

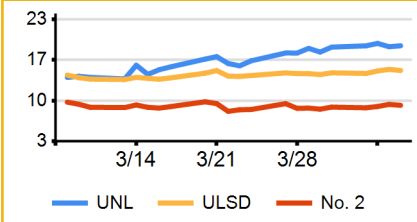
OPIS International Feedstocks Intelligence Report

A Daily Report on U.S. Refinery Feedstocks Prices plus News and Commentary

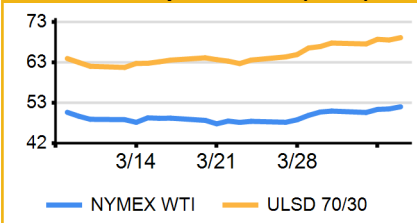
April 6, 2017

30-Day Snapshot

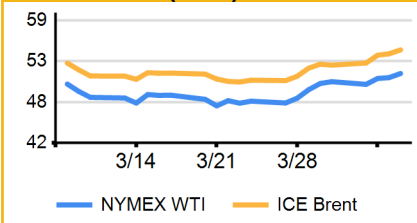
USGC Crack Spreads (\$/bbl)



USGC 70/30 Split vs. WTI (\$/bbl)



Brent vs. WTI (\$/bbl)



ICE Brent Settle

Month	Price	Change
JUN '17	54.89	0.53

MARKET OVERVIEW:

4/6/2017 - Oil futures started the session without much direction but by midafternoon were pointing higher, finishing the session close to intraday highs.

Oil futures prices have been tugged back and forth with battling influences. Moving prices higher are the cuts to worldwide crude production agreed to by OPEC which are largely being adhered to. On the other hand, domestic crude production has been encouraged to increase and pull more crude, which has pressured prices lower. Today, the worldwide production crimping was guiding prices, helped by some drawdowns in refined product inventories in this week's Energy Information Administration report.

May WTI settled up 55cts today at \$51.70/bbl, only about 12cts away from today's high of \$51.82/bbl. ICE Brent for delivery in June followed suit, picking up 53cts on the day to settle at \$54.89/bbl, just below the \$55/bbl high tide for the day.

The market as a whole could be near a breakout, according to some of the latest resistance points from chartists.

For crude contracts, WTI's 200-day moving average is \$51.32/bbl, and today's settle put values above that. The 100-day moving average could be the new ceiling to break through at \$52.72/bbl. ICE Brent's 100-day moving average is \$55.16/bbl, with today's settle still a bit beneath that.

Refined product points are a little higher than today's levels. RBOB needs to break through its 100-day moving average at \$1.7368/gal to test a new range, while ULSD still needs a half-penny or so to get above its 100-day moving average of \$1.6226/gal.

FEEDSTOCKS:

USGC 70/30 cracks versus WTI improved by approximately a nickel a barrel today.

The USGC waterborne unleaded crack (9.0-lb. RVP, or M2 unleaded) versus May WTI firmed by 16cts/bbl today to \$18.95/bbl.

The USGC waterborne high sulfur No. 2 (HS) crack slipped by 15cts/bbl to \$9.01/bbl, and the USGC ULSD crack weakened by 19cts/bbl to \$14.82/bbl.

The USGC HS 70/30 crack gained 7cts/bbl to \$15.97/bbl, and the USGC ULSD 70/30

(Continued on Page 2)

New York Mercantile Exchange at Settlement and Crack Spreads (\$/gal)

WTI Crude Oil (\$/bbl)		
Month	Price	Change
MAY '17	51.70	0.55
JUN '17	52.13	0.53
JUL '17	52.47	0.52

RBOB Unleaded (cts/gal)		
Month	Price	Change
MAY '17	172.96	1.43
JUN '17	172.64	1.20
JUL '17	172.02	1.11

ULSD (cts/gal)		
Month	Price	Change
MAY '17	161.29	0.94
JUN '17	161.99	0.94
JUL '17	162.84	0.98

	Key USGC Crack Spreads to WTI Crude	
	Cash (cts/gal)	Crack (\$/bbl)
UNL	168.210	18.95
No. 2	144.540	9.01
HS 70/30	161.1090	15.97

