Delek US Holdings, Inc.
Form 10-K
March 12, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2012

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-32868
DELEK US HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	52-2319066
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7102 Commerce Way Brentwood, Tennessee	37027
(Address of principal executive offices)	(Zip Code)

(615) 771-6701
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section

232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments of this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of the common stock held by non-affiliates as of June 30, 2012 was approximately $312,226,915, based upon the closing sale price of the registrant's common stock on the New York Stock Exchange on that date. For purposes of this calculation only, all directors, officers subject to Section 16(b) of the Securities Exchange Act of 1934, and 10% stockholders are deemed to be affiliates.

At March 1, 2013, there were 59,713,836 shares of the registrant's common stock, $.01 par value, outstanding.

Documents incorporated by reference
Portions of the registrant's definitive Proxy Statement to be delivered to stockholders in connection with the 2013 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2012, are incorporated by reference into Part III of this Form 10-K.

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Unless otherwise indicated or the context requires otherwise, the terms "Delek," "we," "our," "Company" and "us" are used in this report to refer to Delek US Holdings, Inc. and its consolidated subsidiaries. See also "Glossary of Terms" included in Item 1, Business, of this Annual Report on Form 10-K for definitions of certain business and industry terms used herein.

Statements in this Annual Report on Form 10-K, other than purely historical information, including statements regarding our plans, strategies, objectives, beliefs, expectations and intentions are forward looking statements. These forward-looking statements generally are identified by the words "may," "will," "should," "could," "would," "predicts," "intends," "believes," "expects," "plans," "scheduled," "goal," "anticipates," "estimates" and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, including those discussed below and in Item 1A, Risk Factors, which may cause actual results to differ materially from the forward-looking statements. See also "Forward-Looking Statements" included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

Company Overview

We are an integrated energy business focused on petroleum refining, the transportation and wholesale distribution of crude oil and refined products and convenience store retailing. Delek US Holdings, Inc. ("Holdings"), a Delaware corporation formed in 2001, is the sole shareholder or owner of membership or partnership interests of Delek Refining, Inc. ("Refining"), Delek Finance, Inc. ("Finance"), Delek Marketing & Supply, LLC ("Marketing"), Lion Oil Company ("Lion Oil"), Delek Renewables, LLC, Delek Rail Logistics, LLC, Delek Logistics, GP, LLC, Delek Logistics Services Company, MAPCO Express, Inc. ("Express"), MAPCO Fleet, Inc., NTI Investments, LLC and GDK Bearpaw, LLC. In addition, As of December 31, 2012, own a 60.4% limited partner interest and a 2.0% general partner interest in Delek Logistics Partners, LP ("Delek Logistics"), a master limited partnership that we formed in April 2012. This interest includes 2,799,258 common units, 11,999,258 subordinated units and 489,766 general partner units. Our business consists of three operating segments: refining, logistics and retail.

Our refining segment operates independent refineries in Tyler, Texas (the "Tyler refinery") and El Dorado, Arkansas (the "El Dorado refinery") with a combined design crude distillation capacity of 140,000 bpd. The Tyler refinery sells the majority of its production over the refinery truck rack to supply the local market in the East Texas area. The El Dorado refinery sells a portion of its production at the refinery truck rack though the majority of the refinery's production is shipped into Enterprise Pipeline System to supply a combination of pipeline bulk sales and wholesale rack sales at terminal locations along the pipeline, including Shreveport, LA, North Little Rock, AR, Memphis, TN, and Cape Girardeau, MO. The majority of the crude oil we purchased in 2012 was sourced from inland domestic sources originating primarily from areas of Texas and Arkansas. In 2012, we also began receiving crude oil delivered by rail car to the El Dorado refinery that originates primarily from other parts of the United States. Moving forward, we currently anticipate receiving increasing amounts of Midland, Texas sourced crude oil at both refineries. We believe our ability to access these cost-advantaged feedstocks provides a competitive advantage compared to refineries that purchase more expensive U.S. Gulf Coast and foreign crude oils.

Our logistics segment gathers, transports and stores crude oil and markets, distributes, transports and stores refined products in select regions of the southeastern United States and west Texas for both our refining segment and third parties. The logistics segment owns approximately 400 miles of crude oil transportation pipelines, 123 miles of refined product pipelines, an approximately 600-mile crude oil gathering system and associated crude oil storage tanks with an aggregate of approximately 2.6 million barrels of active shell capacity. Our logistics segment owns and operates five terminals and markets light products using third-party terminals.

Our retail segment markets gasoline, diesel, other refined petroleum products and convenience merchandise through a network of approximately 373 company-operated retail fuel and convenience stores located in Alabama, Arkansas, Georgia, Kentucky, Mississippi, Tennessee and Virginia.

We are a controlled company under the rules and regulations of the New York Stock Exchange (the "NYSE"), where our shares are traded under the symbol "DK." As of December 31, 2012, approximately 52.9% of our outstanding shares were beneficially owned by an indirect wholly owned subsidiary of Delek Group Ltd. ("Delek Group"), a conglomerate that is domiciled and publicly traded in Israel. Delek Group owns significant interests in energy related businesses and is controlled indirectly by Mr. Itshak Sharon (Tshuva).

In April 2011, we acquired 53.7% of the issued and outstanding shares of common stock of Lion Oil (the "Lion Acquisition") from the then majority shareholder, Ergon, Inc. ("Ergon"). Combined with the 34.6% of Lion Oil common stock that we purchased in 2007, the Lion Acquisition brought our ownership of Lion Oil to 88.3%. In October 2011, we acquired the remaining equity interests in Lion Oil, thereby assuming full equity ownership. Through Lion Oil, we currently own and operate the 80,000 bpd El Dorado refinery, as well as a light product and an asphalt distribution terminal in El Dorado, Arkansas.

On December 19, 2011, we acquired all of the outstanding membership interests of Paline Pipeline Company, LLC ("Paline") from Ergon Terminaling, Inc ("Ergon Terminaling") (the "Paline Acquisition"). Paline owns and operates a 10-inch, 185-mile pipeline system ("Paline Pipeline System"). We acquired Paline and all related assets for a purchase price of $50.0 million, consisting of $25.0 million cash and a three-year, $25.0 million note payable to Ergon Terminaling, which was subsequently assigned to Ergon. On January 31, 2012, we completed the acquisition of an approximately 36 miles long, eight and ten inch pipeline system (the "Nettleton Pipeline") from Plains Marketing, L.P. ("Plains") (the "Nettleton Acquisition"). The purchase price, including the reimbursement by Delek of certain costs incurred by Plains, was approximately $12.3 million. The Nettleton Pipeline is used exclusively to transport crude oil from our tank farms in and around Nettleton, Texas to our refinery in Tyler, Texas. On February 7, 2012, we purchased (i) a light petroleum products terminal located in Big Sandy, Texas, the underlying real property, and other related assets from Sunoco Partners Marketing & Terminals L.P. and (ii) the eight inch diameter Hopewell - Big Sandy Pipeline originating at Hopewell Junction, Texas and terminating at the Big Sandy Station in Big Sandy, Texas from Sunoco Pipeline L.P (the "Big Sandy Pipeline") (collectively, the "Big Sandy Acquisition"). The purchase price was approximately $11.0 million. This terminal was contributed to Delek Logistics as part of its initial public offering and Holdings will pay terminalling fees to Delek Logistics as part of the Terminalling Services Agreement.

