

# SD OIL & LP GAS CHRONICLE NEWS

March 2012 Newsletter

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March 2012

## UST Owner/Operator Training Register at [www.denr.sd.gov](http://www.denr.sd.gov)

April 24	Rapid City AM	Ramkota Hotel	Pactola Room
April 25	Rapid City AM	Ramkota Hotel	Pactola Room
April 26	Ft. Pierre AM	Holiday Inn Express	Missouri and Oahe Rooms
May 8	Sioux Falls PM	Ramkota Hotel	Jefferson Room
May 9	Sioux Falls AM	Ramkota Hotel	Harvest Room
May 10	Yankton AM	Kelly Inn	Room D
June 19	Aberdeen AM	Ramkota Hotel	Room D & H
June 20	Watertown AM	Ramkota Hotel	Whitewood Room
June 21	Sioux Falls AM	Ramkota Hotel	Jefferson Room
July 10	Rapid City AM	Ramkota Hotel	Sylvan I & II
July 10	Rapid City PM	Ramkota Hotel	Sylvan I & II
July 11	Rapid City AM	Ramkota Hotel	Sylvan I & II
July 24	Sioux Falls PM	Ramkota Hotel	Harvest Room
July 25	Sioux Falls AM	Ramkota Hotel	Harvest Room
July 25	Sioux Falls PM	Ramkota Hotel	Harvest Room
August 2	Rapid City AM	Ramkota Hotel	Washington Room
August 3	Sioux Falls AM	Ramkota Hotel	Jefferson Room

am = 8 am to 12 noon

pm = 1 - 5 pm

# PMAA News

## Update from Washington, DC

### SENATE FINALIZES HIGHWAY BILL Rest Area Commercialization Amendment Fails

On March 15, 2012, the Senate approved a two year, \$109 billion highway reauthorization bill, known as the “Moving Ahead for Progress in the 21st Century Act of 2011,” or “MAP-21 (S. 1813), by a vote of 74-22. Among the amendments considered this week was Senator Rob Portman’s (R-OH) provision to allow states to commercialize rest areas. PMAA strongly opposed the amendment and it failed by a vote of 12-86. The Portman amendment would have killed small business jobs and would not have brought states additional revenue if they were allowed to commercialize rest areas.

PMAA would like to thank everyone for their many calls and emails into Senate staff. It definitely had a positive impact! Your grassroots efforts sent a clear message to Congress that it is very bad public policy to commercialize rest stops, choosing state government interests over small business. Last Friday, many of the pundits were predicting this to be a razor thin vote going either way. The pundits continually underestimate the grassroots capabilities of retailers when they can unite behind an issue.

The twelve Senators who voted for the Portman amendment are: Ayotte (R-NH), Carper (D-DE), Coats (R-IN), Coons (D-DE), Crapo (R-ID), Kyle (R-AZ), Lieberman (I-CT), McCain (R-AZ), Murkowski (R-AK), Portman (R-OH), Risch (R-ID), and Toomey (R-PA).

Additionally, Senator Debbie Stabenow (D-MI) had an amendment which would have renewed for one year the one-dollar-per-gallon biodiesel tax credit as well as the home heating oil equipment credit. However, the amendment failed by a vote of 49 – 49. Sixty

votes were required for passage. Senator DeMint (R-SC) introduced his amendment to repeal all energy tax subsidies including the biodiesel tax credit, but that amendment failed overwhelming by a vote of 26 – 72. The Senate also voted on an amendment by Senators Menendez (D-NJ), Reid (D-NV) and Burr (R-NC), which would provide a new tax on CNG and LNG to pay for new subsidies for natural gas transportation infrastructure and converting trucks to run on CNG or LNG. The vote required 60 votes for passage, but it came up short by a vote of 51 – 47.

On Thursday, the Senate did not approve an amendment by Senator Hoeven (R-ND), which would approve the Keystone XL pipeline by a vote of 56 – 42. Sixty votes were needed for passage and Senator David Vitter (R-LA) offered an amendment yesterday which would have opened the outer continental shelf for oil exploration but the amendment failed by a vote of 46 – 52. PMAA supported both these amendments which would bring much needed oil supplies to reduce prices at the pump.

