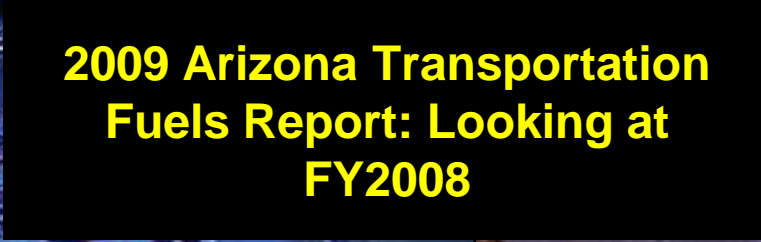
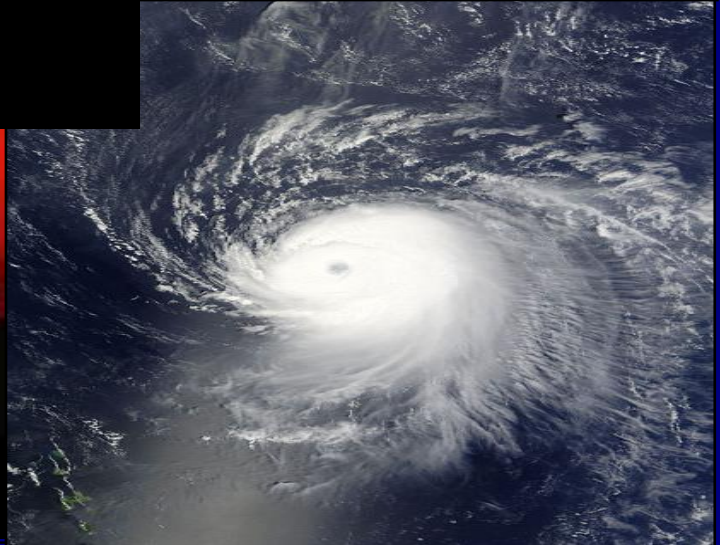


**2009 Arizona Transportation
Fuels Report: Looking at
FY2008**



**AZ Department of Weights and Measures
Presentation to the Arizona Petroleum
Marketers Associations
2009 Annual Meeting
August 17, 2009**





Confidential

The underlying supporting documentation - is not subject to state public records law due to ARS § 44-1374, which prohibits public disclosure of certain proprietary information concerning the oil industry.



Topics

The Report covers the following :

- ❖ Introduction
- ❖ Supply and Demand
- ❖ Marketplace
- ❖ Terminal Storage Capacity
- ❖ Retail Storage Capacity
- ❖ Market Analysis
- ❖ Biofuels
- ❖ Conclusion



Introduction

- ❖ Arizona Receives Fuel from 2 pipelines.
- ❖ After 2003 Kinder Morgan went through a 2-phase expansion
- ❖ Longhorn Pipeline is important. It is our connection to the gulf coast.



