

Chapter 16

Denatured Fuel Ethanol Futures

16100. SCOPE OF CHAPTER

This chapter is limited in application to Denatured Fuel Ethanol futures. The procedures for trading, clearing, inspection, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

16101. CONTRACT SPECIFICATIONS

The contract grade for delivery on futures contracts shall be Renewable Denatured Fuel Ethanol specified in the latest version of The American Society for Testing and Materials (A.S.T.M.) standard D4806 for "Denatured Fuel Ethanol for Blending with Gasolines for Use as Automotive Spark-Ignition Engine Fuel", with the exception of Denaturant, which shall not exceed 2.49 percent, and be in conformance with all applicable Federal, State, and local laws and regulations. In addition, delivery grade ethanol shall meet the California specification for lower sulfur content and California limits on other compounds.

Ethanol not meeting A.S.T.M. standard D4806 or any further amended version of such standard or California limits on Sulfur, Benzene, Olefins, and Aromatics shall not be deliverable.

16102. TRADING SPECIFICATIONS

Trading in Denatured Fuel Ethanol futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

16102.A. Trading Schedule

The hours for trading of Denatured Fuel Ethanol futures shall be determined by the Exchange. On the last day of trading in an expiring future, the close of the expiring future shall begin at 12 o'clock noon and trading shall be permitted thereafter for a period not to exceed one minute; quotations made during this time shall constitute the close.

16102.B. Trading Unit

The unit of trading shall be 29,000 U.S. gallons of denatured fuel ethanol (approximately one rail car).

16102.C. Price Increments

The minimum fluctuation for Denatured Fuel Ethanol futures shall be in multiples of one tenth of one cent (\$0.001) per gallon (\$29.00 per contract), including spreads.

16102.D. Daily Price Limits

There shall be no trading in Denatured Fuel Ethanol futures at a price more than \$.30 per gallon (\$8,700 per contract) above or below the previous day's settlement price, except that there shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

16102.E. Position Limits

In accordance with Rule 559., Position Limits and Exemptions, no person shall own or control positions in excess of:

1. 200 contracts net long or net short in the spot month.
2. 1,000 futures-equivalent contracts net long or net short in any single contract month excluding the spot month.
3. 1,000 futures-equivalent contracts net long or net short in all months combined.

Refer to Rule 559. for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

16102.F. Termination of Trading

No trades in Denatured Fuel Ethanol futures deliverable in the current month shall be made after the third business day of the delivery month. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery no later than the second business day following the last trading day (tender on business day prior to delivery); or

(b) Liquidated by means of a bona fide Exchange of Futures for Related Position no later than the business day following the last trading day.

16103. SAMPLING

The seller shall provide to the buyer a Certificate of Analysis based on a sample taken from the tank from which ethanol is loaded-out in fulfillment of CBOT Denatured Fuel Ethanol shipping certificates. The tank sample must be drawn in accordance with official methods for sampling denatured fuel ethanol. The Certificate of Analysis shall specify 1) Ethanol, volume %, 2) Water content, volume %, 3) Denaturant content, volume %, 4) Acidity, mass percent (mg/L), 5) pH, 6) Appearance, and 7) Sulfate, ppm (wt/wt). In addition, the Certificate of Analysis shall specify testing results, completed within one month of completed load-out, for 8) Methanol, volume %, 9) Sulfur, ppm, and 10) Chloride, (mg/L), and specify testing results completed within three months of completed load-out for 11) Copper (mg/L), and 12) Existent Unwashed Gum (mg/100mL). A Certificate of Analysis is not required for in-tank transfers at Kinder Morgan Argo.

The buyer may choose to perform additional quality testing on any or all of the specifications listed in Rule 16101. at destination. For the buyer performing destination quality testing, a representative sample shall be obtained at destination by a licensed petroleum inspector mutually agreed upon by the buyer and seller. Such destination sample must be obtained within 24 hours of arrival and prior to unloading. "Constructive placement" shall be considered arrival at destination. The destination sample shall be evaluated by the licensed petroleum inspector. The result of his analysis of the destination sample shall be binding on both parties for final settlement. The expense of such sampling and analysis shall be borne by the buyer.

16104. VOLUME MEASUREMENTS

Volume measurements shall be made at the shipping origin at 60° F using one of the following: (1) flow meter, (2) platform scale, (3) tank scale, or (4) batch scale.

16105. LEASING AND SERVICE ARRANGEMENTS

The shipper is not required to own the shipping plant or storage facility and may lease the facility from the owner. The shipper may also enter into a service arrangement pursuant to which an agent or contractor performs the daily operations of the facility. The shipper shall be responsible for the conduct of its agents or contractors.

