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Mr. Ron Hayes
Chairman
Fuels and Lubricants Sub Committee
National Conference of Weights and Measures
1135 M Street, Suite 110
Lincoln, Nebraska 68508

RE: Magellan Midstream Partners Comments – Potential Amendments to Handbook 130 – Engine Fuels and Automotive Lubricants

Dear Ron:

Thank you for the opportunity to provide comments to NCWM's Fuels and Lubricants Sub-Committee.

Background - Magellan owns and operates the nation's longest refined products pipeline system and over 80 petroleum distribution terminals. Our pipeline system transports refined petroleum products from refinery origins in TX, OK, KS, MN and WI to distribution terminals in Texas, Oklahoma, Kansas, Missouri, Colorado, Arkansas, Illinois, Iowa, Nebraska, South Dakota, North Dakota, Minnesota and Wisconsin. Our pipeline system is connected to over 40% of the nation's refining capacity. The majority of our terminals have the storage and distribution capacity for fuel-grade ethanol.

Magellan does not generally own the petroleum products transported or stored in our system. The petroleum products are owned by our shippers and position holders. The Magellan Pipeline system is an "open-stock" system which depends upon product fungibility. The system is very efficient and appeals to a wide variety of shippers and position holders because of our ability to transport and store large volumes of a common grade of refined products. At this time, the most common grade of gasoline in our system is "N grade" – 87 octane with an RVP meeting ASTM, NCWM and state standards.

While we appreciate the desire to align NCWM's Handbook 130 with the recent EPA waivers regarding higher level ethanol blends, we believe the negative impacts to the supply and distribution of gasoline would be far greater than any benefit associated with harmonizing NCWM with EPA's recent action. <u>Therefore, Magellan is opposed to a proposal under consideration to amend Section 2.1.2.(a)(2) which would eliminate the 1psi waiver for ethanol blends during the winter months.</u> We are opposed to the elimination of the waiver because it would (1) create a boutique fuel in several states (2) reduce pipeline efficiency which would result in supply disruptions (3) reduce gasoline supply by requiring a reduction of RVP and (4) impact the price unsuspecting motorists pay at the pump. Lastly, we are opposed because we are not aware of technical data which would support the need to modify section 2.1.2.

Boutique Fuel – A “boutique fuel” is a specialized fuel formulation that is unique to a particular market, usually by virtue of federal, state or local laws, and that cannot be obtained from other markets in the same regional distribution system. The Energy Policy Act of 2005 (EPACT05) already limits the number of boutique fuel formulations created under Clean Air Act-mandated State Implementation Plans (“SIP” fuels) to the number of fuels available in September 2004. EPACT prohibits EPA from adding to the number of fuel formulations but allows a new formulation when an existing formulation is dropped. EPA’s definition of a boutique fuel does not include specific formulations that are a result of renewable fuel mandates; federal or local. However, the elimination of the 1psi RVP waiver would indeed create the need for a special fuel suitable for ethanol blending.

As an example, if the proposed amendment to Section 2.1.2 was enacted, the state of Kansas would automatically adopt the standard. Therefore, the RVP of gasoline suitable for sale in conventional gasoline areas in the state of Kansas would need to be reduced if a distributor chooses to blend 10% volume ethanol with the base gasoline. This would create a special or boutique fuel.

Fungibility – Our pipeline system delivers gasoline to terminals in Wichita, Topeka, Great Bend, Scott City, Olathe, St. Joseph and Kansas City. With the exception of Kansas City and Olathe, the remainder of our terminals in the state of Kansas distribute N grade gasoline (87 octane) with an RVP which meets the ASTM and state standards. The N grade gasoline can be delivered directly to retail service stations with or without the addition of 10% volume ethanol. The elimination of the waiver under Section 2.1.2 would create the need for a new product which would be suitable for ethanol blending. In most cases, Magellan does not have adequate storage capacity to accommodate an additional grade of gasoline. A new fuel would require (1) adequate storage and (2) other modifications to the terminal piping and loading rack.

Generally, the addition of a new, special fuel formulation will decrease pipeline efficiency which can lead to increased supply disruptions.

Reduction of Gasoline Supplies – While we are not the experts in this area, the proposed amendment to Section 2.1.2 would require refiners to remove various blendstocks. The components most likely to be removed to reduce the RVP of gasoline are butane and pentanes which are lower in value than finished gasoline. Therefore, available gasoline supply is reduced which can have pricing implications for motorists.

Thank you again for providing Magellan the opportunity to provide comments to the proposed amendments to Section 2.1.2. We encourage the Sub-Committee to reject the proposed amendment at this time.

Sincerely,

Rod Lawrence