



**A CLEANER FUTURE
STARTS TODAY**

**ULTRA LOW
SULFUR DIESEL**



Clean Diesel Fuel Implementation Workshop “Marketing Concerns”



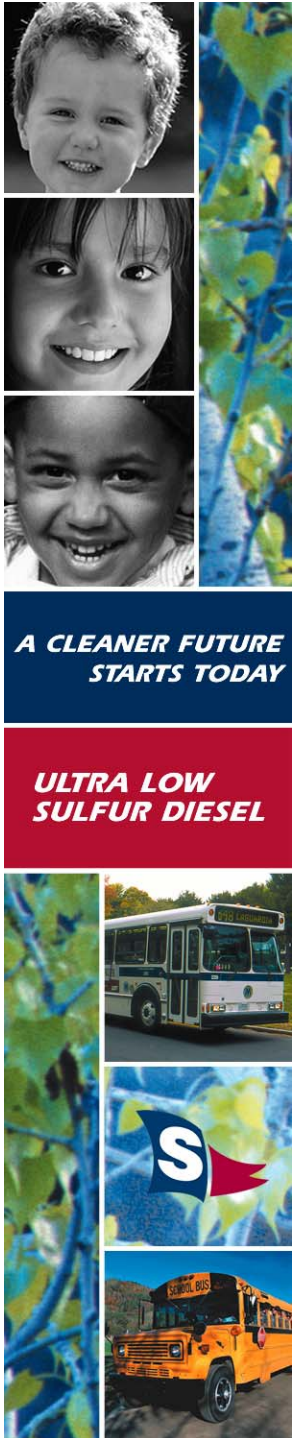
**Presented By:
Steven Levy**

November 2002

Sprague 

Sprague Facts

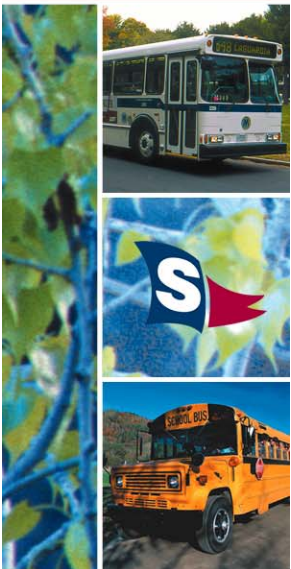
- Founded in 1870 as a supplier of coal and whale oil
- Wholly owned subsidiary of Axel Johnson Inc, a member of the Axel Johnson group of Stockholm, Sweden
- Distribute annually along the Eastern Seaboard:
 - 2.5 billion gallons of petroleum products
 - 91 billion BTU's of natural gas
 - 600 million kilowatts of electricity
 - Handle 3 million tons of bulk materials
- Store and handle petroleum and non-petroleum products in 16 terminals
- *Sprague Advantage*: customer focused, value-added program of services, consultation and support
- Purchased the assets of RAD Energy, Purchase, NY – January 2001