Source: Kinder Morgan Energy Partners



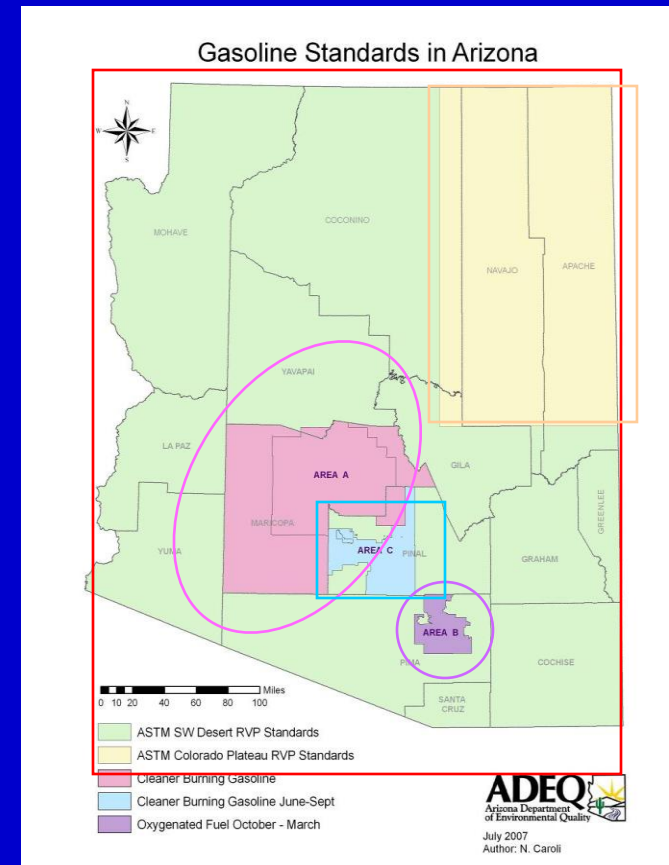
Introduction

- ❖ The Longhorn Pipeline delivers fuel from Houston to El Paso, where it can be moved to the Kinder Morgan east line and shipped into Arizona.



Introduction

- ❖ Arizona Fuel Standards
- ❖ Area A
- ❖ Area B
- ❖ Area C
- ❖ Northeast
- ❖ Remainder of State

