



2401 North State Street • PO Box 725 • Ukiah, CA 95482
Ph (707) 462-8811 • Fax (707) 468-3820
www.rinehartoil.com

December 30, 2014

Dear Customer,

Effective January 1, 2015 all transportation fuels sold across the rack in the State of California will be subject to a carbon offset obligation to comply with the Greenhouse Gas Emissions section of the California Air Resource Board (CARB) Assembly Bill 32. The carbon offset obligations are paid in carbon credits which are traded during quarterly auctions controlled by CARB and in the secondary market on a daily basis. The current carbon credit cost for gasoline is 9-10 cents a gallon and 12 cents a gallon for diesel, though this can change daily. The difference in the assessment price for gasoline and diesel price is due to the carbon content of the fuels.

All of our suppliers have notified us of their intention to pass on their cost of the carbon offset obligation. Some refiners will include their cost of the carbon credits in their rack price and others will list their obligation cost as a separate line item using the Oil Price Information Service (OPIS) previous day's Cap-at the-Rack Assessment (CAR) value.

Rinehart Oil will include these carbon offset obligations in our quoted and invoiced price for gasoline and diesel starting on January 1, 2015. This will allow us to provide you with a consistent basis of pricing regardless of how the carbon offset obligations are passed on by our suppliers. Please contact me if you have any questions. My email is mbabcock@rinehartoil.com and my phone number is 707-462-8811.

Also as a reminder, beginning January 1, 2015, the Underground Storage Tank Maintenance Fee (UST) that you remit to the State will increase from \$0.014 to \$0.02.

For additional information and resources, be sure to visit our improved and updated website at <http://www.rinehartoil.com>.

Thank you for your continued business.

Sincerely,

Mike Babcock