

Using Published Price Benchmarks For Fuel Procurement Contracts

*8th Annual Northern California Clean
Technology Forum & Equipment Expo*
October 18, 2017

About OPIS

OPIS (Oil Price Information Service) - the most widely accepted fuel price benchmark for fuel supply contracts and competitive positioning

OPIS delivers accurate fuel pricing, news and analysis in real time across the global supply chain

About OPIS




400
Employees



Office Locations

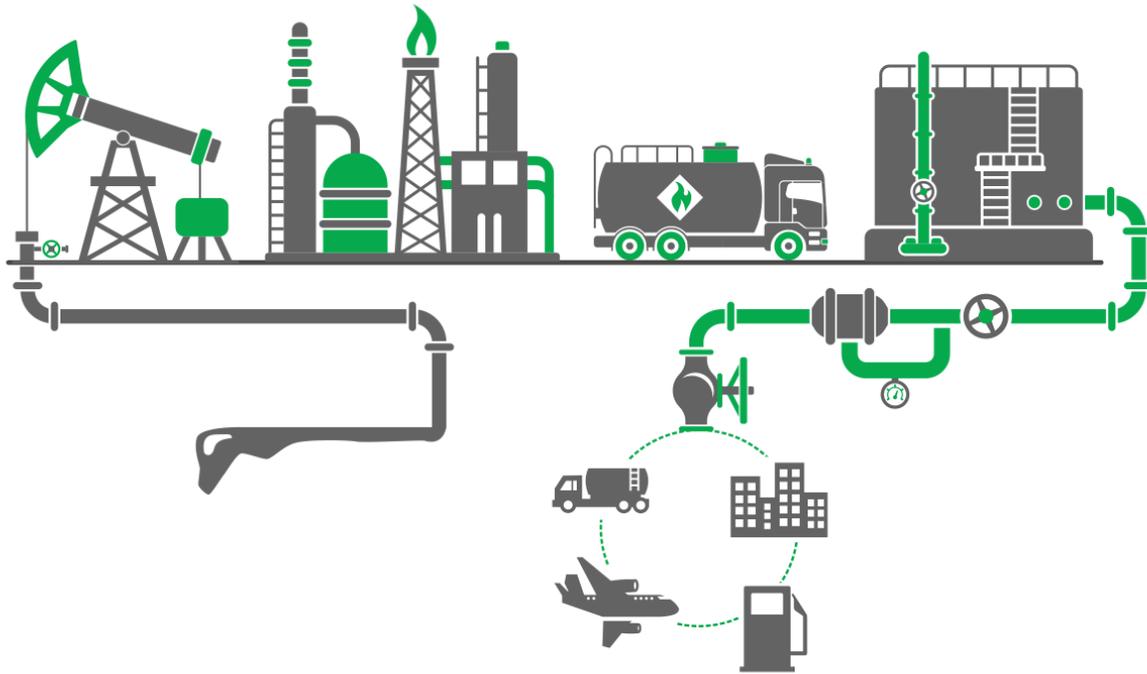
Washington, D.C.

Houston, TX

London UK

Singapore

OPIS supplies solutions for all players in the downstream energy market, including:



- Refiners & Suppliers
- Wholesalers & Jobbers
- Retailers
- Fleets & Airlines
- Traders
- Pipelines & Terminals
- Municipalities
- Financial Institutions

- OPIS is listed as a settlement mechanism on global commodity exchanges
- OPIS pricing methodology is approved by IOSCO (International Organization of Securities Commissions)
- OPIS directly impacts nearly 100 billion gallons of fuel per year
- Businesses have fuel contracts based on OPIS pricing for 10+ years into the future



Rack Pricing

- All great deals start with OPIS rack prices, the most dependable wholesale benchmark
 - > OPIS publishes 30,000+ wholesale rack prices every day in nearly 400 North American markets
 - > OPIS benchmarks let you establish a cost basis for fuel contracts
 - > Real-time reporting helps you react faster to market volatility
 - > Historical data helps you analyze price trends and easily reconcile invoices

Rack products include:

- Real-Time + Mobile Racks Reports
- Spot Ticker
- Full-Day and West Coast Spot Reports
- Intraday Alerts

Rack Price Benchmarks

- **Benchmarks:**

- >another form of basis

- >available through different industry publications called PRA's (price reporting agencies)

- usually delivered electronically, at different intervals

- >a number that is frozen in time, historically archived, and commonly negotiated by buyers and sellers to be used as a cost basis in a fuel transaction

- >can be for either rack, or spot supply deals

Why Benchmarks Are So Important

- **Billing Accuracy**– Having a visible, transparent third party cost basis takes out the concern that buyers may have about being mischarged on their fuel purchases. This also engenders good will between the two parties in the agreement.
- **Compliance** - Benchmarks can help assure that you are purchasing the correct mandated fuel in your market, especially in markets that have complicated fuel slates.
- **Reconciliation**– If either party has to go back and review past invoices, having a visible cost basis makes this process infinitely easier.

