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4 BENEFITS OF AND CHALLENGES TO ENERGY ACCESS IN THE 21ST

5 CENTURY: FUEL SUPPLY AND ENERGY INFRASTRUCTURE

6 THURSDAY, MARCH 6, 2014

7 House of Representatives,

8 Subcommittee on Energy and Power

9 Committee on Energy and Commerce

10 Washington, D.C.

11 The Subcommittee met, pursuant to call, at 9:02 a.m., in  
12 Room 2123 of the Rayburn House Office Building, Hon. Ed  
13 Whitfield [Chairman of the Subcommittee] presiding.

14 Members present: Representatives Whitfield, Scalise,  
15 Shimkus, Pitts, Terry, Latta, Olson, McKinley, Gardner,  
16 Pompeo, Griffith, Barton, Upton (ex officio), Rush, McNerney,  
17 Tonko, Barrow, Christensen, Castor, and Waxman (ex officio).

18           Staff present: Nick Abraham, Legislative Clerk;  
19 Charlotte Baker, Press Secretary; Sean Bonyun, Communications  
20 Director; Allison Busbee, Policy Coordinator, Energy and  
21 Power; Patrick Currier, Counsel, Energy and Power; Tom  
22 Hassenboehler, Chief Counsel, Energy and Power; Jason Knox,  
23 Counsel, Energy and Power; Mary Neumayr, Senior Energy  
24 Counsel; Chris Sarley, Policy Coordinator, Environment and  
25 Economy; Tom Wilbur, Digital Media Advisor; Alison Cassady,  
26 Democratic Senior Professional Staff Member; Greg Dotson,  
27 Democratic Staff Director, Energy and Environment; and Ryan  
28 Skukowski, Democratic Assistant Clerk.

|

29           Mr. {Whitfield.} I would like to call the hearing to  
30 order this morning, and we have a panel of eight witnesses  
31 this morning, and we look forward to the testimony of all of  
32 you, and your expertise and assistance to the committee.  
33 This morning's hearing is the second in a series entitled  
34 ``Benefits of and Challenges to Energy Access in the 21st  
35 Century''. Last week we focused on access to electricity,  
36 and today we want to turn our attention to fuel supply and  
37 infrastructure issues. We really look forward to this  
38 hearing this morning because we have representatives of the  
39 pipeline, railroad, and trucking industries, as well as  
40 others, to give the perspective on what we need to be doing  
41 to make sure that we take advantage of our current energy  
42 opportunities in America.

43           You didn't even start my time, and I am already through  
44 with my remarks. So at this time I would like to introduce  
45 Mr. McNerney of California for his opening statement.

46           [The prepared statement of Mr. Whitfield follows:]

47 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
48           Mr. {McNerney.} Thank you, Mr. Chairman, and good  
49 morning. This is our second hearing on energy access, and I  
50 think it is an important topic. As we have seen in New  
51 England, we have had price hikes, gas shortages, and there  
52 are other infrastructure concerns that we need to think  
53 about. The good news, of course, is that we are seeing a  
54 tremendous amount of natural gas and oil production. I think  
55 we are the biggest producer in the world as of last year.  
56 Well, the relatively bad news is we don't quite have the  
57 infrastructure to make sure that all of our potential  
58 domestic customers have good access to this wonderful bounty  
59 that we are having, so it is important to hear from the  
60 witnesses this morning.

61           We need to maximize what resources we have so that we  
62 can improve our manufacturing base. I think that is one of  
63 the real benefits of this, is that we have an opportunity now  
64 to regain our stature as the premier manufacturing center of  
65 the world. And with your all help out here, this is going to  
66 happen. So we want to hear what your thoughts and ideas are  
67 on how we can move forward. There needs to be a partnership  
68 between the Federal government and the local governments, on  
69 the one hand, and industry that is going to make these  
70 investments. We have some complaints about the regulatory

71 process, how long it takes to get permits, and hearing how we  
72 can best move forward while maintaining public safety is  
73 critical.

74         We need to worry about methane leaks into the  
75 atmosphere, so that means finding the best technology out  
76 there to prevent methane, which is a greenhouse gas. So we  
77 want to make sure that the technology is not only available,  
78 but that it is being implemented properly. And we would need  
79 to make sure that there is continued oversight so that when  
80 gas lines, oil lines, get put in, that they are monitored  
81 properly. No one in this panel benefits when there is a  
82 leak, when there is a disaster. And if we work together in a  
83 way that prevents those from happening, and gets potential  
84 bad players out of the market, then everyone is going to  
85 benefit.

86         We also need to have an environment where investment is  
87 encouraged. And, again, overregulation won't do that, but  
88 under-regulation won't do it either, so we need some strong  
89 public/private partnerships.

90         And, with that, Mr. Chairman, I am going to yield back.  
91 I believe we have votes called within an hour, so--

92         [The prepared statement of Mr. McNerney follows:]

93 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|

94           Mr. {Whitfield.} Thank you very much. Mr. Upton is not  
95 here, Mr. Waxman is not here, so if they come in later and  
96 want to make a statement, we will recognize them at that  
97 time. But in the meantime, I am sorry, you are not going to  
98 hear any more from us. We are going to give you all the  
99 opportunity to talk. So, on our panel today, we have Mr.  
100 Adam Sieminski, who has been here before, the administrator  
101 over at the U.S. Energy Information Administration, Mr.  
102 Donald Santa, who is the CEO, president, of the Interstate  
103 Natural Gas Association of America. We have Mr. Richard  
104 Roldan, who is president and CEO of the National Propane Gas  
105 Association, Mr. Andrew Logan, who is the Director of Oil and  
106 Gas and Insurance Programs at Ceres. And we have Mr. Shorty  
107 Whittington, who is president of Grammer Industries, on  
108 behalf of the American Trucking Association, and the National  
109 Tank Truck Carriers. We have Mr. Michael Obeiter, who is  
110 with the Climate and Energy Program, Senior Associate, at the  
111 World Resources Institute. We have Mr. Andrew Black, who is  
112 president of the Association of Oil Pipelines. And then we  
113 have Mr. Ed Hamberger, who is the president and CEO of the  
114 Association of American Railroads.

115           So each one of you will be recognized for 5 minutes for  
116 your opening statement. And, as you know, we have the little

117 boxes, and when it turns red, that means the time is up. If  
118 it is green, you can keep talking. So, Mr. Sieminski, we  
119 will begin with you, and you are recognized for 5 minutes for  
120 your opening statement. And be sure and turn your microphone  
121 on.

|

122 ^STATEMENTS OF ADAM SIEMINSKI, ADMINISTRATOR, U.S. ENERGY  
123 INFORMATION ADMINISTRATION; DONALD SANTA, PRESIDENT AND CEO,  
124 INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA; RICHARD  
125 ROLDAN, PRESIDENT AND CEO, NATIONAL PROPANE GAS ASSOCIATION;  
126 ANDREW LOGAN, DIRECTOR, OIL AND GAS INSURANCE PROGRAMS,  
127 CERES; CHARLES "SHORTY" WHITTINGTON, PRESIDENT, GRAMMER  
128 INDUSTRIES, INC., ON BEHALF OF AMERICAN TRUCKING ASSOCIATION  
129 AND THE NATIONAL TANK TRUCK CARRIERS; MICHAEL OBEITER, SENIOR  
130 ASSOCIATE, CLIMATE AND ENERGY PROGRAM, WORLD RESOURCES  
131 INSTITUTE; ANDREW BLACK, PRESIDENT, ASSOCIATION OF OIL PIPE  
132 LINES; AND EDWARD HAMBERGER, PRESIDENT AND CEO, ASSOCIATION  
133 OF AMERICAN RAILROADS.

|

134 ^STATEMENT OF ADAM SIEMINSKI

135 } Mr. {Sieminski.} All right. Chairman Whitfield, Mr.  
136 McNerney, members of the committee, thank you for the  
137 opportunity to be here today. As you know, EIA is a  
138 statistical and analytical agency at the Department, and by  
139 law our data analyses are independent of approval by any  
140 other office or employee of the Federal government, so these  
141 views should not be construed as representing those of the  
142 Department of Energy, or any other Federal agency.

143 EIA is providing and data and analysis related to the  
144 winter fuels markets. This winter we have been working very  
145 closely with the Department of Energy's energy response  
146 organization to provide critical market information to public  
147 officials, industry, and consumers. This winter's cold  
148 weather increased both consumption and prices of heating  
149 fuels nationally. This winter season has been the coldest  
150 since 2002-3, and in the Midwest the coldest since the winter  
151 of 1978-79.

152 Let me talk a little bit about propane. U.S. propane  
153 supplies hit record highs last year due to increased oil and  
154 natural gas production. With supply growing faster than  
155 domestic demand, the U.S. has become a net exporter of  
156 propane in recent years, although imports have continued to  
157 play an important role, particularly in the upper Midwest and  
158 the Northeast of the United States. Last fall, a record corn  
159 harvest coincided with very wet weather to increase demand  
160 for propane in the Midwest for crop drying. As a result,  
161 propane stocks in the Midwest were at their lowest level for  
162 November since 1996. Stocks were further reduced when cold  
163 weather hit the Midwest in late December and early January.

164 There are two major hubs for propane in the mid-  
165 continent, Mont Belvieu, Texas, which is really on the Gulf  
166 Coast, and Conway, Kansas, in Central Kansas. Under market

167 conditions that prevailed from March 2010 to November 2013,  
168 prices at Mont Belvieu were generally above those at Conway,  
169 and that provided a signal for supplies to move towards the  
170 Gulf Coast. Most pipelines between the hubs carry supplies  
171 southward. Rail is the primary mode available to move  
172 propane northward from Mont Belvieu up into Conway.

173         At the beginning of December, wholesale prices, as  
174 reported by Reuters, were nearly equal at Conway and Mont  
175 Belvieu. The development of extreme propane shortages in the  
176 Midwest in January led to a significant rise in prices at  
177 Conway, and that provided a strong incentive for increased  
178 flows back up north to the Conway hub, and other consuming  
179 areas, by a variety of modes, including trucks. Imports also  
180 increased, with more propane flowing into Minnesota and  
181 Michigan via pipelines from Canada, and additional European  
182 tanker cargoes coming into the Northeast of the United  
183 States. Many states declared emergencies to enable more  
184 delivery of propane throughout the Midwest to both  
185 wholesalers and retail customers.

186         Now I am going to talk just a little bit about natural  
187 gas. Cold weather affected natural gas markets, including  
188 new record high withdraws of natural gas from storage, and a  
189 surge in natural gas prices. On February 21, storage levels  
190 were below the previous 5 year minimum, and natural gas

191 prices at Henry hub increased from 4.32 per million BTUs up  
192 to as high as \$8.15 on February 10. In contrast to markets  
193 for propane and heating oil, however, where wholesale prices  
194 are quickly reflected in retail prices, electricity and  
195 natural gas rates paid by consumers, who receive service  
196 through their local distribution utilities, did not  
197 immediately reflect the spot market prices.

198         New England faces some of the highest and most volatile  
199 spot natural gas prices, reflecting both pipeline capacity  
200 constraints and growth in demand, particularly for  
201 electricity generation. Reductions in imports of liquefied  
202 natural gas, LNG, and Canadian pipeline gas added to the  
203 strain on pipelines serving New England that carried  
204 domestically sourced natural gas.

205         So natural gas spot prices in New England hit record  
206 levels this winter. Price for the first 50 days of 2014  
207 averaged 50 percent higher than prices during a comparable  
208 period in 2013. Winter spot prices for natural gas in New  
209 England were also higher on average, and more volatile than  
210 elsewhere in the United States, although prices were high all  
211 over the U.S. In fact, EIA released a special report last  
212 January, which is included in my testimony, that talks about  
213 this in detail. And updated analysis for this winter, also  
214 included in my testimony, discusses a number of potential

215 ways to lessen the impact of limited peak natural gas supply  
216 at peak demand periods, including pipeline expansions,  
217 additional fuel substitution by electric generators and other  
218 gas customers, and ways to save on the demand side.

219 I am going to end there. Thank you for the opportunity  
220 to testify, and I look forward to answering questions.

221 [The prepared statement of Mr. Sieminski follows:]

222 \*\*\*\*\* INSERT 1 \*\*\*\*\*

|  
223           Mr. {Whitfield.} Thank you very much, Mr. Sieminski.  
224 Mr. Waxman has come in, and we will give him an opportunity  
225 to make his opening statement at this time.

226           Mr. {Waxman.} Thank you very much, Mr. Chairman. I  
227 welcome all of our witnesses today. There is a significant  
228 energy transition underway in the United States, and we are  
229 going to hear today about how we need to modernize our energy  
230 infrastructure in light of this transition. Building a  
231 modern energy infrastructure for the 21<sup>st</sup> century requires  
232 more than just drilling more wells, laying more pipelines,  
233 filling more rail cars with crude oil, and putting more  
234 tanker trucks on our highway. A modern 21st energy  
235 infrastructure isn't modern at all unless it takes climate  
236 change into account.

237           We have a rapidly diminishing window to act to reduce  
238 our carbon pollution before the catastrophic impacts of  
239 climate change are irreversible. That means that the energy  
240 infrastructure decisions we make today will have a real and  
241 direct impact on whether we can limit climate change in the  
242 future. We need to understand this risk before we lock in  
243 infrastructure that will produce carbon pollution for decades  
244 to come. Every responsible business executive in the country  
245 knows that there will be no certainty in energy policy until

246 we address climate change.

247           A modern 21st century infrastructure also needs to be  
248 resilient. Earlier this week the Government Accountability  
249 Office released a report finding that U.S. energy  
250 infrastructure is increasingly vulnerable to a range of  
251 climate change impacts, such as severe weather and sea level  
252 rises. We need to prepare our infrastructure to withstand  
253 climate related disruption. We also need to have an  
254 infrastructure that is efficient, and minimizes waste.

255           A good example of inefficiency in today's system is  
256 methane. Far too often methane, a potent greenhouse gas,  
257 leaks into the air during the production, processing, and  
258 distribution of oil and natural gas. In North Dakota oil  
259 companies are flaring natural gas as a waste product, rather  
260 than building the infrastructure to get these resources to  
261 market. We need to find solutions to stop this dangerous  
262 pollution and put this gas to productive use.

263           The future will belong to the country that builds an  
264 energy infrastructure to support a cleaner, low carbon  
265 economy. It is our responsibility to lead the country in  
266 that direction.

267           I appreciate this chance, Mr. Chairman, to make this  
268 statement. I thank the witnesses for being here today, and  
269 look forward to their testimony.

270 [The prepared statement of Mr. Waxman follows:]

271 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
272           Mr. {Whitfield.} Thank you, Mr. Waxman. It is my  
273 understanding that Mr. Upton is going to waive his opening  
274 statement?