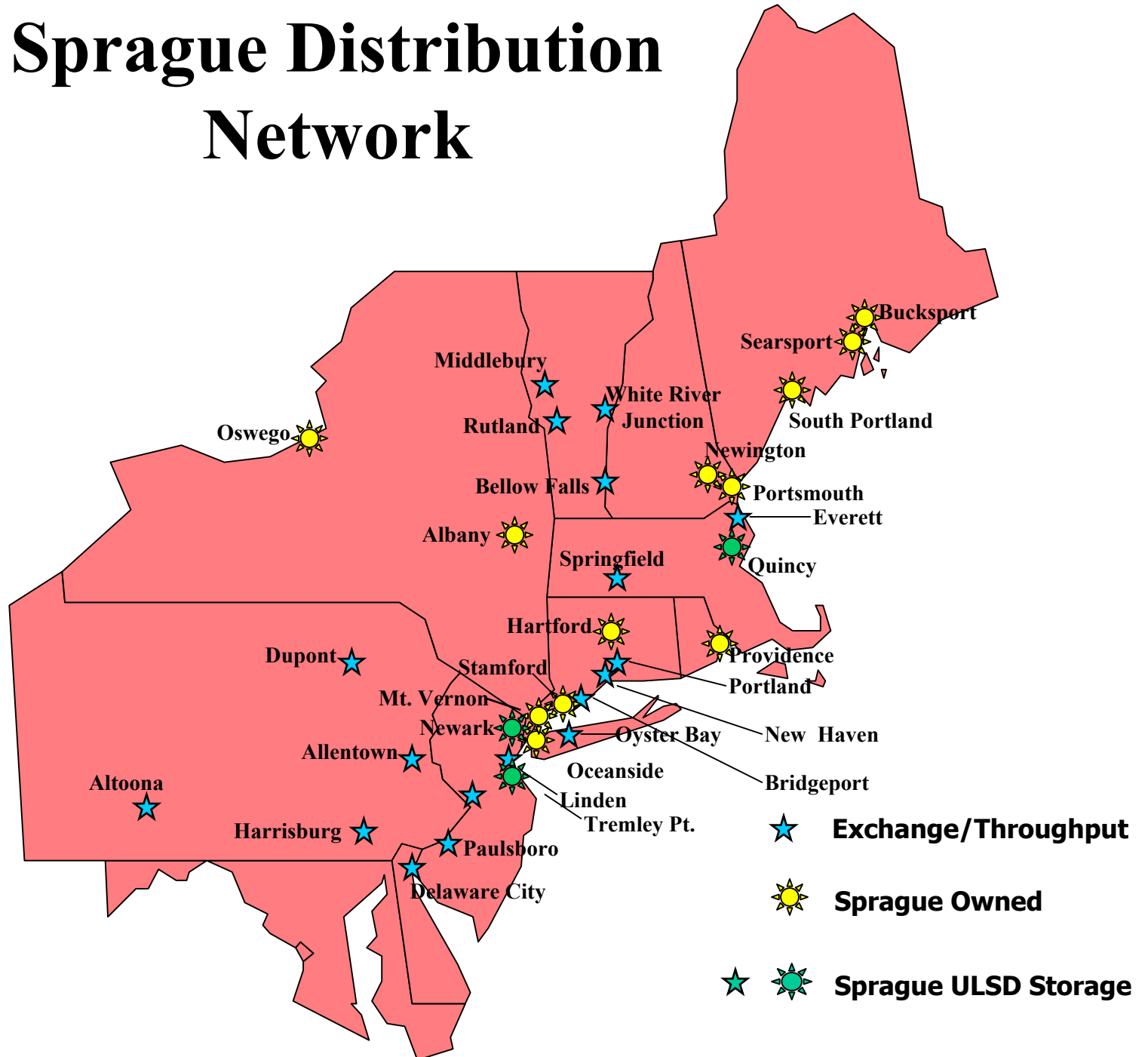


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Sprague Distribution Network





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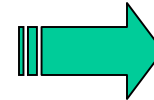
Will the concerns for the supply and distribution of Ultra Low Sulfur Diesel (ULSD) fuel *today* be the same in *2006*?

Supply & Distribution Challenges:

Supply

- End user product specifications

- Sulfur (15ppm → 30ppm)
- Lubricity (SLBOCLE vs. HFRR)
- #1 diesel vs. #2 diesel
 - #2 winterization
- Dyed vs. non-dyed
- Maintaining product integrity
- Meet OEM specifications
- Quantity, cost, geographic location, etc.