Delek Logistics Initial Public Offering

On November 7, 2012, Delek Logistics, closed its initial public offering (the "DKL Offering") of 9,200,000 common units at a price of $21.00 per unit, which included a 1,200,000 common unit over-allotment option that was exercised in full by the underwriters. Headquartered in Brentwood, Tennessee, Delek Logistics was formed by Delek to own, operate, acquire and construct crude oil and refined products logistics and marketing assets. Delek Logistics' initial assets were contributed by us in connection with the DKL Offering and included certain assets formerly owned, or used by, our subsidiaries, including Marketing, Paline and Lion Oil. A substantial majority of Delek Logistics' assets are currently integral to Delek’s refining and marketing operations. We received net proceeds of approximately $171.8 million from the DKL Offering, after deducting offering expenses and debt issuance costs.

We have agreements with Delek Logistics that establish fees for certain administrative and operational services provided by Holdings and its subsidiaries to Delek Logistics, provide certain indemnification obligations and other matters and establish terms for fee-based commercial logistics and marketing services provided by Delek Logistics and its subsidiaries to us. Delek Logistics is a variable interest entity as defined under United States generally accepted accounting principles ("GAAP") and is consolidated into our consolidated financial statements. Intercompany transactions with Delek Logistics and its subsidiaries are eliminated in our consolidated financial statements.

Our Business Strategies

Historically we have grown through acquisitions, as demonstrated by the acquisitions of the Tyler refinery and El Dorado refinery in 2005 and 2011, respectively. Additionally we purchased logistics assets with the Paline Acquisition in 2011 and the Nettleton Acquisition and the Big Sandy Acquisition in 2012. We expect to continue to acquire assets that complement our existing assets and/or broaden our geographic presence as a major element of our business strategy. In addition to acquisitions, we are also focused on improving our operations through internal projects to increase flexibility, enhance efficiencies and provide organic growth.

Improve Crude Slate Flexibility
Our earnings from our refining operations are substantially determined by the difference between the market price of refined products and the market price of crude oil, which is referred to as the crack spread, refining margin or refined product margin. Inland domestic crudes such as WTI are currently priced at a discount to Light Louisiana Sweet, Brent and other crudes traditionally available in the U.S. Gulf Coast. An increasing portion of the crude oil purchased at both the Tyler and El Dorado refineries is priced at a differential to the price per barrel of WTI. We continue to diversify our crude slate sources to strengthen our ability to improve our refining margins per barrel. We believe we have proven our resourcefulness in improving our crude source flexibility through methods such as overcoming supply limitations and disruptions by implementing large-scale rail delivery of supplemental cost-advantaged crude oil to El Dorado in 2012. We also are working to improve our connections to new and existing pipelines so that we can enhance our access to cost advantaged crudes.

Growth Through Internal Projects
We believe we have demonstrated our ability to achieve improved profitability by targeting and completing "quick hit" capital projects that yield immediate improvements to our financial results. We define "quick hit" capital projects as ones that can be accomplished over a short time frame and directly enhance profitability. In 2012, the Light Straight Run/Saturated Gas ("LSR/Sat Gas") project in El Dorado and the vacuum tower bottoms ("VTB") project in Tyler were completed. The LSR/Sat Gas project enabled us to increase our liquid recovery by 1.0% - 1.5% (as a percentage of crude charge), which provided additional contribution margin by burning less propane and butane in our fuel system. The VTB project consisted of the installation of an additional feed tank so that we could process asphalt from our El Dorado refinery in Tyler, producing a higher value light product. We will continue to pursue internal capital projects that will maximize our profitability, enhance the synergies between our facilities, and improve the refining yields in our existing assets.

Expand and Upgrade our Existing Asset Base
We successfully launched the DKL Offering in November 2012. We believe Delek Logistics positions us with opportunities for future growth as our logistics segment provides additional services to third parties and supports our existing assets. We also completed the construction of 6 new MAPCO convenience stores in 2012 and reimaged 16 stores to our MAPCO Mart image. We plan to continue growing our retail presence in new and existing markets by proceeding with our new construction initiatives.

Information About Our Segments

We prepare segment information on the same basis that we review financial information for operational decision making purposes. In conjunction with the DKL Offering, we reclassified certain operating segments. The majority of the assets previously reported as our marketing segment and certain assets previously operated by our refining segment were contributed to Delek Logistics. The results of the operation of these assets are now reported in our logistics segment. Further, certain operations previously included as part of our marketing segment were retained by Holdings and are now reported as part of our refining segment. The historical results of the operation of these assets have been reclassified to conform to the current presentation.

Additional segment and financial information is contained in our segment results included in Item 6, Selected Financial Data, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and in Note 13, Segment Data, of our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Refining Segment

Overview

We own and operate two independent refineries located in Tyler, Texas and El Dorado, Arkansas, currently representing a combined 140,000 bpd of crude throughput capacity. Our refining system produces a variety of petroleum-based products used in transportation and industrial markets which are sold to a wide range of customers located principally in inland, domestic markets.

Both of our refineries are located in the U.S. Gulf Coast Region, which is one of five PADD regional zones established by the U.S. Department of Energy where refined products are produced and sold. Refined product prices generally differ within each of the five PADDs.

Refining System Feedstock Purchases

Our refining system purchases crude oil and other feedstocks through term agreements, some of which may include renewal provisions, and through spot market transactions. The majority of the crude oil we purchase is sourced from inland domestic sources. The majority of our domestic inland crude purchases originate in areas of Texas and Arkansas. In 2012, we also began purchasing crude delivered by rail car that originates primarily in other parts of the United States. A large portion of the crude oil currently purchased at both the Tyler and El Dorado refineries is priced at a differential to the price per barrel of WTI. In most cases, this differential is established during the month prior to the month in which the crude oil is processed at our refineries.

Refining System Production Slate

Our refining system processes a combination of light sweet and medium sour crude oils which, when refined, results in a product mix consisting principally of higher-value transportation fuels such as gasoline, distillate and jet fuel. A lesser portion of our overall production consists of residual products, including paving asphalt, roofing flux and other products with industrial applications.

Refined Product Sales and Distribution

Our refining segment sells products on a wholesale basis to inter-company and third-party customers located around east Texas, Arkansas, Tennessee and the Ohio River Valley, including gulf coast markets and areas along the Enterprise Pipeline System.