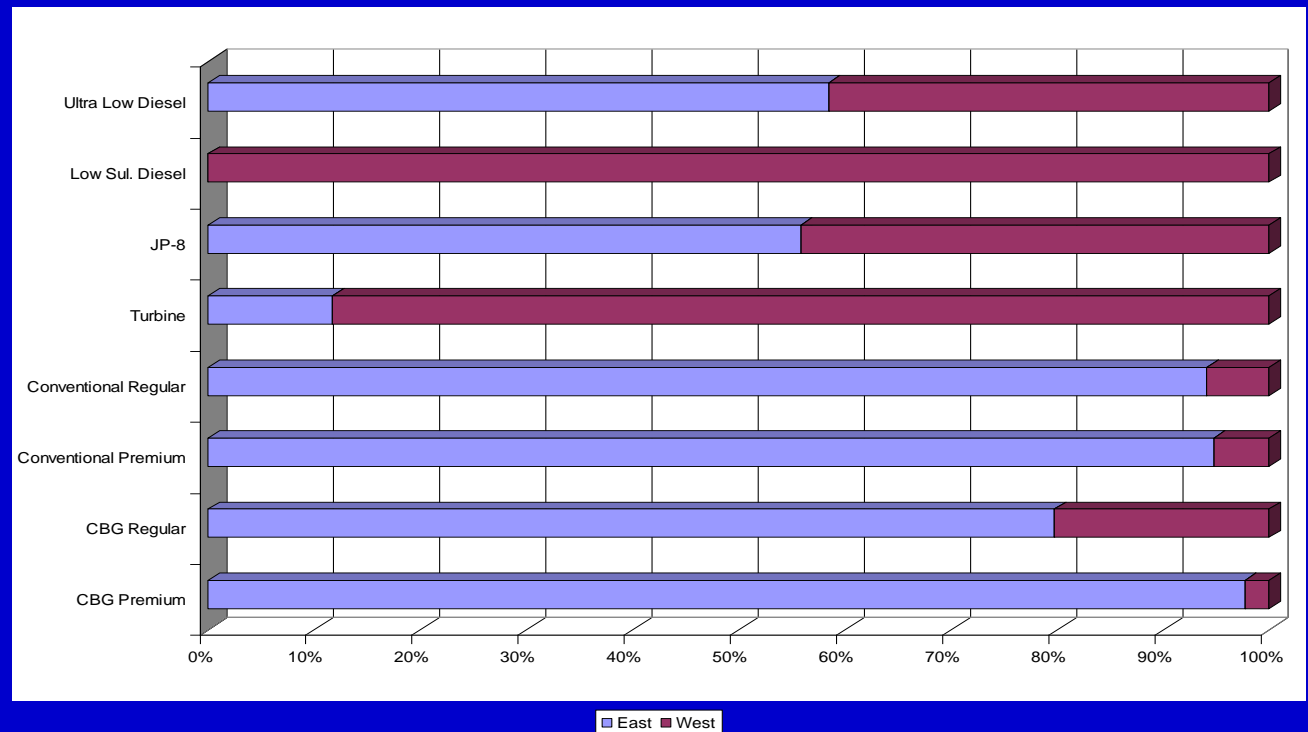


Source: Arizona Department of Environmental Quality July 2007



Supply and Demand

Kinder Morgan Pipeline Product Deliveries

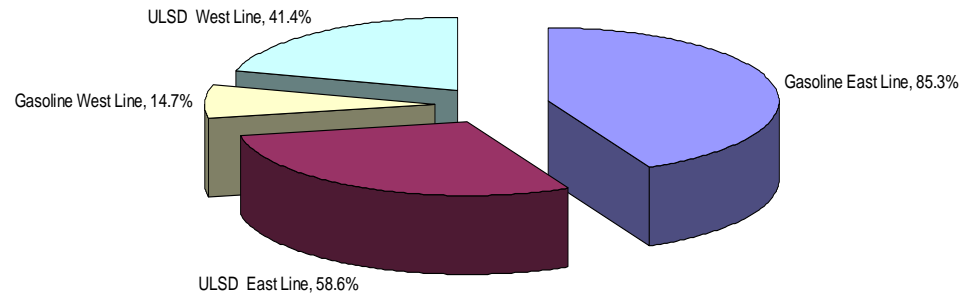


Source: Kinder Morgan Energy Partners



Supply

Gasoline and Diesel Delivered by Pipeline



Source: Kinder Morgan Energy Partners



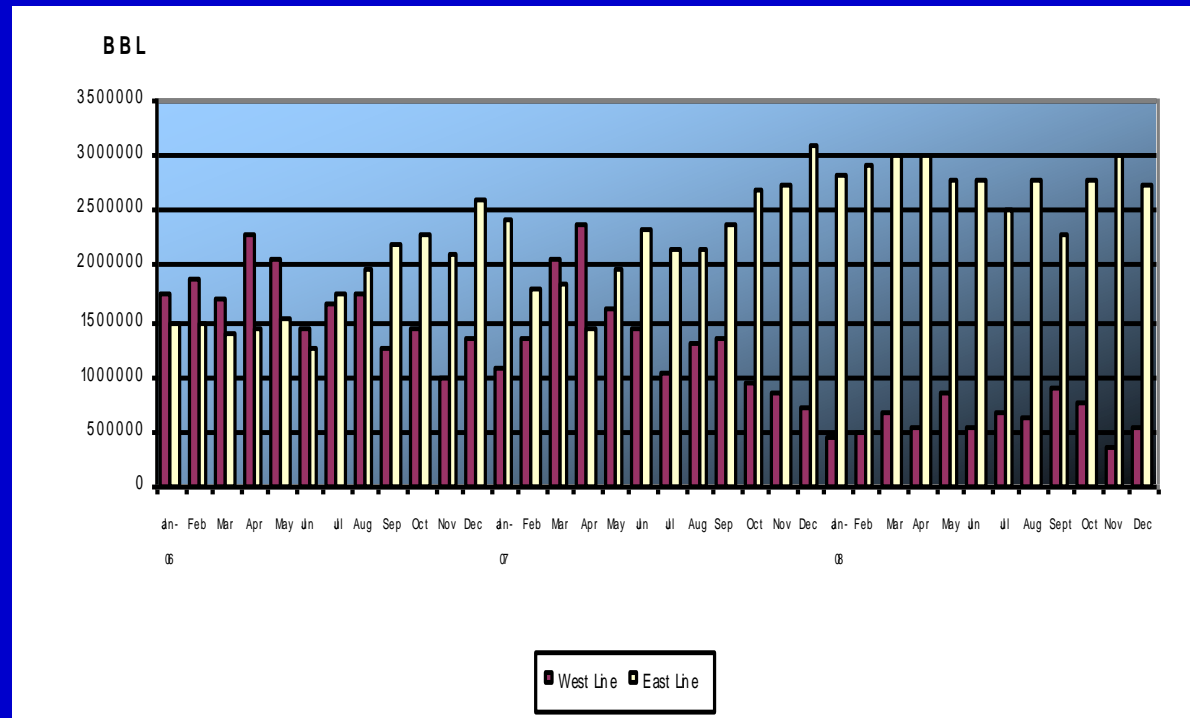
Supply

- ❖ 99% of CBG enters the State by pipeline
- ❖ 104% of diesel demand
- ❖ 61% of Conventional Gasoline demand



Supply

❖ CBG Supply distribution by Pipeline



Source: Arizona Department of Weights and Measures
CBG Batch Reports submitted registered suppliers



Change in Gasoline Demand from Previous Year

County	2008 (BBL)	2007 (BBL)	Percent Increase or Decrease over 2007
Apache	642,780	625,437	3%
Cochise	137,1197	1,391,071	-1%
Coconino	2,126,047	2,382,728	-11%
Gila	700,219	731,286	-4%
Graham	245,646	311,989	-21%
Greenlee	87,948	74,542	18%
La Paz	780,409	948,570	-18%
Maricopa	38,737,386	40,007,034	-3%
Mohave	2,519,731	2,723,672	-7%
Navajo	1,451,255	1,469,681	-1%
Pima	8,571,881	8,761,760	-2%
Pinal	2,740,204	2,856,687	-4%
Santa Cruz	495,416	639,574	-23%
Yavapai	1,997,360	7,422,772	-6%
Yuma	2,344,314	2,282,045	3%
Total	64,811,793	67,326,869	-4%

Source: Arizona Department of Transportation, Motor Vehicle Division, Detail County MVF Distribution Report



Demand

Statewide transportation fuels demand fell between 2008 and 2007

- ❖ Gasoline Demand Dropped 4%
- ❖ Diesel Demand Dropped 6%
- ❖ CBG Demand Dropped 3%



Daily Demand Estimates By Product

Product	BBL per Day	Gallons per Day
Gasoline (Conventional)	71,437	3,000,342