PMAA still has concerns with the Senate bill because it would transfer three billion dollars from the Leaking Underground Storage Tank (LUST) trust fund to pay into the Highway Fund and it would also change the allocation of the \$.001 of the penny LUST tax. The change will permanently dedicate one third of the existing \$.001 LUST tax to the Highway Trust Fund and two thirds to the LUST Trust Fund. PMAA opposes this change and believes this is bad public policy. If the money is not being used for the LUST program, the LUST tax should be reduced or eliminated.

Meanwhile in the House, Speaker Boehner (R-OH) indicated last week that the House may take up the Senate highway bill when the House returns the week of March 19th. There has been unwillingness among House conservatives to vote on the original House

plan to pass a five-year \$260 billion highway bill due to the bill's cost projections. Included in the House bill, but not in the Senate bill, is PMAA supported wetlines language which would bar the Department of Transportation from moving forward with its proposed rule until a thorough cost-benefit analysis was completed.

### REMINDER: COMPLIANCE DEADLINE IS PAST FOR NEW ADA ATM REQUIREMENTS

PMAA would like to remind petroleum marketers of the March 15, 2012 compliance deadline for new ATM requirements under the American for Disability Act. The new rule implementing the new ATM standard was published by the U.S. Department of Justice in August 2011 and is part of a larger revamp of ADA standard requirements generally (2010 ADA Standards). The new ATM standard adopts 2004 recommendations by the ADA Access Board requiring ATMs to be equipped with speech output, privacy controls, tactilely-discernible input controls, display screens, and Braille instructions. The good news is that most current ATMs should be fully compliant with the new requirements which have been on the books as guidelines for manufacturers to follow since 2004. The standards require ATMs to be accessible to and independently usable by persons with visual impairments. Marketers should check ATM equipment specification information for ADA compliance status. The ADA also allows for an exemption from the new ATM requirements for any business that can demonstrate compliance would impose and undue economic burden. In addition, the DOJ will not independently enforce the ADA requirements unless a third party lawsuit from complaining parties is filed. Nevertheless, ADA compliance has been an active area for large class action law suits since the law's inception in 1991. For the August 2011 PMAA Regulatory Report on ADA ATM requirements, [click here](#). For more information on all new 2010 ADA Standards,

go to the ADA homepage at <http://www.ada.gov/>.

### OBAMA'S COUNCIL ON JOBS ENERGY REPORT

A pro plug-in electric vehicle (PEVs) coalition released a plan this week to accelerate the development of electric vehicles. The plan consists of addressing regulatory hurdles, encouraging public-private investment in charging infrastructure and a public PEV education program. The coalition includes the Washington State Department of Transportation, General Motors Co., and the Natural Resources Defense Council. While this is welcome news for environmental advocates, electric vehicles still have a long way to go. Charging electric vehicles takes several hours, and the public has yet to accept the electric vehicle as a primary mode of transportation. Furthermore, questions still linger surrounding the environmental impact of electric vehicles. Although electric vehicles emit no tailpipe CO2 or pollutants such as NOx, the electricity to power PEVs comes from coal and natural gas which are not CO2 neutral.

In December 2010, the first commercially available all-electric car, the Nissan Leaf, was introduced to the public, however, Nissan Leaf sales have been dismissed. Nissan saw sales of the Leaf drop to 676 in January, down from 954 the previous month. The coalition plans to address PEVs shortfalls especially, given the Chevy Volt's battery issues that have led to fires.

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# NPGA News

## Washington Update

### SUPPLY NEWS: Propane Inventories Post a Build

As the mild winter tapers off, propane inventories have started to level off and turn upwards. Last week, total U.S. inventories grew by 0.5 million barrels. The Midwest region added 0.6 million barrels, and the Gulf Coast region grew by 0.3 million barrels. Meanwhile, the East Coast inventories dropped 0.3 million barrels and the Rocky Mountain/West Coast stocks were down by less than 0.1 million barrels.