In the event that a shipper is unable to properly store or load out ethanol for shipping certificate holders because of another party's ownership of or control over the shipping plant or storage facility, the shipper shall, at its own expense, provide each holder of an outstanding shipping certificate with either (a) a replacement shipping certificate at another, mutually acceptable regular facility, or, if such replacement certificate is unavailable, (b) an equivalent quantity and quality of the ethanol designated in the shipping certificate at a mutually acceptable location.

16106. SHIPPING PLANTS

Denatured Fuel Ethanol Shipping Certificates shall specify shipment from one of the plants or storage facilities currently regular for delivery. The Exchange may declare additional shipping plants or storage facilities regular for delivery which shall apply on all contracts outstanding or made thereafter.

16107. REGISTRATION AND DELIVERY OF DENATURED FUEL ETHANOL SHIPPING CERTIFICATES AND DELIVERY PAYMENT¹

16107.A. Registration and Delivery of Denatured Fuel Ethanol Shipping Certificates

(Refer to Rule 712., Delivery and Registration, and Rule 713., Delivery Procedures.)

16107.B. Delivery Payment

Delivery Payment shall be made utilizing the electronic delivery system via the Clearing House's online system. Delivery Payment will be made during the 6:45 a.m. collection cycle, or such other time designated by the Clearing House. Thus, the cost of delivery will be debited or credited to a clearing firm's settlement account. Buyers obligated to accept delivery must take delivery and make Delivery Payment and sellers obligated to make delivery must make delivery during the 6:45 a.m. settlement process, or such other time designated by the

¹ Revised June 2008.

Clearing House, on the day of delivery, except on banking holidays when delivery must be taken or made and Delivery Payment made during the 6:45 a.m. settlement process, or such other time designated by the Clearing House, on the next banking business day. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies and procedures.

16108. PREMIUM CHARGES

No Denatured Fuel Ethanol Shipping Certificates shall be valid for delivery on futures contracts unless the premium charges shall have been paid up to and including the 18th day of the preceding month and such payment endorsed on the Denatured Fuel Ethanol Shipping Certificate unless registration is at a later date. Unpaid accumulated premium charges shall be allowed and credited to the Buyer by the Seller to and including the date of delivery.

The premium charges on Denatured Fuel Ethanol for delivery shall not exceed \$0.0007 per gallon per day.

16109. REGULARITY OF ISSUERS OF SHIPPING CERTIFICATES

16109.A. Regularity Requirements

In addition to the conditions set forth in Rule 703. A., Conditions for Approval, the following shall constitute requirements and conditions for regularity:

- (a) The operator of a storage facility or shipping plant (hereafter both referred to as shippers) issuing Denatured Fuel Ethanol Shipping Certificates shall limit the number of Shipping Certificates issued to an amount not in excess of 15 times its registered total daily rate of loading plus the amount of denatured fuel ethanol in store. All such ethanol in store must be stored in facilities for which the capacity has been registered with the Board of Trade and which have been inspected by the Registrar. A shipper shall register its total daily rate of loading railcars at not less than 40% nor more than 100% of its maximum 24-hour ethanol production capacity. A shipper located in the Chicago District shall register its total daily rate of loading trucks. Each shipper must be regular for a minimum total daily rate of loading of 58,000 gallons per day.
- (b) Each regular shipper shall be required to complete load-out of ethanol against cancelled Shipping Certificates within ten calendar days following the date of cancellation. The date of completed load-out shall be the bill of lading date.
- (c) The shipper shall assess a premium charge not in excess of \$0.0007 per gallon per day for each day a Denatured Fuel Ethanol Shipping Certificate is outstanding starting the day after the date of registration by the Registrar. When rail loading orders specify shipment within ten calendar days, the premium charge shall continue through the business day following the receipt of loading orders. Otherwise, the premium charge shall continue through the day of rail loading. "Business days" are those on which the Exchange is open for trading Denatured Fuel Ethanol futures.
- (d) The shipper shall maintain, in the immediate vicinity of the Exchange, either an office, or a duly authorized representative or agent approved by the Exchange, where owners of Shipping Certificates may file loading orders and shipping instructions.
- (e) Rail Loading Procedures
 1. The buyer requesting rail load-out will furnish written rail loading orders and shipping instructions to the shipper by the close of business on the first business day following the date of cancellation of the Shipping Certificates. The shipper is responsible for providing railcars, loading ethanol in the railcars, and transporting the ethanol to the buyer's destination. The shipper shall privately negotiate with the buyer for freight charges. Privately negotiated freight charges must be agreed upon by both buyer and shipper within two business days following the receipt of shipping instructions by the shipper.
 2. Should private negotiations fail between buyer and shipper regarding freight charges, the shipper shall consider the destination of the ethanol to be in-tank at the buyer's Chicago, IL District terminal. The Chicago, IL District shall be defined as on or inside the arc created by the Elgin, Joliet and Eastern Railway Company line from Pine Junction, IN, to Griffith, IN, to Park Forest, IL, to Joliet, IL, to Normantown, IL, to West Chicago, IL, to Leithton, IL, to Waukegan, IL to the line terminus. The shipper shall supply ethanol to the buyer's Chicago, IL District terminal via rail, barge, truck, or book transfer provided the buyer's terminal supports these conveyances. The buyer's