Gasoline (CBG)	106,130	4,457,460
ULSD	54,272	2,279,424
LSD	1,933	81,199
JP-8	5,003	210,118
Turbine	33,362	1,401,212

Source: Arizona Department of
Weights and Measures



Marketplace

	2007 Data	2008 Data	Percent of Total 2007
Total Number of Stations	2,051	2,037	-0.68%
Company Owned Stores	162	163	0.62%
Independent Owned Stores	1,889	1,874	-0.79%
Branded Stations	929	701	-24%
Unbranded Stations	1,122	1,336	19%

Source: Petroleum Industry Data Request



Marketplace

**Independently Owned Stations = 92%.
Company Owned = 8%, In 2009 this
number will go down and the
Independently owned stations will go
up to about 94%.**



Terminal Storage Capacity

Percent of					
Total	# of tank	product	Cap (BBL)	Heel Vol (BBL)	Safe Fill Vol (BBL)
	10	CBG SUL	293,029	26,967	254,065
	19	CBG UNL	1,018,130	80,326	1,012,075
31%		CBG	1,311,159	107,293	1,266,140
	11	CON SUL	128,943	11,046	111,951
	23	CON UNL	827,047	74,540	757,216
21%		CG	955,990	85,586	869,140
	1	LSD	67,746	7,249	65,560
32%	36	ULSD	1,298,938	102,276	1,292,056
	19	T-MIX	120,100	12,843	111,299
	2	TURBINE	59,964	7,717	57,210
	5	Jet A	56,295	3,318	48,809
	5	JP-8	176,342	16,390	167,228
	2	AVG	7,494	600	6,500
		ADDITIVE	6,722	239	6,071
	15	ETOH	221,627	21,320	199,440
		Total	4,292,519	364,831	4,098,722

Source: Petroleum Industry Data Request



Terminal Storage Capacity

- ❖ CBG accounts for 31% of total storage.
 - ❖ Only 33% of that capacity is actually being utilized.
- ❖ 32% of storage is set aside for ULSD.
 - ❖ Only 6% of that is utilized.
- ❖ 21% is set aside for Conventional fuel.
 - ❖ Only 32% of that capacity is utilized.