Non-compliance penalties

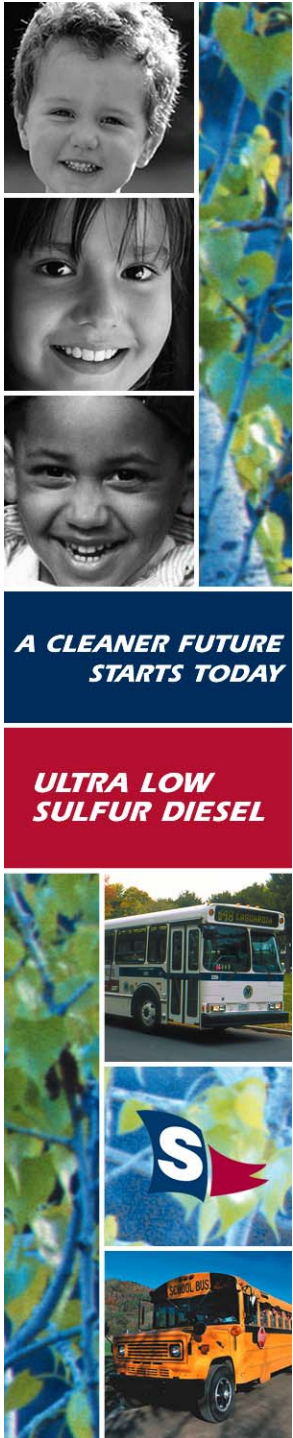
- Secure source(s) of supply

- Current, new, open market supplier(s)

- Inventory product

- Multiple strategically located storage facilities

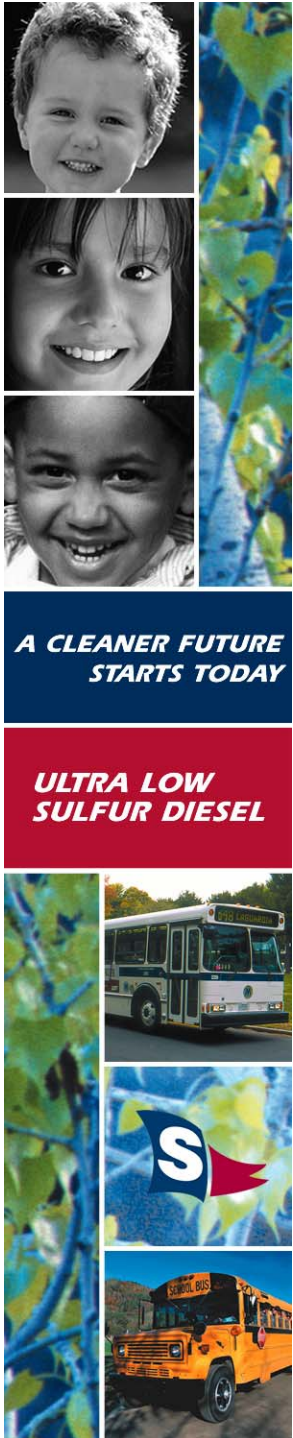




Supply & Distribution Challenges:

Supply (*continued*)

- Inventory position
 - Satisfy current contract demands
 - Future opportunities
 - Unforeseen event
- Financial impact: Costs
 - Product
 - Inventory carry
 - Accounts receivable
 - Product integrity
 - Terminal and equipment resources
 - Manpower