PRA Options

- **OPIS:** Focuses on rack and spot markets. OPIS is the most frequently used publication for benchmarking in long and short term ratable contract / rack deals. Also widely used in West Coast spot benchmarking deals (for bulk/spot deals)
- **PLATTS:** Used widely for spot benchmarking deals on refined products East of the Rockies. Also used very widely in crude and heavy oil deals and in most international transactions.
- **Petroleum Argus:** Also used widely for spot benchmarking deals on refined products East of the Rockies. Does not offer rack prices
- **Other choices:** Axxis, and DTN (Fast Racks).

OPIS Daily Rack Benchmark Reports

- **Daily (10:00 a.m. Contract average)**: The industry is moving to this as the most commonly used daily benchmark. Ideal for the fuel buyer who wants their fuel purchasing / accounting completed early in the day. ***Remember: the contract average is made up of the 6:00 p.m. moves that went into effect the DAY BEFORE and anything up until 10:00 a.m. EST.***
- **Daily (5:59 p.m. Closing average)**: Second most frequently used daily benchmark. ***Remember: the closing average DOES NOT include any of the 6:00 p.m. EST moves for that day!***
- **Daily (11:59 p.m. Calendar Closing)**: This report will capture all prices in effect for the day up to 11:59 p.m. This is used by the buyer/seller who lifts fuel AFTER 6:00 p.m

Other OPIS Pricing Benchmarks

- Weekly can either be from the **OPIS Newsletter (Thursday snapshot)** or from a daily service (Monday-Saturday).
- There is also a 5-day average (Friday-Thursday) in the weekly newsletter.
- Daily (Monday-Saturday) Average Options:
 - >Closing Average
(5:59 p.m. EST – Gross/Net)
 - >Calendar Average
(11:59 p.m. EST – Gross/Net – Avgs. Only)
 - >Contract Average
(10:00 a.m. EST – Gross/Net – Avgs. Only)
 - >Branded Average
 - >Unbranded Average
- More than 400 rack locations in the United States that sell gas, diesel and/or biodiesel.

Cap and Trade Assessment, LCFS Credit Costs (CAR)

- Effective January 1, 2015 transportation fuels fell under the obligation of the Cap and Trade Program as defined in AB32.
- In January 2016, suppliers began assessing an LCFS credit cost.
- As a result, the cost of the Cap and trade allowance and LCFS costs were passed on in the cost of fuel at the rack.
- Some suppliers billed the cost as a line item, others included it in their posted rack price
- As a result of different suppliers charging the costs in a different manner, OPIS had to “normalize” the prices so the benchmarks – low, high, averages would be correct.

Cap and Trade Assessment, LCFS Credit Costs (CAR)

OPIS offers 3 reports:

- As reported, with no adjustment to the suppliers posted price
 - Adjusted to include the CAR and LCFS costs (CAR) for those suppliers that DO NOT include the CAR assessment in their posted prices
 - Adjusted to exclude the CAR and LCFS costs from the suppliers that include the CAR assessment in their posted prices

OPIS LCFS Credit Price and Carbon Allowance Assessments October 10, 2017 As Published in the OPIS West Coast Spot Market Report.

OPIS California Low Carbon Fuel Standard

Product	Low	High	Mean	Change
Carbon Credit (\$/MT)	92.500	93.000	92.7500	-0.2500
CI Pts Ethanol (\$/CI)	0.00754	0.00758	0.007560	-0.000020
CI Pts Biodiesel (\$/CI)	0.01167	0.01173	0.011700	-0.000030
Carbon CPG Diesel (cts/gal)	4.44	4.46	4.450	-0.015
Carbon CPG Dsl 95% (cts/gal)	4.22	4.24	4.230	-0.015
Carbon CPG Gasoline (cts/gal)	5.26	5.29	5.275	-0.015
Carbon CPG Gas 90% (cts/gal)	4.74	4.76	4.750	-0.010

Calif. Carbon Allowance Assessments (\$/mt)

Vintage	Timing	Low	High	Mean
Previous Yr.	PMT OCT '17	15.23	15.25	15.240
Previous Yr.	FWD DEC '17	15.28	15.30	15.290
Current Yr.	PMT OCT '17	15.22	15.24	15.230
Current Yr.	FWD DEC '18	15.66	15.68	15.670
Next Yr.	PMT OCT '17	15.17	15.19	15.180
Next Yr.	FWD DEC '17	15.22	15.24	15.230

Prompt Calif. Cap-at-the-Rack Prices (cts/gal)

Product	Price	Wk Avg	30-Day Avg
Summer CARB RFG-R	12.27	12.262	12.242
Summer CARB RFG-M	12.25	12.238	12.215
Summer CARB RFG-P	12.23	12.220	12.200
Winter CARB RFG-R	12.25	12.238	12.241
Winter CARB RFG-M	12.25	12.238	12.241
Winter CARB RFG-P	12.26	12.250	12.254
CARB No.2	15.60	15.584	15.556
B5 Biodiesel	14.82	14.806	14.781
Propane	8.56	8.552	8.536
LNG (cts/DGE)	11.15	11.140	11.121

