RAQC Presentation

Colorado Petroleum Marketers Association

Convenience Store Association

Introduction Stage II

- Stage II Vapor Recovery comments.
- Representing the Petroleum Marketers, Distributors and Retailers in the 9 county front range area.
  - A market share of 75 percent is held by either independent operators or franchisees.
  - 15 to 20 percent represent hyper-markets including large corporations, (Safeway, King Soopers, Costco, Sam’s.)
  - 5 to 10 percent are direct refinery-owned locations.

To Begin

- State of the current petroleum marketing industry:
  - Decreased demand has resulted in reduced margins to below 1975 levels.
  - Credit card interchange fees (currently 8-11 cents/gal.)
  - Credit lines are stretched due to over $30,000 per 8,000 gallon cost per load.

Many retailers are simply on the verge of elimination.

Stage II Vapor Recovery Control Strategy Points

- Ultimately, based on fleet turnover and EPA required ORVR canisters, this will become a redundant technology, at best.
- One EPA “widespread use” standard puts a possible control strategy at 85 percent penetration to be considered implemented.
  - The RAQC estimates an 85% penetration in 2014 - 2015
  - Currently there is a 50- 60% penetration of ORVR canisters in the fleet

Control Strategy Points Continued

- Phase in implementation timeline:
  - Our associate members estimate that we can convert 180 stations a year with current resources and crews
  - Based on our survey (including possible increases in contractor services) we project 80 percent implementation by 2013 from a possible 2009 start date.

By the time implementation is completed the technology will become effectively redundant due to ORVR penetration.

Stage II Effectiveness: Other factors

- Rule Penetration
  - By placing artificial floors/or ceiling on throughput levels, unfair marketing advantages will exist.
  - Demographic and socio-economic factors.
  - Unlike ORVR, Stage II systems are more costly to maintain and inspect. The emission reductions that are assumed by the EPA rest solely on the integrity of the systems and full implementation across the region.

IEE's or Incompatibility Excess Emissions

- Whether using Vapor Balancing or a Vacuum Assist Stage II system, most technology currently works at cross purposes with ORVR technology, resulting in excess emissions and the potential to cause damage to the ORVR control system.

CARB and the API continue to evaluate the newest generation of Stage II systems to see whether these technologies remain incompatible.

Industry Costs

- The average Gasoline facility in the Front range has 2-4 Islands/4 to 8 dispensers (8-16 nozzles.)
- The average cost for retrofitting an unplumbed facility ranges between $60,000-$85,000 (including excavation/new equipment.)
- Not all facilities would require full excavation.

Industry Costs Continued.

- Based on the $60,000 per station average and,
- Considering 800-900 of the front range GDF's would require some point of retrofitting…

this control strategy asks Marketers to assume $<u>51 million</u> in costs to implement an eventually redundant technology (850gdf's x $60,000).

Other costs

- ❖ Based on the national average, we estimate annual upkeep costs for operators for system maintenance at approx. $4000 per location, resulting in:
  - ❖ $3,400,000 in yearly costs above the $51 million initial investment ($4000 per facility X 850 GDF's.)
  - ❖ Lost sales revenue during installation.
  - ❖ Competitive pricing disadvantage until full rule implementation.

National Trend

- Florida, which was not subject to mandatory Stage II requirements by the EPA, has chosen to remove their local Stage II regulation.
- Pittsburgh is phasing out its program in 2010.
- Arizona has chosen not to adopt Stage II controls as part of their emissions control strategy.
- Other states and regions have asked the EPA for a determination of “widespread use” to see if they can remove their programs (Georgia, New Hampshire).

Summary

- ❖ Due to the existing comparable technology, as well as the practical cost implications, we see no acceptable cost benefit correlation to this control strategy.
- ❖ Further, considering the unfortunate reality that this strategy focuses the majority of the financial burden on small business owners currently under financial duress, this strategy will force many retailers out of business.
- ❖ Finally we see no benefit in asking our customers to incur the costs of what is ultimately a redundant and duplicative strategy, with no long term benefit.