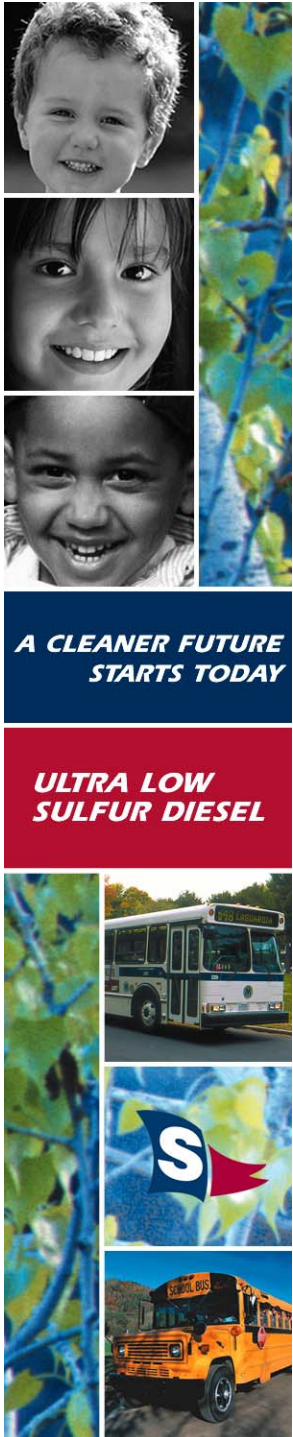


Supply & Distribution Challenges: Maintaining Product Integrity

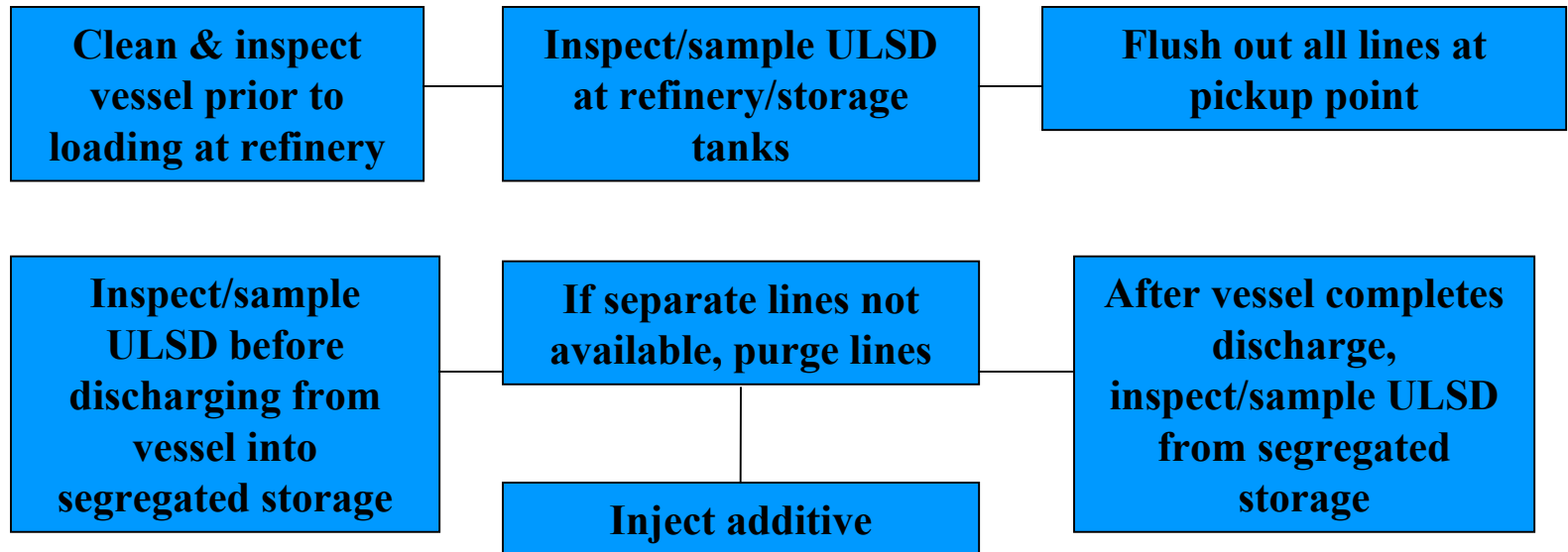
- Secure clean waterborne vessel for product transportation
- Segregated multiple storage facilities
 - Separate fill lines from dock to storage tank and from storage tank to transport loading position
 - If separate fill lines unavailable, purge product into separate tank
- Designate dedicated & segregated transport deliveries
 - Current/new equipment
 - Common carrier (same quality control measures as our own fleet)

