



PEI™

The Petroleum Equipment Industry
Yesterday... Today... Tomorrow

Terry D. Cooper
PEI's 63rd President

IOWA PEI MEMBERS

Name	City	State	Country
(DIST) Acterra Group, Inc.	Marion	Iowa	USA
(BD) Acterra Group, Inc.	Grimes	Iowa	USA
(BD) Acterra Group, Inc.	Waterloo	Iowa	USA
(SC) Barker Lemar Petroleum Services	West Des Moines	Iowa	USA
(DIST) Central Petroleum Equipment	Blue Grass	Iowa	USA
(DIST) Dicks Petroleum Company	Tripoli	Iowa	USA
(DIST) F & W Service Co. Inc.	Marion	Iowa	USA
(DIST) FarmChem	Floyd	Iowa	USA
(AFF) Fusion Inc., formerly Dygert-Peck Company	Cedar Rapids	Iowa	USA
(DIST) Kay Tank & Equipment Corp.	Janesville	Iowa	USA
(MANF) LDJ Manufacturing dba Thunder Creek Equipment	Pella	Iowa	USA
(DIST) Mid Iowa Petroleum Services, Inc.	Marshalltown	Iowa	USA
(MANF) Midwest Computer Register dba MID:COM	Hampton	Iowa	USA
(DIST) Midwest Liquid Systems, Inc.	Eldora	Iowa	USA
(MANF) Morrison Bros. Co.	Dubuque	Iowa	USA
(DIST) Paul's Pump Service	Dubuque	Iowa	USA
(BA) Peiker/Piatchek Associates Inc.	Ankeny	Iowa	USA
(DIST) PIPECO, INC.	Bettendorf	Iowa	USA
(AFF) Rounds & Associates	Urbandale	Iowa	USA
(MANF) Ryko Solutions, Inc.	Grimes	Iowa	USA
(DIST) Seneca Companies	Des Moines	Iowa	USA
(BD) Seneca Companies	Davenport	Iowa	USA
(SC) Unified Contracting Services Inc.	Des Moines	Iowa	USA

