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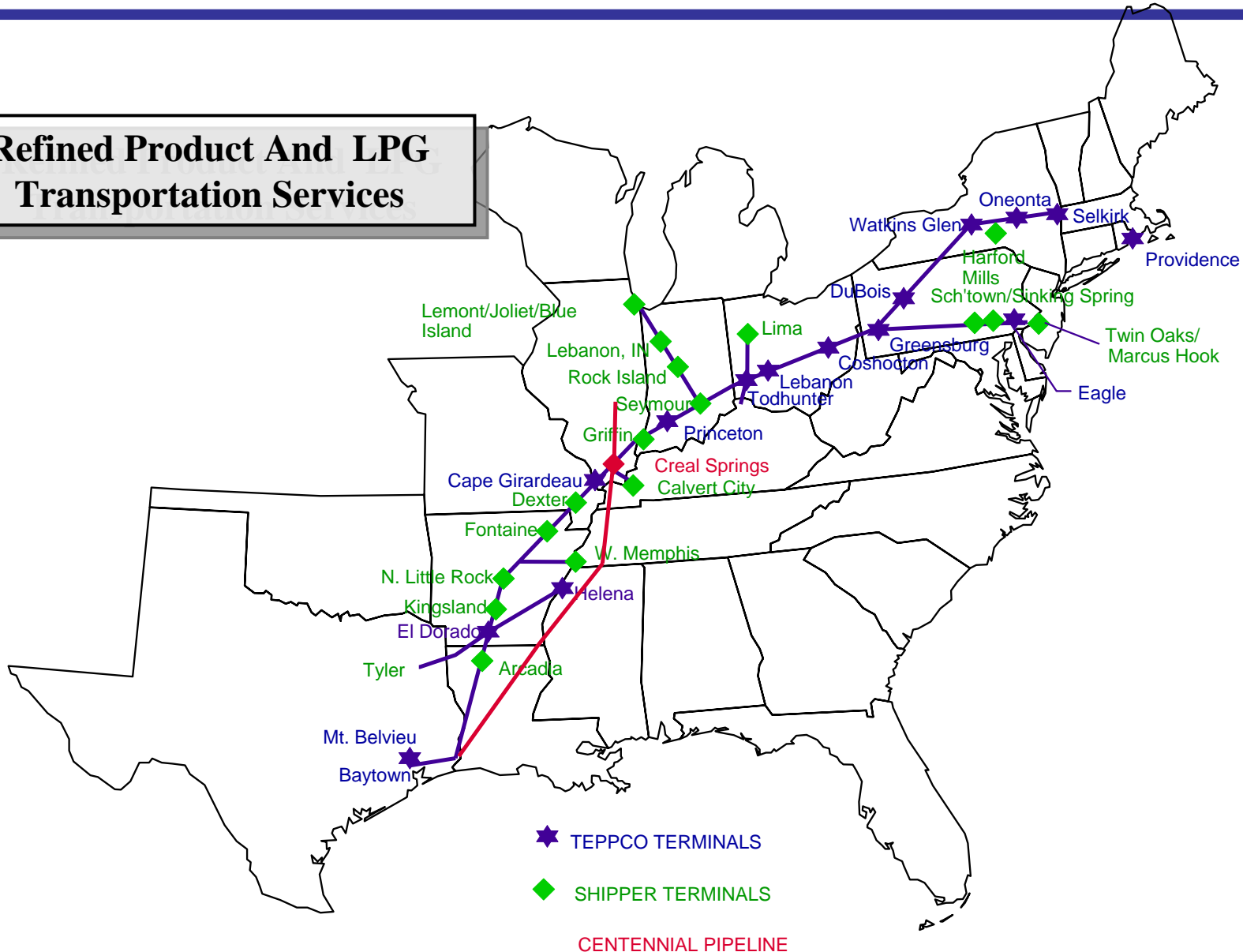
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David Williams
Manager, Propane Services