OPIS Gross Standard Sacramento Diesel Rack Prices as Reported with No CAR Assessment Adjustment

SACRAMENTO, CA

2017-10-10 10:00:11 EDT

OPIS CONTRACT BENCHMARK FILE

OPIS GROSS CARB ULTRA LOW SULFUR DISTILLATE PRICES AS REPORTED

	Terms	No2	Move	No.2 RD	Move	No.2 NRLM	Move	Date	Time
Valero	u N-10	181.75	+ 2.53	182.25	+ 2.53	-- --	-- --	10/09	18:00
Valero	b N-10	182.70	+ 1.73	-- --	-- --	-- --	-- --	10/09	18:00
XOM-TSO	b 1-10	202.00	- 4.00	-- --	-- --	-- --	-- --	10/06	18:00
PSX	u N-10	202.25	+ 1.00	202.75	+ 1.00	-- --	-- --	10/09	18:00
Shell	u N-10	202.78	+ 3.13	203.28	+ 3.13	-- --	-- --	10/09	18:00
Shell	b 1-10	202.81	+ 1.14	-- --	-- --	-- --	-- --	10/09	18:00
Tesoro	u N-10	203.00	+ 1.00	203.50	+ 1.00	-- --	-- --	10/10	00:03
IdemitsuA	u N-10	203.50	+ 1.00	204.00	+ 1.00	-- --	-- --	10/09	19:00
PSX	b N-10	203.55	+ 2.00	204.05	+ 2.00	-- --	-- --	10/09	18:00
FlyersEn	u N-10	204.75	+ 2.00	205.25	+ 2.00	-- --	-- --	10/10	00:01
Chevron	b 1t45c	205.20	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
Texaco	b 1t45c	205.20	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
LOW RACK		181.75		182.25		-- --			
HIGH RACK		205.20		205.25		-- --			
RACK AVG		199.96		200.73		-- --			
CAP-AT-THE-RACK		15.60		15.60		-- --			
LCFS COST		4.465		4.465		-- --			
OPIS SAN FRANCISCO DELIVERED SPOT (SRI)									
FOB SACRAMENTO		179.66		180.01		-- --			
BRD LOW RACK		182.70		204.05		-- --			
BRD HIGH RACK		205.20		204.05		-- --			
BRD RACK AVG		200.24		204.05		-- --			
UBD LOW RACK		181.75		182.25		-- --			
UBD HIGH RACK		204.75		205.25		-- --			
UBD RACK AVG		199.67		200.17		-- --			
CONT AVG-10/10		199.96		200.73		-- --			
CONT LOW-10/10		181.75		182.25		-- --			
CONT HIGH-10/10		205.20		205.25		-- --			

OPIS Gross Standard Sacramento Diesel Rack Prices Adjusted to Include the CAR Assessment for each Supplier

SACRAMENTO, CA 2017-10-10 10:00:11 EDT

OPIS CONTRACT BENCHMARK FILE

OPIS GROSS CARB ULTRA LOW SULFUR DISTILLATE PRICES WITH CAR COST

	Terms	No.2	Move	No.2 RD	Move	No.2 NRLM	Move	Date	Time
Valero	u N-10	201.82	+ 2.53	202.32	+ 2.53	-- --	-- --	10/09	18:00
XOM-TSO	b 1-10	202.00	- 4.00	-- --	-- --	-- --	-- --	10/06	18:00
PSX	u N-10	202.25	+ 1.00	202.75	+ 1.00	-- --	-- --	10/09	18:00
Valero	b N-10	202.77	+ 1.73	-- --	-- --	-- --	-- --	10/09	18:00
Shell	u N-10	202.78	+ 3.13	203.28	+ 3.13	-- --	-- --	10/09	18:00
Shell	b 1-10	202.81	+ 1.14	-- --	-- --	-- --	-- --	10/09	18:00
Tesoro	u N-10	203.00	+ 1.00	203.50	+ 1.00	-- --	-- --	10/10	00:03
IdemitsuA	u N-10	203.50	+ 1.00	204.00	+ 1.00	-- --	-- --	10/09	19:00
PSX	b N-10	203.55	+ 2.00	204.05	+ 2.00	-- --	-- --	10/09	18:00
FlyersEn	u N-10	204.75	+ 2.00	205.25	+ 2.00	-- --	-- --	10/10	00:01
Chevron	b 1t45c	205.20	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
Texaco	b 1t45c	205.20	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
LOW RACK		201.82		202.32		-- --			
HIGH RACK		205.20		205.25		-- --			
RACK AVG		203.30		203.59		-- --			
CAP-AT-THE-RACK		15.60		15.60		-- --			
LCFS COST		4.465		4.465		-- --			
OPIS SAN FRANCISCO DELIVERED SPOT (SRI)									
FOB SACRAMENTO		179.66		180.01		-- --			
BRD LOW RACK		202.00		204.05		-- --			
BRD HIGH RACK		205.20		204.05		-- --			
BRD RACK AVG		203.59		204.05		-- --			
UBD LOW RACK		201.82		202.32		-- --			
UBD HIGH RACK		204.75		205.25		-- --			
UBD RACK AVG		203.02		203.52		-- --			
CONT AVG-10/10		203.30		203.59		-- --			
CONT LOW-10/10		201.82		202.32		-- --			
CONT HIGH-10/10		205.20		205.25		-- --			