Refining Segment Seasonality

Demand for gasoline and asphalt products is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic and road and home construction. Varying vapor pressure requirements between the summer and winter months also tighten summer gasoline supply. As a result, the operating results of our refining segment are generally lower for the first and fourth quarters of the calendar year.

Refining Segment Competition

The refining industry is highly competitive and includes fully integrated national and multinational oil companies engaged in many segments of the petroleum business, including exploration, production, transportation, refining, marketing and retail fuel and convenience stores. Our principal competitors are petroleum refiners in the Mid-Continent and Gulf Coast regions, in addition to wholesale distributors operating in these markets.

The principal competitive factors affecting our refinery operations are crude oil and other feedstock costs, the differential in price between various grades of crude oil, refinery product margins, refinery reliability and efficiency, refinery product mix, and distribution and transportation costs.

Refining Segment - Tyler Refinery

Our Tyler refinery has a crude throughput capacity of 60,000 bpd. The Tyler refinery is currently the only major distributor of a full range of refined petroleum products within a radius of approximately 100 miles of its location. The refinery is situated on approximately 100 out of a total of approximately 600 contiguous acres of land (excluding pipelines) that we own in Tyler, Texas and adjacent areas.

The Tyler refinery is designed to process mainly light, sweet crude oil, which is typically a higher quality than heavier, sour crudes. The Tyler refinery has access to crude oil pipeline systems that allow us access to East Texas, West Texas, Gulf of Mexico and foreign crude oils. Most of the crude supplied to the Tyler refinery is delivered by third-party pipelines and through pipelines owned by our logistics segment. The majority of crude oil currently received at the Tyler refinery via pipeline passes through a regional crude distribution center in Longview, Texas.

The table below sets forth information concerning crude oil received at the Tyler refinery:

	Percentage of Crude Oil Received Year Ended December 31,			
Source	2012		2011	
East Texas crude oil	18.8	%	17.4	%
WTI crude oil	81.2	%	79.5	%
West Texas sour ("WTS") crude oil	—	%	3.1	%

The Tyler refinery has a crude oil processing unit with a 60,000 bpd atmospheric column and a 21,000 bpd vacuum tower. The other major processing units at the Tyler refinery include a 20,200 bpd fluid catalytic cracking unit, a 6,500 bpd delayed coking unit, a 22,000 bpd naphtha hydrotreating unit, a 13,000 bpd gasoline hytrotreating unit, a 22,000 bpd distillate hydrotreating unit, a 17,500 bpd continuous regeneration reforming unit, a 5,000 bpd isomerization unit, and a sulfuric alkylation unit with a alkylate production capacity of 4,720 bpd. The Tyler refinery has a Nelson Complexity Factor of 9.5.

The fluid catalytic cracking unit and delayed coker enabled us to produce approximately 96.6% light products in 2012, including primarily a full range of gasoline, diesel, jet fuels, liquefied petroleum gas and natural gas liquids.

The table below sets forth information concerning the throughput at the Tyler refinery:

	Year Ended December 31, 2012			Year Ended December 31, 2011			Year Ended December 31, 2010		
	Bpd	%		Bpd	%		Bpd	%	
Refinery throughput (average barrels per day):									
Crude:									
Sweet	56,426	94.2	%	54,291	89.7	%	48,300	89.0	%
Sour	—	—	%	1,737	2.9	%	1,700	3.1	%
Total crude	56,426	94.2	%	56,028	92.6	%	50,000	92.1	%
Other blendstocks	3,450	5.8	%	4,492	7.4	%	4,286	7.9	%
Total refinery throughput	59,876	100.0	%	60,520	100.0	%	54,286	100.0	%

The Tyler refinery primarily produces two grades of gasoline (premium - 93 octane and regular - 87 octane), as well as aviation gasoline. Diesel and jet fuel products produced at the Tyler refinery include military specification jet fuel (“JP8"), commercial jet fuel, low sulfur diesel and ultra-low sulfur diesel. The Tyler refinery offers both E-10 and biodiesel blended products. In addition to higher-value gasoline and distillate fuels, the Tyler refinery produces small quantities of propane, refinery grade propylene and butanes, petroleum coke, slurry oil, sulfur and other blendstocks.

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The table below sets forth information concerning the Tyler refinery's production slate:

	Year Ended December 31, 2012			Year Ended December 31, 2011			Year Ended December 31, 2010		
	Bpd	%		Bpd	%		Bpd	%	
Products produced (average barrels per day):									
Gasoline	33,045	55.8	%	32,407	54.3	%	30,019	56.3	%
Diesel/jet	21,883	37.0	%	22,521	37.7	%	19,669	36.9	%
Petrochemicals, LPG, NGLs	2,268	3.8	%	2,205	3.7	%	1,623	3.0	%
Other	1,989	3.4	%	2,564	4.3	%	2,012	3.8	%
Total production	59,185	100.0	%	59,697	100.0	%	53,323	100.0	%

We believe that by being able to deliver most of our gasoline and diesel fuel production into the local market through our terminal located at the Tyler refinery, our customers benefit from lower transportation costs compared to alternative sources. Our customers include major oil companies, independent refiners and marketers, jobbers, distributors, utility and transportation companies, the U.S. government and independent retail fuel operators.

The Tyler refinery's ten largest customers accounted for $1,662.3 million, or 62.5%, of net sales for the Tyler refinery in 2012. One customer accounted for $277.0 million, or 10.4% of the Tyler refinery's net sales in 2012. We have a contract with the U.S. government to supply JP8 to various military facilities that expires on August 31, 2013. The U.S. government solicits competitive bids for this contract annually. Sales under this contract totaled $90.3 million in 2012, or 3.4%, of the Tyler refinery's 2012 net sales.

The vast majority of our transportation fuels and other products are sold directly from the Tyler refinery's terminal. We operate a nine-lane transportation fuels truck rack with a wide range of additive options, including proprietary packages dedicated for use by our major oil company customers. Capabilities at our rack include the ability to simultaneously blend finished components prior to loading trucks. LPG, NGLs and clarified slurry oil are sold by truck from dedicated loading facilities at the Tyler refinery.

Taking into account the Tyler refinery's crude and product slate, as well as the refinery's location near the Gulf Coast region, we apply a Gulf Coast 5-3-2 crack spread to calculate the approximate gross margin resulting from processing one barrel of crude oil into three fifths of a barrel of gasoline and two fifths of a barrel of high sulfur diesel. We calculate the Gulf Coast crack spread using the market values of U.S. Gulf Coast Pipeline Conventional 87 CBOB and U.S. Gulf Coast Pipeline No. 2 Heating Oil (high-sulfur diesel) and the market value of WTI crude oil. U.S. Gulf Coast Pipeline Conventional 87 CBOB and U.S. Gulf Coast Pipeline No. 2 Heating Oil are prices for which the products trade in the Gulf Coast region.

Refining Segment - El Dorado Refinery

Our El Dorado refinery has a crude throughput capacity of 80,000 bpd. The El Dorado refinery is the largest refinery in Arkansas and represents more than 90% of state-wide refining capacity.

