

(Bold Underlining indicates an insertion; ~~strikethrough~~ indicates deletion)

Proposed Rule Amendment - Rule 150.12 Inspection

(A) The buyer shall notify the seller in the Initial Delivery Instructions that a grade and quality or quantity inspection is requested. The seller shall initiate inspection of the product to be delivered 24 hours prior to the nominated time and date specified in the delivery instructions. The buyer may request the tests for any or all grade and quality specifications for the stated product listed in Rule 150.03. The buyer may request a quantity inspection for all deliveries. The buyer shall require a quantity inspection for delivery by barge, tanker or inter-facility transfer (pump-over). If the buyer does not request a quantity inspection, the seller may request such inspection.

(B) If a buyer requests grade and quality or quantity inspection, or if a seller requests a quantity inspection, the inspection company listed in the Initial Delivery Instructions shall perform the inspection, unless an alternate inspection company is appointed by the Petroleum Delivery Committee, pursuant to Rule 150.09(A)(3).

(C) If the product meets grade and quality specifications, the buyer and seller shall share equally in the cost of inspection. If the product does not meet grade and quality specifications, the seller shall pay the cost of inspection. The cost of verifying the quantity of product transferred shall be shared equally by buyer and seller.

(D) If the product does not meet grade and quality specifications, or if product is added to the tendered tank(s) after the inspection is conducted, the seller, at its own expense shall initiate a second inspection, performed by the same inspection company as the initial inspection. Seller shall furnish the results of the second inspection to the buyer no later than the nominated time and date of pickup. If the product does not meet grade and quality specifications in the second inspection, within one business day of receipt of the report by the Exchange a Panel of the Petroleum Delivery Committee, as appointed by the Chairman, shall meet to review the delivery if necessary, pursuant to the procedures set forth in Rule 150.15(C).

In addition, the Seller shall require its customer to post additional margin equal to 25% of the total contract value of all contracts listed in the Delivery Instructions. Such additional margin shall be posted by the Seller with the Exchange not later than 11:00 a.m. on the next business day.

(E) The inspection company shall not be affiliated with the parties to the delivery. The inspection company must be capable of performing the quantity or quality tests requested by the buyer or seller in such a manner so as to assure that the product delivered conforms with these rules. The inspection company shall determine the quantity or quality of product transferred by using the prevailing practices of the facility transferring the product in effect at the time of delivery.

(F) The buyer shall deliver to the Exchange a copy of all reports of the inspection company when they are received.

(G) The buyer, at its own discretion and expense, may request in the Initial Delivery Instructions that the seller run an additional inspection, called Pre-inspection, for quality and quantity on the total amount to be delivered in the five-day delivery period specified in the Initial Delivery Instructions. The seller shall initiate Pre-inspection 24 hours prior to the first day of the consecutive five-day period for delivery. Pre-inspection shall be performed by the same inspection company as indicated in the Initial Delivery Instructions. If the product does not meet grade and quality specifications in the Pre-inspection, the seller, at its own expense, shall initiate a second Pre-inspection, performed by the same inspection company as the Initial Pre-inspection. Seller shall furnish the results of the second Pre-inspection to the buyer prior to the first day of the consecutive five-day delivery period.

(H) Notwithstanding the above, for purposes of this Rule 150.12, the dye specification referenced in Rule 150.03 (14) need not be met at the time of inspection or Pre-inspection. However, it must be met by seller at seller's cost and as prescribed by the Internal Revenue Service (IRS) for tax-free sales or uses of diesel fuel prior to completion of delivery.

Rule 150.03 Grade and Quality Specifications

The oil shall be a hydrocarbon oil free from alkali, mineral acid, grit, fibrous or other foreign matter and shall meet the following physical and chemical properties.

(A) No. 2 Heating oil

(1) Gravity: A.P.I. 30°F minimum (A.S.T.M. Test Method D287)

(2) Flash: 130°F minimum (A.S.T.M. Test Method D93)

(3) Viscosity: Kinematic, Centistokes at 100°F, minimum 2.0, maximum 3.6 (A.S.T.M. Test Method D445)

(4) Water and Sediment: .05% maximum (A.S.T.M. Test Method D1796 or D2709)

(5) Pour Point: 0°F maximum for contract months September through March; 10°F maximum for contract months April through August, (A.S.T.M. Test Method D97)

(6) Distillation: 10% Point, 480°F maximum; 90% Point, 640°F maximum, End Point 690°F maximum (A.S.T.M. Test Method D86)

(7) Sulfur: 0.20% maximum (A.S.T.M. Test Method D129, D1552, D1266, D2622 or D4294)

(8) Stability:

(i) Thermal Stability: 90 minutes 300°F Pad rating 7 maximum (DuPont Test Method); or

(ii) Oxidation Stability: mg/100ml., 2.5 maximum (A.S.T.M. Test Method D2274);

- (9) Haze Rating: 25°C (77°F), Procedure 2, 2 maximum (A.S.T.M. Test Method D4176);
- (10) Carbon Residue: Weight% on 10% Bottom, 0.35 maximum (A.S.T.M. Test Method D524 or D4530);
- (11) Ash: 0.01 wt. % maximum (A.S.T.M. Test Method D482);
- (12) Corrosion: 3 hours 50°C (122°F), 1 maximum (A.S.T.M. Test Method D130).
- (13) Cloud Point: 15°F maximum for contract months September through March; 20°F maximum for contract months April through August. (A.S.T.M. Test Method D2500)
- (14) Dye: All heating oil delivered against this contract, regardless of sulfur content, shall be dyed in satisfaction of the dyeing requirements as prescribed by the Internal Revenue Service (IRS) for tax-free sales or uses of diesel fuel (using the Petro Spec dye analyzer or the IRS Test Method), pursuant to Section 4082 of the Internal Revenue Code of 1986, as amended.
- (B)(1) A.S.T.M. refers to the American Society for Testing Materials.
- (2) A.P.I. refers to the American Petroleum Institute.
- (3) DuPont refers to Petroleum Chemical Division, E.I. DuPont de Nemours & Company (Inc.), Petroleum Laboratory Test Methods.