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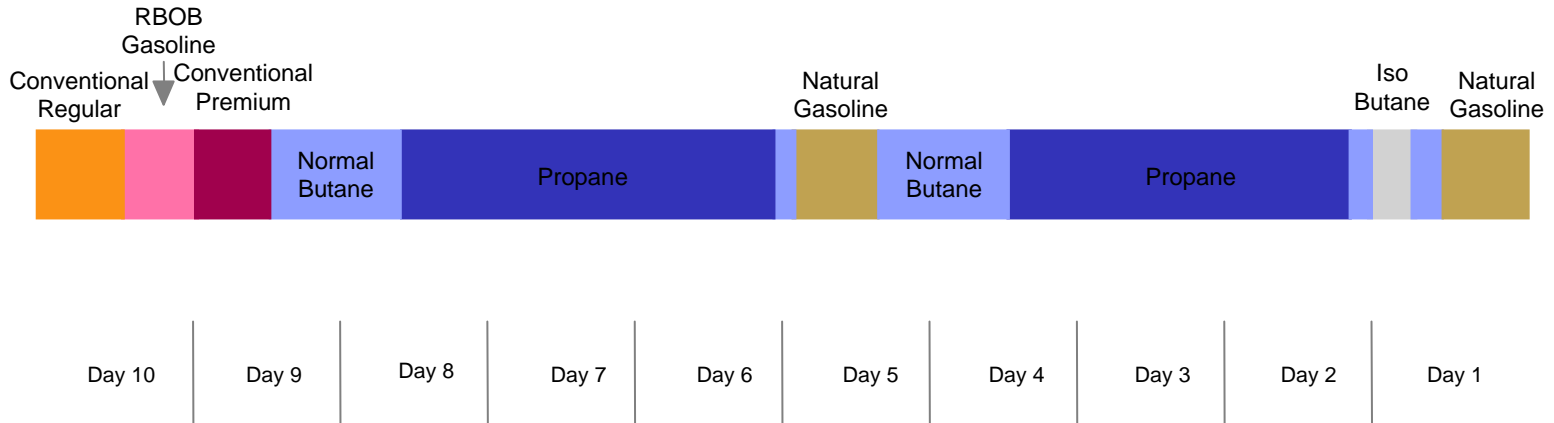
- *TEPPCO Overview*
- *Propane Supply Sources & Challenges*
- *Propane Market & Season Outlook*
- *Key 2007/2008 Issues*

**Refined Product And LPG
Transportation Services**



Cycle Repeats every 10 days

20" Mainline



16" Mainline

- Propane demand in the United States is met through four primary sources of supply:
 - Natural gas fractionation
 - Refinery production
 - Canadian imports
 - Waterborne imports
- Each source could face potential obstacles

- **Natural Gas Fractionation**
 - The pricing differential between the mix of NGL's extracted and natural gas influences the volume of propane fractionated from the natural gas stream
 - If the differential is not there, less propane is produced from natural gas, leading to less propane supply from this key source.
 - Off season inventory build issues
 - Peak season supply issues
 - Propane has followed crude pricing and has provided good processing economics, although production has been below average