Retail Storage Capacity

- ❖ The number of AZ stations went down by 1%.
- ❖ However, total retail storage rose by 5.5%
- ❖ (May be due to fewer but larger retail stations).

County	Number of Stations	Percent of Total
Apache	22	1%
Cochise	77	4%
Coconino	107	5%
Gila	40	2%
Graham	17	1%
Greenlee	6	0%
La Paz	28	1%
Maricopa	966	47%
Mohave	116	6%
Navajo	66	3%
Pima	302	15%
Pinal	88	4%
Santa Cruz	31	2%
Yavapai	100	5%
Yuma	71	3%
Total	2,037	

Source: Arizona Department of Environmental Quality
UST Program



Retail Storage Capacity

County	Gasoline (Gallons)	% of Gasoline	Diesel (Gallons)	% of Diesel	Capacity Total (Gallons)	% of Total
Apache	382,564	1%	140,500	1%	523,064	1%
Cochise	1,901,500	3%	265,580	2%	2,167,080	3%
Coconino	2,541,600	4%	676,550	5%	3,218,150	4%
Gila	841,500	1%	186,000	1%	1,027,500	1%
Graham	384,000	1%	61,000	0%	445,000	1%
Greenlee	127,000	0%	13,000	0%	140,000	0%
La Paz	539,000	1%	260,000	1%	745,000	1%
Maricopa	30,345,299	52%	7,969,955	57%	38,315,254	53%
Mohave	3,277,000	6%	781,150	6%	4,058,150	6%
Navajo	1,548,000	3%	373,000	3%	1,921,000	3%
Pima	8,981,500	15%	1,617,110	12%	10,598,610	15%
Pinal	2,607,450	4%	687,050	5%	3,294,500	5%
Santa Cruz	652,000	1%	203,000	1%	855,000	1%
Yavapai	2,411,250	4%	403,650	3%	2,814,900	4%
Yuma	2,382,500	4%	443,000	3%	2,825,500	4%
Total for State	58,922,163		14,026,545		72,948,708	



