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G★VERNMENT
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Gas Gear Dealer's Environmental Side Makes Green

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IT SOUNDS IRONIC, OWNERS Michael Shelby and Philip Grace admit, that their company, the state's largest petroleum equipment distributor, is also an agent for Mother Earth.

For their customers, it's a natural fit.

For nearly half a century The Southern Co. of North Little Rock Inc. has supplied gas stations, industrial sites, hospitals, airports and anyone else who needs gasoline with the right gear to keep the pumps flowing.

Then federal tank storage laws dating back to the Reagan administration helped launch the company's thriving environmental division. For the last 15 years — and even more so recently with SoCo's latest change in ownership — the company found there's money to be made in making sure these places with gas are also doing right by the environment.

SoCo is one of only three contractors for the Arkansas Department of Environmental Quality. The company also has done contamination cleanup jobs with several municipalities and the State Highway Department.

Deep Roots

The Southern Co. was founded in 1945 in Memphis and opened a Little Rock branch 13 years later. A.P. "Bud" Mulligan, an employee with the company, bought out the Little Rock branch in 1975 and changed the name to The Southern Co. of North Little Rock. And in 1980 Mulligan opened the company's Fort Smith branch.

Then on Jan. 13, 2005, 82-year-old Mulligan decided to sell the company to a couple of lifelong friends with extensive résumés but no experience in the petroleum supplies business.

Shelby had worked in outside sales for travel and real estate services company Cendant Corp. of New York City. And Grace was a commercial real estate agent for Colliers Dickson Flake Partners in Little Rock.

Grace's grandfather once sold propane trucks, and that was the closest connection either of them had with the fuel business before they bought the company.

Nevertheless, the partners inherited a mature business with a mature staff that was eager to have owners in growth mode. And that included the company's environmental division.

SoCo's environmental division was formed in the early 1990s after a series of state and federal legislative changes required storage tanks to be more environmentally friendly.

In 1984 the Hazardous & Solid Waste Amendments required the Environmental Protection Agency to



FUEL TOOL DEALERS: Owners Philip Grace and Michael Shelby say SoCo's environmental work is a natural complement for the company's main business, petroleum equipment sales.

draft regulations for underground storage tank systems. In 1988 the federal regulations were finalized, and a year later Arkansas legislators charged the state's Pollution Control & Ecology Commission (a predecessor of the ADEQ) to regulate the underground storage tank systems in Arkansas.

The new rules required a phase out of the old storage tanks to be replaced by new ones that did not corrode as easily.

For SoCo, this meant many of their customers needed new storage tank systems, and that meant lots of business for the company — enough to start a new division even.

Barry Winningham joined SoCo's sales department in 1990 and quickly saw the opportunities for the company to do environmental work.

"Installing petroleum equipment is a rather risky business," he said.

From 1990 to 1998, when underground storage tank owners were supposed to have their systems updated to meet the new environmental regulations, Winningham estimates SoCo removed 3,000-4,000 old storage tanks. Most of the company's business was in Arkansas — and there was plenty to be had here — but the company also ventured into Oklahoma.

Even though the regulations required that owners and operators of underground storage tanks replace or get rid of their outdated tanks by 1998,

many of them still exist. SoCo still does eight to 10 tank removals a month, Winningham said.

"A lot of people didn't have the money and just ran off," he said.

According to the ADEQ, Arkansas has more than 29,000 underground tanks (8,200 are in use), and just fewer than 7,000 of these are in compliance with the 1998 deadline.

That leaves plenty of old tanks that can still be removed. And sometimes, when the property owner will not remove one that is a potential environmental threat the ADEQ will contract SoCo to remove them.

Tank installations also are a large part of SoCo's business, and the company does about 40 of those a year.

The storage tanks legislation may

That includes not only geological assessments but can also include tests of the buildings themselves, which can be checked for mold or asbestos.

The company also performs subsurface tests on soil and groundwater to determine whether properties containing or near storage tanks are contaminated. Winningham said the company did that kind of work with a couple of Arkansas cities where water wells were contaminated, though he declined to name them. One of cities, he said, required a \$1 million cleanup.

SoCo has also been contracted by other state agencies, like last year when it worked a \$500,000 tank removal and cleanup job in North Little Rock that covered an area 200 feet wide, 300 feet long and 13 feet deep.

"We haven't cleaned up the world, but we've cleaned up some small sites pretty good," Winningham said.

Other municipalities or businesses simply require monitoring and testing of their tanks to comply with EPA regulations.

Pair the environmental services with the company's bread and butter, petroleum equipment supplies, and Grace believes SoCo has a leg up on competing equipment sellers.

"Our advantage is that if a company has a tank leak and still wants to operate, we can come in and fix the old tank and put in a new one," Grace said.

And the storage tanks are only part of SoCo's contracting work. The company can build convenience stores turnkey.

Petroleum equipment, however, still remains SoCo's focus. Last month Shelby and Grace displayed their commitment to growing the aged business by acquiring most of the assets of a competing petroleum equipment company, Ozark Equipment LLC of Little Rock, from Lee Carter, Ron Madding and Jerry White.

Coincidentally, Shelby and Grace made the purchase exactly one year after they bought SoCo.

They declined to disclose the purchase price.

Also on the company's growth map is the emerging biofuels industry.

After all, someone has to supply those businesses with equipment, and most of it is the same as petroleum gear.

SoCo has already landed one major client in Arkansas. The company supplied all tanks and equipment for the Stuttgart biodiesel facility being built by Patriot Biofuels Inc. of Little Rock.

The biodiesel industry might not be exploding, so to speak, but state and federal incentives continue to push it along. It would not be the first time SoCo made the most of government moves. ■

"We haven't cleaned up the world, but we've cleaned up some small sites pretty good."

— Barry Winningham

have launched a new SoCo division, but the company trickled several other services into their environmental business.

Going Green

According to Shelby, SoCo brings in \$8 million-\$10 million a year in revenue. More than a quarter of that, he said, comes from the environmental division.

Along with the storage-tank removal and installation, the company does phase I and II environmental property assessments for commercial and industrial real estate deals.

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