The El Dorado refinery is designed to mainly process a combination of sweet, medium-sour and heavy crude oils that blend into a medium gravity sour crude oil. The refinery receives crude by several delivery points, including local crude and other third party pipelines that connect directly into the El Dorado Pipeline System, which runs from Magnolia, Arkansas to the El Dorado refinery (the "El Dorado Pipeline System") and rail at third party terminals.

In 2012, we purchased crude oil for the El Dorado refinery from inland sourced crude from east and west Texas, local sources, including crude gathered through the SALA Gathering System, which is a local domestic crude oil gathering system in the adjacent Arkansas area production fields operated by the logistics segment (the "SALA Gathering System"), rail and reduced amounts of Gulf Coast crude. Logistical constraints limit local producers' ability to ship crude oil economically to regional refineries. Therefore, we are able to purchase local crude at a discount to other crudes, such as WTI or WTS. At present, J. Aron and Company ("J. Aron"), through arrangements with various oil companies, supplies the majority of the El Dorado refinery's crude oil input requirements pursuant to a Master Supply and Offtake Agreement (“Supply and Offtake Agreement").

The table below sets forth information concerning crude oil received at the El Dorado refinery:

	Percentage of Crude Oil Received Year Ended December 31,			
Source	2012		2011	
Gulf Coast crude oil	23.2	%	56.1	%
Inland/local crude oil	62.4	%	33.2	%
Foreign crude oil	2.8	%	10.7	%
Rail crude oil	11.6	%	—	%

The El Dorado refinery is equipped with a crude oil processing unit with a 100,000 bpd capacity. The actual average annual crude unit throughput will vary based on economics and market requirements, as well as other physical limitations that affect the daily throughput or the utilization rate of the refinery. Because expansion projects for the downstream conversion of units have not been completed, the operable capacity of the El Dorado refinery is estimated at approximately 80,000 bpd. The El Dorado refinery is also equipped with a 55,000 bpd vacuum unit, a 20,000 bpd FCC unit, a 15,300 bpd continuous regenerative catalytic reforming unit, a 7,000 bpd isomerization unit and a 5,000 bpd alkylation unit. The El Dorado refinery has a Nelson Complexity Factor of 9.0.

The table below sets forth information concerning the throughput at the El Dorado refinery:

	Year Ended December 31, 2012			Year Ended December 31, 2011[(2)]		
	Bpd	%		Bpd	%	
Refinery throughput (average barrels per day):						
Crude:						
Sweet	29,982	41.0	%	11,063	13.8	%
Sour	35,393	48.3	%	62,733	78.4	%
Total crude	65,375	89.3	%	73,796	92.2	%
Other blendstocks[(1)]	7,797	10.7	%	6,258	7.8	%
Total refinery throughput	73,172	100.0	%	80,054	100.0	%

(1) Includes denatured ethanol and biodiesel.

(2) This information has been calculated based on the 247 days we operated the El Dorado refinery following its acquisition in April 2011.

The El Dorado refinery produces a wide range of refined products, from multiple grades of gasoline and ultra-low sulfur diesel fuels, LPGs, refinery grade propylene and a variety of asphalt products, including paving grade asphalt and roofing flux. The El Dorado refinery produces both low-sulfur gasoline and ultra-low sulfur diesel fuel, in compliance with current clean fuels standards. The El Dorado refinery offers both E-10 and biodiesel blended products.

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In 2012, gasoline, diesel, liquefied petroleum gas and natural gas liquids accounted for approximately 86.7% of the El Dorado refinery's production, while 13.3% of the product slate included various grades of asphalt, black oils and other residual products.

The table below sets forth information concerning the El Dorado refinery's production slate:

	Year Ended December 31, 2012			Year Ended December 31, 2011[1]		
	Bpd	%		Bpd	%	
Products produced (average barrels per day):						
Gasoline	33,411	46.8	%	33,231	41.8	%
Diesel	27,163	38.1	%	26,726	33.6	%
Petrochemicals, LPG, NGLs	1,318	1.8	%	1,399	1.8	%
Asphalt	6,897	9.7	%	14,820	18.7	%
Other	2,583	3.6	%	3,267	4.1	%
Total production	71,372	100.0	%	79,443	100.0	%

(1) This information has been calculated based on the 247 days we operated the El Dorado refinery following its acquisition in 2011.

Products manufactured at the El Dorado refinery are sold to retailers through spot sales, commercial contracts and through exchange agreements in markets in Arkansas, Memphis, Tennessee and north into the Ohio River Valley region. The refinery connection to the Enterprise Pipeline System is a key means of product distribution for the refinery given access to third-party terminals in multiple Mid-Continent markets that run adjacent to the system. The refinery also supplies products to exchange partners on the Colonial pipeline systems.

The El Dorado refinery's ten largest customers accounted for $1,225.9 million, or 34.0%, of the El Dorado refinery's net sales in 2012. One customer accounted for $229.3 million, or 6.2% of the El Dorado refinery's net sales in 2012.

Logistics Segment

Overview

Our logistics segment consists of Delek Logistics, a publicly traded master limited partnership, and its subsidiaries. Our consolidated financial statements include its consolidated financial results. As of December 31, 2012, we owned a 60.4% limited partner interest and a 2.0% general partner interest in Delek Logistics.

Our logistics segment owns and operates crude oil and refined products logistics and marketing assets. It generates revenue and subsequently contribution margin, which we define as net sales less cost of goods sold and operating expenses, by charging fees for gathering, transporting and storing crude oil and for marketing, distributing, transporting and storing refined products. A substantial majority of the logistics segment's existing assets are both integral to and dependent upon the successful operation of our refining segment's assets as the logistics segment gathers, transports and stores crude oil and markets, distributes, transports and stores refined products in select regions of the southeastern United States and east Texas in support of the Tyler and El Dorado refineries. In addition to intercompany services, the logistics segment also provides some crude oil transportation services for, and terminalling and marketing services to third parties in Texas, Tennessee and Arkansas.

Logistics Segment - Wholesale Marketing and Terminalling

The logistics segment owns and operates five light product terminals. One of these terminals, located in Memphis, Tennessee, supports the El Dorado refinery. Another of these terminals, located in Big Sandy, Texas, is expected to support the Tyler refinery by the end of 2013. In addition, the logistics segment provides products terminalling services to independent third parties at its light products terminal in Nashville, Tennessee and it markets light products using terminals in Abilene and San

Angelo, Texas. The logistics segment also markets light products using third-party terminals in Aledo, Odessa, Big Spring and Frost, Texas.

