



Tom Knauff, CEO of EDP, is a 30-plus-year veteran of the propane industry. Knauff started his career at Ferrellgas and has become one of the industry's leading entrepreneurs. He launched EDP in 2012. Over the course of his career, Knauff has successfully completed more than 100 acquisitions. Visit edplp.net.

10 LESSONS LEARNED FROM DECADES IN THE PROPANE INDUSTRY

EDP's CEO reflects on the most important takeaways in his career

I've learned a lot over my three-plus decades in the propane industry, and especially over the last 10 years since launching Energy Distribution Partners (EDP). I'd like to share with you what I think are the 10 most important lessons from my propane career.

1. SAFETY

Our industry has a great safety record, but it's not a perfect record. It can get closer to perfect by consciously combatting a tendency toward apathy. If a service technician has had 100 calls involving someone smelling gas over the past 20 years and every one of them has been the result of low gas in the tank, that doesn't mean the next one will not be a dangerous leak. We must respond to every single call as if it were a leak.

Everyone must get out of the house and stay out until a full interruption-of-service procedure is accomplished by a qualified technician. This must be in our blood. It must be a point of pride to not ever make an exception. If you doubt this, read David Schlee's column (page 20) in this magazine.

2. 30 PLUS MORE EQUALS 30

One thing I've learned is that you get

all the credit you need by stating you have 30 years of experience. I actually have quite a lot more than that, even in the propane business — and propane wasn't my first industry! But I stopped adding more years to my statement about 30 years in the industry. You don't get credit by saying you have more than that; you're just proving you're old. If you can't benefit from 30 years of experience, you'll only get worse over time!

3. GENUINE PEOPLE

My first boss in the industry told me that the propane world was filled with genuine people. I have found that to be true, almost without exception, over the years. People in the propane industry are genuine, earnest, honest and wide open.

Too often, regulators and politicians with ulterior motives are less than up front with us in return, especially when it comes to the policy issues surrounding electrification.

4. RESPECT FOR THE FREE MARKET

We compete for every customer we have. We are like a private utility for which the customer really can go to the utility across the street. We must deliver value to thrive. The free market makes us healthy and, at another level, makes our commodity available all around the world at mostly reasonable prices.

At still another level, the financial underpinnings of our industry continue to attract capital despite the dramatically higher costs of doing business. The free

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market and the capitalist system make all this possible.

5. VALUE TO THE CONSUMER

Propane prices were in the 40s on the spot market when I entered the industry in the 1980s. They have been in that zip code again within the last couple of years. At present, they are decoupled from the rest of the energy complex and delivering valuable Btu to consumers and industrial users for a very reasonable share of wallet compared to other energy sources. In most jurisdictions, the cost of electricity is much higher on a Btu-equivalency basis. This issue will come to the forefront in the next few years.

6. PROPANE IS EVERYWHERE

Our product is ubiquitous. Propane is not a large industry, but we are everywhere: We're in all 3,300 counties of the United States — urban and rural — and that everywhere-presence is our strength.

Every member of the U.S. Congress has propane customers, employees and business owners as constituents.

7. CUSTOMERS LOVE US

For the most part, customers are fond of their propane provider, and they enjoy the product's benefits. When we do our job at its best, they don't have to think about us at all; their space is safe and warm, the water is hot, they cook over a dependable flame and the best of us are easy to do business with. So when they do think about us, our role in the community and so forth, the feelings are usually positive.

Our customers are our secret weapon when it comes to threatening policy initiatives. However, they must be informed and incited to take action. Almost none of our customers, for example, know about the threat of some state governments preparing to take their options away and force them to electrify.

This will be a huge, one-time expense and will dramatically and permanently increase their monthly expenses. We need to use every means possible to inform our customers about these issues. If we do and we show them how to do it, they will speak up.

8. CHANGE HAPPENS

Our industry is getting to be an old one; we have been doing what we do for a very long time — over a century now. This can make us think that nothing ever changes because things change so slowly. But change does come. Today, customers in the upper Midwest who use 600 gallons of propane a year for home heating used 1,000 to 1,200 gallons in the 1980s. This change came slowly but steadily and is the result mostly of increased appliance and furnace efficiency. This has happened while our expenses have increased dramatically: trucks, tanks, all of our assets, labor

expense, health and liability insurance — all much more expensive. Fortunately, the free-market principal has allowed us to increase earnings sufficiently to cover these expenses. Remember that apathy is our enemy. Change happens, and we should be aware of it and adjust more quickly. We need to use our customer outreach ability to inform them about electrification, for example, and show them how to take action.

9. POLITICS

I know great marketers who believe our industry spends too much time and money in Washington, D.C., and the state capitols. It's easy to understand the distaste that businesspeople have for politics in the current world. But our industry must insert itself into these political venues whether it's pleasant or not. Why? Because they're literally trying to outlaw our product.