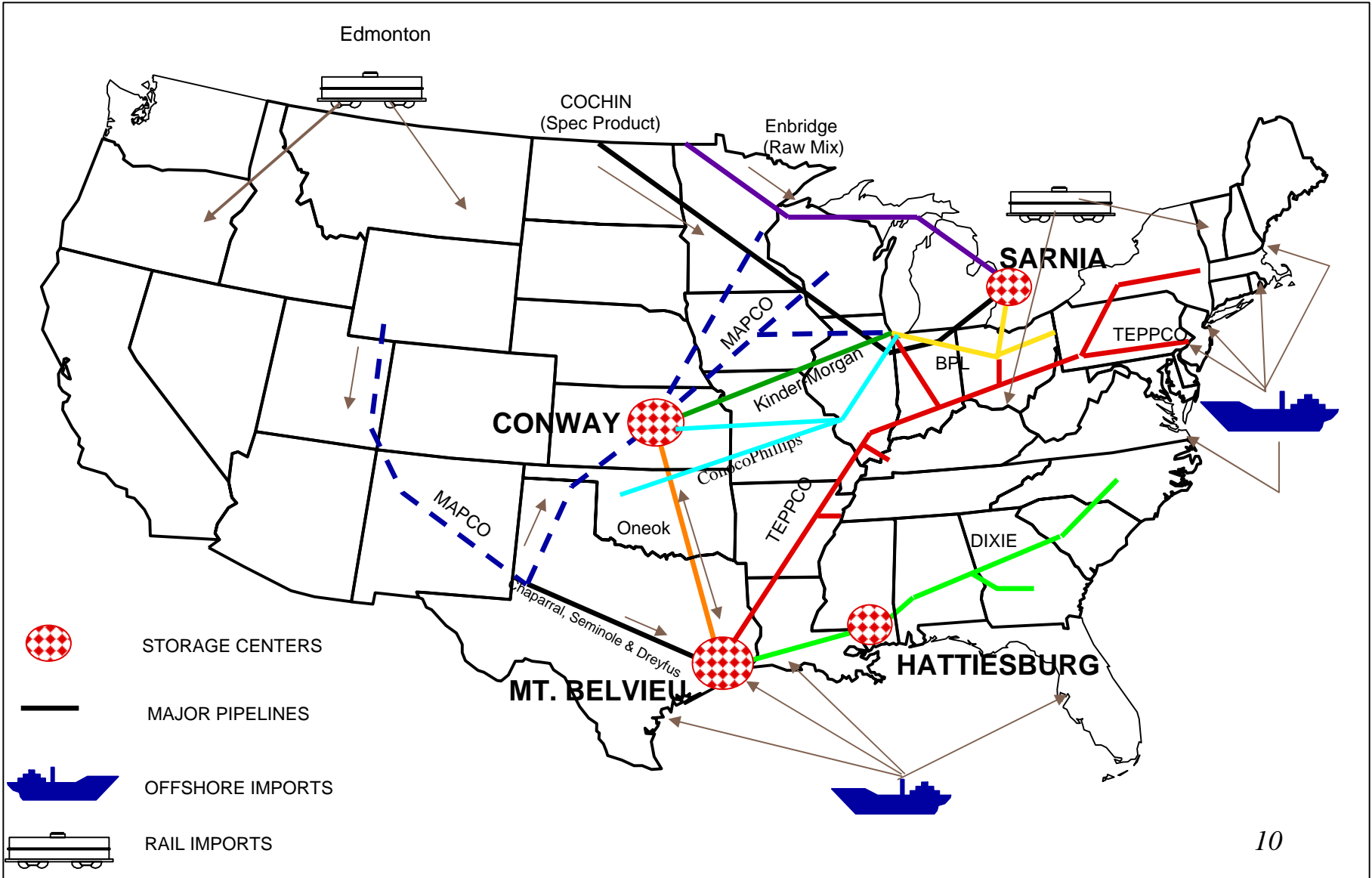
- **Refinery Production**

- When propane prices are lower relative to natural gas or with seasonal natural gas curtailment, refineries may consume propane rather than supply the market
 - Off season inventory build issues
 - Peak season supply issues
- Not a problem so far this year
 - More of an issue in the winter

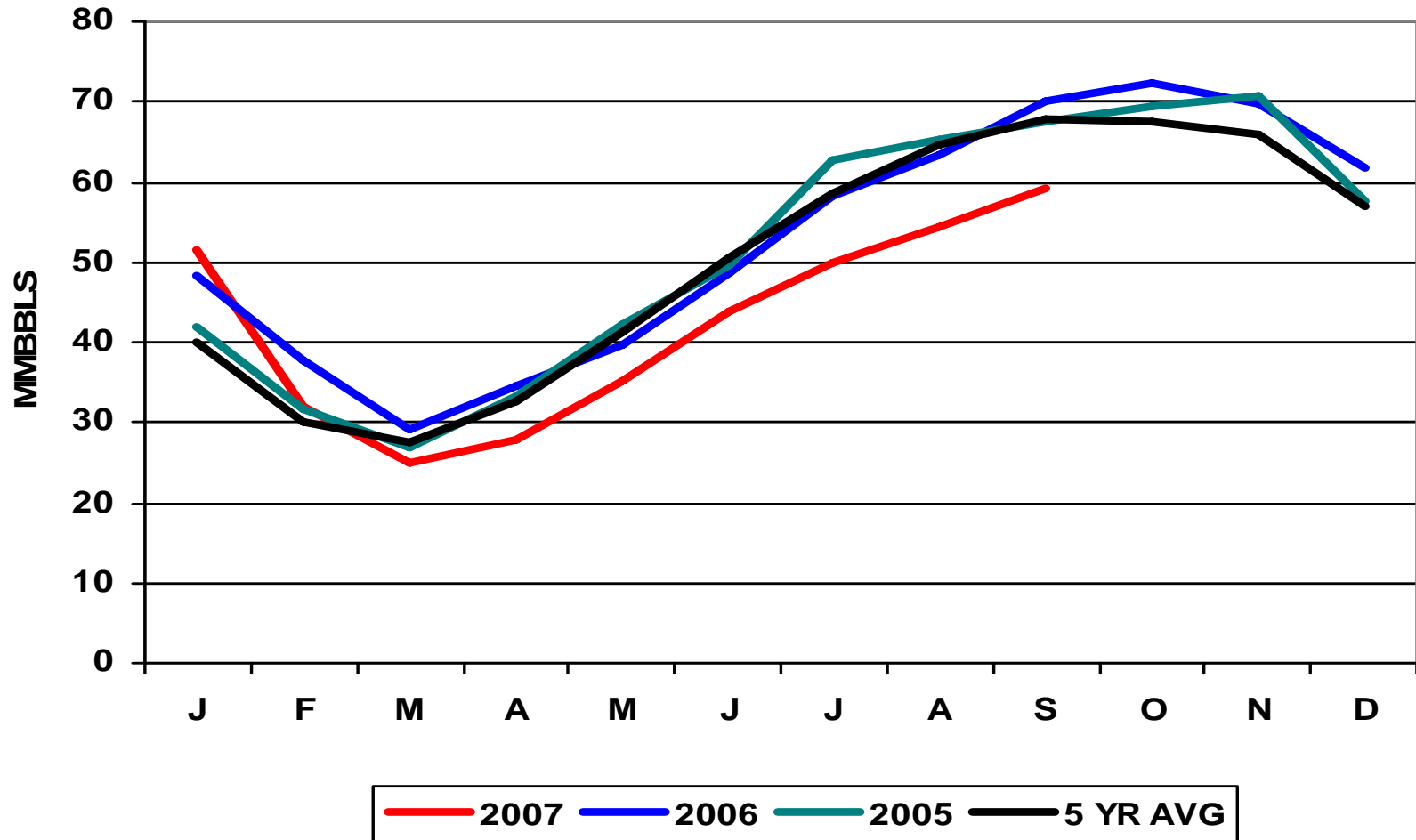
- **Canadian Imports**
 - Supplement domestic supply
 - Pipeline
 - Rail
 - Truck
 - Propane production linked to gas plant extraction economics
 - Imports to US running below average
 - More product has been left in Western Canada

