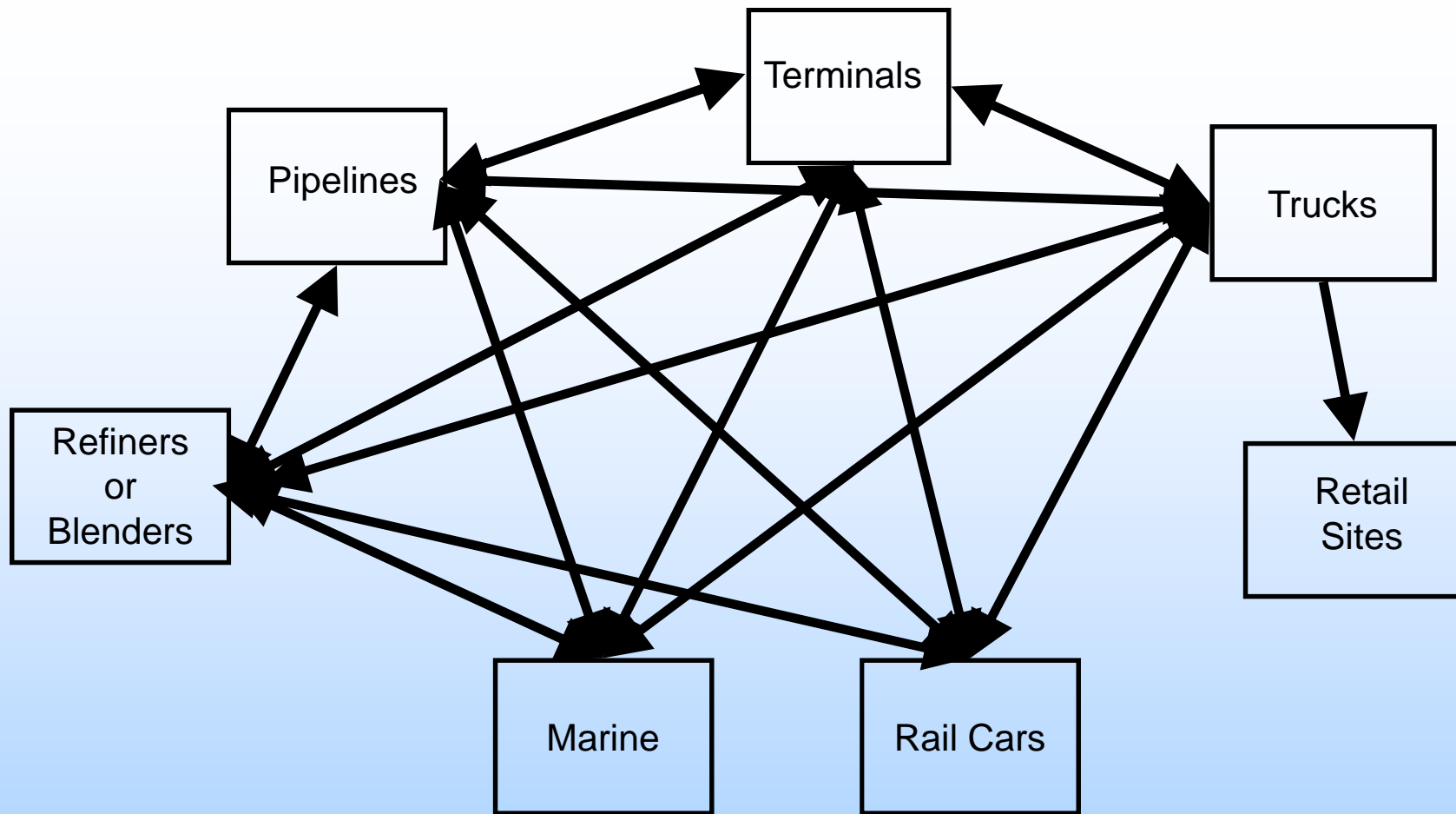


Industry Issues with ULSD
Tom Miesner, AOPL

Phoenix, Arizona
November 9, 2005

Industry Issues

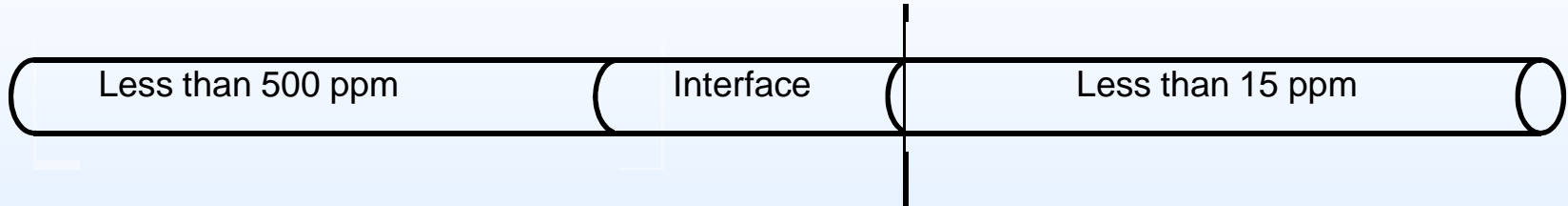
- Facility designations
- Registration of your Transferees and Transferors by end of this year (9 digit code is a combination of entity and facility codes)
- Transfer points
- Types of pipeline transfers
- Supply and demand overview



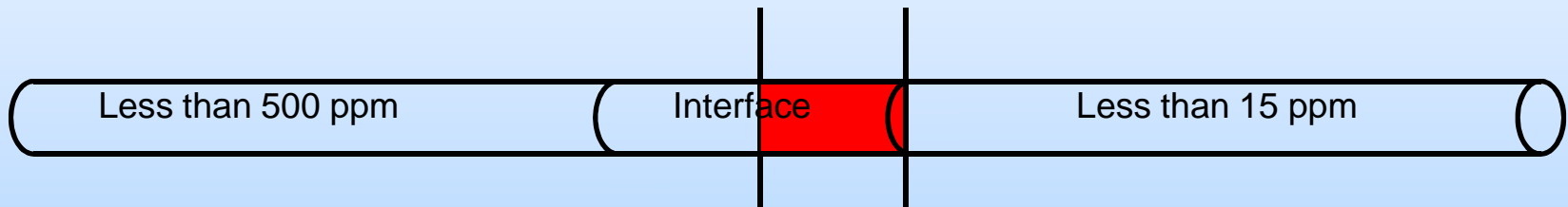
