Small Retailers COALITION

Bill Douglass
Chairman
Small Retailers Coalition
PO Box 35537
Washington, DC 20033

October 19, 2016

Dear Senators and Representatives,

I am the Chairman of the Board of Douglass Distributing headquartered in Sherman, Texas, and Chairman of the newly formed Small Retailers Coalition ("SRC").

For over 35 years, my company has owned and operated retail stores and fuel distribution outside the greater Dallas-Fort Worth area. Currently, we operate 22 convenience stores and supply motor fuels to 150 independent retailers.

In addition to my 35 years of experience owning and operating my company, I also had the pleasure of serving from 2004 through 2005 as the Chairman of the Board of the National Association of Convenience Stores ("NACS"). Moreover, until 2015, I was Chairman of the Fuels Institute, a Washington based think tank, dealing with all the facets of current and future fuel alternatives. Serving in both capacities allowed me to develop an in-depth understanding of and appreciation for the Renewable Fuel Standard ("RFS"), and its impact on the entire petroleum retail industry

On behalf of the SRC, I write to you concerning a recent letter you received from a friend and colleague on behalf of the National Association of Convenience Stores ("NACS") and the Society of Independent Marketers of America ("SIGMA") which, amidst factual errors and exaggerations, falsely represents that "nearly everyone involved in the marketing of renewable fuels" opposes changing the point of obligation in the renewable fuels standard ("RFS"). The SRC is a newly formed coalition whose sole function is advocating for moving the point of obligation in the RFS to the blender at the rack on behalf of small gasoline retailers and convenience store owners.

Small retailers are not a homogenous group. We are a diverse group of small to medium size business owners, the majority of whom are single store and minority business owners. Together we make up approximately ***65% of the retail fuel market in the United States.*** Our membership represents the backbone of Main Street America; we represent the individual entrepreneur, and the immigrant who seizes the American dream to work for him or herself, for the betterment of his or her family. We are not faceless executives protected by golden parachutes and lobbyists.

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You can count the small retailers of the SRC among the "small set of companies and their trade organizations" that strongly urge both EPA and Congress to move the point of obligation in the RFS to the blender at the rack.

We believe that all parties had good intentions in the drafting of the legislation for the RFS. However, it was drafted for an industry structure that no longer exists; a relatively integrated system of producers, refiners and blenders. Instead the industry has evolved and, responding to external market pressures, many players now play a single role instead of the traditional well head to gas pump world the RFS was created for. This dis-intermediation is further exacerbated by the physical properties of ethanol which cannot be transported by traditional pipelines and can only be blended at the terminal.

As a result we end up with an "un-intended consequence" whereby these large blenders are able to game the system and make as much profit from selling a RIN as they do in selling a gallon of gas. They appear to be marshaling these profits to bankrupt our solo retailers, with resultant significant price increases to consumers in the near future, contrary to their protestations. We are challenged to make any margin on our gasoline sales, as the big retailers capture more rack space to gain more unobligated RINS that they can sell or hold RINs to drive up the price.

I am saddened to say, that for the first time in my 25 years as a NACS member, and past Chairman of the Board, that neither NACS nor SIGMA are willing to represent the interests of small retailers on this issue. Frankly, the large retail members who pay the lion's share of dues are benefitting too much from a loophole in the RFS that allows them to arbitrage the RIN without any obligation to the program. The NACS and SIGMA letter came to you on the eve of our annual trade show, I am assuming so that they can tell large retailers they are working for the interests of large retailers who currently capture the RIN.

For the first time in my memory, a small retail group, the SRC, was denied advertising space and space at the conference to represent our point of view that moving the point of obligation is critical to the survival of the small retailer. Small retailers generally do not have the wherewithal to travel to meetings, so, if they go, they budget for the NACS conference. This year, our efforts to reach the small retailer and explain the market reality, have been completely shut down by the NACS Board of Directors.

Contrary to what Mr. Columbus outlines in his letter, the current point of obligation in the RFS does not benefit consumers; it directly benefits large retailers by creating a subsidy that only they can enjoy. Do not take my word for this, look at the public statements made by senior

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executives of large retailers where they outline the handsome profits that come from the sale of RINS and that their strategy is to use these millions of dollars in RINs profits to push small retailers out of the market.

Recent investor reports from the large investment banks also outline how valuable RIN trading and access to the RIN have become. These reports show that large retailers do not pass the RIN value to the consumer. They discount gasoline enough to undercut the market cost for other retailers that cannot capture the RIN and they pocket the difference. This difference accounts for the majority of their profits.