- **Waterborne Imports**
 - High prices have not attracted enough waterborne imports
 - South American winter
 - European economics

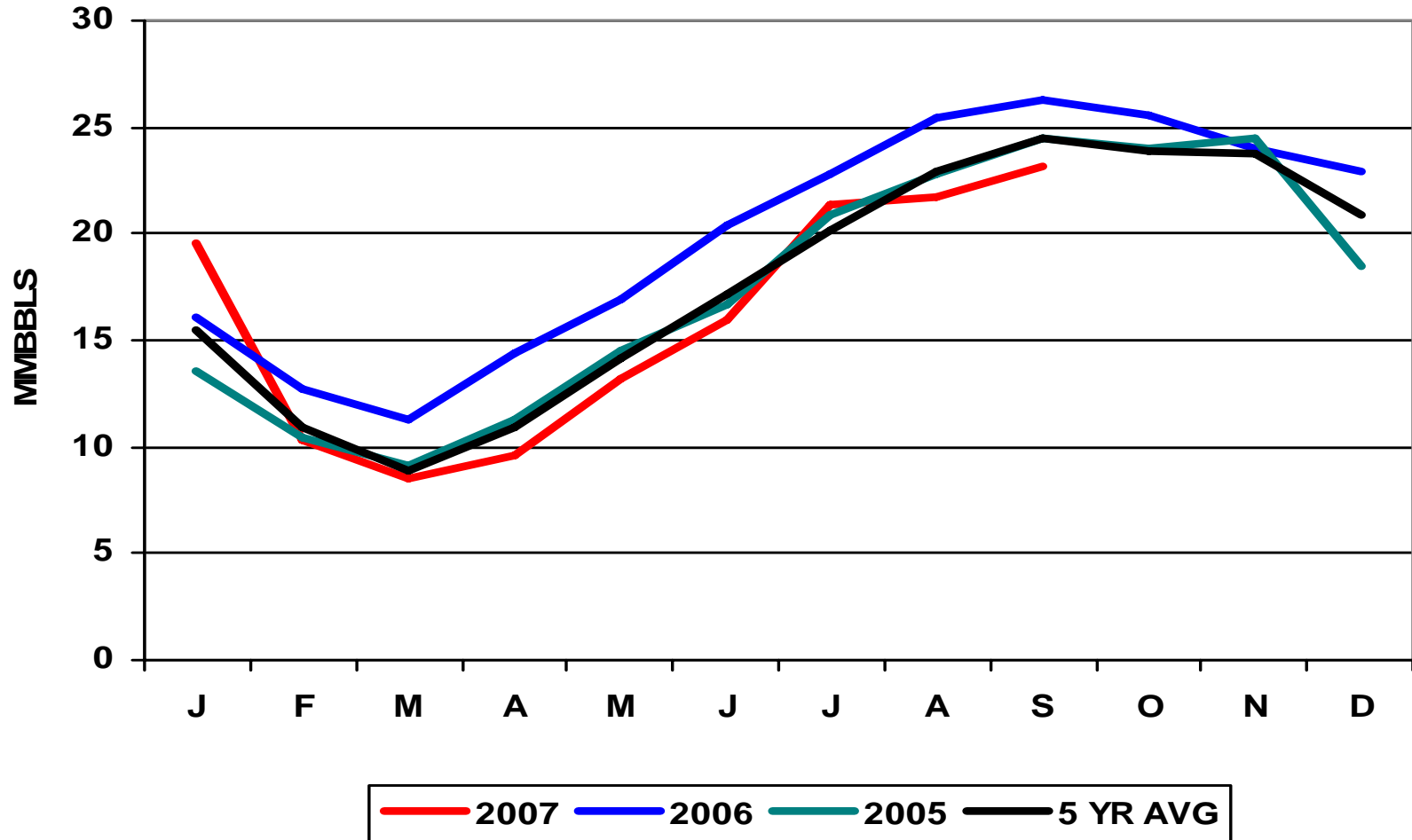
- Peak season demand creates challenges for primary, secondary and tertiary logistic systems:
 - Rail – Lag time due to scheduling and weather-related delays.
 - Waterborne Imports – Lag time due to travel distance. Large volume cargos subject importers to price risk.
 - Pipeline – Movement from production/import facilities to primary market storage constrained by physical capacity
 - Truck racks - Peak demand can strain truck racks causing backups in the supply of product to the market.
 - Truck – Truckers' hours can be tied up waiting in lines or traveling long distances in bad weather. Not enough trucks/drivers to meet peak demand.