Supply & Distribution Challenges: Maintaining Product Integrity *(continued)*

- Develop quality control procedures for transport equipment
 - Flush segregated equipment several times with ULSD
 - After purging, load transport and sample



Quality Control Assurance Inspection/Testing Process*



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* All inspections and sampling activity by an approved independent inspector

 Bulk Distribution



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Quality Control Assurance



End User Options

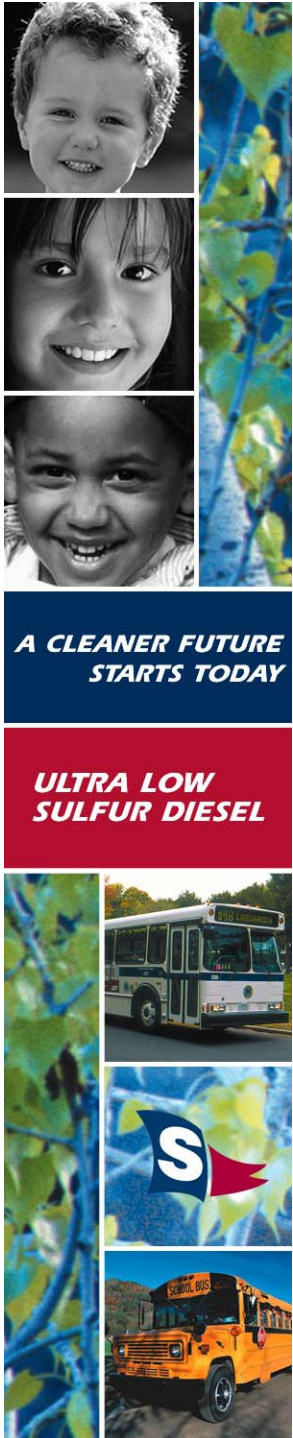
Option A

Receive deliveries of ULSD to purge tank

Option B

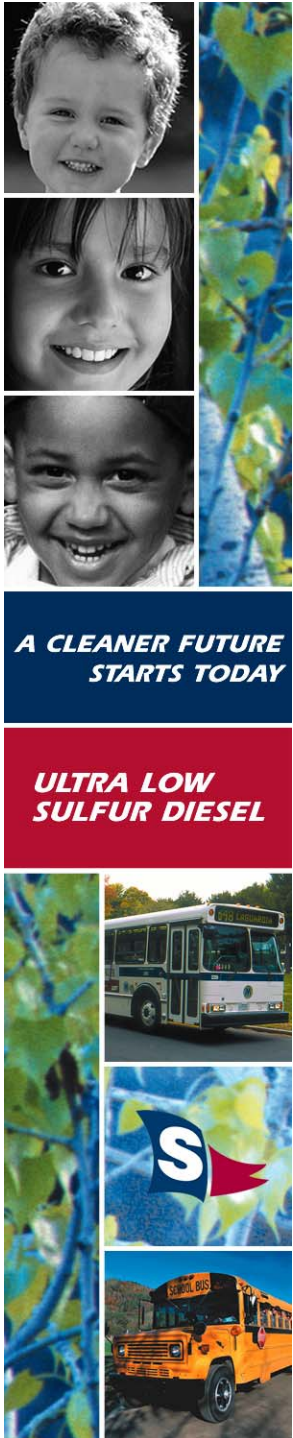
Empty & clean tank prior to receiving ULSD

 Transport Distribution



Key Ingredients for Success

- Financial strength/relationships
- Product integrity controls
- Reliability and consistency of supply
- Hands on coordinated effort by company and end user personnel
- Detail oriented, dedicated staff