275           Mr. {Upton.} No, I would say just insert in the record,  
276 but thank you.

277           Mr. {Whitfield.} Thank you. At this time, Mr. Santa,  
278 you are recognized for 5 minutes for your opening statement.

|  
279 ^STATEMENT OF DONALD SANTA

280 } Mr. {Santa.} Good morning, Chairman Upton, Chairman  
281 Whitfield, and Ranking Member Waxman, and members of the  
282 subcommittee. My name is Donald Santa, and I am president  
283 and CEO of the Interstate Natural Gas Association of America,  
284 or INGA. INGA represents interstate natural gas transmission  
285 pipeline operators in the U.S. and Canada. Thank you for the  
286 opportunity to share INGA's views. Our analysis points to  
287 the need for the U.S. to build significant new natural gas  
288 infrastructure. Simply put, we need to keep pace with the  
289 changing natural gas supply and demand picture.

290 Infrastructure designed to meet the challenges of the past  
291 will not necessarily meet the challenges of the future.  
292 Congress can help in one area, that I will touch upon in a  
293 few moments.

294 I do not have to tell anyone that this has been a  
295 demanding winter. With but extremely few exceptions, there  
296 have been no service disruptions or curtailments for natural  
297 gas pipeline customers who contracted for reliable, firm  
298 service. The rare disruptions were caused by mechanical  
299 difficulties, and were limited only to a day or so. Given  
300 the magnitude of the demand across much of the country, the

301 extreme operating conditions, and the resulting stress placed  
302 on the overall system, the natural gas transmission pipeline  
303 industry's performance has been remarkable.

304         This contrasts with what happened in the 1970s. A  
305 combination of government policies at that time discouraged  
306 natural gas supply and infrastructure development.  
307 Consumers, and many of our nation's leaders, believed that  
308 the U.S. was running out of natural gas. This lack of  
309 interstate supply and interconnected infrastructure, coupled  
310 with severely, unusually cold winters in the late 1970s,  
311 caused significant natural gas service disruptions. Schools  
312 closed for extended periods, and some businesses ceased  
313 operations until warmer weather arrived.

314         We have come a long way since then. Congress  
315 decontrolled natural gas well head prices, thus providing an  
316 incentive to explore and produce new natural gas. The  
317 Federal Energy Regulatory Commission restructured the  
318 interstate pipeline sector, unbundling commodity sales from  
319 transportation, and thereby gave pipeline customers the  
320 opportunity to realize the benefits of competition at the  
321 well head.

322         So we have gone from the mistaken impression that the  
323 U.S. was running out of gas to being the world's largest  
324 producer of natural gas. Our robust nationwide pipeline

325 network is the envy of the world. Most major markets, and  
326 all major producing basins, are connected to multiple  
327 pipelines, and as a result, we have competition among  
328 entities that were assumed to be natural monopolies several  
329 decades ago. This phenomenal transformation of the U.S.  
330 energy sector has provided our country a unique competitive  
331 advantage in the global market. No other country has the  
332 combination of abundant natural gas supply and robust  
333 pipeline infrastructure. Additional natural gas transmission  
334 pipelines, however, will be needed to keep pace with the  
335 rapid development of new natural gas resources, and the  
336 increase in natural gas demand.

337         Two things are necessary to make this infrastructure  
338 development possible. The first is proper market signals for  
339 new capacity. In most regions, this is not a problem.  
340 Shippers sign contracts for proposed firm pipeline capacity,  
341 and if enough capacity is contracted, a pipeline project  
342 stands a reasonable chance of moving forward. Regions with  
343 restructured electricity markets, however, present real  
344 challenges. This is especially the case when such markets  
345 are capacity constrained, and rely heavily on natural gas  
346 fired generators. New England is the prime example.

347         We have encouraged the regional stakeholders to take  
348 steps that will create such price signals, and recent

349 initiatives undertaken by New England's states' governors are  
350 promising. Still, the region has far to go in resolving the  
351 disconnect that has caused its consumers to pay such a  
352 premium for natural gas and electricity.

353       Beyond these market signals, the pipeline permitting  
354 process also much work efficiently. The House has debated  
355 legislation authored by Representative Mike Pompeo to bring  
356 some discipline and accountability to the pipeline permitting  
357 process, and to permitting agencies beyond FERC. We support  
358 this legislation, and hope the Senate will act soon to move  
359 it forward.

360       This winter has been challenging, but it would have been  
361 far worse without our new domestic natural gas abundance.  
362 Supply is only one side of the coin, however. The other side  
363 is infrastructure, because pipelines make it possible. The  
364 incentives to develop the shale gas, and the opportunities  
365 for consumers to realize its benefits, would not be the same  
366 without our robust, flexible, and expandable natural gas  
367 pipeline network.

368       Still, we should not assume that the current natural gas  
369 pipeline and storage infrastructure be sufficient to handle  
370 present and future natural gas supply development. Natural  
371 gas has given the U.S. a phenomenal advantage. To realize  
372 this advantage fully, we need to build the infrastructure

373 that will permit all Americans to benefit from the shale  
374 revolution.

375 I thank the subcommittee for the opportunity to testify.

376 [The prepared statement of Mr. Santa follows:]

377 \*\*\*\*\* INSERT 2 \*\*\*\*\*

|  
378           Mr. {Whitfield.} Thanks very much. And, Mr. Roldan,  
379 you are recognized for 5 minutes for an opening statement.

|  
380 ^STATEMENT OF RICHARD ROLDAN

381 } Mr. {Roldan.} Thank you, Mr. Chairman, and members of  
382 the subcommittee. I am Richard Roldan, president of the  
383 National Propane Gas Association. I appear before you today  
384 on behalf of nearly 3,000 member companies that produce,  
385 transport, and sell propane on both a wholesale and retail  
386 basis. By far the largest segment of our association is made  
387 up of retail propane marketers who provide the fuel to heat  
388 nearly six million American homes. I am going to be brief in  
389 my remarks this morning to save as much time as possible for  
390 your questions, and I ask that my extensive statement be  
391 placed in the record.

392 Mr. Chairman, this is a particularly timely hearing,  
393 considering that propane retailers in several regions of the  
394 country face supply and distribution constraints this winter.  
395 I want to stress that our highest priority is to safely and  
396 reliably serve the nearly six million households that depend  
397 on propane to heat their homes. And I would like to point  
398 out that the vast majority of retail marketers were able to  
399 do just that, despite the significant challenges they faced.

400 Given the experience of this winter, I believe it is  
401 incumbent upon us, as an industry, to understand the causes

402 and contributing factors, and to propose concrete practices  
403 and policy recommendations to prevent a recurrence. In our  
404 written statement, we noted the role that cold weather  
405 played. The number of heating degree days this season was 10  
406 percent higher than the previous year, and 15 percent higher  
407 than the year before that. Last fall's grain harvest came in  
408 later, wetter, and it seemed all at once. This forced  
409 farmers to use five times the amount of propane to dry the  
410 grain that was used the previous year. Altogether, weather  
411 driven demand, coupled with record crop drying usage,  
412 resulted in nearly a billion gallons of additional demand.

413         Now I would like to point out the role that exports have  
414 played this year. In recent years we transitioned from being  
415 a propane importing country to being a propane exporting  
416 country. Today propane is 100 percent American made. That  
417 is offset by the fact that the U.S. now exports one out of  
418 every five gallons, and those numbers are growing. We  
419 believe we need to review our current export policies with  
420 respect to propane, and consider its effect on consumers and  
421 energy reliability.

422         Finally, Mr. Chairman, I want to alert the subcommittee  
423 to the dramatic transition that is taking place with the fuel  
424 distribution infrastructure in this country. Record  
425 production of crude oil, natural gas, and propane from shale

426 formations is changing the historical flow of fuels.  
427 Pipelines that once carried propane and other products from  
428 the Gulf Coast, where they were produced, northward are now  
429 being reversed to carry other products toward the Gulf Coast.  
430 That, in turn, is place greater pressure on railroads and  
431 highways. I think it is critical that we understand these  
432 changes, and the effects that they have on consumers.

433         Mr. Chairman, I would be remiss if I closed without  
434 extending our deep appreciation to the people who helped  
435 stabilize the situation. That includes members of this  
436 subcommittee, as well as other members of Congress. The  
437 level of cooperation between agencies, among governors of  
438 affected states, and our transportation partners, some of  
439 whom are represented at this witness table, was not less than  
440 extraordinary, and have made a real difference.

441         I would like to thank in particular the Department of  
442 Energy, the Federal Energy Regulatory Commission, the  
443 Department of Transportation. And I personally would like to  
444 commend Secretary Moniz and Secretary Foxx for their personal  
445 attention.

446         Mr. Chairman, that concludes my remarks.

447         [The prepared statement of Mr. Roldan follows:]

448 \*\*\*\*\* INSERT 3 \*\*\*\*\*

|

449           Mr. {Whitfield.} Thank you very much. At this time,

450 Mr. Logan, you are recognized for 5 minutes.

|  
451 ^STATEMENT OF ANDREW LOGAN

452 } Mr. {Logan.} Great. Thank you, Mr. Chairman, and  
453 members of the subcommittee for the opportunity to be here  
454 today to testify on the economic and environmental impacts of  
455 natural gas flaring in the United States. I am Andrew Logan.  
456 I direct the oil and gas program at Ceres, and we are a  
457 coalition of institutional investors and environmental  
458 organizations working to make capital markets more  
459 environmentally and socially sustainable. We have over 100  
460 institutional investor members representing over \$11 trillion  
461 in total assets united by the belief that strong  
462 environmental performance drives strong financial performance  
463 over time. Our investor members have significant financial  
464 exposure to the oil and gas sector, and want to see the  
465 industry succeed.

466 And while Shell Oil is bringing significant economic  
467 benefits to the United States, we believe that the way the  
468 resource is currently being developed is shortsighted, and  
469 fails to capture its full value, at least in certain parts of  
470 the country. Our investors believe that flaring natural gas  
471 is environmentally destructive, economically wasteful, and,  
472 most importantly, almost always unnecessary. And, despite

473 well-intentioned and quite significant efforts by some  
474 companies, the problem is getting worse, and will continue to  
475 get worse until the regulatory environment changes, so that  
476 flaring is no longer the cheapest and easiest option.

477         Flaring is a problem that the U.S. thought it had left  
478 behind in the 1950s, but the rapid growth of tidal oil  
479 production in the United States has been accompanied by a  
480 dramatic increase in flaring that has propelled the U.S. into  
481 the top 10 gas flaring countries in the world. And most of  
482 this flaring, as you know, occurs at oil wells drilled in  
483 areas that lack the infrastructure necessary to capture the  
484 gas that comes out of the ground with the oil. And instead  
485 of investing in the necessary infrastructure to capture that  
486 gas, companies often choose to simply flare it off, where  
487 regulations allow them to do so.

488         It is important to note, though, that lack of  
489 infrastructure is only part of the problem. Roughly half of  
490 all the flaring in North Dakota comes from wells that are  
491 already connected to pipelines, so we need better planning as  
492 well. I think we really want to see this industry plan its  
493 wells with the idea that natural gas has value.

494         Flaring comes at a steep environmental cost. Flaring is  
495 a major contributor to greenhouse gas emissions. It is the  
496 equivalent of adding a million cars a year to the road in

497 North Dakota alone. But the environmental impact of flaring  
498 is not its sole cost. North Dakota gas is so rich in  
499 valuable natural gas liquids, like propane, that this is  
500 about the last gas in the world that you would want to flare.  
501 In fact, over the course of 2012, North Dakota producers  
502 flared over a billion dollars of natural gas, a massive  
503 economic waste.

504         So flaring is clearly environmentally damaging, it is  
505 economically wasteful, but most importantly, it is avoidable.  
506 The North Dakota Industrial Commission has run the numbers,  
507 and has concluded that it is economic to capture this gas, in  
508 large part due to its high liquid content, but yet flaring in  
509 the state is still north of 30 percent. And that is because,  
510 while capturing gas produces positive economic returns, it  
511 doesn't match the returns from drilling the next oil well.  
512 So if regulations allow that sort of short term decision-  
513 making, as they do in North Dakota, many companies will  
514 simply make that choice.

515         Our investors take a long term view, and want to see the  
516 value of the resource maximized, and they are deeply  
517 concerned by the current approach to development. The Bakken  
518 Formation has been around for 360 million years. It is not  
519 going anywhere. If you take a little bit of extra time to  
520 develop the resource in a thoughtful and deliberate way, it

521 seems to me that we should strongly encourage that.

522           So we are working with our investors to push the  
523 industry to take a longer term view, and it is important to  
524 acknowledge that some companies, like Continental and Hess,  
525 are doing so. And yet the data are clear, the problem is  
526 getting worse, and not better. Flaring in North Dakota hit  
527 36 percent in December, which is a new record. This means  
528 that more than a third of all the natural gas produced in  
529 that state is going up in smoke at the same time as consumers  
530 around the country are seeing price spikes, and, in places,  
531 actual shortages of propane.

532           So, from my perspective, flaring is an indefensible  
533 economic waste, but it also represents a major opportunity, a  
534 billion dollar a year opportunity, for entrepreneurs, as well  
535 as for the industry itself. We are seeing huge amounts of  
536 innovation going on, and there is a potential for a real  
537 American success story here, but this technology is having a  
538 hard time getting a foothold because it is hard to compete  
539 with free. And right now, in North Dakota, flaring is free.  
540 So if you take only one point away from my testimony today,  
541 it is that it shouldn't be. Thank you.

542           [The prepared statement of Mr. Logan follows:]

543 \*\*\*\*\* INSERT 4 \*\*\*\*\*

|

544           Mr. {Whitfield.} Thank you, Mr. Logan. Mr.

545 Whittington, you are recognized for 5 minutes.

|  
546 ^STATEMENT OF CHARLES WHITTINGTON

547 } Mr. {Whittington.} Thank you very much. Mr. Chairman,  
548 and members of this committee, thank you for inviting me here  
549 to testify on the issue of propane transportation. My names  
550 is Charles ``Shorty'' Whittington. I am president of Grammer  
551 Industries, a for-hire trucking company headquartered in  
552 Grammer, Indiana. I am also the former chairman of the  
553 American Trucking Association, and I currently serve on the  
554 Board of the National Tank Truck Carriers. My company  
555 operates 120 specialty MC-331 transport tank trailers, 115 of  
556 those which are capable of transporting propane. Not only do  
557 I haul propane, I also am a large consumer of propane, as a  
558 farmer, and we have about 1,500 acres. My fleet currently  
559 employs over 200 people, and the logistics personnel, and  
560 professional drivers.