Logistics Segment - Pipelines and Transportation

The logistics segment owns approximately 400 miles of crude oil transportation pipelines, 16 miles of refined product pipelines, an approximately 600-mile crude oil gathering system and associated crude oil storage tanks with an aggregate of approximately 1.7 million barrels of active shell capacity. These assets are primarily divided into four operating systems:

- the Lion Pipeline System, which transports crude oil to, and refined products from the El Dorado refinery (the "Lion Pipeline System");
- the SALA Gathering System, which gathers and transports crude oil production in southern Arkansas and northern Louisiana, primarily for the El Dorado refinery;
- the Paline Pipeline System, which will transport crude oil from Longview, Texas to a third party terminal in Nederland, Texas; and
- the East Texas Crude Logistics System, which currently transports substantially all of the crude oil delivered to the Tyler refinery (the "East Texas Crude Logistics System").

Logistics Segment Supply Agreements

A majority of the petroleum products the logistics segment sells in west Texas are purchased from two suppliers. Under a contract with Noble Petro, Inc. ("Noble"), we can purchase up to 20,350 bpd of petroleum products for the Abilene terminal for sales and exchange at Abilene and San Angelo. This agreement runs through December 2017.

Additionally, we can purchase up to an additional 7,000 bpd of refined products under the terms of a contract with Magellan Asset Services, L.P. This agreement expires on December 14, 2015. The primary purpose of this second contract is to supply products at third-party terminals in Aledo, Frost, Big Spring and Odessa, Texas.

Purchases made under these supply agreements accounted for 78.0% of the total purchases made by the logistics segment during the year ended December 31, 2012.

Related Party Operating Agreements

Lion Oil entered into a pipelines and storage facilities agreement with Delek Logistics under which Delek Logistics provides transportation and storage services to the El Dorado refinery. Under the pipelines and storage facilities agreement, Lion Oil is obligated to meet certain minimum aggregate throughput volumes on the pipelines of Delek Logistics' Lion Pipeline System and SALA Gathering System.

Refining entered into a five-year pipelines and tankage agreement with Delek Logistics pursuant to which Delek Logistics will provide crude oil transportation and storage services for our Tyler refinery. Under the current pipelines and tankage agreement, Refining is obligated to meet minimum aggregate throughput volumes of crude oil. Refining also pays a storage fee for the use of crude oil storage tanks along the East Texas Crude Logistics System.

Logistics Segment Customers

Our logistics segment has various types of customers including major oil companies, independent refiners and marketers, jobbers, distributors, utility and transportation companies, and independent retail fuel operators. In general, these customers typically come from within a 100-mile radius of our terminal operations. The largest customer accounted for 17.8% of our logistics segment net sales and the top ten customers accounted for 45.7% of the logistics segment net sales in 2012.

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Logistics Segment Seasonality

The volume and throughput of crude oil and refined products transported through our pipelines and sold through our terminals and to third parties is directly affected by the level of supply and demand for all of such products in the markets served directly or indirectly by our assets. Supply and demand for such products fluctuates during the calendar year. Demand for gasoline, for example, is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic. Varying vapor pressure requirements between the summer and winter months also tighten summer gasoline supply. In addition, our refining segment often performs planned maintenance during the winter, when demand for their products is lower. Accordingly, these factors can affect the need for crude oil or finished products by our customers and therefore limit our volumes or throughput during these periods and we expect that our operating results will generally be lower during the first and fourth quarters of the calendar year.

Logistics Segment Competition

Our logistics segment faces competition for the transportation of crude oil from other pipeline owners whose pipelines (i) may have a location advantage over our pipelines, or (ii) may be able to transport more desirable crude oil to third parties or (iii) may be able to transport crude oil or finished product at a lower tariff. In addition, the wholesale marketing and terminalling business in general is also very competitive. Our owned refined product terminals, as well as the other third party terminals we use to sell refined products, compete with other independent terminal operators as well as integrated oil companies on the basis of terminal location, price, versatility and services provided. The costs associated with transporting products from a loading terminal to end users limit the geographic size of the market that can be competitively served by any terminal. Two key markets in west Texas that we serve from our company-owned facilities are Abilene and San Angelo, Texas. We have direct competition from an independent refinery that markets through another terminal in the Abilene market. There are no competitive fuel loading terminals within approximately 90 miles of our San Angelo terminal.

Logistics Segment Activity

The following table summarizes our activity in the wholesale marketing and terminalling portion of our logistics segment:

	Year Ended December 31,		
	2012	2011	2010
Operating Information:			
West Texas marketing throughputs (average bpd) [1]	16,523	15,493	14,353
Terminalling throughputs (average bpd) [2]	15,420	17,907	—
East Texas marketing throughputs (average bpd)	57,574	57,047	50,173

(1) Excludes bulk ethanol and biodiesel

(2) Consists of terminalling throughputs at our Memphis and Nashville, Tennessee terminals. Throughputs for the year ended December 31, 2011 are for the 247 days Delek operated these terminals following their acquisition in April 2011.

The following table summarizes our activity in the pipelines and transportation portion of our logistics segment:

	Year Ended December 31,		
	2012	2011	2010
Throughputs (average bpd)			
Lion Pipeline System [(1)]:			
Crude pipelines (non-gathered)	46,027	57,442	—
Refined products pipelines to Enterprise Systems	45,220	45,337	—
SALA Gathering System [(1)]	20,747	17,676	—
East Texas Crude Logistics System	55,068	55,341	49,388

(1) Throughputs for the year ended December 31, 2011 are for the 247 days Delek operated these pipeline systems following their acquisitions in April 2011.

Retail Segment

Overview

As of December 31, 2012, we operated 373 retail fuel and convenience stores located throughout the Southeastern United States. More than 93% of our stores were located in Tennessee, Alabama and Georgia, with additional stores located in Arkansas, Virginia, Kentucky and Mississippi. Our retail locations operate primarily under the MAPCO Express®, MAPCO Mart®, Discount Food Mart™, Fast Food and Fuel™, East Coast®, Delta Express® and Favorite Markets® brands.

During the past seven years we have reimaged or newly constructed approximately 50% of our store network, in each instance adopting the MAPCO Mart® brand. A reimaged location will typically include the re-configuring of the interior of the store, including remodeling surfaces, as well as replacement of certain inside equipment, remodeling the exterior of the store, and new outdoor signage. During 2012, we spent $19.7 million on reimaging 16 stores and constructing six new stores.

We believe that we have established strong brand recognition and market presence in the major retail markets in which we operate. The local markets where we have strong presence include Nashville, Memphis and the Chattanooga/northern Georgia corridor, and our presence is growing in northern Alabama and parts of Arkansas.

We seek to operate store locations in centralized, high-traffic urban and suburban markets. Our retail strategy employs localized marketing tactics that account for the unique demographic characteristics of each region that we serve. In recent years, we have introduced customized product offerings and promotional strategies to address the unique tastes and preferences of our customers on a market-by-market basis.

Retail Network

The majority of our stores are open 24 hours per day, while all sites are open at least 14 hours per day. Our average store size is approximately 2,576 square feet, with approximately 75.6% of our stores being 2,000 or more square feet. We are gravitating towards a larger format store, with our new stores constructed averaging 4,780 square feet.