Designate and Track challenges will most likely occur at custody transfer points between entities – and there are many transfer points. This slide does not show all transfer points. There will also be pipeline to pipeline transfers for example.

Potential Pipeline Cuts Between Distillate Types

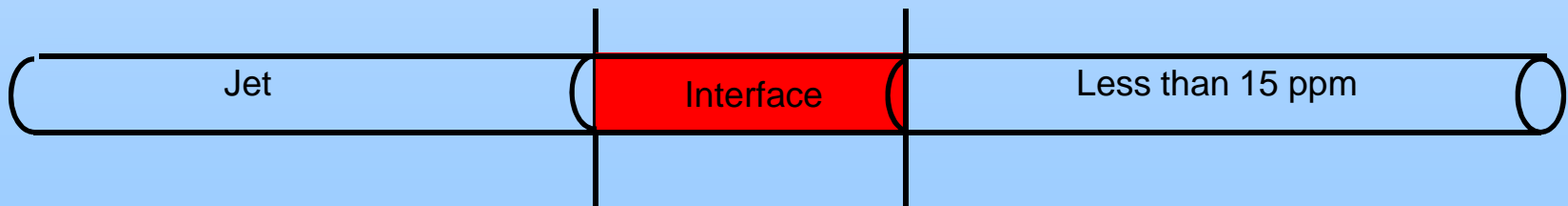
End of ticket matches where product ends.



Product ends before interface starts and ticket ends at midpoint.

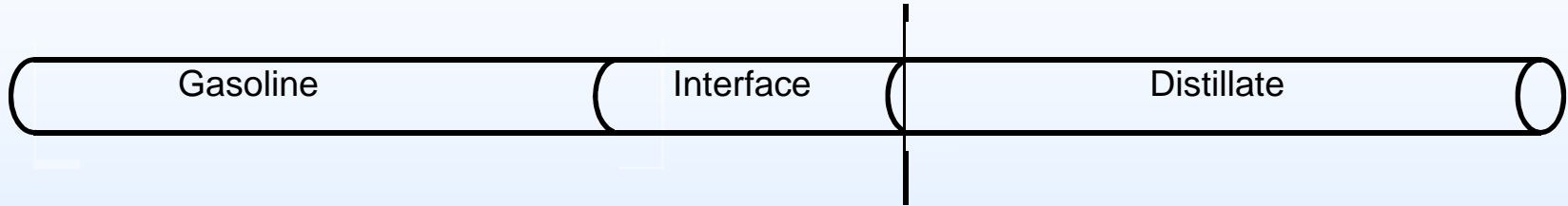


Interface is “cut out” by the pipeline and delivered into a dedicated tank.