The average residential propane price increased by less than 1 cent during the week ending March 19, 2012, to a price just shy of \$2.87 per gallon, 1 cent per gallon higher than the last price reported during the 2010-11 heating season. The average wholesale propane price decreased by almost 8 cents per gallon to \$1.24 per gallon, nearly 16 cents below the last price reported during the 2010-11 heating season.

### OSHA Set to Publish Revised Hazard Communication Standard

NPGA has recently learned that the U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) will soon publish revisions to its Hazard Communication Standard. The agency published its proposed rulemaking on this matter in 2009 and NPGA expressed concern in our response over the proposed rule's financial impact to small business owners in the propane industry. Among the revisions expected is a new labeling requirement identifying propane gas as *extremely flammable* as opposed to the current label of *flammable*.

OSHA is seeking to align its HCS with the United Nations' Globally Harmonized System of Classification and Labeling of Chemicals (GHS). OSHA asserts the revisions are expected to reduce trade barriers and improve productivity for

American businesses that regularly handle, store and use hazardous chemicals.

The final rule is expected to soon be published in the *Federal Register*. NPGA will be attending a roundtable discussion hosted by the U.S. Small Business Administration with representatives from OSHA next week to discuss the final GHS. NPGA will provide further updates on the new provisions and their impact to the propane industry as more information is made available.

### NPGA Opposes Use of Hazmat Fee Dollars for Unauthorized Purposes

Yesterday, March 14, 2012, NPGA joined a coalition of organizations in the hazardous materials sector in urging Congress not to allow the Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA) to use millions of dollars in registration fees for purposes other than those approved by Congress. Under federal law, hazmat shippers must pay a registration fee into a fund to help cover emergency planning and training grants to states and first responders. However, federal law also stipulates that in the event that the fund balance exceeds expenditures, PHMSA must adjust the fees downward. This is the situation today, where the fund balance exceeds \$15 million. In 2002, NPGA joined in a successful lawsuit to force PHMSA to adjust the fees downward in a similar situation. NPGA signed onto the coalition letter because we strongly oppose giving PHMSA the ability to reprogram funds for any other purposes than those included in federal law. Were that to happen, PHMSA would have every incentive to continue to raise the hazmat registration fee in the future.

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## From the SD Codified Laws

*There have been many questions concerning octane labeling of pumps in the state of South Dakota. Below find the answer to octane, penalty, Cash vs. Credit and Oxygenate Labeling. These are located in the SD Code Chapter 37-2 Titled Petroleum Products.*

### 1. Octane Labeling

37-2-13. Antiknock index for gasoline and gasoline blends to be posted. Each retail dealer of gasoline or gasoline-oxygenate blends shall post the antiknock index in accordance with applicable regulations, contained in 16 CFR Part 306, issued pursuant to the Petroleum Marketing Act, as amended through January 1, 2009. The antiknock index (AKI) may not be less than the AKI posted on the product dispenser or as certified on the invoice, bill of lading, shipping paper, or other documentation.

**Source:** SDC 1939, § 22.1512; SL 1951, ch 109; SL 1953, ch 95, § 5; SDCL § 39-21-23; SL 2009, ch 195, § 1.

### 2. Penalty for Mislabeling Octane (Antiknock index)

37-2-16. Violation as misdemeanor. A violation of any provision in §§ 37-2-5 to 37-2-24, inclusive, and § 37-2-33 is a Class 2 misdemeanor.

**Source:** SDC 1939, § 22.9922; SDCL, § 39-21-25; SL 1977, ch 190, § 436; SL 2000, ch 200, § 4; SL 2001, ch 211, § 3.

A Class 2 misdemeanor is punishable by up to 30 days in the county jail or a \$200 fine, or both.

