



Dear Sprague Customer

We would like to inform you of a significant change in Sprague's pricing and invoicing of home heating oils including #2 fuel, Heatforce Premium Heating Oil, BioHeat and kerosene. Effective December 1st of this year, Sprague will begin to issue prices and invoice product purchased in net (temperature adjusted) gallons at the following terminal locations: Searsport, South Portland, Newington, Portsmouth, Everett XOM, Quincy, TRT, New Bedford, Providence, East Hartford, New Haven Magellan, Bridgeport Motiva and Stamford.

We firmly believe that this approach provides our customers with the most transparent means of effectively and accurately comparing the offerings of various fuel suppliers on a consistent basis. This net temperature adjusted basis is an American Petroleum Institute (API) prescribed methodology used by the industry to standardize petroleum product volumes throughout the supply chain to 60 degrees F., including all the fuel we purchase to fill our own tanks. Since petroleum products expand with heating and contract with cooling, this is the only fair way to accurately compare prices and volumes across suppliers. Many states currently have no prohibition against heating petroleum products, enabling wholesalers that heat fuels to increase the volume of product delivered. However, that product immediately begins to cool when it enters your truck or your own storage tank. The "yield loss" during winter months can represent 1-1.5% of the fuel being metered. At current price levels, this represents approximately 2 to 3 cents per gallon, depending on the specific temperature and gravity of the fuel, with fuel heated above 60 degrees F. exhibiting even greater "gains". Sprague's historical practice has been to price in an estimate for this "shrink" in the gross gallon prices we quote every day.

We will only provide net gallon pricing in locations which have the necessary equipment to accurately measure the temperature of each load going to the rack. All other locations will remain on Gross Gallon pricing until we are confident that we have the equipment and procedures to accurately measure and communicate adjustments to net gallons. Additionally, any existing contracts will continue to be invoiced and priced as agreed. These contracts were primarily sold on a gross basis at a gross price and our system will track and bill those volumes on a gross basis. Any future contracts in the affected locations will be sold on a net basis at a net price.

Sprague believes this change is an important step in allowing you to accurately compare prices between competing wholesalers. With that in mind we have developed a number of tools designed to help you compare those prices and calculate the shrinkage (in winter) or gain (in summer). We have attached a more thorough Q&A designed to answer many of the major questions we anticipate. This document includes an example of a hypothetical load of oil in February evaluated on both a net and a gross basis to show that the fuel load will be invoiced at the same total invoice cost. We also encourage you to go to www.Spragueenergy.com for more detailed information including downloadable tools that can help you compare prices and calculate the daily shrinkage factor from gross to net.

We appreciate that this change will take some getting used to we and are committed to working with you in transitioning to an approach that we believe will enable you to make more informed decisions about your petroleum purchases. Please do not hesitate to call your sales rep if you have any additional questions on this important change.

As always, we appreciate the opportunity to serve your petroleum needs.