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PROFITS TO  
THE PUMP  
TODAY**



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# ETHANOL BRINGS CUSTOMERS, PROFITS TO THE PUMP

By Jonathan Eisenthal

Thinkers pondering the future of energy in the U.S. see something that makes gas station and convenience store owners wake up in the middle of the night in a cold sweat.

What if electric cars are the future?

Adopting an Alamo mentality and telling the world, “you can pry the dispenser handle from my cold dead hand” — well, if anything, that might hasten the transition to electric vehicles (EVs).

But it doesn't have to be that way.

If the main attraction of EVs is cleaner air (at least where the cars are being operated, if not where the power is being generated), then higher blend ethanol is a solution that will keep America's current fueling infrastructure useful to America's motorists. All that's needed for most stations are a few straightforward upgrades that would probably have to be made anyway. Keeping the same set-up of underground storage tanks, pumps and dispensers would also keep hundreds of thousands of c-stores in business.

The USDA has been investing millions in the Biofuels Infrastructure Program (with states and private industry groups chipping in matching dollars). The program installs tanks and dispensers that can handle higher ethanol blends across the United States. While some in the fueling industry



hem and haw (or worse), others, like Bob O'Connor, think that the infrastructure upgrade will forestall what business gurus call "disintermediation."

For the rest of us, that means getting cut out of the loop, and innovation is required to stay relevant.

That's why O'Connor, who co-owns (with his cousin) four Jetz Convenience Centers, just introduced E15 at their location on I-94. It's the first station in the Milwaukee area to offer the 15 percent ethanol blend. And he didn't just put it off on its own island. They decided to put the E15 option under the canopy, with the other fuel choices, on every single dispenser.

O'Connor, a third-generation fuel retailer, loves the ethanol story.

"I have always believed in it," O'Connor says. "I think ethanol is the highest performing fuel that we have, with the cleanest metrics. It's available right here, right now. Almost everybody is burning a blend of 10 percent ethanol. We're hoping they will kick it up to 15 percent ethanol and support our farmers, and save a little bit of money and see more performance. Hopefully, it will help clean up the air for those with lung impairments."

One of the things that makes O'Connor's interest in ethanol somewhat remarkable is that he is also chairman of the Wisconsin Petroleum Marketers and Convenience Store Association.

O'Connor understands the hesitancy of his fellow station owners.

"A lot of retailers have certain commitments to brand contracts, and E15 is new to many of them, the same as

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with consumers on the street," O'Connor says. "The first time you mention E15, they give you a deer in the headlights look. There is a lot of information that has to be put out and a lot of education that has to be done. I think it is going to grow. My company is just a small one, but you plant a seed and you go from there. My thought is that over the next five years, the information and education will get out there.

I think five years from now, barring any social legislation that puts a heavy burden of taxation on ethanol or something like that, that ethanol has a very promising future. I watched it go from zero to 10 in what I would consider a very fast pace. When E10 first arrived here in Milwaukee, it was like God sent the devil here: people wanted to know, 'what is going on?!' And now, across the nation, we are all burning it."

O'Connor and a number of other ethanol advocates in the Milwaukee area recorded an hour-long ethanol infomercial that ran on WISN, a leading talk radio station in Milwaukee. He was joined by NASCAR mechanic Pete Raskovic, who spoke about the horsepower and engine cooling

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***Jetz Convenience Stores celebrated their E15 blend offering on Nov. 18, 2016 in Milwaukee, WI.***

performance of ethanol and about the millions of miles of NASCAR racing on E15 without a single problem caused by the fuel.

“Right now, ethanol requires a two-pronged effort,” O’Connor says. “You have to put in the equipment to handle it so that you can have the fuel, and then once you have it, there has to be a concerted effort to inform the public about what it is, where it is, and how they can get it.”

O’Connor notes that the Biofuels Infrastructure Partnership program was what tipped the scales, and made it possible for Jetz to install E15. The new fuel dispensers went on line at his I-94 store on Nov. 18, 2016.

“We are very pleasantly surprised with the results at this early stage,” O’Connor says. “We had made projections and decided to put in a diesel at the same time we installed the E15. We had high expectations for the diesel. What I can tell you is that ethanol has beaten our expectation every day since day one. It is still a relatively small portion of our daily sales, but it is a significant part of our daily profit. And it has beaten the diesel, in terms of demand, at that location. That was a complete surprise to us. It is also doing slightly better than premium numbers.”

As someone who has owned his own store since 1992, O’Connor has lived through and felt the effects of the changes to America’s automotive fleet technology over the years. When he read in the June Automotive News that Nissan is bringing out an ethanol fuel cell—a vehicle that takes and holds ethanol like a regular vehicle and chemically reforms it into hydrogen to power a fuel cell—he saw the promise of this development. Here is an engine technology that can yield the zero emissions the EV people are looking for while keeping America’s current fueling infrastructure relevant.

“Nissan plans to bring out that vehicle in 2020,” O’Connor reports with enthusiasm. “This solution takes care of a number of problems—the car no longer needs a very expensive containment tank for hydrogen, and it doesn’t have a large amount of highly explosive fuel onboard—who can forget the Hindenberg?...but the nice part of this vehicle, for me, is the infrastructure is already mostly in place. Some stations may have to update their fuel dispensing systems, but basically, they own the real estate, they’ve got the labor in place, it would just be part of a normal upgrade process from what we do every day. To me, it’s a perfect next step. We’re all looking for that next step with alternative energy vehicles. People say it’s going to be electric. That’s fine, but what about range anxiety? What about charging time? Even on a fast charge it takes 20 minutes to charge. So what happens on a day when it’s 30-below in Wisconsin, and you don’t get quite the range you normally get, because it’s 30-below in Wisconsin, and you have the heater running and the wipers going and the electric windshield heat on—there are so many problems with all these alternatives.

“Ethanol is already here, it’s already being dispensed. If Nissan were to put a vehicle like that together, basically a battery vehicle that runs on hydrogen, it kind of ties everything together, and gets over that massive infrastructure play to put it in place. It is my hope that organizations and associations such as the Petroleum Marketers Association of America will embrace and help build the ethanol story as a means to steer our industry toward the future. To me, it is approaching faster than many of us might think.”

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