561 This past year, Grammer Industries has experienced a  
562 substantial increase in propane hauls. In an average year,  
563 Grammer dedicated between 25 and 30 tank trucks to haul  
564 propone in the winter months. This year, we have dedicated  
565 over 80 units to do this service. I would like to further  
566 detail Grammer's experience this winter in hauling propane.

567 There are roughly 11,000 tank truck trailers in the

568 United States capable of hauling propane. To add some  
569 perspective to this, each of these specialized trailers cost  
570 about \$150,000, and a new tractor costs \$125,000. This is a  
571 sizable investment for carriers to participate in this  
572 segment of business.

573         With the increase of natural gas production across the  
574 nation, and the corresponding increasing demands for tank  
575 truck services, competition for the use of the existing tank  
576 truck trailers is at an all-time high, straining existing  
577 capacity and new trailer production capacities at the same  
578 time. The reality of this is, if I ordered a new tank truck  
579 to haul propane today, I would receive it in May of 2015.  
580 These tank trailers have a capacity of 10,600 gallons.  
581 However, because of product expansion and government  
582 regulations, we can only fill these tanks to 85 percent of  
583 capacity, or, in other words, about 9,000 gallons.

584         Typically Grammer's average length of haul falls into  
585 the 50 to 100 mile range. That has been the way it has been  
586 for the last 10 years. However, given the exceedingly  
587 difficult market dynamics in play, we found ourselves making  
588 longer hauls that have exceeded 800 miles this year. When  
589 propane shortages occur, like this winter, companies like  
590 mine need to be able to respond accordingly. In times of  
591 crisis, the tank truck community has offered its capacity and

592 services to emergency respond teams many times, as our  
593 carriers haul essential products necessary for the recovery,  
594 whether it is from hurricane relief in the Gulf Coast, or a  
595 propane shortage in the midst of a devastating Midwest  
596 winter.

597         As we have seen in every crisis situation, the Federal  
598 hours of service regulations is a key obstacle that may be  
599 waived in order to help our deliveries to the affected areas.  
600 While waiving these hours of service regulations has been  
601 extremely helpful, the current process of seeking this relief  
602 can be very confusing, time consuming, and the deterrent of  
603 both our customers and the critical service we provide.

604         If the President, the governor of a state, or an FFCSA  
605 regional field administrator declares a regional emergency,  
606 certain regulatory constraints are suspended for drivers and  
607 motor carriers providing direct relief to the emergency.  
608 This is true regardless of where the driver's trip  
609 originates, even if the emergency was only declared in one  
610 state, provided they are offering relief to the affected  
611 area.

612         However, enforcement officials in distant states, or  
613 even neighboring ones, may not be aware that drivers may  
614 legally take advantage of this regulatory exemption which  
615 results in the various roadside enforcement disparities.

616 And, with today's CSA rules, these disparities can put a  
617 carrier like myself out of business. Exceptions provided  
618 under the circumstances are usually in effect for 30 days.  
619 Though authorized officials may extend the relief for another  
620 30 days, they do not always make such decisions in a timely  
621 manner.

622 To address these issues, Congress should work with the  
623 Department of Transportation to evaluate ways in which the  
624 emergency exemption declaration process could be improved at  
625 regional, state, and local levels. Additionally, the  
626 Department of Transportation and State should seek to improve  
627 communication with enforcement officials when regulatory  
628 relief has been granted, identifying which drivers are  
629 entitled to that relief, and what rules are for that  
630 emergency.

631 Again, I would like to thank you for the opportunity to  
632 testify at today's hearing, and I will be very happy to  
633 respond to any questions that you may have. Thank you very  
634 much.

635 [The prepared statement of Mr. Whittington follows:]

636 \*\*\*\*\* INSERT 5 \*\*\*\*\*

|

637           Mr. {Whitfield.} Thank you, Mr. Whittington. Mr.  
638 Obeiter, you are recognized for 5 minutes.

|  
639 ^STATEMENT OF MICHAEL OBEITER

640 } Mr. {Obeiter.} Good morning, and thank you for the  
641 opportunity to contribute to the deliberations of this  
642 subcommittee. My name is Michael Obeiter, and I am a senior  
643 associate in the Climate and Energy Program at the World  
644 Resources Institute. WRI is a non-profit, non-partisan think  
645 tank that focuses on the intersection of the environment and  
646 socioeconomic development. I am pleased to be here today to  
647 offer WRI's perspective on the United States natural gas  
648 infrastructure, with a focus on the need for reductions in  
649 fugitive methane emissions, and forward-looking planning that  
650 takes into account the realities of a changing climate.

651 The U.S. currently finds itself in the midst of an  
652 energy boom, driven by technological advances in the  
653 extraction of oil and natural gas. Our domestic energy  
654 resources are the envy of much of the world, yet we must also  
655 weigh the consequences of our actions on the natural  
656 environment. The decisions we are making will have long  
657 lasting impacts on air quality and the climate.

658 Methane, the primary component of natural gas, is a  
659 powerful greenhouse gas, at least 34 times as powerful as  
660 carbon dioxide at trapping heat. Although natural gas emits

661 only 50 to 60 percent as much CO<sub>2</sub> as coal when burned for  
662 electricity generation, fugitive methane emissions throughout  
663 the natural gas life cycle undermine the climate advantage of  
664 switching from coal to gas. While we don't yet know exactly  
665 how much methane is escaping into the atmosphere from wells  
666 and pipelines, we know enough to recognize that fugitive  
667 methane emissions are a significant environmental problem,  
668 and one that we know how to address.

669         There are many commercially available technologies that  
670 reduce or eliminate methane emissions, and pay for themselves  
671 in 3 years or less. Analysis by WRI and others has  
672 demonstrated that a one percent leakage rate system-wide is  
673 an achievable and cost-effective benchmark. Below one  
674 percent, we can say with certainty that fuel switching from  
675 coal to gas, or from diesel to gas in heavy duty trucks and  
676 buses, is a net positive for the climate.

677         Beyond this environmental impact, methane has economic  
678 value, and any cubic foot that is leaked, vented, or flared  
679 is one less cubic foot that can be put to productive use.  
680 The fact that emissions control technologies are not utilized  
681 to the extent they should be is evidence of a market failure  
682 that requires policy intervention. Thankfully, there are a  
683 number of options available to Congress to address this  
684 issue, including tax incentives for investment in emissions

685 control technologies, requiring companies to perform monthly  
686 emissions monitoring and repair as a condition for receiving  
687 the right to drill on Federal lands, and supporting applied  
688 research and development to the Department of Energy to drive  
689 down the costs of emissions control technologies, and allow  
690 companies to bring more gas to market, in much the same way  
691 that DOE played a key role in the development of hydraulic  
692 fracturing technology.

693 I have included additional policy options in my written  
694 testimony. As this subcommittee explores the challenges and  
695 opportunities of energy infrastructure in the 21<sup>st</sup> century, I  
696 encourage its members to propose innovative ways to  
697 simultaneously cut waste, increase government royalties, and  
698 combat climate change by reducing fugitive methane emissions.

699 Yet these unchecked emissions are merely one symptom of  
700 a national energy landscape that systematically undervalues  
701 long term prosperity. Climate change, and the rising sea  
702 levels, reduced agricultural yields, and more extreme weather  
703 it brings, threatens to alter our way of life and dampen  
704 prospects for economic growth, including in the energy  
705 sector.

706 A recent GAO report found that, ``climate changes are  
707 projected to affect infrastructure throughout all major  
708 stages of the energy supply chain, thereby increasing the

709 risk of disruptions.'" This underscores the need for the  
710 private sector to take climate into account when it makes  
711 investment decisions. While many companies are already  
712 incorporating a de facto price on carbon into their decision-  
713 making process, lack of clarity complicates their attempt to  
714 seize the economic opportunity of the transition to a low  
715 carbon economy.

716        Luckily, smart climate policy is indisputably compatible  
717 with smart economic policy. Reducing methane emissions from  
718 leaky infrastructure, for example, is good for business.  
719 Numerous studies have made the case that inaction on climate  
720 change will be more expensive than taking action now to  
721 mitigate greenhouse gas emissions. Even the Defense  
722 Department is concerned, calling climate change, ``a threat  
723 multiplier that can enable terrorist activity and other forms  
724 of violence.''

725        Taken together, these arguments point to the need to  
726 take climate risks into account when making investment  
727 decisions on long lasting infrastructure. The infrastructure  
728 choices we make today will reverberate for decades. Ignoring  
729 the climate when making these decisions risks stranding  
730 valuable assets, or locking in dangerous levels of greenhouse  
731 gas emissions, and potentially catastrophic climate change.  
732 We owe it to ourselves, and future generations, to make sure

733 we get those choices right.

734           Thank you again, Mr. Chairman, Ranking Member McNerney,  
735 for the opportunity to be here today. I look forward to your  
736 questions.

737           [The prepared statement of Mr. Obeiter follows:]

738 \*\*\*\*\* INSERT 6 \*\*\*\*\*

|  
739           Mr. {Whitfield.} Thank you, Mr. Obeiter. Next is Mr.  
740 Black, who used to run the Energy and Commerce Committee, so  
741 he is recognized for 5 minutes.

|  
742 ^STATEMENT OF ANDREW BLACK

743 } Mr. {Black.} Thank you, and good morning. I am Andy  
744 Black, president and CEO of the Association of Oil Pipelines.  
745 AOPL represents the owners and operators of energy liquid  
746 pipelines which benefit American workers and consumers.  
747 Americans use pipelines today to fuel their vehicles, heat  
748 their homes, harvest their crops, manufacture consumer goods,  
749 and more. In just 2012 pipelines transported 14.1 billion  
750 barrels of crude oil, refined products, and natural gas  
751 liquids across 185,000 miles of pipelines Nearly every  
752 gallon of gasoline consumers put in their vehicles travels at  
753 some point through a pipeline.

754 Pipelines allow American consumers to benefit from new  
755 crude oil production in the U.S. and Canada. Pipelines are  
756 also transporting growing supplies of U.S. natural gas  
757 liquids to chemical and plastic manufacturing facilities here  
758 in the U.S., which is creating new good paying jobs for  
759 American industrial workers.

760 Pipelines are the least expensive, most reliable, and  
761 safest mode of transporting liquid energy. For example,  
762 shipping by rail costs and average of two to three times more  
763 than by pipeline, according to EIA. In 2012 99.9998 percent

764 of the products transported by liquid pipelines reached their  
765 destination safely. This safety record is a natural outcome  
766 of the major financial investment pipeline operators make in  
767 safety each year.

768 In 2012 operators spent more than \$1.6 billion on  
769 pipeline integrity management. That is evaluating,  
770 inspecting, and maintaining their pipelines. The result is  
771 that over the last decade liquid pipeline incidents are down  
772 over 60 percent, and volumes released by pipelines are down  
773 more than 45 percent. The industry recently launched the  
774 Pipeline Safety Excellence Initiative to take these safety  
775 efforts to the next level.

776 Today pipelines operate in highly competitive  
777 transportation markets, competing vigorously against other  
778 pipeline operators, and operators of railroads, trucks, and  
779 barges. New and expanded pipeline infrastructure is  
780 essential to delivering the benefits of America's energy  
781 renaissance to U.S. consumers and workers.

782 AOPL members have made substantial investments to link  
783 new production and supply sources to refining and consuming  
784 markets. Pipeline operators have been constructing new  
785 pipelines, reversing pipelines, converting pipelines from one  
786 type of product service to another, and expanding the  
787 capacity of existing pipelines. More than 10,000 miles of

788 liquid pipelines have been placed into service in just the  
789 last 4 years.

790         The importance of pipelines was underscored by what  
791 happened in propane markets this winter. As you have heard,  
792 propane storage inventory levels in the Midwest downstream of  
793 pipelines began this fall at abnormally low levels. Then  
794 large supplies of propane were needed to dry crops after an  
795 abundant and wet harvest. Next the Midwest and Northeast  
796 needed considerable supplies of propane during a winter that  
797 started early, and has been very cold. Liquid pipelines were  
798 asked to help, and they responded. Pipeline operators  
799 coordinated with government, asked shippers of other products  
800 to voluntarily defer shipment so that more propane could be  
801 shipped, made tariff filings at FERC to facilitate additional  
802 shipments, and issued alerts to shippers about unused and  
803 available pipeline capacity.

804         This winter's propane supply issues were not the result  
805 of inadequate pipeline infrastructure. There is, and will  
806 be, enough pipeline capacity to transport propane supplies to  
807 where they are needed. Like FedEx or UPS delivering packages  
808 for others, pipelines transport energy products for shippers,  
809 who own the products being shipped, and decide when they are  
810 to be shipped.

811         While pipeline service is available to shippers year

812 round, propane shippers do not ship consistent amounts of  
813 propane throughout the year. Pipeline capacity exists during  
814 off peak times to help propane shippers ensure field supplies  
815 are sufficient to meet seasonal needs. If propane market  
816 participants want to adjust their supply patterns by shipping  
817 more pipeline offseason, more propane offseason to fill  
818 downstream storage, pipeline operators are ready. And if  
819 shipper expressed a need for new service by committing to use  
820 pipelines, pipeline operators will respond by adding new  
821 pipeline capacity.

822 Government can help ensure the availability of adequate  
823 pipeline infrastructure. It is essentially that states make  
824 timely decisions on siting requests for pipelines, that  
825 Federal agencies process permits needed for construction,  
826 that FERC policies support new investment, and, of course,  
827 that the State Department efficiently decides upon requests  
828 for presidential permits for facilities crossing our border.

829 The recent State Department analysis of Keystone XL  
830 found that alternative modes of transportation would result  
831 in higher costs to shippers, and more crude oil released in  
832 the environment. The high profile debate on Keystone XL has  
833 shown that more and more Americans recognize the benefits to  
834 consumers and workers of pipeline infrastructure. I want to  
835 thank the subcommittee for its interest in Keystone XL, and

836 in pipeline infrastructure generally, including by holding  
837 this hearing today. Thank you.

838 [The prepared statement of Mr. Black follows:]

839 \*\*\*\*\* INSERT 7 \*\*\*\*\*

|

840           Mr. {Whitfield.} Thank you, Mr. Black. And, Mr.

841 Hamberger, you are recognized for 5 minutes.

|  
842 ^STATEMENT OF EDWARD HAMBERGER

843 } Mr. {Hamberger.} Thank you, Chairman Whitfield,  
844 Chairman Upton, Ranking Member McNerney. Thank you for the  
845 opportunity to appear before you on behalf of the Association  
846 of American Railroads. Our members account for the vast  
847 majority of the freight railroad mileage, employees, tonnage  
848 in Canada, Mexico, and the United States. The transportation  
849 of energy products is a central focus of this network, and we  
850 are proud of the role we play. By delivering coal to power  
851 plants, ethanol to fuel blenders, crude oil to refiners,  
852 propane to local distributors, frack sand and steel pipe to  
853 natural gas extractors, railroads are indispensable in our  
854 nation's ongoing quest to achieve greater energy security and  
855 higher domestic energy production.