This is precisely the reason that small retailers have had to form SRC. To date, over 35 separate independent small retailers have joined the coalition and many have sent letters to EPA asking EPA to address the adverse consequences of the current structure of the RFS program and consider moving the point of obligation to make the program more equitable. If you do not support moving the point of obligation to the rack, then you support the biggest transfer of wealth from small business to large corporations in Corporate American history.

Because all the large marketer members of SIGMA, PMAA, NACS, and API benefit from the distortions created by the current structure of the RFS, the opposition to moving the point of obligation is based on these windfall profits and not on sound policy arguments and data. For example, we urge you to look carefully at the lack of supporting data for their position that moving the point of obligation will increase consumer prices for fuel and will decrease renewable fuel blending under the RFS. These claims are absolutely and demonstrably false and particularly troubling since it is the current structure of the RFS that is enabling large retailers to use RFS profits to price out small retailers and reduce the competition in the market that keeps fuel prices low for consumers.

Included with this letter are a few copies of letters submitted to the EPA by the SRC and some of our members as well as a summary sheet addressing NACS and SIGMA's arguments against moving the point of obligation. For a more comprehensive list of the over 20 retailers that have written to EPA see our website at www.smallretailerscoalition.com.

Contrary to what SIGMA and NACS outline, moving the point of obligation would protect consumers and small retailers, reduce fraud in the program (because it is easier and more accurate to account for a RIN at the point of bending), and increase investment in the renewable fuel infrastructure needed to advance the RFS.

I do agree with the idea that many in the petroleum industry want to repeal the RFS, and so they are against any productive fix like moving the point of obligation. The SRC members

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are not opposed to the RFS. Our customers want renewable fuels. We want to sell them renewable fuels in whatever volumes Congress and EPA mandate. If the playing field were level so that we were not shut out of the market, we could and would sell more renewable fuels to customers.

Time is running out for us, quite literally. When large retailers can manipulate the market price to eliminate competition and profit like no other sector in the industry, we will go out of business. This will happen in the next 18 to 24 months if the point of obligation is not moved to the rack. We will go, and merchant refiners will go. The U.S. will be left with an oligopoly in the fuel market and consumers will be at their mercy.

I welcome an opportunity to talk with you further about this issue. You can reach me at my office at 903.893.1181 or at bill.douglass@douglassdist.com.

Sincerely,

Bill Douglass

Bill Douglass
Chairman, Small Retailers Coalition

SETTING THE RECORD STRAIGHT:
MOVING THE POINT OF OBLIGATION IN THE RFS IS CRITIACAL TO THE SURVIVAL OF 65% OF THE RETAIL GAS STATIONS IN THE U.S.

NACS and SIGMA recently circulated a letter and fact sheet on changing the point of obligation that contains numerous factual errors and misleading statements. Changing the point of obligation in the RFS to the seller of fuel at the terminal rack protects consumers and small retailers, reduces fraud and furthers the goal of increasing renewable fuels in the market.

False Claim #1 – *"Prices at the pump would increase because downstream marketers do not control the characteristics of the nation's petroleum supply."*

- This claim is completely without basis in fact. Downstream marketers **do** have control over the fuel quality that is provided to retail stations. Fuel characteristics are controlled by both refiners **and** downstream marketers. For both branded and unbranded stations, **marketers make decisions about the characteristics of the final fuel** provided to retail, including how much renewable fuel to blend into the fuel.

- NACS and SIGMA claim that refiners would no longer sell products containing renewable fuel. This is factually and legally incorrect. The RFS is still in effect. Even if the point of obligation is changed, **refiners would still have to produce a product that they can sell to the rack**. The U.S. wholesale fuel market is a buyers' market. Refiners are expected to continue to be price-takers and not price-setters for the foreseeable future.

- Over 80% of the marketers with control over fuel at the rack are currently obligated parties and the refiners or importers providing fuel into the wholesale market will remain the same. Refiners would not undermine their own business nor would they change prices simply because the RFS point of obligation changes.

False Claim #2 – *"Renewable fuel consumption will be constrained because renewable fuels will be less price-competitive and less attractive to consumers."*

- This claim shows a lack of understanding about what is needed to increase renewable fuels in the market. The seller of the fuel at the rack is in the best position to control and increase blending operations, not a refiner that is far upstream from the blending facility. **By moving the point of obligation to the seller of the fuel at the rack, EPA would be obligating the entity that is in control of the blending infrastructure**. This would lead to an increase in the blending capacity to meet RFS mandates.