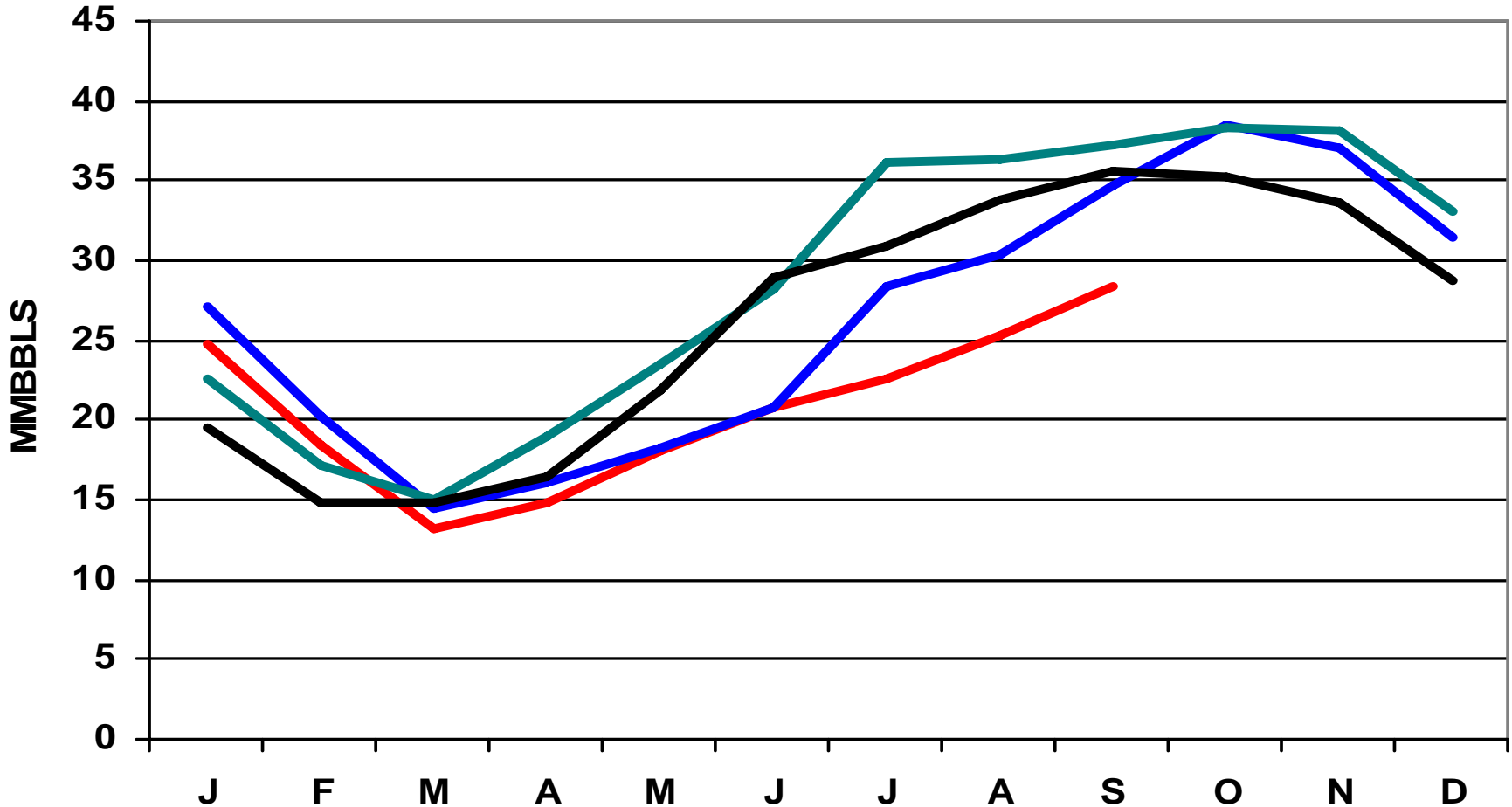


- Oil prices remain high – influencing the overall level of propane prices.
- Propane stocks are below average
 - Total US
 - PADD's II & III
- Petchem demand remains high due to economics.