AGENDA

- State of the Industry
- Trends
- Recommended Practices
Updates

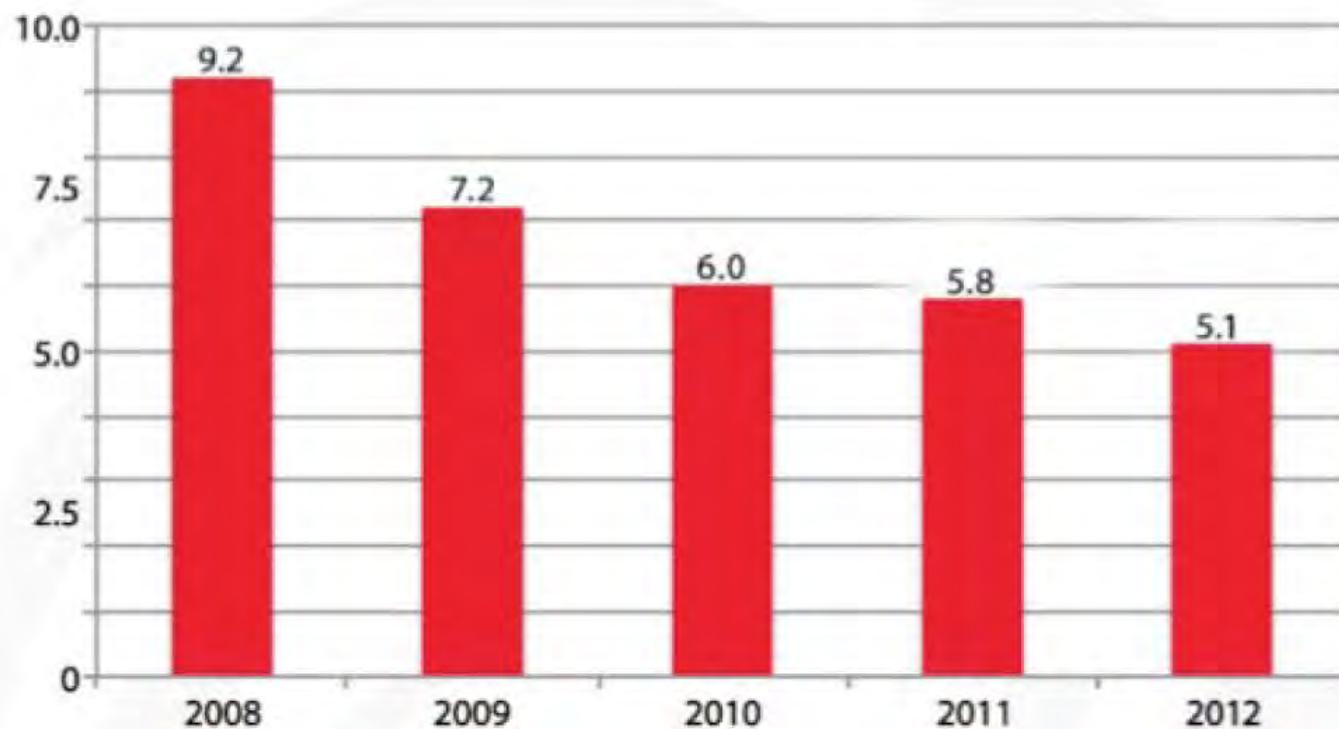
STATE OF THE INDUSTRY

Our Industry

- \$2.1 Billion
- 450 U.S. Distributors
- The top 2% (9 companies) account for 30-35% of the \$2.1B

	Typical PEI Distributor	High Profit PEI Distributor
Net Sales/ Employee	\$247,189	\$273,981
Gross Margin Percentage	28.9%	28.6%
Operating Expense Percentage	27.0%	22.4%
Personnel Expense Operating Expense	17.3 9.7	13.7 8.7
Profit	1.9%	6.2%
ROA	5.1%	18.0%

Return on Assets By Year



DISTRIBUTORS

Business Conditions Today (September 4-20, 2013)

6.3

DISTRIBUTORS

What's Going Well?

- Commercial Work (Lube, Auto, Industrial): 22%
- Construction: 18%
- Service: 16%
- Retail Fuel Market: 14%
- Emergency Power: 8%
- Equipment Upgrades: 6%

DISTRIBUTORS

What Is Disappointing?

- Margins (Sales, Construction, Service): 20%
- Sales: 18%
- Retail Fuel Market: 16%
- People: 12%
- Customers Struggling: 10%
- Service: 8%
- Collections: 6%

LOOKING AT NEXT YEAR

DISTRIBUTORS

Projection for 2014

6.2 (2014)

VS.

6.3 (2013)

DISTRIBUTORS

Employment

- More people in 2014 = 39%
- Same number of people = 50%
- Fewer people in 2014 = 11%

2014

- No new regulations on the horizon
- No help from UST rule changes
- Adios to vapor recovery
- No move to EMV
- Gasoline demand is down
 - 0.6% from last year and 14% since 2007
 - Fuel efficiency, recession, price
- New construction, expansion & upgrades still available, but limited
- Money available to some, but not all

New UST Rule

- Spring 2014: Sure Thing (Kiplinger)
- Full implementation 2015 or later
- PMAA Small Business Advisory Panel Issue

Vapor Recovery Stage II*

- **Gone or in the process:** Ariz., Conn., Maine, Mass., Mo., N.H., N.Y., Vt., Wis.
- **Evaluating/Proposing:** Ga., Ill., Ky., La., Ohio, R.I., Texas
- **Don't know yet:** Del., D.C., Ind., Md., Nev., Ore., Pa., Tenn., Va., Wash.
- **Retain:** Calif., N.J.