CAR and LCFS
previous day
Assessments
listed for
information only



Benchmarks



OPIS Gross Standard Sacramento Diesel Rack Prices Adjusted to Exclude the CAR Assessment for each Supplier

SACRAMENTO, CA 2017-10-10 10:00:11 EDT

OPIS CONTRACT BENCHMARK FILE

OPIS GROSS CARB ULTRA LOW SULFUR DISTILLATE PRICES **WITHOUT CAR COST **

	Terms	No2	Move	No.2 RD	Move	No.2 NRLM	Move	Date	Time
Valero	u N-10	181.75	+ 2.53	182.25	+ 2.53	-- --	-- --	10/09	18:00
XOM-TSO	b 1-10	181.97	- 4.00	-- --	-- --	-- --	-- --	10/06	18:00
PSX	u N-10	182.19	+ 1.00	182.69	+ 1.00	-- --	-- --	10/09	18:00
Valero	b N-10	182.70	+ 1.73	-- --	-- --	-- --	-- --	10/09	18:00
Shell	u N-10	182.72	+ 3.13	183.22	+ 3.13	-- --	-- --	10/09	18:00
Shell	b 1-10	182.75	+ 1.14	-- --	-- --	-- --	-- --	10/09	18:00
Tesoro	u N-10	182.94	+ 1.00	183.44	+ 1.00	-- --	-- --	10/10	00:03
IdemitsuA	u N-10	183.44	+ 1.00	183.94	+ 1.00	-- --	-- --	10/09	19:00
PSX	b N-10	183.49	+ 2.00	183.99	+ 2.00	-- --	-- --	10/09	18:00
FlyersEn	u N-10	184.69	+ 2.00	185.19	+ 2.00	-- --	-- --	10/10	00:01
Chevron	b 1t45c	185.14	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
Texaco	b 1t45c	185.14	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
LOW RACK		181.75		182.25		-- --			
HIGH RACK		185.14		185.19		-- --			
RACK AVG		183.24		183.53		-- --			
CAP-AT-THE-RACK		15.60		15.60		-- --			
LCFS COST		4.465		4.465		-- --			
OPIS SAN FRANCISCO DELIVERED SPOT (SRI)									
FOB SACRAMENTO		179.66		180.01		-- --			
BRD LOW RACK		181.97		183.99		-- --			
BRD HIGH RACK		185.14		183.99		-- --			
BRD RACK AVG		183.53		183.99		-- --			
UBD LOW RACK		181.75		182.25		-- --			
UBD HIGH RACK		184.69		185.19		-- --			
UBD RACK AVG		182.96		183.46		-- --			
CONT AVG-10/10		183.24		183.53		-- --			
CONT LOW-10/10		181.75		182.25		-- --			
CONT HIGH-10/10		185.14		185.19		-- --			

Standard vs. Terminal format

- Nearly all supply contracts that are tied to OPIS use what is known as the “standard” format.
- In the standard format, if a supplier has multiple postings in one city (at different terminals), usually the least expensive price is the one that is used in that particular market.
- In the “terminal” format, all the various terminals show up in the price discovery.
- IMPORTANT: If DTN or Axxis is the choice for the benchmark, their formats are “Terminal.”
- Most fuel contracts “default” to the OPIS standard format.
- However, some customers opt to buy the “terminal” format ONLY.
- **THE STANDARD AND TERMINAL FORMATS ARE NOT GOING TO HAVE THE SAME AVERAGES**
- Be careful – make sure the party on the other end of the transaction is using the SAME format as you!