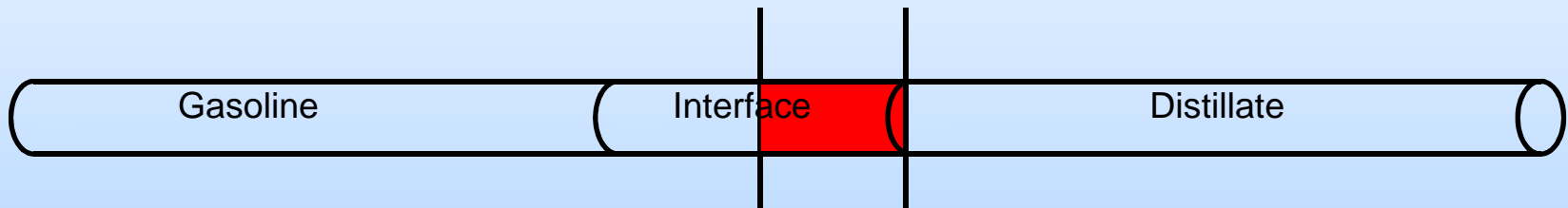


Potential Pipeline Cuts Between Gasoline and Distillate

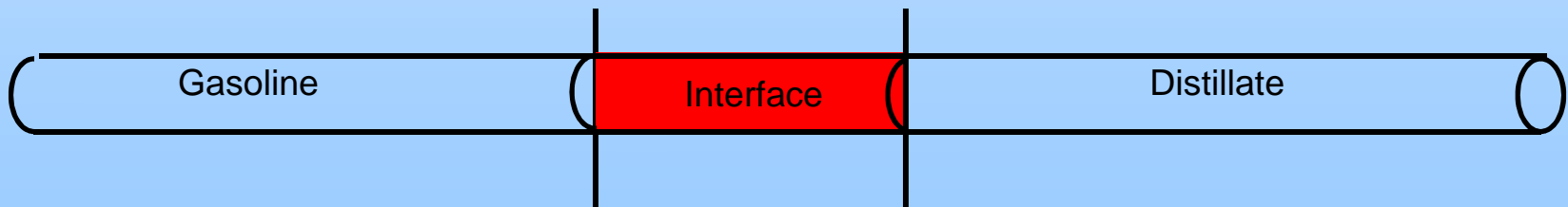
End of ticket matches where product ends.



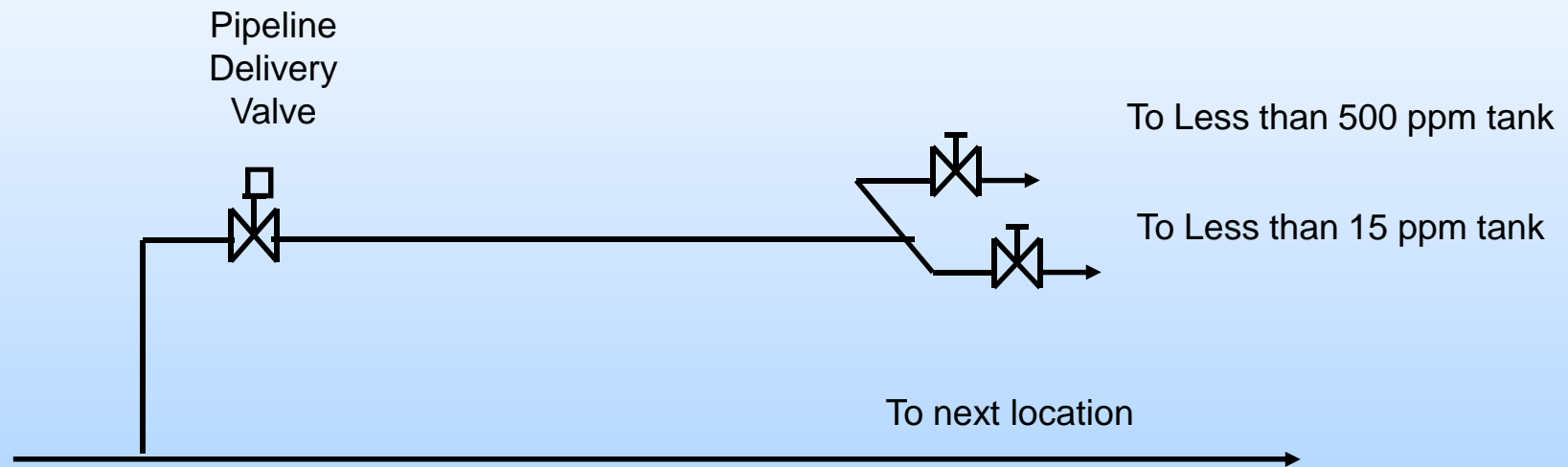
Product ends before interface starts and ticket ends at midpoint.