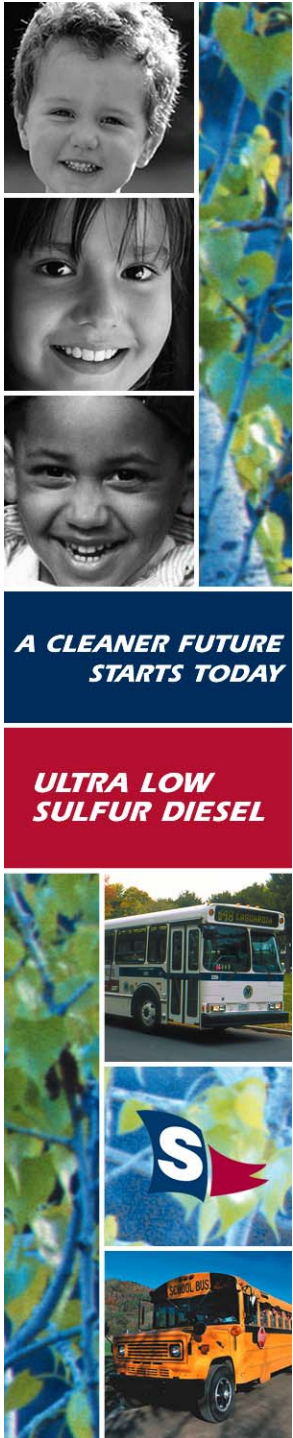
Retail/End User Concerns

- Tank segregation
- Product verification
- Financial impact
- OEM warranties
- Reliability of supply
- Enforcement of regulation

Summary of Concerns for 2006

- Effect on supply
- Sulfur regulation enforcement
- Sulfur testing standards
 - Measurement
 - Type of instrumentation
 - Associated costs
- Storage (15 ppm and/or 500 ppm)
 - Terminal
 - Retail/end user





Summary of Concerns for 2006

(continued)

- **Product Availability/Specifications**
 - Sulfur (15ppm → 30ppm)
 - Lubricity (SLBOCLE vs. HFRR)
 - #1 diesel vs. #2 diesel
 - #2 winterization
 - Dyed vs. non-dyed
 - Maintaining product integrity
 - Meet OEM specifications
 - Quantity, cost, geographic location, etc.
 - Off-road, aviation, marine fuels
- **Total Financial Impact & Personnel Requirements**



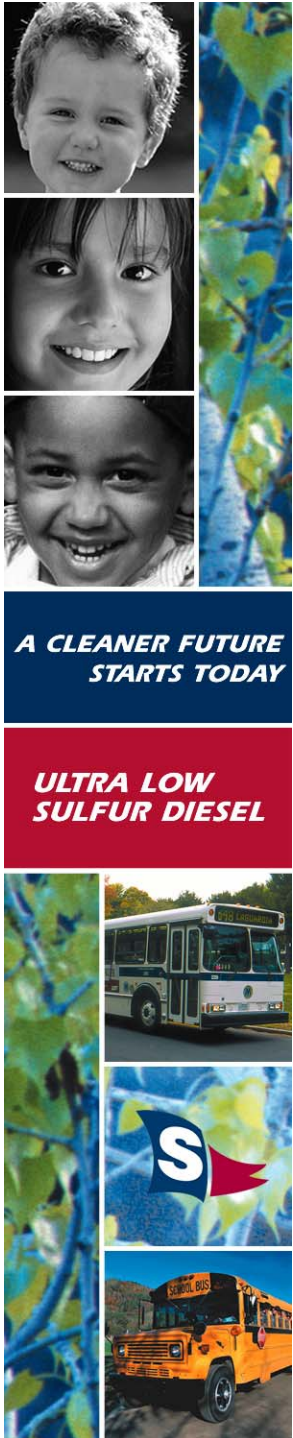
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What will be the driving force of On-Road Diesel Fuel sales in 2006?

- Product availability
- Customer requirements
- Storage
- Financial impact



Contact Information

Sprague 

Steven J. Levy

4 New King Street

White Plains, NY 10604

Phone: (914) 328 – 6770

Fax: (914) 328 – 6701

Email: slevy@spragueenergy.com