### 3. Cash vs. Credit

37-2-29. Listing different motor fuel prices for cash or credit--Violation as misdemeanor. Any person advertising the sale of any motor fuel by means of any sign, placard, or billboard in which any product price is specified shall state on such sign, placard, or billboard whether such price is a cash price or credit price, if such person sells or offers to sell such motor fuel to the public at different prices for cash and credit. A violation of this section is a Class 2 misdemeanor and each day of violation constitutes a separate offense.

**Source:** SL 1992, ch 275.

### 4. Oxygenate Labeling

37-2-30. Labeling of any gasoline containing oxygenate. Any gasoline kept, offered, or exposed for sale, or sold, at retail containing two percent or more by volume of any oxygenate or combination of oxygenates shall be identified as to the specific type of oxygenate or combination of oxygenates in the gasoline. The label may consist of any combination of colors and the label may read ethanol, E10, or ethanol blend. This information shall be posted on the upper fifty percent of the dispenser front panel in a position that is clear and conspicuous from the driver's position. The words shall be in a type at least one-quarter inch in height and a width of type of at least one-sixteenth inch stroke.

**Source:** SL 1993, ch 298, § 1; SL 2001, ch 211, § 4; SL 2005, ch 208, § 1.

[See Page 14 for more information.](#)

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## THE RENEWABLE FUEL STANDARD 2 AND BIODIESEL - TAKING ADVANTAGE OF NEW MARKETS, MANAGING RISKS, AND MAXIMIZING PROFITS

Implementation of the Renewable Fuel Standard (RFS-2) has helped spur increases in biodiesel volumes and they are projected to continue to rise. Within the RFS-2, biodiesel can now be used in many different economic sectors that currently use diesel fuel such as agriculture, underground mining, railroads, marine, and off-road construction. Opportunities exist within the RFS-2 program to increase biodiesel use and blending which could benefit the petroleum distributor and retailer due to capturing the monetary value in Renewable Identification Numbers (RINs). RINs have become the competitive edge for hundreds of marketers.

The objective of this national webinar will be to strengthen the knowledge base of PMAA members by 1) providing a quick overview of the state of the biodiesel industry in 2012 and fuel quality aspects pertinent to the RFS-2, and 2) delivering “real time” relevant information concerning what petroleum distributors and retailers need to know about the RFS-2 and how they may benefit from participation in the RFS-2 program.

Topics covered will include:

- The Renewable Fuel Standard-2 and components to the RFS-2 (sustainability, qualified feedstocks and fuel pathways, ASTM definition) for the biodiesel industry
- New markets and potential for biodiesel in the RFS-2
- RFS-2 compliance by obligated parties and their obligations (Renewable Volume Obligation)
- Introduction to Renewable Identification Numbers (RINs)
- Taking title and blending the RIN
- RIN transaction tracking
- Reporting requirements
- Selling RINs and “Buyer Beware”
- RIN prices and dynamics in the marketplace
- Question and Answer

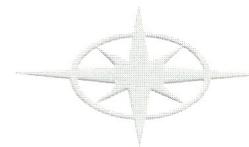
**Webinar Presenters:** Jeff Hove, RIN Alliance & Richard Nelson, NBB

**Webinar date:** March 27th

**Webinar Time:** 10:00 to 11:00 a.m. CST

**Webinar Login Information:**

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# Cushing Pipeline Extension Could Raise Gas Prices

LINCOLN, Neb. – Last week President Obama was at the TransCanada Pipe Yard in Cushing, Okla., to promote the completion of the Keystone XL petroleum pipeline from Cushing to Gulf Coast refineries. The 485-mile Cushing extension would connect Canadian oil sands with the largest refinery complex in the United States, moving crude oil through TransCanada's first Keystone pipeline, which passes through the Lincoln area.

“That's right. The same president who denied TransCanada's application to build the northern leg of the same pipeline through Nebraska in January is endorsing the southern leg in March,” writes the Lincoln Journal Star.

Eventually, the extension “could shave a few cents off fuel prices in parts of the country where regular unleaded already has surged past \$4 a gallon, including CA and NY, writes the newspaper. But in Midwest areas like Lincoln, “it also could add to the price of retail gasoline.”

