



On-Site Fuel Log Report

Volume 2

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Two weeks after Katrina Energy, along with 3000 linemen, tree trimmers and support staff from 20 plus states, had restored power to more than 300,000 customers in Mississippi. On-Site's Management and Regional Operations worked 72 hours straight and then tapered down to 20 hour days & 4 hour naps. Everyone was pumping fuel...our President, Chief Operating Officer, VP of Operations, Director of Safety and HR. Men and equipment were pulled in from Alabama, Louisiana, Florida and Texas. We were proud to serve with Entergy and the crews who came from miles away to help them get us back on the grid.

We are currently working with all of them again in Beaumont and Baton Rouge, with every spare truck and man to provide fuel to those cleaning up the aftermath of Hurricane Rita.

We provided fuel to Bell South and the utility teams in South Florida to enable communications, as well as repairing the grid after Katrina pounded South Florida and the Keys earlier as a Category 2. Our men worked around the clock. Fuel was hauled in from Tampa to Ft. Myers and from Orlando to Miami because there was no fuel flowing in the pipeline to either area. As she moved across the Gulf of Mexico she churned up to a 5 and everyone got serious about her. Luckily she slowed and spared us even more destruction.

As fearsome as Category 4 Hurricane Katrina was, our team made it out without bodily harm, but we all lost a great deal. Our friends and customers lost their terminals, homes, businesses, cars, equipment, as did we. Everyone has a great deal more planning to do for greater preparedness. Fuel trucks were being commandeered by local authorities because there was no fuel supply. Federal guards were hired for protection of our people,

equipment and fuel. One of our own men rode out the storm in the southern area of New Orleans, and was able to rescue others stranded on their rooftops. He was finally bussed out to Galveston, then Arkansas and back to Galveston (see his story on page 2). Fuel for Mississippi was brought in from Louisiana and when that ran out, it was brought in from Arkansas, Tennessee, Alabama and Georgia. Normal business days, we fuel more than 7000 pieces of equipment for our customers. Through it all we missed 6 customer locations in 12 states because of the lack of fuel in the pipeline system. We provided fuel for the utility companies and their contractors (2200+ pieces of equipment each night), the US Postal Service, nursing homes, hospitals, cell phone towers, municipalities, police departments customer employees, the Red Cross, FEMA, MSEMA and LEMA. We pumped an extra 228,000 gallons in two weeks (16,285 per day) in addition to our normal business, with less man-power, product and equipment.

And we're not done yet.



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Katrina...Up Close and Personal

Only hours before the storm hit, Larry Rice, VP of Operations and Brad Rice, Regional Operations Manager took a chopper into Chalmette to get our trucks out of the Cat 5 flood zone. Mike Williams, one of our New Orleans Drivers, sent his family away and rode out the storm in Violet (St. Bernard Parish). He knew he would be needed to help out with emergency fueling after the storm. Thankfully the storm slowed to a Cat 4. By 11:30 am, the weather lulled a bit, so he went outside to check on his boat. Water was up to his ankles. He ran back to the house to get a knife to cut it loose and it was up to his chest. He rolled into the boat and drifted to his neighbors tree, where he found a swing rope to tie up with. Then he watched his SUV go under. He covered himself with the tarp in his boat and waited. As the rain slacked up, he lifted the tarp to find himself drifting in woods without a paddle. A large storage shed was floating straight at him, but was caught by limbs of a tree.

He found an 12' antennae and used it to maneuver through the

tree tops and 4 hours later reached his roof. He beached the boat on his roof at about 7:00 pm. After the sun went down he heard people shouting and choppers flying about. It quieted down to crickets, so he covered himself with the tarp and slept in the boat.

The next morning he got rope, chain and a paddle from his neighbor's boat and paddled over to get 9 people off a roof. Then he hooked up with Reverend Tucker to row about saving 25 other people. Mike went into the loft of one family's roof, got them out, then went back in for the Mother's insulin that was floating around in the attic.