856 But that would not be the case if, back in 1980, your  
857 predecessors had not passed the Staggers Rail Act, removing  
858 strangling regulation and releasing \$550 billion of private  
859 sector investment. By leading that fight, this committee  
860 enabled the rail tonnage to double. The accident rate is  
861 down 79 percent, and rates are actually down 42 percent from  
862 1980. The massive investments, and I emphasize they are  
863 private sector investments, would not have occurred, were it

864 not for the leadership of this committee, and that Staggers  
865 Rail Act has made our system the envy of the world. Had you  
866 not done the right thing back in 1980, we would not be the  
867 envy of anyone today.

868         In recent years railroads have seen dramatic increases  
869 in demand to transport crude oil. As recently as 2008, class  
870 one U.S. railroads originated just 9,500 car loads of crude  
871 oil. In 2013, that number is 410,000 car loads,  
872 approximately 11 percent of the U.S. crude oil production.  
873 And that is good news not just for the railroad industry,  
874 but, as you said, Mr. McNerney, for the economy as a whole,  
875 as we begin to produce more than we import.

876         My thesis today is that our nation cannot take full  
877 advantage of our new crude oil resources without a safe,  
878 efficient, financially healthy freight rail industry. But a  
879 very close corollary to that is that our nation cannot reach  
880 energy independence without a safe, efficient, financially  
881 health pipeline industry, barge and towing industry, and yes,  
882 my good friend Shorty, a tank truck industry.

883         The question that we have been hearing recently, because  
884 of some high profile accidents, is can railroads, in fact,  
885 move crude oil safely? I am here to tell you the answer to  
886 that question is yes. Our safety record is 99.98 percent of  
887 the time we get from origin to destination without a spill.

888 That is pretty good, not good enough, and we are going to  
889 continue to try to get to 100 percent. And to that end, we  
890 reached an agreement just two weeks ago with Secretary of  
891 Transportation Foxx to implement a series of voluntary action  
892 items that we will take to try to improve our safety record.  
893 These include more frequent track inspections than required  
894 by regulation, enhanced braking systems, speed restrictions  
895 beyond those in the regulations, and the use of a  
896 sophisticated routing model to assess the safest and more  
897 secure routes.

898         These steps are aimed primarily at accident prevention,  
899 but the next step in dealing with risk is mitigation. And  
900 there we are recommending new tank car standards, including a  
901 thicker tank car, and a jacket around the tank cars to help  
902 them in the mitigation. We also believe that existing tank  
903 cars need to be retrofitted, or phased out of service of  
904 flammable liquids.

905         Emergency response is the third bucket of activities,  
906 very critical as well. Last year we trained 22,000 emergency  
907 responders around the country, and we have stepped up, again,  
908 in the agreement with Secretary Foxx, to develop a very  
909 specialized emergency response training module at our  
910 training center in Pueblo, Colorado, the emergency response  
911 training center where we have hands-on experience for

912 emergency firefighters.

913           You can't talk about energy in the United States without  
914 talking about coal. U.S. coal production is focused in a  
915 relatively small number of states, but coal is consumed in  
916 large amounts all over the country, made possible because the  
917 U.S. has the world's best, most efficient, and comprehensive  
918 coal transportation system, with freight railroads leading  
919 the way. In 2012 railroads delivered 577 million tons of  
920 coal to our nation's electric utilities, equal to more than  
921 70 percent of the total coal deliveries to power plants.  
922 That happens to be down 23 percent from our peak in 2008.

923           The lure of higher coal exports to Asia is the main  
924 impetus for plans to build new bulk export terminals in the  
925 Pacific Northwest. For China and India, if consuming more  
926 coal means cheaper and more reliable electricity for the  
927 hundreds of millions of people in those countries who  
928 currently don't have that electricity, then consuming more  
929 coal is what they will do. I submit to you that this coal  
930 could be supplied by U.S. coal producers and U.S. coal  
931 transporters, who operate under the world's most stringent  
932 safety and environmental standards, or it could be supplied  
933 by producers and transporters in other countries, who operate  
934 under more lax standards.

935           I apologize for running over, Mr. Chairman. Thank you

936 for the opportunity to be here today.

937 [The prepared statement of Mr. Hamberger follows:]

938 \*\*\*\*\* INSERT 8 \*\*\*\*\*

|  
939           Mr. {Whitfield.} Well, thank you, and thanks all of you  
940 for your testimony. We appreciate it very much. I recognize  
941 myself for questions, and then we will move forward as  
942 quickly as we can.

943           Mr. Black, I think you said that 99.998 percent of your  
944 products get to their destination safely, and, Mr. Hamberger,  
945 you said 99.98. Both of those are pretty good, but, Mr.  
946 Hamberger, you touched on this in your testimony, and there  
947 has been a lot of publicity recently about some accidents  
948 hauling oil out of the Bakken fields. And I was talking to  
949 some representatives of Burlington Northern Santa Fe  
950 yesterday, and it is my understanding they are moving out  
951 700,000 barrels a day--

952           Mr. {Hamberger.} Yes, sir.

953           Mr. {Whitfield.} --which is a lot of oil. And  
954 frequently we get confused about barrels versus car loads.  
955 How many barrels of oil is in a car load? Or maybe I should  
956 say gallons.

957           Mr. {Hamberger.} There are 30,000 gallons, which is  
958 7,000 barrels, in a round figure--

959           Mr. {Whitfield.} Okay.

960           Mr. {Hamberger.} --and 100 cars to a train.

961           Mr. {Whitfield.} Okay.

962 Mr. {Hamberger.} So that would be--

963 Mr. {Whitfield.} Okay.

964 Mr. {Hamberger.} --70,000 barrels per train, a round--

965 Mr. {Whitfield.} And, you know, of course, we know  
966 about the Canadian accident, and there was some negligence  
967 involved there regarding braking systems, I believe, but--

968 Mr. {Hamberger.} Yes, sir.

969 Mr. {Whitfield.} --we have heard some stories that the  
970 oil coming out of the Bakken is more volatile. Are you aware  
971 of any evidence of that, or scientific analysis of that  
972 issue?

973 Mr. {Hamberger.} There is a lot of work going on in  
974 that area. The Pipeline and Hazardous Material Safety  
975 Administration launched what they termed back in August the  
976 Bakken blitz. I think they now call it Operation  
977 Classification. They have not yet issued their final report.  
978 What we have learned, just in discussions with them, is that  
979 there seems to be more natural gas liquids, ethane, butane,  
980 in the shale oil than some other oil. And that has led us to  
981 then call on the same Pipeline Hazardous Material Safety  
982 Administration, PMSA, to issue new tank car regulations which  
983 would be able to accommodate this more volatile oil.

984 Mr. {Whitfield.} And how are they coming along on those  
985 regulations? Are they moving quickly, or--

986 Mr. {Hamberger.} They are still contemplating. They  
987 published an advance notice of proposed rulemaking in  
988 September, and they have not yet come out with a notice of  
989 proposed rulemaking. But I am sure they are working on it.

990 Mr. {Whitfield.} Yeah. Okay.

991 Mr. {Hamberger.} And I should point out, not to throw  
992 them under the bus, but we actually petitioned PMSA in 2011.  
993 And when I say we, I mean the American Petroleum Institute,  
994 the American Chemistry Council, Association of American  
995 Railroads. Tank car manufacturers went in March of 2011 and  
996 asked them to promulgate a new tank car standard. When they  
997 did not do so, that same group of organizations got together  
998 and voluntarily adopted a new tank car standard, effective  
999 October 1, 2011, so that the tank cars being made since that  
1000 time are dramatically an improvement over the current Federal  
1001 regulatory standard. We think, given what we have just been  
1002 talking about, that what was agreed to in 2011 can be made  
1003 even more robust going forward.

1004 Mr. {Whitfield.} So the industry is looking for some  
1005 certainty?

1006 Mr. {Hamberger.} Yes, sir.

1007 Mr. {Whitfield.} Okay.

1008 Mr. {Hamberger.} Exactly.

1009 Mr. {Whitfield.} Now, I think it is great that you all

1010 are doing this emergency response program out at Pueblo. How  
1011 is that coming along?

1012 Mr. {Hamberger.} We have a tank car emergency response  
1013 training out there now, but it does not focus on crude oil.  
1014 We are looking to get 20 tank cars out there, to have them  
1015 arrayed as if there had been an accident, to have them set up  
1016 so that they will, in fact, be on fire, have foam, have  
1017 emergency response uniforms for people to work. We are  
1018 hoping to provide at least 1,500 emergency responders the  
1019 opportunity to go through that program starting July 1, and  
1020 that would be on top of the 2,000 we already train out there.  
1021 And that would be an ongoing program into 2015 and beyond.

1022 Mr. {Whitfield.} Okay. Thank you. At this time, Mr.  
1023 McNerney, you are recognized for 5 minutes.

1024 Mr. {McNerney.} Thank you. I ask unanimous consent to  
1025 include a letter from Mr. Lobesec to the committee to be  
1026 included.

1027 Mr. {Whitfield.} Without objection.

1028 Mr. {McNerney.} Well, I want to thank the witnesses. I  
1029 think it was a good set of testimony. Well, one side of the  
1030 aisle wants to move forward with production, produce,  
1031 produce, produce, and the other side says, well, you know,  
1032 what about safety, what about the environment? So it is  
1033 important to have a balance between these two, and I think

1034 that is what we ought to be aiming for.

1035           My first question goes to Mr. Logan. I appreciate your  
1036 comments about flaring. The question I have is kind of  
1037 political. How much resistance do you think industry would  
1038 put up to regulating down the flaring levels?

1039           Mr. {Logan.} Well, I think if you asked me the question  
1040 a year ago, I would have said a whole lot. I think we have  
1041 seen so much negative attention on the flaring problem over  
1042 the last year, and also the fact that, you know, the data  
1043 show that the problem does continue to get worse, so I think  
1044 there is a growing recognition from industry, as well as from  
1045 other stakeholders, that voluntary action to date has not  
1046 gotten the job done.

1047           Well, there are companies that are taking kind of  
1048 leadership steps to reduce their own flaring, and now see  
1049 that the actions of some of their peers who aren't doing the  
1050 right thing sort of drags the whole industry down.

1051           Mr. {McNerney.} So companies are saying, hey, it is  
1052 probably in our interest to move forward with a reduction of  
1053 flaring?

1054           Mr. {Logan.} That is right. I think the question is  
1055 how far, and kind of what the levers--

1056           Mr. {McNerney.} Thank you.

1057           Mr. {Logan.} --to make that happen are.

1058 Mr. {McNerney.} Mr. Whittington, I appreciate your  
1059 comments about the reduction in obstacles to the Federal  
1060 hours of service regulations, and I look forward to working  
1061 with you on that. I don't really have a question, but I  
1062 appreciate your comments on that.

1063 Mr. {Whittington.} Be delighted to work with you.

1064 Mr. {McNerney.} Okay. Mr. Obeiter, three year payback  
1065 is possible on reducing fugitive emissions, equipment to  
1066 reduce fugitive emissions?

1067 Mr. {Obeiter.} Yeah. There have been a number of case  
1068 studies through the EPA Natural Gas Star program, as well as  
1069 other programs, that have demonstrated that the vast majority  
1070 of emissions control technologies pay for themselves in 3  
1071 years or less.

1072 Mr. {McNerney.} So how serious is the problem of  
1073 methane leaks from our natural gas infrastructure?

1074 Mr. {Obeiter.} It is impossible to say with precision,  
1075 but we know that it is a significant problem. We know that  
1076 recent numbers from the EPA inventory, and a survey by  
1077 industry of fugitive methane emissions likely understates the  
1078 case. You know, methane is the second most important  
1079 greenhouse gas after carbon--

1080 Mr. {McNerney.} So is there good technology out there  
1081 in existence to help us detect leakage in pipelines and in

1082 fracking wells?

1083 Mr. {Obeiter.} There is. There is technology that can  
1084 detect leaks, and there is technology to go in and fix those  
1085 leaks wherever they may be.

1086 Mr. {McNerney.} And is that being implemented, or is  
1087 there resistance to implementing that?

1088 Mr. {Obeiter.} It is being implemented on a voluntary  
1089 basis in some places, but there has been some resistance  
1090 simply because, in a lot of cases, a three year payback,  
1091 which sounds great to me, does not compare favorably with a  
1092 lot of the investments made by these natural gas companies.

1093 Mr. {McNerney.} And one last question for Mr.  
1094 Hamberger. How compliant are your members to the voluntary  
1095 actions that you discussed? I mean, you must have a variety  
1096 of responses to those--

1097 Mr. {Hamberger.} Well, all class one railroads have  
1098 subscribed to it, and many of our short line members are as  
1099 well.

1100 Mr. {McNerney.} So when you say subscribe to it, you  
1101 mean they are--

1102 Mr. {Hamberger.} They have committed publicly, signed  
1103 by the CEO or the Chief Operating Officer on a piece of paper  
1104 with the Secretary of Transportation that they are committed  
1105 to adhering to these voluntary items. The administrator of

1106 the Federal Railroad Administration has testified that he  
1107 will direct his inspectors, even though they are voluntary,  
1108 to treat them as though they were regulatory mandates, and  
1109 would make public any, you know, this is a commitment that we  
1110 made in 35 days.

1111 Mr. {McNerney.} Well, I want to wrap so others can  
1112 question, but the voluntary measures you identified sounded  
1113 pretty good--

1114 Mr. {Hamberger.} Thank you, sir.

1115 Mr. {McNerney.} --so let us see those implemented.

1116 Mr. {Hamberger.} Yes, sir.

1117 Mr. {Whitfield.} Thank you. At this time recognize the  
1118 gentleman from Louisiana, Mr. Scalise, for 5 minutes.

1119 Mr. {Scalise.} Want to thank the Chairman for having  
1120 this hearing, and want to thank all of our panelists for the  
1121 information you have been providing.

1122 Want to first ask you, Mr. Black, in your testimony, and  
1123 in, you know, you all are heavily involved in all the  
1124 pipeline infrastructure throughout our country. There is a  
1125 heated debate in this town about the Keystone XL pipeline. I  
1126 know you referenced it in your testimony. Legislation has  
1127 been passed in the House to approve the Keystone XL pipeline,  
1128 very large bipartisan majorities. Obviously, right now, that  
1129 rests with the President. The President likes talking about

1130 using a pen to change laws, especially as it relates to his  
1131 healthcare law, but one thing the President could do today is  
1132 actually use a pen to approve the Keystone XL pipeline, and  
1133 create thousands of good jobs, increased energy security, and  
1134 a trading partner with Canada. And, again, you mentioned the  
1135 pipeline infrastructure between the United States and Canada  
1136 in your testimony.