OPIS Gross *Terminal* Sacramento Diesel Rack Prices Adjusted to Include the CAR Assessment for each Supplier

SACRAMENTO, CA 2017-10-10 10:00:11 EDT

OPIS CONTRACT BENCHMARK FILE

OPIS GROSS **TERMINAL CARB ULTRA LOW SULFUR DISTILLATE PRICES **WITH CAR COST** **

			No2	Move	No.2 RD	Move	No.2 NRLM	Move	Date	Time
PSX	u	BSCA KINDER-M	200.65	+ 1.00	201.15	+ 1.00	-- --	-- --	10/09	18:00
Valero	u	BSCA KINDER-M	201.82	+ 2.53	202.32	+ 2.53	-- --	-- --	10/09	18:00
XOM-TSO	b	SCCA BUCKEYE	202.00	- 4.00	-- --	-- --	-- --	-- --	10/06	18:00
PSX	u	SCCA PSX	202.25	+ 1.00	202.75	+ 1.00	-- --	-- --	10/09	18:00
Valero	b	BSCA KINDER-M	202.77	+ 1.73	-- --	-- --	-- --	-- --	10/09	18:00
Shell	u	SCCA SHELL	202.78	+ 3.13	203.28	+ 3.13	-- --	-- --	10/09	18:00
Shell	b	SCCA SHELL	202.81	+ 1.14	-- --	-- --	-- --	-- --	10/09	18:00
Tesoro	u	BSCA KINDER-M	203.00	+ 1.00	203.50	+ 1.00	-- --	-- --	10/10	00:03
Tesoro	u	SCCA BUCKEYE	203.00	+ 1.00	203.50	+ 1.00	-- --	-- --	10/10	00:03
Tesoro	u	SCCA SHELL	203.00	+ 1.00	203.50	+ 1.00	-- --	-- --	10/10	00:03
IdemitsuA	u	BSCA KINDER-M	203.50	+ 1.00	204.00	+ 1.00	-- --	-- --	10/09	19:00
IdemitsuA	u	SCCA BUCKEYE	203.50	+ 2.00	204.00	+ 2.00	-- --	-- --	10/09	19:00
PSX	b	SCCA PSX	203.55	+ 2.00	204.05	+ 2.00	-- --	-- --	10/09	18:00
FlyersEn	u	SCCA BUCKEYE	204.75	+ 2.00	205.25	+ 2.00	-- --	-- --	10/10	00:01
Chevron	b	SCCA CHEVRON	205.20	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
Texaco	b	SCCA CHEVRON	205.20	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
FlyersEn	u	BSCA KINDER-M	205.75	+ 1.00	206.25	+ 4.00	-- --	-- --	10/10	00:01
TMNL LOW RACK			200.65		201.15		-- --			
TMNL HIGH RACK			205.75		206.25		-- --			
TMNL RACK AVG			203.27		203.63		-- --			
CAP-AT-THE-RACK			15.60		15.60		-- --			
LCFS COST			4.465		4.465		-- --			
OPIS SAN FRANCISCO DELIVERED SPOT (SRI)										
FOB SACRAMENTO			179.66		180.01		-- --			
TMNL BRD LOW RACK			202.00		204.05		-- --			
TMNL BRD HIGH RACK			205.20		204.05		-- --			
TMNL BRD RACK AVG			203.59		204.05		-- --			
TMNL UBD LOW RACK			200.65		201.15		-- --			
TMNL UBD HIGH RACK			205.75		206.25		-- --			
TMNL UBD RACK AVG			203.09		203.59		-- --			
CONT AVG-10/10			203.30		203.59		-- --			
CONT LOW-10/10			201.82		202.32		-- --			
CONT HIGH-10/10			205.20		205.25		-- --			

Copyright, Oil Price Information Service

Gross vs. Net Daily Rack Price Discovery Report

- Gross v. Net refers to label that appears at the top of your rack price discovery report.
- A GROSS REPORT means that the 1% prompt payment discount (or more in some cases) has NOT been removed from the supplier prices in the survey.
- A NET REPORT means that the price discovery provider has DEDUCTED that discount from any supplier that offers the discount. You can tell which suppliers offer the discount by looking in the “terms” column. Those suppliers have 1-10 terms.
- OPIS and other price discovery services provide NET and GROSS display terms.
- It is not common for a jobber to pass on the prompt pay discount for un-branded fuel agreements.

OPIS NET Standard Sacramento Diesel Rack Prices Adjusted to Include the CAR Assessment for each Supplier