**PEI Journal*. Fourth Quarter 2013.

EMV

- Europay Mastercard Visa
- EMB adoption is no longer an option
- Two Important deadlines
 - October 1, 2015: Liability shifts to merchants for in-store fraudulent credit card transactions
 - October 1, 2017: Dispensers are either EMV compatible or marketer accepts resolving potential liability if they don't

LOOKING DOWN
THE ROAD
(2015-2018)

DISTRIBUTORS

How optimistic are you on your company's prospects through 2018?

- Extremely Optimistic: 8%
- Moderately Optimistic: 70%
- Ambivalent: 14%
- Somewhat Pessimistic: 6%
- Extremely Pessimistic: 2%

TRENDS

(DISTRIBUTORS)

TRENDS

(DISTRIBUTORS)

- Consolidation among PEI's members will continue
- The big keep getting bigger
- Start up capital costs continue to increase
- Fewer start-ups (almost non-existent)
- Profit margins are tightening
- Smaller distributors are buying more from larger distributors

TRENDS

(DISTRIBUTORS)

- Multiple ethanol has offered opportunities in the Midwest, but has yet to catch on across the country
- Maybe E-15+
 - E-15: Oct 2012 – 8 locations in 2 states
Oct 2013 – 40 locations in 9 states
 - E-85: Oct 2013 – 2,838 locations
– 10.7 million flex fuel vehicles
(15.7% are FFV up from 9.2% in 2012)

TRENDS

(DISTRIBUTORS)

E15/E85 Might Be Good For PEI Guys

- More UST systems/more dispensers (and/or)
- Upgrade to make compatible
- Downside: Reduces money available for new construction/station upgrades

TRENDS

(DISTRIBUTORS)

- Multiple diesel products is in demand
 - Diesel car & SUV registrations up 24% since 2010
 - Diesel usage up 26% in last 27 years while gasoline drops 18.4% in the same period
 - Diesel currently in 40-52% of all convenience stores
- Bio-diesels are popular in the Midwest
 - Coasts are skeptical

TRENDS

(DISTRIBUTORS)

- USLD corrosion issue update
 - **Ballete Study – Sept, 2012:**
“Corrosion in Systems Storing and Dispensing Ultra Low Sulfur Diesel (ULSD), Hypotheses Investigation”
 - Ballete study funded by: *Clean Diesel Fuel Alliance*

AAA
Alliance of Automobile Manufacturers
American Fuel & Petrochemical Manufacturers
American Petroleum Institute
American Trucking Associations
Association of American Railroads
Association of International Automobile Manufacturers
Association of Oil Pipe Lines
Diesel Technology Forum
Engine Manufacturers Association
Independent Liquid Terminals Association
Manufacturers of Emission Controls Association
National Automobile Dealers Association
National Association of Convenience Stores
States Petroleum Association

National Association of Convenience Stores
National Association of Fleet Administrators
NATSO, Inc., representing Truck Stops & Travel Plazas
National Tank Truck Carriers, Inc.
Petroleum Equipment Institute
Petroleum Marketers Association of America
Society of Independent Gasoline Marketers of America
Steel Tank Institute
Truck Renting and Leasing Association
U.S. Environmental Protection Agency
U.S. Department of Energy
U.S. Energy Information Administration
Western States Petroleum Association



USLD CORROSION ISSUE



USLD CORROSION ISSUE



TRENDS

(DISTRIBUTORS)

- USLD corrosion study conclusions:

The project final hypothesis is that corrosion in systems storing and dispensing ULSD is likely due to the dispersal of acetic acid throughout USTs. It is likely produced by *Acetobacter bacteria feeding on low levels of ethanol contamination*. Dispersed into the humid vapor space by the higher vapor pressure and by disturbances during fuel deliveries, acetic acid is deposited throughout the system. This results in a cycle of wetting and drying of the equipment concentrating the acetic acid on the metallic equipment and corroding it quite severely and rapidly. Battelle recommends continued research into this issue.