1137           There has been some debate about the types of job  
1138 creation that would come with Keystone XL. And there is some  
1139 very good reports out there, talking about not only billions  
1140 of dollars of private investment that would come in, but tens  
1141 of thousands, over 20,000 jobs that would be created. The  
1142 President often trivializes that, and tries to diminish the  
1143 job impact. Can you talk to the jobs that would be created,  
1144 and the energy security that would be created, by approving  
1145 and developing that pipeline relationship with Canada for  
1146 Keystone XL?

1147           Mr. {Black.} Sure. Thank you, Congressman. The State  
1148 Department's final environmental impact statement shows that  
1149 more than 20,000 jobs would be created Keystone XL. Those  
1150 are real, good paying jobs. And you are right, the President  
1151 has the opportunity to sign that permit. And while Congress  
1152 has acted, and we support the interest of Congress in  
1153 Keystone XL, the quickest way to do this is just for the

1154 State Department to grant a presidential permit. Tomorrow is  
1155 the final day of comments on the national interest  
1156 determination, and we hope that soon after that there will be  
1157 a recognition that this has support not just from a majority  
1158 of the House and of the Senate, but also of the American  
1159 people of all parties.

1160 Mr. {Scalise.} Well, let me ask you about the jobs,  
1161 because we still have a very struggling economy. I think if  
1162 you look at a lot of the policies coming out of this  
1163 administration, many of those policies, in fact, are the  
1164 reason that you have such a sluggish economy, when you talk  
1165 to families who are struggling, people that just got reduced  
1166 to 28 hours that used to be working 40 hours because of the  
1167 President's laws and policies. But let us talk about the  
1168 Keystone jobs, because, again, the President does diminish  
1169 this. I don't know if you all have done your own study, I  
1170 have seen studies. What is the impact that you have seen on  
1171 what kind of jobs would be created in America?

1172 Mr. {Black.} Well, I would refer you to the tremendous  
1173 support that the project has from the labor community. And  
1174 when I have been in Nebraska, I have found that the union  
1175 jobs there that will be supported are tremendous. They are  
1176 some of the best advocates for this project. There will be  
1177 manufacturing jobs making pipe, making steel. There are also

1178 ancillary jobs in finance and in insurance. A lot of these  
1179 jobs are going to be outside of the pipeline route. There  
1180 has been one study that 80 percent of the jobs will be  
1181 throughout the nation. So it has many positive benefits on--

1182 Mr. {Scalise.} Any ideas on numbers, on how many jobs  
1183 you are talking about?

1184 Mr. {Black.} I don't have those in front of me. I will  
1185 be happy--

1186 Mr. {Scalise.} Because I have seen upwards of 20,000  
1187 jobs. And, again, the President trivializes this, and acts  
1188 as if, you know, those aren't good jobs anyway. You know,  
1189 maybe we ought to send a copy of this testimony to the  
1190 President, and maybe he reconsiders a decision. I don't know  
1191 if he is out of ink on his pen. I will lend him my pen to  
1192 sign the Keystone pipeline if he wants to. But, you know, it  
1193 is just something that people are frustrated with. When they  
1194 are struggling, they are looking at an economy that is  
1195 struggling, they want to work. They just want to go back to  
1196 work.

1197 And you have got 20,000 jobs or more that, as you say,  
1198 are good high paying jobs that would be helping not only  
1199 create energy security for this country, but also put food on  
1200 the tables for those families, and the President continues to  
1201 say no, and then try to trivialize what, to them, would be an

1202 important improvement in their life, and their quality of  
1203 life. So I just hope, you know, we continue this  
1204 conversation. We are going to continue pushing it, but I  
1205 appreciate the testimony you gave on it, because--

1206 Mr. {Black.} Be happy to get you some information  
1207 about--

1208 Mr. {Scalise.} --to underscore. Anything else you can  
1209 get us, please let us know, and we will even pass it on to  
1210 the White House, and maybe they will read it.

1211 Mr. Hamberger, I want to ask you about some of the  
1212 comments you made about the enormous growth in crude oil--

1213 Mr. {Hamberger.} Yes, sir.

1214 Mr. {Scalise.} --specifically that has been moved  
1215 through rail through 2008. Can you expand on that and tell  
1216 us what you are seeing?

1217 Mr. {Hamberger.} Yes, sir. In 2008, 9,500 car loads.  
1218 In 2013, over 400,000 car loads. To put that in perspective,  
1219 that is only about 1-1/2 percent. We move about 30 million  
1220 car loads a year. So while that is incredibly rapid growth,  
1221 it is something that we think we can accommodate. As I  
1222 mentioned, our coal franchise is down 23 percent from the  
1223 height in 2008. But it is traffic patterns in perhaps new  
1224 areas, and so that is why this year we are investing \$26  
1225 billion in capex and maintenance to try to expand the

1226 infrastructure, and be able to handle it. We expect it will  
1227 continue to grow at those rates, and we will exceed another  
1228 couple hundred thousand barrels, 10 car loads, this year. I  
1229 am being given the--

1230 Mr. {Scalise.} Appreciate your answers, and the job  
1231 creation that you are bringing along with that investment.

1232 Mr. {Hamberger.} Yes.

1233 Mr. {Scalise.} Yield back the balance of my time.

1234 Thank you.

1235 Mr. {Whitfield.} Okay. Ms. Christensen, we will try to  
1236 get you--

1237 Ms. {Christensen.} Right. I will try to--

1238 Mr. {Whitfield.} --before we go out.

1239 Ms. {Christensen.} --be quick. Thank you.

1240 Mr. {Whitfield.} You are recognized for 5--

1241 Ms. {Christensen.} I appreciate that, Mr. Chairman, and  
1242 thank you for this hearing. You know, the testimony that we  
1243 have received this morning is of particular interest to me,  
1244 as our utility in the U.S. Virgin Islands undergoes a major  
1245 transition from diesel as our sole generation source to  
1246 propane, and then eventually to natural gas, which is  
1247 projected to lower our rates by at least 30 percent. So we  
1248 were particularly concerned when we saw the dramatic shifts  
1249 in the propane market, as we wondered how that would affect

1250 our future.

1251           So, Mr. Roldan, while I do understand that this is part  
1252 of your share, due to rapid abundance, and then a series of  
1253 demands and pressures, including the polar vortex, still, as  
1254 we go forward, this is something we have to consider. Could  
1255 you share for the record what your perspectives are, and what  
1256 needs to happen to ensure price stability in the propane  
1257 market, should this perfect storm happen again?

1258           Mr. {Roldan.} Yeah. Thank you for the question. It is  
1259 a very good question, actually. Because we feel under  
1260 pressure as transportation and storage assets are being taken  
1261 out of service, the best thing that we could do, as an  
1262 industry, is build year-round demand. There is no greater  
1263 incentive for an expanding infrastructure than if you were to  
1264 take a season industry and build year-round demand, but that  
1265 is something that takes place over time.

1266           We think that the system could use a big dose of  
1267 transparency, okay? So we are studying this right now. We  
1268 have formed an industry task force, and, in a very short  
1269 period of time, we will come back with concrete policies and  
1270 recommendations, but we think that the system could use a  
1271 whole lot more transparency. And let me tell you what I mean  
1272 by that. We hit a period in the Midwest in late January  
1273 where essentially, the wholesale price tripled.

1274 Now, to be honest with you, I don't know what happened  
1275 in that 10 day period, and I can't explain it. I have been  
1276 associated with this industry for 20 years, and I can't  
1277 explain it. And so we have joined with Senator Charles  
1278 Grassley, and other members of Congress, to ask the Federal  
1279 Trade Commission to look into the transactions that led to  
1280 that. Because the six million households that depend on our  
1281 product to heat their homes--

1282 Ms. {Christensen.} Um-hum.

1283 Mr. {Roldan.} --are asking us to prove that things are  
1284 on the up and up. And not only do our customers want to  
1285 know, but our retail marketers want to know that our markets  
1286 are performing properly. I have a whole series of  
1287 recommendations on new data sets that would help our  
1288 industry, and I will give you a quick example.

1289 Ms. {Christensen.} Okay.

1290 Mr. {Roldan.} We believe that markets function more  
1291 efficiently when transparency is there. When you lack  
1292 transparency, they perform less efficiently. And, just to  
1293 give you an example, the EIA does a wonderful job reporting  
1294 inventory data, okay? But if we are exporting one out of  
1295 every five gallons, and major foreign purchasers are signing  
1296 long term contracts, if we don't know what percentage of our  
1297 inventories at Mont Belvieu and Conway are committed by

1298 contract, then we don't know what our available inventories  
1299 are in this country. That is the type of transparency  
1300 policies we are going to promote.

1301 Ms. {Christensen.} Thank you. Let me try to get in  
1302 another question. The testimony has focused primarily today  
1303 on how we can improve, yes, oil and gas transportation  
1304 infrastructure. But any meaningful discussion of investing  
1305 in new energy infrastructure has to consider how the energy  
1306 choices we are making today will have long term impacts for  
1307 our climate.

1308 Mr. Obeiter, in your written testimony you state that  
1309 the infrastructure choices we make today will reverberate for  
1310 the next 40 to 50 years. Ignoring the climate when making  
1311 these decisions risks stranding valuable assets. Can you  
1312 expand what you mean? How can ignoring the risks posed by  
1313 climate change pose an economic risk to a company?

1314 Mr. {Obeiter.} Sure, thank you for the question. If  
1315 you believe, as I do, that we need to make significant  
1316 reductions in greenhouse gas emissions in order to stabilize  
1317 the climate, and avoid the worst impacts of climate change,  
1318 then we need to be thinking long term when making energy  
1319 infrastructure decisions. The infrastructure is very long  
1320 lived, and we risk either stranding these assets, as we move  
1321 away from high carbon fuels to low carbon, or zero carbon,

1322 electricity, or we risk locking in, essentially, catastrophic  
1323 climate change, one or the other. And so this is why I  
1324 believe it is important to think extremely long term when  
1325 thinking about the energy infrastructure decisions we are  
1326 making today.

1327 Ms. {Christensen.} And what measures are some companies  
1328 taking, or are they taking, to incorporate climate change  
1329 into their investment decisions?

1330 Mr. {Obeiter.} A number of companies are incorporating  
1331 a shadow price of carbon into their internal decision-making  
1332 processes. These are not just the companies you would think  
1333 of, but they include massive multi-nationals, like Walmart,  
1334 and even Exxon-Mobil, which has disclosed that it is  
1335 incorporating a \$60 price per ton on carbon into its internal  
1336 decision-making.

1337 Ms. {Christensen.} Thank you, Mr. Chairman.

1338 Mr. {Whitfield.} Thank you. I want to apologize to you  
1339 all, we have a series of votes on the floor. We were trying  
1340 to get through as quickly as possible. I think Mr. Hamberger  
1341 has a previous appointment. I think Mr. Sieminski does as  
1342 well. But for the others, I know some of the members have  
1343 some additional questions, and if you all would have time,  
1344 you know, we have two of the best restaurants in America over  
1345 at the Longworth Cafeteria and Rayburn Cafeteria, so if you

1346 want to go over there and have something, and we will be back  
1347 here within one hour. So thank you, and I do apologize, but  
1348 we will reconvene in one hour. Thank you.

1349 [Whereupon, at 10:12 a.m., the subcommittee recessed, to  
1350 reconvene at 11:14 a.m. the same day.]

1351           Mr. {Whitfield.} Once again, I will apologize to you  
1352 all for the delay. And this time I am going to recognize the  
1353 gentleman from West Virginia, Mr. McKinley, for 5 minutes of  
1354 questions and/or comments. He ran all the way over here, but  
1355 he is so physically fit, he won't have to have any time to  
1356 recuperate at all.

1357           Mr. {McKinley.} Thank you, Mr. Chairman, and thank you  
1358 for your presentation. There were a couple questions that I  
1359 wanted to ask before we broke earlier on the oil pipeline, it  
1360 was 99.9998 percent efficiency, railroads were 99.98. But I  
1361 heard some of the discussion earlier about the fugitive gas  
1362 emissions, and it looks like the amount of gas that we are  
1363 transmitting, maybe we are losing, is it right, maybe 1.4  
1364 percent, something like that, or is it better?

1365           Mr. {Obeiter.} The EPA inventory, the most recent  
1366 version, has approximately 1.4 percent leakage rate. But  
1367 more recent studies that take direct measurement suggest that  
1368 it could be much, much higher than that.

1369           Mr. {McKinley.} How about someone else in the industry  
1370 that might be able to comment?

1371           Mr. {Santa.} Mr. Obeiter is correct that the latest EPA  
1372 inventory number is 1.4 percent. There are a variety of  
1373 other studies going on. As a matter of fact, as Mr. Obeiter

1374 pointed out in his written statement, there is a lot of work  
1375 going on involving not only EPA, but industry, environmental  
1376 groups, and academia looking at this to get a better handle  
1377 on it. And I think, really, we are best to await the results  
1378 of that to form the basis--

1379 Mr. {McKinley.} Okay.

1380 Mr. {Santa.} --of making policy.

1381 Mr. {McKinley.} And I just need to have a little bit  
1382 more confirmation, because sometimes we chase the wrong  
1383 rabbit sometimes in trying to improve on efficiency of 99.98,  
1384 or 99.9998. How much more money should we invest to try to  
1385 perfect that?

1386 We have heard the comments earlier about climate change.  
1387 We have heard in previous testimony and other hearings about  
1388 the dangers of climate change, and use of fossil fuels, be  
1389 they coal, oil, or gas, that it is causing premature deaths,  
1390 it is causing asthma, sicknesses. Do you agree that the  
1391 product that you are shipping is causing climate change  
1392 problems around the world? Let us start with you.

1393 Mr. {Santa.} I will take the first stab at that answer,  
1394 and, yeah, the point that I would make is that, you know, we  
1395 have seen reductions in U.S. greenhouse gas emissions, and  
1396 one of the factors that has been cited as a contributor to  
1397 that is the increase utilization of natural gas to generate

1398 electricity in displacing other more carbon intensive fuels.  
1399 Clearly there are GHG emissions associated with natural gas,  
1400 but cleaner than other fuels, and also I think, you know, we  
1401 can focus on ways to reduce those emissions. But I think  
1402 overall the net contribution, both to reduce GHG emissions,  
1403 and overall cleaner air from natural gas, has been a real  
1404 positive for the United States.

