



March 10, 2017

Mr. Sam Wade
Transportation Fuels Branch, Chief
California Air Resources Board
1001 I Street
Sacramento, California 95814

Dear Mr. Wade,

Thank you for the opportunity to provide comments on the proposed “modifications” to the reporting requirements of the Low Carbon Fuel Standard (LCFS) regulation discussed at the Biodiesel and Renewable Diesel Working Meeting held by California Air Resources (CARB) staff on February 10, in Sacramento.

Pilot Flying J (Pilot) owns and operates over 600 travel centers nationwide with 20 stations in California. Many of our travel centers, including 17 in California, have biodiesel blending capability and Pilot has invested in infrastructure that promotes the sale of biodiesel blends up to B20. Pilot, as a downstream party, does not currently accept LCFS compliance obligation for the biodiesel and diesel which we obtain below the terminal rack. Therefore, Pilot, at present, is neither a regulated or reporting party under the LCFS regulation.

As discussed in more detail below, Pilot requests that CARB publish guidance and move to amend the requirements of the LCFS regulation in order to:

1. Make it clear to California diesel and biodiesel fuel suppliers that below the rack purchases of California fuels without obligation do not need to be reported to CARB under the LCFS program even if they are exported.
2. Provide for a “small volume” biodiesel export reporting exemption; and
3. Require disclosure of the exact composition of all diesel fuel blends.

Downstream Reporting Responsibility

Pilot is concerned with the lack of clarity about reporting responsibilities for downstream parties in the current LCFS regulation and related guidance documents. This lack of clarity results in confusion as our fuel suppliers routinely report sales to Pilot without obligation using various approaches. In order to “reconcile” our biodiesel purchases in the LCFS reporting system with our counterparties, Pilot has been reporting without obligation purchases, as well as “by the truck load” exports. We ask that CARB immediately publish guidance and move to amend the requirements of the LCFS regulation related to reporting of sales without obligation to downstream parties below the rack that makes it crystal clear to California diesel and biodiesel fuel suppliers that below the rack purchases of California fuels without obligation do not need to be reported to CARB under the LCFS program.

Diesel/Biodiesel Exports

Another issue of concern to downstream parties is specific to the fuel export section of the Staff Discussion Paper on Biomass-Based Diesel released on February 8. Pilot is aware of the LCFS Regulatory Guidance 16-01 released in May 2016 in which CARB discussed the need to report biodiesel exports. However, the guidance does not provide a clear definition of an “exporting party”. Although Pilot owns biodiesel at the time of export, we only export biodiesel to Oregon once it’s been splash blended with CARB diesel in order produce a B5 blend that meets that state’s requirements. The volume of biodiesel Pilot exports per quarter does not typically exceed 10,000 gallons. Pilot strongly urges CARB to develop a “small volume” biodiesel export reporting exemption that would allow Pilot to continue this practice without the need to perform LCFS reporting.

For exports of CARB diesel, Pilot believes that the diesel supplier should remain the regulated party given that the ultimate destination of the fuel is known at the time of purchase when diesel is loaded at the terminal rack. Therefore, Pilot also urges CARB to immediately issue regulatory guidance and later amend LCFS regulation to make it crystal clear that below the rack purchases of diesel do not need to be reported to CARB under LCFS even if they are exported from California.

Disclosure of the Exact Composition of Diesel Fuel Blends

Pilot strongly urges CARB to publish guidance and amend the LCFS regulation that would implement the “knowing what’s in your fuel” concept. We believe if fuel suppliers are transparent with respect to the actual composition of diesel fuel blends being sold downstream, the LCFS credit market and credit values will be better aligned with the actual fuels being sold and used in California. For example, the ability to blend biodiesel in California is currently limited by the fact that all downstream diesel fuel is assumed to contain 5% biodiesel regardless of the actual biodiesel content. In addition, Moreover, knowing the actual biodiesel content

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would simplify our biodiesel blending operations in California with respect to ensuring compliance with the Alternative Diesel Fuel regulation.

We appreciate the opportunity to provide these comments and welcome further CARB discussion on treatment of downstream parties and below the rack fuel transactions under LCFS.

Sincerely,

A handwritten signature in black ink that reads "David A. Dobbins". The signature is written in a cursive, flowing style.

David A. Dobbins
Director of Supply, East
Pilot Flying J