- EPA and API have stated that nearly all U.S. gasoline contains 10% ethanol; however, recent reports suggest that the current RFS structure is enabling more large retailers to sell E0 at a "premium price." If the point of obligation were changed, blenders would be properly incentivized to fill the remaining E10 gaps in the market. **Again, there is no**

<u>factual basis for the suggestion that consumption of E0 would rise as a result of this change.</u>

- Moreover, the current structure of the Point of Obligation does not incent selling more renewable fuels. The current Point of Obligation encourages unobligated RIN holders to constrain the number of RINS in the market to drive up the price for obligated parties so that **<u>unobligated RIN holders can maximize profit from selling the RIN.</u>**

False Claim #3 – ***"EPA and private sector administrative and compliance costs will escalate because the number of obligated parties would increase significantly."***

- This claim is a deliberate attempt to mislead the reader about what is being proposed. Parties advocating for changing the point of obligation have been extremely clear that **<u>they propose moving the obligation to the seller of the fuel at the rack, and NOT all blenders</u>**. IHS has studied the proposed change and concluded that the number of obligated parties will remain approximately the same and the vast majority of today's obligated parties will remain obligated.

- Large sophisticated fuel marketers that are currently not obligated will become obligated, if they decide to remain sellers of fuel at the rack. These new parties are low in numbers and they are already in the RFS program since they sell RINs. These marketers are large companies that are extremely familiar with how the RFS program works.

- By moving the point of obligation to the compliance point, the change will reduce the chain of custody for RINs and thus the opportunity for fraud in the RIN market. The change will also reduce the costs of RINs, thus reducing the incentive for fraud. Because the suggested point coincides with the federal excise tax obligation, the RFS program will have a built-in system for verification. Enforcement would become more straightforward since the same party that is separating the RIN is the same that must retire the RIN.

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<u>Don't be misled</u> by large companies fighting to retain a RFS structure that is not increasing renewable fuel use and is, instead, generating windfall profits that are hurting small retailers and competition at the pump. For more information on changing the point of obligation, please contact Mr. Bill Douglass, Chairman, Small Retailers Coalition, bill@douglassdist.com.

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Bill Douglass
Chairman
Small Retailers Coalition
PO Box 35537
Washington, DC 20033

July 28, 2016

Janet McCabe
Acting Assistant Administrator
Office of Air and Radiation
Environmental Protection Agency
Mail Code 6101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Assistant Administrator McCabe:

I am the Chairman of the Board and Founder of Douglass Distributing headquartered in Sherman, Texas and Chairman of the newly formed Small Retailers Coalition. For over 35 years, my company has owned and operated retail stores and fuel distribution outside the greater Dallas-Fort Worth area. Currently, we operate 22 convenience stores and supply motor fuels to 177 independent retailers. In addition to my 35 years of experience owning and operating my company, I also had the pleasure of serving in various leadership capacities including as the Chairman of the Board of the National Association of Convenience Stores ("NACS")--the trade association that represents the convenience and petroleum retailing industry. I have also served as the Chairman of the Washington-based Motor Fuel Institute. This allowed me to develop an in-depth understanding of and appreciation for the Renewable Fuel Standard ("RFS"), and its impact on the entire petroleum retail industry.

Despite the fact that small retailers make up over 50% of the retail fuel business, the national trade associations representing retailers and petroleum marketers are not currently representing and protecting the interests of small retailers and small convenience store owners with regard to the renewable fuels issue. Because small retailers around the country and our customers are being negatively impacted by the current point of obligation under the RFS, I am writing to inform you that we have formed a new coalition—the Small Retailers Coalition — to urge EPA to move the point of obligation.

Small retailers regularly compete with much larger retailers that have considerably greater access to infrastructure, capital and other resources. These large retailers account for roughly 20% of the overall market, but they have significantly expanded their market share and are threatening the ability of small retailers to remain profitable and competitive. This recent growth has, in part, been due to the ability of large retailers to expand their fuel purchasing and blending to the fuel terminal rack. Because the current point of obligation is removed from the rack, these retailers are unobligated and able to generate additional revenue from selling renewable fuel trading credits, known as Renewable Identification Numbers ("RINS"). This position at the rack for

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unobligated parties, such as these large retailers, generates enormous windfall profits in the form of RIN sales and allows large retail competitors to have a direct price and other competitive advantages that I and other small retailers cannot match.