SACRAMENTO, CA 2017-10-10 10:00:11 EDT

OPIS CONTRACT BENCHMARK FILE

OPIS **NET CARB ULTRA LOW SULFUR DISTILLATE PRICES **WITH CAR COST** **

	Terms	No2	Move	No.2 RD	Move	No.2 NRLM	Move	Date	Time
XOM-TSO	b 1-10	200.18	- 4.00	-- --	-- --	-- --	-- --	10/06	18:00
Shell	b 1-10	200.98	+ 1.14	-- --	-- --	-- --	-- --	10/09	18:00
Valero	u N-10	201.82	+ 2.53	202.32	+ 2.53	-- --	-- --	10/09	18:00
PSX	u N-10	202.25	+ 1.00	202.75	+ 1.00	-- --	-- --	10/09	18:00
Valero	b N-10	202.77	+ 1.73	-- --	-- --	-- --	-- --	10/09	18:00
Shell	u N-10	202.78	+ 3.13	203.28	+ 3.13	-- --	-- --	10/09	18:00
Tesoro	u N-10	203.00	+ 1.00	203.50	+ 1.00	-- --	-- --	10/10	00:03
Chevron	b 1t45c	203.35	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
Texaco	b 1t45c	203.35	+ .10	-- --	-- --	-- --	-- --	10/09	18:00
IdemitsuA	u N-10	203.50	+ 1.00	204.00	+ 1.00	-- --	-- --	10/09	19:00
PSX	b N-10	203.55	+ 2.00	204.05	+ 2.00	-- --	-- --	10/09	18:00
FlyersEn	u N-10	204.75	+ 2.00	205.25	+ 2.00	-- --	-- --	10/10	00:01
LOW RACK		200.18		202.32		-- --	-- --		
HIGH RACK		204.75		205.25		-- --	-- --		
RACK AVG		202.69		203.59		-- --	-- --		
CAP-AT-THE-RACK		15.60		15.60		-- --	-- --		
LCFS COST		4.465		4.465		-- --	-- --		
OPIS SAN FRANCISCO DELIVERED SPOT (SRI)									
FOB SACRAMENTO		179.66		180.01		-- --	-- --		
BRD LOW RACK		200.18		204.05		-- --	-- --		
BRD HIGH RACK		203.55		204.05		-- --	-- --		
BRD RACK AVG		202.36		204.05		-- --	-- --		
UBD LOW RACK		201.82		202.32		-- --	-- --		
UBD HIGH RACK		204.75		205.25		-- --	-- --		
UBD RACK AVG		203.02		203.52		-- --	-- --		
CONT AVG-10/10		203.30		203.59		-- --	-- --		
CONT NET AVG-10/10		202.69		203.59		-- --	-- --		
CONT NET LOW-10/10		200.18		202.32		-- --	-- --		
CONT NET HI-10/10		204.75		205.25		-- --	-- --		

Copyright, Oil Price Information Service

Temperature correction – Gross vs. Net

- Net v Gross gallons can also refer to “temperature correction.”
- In areas that are extremely hot, or extremely cold, the fuel will either expand (hot climates) or contract (cold climates).
- In those areas, that swing in temperatures will affect the actual amount of fuel that is delivered.
- In other words, if I’m getting fuel in a hot climate like Texas, I may actually get MORE fuel than I bought. In colder climates, I may wind up with somewhat less.
- NET means that the fuel has been temperature corrected at the loading terminal to a standard 60 degrees Fahrenheit based on the fuel temperature and gravity (using API charts) either up, or down. GROSS means that it has not been temperature corrected.
- This is not a factor when choosing a rack benchmark, specifically because OPIS does not report a price that has been temperature adjusted in either direction.
- Many state agencies opt to buy their fuel on a Gross gallon basis.

Best Practices when Defining the Cost Basis for your fuel Procurement Bid Requests and Contracts

- Always clearly define the publication you are referencing for your fuel procurement. If there are multiple supply locations, list each applicable rack city for the sites to be supplied

*Example: “OPIS Gross Standard 10:00 AM EST contract average price for Clear No. 2 CARB ULSD for Sacramento, CA, WITH CAR COST”

- Define all tank sizes in your bid. Each supplier will offer different markup/discount based on tank sizes
- Define delivery times or if the tanks are to be on a keep-full basis
- Define if freight is to be included in the markup
- Define whether you are to be billed Net or Gross gallons on your fuel deliveries
- Clearly state which taxes you are exempt from. Buyer will need to complete exemption forms
- Define whether you want the bidders Markup/Discount billed as a separate line item on the invoice
- If you are benchmarking a product that only has 1 or 2 suppliers, consider using more than 1 city

What's Wrong with this Bid language?

- **Pricing-**For Gasoline and Diesel Fuel, the price paid by the City will be determined at the time of each order based on the California O.P.I.S. (Oil Price Information Service) Weekly Contract Average plus any markup or minus any discount amount. **The City reserves the right contract for all gasoline and diesel fuel to one contractor, or to multiple contractors based on proposed price for each bid item, if more advantageous to the City.** The price offered by the contractor for all gasoline and diesel fuel shall be identified in cents (minimum four decimal places) for each line item, to be added to or subtracted from the California O.P.I.S. Weekly Contract Average for the category of fuel purchased. ***Contractor must email the City of XXXXXXX Fleet Management and Transportation at XXXXX@cityofXXXXXX.org with the California O.P.I.S. Weekly Contract Average used to calculate the invoice price.***

WHAT'S WRONG? What is the "California OPIS?" What is a "Weekly Contract Average?" The Thursday newsletter price (which I think they are referring to) is a CLOSING (5:59 p.m.) price. OPIS has more than one weekly average, it needs to be spelled out. What city are they referencing for the benchmark price? Product is priced on the delivery date, not the order date.

Also, the contractor/supplier cannot send copies of the OPIS report. It has a copy-right.

What's Wrong with this Bid language?