1405           Mr. {McKinley.} Look, I am one of the two engineers  
1406 here in Washington. I acknowledge that there is climate  
1407 change as a result of all this, but I am trying to understand  
1408 how much of it is man-made, and how much of it is natural and  
1409 cyclical, and whether or not we are pursuing an agenda that  
1410 is more ideologically intended, rather than consequential.

1411           So I am really interested in where we go with this,  
1412 because we know that burning the tropical rain forest is far  
1413 more dangerous and threatening to the ecology and the  
1414 environment around the world than is coal fired or gas fired  
1415 power plants in America. But yet we seem to be bent on this  
1416 war on coal, and war on fossil fuels, and you all are  
1417 participating in it by transporting our gas, oil, and then  
1418 railroads with coal. I am curious to see if you feel that  
1419 that is the right thing to do. Is it indeed contributing to  
1420 the environmental problems with climate change? You have  
1421 answered that. Mr. Roldan, did you have a comment?

1422 Mr. {Roldan.} Yeah. If I could add the voice of  
1423 propane to that, because people talk a lot about natural gas.

1424 Mr. {McKinley.} Yeah.

1425 Mr. {Roldan.} What is often lost is the fact that  
1426 propane is used in the very same applications as natural gas.  
1427 We reduce greenhouse gas emissions anywhere from 15 to 18  
1428 percent, to as much as 50 percent in some applications. So  
1429 we actually think that we are part of the solution. And I  
1430 would also draw your attention to comparisons between  
1431 reductions in greenhouse emissions in Europe, where they have  
1432 an economy-wide cap and trade program, and greenhouse gas  
1433 emissions reductions in the United States, and I think the  
1434 record in the United States is considerably better than  
1435 Europe.

1436 Mr. {McKinley.} Okay. I am afraid we are running out  
1437 of time here, so I apologize for the shortness of time, but  
1438 thank you all for being here.

1439 Mr. {Whitfield.} At this time recognize the gentleman  
1440 from Virginia, Mr. Griffith, for 5 minutes.

1441 Mr. {Griffith.} Thank you so much. Mr. Santa, I am  
1442 going to continue with you. I notice that, in your  
1443 testimony, you mentioned that the INGAA will be releasing an  
1444 updated report on the need for new natural gas pipeline  
1445 infrastructure over the next 15 years. You also state the

1446 report will show the need for natural gas pipeline  
1447 infrastructure will be significantly higher than the 2011  
1448 report found. What are the reasons for demand to be  
1449 significantly higher than in the previous estimates?

1450 Mr. {Santa.} Thank you for the question, Mr. Griffith.  
1451 Our report is going to be released on March 17. What we have  
1452 noted, compared to when we did the report back in 2011, is  
1453 the shale revolution, the fact that it is of a greater  
1454 magnitude than we appreciated then, not only with respect to  
1455 natural gas, but also gas liquids and oil production, and  
1456 that that is driving the need for more pipeline  
1457 infrastructure.

1458 Mr. {Griffith.} I appreciate that. And you state your  
1459 support for H.R. 1900 in your testimony. Can you please  
1460 clarify why there is a need to address delays from agencies  
1461 other than FERC that issue permits necessary to construct  
1462 natural gas pipelines?

1463 Mr. {Santa.} Yes. We do support H.R. 1900, and we  
1464 think that the issue to be addressed here, and INGAA, and The  
1465 INGAA Foundation have documented this, that the duration of  
1466 delays for the variety of other permits that a pipeline  
1467 applicant must get before it can proceed with construction  
1468 has, in fact, gotten longer, and that this can be very  
1469 costly, both for the pipeline sponsor, but for the market.

1470 Let me illustrate that. In many instances, when you are  
1471 constructing in an environmentally sensitive area, there is a  
1472 limited construction window during the year. So if you are  
1473 delayed by two months, if you miss that construction window,  
1474 you could be delayed by a year, in terms of your ability to  
1475 build that infrastructure. So we feel that the discipline  
1476 and accountability that H.R. 1900 would bring to the process  
1477 would be a positive.

1478 Mr. {Griffith.} And it seems to me that, when you have  
1479 these issues of delays from agencies in getting new pipeline  
1480 laid and out there, that that makes it that much more  
1481 difficult to get the natural gas to the places that it is  
1482 needed and wanted, and that perhaps the Administration has  
1483 been shortsighted in its war on coal by attacking our coal  
1484 resources, and saying, well, we are going to use natural gas,  
1485 at least as a transition, and that natural gas is the way to  
1486 go, and then start holding up all kinds of other things, and  
1487 making it difficult for natural gas to get to the market.  
1488 Wouldn't you agree with that, yes or no?

1489 Mr. {Santa.} I would agree that there is a cost  
1490 associated with delays in getting natural gas to the market,  
1491 yes, sir.

1492 Mr. {Griffith.} One of my arguments, and many others on  
1493 this committee feel this way, is that the EPA, on its

1494 regulations that are basically attempting to put coal out of  
1495 business, particularly when it comes to electric power  
1496 generation, that the EPA is moving faster than the science.  
1497 Other testimony comes in and says maybe 10 years, maybe 7,  
1498 but probably 10 years before the technology is available to  
1499 meet the regulations that are out there now.

1500         And yet we find in the testimony today that, and I quote  
1501 from page two of Mr. Obeiter's testimony, that, ``although  
1502 natural gas emits only 50 to 60 percent as much CO2 as coal  
1503 when burned for electricity generation, fugitive methane  
1504 emissions throughout the natural gas life cycle undermine the  
1505 climate advantage of switching from coal to gas.''

1506         Now, I understand that when we get those kinks worked  
1507 out, as Mr. Logan and Mr. Obeiter have mentioned today, and  
1508 you don't have methane flaring, and you don't have as many  
1509 leaks in the pipes, and you are not admitting it, natural gas  
1510 may be better, but, again, it appears that our Administration  
1511 currently in power in D.C. over these agencies has gotten the  
1512 cart in front of the horse, and that we need to continue to  
1513 use coal for the foreseeable future, because that is actually  
1514 cleaner for the environment, until we figure out how we can  
1515 get all those pipe leaks taken care of, and we don't have the  
1516 flaring going on. So I think the testimony today has been  
1517 very interesting in that regard.

1518 Mr. Whittington, on the propane side, you indicated that  
1519 it is generally 50 to 100 miles for transport--

1520 Mr. {Whittington.} Yes, sir.

1521 Mr. {Griffith.} --but your testimony also indicates  
1522 that maybe as much as 800 this last year. What was the  
1523 reasoning for that?

1524 Mr. {Whittington.} The supply was not at the locations  
1525 that we generally haul from because of the problems of moving  
1526 the product into the caverns. And then what is happening in  
1527 the fracking thing, when you look at all the fracking up in  
1528 Pennsylvania, Ohio, West Virginia, in that area, they were  
1529 planning on having product coming to the marketplace a lot  
1530 quicker, and it didn't. And, therefore, the pipeline that  
1531 had been feeding that area for so many years wasn't  
1532 anticipating the need that they needed to have there, so we  
1533 were forced in shortages.

1534 One example I can tell you, we were at Catlettsburg,  
1535 which is pretty near your area, 10:30 one night to load, and  
1536 the company we are hauling for was put on allocation. We  
1537 were going to Winchester, Kentucky. The next phone call,  
1538 that truck leaves there empty, goes to Hattiesburg,  
1539 Mississippi, to come to Winchester, Kentucky, because that is  
1540 the only place we could get the guy propane. And he had  
1541 homeowners, and people that--

1542 Mr. {Griffith.} I am sure.

1543 Mr. {Whittington.} --hog houses, chicken houses that  
1544 were needing that kind of thing, but we had to go to where  
1545 the supply was. But it was interrupted in so many places  
1546 because we were counting on a supply, and it didn't happen.

1547 Mr. {Griffith.} All right. Appreciate it very much.  
1548 My time is up. I yield back, Mr. Chairman.

1549 Mr. {Whitfield.} At this time recognize the gentleman  
1550 from New York, Mr. Tonko, 5 minutes.

1551 Mr. {Tonko.} Thank you, Mr. Chair.

1552 Mr. Roldan, how much time, and what resources, are  
1553 required to reverse the flow of propane in a pipeline?

1554 Mr. {Roldan.} Well, I will give you an example. In  
1555 fact, I am probably going to have to get back to you on that  
1556 question. The best example I have right now is that the  
1557 Texas eastern pipeline, that flows from the Gulf Coast up  
1558 into the Midwest, and serves the Northeastern United States,  
1559 recently reversed part of that line, a 16 inch line, to flow  
1560 southward, rather than northward. And I will get you a  
1561 specific answer to that, how long it took to do that, but I  
1562 want to make a quick point here, because this affected the  
1563 Northeast, and your constituents. When you reverse a line,  
1564 imagine that there are products, it is a mixed batch line,  
1565 that flow in the 16 inch line, and they both go northward.

1566 If you reverse the 16 inch line to go south, all of those  
1567 products that are shipped on that 16 inch line cause  
1568 congestion on the 20 inch line, and that is exactly what we  
1569 saw happening this year.

1570 Mr. {Tonko.} Um-hum. Thank you, and I appreciate  
1571 anything you can forward--

1572 Mr. {Roldan.} Certainly.

1573 Mr. {Tonko.} --to the subcommittee concerning that.  
1574 Are the decisions about what product is in the pipeline, or  
1575 the product's direction of flow, subject to input or review  
1576 by either state or Federal agencies?

1577 Mr. {Roldan.} Yeah, it is subject to FERC review. And  
1578 I realize that there are different statutes that govern  
1579 natural gas transportation and petroleum products  
1580 transportation, but it is our view that there are certain  
1581 standards on the natural gas side where, if you are going to  
1582 discontinue a service, the commission takes into  
1583 consideration the impact it is going to have on end users.  
1584 That doesn't really happen on the petroleum products side,  
1585 and we think that that should happen. Somewhere in that  
1586 process we have to take into consideration the impact that  
1587 those business decisions are going to have on the consumer.

1588 Mr. {Tonko.} Thank you. And does permitting for export  
1589 facilities take into account the potential of United States

1590 shortages of propane that could result from the increased  
1591 export--

1592         Mr. {Roldan.} It does not. That is sort of a big  
1593 disconnect between, again, natural gas and propane. If you  
1594 export natural gas, you factor into that equation the effect  
1595 on U.S. consumers, and whether it is in the best interest of  
1596 the United States. No such consideration is given for  
1597 propane exports.

1598         Now, I will tell you one quick point. We know that  
1599 global demand is driving production to record levels. We  
1600 also know that those very same global markets are forcing  
1601 American consumers to compete with foreign buyers. Now, we  
1602 think there is a continuum out there somewhere between  
1603 completely unfettered exports and a near export ban that  
1604 similarly applies to crude oil today. We think that  
1605 somewhere between those goalposts there are some reasonable  
1606 policy options that will allow us to continue to foster  
1607 increased production, but at the same time allow us to serve  
1608 our customers reliability. And those are the policy options  
1609 that we are looking for now.

1610         Mr. {Tonko.} Okay. In reference to the hours of  
1611 service waivers that have been granted--

1612         Mr. {Roldan.} Certainly.

1613         Mr. {Tonko.} --do these waivers apply to any truck

1614 transport of propane, or only to delivery of propane for  
1615 heating to shortage areas?

1616 Mr. {Roldan.} Any truck.

1617 Mr. {Tonko.} Any truck? And could this also apply to  
1618 deliveries to refineries for feed stock propane, or to  
1619 propane delivered for export?

1620 Mr. {Roldan.} I believe the answer to that question is  
1621 yes, but I would like to confirm that for you.

1622 Mr. {Tonko.} Well, I would point out that, while these  
1623 waivers are necessary to deal with a serious supply problem,  
1624 they increase transportation risks. So not only are our  
1625 citizens accepting environmental costs and risks associated  
1626 with drilling, processing, and transport of these fuels, the  
1627 risk we have just increased with these waivers. As an added  
1628 cost, they have fuel shortage and high prices.

1629 If this is what the market has provided, it is  
1630 unacceptable. We need a more strategic energy plan here that  
1631 emphasizes something more than just getting the best price  
1632 for large fossil fuel supplies in whatever market will  
1633 provide it. And I think this propane situation illustrates  
1634 clearly that increased domestic productions to not  
1635 necessarily result in domestic energy security, and is  
1636 something that I think we need to work on as a committee.

1637 Mr. {Roldan.} I think you are right, and if you want to

1638 look at the numbers, you will find that year over year the  
1639 increase in propane production here was about 1.5 billion  
1640 gallons. The increase in propane exports was two billion  
1641 gallons. So this is the first year, the first season, where  
1642 propane export volumes exceeded new production coming on line  
1643 from shale development. And that is a bit troubling to us,  
1644 and we are looking at policy options right now to propose  
1645 that might alleviate that situation.

1646 Mr. {Tonko.} I thank you. And, Mr. Chair, I yield  
1647 back.

1648 Mr. {Whitfield.} Mr. Whittington, did you want to make  
1649 a comment? You seemed to--

1650 Mr. {Whittington.} We could haul to the retailers that  
1651 were moving that product and be exempt from the hours of  
1652 service. Well, if you are going to a refinery, or you are  
1653 going to an export terminal, we did not have an exemption  
1654 from the hours of service on those trucks.

1655 Mr. {Whitfield.} All right. Thanks. Mr. Shimkus, you  
1656 are recognized for 5 minutes.

1657 Mr. {Shimkus.} Thank you. And, I am sorry, I am  
1658 bouncing back, and so some of this may have been asked over  
1659 this discussion, but just to the propane issue and  
1660 transportation, I know that in our area we had truckers who  
1661 were usually doing a short haul of 100, 150 miles driving, I

1662 am from southern Illinois, going to North Carolina. So not  
1663 only do you lose the multiple runs, but, obviously, then you  
1664 have this address. I am not a great fan of my governor, but  
1665 he did well in this process, and I think it was testified  
1666 throughout that people were really trying to respond.

1667         And before that, it is good to see Bobby back. He has  
1668 been absent for a while, and we are glad to have him back  
1669 here. And Andy Black, you know, what goes on in the  
1670 committee stays in the committee, so we won't harass you too  
1671 much, but it is always good to see you. And he helped me cut  
1672 my teeth on the committee, so I appreciate seeing you.

1673         No one disagrees, I would assume, and we are going to  
1674 find out, because I am going to ask it, that liquid commodity  
1675 products, the cheapest, safest way to haul a liquid commodity  
1676 product is a pipeline. Does everyone agree with that? So  
1677 everyone is saying yes, except for Mr. Roldan?