* ULSD 70/30 data is on page 2

OPIS U.S. Gulf Coast VGO Values (cts/gal)*

Product	Cargo Prompt			Cargo Forward			Barge Prompt			Barge Forward		
	Low	High	Avg	Low	High	Avg	Low	High	Avg	Low	High	Avg
VGO (Low Sulfur)	142.75	143.95	143.350	143.75	144.95	144.350	142.15	143.35	142.750	143.15	144.35	143.750
Low Sulfur Diff to Split (ULSD)	-22.55	-21.35	-21.950	-21.40	-20.25	-20.825	-23.10	-21.95	-22.525	-22.00	-20.85	-21.425
Low Sulfur Diff to Split (HS)	-18.35	-17.20	-17.775	-17.30	-16.10	-16.700	-18.95	-17.80	-18.375	-17.90	-16.70	-17.300
Low Sulfur Diff to WTI	8.25	8.75	8.500	8.25	8.75	8.500	8.00	8.50	8.250	8.00	8.50	8.250
VGO (Med Sulfur)	140.95	142.15	141.550	142.00	143.15	142.575	140.35	141.55	140.950	141.40	142.55	141.975
Med Sulfur Diff to Split (ULSD)	-24.30	-23.10	-23.700	-23.20	-22.00	-22.600	-24.90	-23.70	-24.300	-23.80	-22.60	-23.200
Med Sulfur Diff to Split (HS)	-20.15	-18.95	-19.550	-19.10	-17.90	-18.500	-20.75	-19.55	-20.150	-19.70	-18.50	-19.100
Med Sulfur Diff to WTI	7.50	8.00	7.750	7.50	8.00	7.750	7.25	7.75	7.500	7.25	7.75	7.500
VGO (High Sulfur)	139.15	140.35	139.750	140.20	141.40	140.800	138.55	139.75	139.150	139.60	140.80	140.200
High Sulfur Diff to Split (ULSD)	-26.10	-24.90	-25.500	-25.00	-23.80	-24.400	-26.70	-25.50	-26.100	-25.60	-24.40	-25.000
High Sulfur Diff to Split (HS)	-21.95	-20.75	-21.350	-20.90	-19.70	-20.300	-22.55	-21.35	-21.950	-21.50	-20.30	-20.900
High Sulfur Diff to WTI	6.75	7.25	7.000	6.75	7.25	7.000	6.50	7.00	6.750	6.50	7.00	6.750

* Differentials to WTI are in \$/bbl

OPIS Other Gulf Coast Feedstock and NGL Assessments (cts/gal)

Product	Low	High	Avg
Naphtha (Domestic Full-Range)	130.70	132.70	131.700
Diff to W-Borne Unl	-37.50	-35.50	-36.500
Naphtha (Domestic 40N+A)	133.20	135.20	134.200
Diff to W-Borne Unl	-35.00	-33.00	-34.000
Naphtha (Offshore 40N+A)	132.70	134.70	133.700
Diff to W-Borne Unl	-35.50	-33.50	-34.500
Paraffinic Naphtha (\$/mt)	466.40	470.40	468.400
Mt. Belvieu N. Gasoline (\$/mt)	450.75	454.20	452.500

Product	Low	High	Avg
LT. Cycle Oil	137.55	139.55	138.550
LT. Cycle Diff to No. 2	-7.00	-5.00	-6.000
LS LT. Cycle Oil	140.30	141.55	140.925
LS LT. Cycle Diff to No. 2	-4.25	-3.00	-3.625

OPIS U.S. Gulf Coast Refined Product Values (cts/gal)