Energy industry analyst Philip Verleger warned a year ago of the possibility “of a Keystone XL-related increase of perhaps 7 cents per gallon in an area that includes Nebraska,” writes the newspaper, because oil moving to the Gulf is oil that would moving way from the refineries in Illinois, Kansas and other Midwestern states.

Patrick DeHaan, senior petroleum analyst for GasBuddy.com, agreed that market forces could move fuel prices higher instead of lower. “Any diversion of Canadian oil away from the Midwest and Rockies may hurt,” he said.

TransCanada's Louis Fenyvesi countered those views, noting that Nebraska drivers had nothing to worry about. He told the newspaper that Canadian crude is cheaper than oil imported to the U.S. from the Middle East, and that the entire country would benefit.

NACS spokesman Jeff Lenard cautioned against jumping to conclusions about the effect of any construction follow-through.

“The problem when you get oil prices like this and gas prices like this,” Lenard told the newspaper, adding, “there's a huge hue and cry that somebody's got to do something. And sometimes, that something is not necessarily the best thing.”

Lenard also commented on the unusually large gas price disparity this spring. “I don't know if there's ever been quite this spread between prices in the Midwest and the Rockies and prices on the coasts.”



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# House Committee Examines High Oil Prices

## House and Natural Resources Committee

On Wednesday, the House Natural Resources Committee held a hearing to address rising gasoline prices. Testifying before the Committee were Diana Furchtgott-Roth, senior fellow, Manhattan Institute for Policy Research; David Holt, president, Consumer Energy Alliance; Dennis Kelleher, president and CEO, Better Markets Inc., and Lucian Pugliaresi, president, Energy Policy Research Foundation.

House Natural Resources Committee Chairman Doc Hastings (R-WA) argued that energy production on federal lands has declined in recent years citing last week's non-partisan study which showed that total energy production on federal lands dropped by seven percent since President Obama took office. Furthermore, Rep. Paul Tonko (D-NY) stated that if the U.S. opened more federal lands for oil drilling, OPEC would reduce output to offset additional U.S. domestic oil supply since oil is a global commodity. Witnesses agreed that OPEC could counteract U.S. oil production, but Chairman Hastings rebutted that if the U.S. became energy independent by opening up areas for drilling and approving the Keystone XL Pipeline, OPEC would have less market power to set the world price of crude oil given the additional domestic oil production.

Better Markets Kelleher argued that commodity markets are different from equity markets and that commodity markets were not intended to be purely speculative, but rather were created for commercial hedgers such as airlines, petroleum marketers and farmers to hedge risk. Speculation serves a meaningful purpose in commodity markets, but when there is an overwhelming influx of liquidity from index funds and other speculative entities, excessive speculation can bring unintended consequences. As much as 25 percent of the price of oil is due to speculation, in fact, Goldman Sachs estimated that excessive speculation increases prices at the pump by as much as 56 cents-per-gallon, Kelleher said. Additionally, Pugliaresi with Energy Policy Research Foundation said that total U.S oil demand for this year won't exceed 15 million barrels-per-day. If this holds true, 2012 will likely see a dramatic demand destruction since the U.S. currently consumes 19 million barrels-per-day.

PMAA believes that excessive oil speculation is partially to blame for higher motor and heating fuel prices. However, affordable consumer energy will not be achieved until Congress passes a comprehensive energy policy that includes oil exploration, and a sound monetary policy coupled with a well-regulated, transparent, and stable energy futures and swaps market.