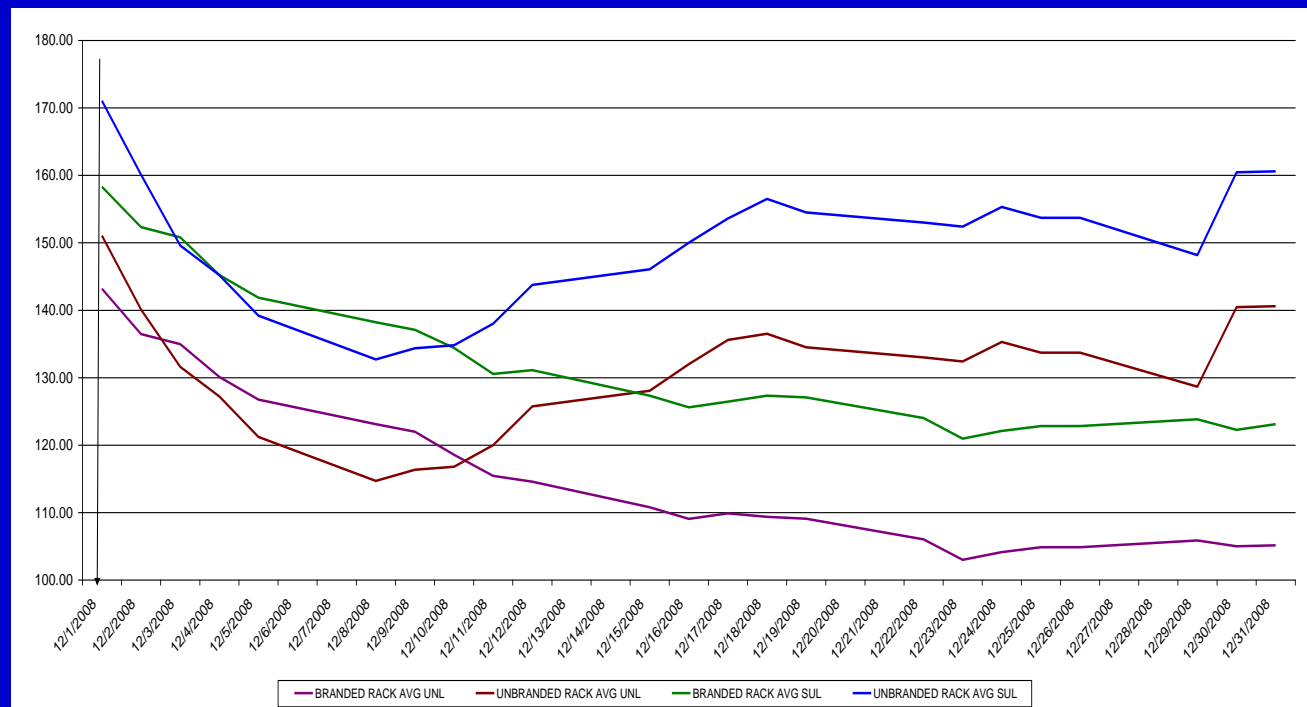
Market Analysis

- ❖ Some data we use when studying the fuels market:
 - ❖ Branded vs. Unbranded
 - ❖ Retail Gasoline Prices
 - ❖ Supply vs. retail Prices