They left the group on the levy in search for higher ground, found an abandoned truck on the levee to sleep in and waited to be rescued. The next morning, they saw no one...no Police, no Red Cross, no Firemen. So they went into the Chalmette Shipyard, and slept on stacks of plywood in the warehouse that night. The next day they were ferried to Algiers. Then they were loaded onto school buses and driven to LaPlace, where

charter buses waited. They loaded up and drove to Braggs, OK, just out from Muskogee to an old naval training base, and were not allowed to leave the building. He finally found out how to get to his bank to pay for a bus ticket, and left for Galveston, where his immediate family of 20 were placed in a condo. Because of Hurricane Rita, they were sent to Arkansas. Mike went back in to Louisiana on October 3rd for a meeting where the Health Department decides whether his home will be bulldozed or not. Murphy Oil has nearly 200 workers cleaning up 35,140 barrels of oil that leaked out of the Murphy Terminal in his area, following Katrina. As of print, 17,429 barrels had been recovered, 13,706 dispersed or evaporated and 4005 barrels remain for clean-up.

Mike feels blessed to be alive and with his family. He wants to get back to work, but has no transportation and no place to live...like countless others in New Orleans. Please keep the Gulf Coast People in your prayers as they start over with their lives.

Where you need us...When you need us!

Sean Mitchell, who has been on our New Orleans team for 5 years, evacuated to Dallas for the storm. He called in to report that he, his family and in-laws were staying in a hotel to wait out the storm. We were never happier to hear from anyone, as we had not heard from his New Orleans teammate, Mike Williams either and we were worried sick after watching

the news! One of our Dallas drivers, Troy Whitaker, had broken his elbow that weekend. Even though he and his family had lost everything, Sean picked himself up and has been delivering fuel with Troy, his new found friend in Texas. We needed him over there after all! Our customers never felt Troy's injury with service issues.

"The only thing that overcomes hard luck is hard work."

—Harry Golden

David Quirin, our Director of Human Resources & Safety, was dispatched to fuel a rural Simpson County Hospital generator...a 35 bed facility that had taken on 75 evacuees from a nursing home. There were critical care patients, and elderly people in need of special care. The doctors,



nurses, staff and patients came out to thank him, hug him and even offered him a bite to eat.

They were all so appreciative of the effort to get fuel for their generators...especially because all patients had special needs in a rural area, where power is last to be restored.

Foul Weather Friends

During disasters, conveniences we take for granted, disappear. Electricity and fuel are the basis of our economy. Food, Water, Shelter and Medical Care are primary needs, but are impossible without fuel and electricity. This is why we have such a difficult time while operating in disaster mode. Which is more important? Providing fuel to FEMA or the electric utility crews that restore electricity and bring normality back to stricken areas? Providing fuel to the US Postal Service so that people receive their retirement checks to the greatest generation, our parents? Our contracted customers move America, including emergency supplies, food, generators, medical supplies, etc. We would like to thank all of our Contracted Customers for their patience and understanding while we have been assisting our Foul Weather Friends



during disasters. We apologize to the 6 sites that experienced interrupted service during Hurricane Katrina because of fuel allocations.

We would also like to ask everyone we provided service to during disasters over the past few years to

consider using our service throughout the year. Why?

Because we would be better able to serve you! When disaster strikes, we must stretch our man power and equipment past their limits in order to assist everyone with their needs.

We feel it is our duty to the communities we serve, to their loved ones in hospitals, to the police who protect us all, to the Emergency Crews that traveled here to assist us in getting back to normal.

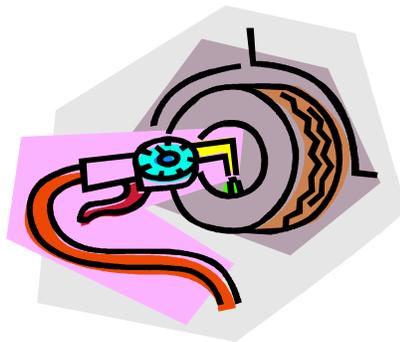
We thank all those who traveled from across the country to assist us in this time of need. On-Site is here to serve you in the good times...as well as the bad.

On-Site Fuel Service, Inc.

