

Wholesale Change

Gas Supply Resources' new wholesale propane terminal to boost regional supplies

By Patrick Hyland
Editor

Less than 50 miles from the stadium where the Pittsburgh Steelers will defend their Super Bowl title, Gas Supply Resources – a subsidiary of Duke Energy Field Services – is making itself a pre-heating season favorite to win area wholesale propane business with the opening of its newest terminal.

The facility, expected to be pumping gas by mid-November, will provide more than 2 million gallons of additional propane storage in western Pennsylvania between Pittsburgh and Youngstown, Ohio. Its 24 new 90,000-gallon storage tanks make it one of largest above-ground, non-refrigerated tank farms in the nation.

The terminal will store Canadian-supplied propane from the Aux Sable gas plant outside Chicago piped through the Buckeye Pipeline. Propane retailers in western Pennsylvania, eastern Ohio and northern West Virginia can fill up at two fully automated, high-speed, covered truck-loading racks with around-the-clock accessibility. Each can pump 650 gallons of propane a minute, filling a 10,000-gallon tanker in just 15 minutes.

With most of the storage vessels in place, work crews remain busy with the welding, painting and electrification needed to make Duke Energy's Midland, Pa., facility functional.



More than 2 million gallons of propane will be stored at Duke Energy's Midland, Pa., wholesale terminal. The 10-acre facility is scheduled to open in November.

Rick Paul, Gas Supply's vice president, would not reveal the company's sales expectations from the project. Gas Supply has enjoyed strong growth in its overall wholesale business and expects the new Midland, Pa. site to have a positive impact, he says.

"We have a solid history of marketing propane in this area along the TET pipeline and from our terminal in York (Pennsylvania)," Paul says.

"But, we would occasionally experience delays when supplies got tight and we had to haul in additional product, so we felt there was a need for a facility in this market."

Duke Energy Field Services was formed when Duke acquired Pan Energy. The original assets in Field Services were acquired from Associated Natural Gas out of Den-

ver, and the company grew rapidly with the acquisition of Union Pacific Resources Midstream business in 1999 and GPM in 2000. The midstream energy company produces, transports and sells natural gas liquids to a variety of customers, including petrochemical, refining companies and propane marketers. The Denver-based company owns or operates 54 plants nationwide, making it the nation's largest natural gas liquids processor and one of the largest NGL marketers.

The company's 2001 purchase of Gas Supply enabled it to expand into the wholesale segment of the propane business.

According to Paul, Duke has grown its terminal sales volumes more than 25 percent since the purchase of Gas Supply. The company opened a new terminal in Vermont in December of that year, and has been adding storage, racks and rail to existing facilities.

In the Northeast region, Gas Supply now markets wholesale propane at termi-

nals at York, Pa.; Albany, N.Y.; Westfield, Mass.; Providence, R.I.; Berlin, Vt.; and Auburn and Bangor, Maine.

Its newest terminal is being built on 10 acres of land along the Ohio River that is leased from Buckeye. Its neighbors in the industrial area include coal and nuclear power plants, steel manufacturing facilities and fuel storage.

Paul says the Midland, Pa., site was particularly attractive because of its proximity to a host of major highways heading north, south, east and west. It also has a Norfolk and Southern rail spur along the river that could be used to ship propane in the future, although there are no current plans to do so.

Building a terminal of this size is a daunting task, even for a veteran project contractor like Superior Energy Systems of Cleveland, Ohio. Engineering work began in February 2005 and crews were still hustling throughout the site in mid-

Continued on page 21

Wholesale change

Continued from page 19

September in a race against the approaching winter heating season.

The massive, 113-foot-long tanks were built to order by Mississippi Tank in Hattiesburg, Miss., and Beaird Tank in Shreveport, La. Each steel vessel measures 144 inches in diameter and weighs 150,000 pounds.

Trucking 26 (24 propane storage and two trans-mix tanks) behemoths across four states creates huge logistics challenges and reams of paperwork. Heavy load permits must be secured from each state on



Veteran Project Manager Terry Vargo is responsible for keeping the terminal construction project on budget and on schedule.

whose highways the trucks roll. Each requires a plan identifying the proposed route to be taken and accounting for every bridge and road construction project along the way.