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## 2012 Class Schedule

### Basic Principles (1.0)

March 7-8	Rapid City
May 2-3	Mitchell
July 11-12	Aberdeen
September 24-25	Sioux Falls
November 7-8	Watertown

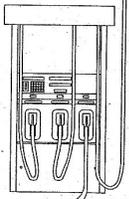
### Propane Delivery (2.2/2.4)

April 3-5	Rapid City
June 5-7	Mitchell
August 7-9	Aberdeen
October 2-4	Sioux Falls
December 4-6	Watertown

4.1 Distribution Systems	April 24-25	Mitchell
4.2 Distribution Systems	May 8-10	Mitchell
3.0 Plant Operations	June 19-21	Mitchell
6.0 Appliance Installation	August 21-22	Mitchell
Cylinder Fill	May 14 Rapid City, May 16 Sioux Falls	May 15 Yankton, May 17 Aberdeen



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## News from NACS

### Sixth Circuit Issues Mixed Ruling in Tobacco Case

Legal experts suggest that it could be some time before the differences among the courts involved are fully settled.

WASHINGTON – On March 20th, the U.S. Court of Appeals for the Sixth Circuit issued its opinion on an appeal of a case brought by tobacco manufacturers against several regulations promulgated by the Food and Drug Administration.

Importantly, the Sixth Circuit disagreed with the U.S. District Court for the District of Columbia and upheld the constitutionality of FDA's requirement for graphic warning labels on cigarette packages. But the court struck down FDA's ban on the use of color in tobacco advertisements. NACS submitted a brief on that one question, urging the court to strike the provision — the court agreed that such a broad ban violated the First Amendment.

The case also included challenges to FDA's ban on the use of tobacco brand names in event sponsorships and on non-tobacco products, bans on continuity programs, limitations on claims about modified risk tobacco products, and prohibitions on claims that tobacco products are safer because they comply with FDA regulation. The court upheld all of these restrictions except that it struck down the ban on continuity programs, holding that the FDA did not have sufficient evidence to support that restriction.

In light of the differences between the court's decision and that of the U.S. District Court for the District of Columbia, it would not be surprising for the parties to seek review of the

case by the U.S. Supreme Court. As a result, it is likely to be some time before these questions are fully settled.

### Natural Gas Coming to More Stations

Chesapeake Energy and General Electric are collaborating to bring natural gas to more than 250 gas stations and convenience stores.

CHARLESTON, WV – Chesapeake Energy and General Electric announced plans to bring natural gas to gas stations and convenience stores, The State Journal reports.

Chesapeake Energy, which is focused on natural gas and oil production and owns midstream and oilfield assets in compression, drilling, trucking and pressure pumping, plans to provide "CNG In A Box" units at service stations and convenience stores, with the first units in place as early as this fall.

Kent Wilkinson, vice president of natural ventures for Chesapeake, said the collaboration with GE will make natural gas available to more people at a price far more affordable than gasoline (the gallon equivalent of natural gas sells today for \$1.85).

According to Chesapeake, a vehicle using CNG can reduce annual fuel costs up to 40% when driving 25,700 miles in a year (about double the average miles a vehicle travels per year), saving as much as \$1,500.

CNG In A Box takes natural gas from a pipeline and compresses it onsite at a refilling station or industrial location, turning it into CNG. A vehicle can then refill its tank using a traditional fuel dispenser.

Patricia Haberling  
VP Customer Development



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# Why Gas Prices Increase in the Spring

## 2012 NACS Retail Fuels Report

ALEXANDRIA, VA -- We all know that gas prices go up each spring, and generally seem to peak around Memorial Day. Most consumers assume that prices peak at this point because of the advent of the summer-drive season. Is that the case?

To a certain extent, demand is a factor. But there are a [number of other events](#) that collectively have a bigger effect on prices each spring, leading to price peaks right before Memorial Day. In six of the past 12 years, the seasonal peak was in the time period between May 9 and May 24, notes a new backgrounder released by NACS that examines spring price increases.

“As gas prices continue to dominate daily conversations, whether on the evening news or in political speeches, it’s important to discuss what is at the root of today’s high prices,” said NACS Vice President of Industry Advocacy Jeff Lenard.

“Crude oil prices are the biggest factor driving gas prices, but how the crude oil is processed can also play a significant role in price increases. The petroleum industry’s switchover to summer-blend fuels, creates challenges that also affect retail fuels prices,” said Lenard. “We encourage retailers to share this and other resources to explain market conditions to consumers and elected officials.”