Interface is “cut out” by the pipeline and delivered into a dedicated tank.

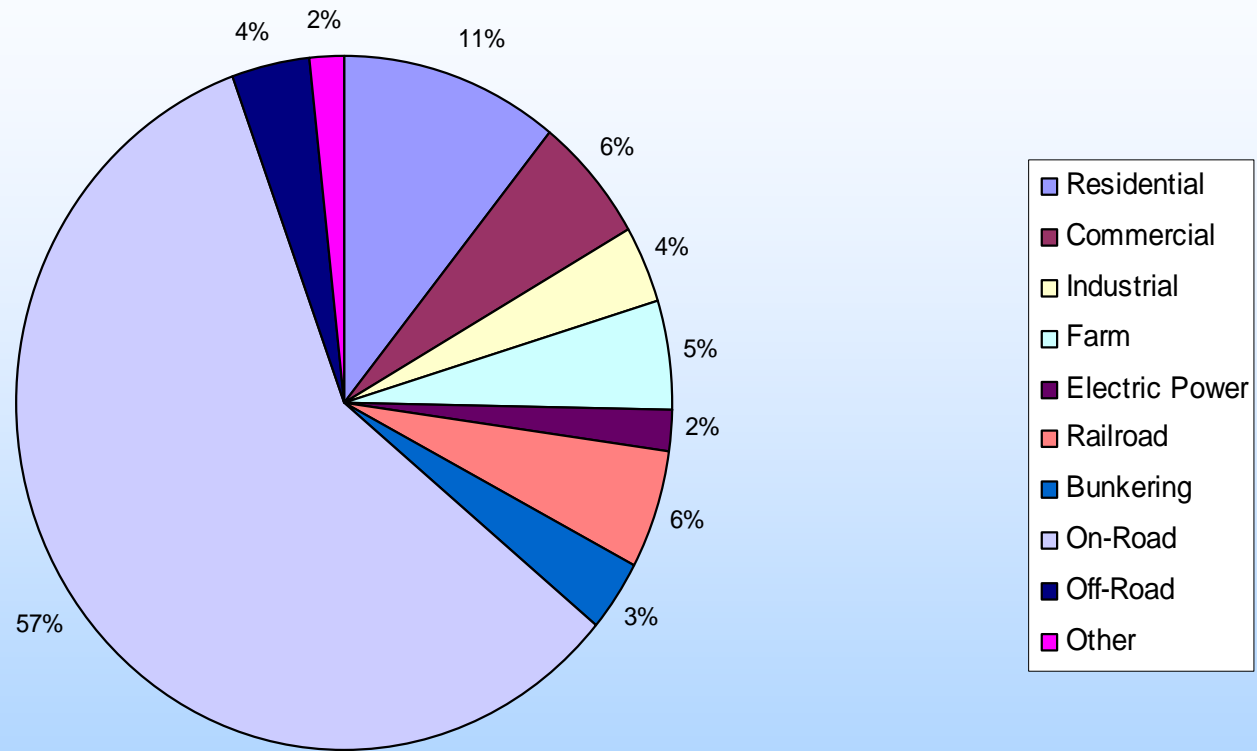


Simplified Delivery Line Fill Example



Testing is at the pipeline delivery valve. Therefore, the terminal operator must understand and handle/account for line fill

2003 U. S. Distillate Sales



Fifty seven percent of distillate demand was highway in 2003. If refiners produce 80% of highway as ULSD, around half of total distillate production will be ULSD, but it will vary by region. (Refiner surveys indicate approximately 90% of on road will be ULSD).

Source: EIA "Fuel Oil and Kerosene Sales 2003"

General Transfer Questions

1. What is the sulfur receipt spec? – Each Entity sets and manages its own.
2. How are test discrepancies resolved?
3. Where is the testing performed?
4. Who decides where off spec materials go?
5. How is interface material handled?
6. What happens if a batch previously tested above 15 ppm subsequently tests below 15 ppm?
7. Who takes the downgrade if it is 15HW to 500HW?

General Transfer Questions (continued)

8. Who determines if an incoming receipt of ULSD into a pipeline needs to be re-designated due to pipeline test results over entry spec or over 15ppm?
9. In this event, who determines what product this will be redesignated to? – The shipper will have this responsibility (must work with supplier/refiner).
10. How is product redesignated to ULSD if it is upgraded?
-- Facility handles the redesignation
11. What happens if parties can not agree and they go to the EPA? If the parties cannot agree and the situation requires EPA's involvement, it will generally be handled on a case-by-case basis. Factors such as whether or not both parties have adequate QA/QC programs will be looked at in such a case.

Questions