Don Fernald, vice president of major projects for Superior Energy, says it took 171 days just to get the required permits approved by various state authorities.

Two drivers are assigned to each truck, which is equipped with steerable dollies in order to maneuver the rear axle in tight quarters. Each load must be inspected and escorted by police.

According to Fernald, the Midland project is particularly challenging because of

the many bridges in the hilly terrain of West Virginia and Pennsylvania.

The trucks got the first load across four states from Louisiana to the Pennsylvania line in six days. The remaining 80 miles of the route took an agonizing 66 days. The deliveries eventually averaged about 12 days, Fernald says.

At the terminal site, project manager Terry Vargo bounces around the muddy grounds as he coordinates manpower

assignments, verifies equipment deliveries and serves as the project's chief inspector and trouble shooter.

A 20-year veteran with Superior, Vargo already has overseen the clearing of the wooded lot and the leveling of an 18-foot drop from the front of the site to the rear property line.

A fire suppression system has been installed, tying 12 hydrants together in a

Continued on page 22

Wholesale change

Continued from page 21

loop surrounding the cement piers on which the tanks rest. The system can quickly target water to cool the tanks in case of fire.

As vapor compressors and pumps are unloaded from trucks, Vargo points out where the propane dryer system, heater and trans-mix storage tanks will be positioned. Each will play a key role in separating

the propane from other fuels shipped in the eight-inch Buckeye pipeline. The equipment will remove water and add odorant to the propane before it fills the storage vessels.

A swarm of pipe fitters, electricians, concrete workers, welders, painters and other tradesmen press to complete their assignments in methodical order.

The burly, white-bearded Vargo removes his hard hat, mops the sweat from



his brow and squints into the late summer sun as he scans the busy project grounds.

“Yeah, we’ll get it done as long as there aren’t any more delays with the last tank delivery,” he says, noting that it will take about six weeks to get everything operational once the last tank is in place.

The Midland terminal utilizes an extensive array of computerized monitoring equipment in each step in the shipping and storage process.

Drivers entering the facility will gain access to the loading racks using a computerized key pad to identify their account and details of the purchase. The fully automated system will provide a detailed accounting of the transaction.

Meters allow the Gas Supply staff to monitor the fuel mixtures arriving from the pipeline. The buffer fuel used to separate batches in the pipeline is steered into two slop tanks, both of which have dikes surrounding them as a safety precaution against possible spills.

Once the meters indicate propane is present in the line, a computerized valve switch begins pumping product to the dryer. Once purified and odorized, the propane is directed to the storage tanks, which are tied together at a header. Although the system is designed to fill





A special crane capable of lifting 300 tons is used to unload and install the 90,000-gallon storage tanks, each of which weighs 150,000 pounds.

and draw from all 24 tanks equally, it can isolate any individual vessels to allow repairs or routine servicing without shutting down the entire line.

“Pretty state-of-the-art stuff here,” Vargo says matter-of-factly.

Paul says the high-tech equipment allows Gas Supply to read tank levels from Houston as well as Midland, which will help the company make timely supply decisions.

While the equipment generates excited conversation, it’s the quality of staff that

Electricians run conduit across the concrete piers that support the hulking propane storage tanks.



makes Gas Supply a popular choice for propane retailers, Paul says.

“We have been truly blessed to be able to retain a top-notch sales staff who are closely connected to our customers. They are the ones who make our business a success,” he says.

The Midland terminal will operate with a staff of seven, plus drivers and loaders. Bob Ratkus is terminal manager.

For those who want it, Gas Supply

offers turn-key product delivery using its fleet of transports.

Paul says the company is looking at other opportunities to grow its wholesale business, but wouldn’t say where.

“We are always looking,” he says. “We have a very willing management group to support these kinds of projects.” □

For more information regarding propane sales at the Midland terminal, call Stephanie, Peggy or Forest at 800-678-4427.