Our retail fuel and convenience stores typically offer tobacco products and immediately consumable items such as non-alcoholic beverages, beer and a large variety of snacks and prepackaged items. A significant number of the sites also offer state sanctioned lottery games, ATM services and money orders. As of December 31, 2012, we operated 81 quick service restaurants in our store locations. In 48 of these locations, we offer national branded quick service food chains such as Quiznos®, Subway®, and Krispy Krunchy Chicken®. We also have a variety of proprietary in-house, quick service food offerings featuring fried chicken, breakfast biscuits, deli sandwiches and other freshly prepared foods.

Our convenience stores also offer unbranded, "private label" products in select categories. Since launching our first private label products in 2006, private label sales as a percentage of total merchandise sales excluding cigarettes has grown to 5.6% in 2012. Our private label products are generally priced at a substantial discount to their branded, nationally recognized counterparts, yet carry a higher gross profit margin for us, when compared to their counterparts. Our private label program provides quality offerings with price points previously unavailable to our customers in a number of categories. Some of the most recent launches include salty snacks, teas and juices and energy drinks and shots.

Fuel Operations

For 2012, 2011 and 2010, our fuel sales were 79.9%, 79.9%, and 75.9%, respectively, of total net sales for our retail segment.

The following table highlights certain information regarding our continuing fuel operations:

	Year Ended December 31,		
	2012	2011	2010
Number of stores (end of period)	373	377	412
Average number of stores (during period)	374	394	428
Retail fuel sales (thousands of gallons)	404,558	409,446	423,509
Average retail gallons per store (based on average number of stores) (thousands of gallons)	1,082	1,039	990
Retail fuel margin (cents per gallon)	$0.146	$0.162	$0.161

We currently operate a fleet of 21 delivery trucks that deliver more than 60% the fuel sold at our retail fuel and convenience stores. We believe that the operation of a proprietary truck fleet enables us to reduce fuel delivery expenses while enhancing service to our locations.

We purchased approximately 60.2% of the fuel sold at our retail fuel and convenience stores in 2012 from four suppliers. The price of fuel purchased is generally based on contractual differentials to local and regional price benchmarks. The initial terms of our supply agreements range from one year to 15 years and generally contain minimum monthly or annual purchase requirements. As of December 31, 2012, we had met our purchase commitments under these contracts and did not carry a liability for the failure to purchase required minimums.

Merchandise Operations

For 2012, 2011 and 2010, our merchandise sales were 20.1%, 20.1%, and 24.1%, respectively, of total net sales for our retail segment.

The following table highlights certain information regarding our continuing merchandise operations:

	Year Ended December 31,					
	2012		2011		2010	
Comparable store merchandise sales change (year over year)	3.4	%	2.3	%	4.3	%
Merchandise margin	29.3	%	29.8	%	30.5	%
Total merchandise sales (in thousands)	$378,166		$374,580		$384,106	
Average number of stores (during period)	374		394		428	
Average merchandise sales per average number of stores (in thousands)	$1,011		$951		$897	

We purchased approximately 59.5% of our general merchandise, including most tobacco products and grocery items, for 2012 from a single wholesale grocer, Core-Mark International, Inc. ("Core-Mark") pursuant to a contract that expires at the end of 2013. Our other major suppliers include Coca-Cola®, Pepsi-Cola® and Frito Lay®.

Dealer-Operated Stores

Our retail segment also includes a wholesale fuel distribution network that supplies 67 dealer-operated retail locations as of December 31, 2012. In 2012, our dealer net sales represented approximately 5.6% of net sales for our retail segment. Our business with dealers includes a variety of contractual arrangements in some of which we pay a commission to the dealer based on profits from the fuel sales and, in others we supply fuel and invoice the dealer for the cost of fuel plus an agreed upon margin. We also have non-contractual arrangements with dealers in which dealers order fuel from us at their discretion.

Retail Segment Seasonality

Demand for gasoline and convenience merchandise is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic. As a result, the operating results of our retail segment are generally lower for the first quarter of the calendar year.

Weather conditions in our operating area also have a significant effect on our operating results. Customers are more likely to purchase higher profit margin items at our retail fuel and convenience stores, such as fast foods, fountain drinks and other beverages and more gasoline during the spring and summer months. Unfavorable weather conditions during these months and a resulting lack of the expected seasonal upswings in traffic and sales could have a negative impact on our results of operations.

Retail Segment Competition

The retail fuel and convenience store business is highly competitive. We compete on a store-by-store basis with other independent convenience store chains, independent owner-operators, major petroleum companies, supermarkets, drug stores, discount stores, club stores, mass merchants, fast food operations and other retail outlets. Major competitive factors affecting us include location, ease of access, pricing, timely deliveries, product and service selections, customer service, fuel brands, store appearance, cleanliness and safety. We believe we are able to compete effectively in the markets in which we operate because our market concentration in most of our markets allows us to improve buying power with our vendors. Our retail segment strategy continues to center on operating a high concentration of sites in a similar geographic region to promote operational efficiencies.

Information Technology

We believe that our significant investments in Information Technology ("IT") offers us a strategic advantage in support of our various business units. In 2012, we focused on making improvements in all areas of IT including communications, hardware, and systems. Capital investments focused on the modernization of core elements of the infrastructure including communication devices, servers and storage. We believe this not only enhanced system performance, but also reduces risk due to less downtime and increased communication speeds. In addition, telecommunications systems were improved by implementation of new phone technology and redundant data communication services. We also began the standardization of our financial and accounting processes by upgrading and expanding our Enterprise Resource Planning solution. We believe business process redesign resulted in a higher level of consistency in our operations by taking advantage of new system tools including the application of responsive analytics and reporting. We also believe these improvements have enhanced our ability to respond to customer and market requirements and set the foundation for future growth.

Most of the retail segment's stores are connected through a high speed network that provides near real time information in support of merchandise pricing management, store security, fraud prevention, in-store training, and customer point of sale processing. The architecture and design of the store systems provide the flexibility to continue the expansion to new services that require access through a secure Internet connection adhering to Payment Card Industry ("PCI") data security standards. We believe our use of custom and off-the-shelf applications and programs gives us the ability to take advantage of standardization, while offering the flexibility and responsiveness to change. For example, in 2012 numerous new services were added to the retail segment including, postal services, bill pay kiosks, and implementation of a customer loyalty based program. Technology focused opportunities are continually evaluated and leveraged in our ongoing efforts to improve the customer experience and enhance revenue generation.

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Governmental Regulation and Environmental Matters

Environmental Matters

We are subject to various federal, state and local environmental and safety laws enforced by agencies including the United States Environmental Protection Agency ("EPA"), the U.S. Department of Transportation / Pipeline and Hazardous Materials Safety Administration, the Occupational Safety and Health Administration ("OSHA"), the Texas Commission on Environmental Quality, the Railroad Commission of Texas, the Arkansas Department of Environmental Quality and the Tennessee Department of Environment and Conservation as well as other state and federal agencies. Numerous permits or other authorizations are required under these laws for the operation of our refineries, terminals, pipelines, underground storage tanks ("USTs") and related operations, and may be subject to revocation, modification and renewal.