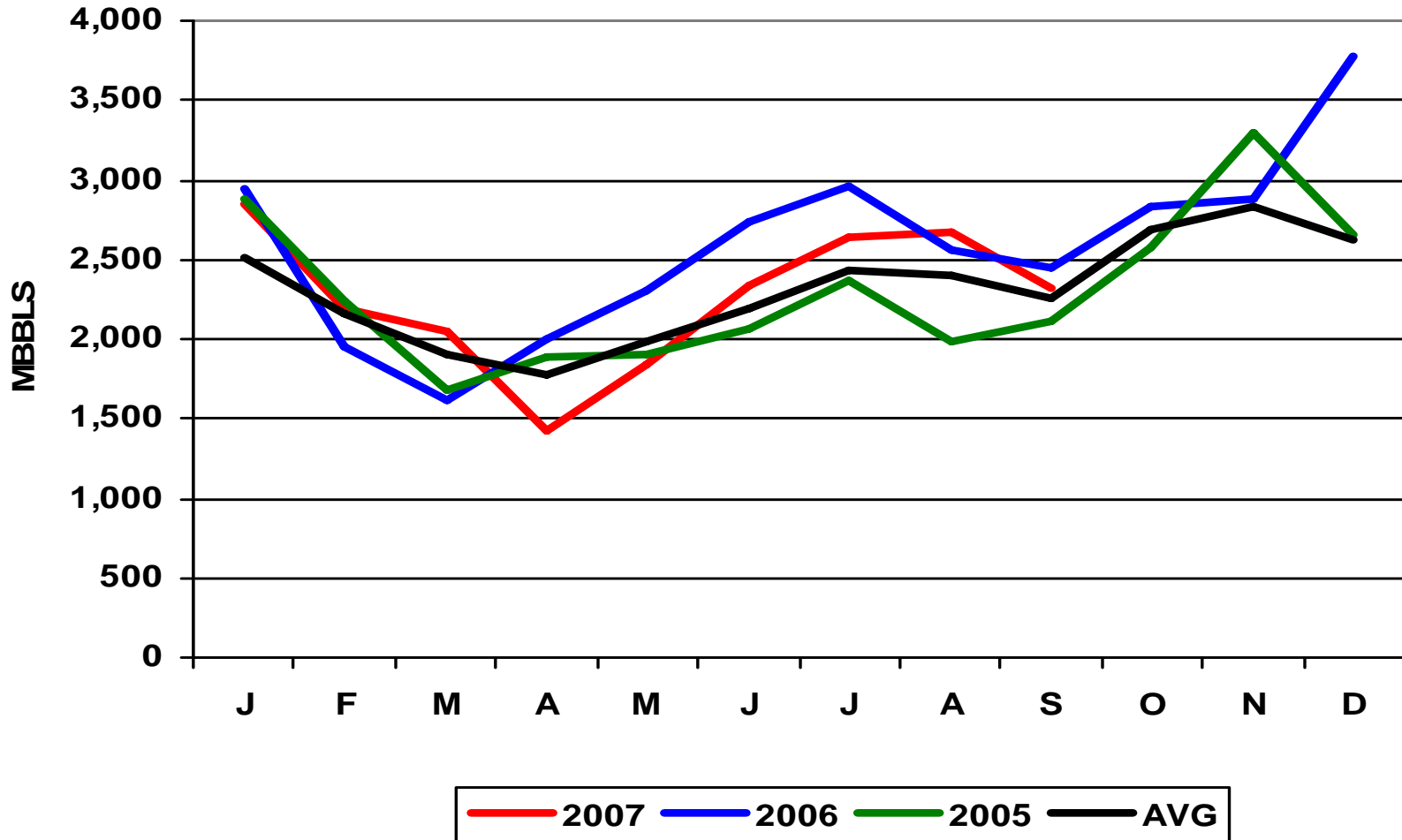
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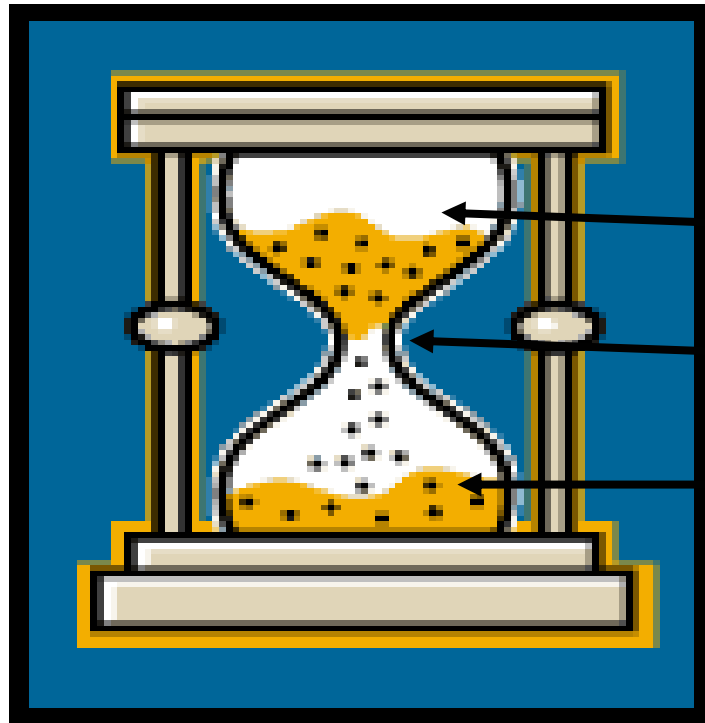


- *Excludes Historic TEPPCO Mont Belvieu Inventory*

- Demand for propane is seasonal
 - Approximately 3-4 units of winter need to 1 unit of summer propane consumption
 - National and Regional demand impacted by degree days
- Propane production is ratable
 - Seasonal demand is supplemented by storage & imports
- Summer inventory build is needed to meet winter demand
 - Primary
 - Secondary
 - Tertiary
- Primary, secondary and tertiary inventories linked by logistic systems with unique challenges and opportunities for optimization.