1678         Mr. {Roldan.} Yeah. I think the difference is, if you  
1679 compare rail rates to pipeline rates, rail rates tend to be  
1680 considerably higher, except when it comes to propane.

1681         Mr. {Shimkus.} Even though I am a big fan of the  
1682 railroads, the question is posed in the way cheapest and  
1683 safest. I mean, I think the basic answer is, if you are in  
1684 logistics, and I kind of played in a little bit, moving bulk  
1685 commodity products, liquid, through pipelines is the cheapest

1686 and the safest way, followed by then barge? This is just  
1687 logistics. And then rail, and then trucks. That is pretty  
1688 much assumed to be correct. Okay. This is an infrastructure  
1689 discussion, but there are places where pipelines can't go.  
1690 The waterway system is not there, and that is why you need  
1691 the whole logistics tale.

1692         But I am concerned that we are not moving fast enough  
1693 because of these changing in commodity products in expanding  
1694 our pipeline system. I have been dealing with a local  
1695 retailer, and I am not going to name the companies or the  
1696 pipeline, but in the e-mail transactions that I have dealt  
1697 with a couple times, he says FERC allowed X pipeline to  
1698 discontinue shipping ultra-low sulfur diesel on its blank  
1699 pipelines. The pipeline testimony to FERC to remove one of  
1700 the two pipelines from south to north service, they claimed  
1701 that there would be no impact in their capacity or ability to  
1702 ship refined products. FERC allowed the line to be switched  
1703 to a north-south service to ship methane from Pennsylvania to  
1704 the Gulf Coast. This is now the X pipeline. They protested,  
1705 FERC found in favor of the pipeline. Refined products were  
1706 impacted because of discontinued ultra-low sulfur diesel  
1707 shipment.

1708         Andy, you mentioned about it. You mentioned changing  
1709 the flow based upon the need. They also have a

1710 responsibility to meet the service of the folks who are on  
1711 that line. So when you repurpose the product, there is a  
1712 risk of not servicing the people on the line. Does that make  
1713 sense to people? What is the solution to that? Go ahead.  
1714 Mr. Black, would you answer that, please, first, and then we  
1715 will see if anybody else wants to chime in?

1716 Mr. {Black.} So you have got rail, truck, pipeline here  
1717 at this hearing, and you could have barge, as you say.  
1718 Liquid energy products can be transported on any mode, and so  
1719 the transportation competition is intense. There is also no  
1720 regulation, no obligation to serve customers in liquids. So  
1721 the reversals that Mr. Tonko was asking about are a reaction  
1722 of pipeline operators to developments in the market. Right  
1723 now we had underutilized pipelines moving up that direction  
1724 because shippers weren't asking for that pipeline to be used.  
1725 Pipeline operator who can lose business like that wants to  
1726 find a better economic use of the asset. Pipeline operator  
1727 finds customers who want to ship product in a different  
1728 direction, and they will reverse the pipeline.

1729 That is the easiest way to add capacity into a market  
1730 today. It is cheaper and quicker than building a new  
1731 pipeline. So the story of the ATEX pipeline, which had been  
1732 taking refined products north, and is taking--

1733 Mr. {Shimkus.} You told--

1734 Mr. {Black.} --out--

1735 Mr. {Shimkus.} You ratted me out. I was--

1736 Mr. {Black.} Sure. No, I think it is fine to discuss  
1737 that. There is propane capacity available today on the  
1738 northbound TAPCO, and it is available for propane shippers to  
1739 use it. And if they will use it throughout the year, there  
1740 will be more than enough propane supply into those regions.  
1741 I encourage you all to not think that reversals are a  
1742 problem. Reversals are a way to satisfy shipper needs.

1743 Mr. {Whitfield.} Gentleman's time is--

1744 Mr. {Shimkus.} Mr. Chairman, if I could just say, the  
1745 real solution is to build another pipeline too, my guess  
1746 would be, because it is not just propane, it is other  
1747 products.

1748 Mr. {Whitfield.} His time has expired, but, Mr. Roldan,  
1749 you wanted to make a comment?

1750 Mr. {Roldan.} Yeah. Just very quickly, I will tell you  
1751 that, if you look at how natural gas pipelines are regulated,  
1752 versus oil pipelines, there is a big difference, because on  
1753 the natural gas side, if you wanted to discontinue a service,  
1754 the commission takes into consideration who is affected by  
1755 that. The same doesn't happen on oil pipelines. So if you  
1756 look at the Midwest, and you look at the extraordinary  
1757 tightness we felt this year, consider the fact that you have

1758 the Cochin pipeline, that goes from Alberta and serve the  
1759 upper Midwest, 40 percent of the propane sold into Minnesota  
1760 came into Minnesota from that pipeline. That pipeline is now  
1761 out of service, and has been reversed. You look at the ATEX  
1762 line, has been reversed, and those products are moving over.

1763 So it is having an effect, and what we are saying is we  
1764 think somewhere in the equation FERC should be able to have  
1765 the obligation to consider what the impact is of those  
1766 business decisions on the customers that depend on those  
1767 pipelines.

1768 Mr. {Whitfield.} Did you have a comment, Mr.  
1769 Whittington?

1770 Mr. {Whittington.} Storage is really important on the  
1771 pipeline. A very current example downstate from St. Louis  
1772 area, they reversed a pipeline. Two loading facilities  
1773 there, because of the current demand, the weather, and  
1774 everything else, their storage only lasted for three or four  
1775 days, then we are out of product. We have got to go 200  
1776 miles to the next facility to pick up product to come back  
1777 in. Time of the year is the other thing. You know, it is  
1778 kind of like here, when you have a snowstorm, send your wife  
1779 to the store to get the milk. If you are two hours late,  
1780 there is no milk. But 300 days out of the year, there is  
1781 plenty of milk on that rack for everybody to have.

1782           So I think we don't want to lose sight of some of the  
1783 stuff being seasonal stuff, but storage will be king. That  
1784 is the problem with all the stuff in the Northeast. They are  
1785 spending all the money to make the plants, they are going so  
1786 quick, but storage is not on their priority list. It will be  
1787 in a couple years, and then that is where you get the  
1788 bottlenecks, and you get people running out.

1789           Mr. {Whitfield.} All right, thank you. At this time I  
1790 would like to recognize the gentleman from Illinois, Mr.  
1791 Rush, for 5 minutes, and I would like to say, we are  
1792 delighted to have you back, Mr. Rush, and look forward to  
1793 working with you as we move forward.

1794           Mr. {Rush.} Thank you, Mr. Chairman, and it is a  
1795 delight to be back again with this subcommittee, and the  
1796 entire Congress. And we have continued to work, and I missed  
1797 spending every Monday, Wednesday, and Friday of my life here  
1798 in a subcommittee hearing, so I am glad to be back in the  
1799 saddle again.

1800           My question is directed to Mr. Roldan. Mr. Roldan, we  
1801 have heard that the propane shortage in the Midwest was  
1802 caused by a sort of ``perfect storm'' of contributing factors  
1803 all converging at the same time, turned out to be a lot of  
1804 distress and a lot of heartache for many of our constituents.  
1805 And here on Capitol Hill, there were a variety of letters

1806 going out to everyone that you can think of, from President  
1807 Obama, to the Department of Transportation, calling for a  
1808 wide range of remedies, including relaxing weight  
1809 requirements on the roads and highways, to lifting DOT's  
1810 hours of service limitations for motor carriers, as well as a  
1811 host of other potential solutions.

1812         And the question that I have for you today, are there  
1813 any legislative actions that you could recommend that we can  
1814 take to prevent these types of shortages from happening in  
1815 the future, or do the various agencies and entities that work  
1816 in this propane market have the tools necessary to prevent  
1817 this issue from happening again next year, or somewhere down  
1818 the line? Similarly, I would ask if you could comment on the  
1819 impact that exporting propane gas, which, by the way,  
1820 increased eightfold from 2005 to 2013, what impact does our  
1821 exporting propane gas have on the supply that is needed in  
1822 the Midwest and across the nation?

1823         Mr. {Roldan.} Thank you, Congressman. That is a very  
1824 long question, so I am going to try to dissect it. We  
1825 believe it is incumbent upon our industry to, first of all,  
1826 understand the root causes and contributing factors of what  
1827 took place this year, and then educate our members so that we  
1828 never find ourselves in this situation again.

1829         Now, I would like to point out that, of our 3,000 retail

1830 distributors, the vast majority worked very hard, and did a  
1831 really good job reliably serving their customers. But we  
1832 know that we are going to come forward after our task force,  
1833 an industry task force that was put together, examines the  
1834 situation, we are going to come back with some concrete  
1835 policy proposals, and I can tell you they are going to come  
1836 down in a couple of areas. We want to increase transparency,  
1837 so that we know that our markets are functioning lawfully and  
1838 transparently. We want to put in place in statute, and in  
1839 regulation, consumer protections so that when changes are  
1840 made, and storage and transportation assets are taken out of  
1841 service, somebody asks the question, how are these affecting  
1842 consumers that rely on these products?

1843         We are going to take a look at export policy, because,  
1844 as I said just a moment ago, there is a range of options that  
1845 we think responsibly could let us continue to increase  
1846 production, but at the same time strengthen our ability to  
1847 reliably serve our customer. And then, finally, the areas of  
1848 transportation efficiency and storage, I want to talk just a  
1849 brief second about storage. I know you are time limited  
1850 here. Give you a good example, I am sorry Mr. Tonko left,  
1851 because this affects the State of New York. We talk about  
1852 public storage, private storage. We have a company that is  
1853 in the process right now of trying to put in 88 million

1854 gallons of storage, underground storage, in the Finger Lakes  
1855 region of New York. That has been ready to go. It is fuel--

1856 Mr. {Rush.} Mr. Roldan, excuse me for interrupting you--  
1857 -

1858 Mr. {Roldan.} Please.

1859 Mr. {Rush.} --but I do have another question that I  
1860 really want to get to, so I want to get to my second  
1861 question.

1862 Mr. {Roldan.} That is good. And if I can follow up for  
1863 the record?

1864 Mr. {Rush.} Mr. Santa, I have been working with the  
1865 Department of Energy and various industry stakeholders to  
1866 increase minority participation and engagement in all  
1867 sections of the energy field, including gas and oil,  
1868 renewables, coal, nuclear, and pipeline. And I want to work  
1869 with your association as well to find out how we can increase  
1870 the visibility of the natural gas industry in minority  
1871 communities. And I wanted just to let you know that I look  
1872 forward to working with you in the future. But can you kind  
1873 of summarize what you think the status of your agency's, or  
1874 your association's, participation with minorities, and women-  
1875 owned businesses?

1876 Mr. {Santa.} Mr. Rush, I don't know what the numbers  
1877 are with regard to the interstate natural gas pipeline

1878 industry and INGAA's members. That is certainly something  
1879 that we can inquire about. I do know that, you know, our  
1880 members are very active in trying to promote employment  
1881 opportunities across the board, and also that, you know,  
1882 overall I think the energy revival we have had in the United  
1883 States has created tremendous job opportunities across the  
1884 board, ranging from information technology to a lot of blue  
1885 collar jobs that are very high paying. But with regard to  
1886 specifically...

1887 Mr. {Rush.} Are there any minority members--

1888 Mr. {Santa.} Yes.

1889 Mr. {Rush.} --who are part of your association?

1890 Mr. {Santa.} Excuse me?

1891 Mr. {Rush.} Are there any minority members who are part  
1892 of your association? Minorities, women.

1893 Mr. {Santa.} Our membership is made up of the owners of  
1894 interstate natural gas pipeline companies, so they are large  
1895 corporations, as opposed to small businesses that might be  
1896 woman or minority owned.

1897 Mr. {Whitfield.} You might want to follow up by  
1898 request. At this time I would like to recognize the  
1899 gentleman from Nebraska, Mr. Terry, for 5 minutes.

1900 Mr. {Terry.} Thank you, and I appreciate this  
1901 opportunity to ask a fundamental question that has kind of

1902 been hinted at, at least in the State of Nebraska, from those  
1903 that rely on propane, so I want to ask the question directly.  
1904 By the way, Jeff Fortenberry and I were both discussing this,  
1905 so I will say I will ask it on his behalf as well as mine.

1906           And I wanted to start with Mr. Santa, and go down the  
1907 line. Are you aware of any allegations of fraud or  
1908 manipulation to increase the price of propane during what  
1909 would be, on the surface, a unique confluence of events? Is  
1910 there fraud or manipulation in the background? Mr. Santa?

1911           Mr. {Santa.} Mr. Terry, given that INGAA represents the  
1912 interstate natural gas pipelines, we have not followed the  
1913 propane situation closely, other than to note its coverage in  
1914 the trade press and the media. Based on what I have seen  
1915 there, I cannot say that I have seen anything that would  
1916 alert me to such allegations.

1917           Mr. {Terry.} Thank you.

1918           Mr. {Roldan.} I am not aware of any specific  
1919 allegations of manipulation, but I can tell you this. I  
1920 can't explain the price anomaly that took place at Conway,  
1921 Kansas over a 10 day period. We represent a lot of  
1922 Midwestern retail marketers, and their customers, and they  
1923 are all asking the same question, which is, how can this  
1924 happen? I understand that volatility is associated with  
1925 markets, but we think our customers demand the assurance that

1926 our markets are functioning properly and lawfully, and so do  
1927 our members. And that is why we have taken the position to  
1928 support Senator Grassley, and other members of Congress--

1929 Mr. {Terry.} Is that a yes or no? Because I only have--  
1930 -

1931 Mr. {Roldan.} Yeah.

1932 Mr. {Terry.} --13--

1933 Mr. {Roldan.} I am asking--

1934 Mr. {Terry.} --3 minutes.

1935 Mr. {Roldan.} I am urging the FTC to examine the  
1936 transactions related to that run-up in price to--

1937 Mr. {Terry.} All right. That was actually a follow-up  
1938 question to you, so you might as well keep going.

1939 Mr. {Roldan.} Okay. Well, all right.

1940 Mr. {Terry.} Why do you think the FTC needs to do an  
1941 investigation.

1942 Mr. {Roldan.} Really, because I think that our  
1943 customers saw that price increase, and they are looking at  
1944 us, saying, is everything on the up and up? And we need to  
1945 give them the assurance that our markets are functioning  
1946 properly. And the FTC is the only agency that can do that.