There are thousands of smaller retailers feeling the adverse impact from large retailers advantaged by RIN revenue that have joined our coalition that would welcome the opportunity to share their observation on this market failure. As RIN prices are driven upwards and as large retailers gain more advantage from RIN sales, they can gain increasing volumes at the rack and a substantially large price advantage at stores. The end result is that small independent retailers will be driven from the market.

Ours is a business of scale, that is, the larger your purchases the more price leverage you have with your petroleum suppliers. We deal in millions of gallons, our large retail competitors deal in billions of gallons. We are small but not stupid. All that we are asking for is a level-playing field, and a system that that allows all retailers to compete for RIN revenue from enhanced downstream blending.

Currently, the retail fuel market is dominated by large retailers who today negotiate to get an additional 10 cent per gallon discount by obtaining the RINS. The branded suppliers are RIN limited so they choose to keep what RINS are available to them to improve their wholesale margins.

The problem is that these suppliers need the unbranded customers to purchase the fuel they refine which does not go into their branded chains. The unbranded retailers shop the majors and the merchant refiners to get the best price available, which usually includes the transfer of the RIN to them. Now, equipped with at least 10 to 15 cent per gallon market advantage, they discount the retail price enough to roll up huge fuel volumes in their stores.

The negative effect on the small retailers volume is devastating.

The current system needlessly tilts the playing field towards large retailers. By pitting industry segments against one another and creating distinct winners and losers, the current point-of-obligation threatens everyday consumers. RFS-generated market distortions amount to a huge subsidy for some and a lost business opportunity for others. Aside from considerable losses for small businesses, resultant industry consolidation eff diminishes retail competition that has been the bulwark against increasing prices at the pump.

The correct placement of the point-of-obligation at the point of compliance would correct the competitive disadvantage that small retailers now face due to the RIN-related revenue generation of large retailers. The change would allow all retailers to compete on a level playing field. It would also be the most efficient and effective means of passing through the RIN value to consumers.

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Accordingly, we respectfully request that EPA reconsider the current point of obligation under the RFS and place it at the point of compliance – the blending point at the rack. This change would be consistent with the mandates and the spirit of the Clean Air Act ("CAA"). The CAA and other laws require, among other economic analysis, that EPA carefully analyze the effects of the RFS program on competition with respect to small business and the effects of the standard or regulation on consumer costs. Continuing to give short shrift to this analysis portends dire consequences for the nations' smaller petroleum retailers.

For all small petroleum retailers across the nation, the RFS as implemented by EPA amounts to a massive industry-wide transfer of wealth and allows the large retailers a substantial competitive advantage that is simply not available to small retailers. The RFS was not conceived of by Congress as an anti-competitive policy and, in the view of small retailers across the U.S., EPA should consider changing the point-of-obligation to reflect the needs of all market participants. Therefore, on behalf of the Small Retailers Coalition, I urge you to consider these critical issues and I look forward to working with you and your staff to find an equitable solution. Should you have any questions, please do not hesitate to contact me at ((903) 271-1030 - or our counsel Suzanne Murray with the Small Retailers Coalition at suzanne.murray@haynesboone.com or (214) 651-5697.

Very truly yours,

Bill

Bill Douglass
Chairman of the Board, Douglass Distributing
Chairman, Small Retailers Coalition

Janet McCabe
Acting Assistant Administrator
Office of Air and Radiation
Environmental Protection Agency
Mail Code 6101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Attn: Docket ID No. EPA-HQ-OAR-2016-0004

Dear Assistant Administrator McCabe:

I am writing on behalf of Fuel Distributors Inc. in regard to the current point of obligation under the current Renewable Fuel Standard ("RFS"). My name is Salim Charolia and I am the President of Fuel Distributors Inc. headquartered in Houston, TX. For 9 years my company has owned and operated as a small retail fuel distributor in Houston, TX. Currently, Fuel Distributors Inc. provides fuel and other fuel related services to our loyal customers.

