

## The Value of Deploying Technology

### Tech vs. Tank



Has there ever been a time when the propane game wasn't changing? Today, the market is more competitive than ever. Urban America continues to expand from cities where natural gas and other solutions are meeting demand. The good news for the propane industry in the United States is that we are producing record high levels of NGLs. The world is trading significantly more propane, and the U.S. is now a major exporter. Additionally, the expansion of the Panama Canal has made Far East trading more accessible. More export terminals have opened and growth will continue in the future. High production, abundant inventories, and increased opportunities for trade, sounds ideal, right?

"Technology can track every gallon used and bill according to that usage."



Not exactly. While plentiful propane stocks are the new normal, they have also become the basis for high exports. That means the average “days of supply” may be lower than before, and propane goes to the highest bidder. Though industry leaders are pushing legislatures to keep propane a domestic priority, the free market may dictate otherwise. So how does this translate to you and your customers?

In terms of supply, it means that as long as you rely on pipelines, rail lines, or transport lines, you could be rolling the dice. If the 2017-2018 winter is colder than normal, will you be able to get product where you need it the most? Long lines at terminals caused shipment delays in 2013-2014, so what has been done to avoid another product shortage? Unless we start preparing now, say we could be in for another supply shortage.

If supply is the problem, then what is the solution? More storage? Perhaps, but adding a 30,000 WC tank can cost nearly \$100,000. The issue is, you’ll only add 24,000 gallons of storage per tank(80%). In the aftermath of the 2013-2014 winter, I attended, along with other MPGA members, a House Hearing in Jefferson City, Missouri. The objective was to explain recent product interruptions to the state and to seek state assistance in infrastructure. A proposal by Rep. Doug Funderburk was to grant funding to add one 30,000 WC ASME storage to each marketer. MPGA Chairman, Quentin Salley, Salley’s Propane, responded, *"Adding 30,000 gallons of storage sounds good, but by the time sight approvals are attained, steel secured, piers poured and cured and the tank service piping and electric is installed, next winter will be here. While the 24,000 gallons the tank permits will certainly help, it doesn't solve my problem. I moved over 400,000 gallons in January."* More storage will help, but only in the way that an aspirin helps in a heart attack. It may delay the effects, but it will not solve the problem.

An underused and less understood solution is here is to utilize existing tertiary storage. Not only that, it makes green energy fuel of propane even greener! The average propane supplier has 2500 tanks, and if they are filled to 80% going into winter, you will have gained 1 million gallons of tertiary storage. In the past metered gas was frowned upon, but that was before the technological advances of today. Implementation of technology to use this storage is key. How much tertiary storage could you open up for the same \$100,000 you would spend on a 30,000 WC ASME container? You could spend \$350 per tank to implement technology that would avert all of the issues discussed here. Today’s technology frees up

an average of 200 gallons per tank, or 57,000 gallons of additional storage; double the ROI of purchasing another bulk plant tank! At 300 gallons per tank, more than 85,000 gallons of storage is released. Your customers will stay warm, and you will be a hero because you were prepared for a shortage. Add to that the valuable other features this technology provides, including:

- Real Time intelligence of product levels
- Critical low alerts
- Resalable service to your customers (Many customers don't mind paying an extra \$5 - \$10 per month that allows them to pay only for the product used each month.)
- Eliminating Will Call & Out of Gas Calls
- GPS locations of tanks

For the average distributor, the propane business is seasonal. Statistics show that about 70% of all propane is sold between Thanksgiving and Easter. Nearly 20% of propane sales occur in January alone. If technology is incorporated to utilize tertiary storage then you can alleviate winter price spikes and weather that hampers delivery. You can fill tanks when it is convenient for you, instead of being at the mercy of your customers and the status of their wallet.

Technology can track every gallon used and bill according to that usage. Your customer will have a seamless supply of fuel and allow you to fill the tank when most profitable for you. You are buying and filling in the summer and fall, allowing you to route product efficiently and enhance margins. Remember days of pipeline ratios? Not anymore! Weigh your options and start preparations for the 2017-2018 winter now.