Product	Waterborne Prompt			Waterborne Forward			Colonial Pipe Prompt			Colonial Pipe Forward		
	Low	High	Avg	Low	High	Avg	Low	High	Avg	Low	High	Avg
Unleaded Regular	168.06	168.36	168.210	167.96	168.36	168.160	166.81	167.11	166.960	166.71	167.11	166.910
CBOB	---	---	---	---	---	---	161.46	161.71	161.585	161.46	161.71	161.585
No. 2 Oil	144.04	145.04	144.540	144.04	145.04	144.540	142.79	143.79	143.290	142.79	143.79	143.290
Jet 54	153.79	154.44	154.115	---	---	---	152.29	152.94	152.615	151.79	152.44	152.115
ULSD	158.29	158.49	158.390	158.14	158.34	158.240	157.29	157.49	157.390	157.19	157.39	157.290

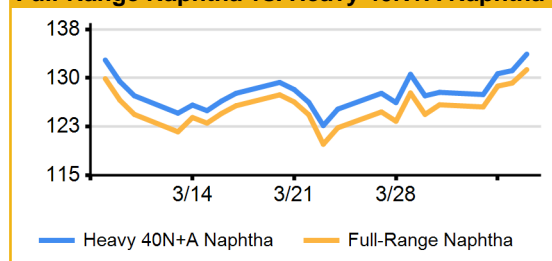
OPIS USGC Crack Spreads

USGC Prompt Crack Spreads to WTI Crude		
Crack Spread	Cash (cts/gal)	Crack (\$/bbl)
70/30 UNL/ULSD	165.2640	17.71
UNL	168.210	18.95
ULSD	158.390	14.82
70/30 CBOB/No. 2	156.4715	14.02
CBOB	161.585	16.17
No. 2	144.540	9.01

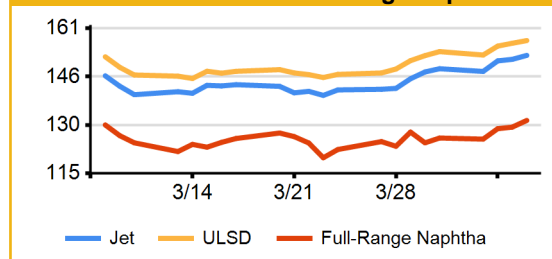
USGC Forward Crack Spreads to WTI Crude		
Crack Spread	Cash (cts/gal)	Crack (\$/bbl)
70/30 UNL/ULSD	165.1840	17.25
UNL	168.160	18.50
ULSD	158.240	14.33

30-Day Trends (cts/gal)

Full-Range Naphtha vs. Heavy 40N+A Naphtha



USGC Jet vs. ULSD vs. Full-Range Naphtha



Product	Low	High	Avg
Alkylate (cts/gal)	187.31	187.61	187.460
St. Run Resid (Lo Sul) (\$/bbl)	54.95	55.45	55.200
Low Sul. Diff to WTI (\$/bbl)	3.25	3.75	3.500
St. Run Resid (Hi Sul) (\$/bbl)	42.20	43.20	42.700
High Sul. Diff to WTI (\$/bbl)	-9.50	-8.50	-9.000
No. 6 Oil 3% (\$/bbl)	45.30	45.40	45.350

OPIS NGL Assessments

Product	Low	High	Avg
N. Gasoline (River) Any	119.250	120.125	119.6875
N. Gasoline (River) Out	120.375	121.250	120.8125
Propane TET	63.000	64.000	63.5000
Normal Butane TET	68.250	70.375	69.3125
Isobutane TET	75.000	77.000	76.0000

(Continued from Page 1)

crack gained 5cts/bbl to \$17.71/bbl.

Barge VGO and cargo VGO deals today both indicated a strengthening of VGO values versus WTI.

There were reports today of a Houston-area refiner selling a barge volume of LSVGO at May WTI plus \$8.25/bbl delivered basis.

OPIS on Wednesday reported on a refiner seeking cargo HSVGO for use as hydrocracker feedstock for its Texas refining operations, with the refiner seeking delivery of the HSVGO in an April 30-May 2 window. Trade sources say the refiner today did pull off a purchase of cargo HSVGO. While details were not available, some trade sources estimated that the deal was transacted at around \$6.75-\$7.00/bbl over June WTI delivered USGC basis, based on the offer levels of sellers who were passed over.