TRENDS

(DISTRIBUTORS)

- DEF still in its infancy stages for larger, bulk installations
 - 2014 will be big for commercial locations
 - 2014 will be big for retail sites that are pushed by the market

TRENDS

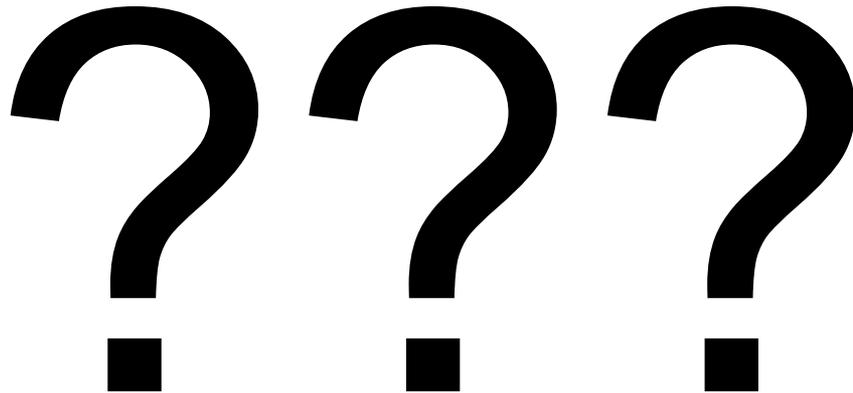
(DISTRIBUTORS)

- CNG & LNG are the big buzz words in the industry today, but the industry has a steep learning curve

TRENDS

(DISTRIBUTORS)

- Electric Vehicles
 - There are more questions than answers



TRENDS

(DISTRIBUTORS)

Where Do PEI Guys Fit In?

- 75-85% will charge at home
- We know some of the customers, but not all of them
- No one seems interested right now

TRENDS

(OPERATORS & MARKETER)

TRENDS

(OPERATORS & MARKETER)

- Consolidation among O&M's will continue
- The big keep getting bigger
- Start up capital costs continue to increase
- Fewer start-ups (but there are some)
- Profit margins are tightening

TRENDS

(OPERATORS & MARKETER)

- Average tank size is no longer 10k & 12k, but now 20k.....pushing more and more toward 30k capacity.
- Compartmentalized are more accepted in the market
 - With an average of 4 “compartments” per site

TRENDS

(OPERATORS & MARKETER)

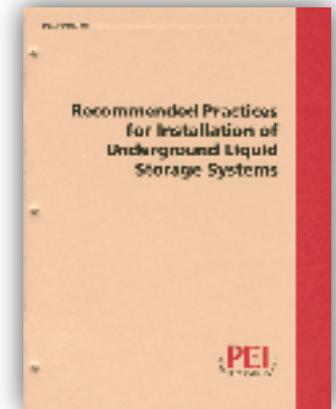
- Average number of fueling positions is 24 (12 dispensers)
- If the site has diesel, there are typically 4 fueling positions for diesel (excludes truck stops)
- Facilities keep getting bigger & bigger making them more complex, difficult and to design and install

RECOMMENDED PRACTICES UPDATES

PEI Recommended Practices

PEI/RP100 - Recommended Practices for Installation of Underground Liquid Storage Systems

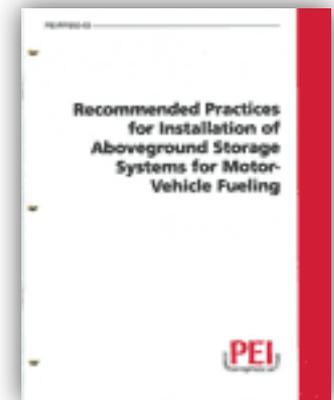
- *Revised in 2011*
- *To be reviewed again in 2016*



PEI Recommended Practices

PEI/RP200 - Recommended Practices for Installation of Aboveground Storage Systems for Motor-Vehicle Fueling