My business is threatened by large grocery and hypermarket retailers that have advantages to price fuel lower than I can. One thing that makes it easier for these large retailers to compete and disadvantage smaller retailers is the ability to obtain extra revenue for sale of renewable fuel blending credits (RINs). That revenue stream is very significant and doesn't help the consumer in the long run. I support moving the point of obligation under the Renewable Fuel Standard to rack sellers. Under the current system, my larger competitors are able to generate revenue for selling RINs based on taking ownership of fuel above the rack. My business does not have the financial ability or contractual leverage to do the same thing. It is already hard to compete with the bigger players in this industry and this just makes it more unfair. Moving the point of obligation to the rack would still encourage blending renewable fuel and could help my business take advantage of better prices for renewable as well as allow us to undertake retail level blending. Please level the playing field by putting the RFS obligation on the rack sellers so small retailers can better compete and participate in promoting renewable fuels.

Sincerely,

CHAROLIA SALIM

Salim Charolia

WILDCAT FUELS

16815 Royal Crest
Suite 280
Houston, Texas 77058
281.486.1885

August 10, 2016

Janet McCabe
Acting Assistant Administrator
Office of Air and Radiation
Environmental Protection Agency
Mail Code 6101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Attn: Docket ID No. EPA-HQ-OAR-2016-0004

Dear Ms. McCabe:

I am writing in regard to the current point of obligation under the current Renewable Fuel Standard ("RFS"). I am the founder and CEO of Wildcat Fuels, Ltd. Since founding Wildcat Fuels in 2007, my company has operated as a small retail fuel distributor in Texas and Florida. Currently, Wildcat provides branded motor fuels to over 50 locations.

My business is threatened by large grocery and hypermarket retailers that have unfair advantages to price motor fuel products lower than I can. One of the primary reasons that allows these large retailers to compete unfairly and disadvantage smaller retailers is the ability to obtain extraordinary/supplemental revenue derived from the sale of renewable fuel blending credits (RINs). That revenue stream is very significant and doesn't help the consumer in the long run.

I support moving the point of obligation under the Renewable Fuel Standard to rack sellers. Under the current system, my larger competitors are able to generate revenue by selling RINs by taking ownership of fuel above the rack. My business does not have the financial ability or contractual leverage to do the same thing. It is already difficult to compete with the bigger players in this industry and the current system inadvertently creates unintended inequities. Moving the point of obligation to the rack would still encourage blending renewable fuel and could help my business take advantage of better prices for renewable as well as allow us to undertake retail-level blending. Please level the playing field by putting the RFS obligation on the rack sellers so small retailers can better compete and participate in promoting renewable fuels. This would also benefit the retail consumer.

Sincerely,

Trey Smith

Trey Smith

GORDON
PETROLEUM INC.

950 Holmdel Road
Holmdel, New Jersey 07733
TEL: (732) 946-6000
FAX: (732) 946-6010
www.gordonpetroleum.com

Janet McCabe
Acting Assistant Administrator
Office of Air and Radiation
Environmental Protection Agency
Mail Code 6101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

August 1, 2016

Attn: Docket ID No. EPA-HQ-OAR-2016-0004

Dear Assistant Administrator McCabe:

I am writing on behalf of **Gordon Petroleum, Inc**. in regard to the current point of obligation under the current Renewable Fuel Standard ("RFS"). My name is **Michael Kelly** and I am the **Vice President of Gordon Petroleum, Inc.** headquartered in **Holmdel, NJ.** For **15 Years** my company has owned and operated as a small retail fuel distributor in New Jersey, New York and Pennsylvania. Currently, Gordon Petroleum, Inc. provides Motor fuels, including gasoline, diesel, and E-85 to service stations throughout NJ, NY and PA under various branded and unbranded supply agreements, including Valero Energy.

My business is threatened by large retailers that are able to sell more fuel than I can and to offer it at a lower price. One thing that makes it easier for these large retailers to compete and disadvantage smaller retailers is the ability to obtain extra revenue for sale of renewable fuel blending credits (RINs). Under the current system, my larger competitors are able to generate revenue for selling RINs based on taking ownership of fuel above the rack. My business does not have the financial ability or contractual leverage to do the same thing. It is already hard to compete with the bigger players in this industry and this just makes it more unfair. Moving the point of obligation to the rack would encourage blending renewable fuel and could help my business take advantage of better prices for renewable fuel. Please level the playing field by placing the RFS obligation on the rack sellers so small retailers can better compete and participate in promoting renewable fuels.

Sincerely,

Michael C Kelly, V.P.

Michael C. Kelly, VP

Gordon Petroleum, Inc.

Capital Oil, Inc.