- **Tertiary storage is reported to be at low levels:**
 - **Propane pricing** – Still high due to crude prices
 - Anticipating price drops, homeowners and retailers appear reluctant to build inventory
 - **Economic Factors** – Retailers face accounts receivable issues coming out of 2006/2007 season
 - Retailers are hesitant to increase outstanding receivables by filling the tanks of customers' with outstanding balances

Tertiary Storage needs to be filled going into heating season and be kept full during the season in order to optimize US logistic infrastructure

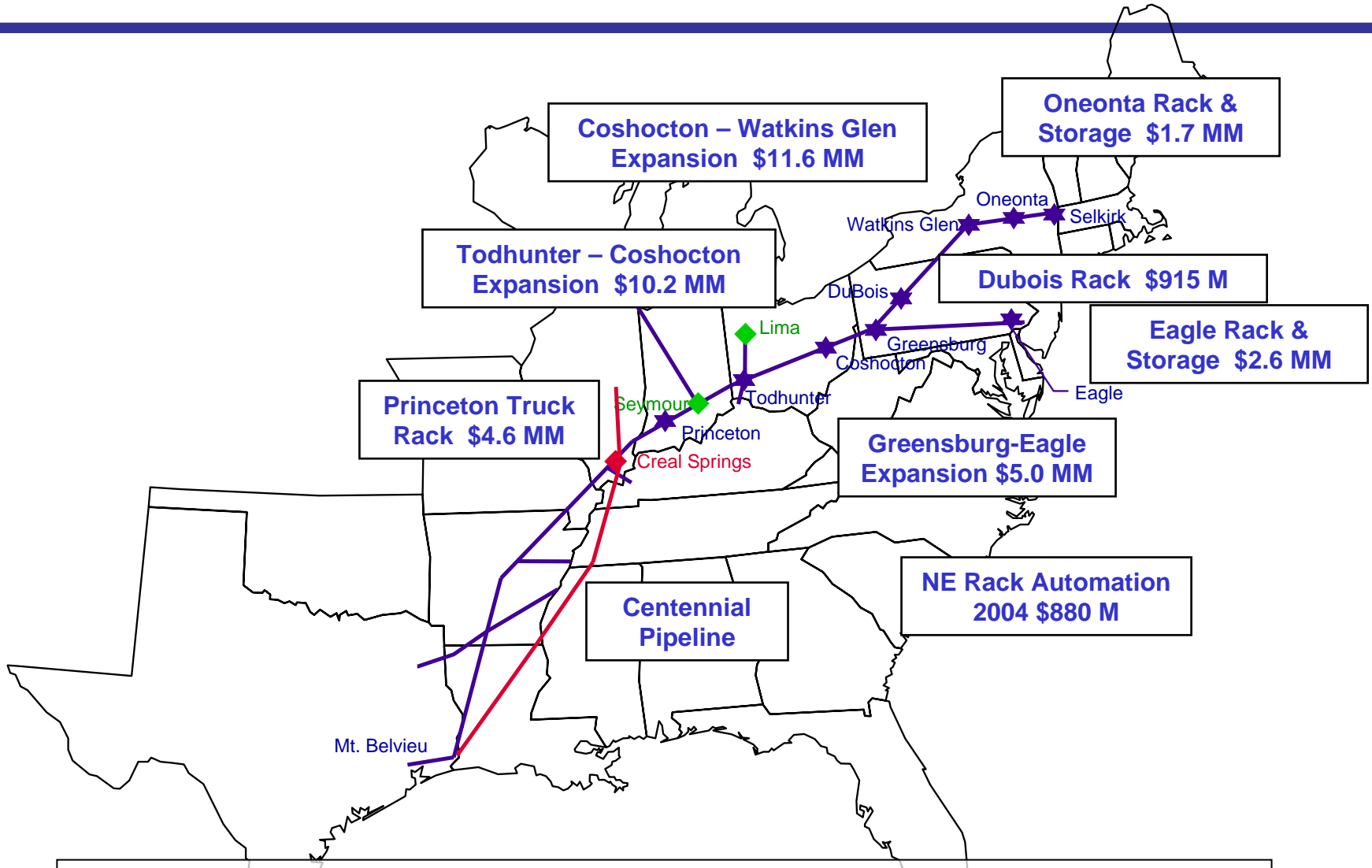


Estimated Storage Capacities*

Primary Storage – 124 MMB

Secondary Storage – 23 MMB

Tertiary Storage – 140 MMB



TEPPCO is committed to improved reliability and customer satisfaction

Concern:

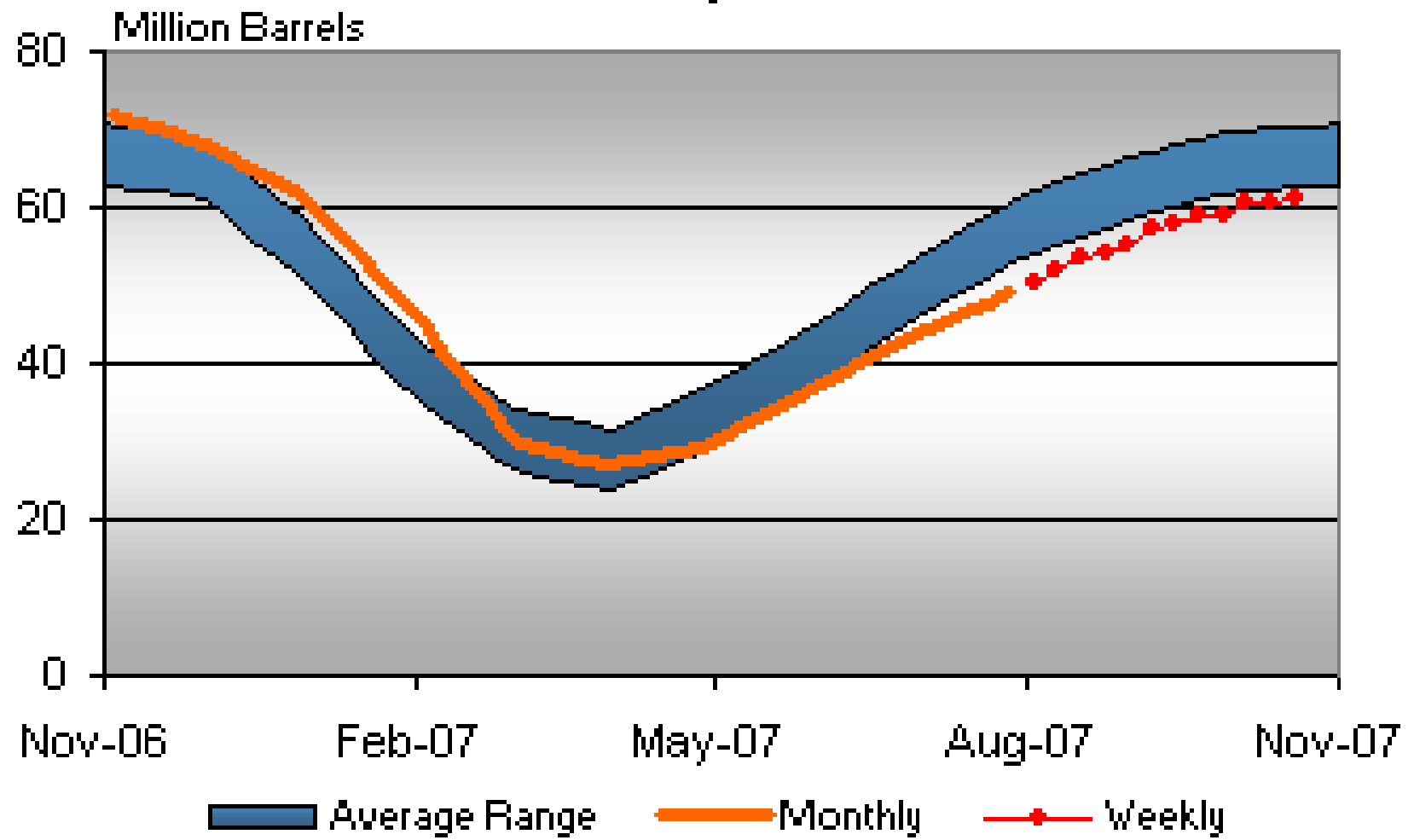
- Entering the heating season with low secondary and tertiary inventory levels may cause an early depletion of primary inventories resulting in peak season strain on the total logistic system.

Direction Needed:

- Pre-season movement of inventory away from primary storage will:
 - Permit restocking of primary storage
 - Reduce early season strain on the distribution system.
 - Pipeline
 - Terminal
 - Trucking

- Please contact TEPPCO with any questions:
 - John Fitzgerald
 - Director Downstream Planning Petrochem & LPG Services
 - (713) 759-3560
 - jrfitzgerald@teppco.com
 - David Williams
 - Manager, Propane Services
 - (713) 759-3942
 - jdwilliams@teppco.com

U.S. Propane Stocks



Wholesale Propane Prices