1947 Mr. {Terry.} All right. Mr. Logan?

1948 Mr. {Logan.} I have no perspective on that.

1949 Mr. {Terry.} You haven't heard anything? All right.

1950 Mr. Whittington?

1951 Mr. {Whittington.} I can tell you that we have  
1952 customers that the freight this year was almost a dollar  
1953 difference between where they generally get their propane and  
1954 where we had to pick it up. \$1 in freight. Didn't make any  
1955 difference what the--

1956 Mr. {Terry.} So you are saying the freight charges  
1957 spiked?

1958 Mr. {Whittington.} Well, it takes a lot of money to go  
1959 800 miles instead of 16 miles. And so what happens there,  
1960 that, you know, the product wasn't where it needed to be, and  
1961 we had to go get it. And I can also tell you that if we  
1962 hadn't been able to enjoy the hours of service exemption, we  
1963 would have had to have twice as many trucks, and the expense  
1964 would have been much greater than that to supply the demand.

1965 Mr. {Terry.} Mr. Obeiter, anything?

1966 Mr. {Obeiter.} This is not an issue I follow closely.

1967 Mr. {Terry.} Mr. Black?

1968 Mr. {Black.} From the perspective of a transporter that  
1969 doesn't own the products being shipped--

1970 Mr. {Terry.} Yeah.

1971 Mr. {Black.} --short answer, no.

1972 Mr. {Terry.} All right. This is a question that Mr.  
1973 Sieminski was probably best apt to answer, and I am

1974 disappointed that he wasn't able to stay, but I will submit a  
1975 written question to him, Mr. Chairman. So at this point,  
1976 that answered my question. I wanted to follow up with the  
1977 FTC question, and you answered that in the first part, so I  
1978 will yield back my time.

1979 Mr. {Whitfield.} Gentleman yields back. At this time I  
1980 recognize the gentleman from California, Mr. Waxman, for 5  
1981 minutes.

1982 Mr. {Waxman.} Thank you very much, Mr. Chairman. In  
1983 North Dakota and Texas, crude oil production from shale  
1984 formations has expanded very quickly. In these areas, oil  
1985 wells often don't just produce oil. They produce natural  
1986 gas, propane, butane, and other fuels as well. As oil  
1987 production has boomed, so has the amount of natural gas and  
1988 other fuels produced. That should be good news to the  
1989 producers. The companies could capture this gas and sell it,  
1990 but far too often the oil companies simply flare the natural  
1991 gas. They treat it as little more than waste. In 2012, 32  
1992 percent of the natural gas produced in North Dakota was  
1993 flared, burning gas valued at \$560 million.

1994 But more than potential profits are disappearing into  
1995 the air. This flaring creates carbon dioxide and smog  
1996 forming pollutants as well. The flaring of a valuable and  
1997 finite natural resource is nothing less than a market

1998 failure. Something is going wrong here. Mr. Logan, is it  
1999 economic to capture the natural gas, rather than to flare it?

2000 Mr. {Logan.} Certainly in North Dakota it is. I mean,  
2001 I think we have heard from the North Dakota industrial  
2002 commission, as well as from some of the industry itself,  
2003 that, you know, because of the unique nature of the gas being  
2004 produced in North Dakota, it is not a dry gas. It is not  
2005 just methane that you would get, you know, say, in the  
2006 Marcellus, but it is very rich in liquids like propane and  
2007 butane. So the economics of capturing it are actually quite  
2008 good.

2009 Mr. {Waxman.} Well, if it is profitable to capture the  
2010 natural gas, rather than flare it, why aren't more companies  
2011 doing it?

2012 Mr. {Logan.} Well, it is really all about the relative  
2013 economics, and also the state of regulation in places like  
2014 North Dakota. So while it is profitable to capture the gas,  
2015 it is more profitable to drill the next oil well. So if you  
2016 are an oil company with a limited amount of money to spend,  
2017 as they all are, you know, it is a somewhat rational short  
2018 term choice to say, well, look, if I don't have the capture  
2019 the gas, I would rather spend that money to drill another  
2020 well. When you think of the long term, that is very short-  
2021 sighted, actual wasted value of the resource, but you can

2022 kind of see, you know, why the market is pushing companies in  
2023 that direction.

2024 Mr. {Waxman.} Tell me the role of regulations on  
2025 flaring in North Dakota and other states. Does it perpetuate  
2026 the problem because the regulations are too lax? And what  
2027 kind of regulations would move them in the right direction,  
2028 if--

2029 Mr. {Logan.} Yeah. I mean, I think if you--

2030 Mr. {Waxman.} --profit motive is not enough?

2031 Mr. {Logan.} I think all you have to do is look at the  
2032 difference in flare rates between a North Dakota and a place  
2033 like an Alaska, or a Texas. You know, in Alaska, flaring is  
2034 basically non-existent because the state has mandated that  
2035 you are not allowed to flare. In Texas, the flaring rate is  
2036 less than one percent, compared to, you know, 36 percent in  
2037 North Dakota, and that is because, you know, for all the  
2038 issues in Texas, and flaring is a problem there, the  
2039 regulatory presumption is not to allow flaring, and to do so  
2040 only in limited and very time limited circumstances.

2041 In North Dakota, you have a situation where, while the  
2042 regulations on the books are not necessarily bad, the way  
2043 that they are enforced, and the high degree of exemptions  
2044 that are granted, mean that, essentially, you know, industry  
2045 has carte blanche to flare certainly for up to a year, and

2046 often beyond that. So I think, you know, the fact that  
2047 flaring is cheap, and free, and easy, certainly means you are  
2048 going to get a lot more of it.

2049 Mr. {Waxman.} So instead of investing in infrastructure  
2050 that would be necessary to capture the gas, companies choose  
2051 to flare it off, where regulations allow them to do so?

2052 Mr. {Logan.} That is right. And it is a billion dollar  
2053 a year opportunity in somewhere like North Dakota, once you  
2054 factor in the value of the liquids. And, you know, as I  
2055 mentioned in my opening remarks, there is a lot of innovation  
2056 going on in North Dakota. I mean, companies from, you know,  
2057 small start-ups, to big companies like GE, coming up with new  
2058 technologies to capture the gas, to liquefy it, to move it  
2059 without pipelines. But without the right signals going to  
2060 the market in the form of regulation, you know, none of that  
2061 really gets off the ground.

2062 Mr. {Waxman.} Now, Mr. Roldan, the upper Midwest has  
2063 experienced significant shortages of propane this winter. Do  
2064 you think it makes sense for oil companies to be flaring off  
2065 natural gas liquids, like propane, that Americans need to  
2066 heat their homes and farms, to dry their crops?

2067 Mr. {Roldan.} Actually, that is a really good point.  
2068 Consider the irony here. You are a North Dakota propane  
2069 marketer, you are having trouble getting supply. You are

2070 driving all the way to the Texas Gulf Coast to pick up a load  
2071 of product, and you are driving through fields as the sky is  
2072 lit up with flaring. It doesn't make a lot of sense.

2073 Mr. {Waxman.} Does anybody on the panel think this  
2074 makes sense, to allow this kind of flaring? My time is up,  
2075 almost, I have a few seconds left, but, Mr. Chairman, the  
2076 wasteful and unnecessary flaring of natural gas is a serious  
2077 problem. It has no place in a modern energy infrastructure.  
2078 Mr. Rush, Ms. DeGette and I have previously requested that we  
2079 hold a hearing on this specific issue.

2080 I still believe the subcommittee should hold a hearing  
2081 to get the facts regarding flaring, and to develop real  
2082 solutions to the problem. So I want to reiterate that point  
2083 to you. And it just seems to me there is a market failure,  
2084 because even though they can make a lot of money, they are  
2085 making more, or they are making enough, and not doing what  
2086 they should be doing. And if the market is not working, that  
2087 is when regulations step in. Yield back my time.

2088 Mr. {Whitfield.} Thank you, Mr. Waxman, and thank you  
2089 all for raising this issue in the hearing today. And at this  
2090 time I would recognize the gentleman from Ohio, Mr. Latta,  
2091 for 5--

2092 Mr. {Latta.} Well, thank you very much, Mr. Chairman,  
2093 and thanks very much for our witnesses for being here with

2094 us. This is a really important issue because, in my  
2095 district, we have had a real issue with propane this winter.  
2096 Had a lot of meetings, a lot of discussions, and also here in  
2097 Washington with letters for the hours of service for folks,  
2098 and also we sent letters out on the issue of how much weight  
2099 a truck could be hauling at that time.

2100 This week we also had a bill on the floor from Chairman  
2101 Shuster from the Transportation and Infrastructure Committee  
2102 that I was on the floor with, again, that, you know, it is a  
2103 real issue. I mean, looking at the Midwest, and we have had  
2104 a very, very cold winter.

2105 If I could start with Mr. Whittington, you know, you  
2106 were talking about some of the barriers out there for  
2107 increasing storage for capacity out there. You know, what  
2108 could overcome that problem that we are having for storage?

2109 Mr. {Whittington.} From my understanding, there is some  
2110 storage that is available. It has been checked, but there  
2111 are some regulatory things that are real fine line that is  
2112 not letting that storage come into play. So there are some  
2113 regulations that may be overregulating some of that kind of  
2114 stuff. The other thing is, and I appreciate the comments  
2115 from Congressman Waxman there, we need to look at the  
2116 infrastructure that is going to be coming out of the  
2117 Pennsylvania/Ohio/West Virginia stuff that is going to be

2118 able to take care of the Midwest. We are just not there yet.  
2119 It is 2 or 3 years away before we are going to be able to  
2120 take care of that product.

2121 The indication that we are getting, the industry has  
2122 been looking at that, and once that is up and going, you are  
2123 going to have an oversupply in the Midwest. This is all new.  
2124 It has never been here before. And that is what has really  
2125 causing a lot of problems.

2126 Mr. {Latta.} Mr. Roldan, you know, if I can go back to  
2127 you, I know that the gentleman from Illinois was asking this  
2128 question to you about the Finger Lakes, and the storage  
2129 potential up there. Can you talk about how this proposed  
2130 facility would help, and what has been the delay in getting  
2131 it done?

2132 Mr. {Roldan.} Yeah. It is private investment, private  
2133 capex, 88 million gallons of storage in the Finger Lakes  
2134 region. It is ready to go right now. We have been waiting  
2135 on the decision from the governor for quite a long period of  
2136 time. I am not here to be critical, but I just want to  
2137 emphasize how different the situation would have been this  
2138 year if we had that 88 million gallons of storage. Because  
2139 what the forced people to do without it, in the Northeast, is  
2140 to travel to western supply hubs, like Sarnia, Ontario, which  
2141 also supplies the Midwest, and compete with Midwestern

2142 marketers for product in Sarnia. It also required  
2143 Northeastern marketers to go south, and compete with  
2144 Southeastern marketers for product off the Dixie pipeline.

2145         So you are talking about storage that could have helped  
2146 alleviate the situation not just in the Northeast, but in the  
2147 Midwest and the Southeast as well.

2148         Mr. {Latta.} Thank you. And also, Mr. Santa, I figured  
2149 I would ask this question. You know, we are talking about  
2150 where it is in the country you see the greatest demand for  
2151 new pipeline development, it was just brought up by Mr.  
2152 Whittington, especially in Ohio, with the Utica Shale, and  
2153 over in Pennsylvania, with the Marcellus. Where do you see  
2154 in the next 10 years that we are going to have to have a lot  
2155 of pipeline development in this country to really move that  
2156 product where it needs to be?

2157         Mr. {Santa.} That is a very good question, and it is  
2158 one of the things that will be addressed by the INGAA  
2159 Foundation study that is going to be released on March 17.  
2160 However, looking in the nearer term, I note that I saw a  
2161 recent financial analyst report that noted that within the  
2162 next 3 years there was going to be nine billion cubic feet of  
2163 proposed new pipeline capacity that could enter service to  
2164 transport Marcellus Shale natural gas.

2165         Some of that will be transporting the gas to markets in

2166 the Northeast and the Mid- Atlantic, but a lot of it will be  
2167 taking that supply to the Southeast and the Gulf Coast,  
2168 because the Marcellus production is literally overwhelming  
2169 the demand in the Mid-Atlantic and Northeast markets. The  
2170 demand is largely industrial, some electric generation, but  
2171 also some anticipation of LNG exports.

2172 Mr. {Latta.} Thank you. And, Mr. Black, also in your  
2173 testimony you stated that the country would benefit from more  
2174 pipeline capacity. What do you see that needs to be done to  
2175 get that capacity?

2176 Mr. {Black.} Well, just like Don Santa said for natural  
2177 gas pipelines, there is a need for new liquids pipelines for  
2178 increased crude oil production. That is North Dakota, the  
2179 Utica, hopefully, and Texas. Similarly, natural gas liquids.  
2180 The phenomenon he is talking about, and Mr. Whittington  
2181 talked about, about the Marcellus Shale, and the overwhelming  
2182 production there, means there is a need to move more natural  
2183 gas liquid products to where industrial workers can add value  
2184 to them.

2185 So throughout a lot of the country, because of our  
2186 energy revolution that we are having, there is more that  
2187 needs to be built. Oil and Gas Journal estimated last year  
2188 \$23 billion on liquids pipeline projects, and when I talked  
2189 to execs, we find that that is probably low. There are

2190 thousands of miles of pipeline projects that are on the books  
2191 today. We would be delighted to build some more capacity for  
2192 propane shippers who want to sign up for long term service as  
2193 well.

2194 Mr. {Latta.} Thank you very much. Mr. Chairman, I see  
2195 my time has expired, and I yield back.

2196 Mr. {Whitfield.} Well, thanks very much. Mr. Roldan, I  
2197 just want to follow up with one question. I am not an expert  
2198 in this area, but I have been told that in Texas the natural  
2199 gas is wet natural gas, and that up in the Dakotas it is more  
2200 of a dry natural gas, and therefore there is more propane in  
2201 the wet natural gas. Can you elaborate on that, or am I--

2202 Mr. {Roldan.} Actually, that is not my understanding,  
2203 Mr. Chairman. I think the natural gas in all the northern  
2204 formations is pretty wet.

2205 Mr. {Whitfield.} In the northern formations it is--

2206 Mr. {Roldan.} That is correct. In fact, when you look  
2207 at the commodity price of natural gas which is down here, it  
2208 is actually the value of the gas liquids, the propane, I  
2209 think, that is driving production.

2210 Mr. {Whitfield.} Okay. Holding the value that is--

2211 Mr. {Roldan.} Value of the gas liquids.

2212 Mr. {Whitfield.} Okay. All right. Well, I think that  
2213 concludes today's hearing. Once again, I want to thank you

2214 all for your patience, and it has really been enjoyable being  
2215 with you the last 3-1/2 hours here. And we look forward to  
2216 working with all of you as we move forward on this very  
2217 important subject matter. And, with that, the hearing record  
2218 will remain open for 10 days, and if we have any additional  
2219 questions, we will get them to you, and would appreciate your  
2220 response. So that concludes today's hearing. Thank you very  
2221 much.

2222 [Whereupon, at 12:03 p.m., the Subcommittee was  
2223 adjourned.]