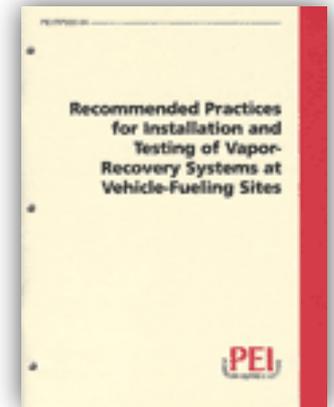
- *Revised in 2013*
- *To be reviewed again in 2018*



PEI Recommended Practices

PEI/RP300 - Recommended Practices for Installation and Testing of Vapor- Recovery Systems at Vehicle-Fueling Sites

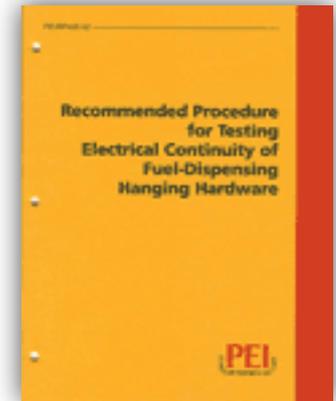
- *Revised in 2009*
- *Scheduled to be reviewed
again in 2014*



PEI Recommended Practices

PEI/RP400 - Recommended Procedure for Testing Electrical Continuity of Fuel-Dispensing Hanging Hardware

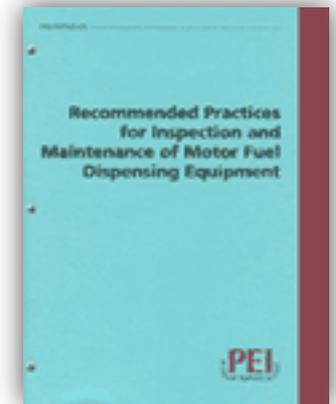
- *Revised in 2012*
- *To be reviewed again in 2017*



PEI Recommended Practices

PEI/RP500 - Recommended Practices for Inspection and Maintenance of Motor Fuel Dispensing Equipment

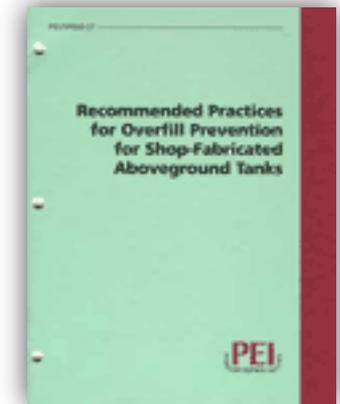
- *Revised in 2011*
- *To be reviewed again in 2016*



PEI Recommended Practices

PEI/RP600 - Recommended Practices for Overfill Prevention for Shop- Fabricated Aboveground Tanks

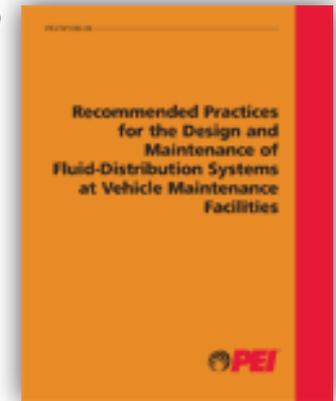
- *Revised in 2012*
- *To be reviewed again in 2017*



PEI Recommended Practices

PEI/RP700 - Recommended Practices for the Design and Maintenance of Fluid-Distribution Systems at Vehicle Maintenance Facilities

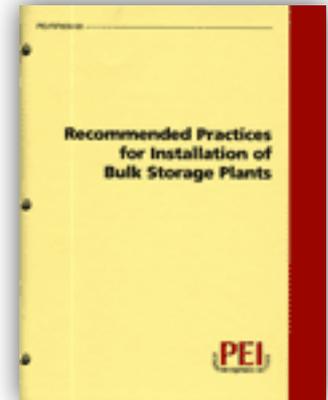
- *Published July 2009*
- *Scheduled to be reviewed
again in 2014*