PRICING – MARK-UP (+/-) – BID PRICE SHEET

Bidder's prices shall be based upon OPIS daily average price per gallon posted for that day. Each morning, during the term of the bid, the vendor shall notify the XXXX Procurement and Transportation Departments of the price that will be charged for that day. The basis for the price escalation/de-escalation shall be based on the OPIS daily price for unbranded fuel, No. 2 Diesel Fuel, Low Sulfur and B20 Bio Diesel at the Terminal in which the fuel is being pulled from, as published by the Oil Price Information Service (OPIS). Vendor's firm mark-up shall be per net gallon and shall include all delivery charges. Any tax incentives realized by the awarded vendor must be passed along to the School Board.

WHAT'S WRONG: Too vague. The OPIS rack city needs to be defined? What timing? Daily / Newsletter? Gross, or net? Low, high, mid-point?

Renewable Diesel

- As a result of the Low carbon Fuel Standard and Cap and Trade regulations, renewable diesel has become an important clean renewable fuel for California.
- Most government agencies and municipalities are now requesting RD for their fuel procurement requirements.
- Department of General Services (DGS) put out a memo in December 2015, requiring all state fuel bids request renewable diesel.
- The majority of the renewable diesel sold in California is imported from other states and countries.

Notable Renewable Diesel Producers

- AltAir Fuels, Paramount, CA: Most of their RD production goes to the renewable jet fuel, although some RD is sold.
- Renewable Energy group (REG): operates a RD plant in Louisiana, product ships by rail.
- Diamond Green: Operates a joint venture RD plant with Darling and Valero in Louisiana. Products ships rail and maybe some cargos.
- Neste: Produces RD in the Far East, most of it comes to California, and is delivered to tanks in Southern and Northern California.
- Most, if not all of this fuel is contracted directly to refiners and jobbers/distributors in the state.

Renewable Diesel Price Discovery

- Currently, there is no rack prices posted for Renewable Diesel.
- Most of the fuel is delivered to storage with access to the water – in Los Angeles and the Bay Area. The local terminals around the state do not have storage yet for RD.
- Some RD may be coming into Stockton by rail, but it is not confirmed who the suppliers may be.
- Since this product comes from long distances, disruptions in supply can be possible, making it hard to lock up storage tanks at inland terminals.

Renewable Diesel Price Discovery

- Fuel procurement bids for Renewable diesel should be benchmarked to CARB ULSD rack price benchmarks.
- Bidders should expect the markup for RD to be higher in most cases since the fuel needs to be hauled from racks/terminals that may be much farther away than the local supply terminal.
- Jobbers that are authorized to buy renewable diesel have had to convert some of their bulk tanks over to renewable diesel to accommodate smaller bobtail deliveries.
- Fuel procurement contracts need to define a backup for CARB ULSD in the event that renewable diesel is not available.
- Renewable diesel is subject to the same federal and state taxes as CARB diesel.
- The cost benefits of the LCFS credit, cap and trade allowance and other credits are built into the cost of the fuel

Renewable Diesel Imports into California July, 2017 (Source: EIA)

- Volume is reported by the EIA in thousands of barrels

RPT_PERIOD	R_S_NAME	LINE_NUM	PROD_CODE	PROD_NAME	PORT_CODE	PORT_CITY	PORT_STATE	PORT_PADD	GCTRY_CODE	CNTRY_NAME	QUANTITY
Jul-17	NESTE OIL USA LLC	2	205	Other Renewable Diesel Fuel	2704	LOS ANGELES, CA	CALIFORNIA	5	795	SINGAPORE	67
Jul-17	NESTE OIL USA LLC	1	205	Other Renewable Diesel Fuel	2812	RICHMOND, CA	CALIFORNIA	5	795	SINGAPORE	108
Jul-17	NESTE OIL USA LLC	7	205	Other Renewable Diesel Fuel	2709	LONG BEACH, CA	CALIFORNIA	5	795	SINGAPORE	121
Jul-17	NESTE OIL USA LLC	6	205	Other Renewable Diesel Fuel	2809	SANFRANCISCO, CA	CALIFORNIA	5	795	SINGAPORE	46
Jul-17	NESTE OIL USA LLC	3	205	Other Renewable Diesel Fuel	2827	SELBY, CA	CALIFORNIA	5	795	SINGAPORE	54

- Total volume imported by Neste in July 2017: 396,000 barrels, 16,632,000 gallons
- It is possible that the EIA does not track domestic imports into California.

Pricing Benchmark Summary

- Verify you and your supplier are referencing the same price benchmark for your fuel contract
- The more detailed information you provide for the bid requirements, the easier it is for potential suppliers to offer a responsible price quote.
- Holding a Pre-bid conference with potential suppliers allows you to work out any potential problems with the bid request before the due date.