In the Gulf Coast naphtha market, heavy naphtha values versus USGC waterborne unleaded were notionally stronger, with heavy naphtha offered by one party at 33.00cts/gal under USGC waterborne unleaded (delivered basis) and with brokers assessing heavy naphtha at around 34.00cts/gal under USGC waterborne unleaded.

IN GASOLINE

U.S. GULF COAST gasoline prices closed out Thursday's session with gains, moving higher with light gasoline futures gains amid mixed wet barrel action. Today was the first day to book Cycle 21 gasoline products into Colonial Pipeline, and while that can typically keep trade liquidity low, quite a bit of action was seen today, especially for regular unleaded gasoline.

Regular unleaded 9.0-lb. "M2" mean gasoline prices closed out the day at \$1.6696/gal, up more than a penny and a half. It's the highest closing level all year for M2. Physical trade was brisk, but the trading range was narrow.

Prompt Cycle 21 M2 changed hands as high as 5.85cts below the May Merc and as low as 6.15cts under, which is where cash discounts left off at close. Cycle 21 M2 also traded several times from "flat" to 15pts over Cycle 22 material, before last trading 10pts over. This indicates Cycle 21 M2 was last running 10pts stronger than Cycle 22 M2.

Quite a bit of activity was seen for RBOB VOC-controlled "F1" gasoline, as well, though the trading range was wider than what was seen for M2. Prompt Cycle 21 RBOB changed hands from as high as 1.10cts below May futures to as low

(Continued on Page 3)

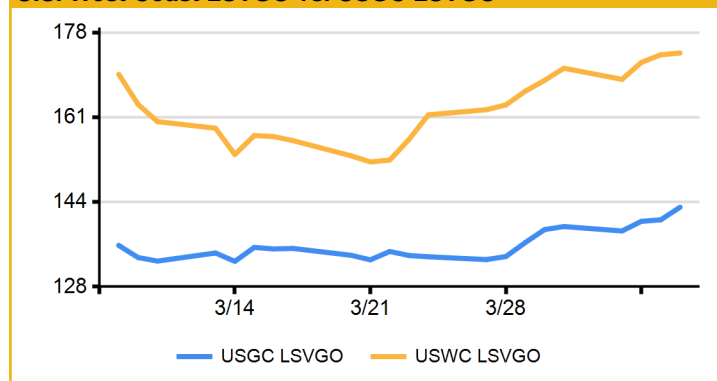
OPIS West Coast Spot Feedstocks Values

Product	Range (cts/gal)			Diff to 70/30 (cts/gal)			Diff to WTI (\$/bbl)			Diff to ANS (\$/bbl)		
	Low	High	Avg	Low	High	Avg	Low	High	Avg	Low	High	Avg
Low Sulfur VGO	172.80	174.80	173.800	-5.00	-3.00	-4.00	20.85	21.70	21.275	18.95	19.80	19.375
High Sulfur VGO	168.80	170.80	169.800	-9.00	-7.00	-8.00	19.20	20.05	19.625	17.30	18.15	17.725
Light Cycle Oil*	140.35	142.35	141.350	-25.95	-23.95	-24.95	-- --	-- --	-- --	ANS Crude		53.60

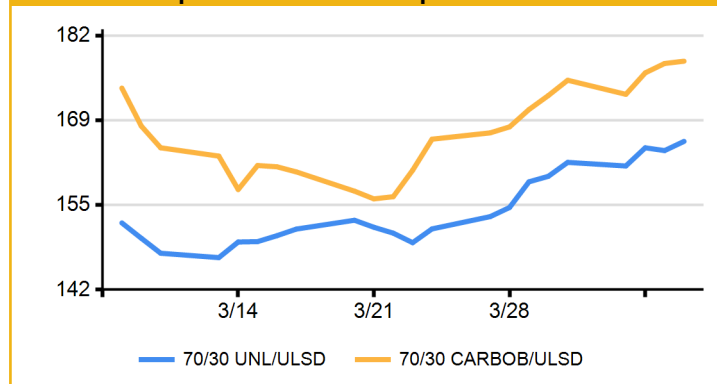
* Diff to L.A. ULSD

USGC-to-USWC Arbitrage (cts/gal)