terminal must accept rail and truck load-in of ethanol. Book transfers must be completed within ten calendar days following the date of cancellation of Shipping Certificates. For non-book transfers, the shipper is responsible for all transportation charges up to 48 hours after constructive placement of the conveyance. The buyer is responsible for any demurrage charges 48 hours after constructive placement.

3. Loadings will be in bulk, and shipments will be subject to the existing freight tariff Rules and Regulations of the railroads on file with the Interstate Commerce Commission at the time of loading. The shipper is responsible for loading suitable owned or leased railcars.
 4. All loading orders and shipping instructions received prior to 2:00 p.m. on a given business day shall be considered dated that day and shall be entitled to equal treatment. Orders received after 2:00 p.m. on a business day shall be considered dated the following business day.
 5. When rail loading orders and shipping instructions are received by 2:00 p.m. of any given business day, the shipper will advise the owner by 10:00 a.m. the following business day of loading dates and tonnage due. Notification will be by telephone or email.
 6. The shipper shall load cars at the shipping plant or storage facility designated in the Shipping Certificate. If it becomes impossible to load at the designated shipping plant or storage facility as a result of Force Majeure, the shipper will arrange for railcars to be loaded at another regular shipping plant or storage facility in conformance with the Shipping Certificate and will compensate the owner for any transportation loss resulting from the change in the location of the shipping plant or storage facility. If the aforementioned condition of impossibility prevails at a majority of regular shippers, then shipment may be delayed for the number of days that such impossibility prevails at a majority of regular shipping plants or storage facilities.
 7. Rail loading orders involving one or more Shipping Certificates shall be considered as one lot. The minimum amount shipped against each loading order shall be the number of Shipping Certificates specified therein times 29,000 gallons. A tolerance of 1,000 gallons over or under the total may be shipped to be settled at the market price at the time of shipment of the last car of the order.
 8. Rail cars must be loaded to "full visible capacity".
- (f) Such shipping plant or storage facility shall be connected by railroad tracks with one or more railway lines. Regular facilities in the Chicago District are not required to provide rail load-out, however they must load out trucks at the facility's registered daily rate of loading.

16110. DELIVERY OF GALLON-RINs UPON PHYSICAL LOAD-OUT OF ETHANOL

- (a) Upon completion of load-out each regular shipper will be required to transfer ethanol gallon-RINs of a total quantity that is not less than the total amount of gallons of ethanol that have been loaded out (adjusted for over-and/or under-fills). The gallon-RINs are to be transferred to the buyer requesting load out.
- (b) The gallon-RINs transferred as per 16110.(a) for load-outs completed during January or February may be dated either the current year or the previous year. However, load-outs completed in March through December must be accompanied with RINs dated in the current year. For example, load-outs completed during January and February 2010 could be accompanied with either 2009 or 2010 RINs while load-outs completed during March 2010 and December 2010 must be accompanied with 2010 RINs.
- (c) The transfer of gallon-RINs shall take place within 48 hours after the load-out procedure has been completed. The date of completed load-out shall be the bill of lading date. In the case of book transfers the RINs transfer shall take place within 48 hours after the title to the ethanol has passed from the shipper to the buyer.
- (d) Any buyer requesting load-out of ethanol must hold a valid EPA registration number allowing gallon-RIN's to be transferred from the shipper to the buyer requesting load-out. The buyer requesting load-out of ethanol shall include the applicable EPA registration numbers in the written loading orders and shipping instructions as per 16109.A.(e)(1).

- (e) Transfer of gallon-RINs from the regular shipper to the buyer requesting load-out shall be done in accordance with the guidelines of the Environmental Protection Agency (EPA) for such RIN transfer. The Exchange does not prescribe a format that the shipper needs to adhere to in regard to the transfer of gallon-RINS.

16111. BILLING

16111.A. Payment of Fees

All outloading fees to load Denatured Fuel Ethanol into railroad car are to be paid by the issuer of the Denatured Fuel Ethanol Shipping Certificate.