P.O. Box 24085
Jackson, MS 39225

601-932-6868 phone
601-932-6802 fax
Federal ID #: 64-0632672

July 20, 2016

Janet McCabe
Acting Assistant Administrator
Office of Air and Radiation
Environmental Protection Agency
Mail Code 6101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Attn: Docket ID No. EPA-HQ-OAR-2016-0004

Dear Assistant Administrator McCabe:

I am writing on behalf of Capital Oil, Inc. in regard to the current point of obligation under the current Renewable Fuel Standard ("RFS"). My name is Stanley Roberts and I am the Senior President of Capital Oil, Inc. headquartered in Jackson, MS. For 41 years the company has owned and operated as a small fuel distributor and retailer in the Central Mississippi area. Currently, our company provides gasoline and other petroleum products to both the wholesale and retail customers. The company operates convenience stores, full service facilities with gasoline and commercial fueling locations. The company along with the sister company Capital Transport, Inc. employs 75 full time employees and 10 part time employees.

My business is threatened by large distributors, grocery, and hypermarket retailers that have advantages to buy fuel lower than I can. However, another needless thing I think that makes it easier for these large distributors and retailers to compete and disadvantage smaller distributors and retailers is the ability to obtain extra revenue for the sale of renewable fuel blending credits (RINs). That revenue stream is very significant as the smallest changes in our market can have significant competitive impacts. However, this RIN revenue generation by large retailers doesn't help the consumer in the long run. I believe it hurts the consumer in the long run. I support moving the point of obligation under the Renewable Fuel Standard to rack sellers so that my business and others like me are not competitively disadvantage from a government created revenue stream that only subsidizes my competitors. Large distributors and retailers are capable of taking advantage of the current point of obligation disadvantaging small distributors and retailers. I don't believe it was EPA's original intent to penalize certain classes of petroleum retailers, distributors or manufactures with the RIN program. I am told that small distributors and retailers both branded and unbranded make up nearly 70% of the retail gasoline market, while large distributors and retailers make up only 17% of the market. However, large distributors and retailers have grown immensely in the last decade. I think this is in part due to RIN revenues.

The disproportionate advantages that the RFS creates for large distributors and retailers threaten the future of businesses like mine which currently supply the majority of the market. Yet, the large distributors and retailers now have the loudest voices in this issue. My concern is that the small distributors and retailers are not being heard. I ask that EPA takes into consideration the voice of small distributors and retailers in considering moving the point of obligation in order to eliminate the disadvantage felt by small distributor and retailers under the current system.

Sincerely,

Stanley Roberts, Senior Vice President
Capital Oil, Inc.

SWATI ENTERPRISES, INC.
dba Pak Oil Company / Pak-Petro, Inc.
2950 Turtle Creek Dr.
Port Arthur TX 77642

Phone 409.727.6700
Fax 409.727.2322

July 29, 2016

via USPS Certified Mail / Return Receipt Requested
Article No. 7015 3010 0001 4792 5524

Janet McCabe
Acting Assistant Administrator
Office of Air and Radiation
Environmental Protection Agency
Mail Code 6101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Attn: Docket ID No. EPA-HQ-OAR-2016-0004
Dear Assistant Administrator McCabe:

I am writing on behalf of Swati Enterprises, Inc. in regard to the current point of obligation under the current Renewable Fuel Standard ("RFS"). My name is Shujat Swati and I am the President of Swati Enterprises dba Pak Oil Company/Pak Petro, Inc. headquartered in Port Arthur, Texas. For 18 years my company has owned and operated as a small retail fuel distributor in Texas. Currently, Swati Enterprises, Inc. provides branded and unbranded gasoline products to approximately 100 locations in the Southeast Texas region and Southwest Louisiana area. We also offer a variety of brands such as Exxon, Chevron, Shell, Conoco and Citgo etc. for any new build gas stations or existing locations.

My business is threatened by large grocery and hypermarket retailers that have advantages to price fuel lower than I can. One thing that makes it easier for these large retailers to compete and disadvantage smaller retailers is the ability to obtain extra revenue for sale of renewable fuel blending credits (RINs). That revenue stream is very significant and doesn't help the consumer in the long run. I support moving the point of obligation under the Renewable Fuel Standard to rack sellers. Under the current system, my larger competitors are able to generate revenue for selling RINs based on taking ownership of fuel above the rack. My business does not have the financial ability or contractual leverage to do the same thing. It is already hard to compete with the bigger players in this industry and this just makes it more unfair. Moving the point of obligation to the rack would still encourage blending renewable fuel and could help my business take advantage of better prices for renewable as well as allow us to undertake retail level blending. Please level the playing field by putting the RFS obligation on the rack sellers so small retailers can better compete and participate in promoting renewable fuels.