U.S. West Coast LSVGO vs. USGC LSVGO



USWC 70/30 Split vs. USGC 70/30 Split



OPIS USWC Crack Spreads (\$/bbl)

USWC Prompt Crack Spreads to WTI Crude		
Crack Spread	Cash (cts/gal)	Crack (\$/bbl)
70/30 CARBOB/ULSD	177.7840	22.97
CARBOB	182.710	25.04
ULSD	166.290	18.14

OPIS USWC Refined Products (cts/gal)

Product	Prompt			Forward		
	Low	High	Avg	Low	High	Avg
CARBOB	181.96	183.46	182.710	180.14	181.14	180.640
ULSD	165.79	166.79	166.290	-- --	-- --	-- --

OPIS East Coast (NYH Barge) Refined Products (cts/gal)

Product	Prompt			Forward		
	Low	High	Avg	Low	High	Avg
Unleaded Reg	-- --	-- --	-- --	-- --	-- --	-- --
No. 2 Oil	148.54	149.54	149.040	148.04	149.04	148.540
Jet 54	157.04	158.04	157.540	156.54	157.54	157.040

OPIS East Coast Heavy Fuels Products (\$/bbl)

Product	Low	High	Avg
No. 6 Oil .3% Hi Pour	57.25	57.35	57.300
No. 6 Oil 1.0%	47.25	47.35	47.300
No. 6 Oil 3%	47.05	47.15	47.100

(Continued from Page 2)

as 2.15cts under, before last trading 1.25cts below the Merc. Outright mean prices closed out the day at \$1.7136/gal, its highest closing price since July of last year.

Premium RBOB VOC-controlled fuel for prompt Cycle 21 loading traded as high as 13.25cts over the futures today before last trading 12.25cts over. Mean prices closed at \$1.8571/gal.

Meantime, CBOB 9.0-lb. "A2" gasoline prices finished out with a mean closing price of \$1.6156/gal, its highest number since Dec. 30. Prompt Cycle 21 discounts left the board at 11.50cts below futures, its lowest trade of the session. Earlier deals were inked at 11.35cts and 11.25cts below the Merc.

The forward pricing curve for CBOB A2 is "flat," with a deal confirmed where Cycle 22 material changed hands even with Cycle 21 barrels. The CBOB 7.8-lb. "A1" barrel was pricing 5cts/gal stronger than A2, putting discounts at 6.50cts below the May Merc.

Line space for Line 1, Colonial Pipeline's main gasoline line, was valued 1.75cts below pipeline tariff fees this morning, a level unchanged from Wednesday.

NEW YORK HARBOR gasoline prices made advances of near a penny or more with moderate buying of futures contracts and an overall strengthening of trade levels.

RBOB 13.5-lb. "F4" RVP cash values closed 1.53cts higher, at \$1.5781/gal. Trade levels strengthened 10pts above yesterday to a discount 15.15cts below futures.

Material swapped hands at 14.75cts below futures for loading on the Buckeye Pipeline April 9. RBOB "F4" also traded at 15.35cts below and several times at 15.15cts under futures for loading on the Buckeye Pipeline April 12-17.

CBOB 13.5-lb. RVP prices finished close to a penny above yesterday's closing mean at \$1.5846/gal. Prices would have been higher, but discount levels softened 50pts to 14.50cts under futures.

Premium RBOB 13.5-lb. "H4" material traded at 2.75cts above the paper market for Buckeye Pipeline loading April 12.

Meanwhile, prices for offline CBOB 9.0-lb. RVP prompt Cycle 17 delivery into Linden edged up 93pts, to \$1.6396/gal. Material swapped hands at the Merc minus 8.75cts for nonprompt Cycles 18 and 19 delivery. Trade levels were last pegged at 9cts under futures, 50pts lower than yesterday.

Offline unleaded regular 11.5-lb. "M3" RVP gasoline for prompt Cycle 16 finished 1.43cts higher to \$1.6346/gal. Discounts remain unchanged at 9.50cts below the paper market.