PEI Recommended Practices

PEI/RP800 - Recommended Practices for Installation of Bulk Storage Plants

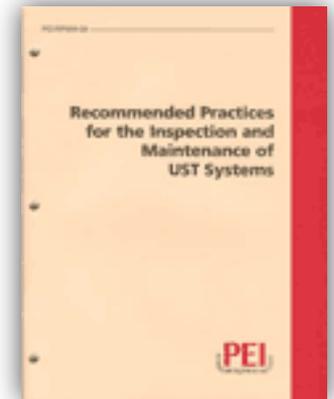
- *Published in 2013*
- *To be reviewed again in 2017*



PEI Recommended Practices

PEI/RP900 - Recommended Practices for the Inspection and Maintenance of UST Systems

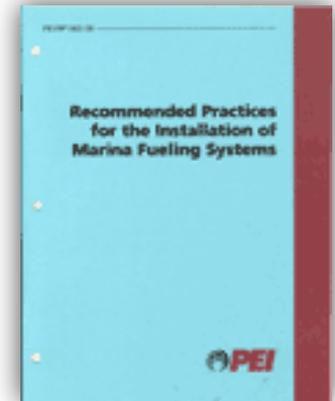
- *Published in 2008*
- *Scheduled to be reviewed
again in **2014***



PEI Recommended Practices

PEI/RP1000 - Recommended Practices for the Installation of Marina Fueling Systems

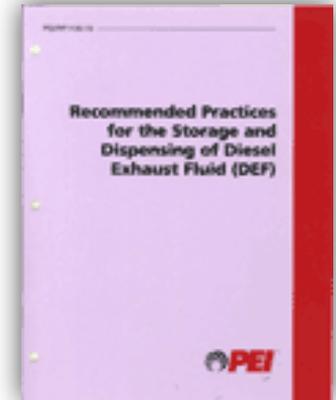
- *Published in 2009*
- *Scheduled to be reviewed again in 2014. (Currently out for Public Comment.)*



PEI Recommended Practices

PEI/RP1100 - Recommended Practices for the Storage and Dispensing of Diesel Exhaust Fluid (DEF)

- *Published 2010*
- *To be reviewed again in **2015**.*
- *May move revision date up to **2014**.*



PEI Recommended Practices

PEI/RP1200 - Recommended Practices for the Testing and Verification of Spill, Overfill, Release Detection and Secondary Containment Equipment

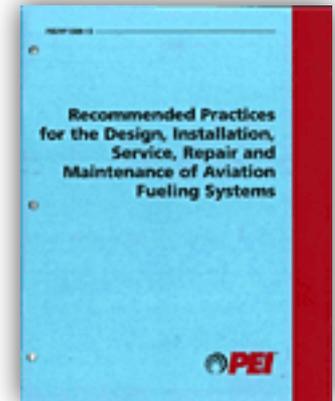
- *Published in 2012*
- *To be reviewed again in 2017*



PEI Recommended Practices

PEI/RP1300 - Recommended Practices for the Design, Installation, Service, Repair and Maintenance of Aviation Fueling Systems

- *Published in 2013*
- *To be reviewed again in 2018*



PEI Recommended Practices

PEI/RP1400 - *Recommended Practices for the Design and Installation of Emergency Generator and Oil Burner Fuel Systems* (Working Title)

- Scheduled to be published in 2014

PEI Recommended Practices

PEI/RP1500 - *Recommended Practices for the Design, Construction and Installation of CNG Refueling Facilities* *(Working Title)*

- Scheduled to be published in 2014

PEI Recommended Practices

- *Now available online*
 - *Retail Price: \$95.00*
 - *Member Price: \$40.00*
- *Still available in paper format*
- *Online RP tests: \$25.00*

DON'T "JUST" JOIN PEI

- *Memberships:*
 - *Distributor*
 - *Service & Construction*
 - *Affiliate*
- *Committee participation*
 - *Recommended Practices*
 - *Education*
 - *Safety*
 - *Convention*
- *Board of Directors*



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PEI™

Questions?

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