteen states, the Propane-Powered Rebate Program has helped in establishing propane-powered technologies.

The Propane-Powered Rebate Program helps you establish propane-powered technologies with your customers to remain competitive with other alternative fuels. Although the program will be sunset, you still have time to use your Propane-Powered Rebate dollars between now through August 31, 2024.



Rebate dollars have been calculated based on the number of CHS wholesale propane gallons purchased since January 1, 2018. Purchases were updated each month based on cumulative propane purchases at \$0.01 per gallon. Rebates continued to accumulate through August 31, 2020.

For example, a million-gallon marketer would be eligible for \$10,000 in rebate dollars. The gallons are based on combined primary account and subaccount purchases, if applicable. The primary marketer determines how to use combined accumulated dollars.

Propane-powered projects can have a long lead time, so make sure you start planning your propane-powered project now and take advantage of your rebate dollars before they disappear.

Visit the "Programs" tab in the Propane Control Room (PCR) at <https://pcr.chsinc.com/Rebate/Rebates.aspx> to see the dollars you have available or contact your account manager for details.

Equipment purchased through the program must be purchased through CHS Energy Equipment. CHS will issue rebates in the form of credit to approved applicants. Rebates will appear as a credit invoice. All rebates are provided on a first-come, first-served basis.

All applications must be submitted by August 31, 2024

Supply chain delays still impact new propane storage and trucks

Equipment sourcing challenges of the past three years have started to improve for many things, but the supply chain for propane storage and transportation equipment still has some serious kinks in it.

The good news is that, for those looking to replace or expand propane storage tanks, waiting times and pricing have stabilized this past year, says Kenton Sonnenburg, CHS Propane energy equipment manager. “In 2021, when global supply chains were seriously impacted by the pandemic, we saw tank availability stretch from having something on hand to waiting four to six months for tank delivery. Prices jumped as much as 20 percent due mainly to the increased price of steel.

“Over the past year, the average wait for large storage tanks to be built has been 16 to 20 weeks, and smaller domestic sized tanks is down to 3-4 weeks or less. Installation usually takes about one week, if the installer has been lined up well ahead of time, and if all the parts

Labor shortages have also slowed installation in some areas, he adds. “Some contractors are dealing with the same challenges seen in other industries of finding and keeping employees on their crews.”

Planning ahead is the best way to avoid many of these delays, says Sonnenburg. “If your business is hoping to add bulk storage, now is a good time of year to start planning for a summer installation. “To work around delays, CHS has tried to have some of the most commonly used tank sizes in inventory, but we tell customers to plan five months ahead. This also allows enough time to get on an installer’s schedule and obtain the necessary permits.”



are there,” he adds. “Sometimes there can be delays in installation if a pump or control valve is delayed. All those things come from different manufacturers, located all over the world. Waiting for a \$200 fitting can hold up installation of a \$150,000 system.”



Making expansion affordable

Retailers don’t have to shoulder all the burden of expansion costs upfront. The CHS Storage for Pennies program provides a lease-to-own option on new bulk fuel storage and equipment, says Sonnenburg. “We can help customers choose the equipment and features that best fit their operation.

“We get quotes on that equipment and can help them figure out if overall cost is cheaper to get one large tank or two or three smaller ones,” he says. “We can source all the equipment and even line up the installation using reliable vendors.”

CHS coordinates financing through a third-party source and the annual lease payment is conveniently divided and included in the price of propane purchased from CHS – only fractions of a cent per gallon. “Most customers pay off their tanks in three to seven years,” says Sonnenburg.

Learn more about the CHS Storage for Pennies program at bit.ly/407SqHg.

The wait for new trucks

If your business is in the market for a new truck or, the supply picture is a bit bleaker. “Demand continues to outpace supply, by a lot, and the current outlook is for only gradual improvement in the next few years,” says Andrew Manchester, account manager for CHS Energy Equipment.

CHS Propane Truck “Prior to the pandemic, we would typically source 150 to 200 trucks in a year,” he says. “The last few years manufacturers have been allocating new trucks and last year we received only 23. This year the number was slightly lower. You can’t even order a chassis, alone, anymore.”

Computer chips are still a limiting factor that most truck makers point to, but there have been delays with other parts, as well, he says. “Many companies also say they’re still facing labor challenges, and some don’t have enough skilled workers to be operating their plants at full capacity.”

Dealers don’t have any trucks on their lots that aren’t already spoken for, says Manchester. “If you can order a single-axle truck, you’ll most likely be waiting 10 to 11 months before you can take delivery. Prices have gone up 20 to 25% over the last two years, and when you sign an order, the price quote usually now stipulates that the price could increase up to 3% before delivery. If price increases are greater than 3%, the company will requote the truck price.”

As a result, the used truck market has gone crazy, he notes. “I’ve heard of used vehicles selling for close to new prices, just because businesses need them so badly. If a truck is damaged in an accident or needs major repairs, a company has no other options.

Manchester recommends businesses plan for truck replacements at least a year ahead and let your CHS account manager know what those specific needs are. “We coordinate fleet needs with our propane accounts so that we can try to negotiate bulk buys with certain truck makers to help keep costs down.”

Propane marketers should work with their CHS account managers for help in determining if they need additional propane storage or are looking to replace trucks or expand their fleet. Those interested in partnering with CHS Propane can learn more by visiting CHS Propane Insights.

New Agriculture Safety Guides from PERC



Safety is a top priority for CHS. That’s why we encourage you to view and download the 6 new ag safety guides from the Propane Education & Research Council (PERC).

Each one-page safety guide provides important information about code and training requirements, specific hazards, and special safety considerations for a variety of propane uses and equipment.

The purpose of the safety guides is to advise retailers of relevant safety instructions if you use or plan to install and utilize propane for your agriculture, confinement barn and crop drying operations. It also has useful information on using farm carts and wet line dispensers.

To access these one-page guides, visit <https://propane.com/for-my-business/ag-safety-guides/> or scan this QR code.