Unleaded regular 9.0-lb. RVP gasoline traded at discounts of 3.50cts under for Cycle 16 delivery and 3.25cts below futures for nonprompt Cycles 17 and 18 delivery in Linden.

In the U.S. MIDWEST, cash differentials for Chicago spot gasoline finished slightly stronger on Thursday, after they left the board notably weaker in the previous session, as participants continued to mull market fundamentals following litany of regional refinery issues.

In CHICAGO, April cycle-two CBOB was last assessed at 6cts/gal

(Continued on Page 4)

OPIS Feedstocks Pricing

While vacuum gasoil (VGO) volumes transacted in the U.S. Gulf Coast spot market are not expected to exactly match the VGO specifications outlined in OPIS's feedstocks methodology, the OPIS specifications serve as a benchmark for making spot assessments. VGO with materially above-average qualities (relative to OPIS specifications) would be expected to command a stronger price, and VGO with materially sub-par specifications would be expected to be discounted for quality.

Depending on the extent of the quality discrepancy from OPIS' specifications, OPIS may decide to reflect VGO deals somewhere within price ranges (near one end of the range rather than the mean), or OPIS may decide that the qualities of the VGO in question are too far removed from the outlined specifications to be considered representative of spot VGO values.

The full methodology for OPIS' assessment of U.S. Gulf Coast and U.S. West Coast VGO, naphtha and other intermediate refinery feedstocks can be found online at <http://www.opisnet.com/about/methodology.aspx>

Editorial Staff

Brad Addington (NJ, USA)
baddington@opisnet.com
+1 509 624 1012
ICE: baddington1

Diane Miller (NJ, USA)
dmiller@opisnet.com
+1 732 730 2530
ICE: dmiller_opis

Mary Welge (NJ, USA)
mwelge@opisnet.com
+1 732 730 2563
ICE: mw_opis

Rajesh Joshi (TX, USA)
rjoshi@opisnet.com
+1 832 679 7223
ICE: rjoshi1

Jiwon Chung (Singapore)
jchung@opisnet.com
+65 6337 3519
ICE: jchung8

Charles Kim (Singapore)
ckim@opisnet.com
+65 6337 3519
ICE: ckim10

For subscription information, please call
888.301.2645 (U.S. only) or +1 301.284.2000
or email energyics@opisnet.com.

(Continued from Page 3)

under the NYMEX May RBOB futures, strengthening by 50pts, good for outright prices at \$1.6696/gal, for a gain of 1.93cts/gal. Earlier, Buckeye Complex material changed hands at 5cts/gal and 5.5ctsgal discounts to futures, Wolverine Pipeline barrels were pegged at 6.50cts/gal below the Merc at last look.

Looking at high-octane grades, Buckeye Complex premium unleaded gasoline traded at 10.50cts/gal above May futures. In GROUP 3, "V-grade" sub-octane regular gasoline left the board at 12cts/gal under the May Merc, the level where a prompt deal was confirmed done, unchanged from the previous session's mean. Prices closed up 1.43cts/gal, at \$1.6096/gal.

Looking at refinery news, Phillips 66's 330,000-b/d Wood River refinery in Illinois is still undergoing planned maintenance work, a company spokesman said late Wednesday, adding to a growing list of refinery issues in the U.S. Midwest.

On Wednesday, a report said that the refinery located in southwest Illinois is set to wrap up planned outages by this week and to resume normal operation next week.

OPIS cannot verify the report, and the Phillips 66 spokesman did not elaborate on further details regarding the operational status of the Wood River refinery.

OPIS first reported the refinery was undergoing planned works at Wood River in mid-February.

Earlier this week, ExxonMobil confirmed its 260,000-b/d Joliet refinery in Illinois was undergoing short-term planned maintenance, and that all customer commitments were being met.

In addition, BP's 430,000-b/d Whiting, Ind., refinery was experiencing a minor issue on its second-largest crude distillation unit known as PipeStill 11C, which was affecting normal operations. At that time, a source said that normal operations should be back in a few days.

IN DISTILLATES

In the U.S. GULF COAST, spot distillate prices increased across the arena on Thursday, pressured by NYMEX buying.