Market Analysis

Branded vs. Unbranded Rack Prices

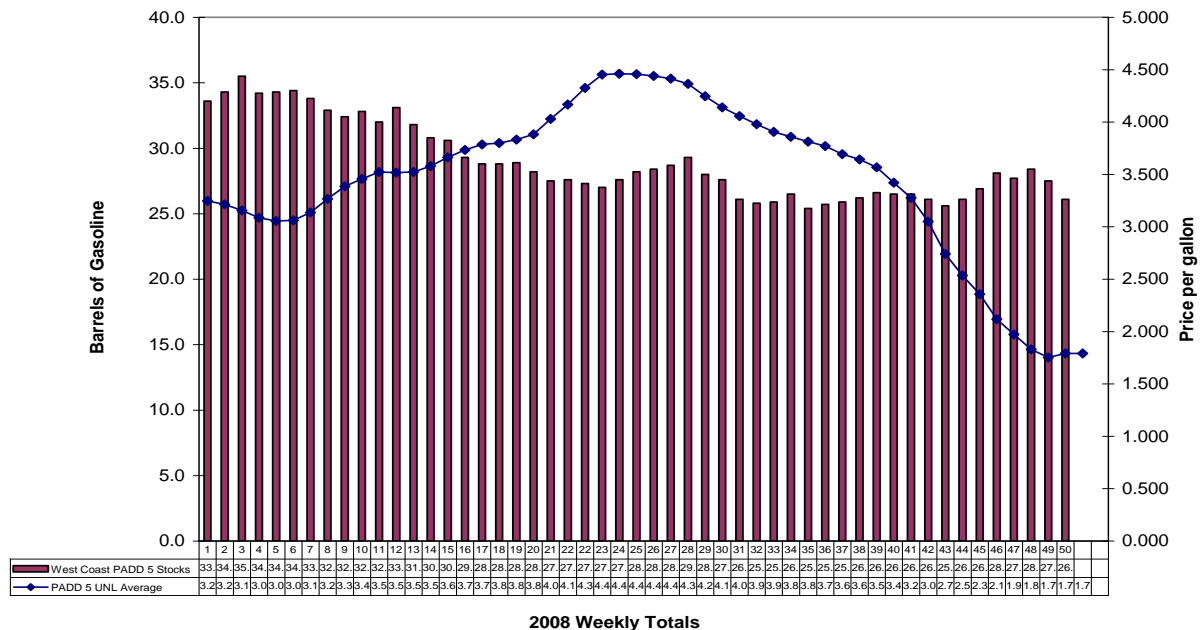


Source: OPIS Daily Wholesale Rack Price Report
Unbranded and Branded



Market Analysis

PADD V Supply vs. Retail Prices



Source: Energy Information Administration This Week in Petroleum Report and Energy Information Today's' Gasoline Prices



Biofuels

Drivers for the use of Biofuels

- ❖ Federal Regulations (Renewable Fuels Standards)
- ❖ Price Of Traditional Fuels
- ❖ Energy Security