The latest [NACS backgrounder](#) takes detailed looks at several factors that affect prices each spring:

### Refinery Maintenance During the First Quarter

Demand for gasoline in the United States is generally lowest in the first two months of the year, so refinery maintenance, known as a “turnaround,” is often scheduled during the first quarter of the year. Like any maintenance, some turnarounds may not go as planned, and take longer or be more complex than originally anticipated, further stressing the system.

### Refineries Switch to Summer-blend Production in March

The blends of gasoline used in the summer months are different than the blends used in the winter. Adding to the complications of producing new fuels, there are more of them. Summer-grade fuel is more expensive for two reasons. First, the process to produce it takes longer and is costlier. Second, the overall yield of gasoline per barrel of oil is lower than during the winter months. Estimates vary as to the added cost per gallon for summer fuel, ranging from around 3 cents to as much as 15 cents per gallon to produce these higher-grade fuels.

..... Continued on page 16

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March 26, 2012

Dawna Leitzke  
South Dakota Petroleum and  
Propane Marketers Association  
PO Box 1058  
Pierre, SD 57501

Re: 85 Octane Gasoline

Dawna:

During the conference call on Friday afternoon, March 23, 2012, clarification was requested on several issues associated with the use of 85 Octane gasoline in South Dakota. It is the intent of this letter to provide this clarification.

Most important with respect to the recent investigation conducted by the office of Weights & Measures, Octane must be accurately posted in accordance with South Dakota Codified Law (SDCL) 37-3-13. The antiknock index (Octane) **may not be less than that** posted on the product dispenser or as certified on the invoice, bill of lading, shipping paper or other documentation. This also means that (for example) 87 Octane fuel delivered into a tank still containing 85 Octane gasoline, may be legally posted as 85 Octane but almost certainly not as 87 Octane because the actual Octane of the product after mixing will be less than 87. Non-compliance with these posting requirements violates South Dakota Codified Law and the Federal law on which South Dakota law is based (16 CFR Part 306).

We have been requested to state whether it is legal to sell 85 Octane gasoline in South Dakota, and if so, where in South Dakota it can be sold. This question is currently under review by the South Dakota Department of Public Safety. Until that review has been completed, the Department will take no action against those marketing this product anywhere in South Dakota **as long as it is posted in accordance with SDCL 37-3-13** and otherwise meets South Dakota standards for quality.

David L. Pfahler, Director  
Office of Weights & Measures  
South Dakota Department of Public Safety  
118 West Capitol Ave.  
Pierre, SD 57501

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## Retail Deadlines Go Through June

In most areas of the country that require summer-blend fuels, retailers have until June 1 to switch to selling summer-grade gas. Some retailers must sell summer-blend fuels much earlier. In Northern California, retailers must sell summer-blend fuel a month earlier than the rest of the country: May 1. In Southern California, the deadline is two months earlier: April 1. There are other key deadlines that put stress on the system much earlier than the retail deadlines. Nationwide, refiners must produce summer-blend fuel no later than April 1. The May 1 deadline for terminals is considered one of the biggest factors in the seasonal price increases.

## Demand Increases, Beginning in February

Demand is often cited as the main reason for spring price increases. It is a factor, but one of many. U.S. gasoline demand increases every year beginning in February, and typically peaks in August. (In 2011, U.S. demand peaked early, in June.) The common misperception is that there is a huge increase in demand for the Memorial Day weekend and the official beginning of the summer-drive season. There is an increase, but it is only a few percent per month. The problem is that this demand occurs when the system is most vulnerable to demand increases.

## The Bottom Line

Combined with world demand for crude oil, the patchwork of summer-blend fuels requirements places enormous stress on the fuels distribution system each spring. It's often easy to have gas; the challenge is to have the right gas at the right place. And with different requirements across the country, you also need to have it there at the right time.

The complete backgrounder is available [online](#).



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