Underground Storage Tank Inventory Management

State Water Resources Control Board, Title 23 California Code of Regulations-
2646 Manual Inventory Reconciliation

https://www.waterboards.ca.gov/ust/regulatory/docs/title23_d3_c16.pdf

- Daily tank measurements must be taken for fuel and water levels. Daily means when ever fuel is added to or removed from the tank, but no less than 5 days per week. Local agencies may reduce the frequency of monitoring to not less than once every three days at facilities that are not staffed on a regular basis provided that the monitoring is performed every day the facility is staffed.
- Measurements must be taken when no substance is being added or withdrawn from the tank.
- performed by the owner, operator, or other designated persons who have had appropriate training;
- Daily readings shall be taken for input and withdrawals. The amount of product inputs indicated by delivery receipt shall be compared with measurement of the tank inventory volume before and after delivery. Product input shall be determined by a method that introduces the least amount of error in the monthly inventory reconciliation calculations. Underground storage tanks that are connected by a manifold may require time for the level to stabilize before a measurement is taken. Product shall be delivered to the tank through a drop tube that extends to within 12 inches of the bottom of the tank.

Underground Storage Tank Inventory Management

- The daily variation shall be the difference between the physically measured inventory in storage and the calculated inventory in storage. The physically measured inventory shall be measured daily by taking a liquid level measurement and converting it to gallons using a calibration chart. The calculated inventory shall be determined daily by adding the amount of product added to the tank and subtracting the withdrawals from the inventory measured on the previous day. These variations shall be algebraically summed for a period of one month. If the absolute value of the monthly variations exceeds a variation of 1.0 percent of the total monthly input to or withdrawals from the tank plus 130 gallons, the variation shall be investigated in accordance with subsection (e).
- (e) If the monthly manual inventory reconciliation exceeds the allowable variation, the owner or operator shall:
 - (1) within 24 hours of completing inventory reconciliation which exceeds the allowable variation, notify the local agency of the suspected unauthorized release;
 - (2) within 24 hours of discovering a variation which exceeds the allowable variation, review the inventory records for the preceding 30 days to determine if an error in calculations was made. If investigation shows that an error in calculations was made and that variations have not been exceeded, no further steps need to be taken;

Underground Storage Tank Inventory Management

- (3) within 24 hours of discovering a variation which exceeds an allowable variation, have all readily accessible facilities carefully inspected for leakage by appropriately trained persons. If an unauthorized release is detected, the owner or operator shall comply with the requirements of Article 5. If no unauthorized release is detected, the owner or operator shall continue with the following steps:
- (4) have dispenser meters, which determine the amount of product withdrawn from the tank, checked and recalibration, if necessary, within 24 hours of completing the procedure required in subdivision (3) above. Dispenser meters shall comply with California Code of Regulations, Title 4, Division 9, "Division of Measurement Standards, Department of Food and Agriculture." Meters shall be inspected by the County Department of Weights and Measures or a device repairman as defined in the California Business and Professions Code, Division 5, Chapter 5.5. This subdivision applies to all meters used for determining withdrawals, including those at non-retail facilities;
- (5) continue to conduct inventory reconciliation according to the requirements of this section. If a second 30-day period of data confirms the initial results, the owner or operator shall comply with the requirements of Article 5; and
- (6) conduct additional tests or investigations as required by the local agency and, if applicable, replace, repair, upgrade, or close the tank in accordance with the applicable provisions of this chapter.

Aboveground Storage Tank Inventory Management

The CAL FIRE-Office of the State Fire Marshal (OSFM) is responsible for ensuring the implementation of the Aboveground Petroleum Storage Act (APSA) program element of the Unified Program.

- Aboveground petroleum storage tanks regulations fall under the EPA's oil spill prevention program which includes the Spill Prevention, Control, and Countermeasure (SPCC)

<https://www.epa.gov/oil-spills-prevention-and-preparedness-regulations>

- Guidance for Tier II Qualified facility SPCC Plan Template

http://osfm.fire.ca.gov/cupa/pdf/CALFIRE-OSFM_TierII_SPCC_PlanTemplate.pdf

- The daily fuel reconciliation requirements are similar, but the operator also needs to do a visual inspection of the tank farm and containment each day.

Questions?

Dolores Santos
(C)240-848-8640
(P)916-718-8005
dsantos@opisnet.com

Contact OPIS

www.opisnet.com

North America: call: +1 888.301.2645 (toll-free within the U.S.)

International: call: +1 301.284.2000

email: energycs@opisnet.com

Disclaimer

The information contained in this presentation is confidential. Any unauthorized use, disclosure, reproduction, or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit Ltd. or any of its affiliates ("IHS Markit") is strictly prohibited. IHS Markit owns all IHS Markit logos and trade names contained in this presentation that are subject to license. Opinions, statements, estimates, and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of IHS Markit. Neither IHS Markit nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate, or projection (collectively, "information") changes or subsequently becomes inaccurate. IHS Markit makes no warranty, expressed or implied, as to the accuracy, completeness, or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, IHS Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided. The inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). IHS Markit is not responsible for either the content or output of external websites. Copyright © 2017, IHS Markit™. All rights reserved and all intellectual property rights are retained by IHS Markit.