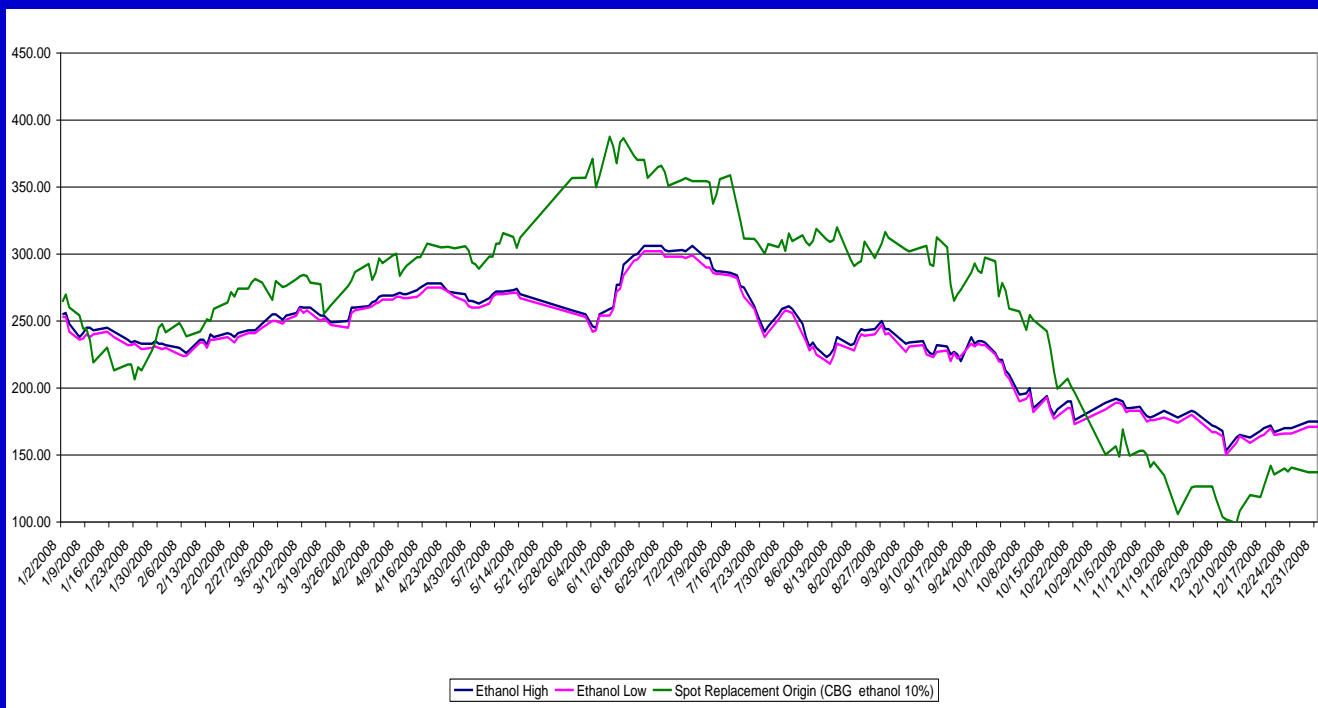
Alternatives to traditional TF

- ❖ E85
- ❖ Biodiesel Blend
- ❖ Other Alternative Fuels



Biofuels

Ethanol High and Low vs. CBG Spot

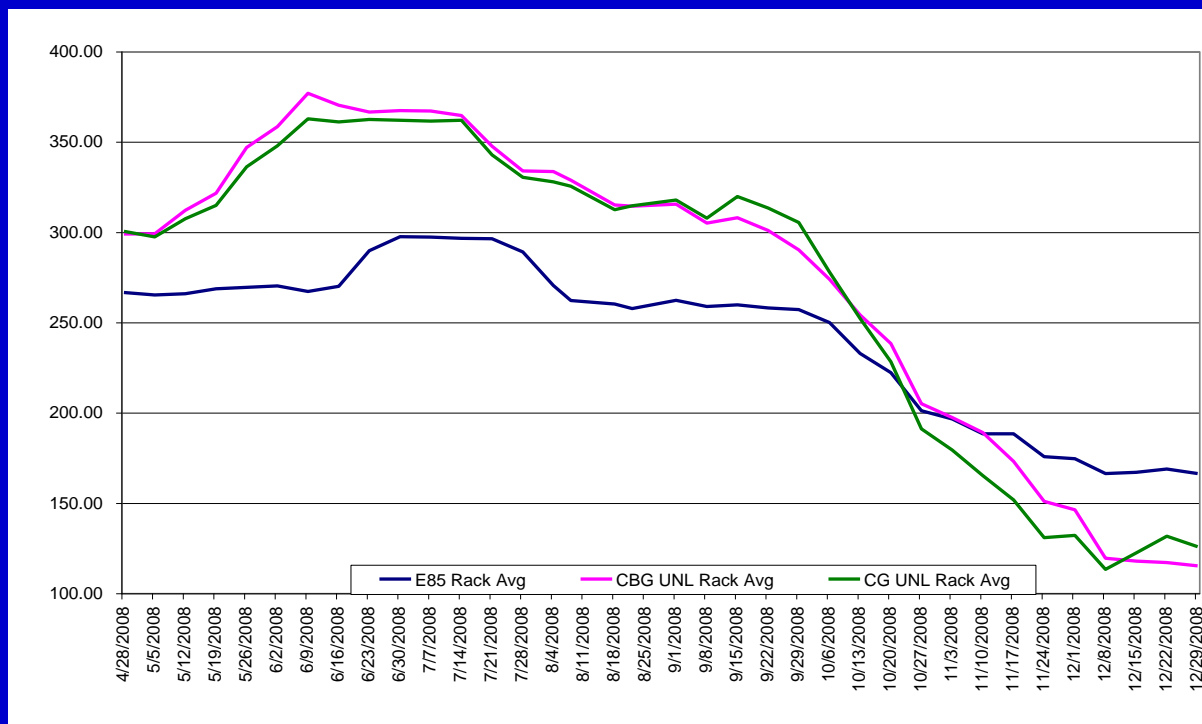


Source: OPIS Ethanol & Biodiesel Information Service Report and the OPIS Daily Wholesale Rack Price Report for Phoenix CBG



Biofuels

E85 vs. CBG Rack Average



Source: OPIS Ethanol & Biodiesel Information Service Report and the OPIS Daily Wholesale Rack Price Report for Phoenix CBG



Conclusion

- ❖ A supply imbalance that developed in 2008 has corrected itself for now.
- ❖ Fuel demand has dropped to levels that haven't been seen since 2003.
- ❖ AZ must increase utilization of existing tanks or increase storage capacity to manage supply problems.
- ❖ The percentage of independently owned stations will go up: Exxon Mobil is selling its company owned stores.



MORE INFORMATION

- ❖ A full version of this report can be found on our website:
www.azdwm.gov
- ❖ Questions can be directed to Duane Yantorno at
dyantorno@azdwm.gov .

