

From: Brent Leathers [<mailto:brent@leathersfuels.net>]

Sent: Tuesday, March 28, 2017 7:41 PM

To: Rep.bradwitt@state.or.us; Rep Noble <Rep.RonNoble@oregonlegislature.gov>; Rep.paulevans@state.or.us; Rep Wilson <Rep.CarlWilson@oregonlegislature.gov>; Rep Kennemer <Rep.BillKennemer@oregonlegislature.gov>; Rep McLain <Rep.SusanMcLain@oregonlegislature.gov>; Rep McKeown <Rep.CaddyMcKeown@oregonlegislature.gov>; Rep Vial <Rep.RichVial@oregonlegislature.gov>

Cc: rachels@chooseSQ.com; 'Kevin Kuper' <kevink@choosesq.com>

Subject: Written Testimony on HB 2293, B20 BioDiesel

RE: Testimony on B20 Part of HB 2293

March 28, 2017

Dear Representative:

My name is Brent Leathers. Along with my mother (Lila) and sister (Kathy), I own and operate 24 gas stations in Oregon. 18 of these stations are branded "Shell", with a half-dozen "Leathers Fuels" sites.

Shortly after HB2345 was effective, we became the first fuel marketer to sell B20 statewide (starting April, 2014). We had replied "no" to SeQuential twice before deciding to undertake the program, knowing it would require considerable investment in station improvements, staff training, and consumer education. We counted on the state tax forgiveness to serve as the inducement for our customer base to "try a new fuel".

We currently market B20 diesel at 21 of our stations, including Medford, Burns, John Day, Hermiston, and 3 sites in Central Oregon.

The following list is an overview of some of the investments we've made to market B20 diesel:

1. We developed brochures to provide our customers. And we gave every customer a brochure from the first sale onward, so they could make an informed decision. We continue to present brochures to new customers.
2. Station staff were trained and provided with written reference materials regarding the virtues and limitations of the product, and which vehicles had supportive manufacturers' warranties.
3. Re-labeled our dispensers and primary price sign to clearly display that we were marketing a "non-traditional" diesel fuel. State law later changed to require similar changes at other retail service stations.
4. Annually, purchased \$30 - \$40,000 worth of winterization chemicals to offset B20s tendency to gel at higher temperatures than "traditional diesel" (B5).
5. Installed new dispensers and piping at 10 sites. Installed a new underground storage tank at one location (Culver). We invested an average of more than \$25,000 in facility improvements in order to properly market B20 diesel.
6. Engaged customers and mechanics to talk through long-held beliefs about the inferior quality of biodiesel in general. We quickly learned that most customers are not inclined to try a "new" fuel in their vehicle, for fear of the consequences to the engine. Many were fearful post-purchase, and engaged their mechanics, who are usually also skeptical.

7. We pay extra on every tanker load to pick up product in two or three locations; the clear ULS diesel at one rack, the SeQuential B99 at another rack, with the winter chemical requiring a third stop to blend into the product.

From our first day of sales, we passed the tax forgiveness on to our customers. We believed this was the legislative intent, and concomitantly, believed it necessary to induce our customer base to try the product. Please note there is not a true 30 cents/gallon difference in the wholesale cost relative to B5 diesel. It takes more transport truck time to visit multiple racks to blend the product, the B99 is consistently more expensive than traditional diesel, and we have to pay for winterization chemicals half of the year (October thru March). These additional costs run from 5 to 8 cents per gallon higher than B5 diesel.

Since March of 2014, our retail product price for B20 has consistently been 20 to 25 cents/gallon lower than we sell B5.

We continue to believe that the tax forgiveness is a necessary inducement for B20 sales to most consumers. While many consumers are now fairly comfortable with the product, there are more who are still skeptical, and many who have not yet learned anything about it at all. If the economics of B20 require that we sell it at the same price as “traditional” B5 diesel, we believe 65 – 90% of our customers will quit buying B20 in favor of B5. This is especially true in the winter months.

Because of this shift, it is our plan to return to selling B5, should HB2435 experience an early sunset. We do not believe B20 is yet a commonly-accepted substitute for B5, absent a discount.

We made considerable investments, believing that we would have at a minimum the original term of HB 2435 to recoup those costs. We did not mark up our prices to recapture the investments, but instead relied on hoped-for increased overall sales volume, and the 6 or 7 years of the legislative support.

Thank you for considering these words. I pray you are blessed with wisdom.

Best regards,

Brent Leathers



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