**We come to you...
in fair weather
and
foul weather!**

Under Pressure

Want to know how you can save on gas consumption and operational costs? Check your air pressure in your tires. Make it part of your routine to minimize breakdowns and reduce tire costs. The Technology and Maintenance Council of American Trucking As-



sociations found that only within five pounds (of air) per square inch or psi of inflation pressure specification. This study also found that at least 22% of vehicles have at least one tire under-inflated by 20 psi or more and that 4% have at least one tire under-inflated by 50 psi or more.

Special Thanks

A Special Thanks goes out to the entire team for all the extra effort taken to procure fuel for our customers and the relief effort. Many of you had to wake up after an hour's sleep and dash off to the terminal to get fuel while it was available. Many of you had little or no sleep for days. You slept in your trucks. You also had to drive from city to city or state to state to find fuel when the pipeline

supply dried up, terminal by terminal. Phones were stuck to everyone's ears! You waited in long lines, only to be told there was no more fuel. Some of you had Federal Agents riding shotgun... literally. Law Officers attempted to commandeer your trucks. You made it out to hospitals and nursing homes, and were greeted by doctors and nurses to thank you for arriving with fuel to oper-

ate their generators.

Finally a special thanks to your families for standing by you when left to weather the storm alone, worrying about you and fearful of the surreal stories in the media, while you were out doing your best in a rough situation, to help those in need.



Predictions and Shortages

The American Trucking Association announced that the Trucking Industry will spend \$85 Billion on diesel fuel in 2005. That's a \$23 Billion increase over 2004. Consensus blames the higher prices on the shortage of refineries. When Katrina hit, the pipelines were flowing at 25% of capacity. Fuel prices spiked \$.34 in one day. The Department of Energy released some of the Strategic Petroleum Reserve. The DOE keeps more than 700 million barrels on hand which would cover 59 days of domestic oil consumption. Oil companies are supposed to keep a matching amount on hand. 615 Rigs in the Gulf were evacuated and

only 192 were in working order on September 4 after Hurricane Katrina. Those same rigs were evacuated for Hurricane Rita, and we were operating at 29% of capacity. There was no fuel available at pumps in TX, LA & MS because of the mass evacuation from Rita, which caused an unprecedented price spike of \$.50. On-Site received a call from the Texas DOT asking us to assist them with fueling stranded motorists who ran out of fuel on the evacuation route clogging the way for hundreds of thousands....like sitting ducks. Katrina and Rita have caused instances when our people could not get fuel, no matter how much effort was made. At printing, and

now that we've gone through Rita, coastal refineries are running at 30% of capacity. Our bulk tankers are moving fuel across state lines to keep our rigs pumping customer sites. The 1st week of October, we moved fuel from Mississippi to Houston and we moved fuel from Louisiana to Atlanta. Fuel is and will continue to be scarce and expensive into 2006. There are predictions that because of these storms, we could see diesel prices rise to \$3.50 per gallon. **Last Prediction:** Better planning from our coastal areas on evacuation routes, fuel availability and levee systems.

Partners

Loyal, Professional Suppliers

We give a hearty thanks to:

- **Jay Bailey & the Valero Team**
- **Joe Olmo, Todd White & the Motiva Team**
- **Wade Sledge & the Murphy Oil Team**
- **George Payne & the Perimeter Oil Team**
- **Matt Gilliam & the Marathon Team.**

All six men and their teams went the distance with us as we chased fuel all over the southeastern region in order to help with emergency relief efforts and to keep our customers moving America in one of her greatest times of need.

As the pipelines dried up, these individuals worked hard with their people to get On-Site fuel, wherever they could find it. We will be calling on you guys again in the coming days, and know you'll be there for us. It looks like it will be a while before things are back to normal.

Photo at right...what's left of the Highway 90 Bridge on the Gulf Coast. It will take a while to reach normalcy...years.



Fuel Prices Going Higher

September 23, 2005

On August 24, Diesel Prices (before taxes) at the terminals were around \$1.87 per gallon. On September 24, Diesel Prices were around \$2.23 per gallon (before taxes). On October 4 we see prices at around \$2.82 per gallon. And we are still experiencing supply shortages.