Ultra-low-sulfur diesel for Cycle 21 delivery most recently changed hands at four pennies beneath the NYMEX May ULSD futures contract, sinking basis levels by 18pts versus yesterday's mean. In addition, deals were also reached earlier today between 3.80-4cts below the screen. Those weaker trades failed to overpower Merc gains, as outright mean prices advanced by 87pts, at \$1.5739/gal at day's end. Although the Gulf Coast remains the cheapest market for ULSD in the country, prices are hovering around a month-long high.

Prompt ultra-low-sulfur heating oil traded at a 6.70ct discount to ULSD, good for an outright mean price of \$1.5069/gal at closing. Today was the last day to book Cycle 20 high-sulfur diesel material into Colonial Pipeline, and prompt barrels were talked right around an 18ct Merc discount, flat with Wednesday's closing mean differential. Outright mean prices relied on futures for direction, hiking to \$1.4329/gal, a boost of 94pts at the close of Thursday's session.

Cycle 21 jet fuel most recently transacted at 8.50cts below May futures, narrowing spot discounts by a half-cent versus Wednesday's mean. In addition, prompt supplies also changed hands earlier today between 8.35-9ct Merc discounts. That upturn in basis levels compounded NYMEX buying, as outright mean prices were tugged to \$1.52615/gal, a rise of 1.27cts at day's end. Looking ahead, Cycle 21 jet fuel will schedule tomorrow.

Line space on Colonial Pipeline's Line 2 - the main distillate line - was last talked around 40pts below pipeline tariffs, unchanged

(Continued on Page 5)

(Continued from Page 4)

compared to yesterday's ending mean level.

NEW YORK HARBOR distillates closed higher off light buying of futures contracts with cash trade levels that headed in opposite directions.

ULSD gained 1.19cts today to close at \$1.6079/gal. Trade levels strengthened 25pts to the Merc minus 50pts for prompt barge loading. Discounts strengthened 75pts to flat with futures for prompt Buckeye Pipeline loading.

ULSHO edged 1.44cts higher to \$1.5654/gal. Cash trade discounts were pegged 50pts stronger by the end of the day to 4.75cts under futures. LSHO closed 94pts higher, to \$1.5554/gal.

High sulfur heating oil crept up 44pts, to \$1.4904/gal. Trade levels dipped 50pts to 12.25cts under futures after swapping hands at that level.

Jet fuel also lifted about a penny to \$1.5754/gal. Discounts remained unchanged from their place at 3.75cts under futures after trading several times at that level today.

In the U.S. MIDWEST, GROUP 3 "X-grade" ULSD left the board at 1.25cts/gal above May futures by Thursday, based on the level where a prompt deal was confirmed done. Prices settled up 67pts, at \$1.6254/gal.

In CHICAGO, April cycle-two ULSD closed out Thursday at 2.25cts/gal under the May Merc, good for outright prices at \$1.5904/gal. West Shore/Badger material was last offered at 5cts/gal discounts to the Merc, while Buckeye Complex barrels were pegged at even to the May Merc level.

In other Chicago distillate grades, cycle-two West Shore jet fuel was confirmed traded at a penny under May ULSD futures.

RESIDUAL FUEL:

U.S. Gulf Coast spot residual fuel prices and implied physical prices on the U.S. East Coast rose Thursday.

NYMEX crude oil futures advanced, with the front-month May WTI contract climbing 55 cents to \$51.70 a barrel.

Gulf Coast spot 3% for the front end was assessed at \$45.30-\$45.40 a barrel, up from \$44.60-\$44.70 a barrel yesterday.

On the Gulf Coast, transactions were for 45,000 barrels of 3% sulfur resid. Shell bought from BP at \$45.30 for loading April 13-15. Trafigura bought from Valero at \$45.35 and at \$45.40, both for loading April 19-21. Physical East Coast prices were quoted at \$57.25-\$57.35/bbl for 0.3% high pour, \$47.25-\$47.35/bbl for 1% and \$47.05-\$47.15/bbl for 3%, all up \$0.70/barrel from Wednesday. In the swaps market, 1% swaps saw April edge up \$0.75/barrel to \$47.45/barrel, May gain \$0.75/barrel to \$47.65/barrel and June advance \$0.65/barrel to \$47.65/barrel. On the Gulf Coast, 3% swaps for April climbed \$0.75/barrel to \$45.60/barrel, May advanced \$0.70/bbl to \$45.75/barrel and June rose \$0.60/bbl to \$45.70/bbl.