10. WEATHER & CLIMATE

One of the things I learned with some fascination when I started in the industry is that people have terrible memories about the weather. I knew this was true in the general population, but I was surprised to find that it was true even of those of us in the propane business. And we're in the weather business!

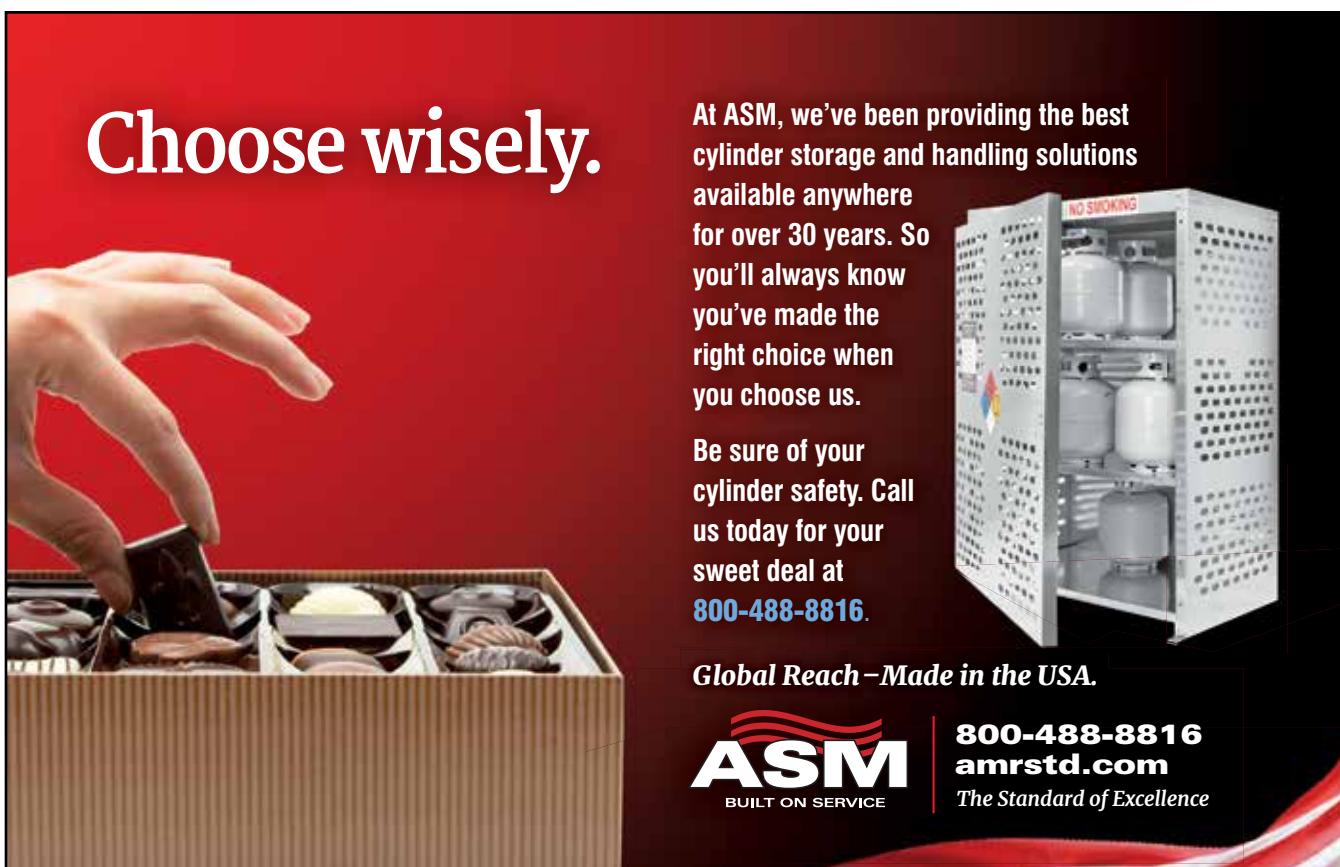
This makes weather and climate a perfect subject matter for politicians to use for political purposes. They can claim the climate is headed in the wrong direction and that every weather anomaly helps prove this, and then they can claim they have the plan to fix it! That's how they get votes. And in this case, it will be at our expense.

We all know that this industry gets in your blood. People always come back to us once they have been a part of it. I have always found that to be curious because

it's not a particularly glamorous industry. You don't get to meet a lot of movie stars or get chased around by the paparazzi. But it's still a fascinating industry. It has taken me to 49 of the 50 states and several foreign countries. The propane industry is like a chameleon; industry practices everywhere take on the shape and flavor of the local culture.

I was in Barcelona a few years ago and came upon a propane delivery man standing on the corner striking a cylinder rim with a crescent wrench. Customers in the surrounding apartment buildings could hear the clanging and then signal from their windows that they needed a delivery.

This is probably an application for a software solution, but I thought the practice was charming. I visited with the friendly delivery man about it for a few minutes. I wasn't surprised to find that he seemed like a very genuine sort of guy. 🍷



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