William Gray, a Colorado State University scientist who has been predicting seasonal hurricane activity for many years with remarkable accuracy, issued a statement Monday.

"We project that October will continue the trend of above-average activity that we have witnessed in the preceding four months of the hurricane season," Gray's team said. *The forecasters expect three named tropical storms, two hurri-*

canes and one major hurricane during October.

The prediction covers the Atlantic Basin, including the Caribbean and the Gulf of Mexico.

Compared to past full seasons, this year is the seventh busiest since 1950, and it does not end until November 30.

The August update from NOAA, which oversees the National Hurricane Center, called for up to 21 named tropical storms. The busiest season on record was 1933, when 21 tropical storms developed in the Atlantic Basin.

Gray and his colleagues base their forecasts on the warmth of the ocean, global wind patterns and several other factors. The scientists said today they expect the 2005 season will finish at near-record levels.

Based on the way our markets have responded to Katrina and Rita, we can expect further shortages, and with shortages come higher prices.

You would think that during pressing times, our government might step up to the plate to provide some stability to a teetering economy. They did release some of the strategic reserves, but record profits for the Major Oils are making a lot of people use the "gouge" word.

There's a lot of talk about rebuilding and not rebuilding the Coast. All our refineries are along coastal regions. Shipping from the heartland happens through our Coastal Ports. When storms happen, ships can't dock to drop raw petroleum into refineries at the ports that generate the fuel that runs this country. As long as we are vulnerable, fuel prices will continue to escalate.

The Hard Rock in Biloxi was rocked hard by Katrina





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Amazingly, all Dolphins that escaped from the Marine Life Aquarium (below) were found and returned to pools for their protection!



Economy on September 23, 2005

Diesel prices have gone up 66% since August 24th. Gas prices have risen 48% over this time last year. What does this mean to our economy? Higher prices is the answer...which eventually lead to inflationary pressures. Hurricane Katrina knocked our Consumer Sentiment Index from 89.1 in August down to 76.9. That's worse than the 9-11 decline, according to a Bloomberg report. The measure of Optimism for the next five years showed sentiment dropping from 76.9 to 63.6. The price index rose .5% in August with all goods and food rising 1.7% since June. The Fed raised interest rates again, in spite of an economy that was slowing down in August even before Katrina hit. The "herd" is worried and cautious after Katrina.

With the higher costs of gasoline, natural gas and home heating oil gobbling up larger portions of our disposable income, we all feel uneasy. Manufacturing, the trucking industry's largest and most important customer, declined as prices for raw materials rose. Will there be a boom to follow these storm? Probably the largest there's ever been in the last century. So let's to keep hope alive and keep this economy stimulated.

What does this mean to our customers and employees? Fortunately, our company is in good financial shape due to equity investments from Peachtree Equity Partners and Peppertree Capital Management, Inc. We have been able to weather these high prices, and manage healthy relationships with our suppliers. Most of us went through the stagfla-

tion of the 70's when inflation was high, prices were high and unemployment was high. Smaller cars hit the roads and we used less fuel. We worked our way out of it. *Americans are resilient.*

Alexander Graham Bell said it best: *"When one door closes, another door opens; but we so often look so long and so regretfully upon the closed door, that we do not see the ones which open for us."* Let's keep our eyes on the opportunities that are showing themselves to us, even while we are realizing losses. We will come out of this a stronger country. Not because of actions by the Red Cross, or our State Governments or our Federal Government or our National Guard or our Churches. All of these organizations are made up of human beings. All of us worried about our communities, came together and worked hard for the relief effort. To err is human. To care and give is human.

The United States is "for the people and by the people". Through this adversity we will learn to make the best choices and decisions for ourselves and those to follow.



Some lessons are hard to learn. The Best and Worse in us always comes out in natural disasters and war. We are currently involved in both. We should come out of this disaster with ideas to be better prepared. When the people of this country are confident that we are headed in the right direction, we will overcome the obstacles and stand on firmer ground. Until then, we'll also have to battle uncertainty.



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