These laws and permits raise potential exposure to future claims and lawsuits involving environmental and safety matters which could include soil and water contamination, air pollution, personal injury and property damage allegedly caused by substances which we manufactured, handled, used, released or disposed, or that relate to pre-existing conditions for which we have assumed responsibility. We believe that our current operations are in substantial compliance with existing environmental and safety requirements. However, there have been and will continue to be ongoing discussions about environmental and safety matters between us and federal and state authorities, including notices of violations, citations and other enforcement actions, some of which have resulted or may result in changes to operating procedures and in capital expenditures. While it is often difficult to quantify future environmental or safety related expenditures, we anticipate that continuing capital investments and changes in operating procedures will be required for the foreseeable future to comply with existing and new requirements as well as evolving interpretations and more strict enforcement of existing laws and regulations.

The Comprehensive Environmental Response, Compensation and Liability Act, also known as Superfund, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a hazardous substance into the environment. Analogous state laws impose similar responsibilities and liabilities on responsible parties. In the course of our ordinary operations, our various businesses generate waste, some of which falls within the statutory definition of a hazardous substance and some of which may have been disposed of at sites that may require future cleanup under Superfund. At this time, our El Dorado refinery has been named as a minor potentially responsible party at one site for which we believe future costs to us will not be material.

We carried a liability of approximately $12.4 million as of December 31, 2012 primarily related to the probable estimated costs of remediating or otherwise addressing certain environmental issues of a non-capital nature at the Tyler and El Dorado refineries. This liability includes estimated costs for on-going investigation and remediation efforts, which were already being performed by the former operators of the Tyler and El Dorado refineries, prior to our acquisitions of these facilities, for known contamination of soil and groundwater as well as estimated costs for additional issues which have been identified subsequent to the purchase. We expect approximately $0.9 million of this amount to be reimbursable by a prior owner of the El Dorado refinery and have recorded $0.1 million in other current assets and $0.8 million in other non-current assets and in our condensed consolidated balance sheet as of December 31, 2012. Approximately $2.0 million of the liability is expected to be expended over the next 12 months with most of the balance expended by 2022. In the future we could be required to undertake additional investigations of our refineries, pipelines and terminal facilities or convenience stores, which could result in additional remediation liabilities.

On March 9, 2013, a release of crude oil was detected within a pumping facility owned by our logistics segment located west of our El Dorado refinery. We are currently in the process of working with the EPA to respond to the released crude oil and believe we will ultimately recover the substantial majority of the released crude oil. For a full description of this incident, please see "Crude Oil Release" under Item 9B, Other Information, of this Annual Report on Form 10-K.

Most of the cost of remediating releases from USTs in our retail segment is reimbursed by state reimbursement funds which are funded by a tax on petroleum products and subject to certain deductible amounts.

Both of our refineries have negotiated consent decrees, referred to as Global Refining Settlements, with the EPA and the United States Department of Justice (the "DOJ") regarding certain Clean Air Act requirements. The State of Arkansas is also a party to the El Dorado refinery consent decree. The El Dorado refinery consent decree was effective in June 2003 and the Tyler refinery consent decree became effective in September 2009. Neither consent decree alleges any violations pertaining to our operation of the refineries, and the prior operators were responsible for payment of the assessed penalties. All capital projects required by the consent decrees have been completed; however, the consent decrees require certain on-going operational changes and work practices. Although the consent decrees will remain in force for several years, we believe any costs resulting from these changes and compliance with the consent decrees will not have a material adverse effect upon our business, financial condition or operations.

In 2008, the El Dorado refinery signed a Consent Administrative Order ("CAO") that was in effect through 2009 with the State of Arkansas with regard to wastewater discharges. In conjunction with three other area dischargers, including the city of El Dorado Water Utilities, the El Dorado refinery applied for and was granted a National Pollutant Discharge Elimination System ("NPDES") permit for a combined discharge to the Ouachita River. In connection with the CAO, the El Dorado refinery and the three other dischargers have designed, are constructing and will jointly operate an approximately 20 mile wastewater pipeline to convey treated, commingled waste water to the Ouachita River. Construction of the pipeline is underway and expected to be completed by the third quarter of 2013. The EPA was not a party to the Arkansas CAO and in late 2011 referred an enforcement action to the DOJ with regard to historical and on-going waste water discharges that we believe will be remedied by the Ouachita River pipeline. We are in discussions with the EPA and the DOJ regarding penalties and interim actions and have accrued an amount expected to cover the penalty. We anticipate finalizing a Consent Decree with the DOJ in the first half of 2013 and do not believe the settlement will have a material adverse effect upon our business, financial condition or operations.

In 2007, the EPA issued final Mobil Source Air Toxic II rules for gasoline formulation that required the reduction of average benzene content by January 1, 2011 and the reduction of maximum annual average benzene content by July 1, 2012. We completed a project at the Tyler refinery in the fourth quarter 2010 to partially reduce gasoline benzene levels. However, it is necessary for us to purchase credits to fully comply with these content requirements for the Tyler refinery. We accrue as a liability or asset any credit deficit or excess. Although credits have been acquired that cover Tyler's current obligation, we cannot assure you that such credits will be available in the future or that we will be able to purchase available credits at reasonable prices. Additional benzene reduction projects may be implemented to reduce or eliminate our need to purchase benzene credits depending on the availability and cost of credits. A project to reduce gasoline benzene levels below the required compliance level was completed at the El Dorado refinery in June 2011 and credits generated by that refinery have been and in the future can be used to partially meet the Tyler refinery's credit requirement.

Various legislative and regulatory measures to address climate change and greenhouse gas ("GHG") emissions (including carbon dioxide, methane and nitrous oxides) are in various phases of discussion or implementation. They include proposed and recently enacted federal regulation and state actions to develop statewide, regional or nationwide programs designed to control and reduce GHG emissions from fixed sources, such as our refineries, as well as mobile transportation sources. We are not aware of any state or regional initiatives for controlling GHG emissions that would affect our refineries. Although it is not possible to predict the requirements of any GHG legislation that may be enacted, any laws or regulations that have been or may be adopted to restrict or reduce GHG emissions will likely require us to incur increased operating and capital costs.

Since the 2010 calendar year, EPA rules require us to report GHG emissions from our refinery operations and consumer use of fuel products produced at our refineries on an annual basis. While the cost of compliance with the reporting rule is not material, data gathered under the rule may be used in the future to support additional regulation of GHG. Effective January 2, 2011, the EPA began regulating GHG emissions from refineries and other major sources through the Prevention of Significant Deterioration and Federal Operating Permit (Title V) programs. While these rules do not impose any limits or controls on GHG emissions from current operations, emission increases from future projects or operational changes, such as capacity increases, may be impacted and required to meet emission limits or technological requirements such as Best Available Control Technologies. The EPA also has indicated that it intends to regulate refinery GHG emissions from new and existing sources through a New Source Performance Standard ("NSPS"), although there is no firm proposal for such regulation.