Sincerely,

Shujat Swati
President

PetroTex FUELS, INC.

July 15, 2016

Janet McCabe
Acting Assistant Administrator
Office of Air and Radiation
Environmental Protection Agency
Mail Code 6101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Attn: Docket ID No. EPA-HQ-OAR-2016-0004

Dear Assistant Administrator McCabe:

I write you directly on behalf of my petroleum marketing company, PetroTex Fuels, Inc., with regard to the circumstances negatively impacting my company as caused by the current Point Of Obligation under the current Renewable Fuels Standard ("RFS"). With that, my name is Harvey Steinhagen, and I own and operate, PetroTex, as headquartered in Beaumont, Texas. With that, for the past 26-years, I have operated PetroTex as a petroleum fuels marketing company in-which markets petroleum motor fuel products under multiple brands in Texas and Southwest Louisiana, and in addition to that, PetroTex also operates a chain of retail convenience store fuel facilities in Southeast Texas, this in addition to our supplying some 100 plus customers at Wholesale under contract.

With that, I write you directly advising that my business is threatened by the large grocery and hypermarket retailers that have certain volume advantages to price fuel at a lower rate in the market than I have the ability to purchase at Rack. With that, be advised that one thing that makes it possible for these large retailers to take advantage of the smaller Marketer Network, is the ability to obtain extra revenues driven by the sale of renewable industry fuel blending credits, known as RINs. This revenue stream is significant as the smallest adjustment in the market place fuel cost has significant volume impact on our business as proven thus far. However, as you also must know, this RIN revenue generation by large retailers does not help the consumer in the long run, and because of that, I hereby make strong request to your Moving The Point Of Obligation under the Renewable Fuels Standard to Rack Sellers, so that my business and others like it in industry are not competitively disadvantaged, as caused by a government-created revenue stream that only subsidizes a certain class of trade, … THIS IS NOT FAIR IN-TRADE.

Also with that, I likewise raise concern with regard to the Retailer Trade Groups that have surfaced speaking-out against moving the Point Of Obligation, and with that, as you also must know, these trade groups are merely speaking on behalf of their largest dues paying members, with those members being the large retailers to whom I am speaking about. With that, I ask you to make this change in obligation point, and sincerely request that you personally take-on this request as a serious requirement with merit in business. Also so you are made aware, please be advised that the smaller marketers with independent retailers make up approximately 70% of the

1844 Interstate 10 South • P.O. Box 7308 • Beaumont, TX 77726 • (409) 842-0999 • Fax (409) 842-6626

retail gasoline market in the continental United States. In comparison, the large retailers makeup only about 17%, but have grown rapidly over the past decade in part due to the RIN revenues stream they currently enjoy. The disproportionate advantages that the EPA has created under the current RFS program allowance utilized by these large retailers has threatened the future of all marketer businesses like mine in industry, and these large retailers have the loudest voices in the national trade associations as you would expect. With that, the national trade association's opposition to moving the point of obligation is contrary to the position of all smaller marketer and retailers who absolutely support Moving The Point Of Obligation To The Rack. By these trade groups taking their stance against moving the point of obligation, they obviously are ignoring small marketers/retailer concerns and this disadvantaged circumstance also nets-out-to-be a government allowed competitive disadvantage being experienced in business by the small to mid-sized petroleum Marketer and Retailer class of trade, and it is wrongly allowed. With that, be advised that you do not represented fairness in trade with your allowing this point of obligation being in its current structure as it pertains to the Majority of Petroleum Marketer's across the country. With that, I hereby request that the EPA take into consideration the voice of the small Marketer segment in industry thereby Moving The Point Of Obligation To The Rack, so to eliminate the disadvantage circumstance in industry as currently being experienced under this current lopsided system.

Please confirm to me of your receiving this notification, as time is of the essence that you the EPA act in good conscience with regard to this substantial small business disadvantage in-which has been created through the Environmental Protection Agency.

Time is of the essence that you reply.

Sincerely,
PetroTex Fuels, Inc.

E. Harvey Steinhagen, III
President – CEO
409.842.0999