NEWS:

***CHS: Refining, Renewable Fuels and Propane Fared Better in Fiscal Q2

CHS Inc. on Wednesday reported income before income taxes of \$16.6 million for its Energy segment for the fiscal second quarter ended Feb. 28 (Q2 2017), compared to a loss before income taxes of \$63.1 million in the corresponding prior-year period.

CHS said the improvement stemmed from improved refining margins and a \$46.1 million non-cash charge to reduce its inventory to market value in Q2 2016, which did not reoccur in the most recent quarter.

The company's refining assets comprise the 56,000-b/d Laurel, Mont., refinery and the 85,000-b/d McPherson, Kan., refinery.

Energy segment revenues in Q2 2017 of \$1.4 billion (after elimination of intersegment revenues) increased by \$373.0 million (35%) versus Q2 2016. The Energy segment recorded revenues from sales to the company's Ag segment during Q2 2017 and Q2 2016 of \$89.1 million and \$67.2 million, respectively, which are eliminated as part of the consolidation process.

Refined fuels revenues versus Q2 2016 increased by \$231.5 million (28%), of which \$227.2 million was related to higher prices, with the remaining increase attributed to higher volumes. The sales price of refined fuels increased by \$0.35/gal (27%), and volumes increased by approximately 1% when compared to the same period of the prior year.

"We expect to utilize cash and cash equivalents, along with cash generated by operating activities, to fund our fiscal 2017 capital expenditures," CHS said.

For fiscal 2017, CHS expects its total capital expenditures to be approximately \$604.0 million. Included in that amount is approximately \$259.0 million for the acquisition of property, plant and equipment and major repairs at the Laurel and McPherson refineries.

In fiscal 2013, CHS began a \$366.6 million expansion at the McPherson refinery, which was completed and operational in the first quarter of fiscal 2017. CHS incurred \$5.2 million of costs related to the expansion during the first two quarters of fiscal 2017 and \$49.2 million during fiscal 2016.

CHS noted that it is subject to the Renewable Fuels Standard, which requires all refiners to blend renewable fuels into their finished transportation fuels or purchase renewable energy credits, known as Renewable Identification Numbers (RINs), in lieu of blending.

CHS is the operator of two ethanol plants -- in Rochelle and Annawan, Ill. -- each with a capacity of approximately 130 million gal per year.

"We generate RINs under the RFS in our renewable fuels operations and through our blending activities at our terminals, however we cannot generate enough RINs to meet the needs of our refining capacity and therefore RINs must be purchased on the open market," CHS said.

The company noted that the RINs market price increased during fiscal Q1 2017 following EPA's release in November 2016 of the final 2017 Renewable Volume Obligations (RVOs).

"Subsequently, the price of RINs declined in our second fiscal quarter. Neither the increase nor decrease materially impacted our financial results," CHS said.

Renewable Fuels and Propane

CHS reported that earnings from its renewable fuels marketing and production operations increased by \$5.4 million in Q2 2017 versus Q2 2016, primarily because of higher margins.

Renewable fuels revenue from the company's marketing and production operations increased by \$3.2 million in Q2 2017 versus Q2 2016. The higher revenues were driven by an increase of \$38.6 million (1%) stemming from higher average selling prices, which was mostly offset by a decrease in volume of \$35.4 million (10%).

Propane revenues increased by \$51.2 million (26%) in Q2 2017 versus Q2 2016. The increase included \$50.7 million related to higher net average selling prices when compared to the same period in fiscal 2016. The average selling price of propane increased by \$0.16/gal (26%) when compared to the same period of the prior year.

--Brad Addington, baddington@opisnet.com