In mid-2012 the EPA announced an industry-wide enforcement initiative directed at flaring operations and performance at refineries and petrochemical plants, although our refineries have not received any associated inquiries or requests for information and are not a party to any associated enforcement action at this time. In September 2012, the EPA finalized revisions to the NSPS for Petroleum Refineries (NSPS Subpart Ja) that primarily affects flares and process heaters. We believe our existing process heaters meet the applicable requirements. Affected flares have three years to comply with the new standard and it is likely the standard will impact the way some flares at our Tyler and El Dorado refineries are designed and/or operated. We are planning capital projects at our refineries related to flare compliance with NSPS Subpart Ja that will be implemented in 2014-2015. The EPA has also announced its intent to further regulate refinery air emissions, through additional NSPS and National Emission Standards for Hazardous Air Pollutants to be proposed in late 2013 but the EPA has not released enough information regarding these rules to estimate the potential cost for compliance.

In 2010, the EPA and the Department of Transportation's National Highway Traffic Safety Administration ("NHTSA") finalized new standards raising the required Corporate Average Fuel Economy ("CAFE") of the nation's passenger fleet by 40% to approximately 35 miles per gallon ("mpg") by 2016 and imposing the first-ever federal GHG emissions standards on cars and light trucks. In September 2011, the EPA and the DOT finalized first-time standards for fuel economy of medium and heavy duty trucks. In September 2012, the EPA and NHTSA finalized rules raising the CAFE and GHG standards for passenger vehicles beginning with 2017 model year vehicles and increasing to the equivalent of 54.5 mpg by 2025. Such increases in fuel economy standards and potential electrification of the vehicle fleet, along with mandated increases in use of renewable fuels discussed below, could result in decreasing demand for petroleum fuels. Decreasing demand for petroleum fuels could materially affect profitability at our refineries, as well as at our convenience stores.

The Energy Independence and Security Act of 2007 ("EISA") increased the amounts of renewable fuel required to be blended into domestic transportation fuel supplies by the Energy Policy Act of 2005 to 32 billion gallons by 2022. The Renewable Fuel Standard - 2 rule ("RFS-2"), finalized by the EPA in 2010 to implement EISA, requires that most refiners blend increasing amounts of biofuels with refined products, equal to approximately 9.2% of combined gasoline and diesel volume in 2012, increasing to 10.0% in 2013 and escalating annually to approximately 18% by 2022. Because the mandate requires specified volumes of biofuels, if the demand for motor fuels decreases in future years even higher percentages of biofuels may be required. Alternatively, credits, called Renewable Identification Numbers ("RINs") can be used instead of physically blending biofuels. The Tyler refinery began supplying a 10% ethanol gasoline blend (E-10) in January 2008 and biodiesel blends in June 2011. The El Dorado refinery completed projects at the truck loading rack in June 2011 to make E-10 available and in July 2012 to make biodiesel blends available. We are implementing additional projects at our refineries and terminals that will allow blending increasing amounts of ethanol and biodiesel into our fuels in future years.

The EPA is expected to propose and finalize Tier 3 gasoline rules in 2013 requiring a reduction in annual average gasoline sulfur content from 30 parts per million ("ppm") to 10 ppm by late 2016. The rule will also likely require a reduction in the maximum per-gallon sulfur content from the current limit of 80 ppm although the EPA has not indicated what that new limit will be. We anticipate that the Tyler refinery will meet these new limits with only minor operational changes, but capital projects may be required for additional sulfur removal capacity at the El Dorado refinery.

The EPA requested information pertaining to the November 2008 explosion and fire at the Tyler refinery and conducted an investigation under Section 114 of the Clean Air Act pertaining to our compliance with the chemical accident prevention standards. In late 2011, the EPA referred an enforcement action to the DOJ and we are in discussions with the EPA and the DOJ regarding what, if any, penalties and/or interim actions may be necessary.

Rate Regulation of Petroleum Pipelines

The rates and terms and conditions of service on certain of our pipelines may be subject to regulation by the Federal Energy Regulatory Commission ("FERC") under the Interstate Commerce Act ("ICA") or by the state regulatory commissions in the states in which we transport crude oil and refined products, including the Railroad Commission of Texas, the Louisiana Public Service Commission, and the Arkansas Public Service Commission. We have evaluated and are continuing to evaluate the extent to which our pipelines are subject to such regulation. To the extent we determine that the rates and terms and conditions of service of our pipelines are subject to regulation, we have filed or intend to file tariffs with FERC or the appropriate state regulatory commissions, or, in certain cases, to seek waiver of the requirement to file tariffs, and to comply with all regulatory requirements imposed by those agencies.

FERC regulates interstate transportation under the ICA, the Energy Policy Act of 1992 and the rules and regulations promulgated under those laws. The ICA and its implementing regulations require that tariff rates for interstate service on oil pipelines, including pipelines that transport crude oil and refined products in interstate commerce, be just and reasonable and non-discriminatory and that such rates and terms and conditions of service be filed with FERC. Under the ICA, shippers may challenge new or existing rates or services. FERC is authorized to suspend the effectiveness of a challenged rate for up to seven months, though rates are typically not suspended for the maximum allowable period.

While FERC regulates rates for shipments of crude oil or refined products in interstate commerce, state agencies may regulate rates and service for shipments in intrastate commerce. We own pipeline assets in Texas, Arkansas, and Louisiana. In Texas, a pipeline, with some exceptions, is required to operate as a common carrier by publishing tariffs and providing transportation without discrimination. Arkansas provides that all intrastate oil pipelines are common carriers. In Louisiana, all pipelines conveying petroleum from a point of origin within the state to a destination within the state are declared common carriers. The Louisiana Public Service Commission is empowered with the authority to establish reasonable rates and regulations for the transport of petroleum by a common carrier, mandating public tariffs and providing of transportation without discrimination.

Employees

As of December 31, 2012, we had 4,033 employees, of whom 768 were employed in our refining segment, 111 were employed by Delek for the benefit of our logistics segment, 3,049 were employed either full or part-time in our retail segment and 105 were employed by Holdings. As of December 31, 2012, 165 operations and maintenance hourly employees and 35 truck drivers at the Tyler refinery were represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union and its Local 202. The Tyler operations and maintenance hourly employees are currently covered by a collective bargaining agreement that expires January 31, 2015. The Tyler truck drivers are currently covered by a collective bargaining agreement that expires March 1, 2015. As of December 31, 2012, 174 operations and maintenance hourly employees at the El Dorado refinery were represented by the International Union of Operating Engineers and its Local 381. These employees are covered by a collective bargaining agreement which expires on August 1, 2014. None of our employees in our logistics or retail segments or in our corporate office are represented by a union. We consider our relations with our employees to be satisfactory.