

# SIGMA WEEKLY REPORT

11911 Freedom Drive  
Suite 590  
Reston, VA 20190  
(703) 709-7000  
FAX: (703) 709-7007

July 11, 2005

## LUST HEARING POSTPONED

Last week, we reported that the Senate Superfund and Hazardous Materials Subcommittee of the Environment and Public Works Committee announced an oversight hearing on the federal LUST program scheduled for July 14, 2005. We have learned that the hearing--at which SIGMA is expected to be asked to testify--will be likely postponed until September.

## FLORIDA ENFORCEMENT DISCRETION

EPA on Friday issued an enforcement discretion letter for parts of Florida in anticipation of Hurricane Dennis. The enforcement discretion letter covers Florida counties west of the Apalachicola River for diesel fuel (greater than 500 ppm diesel fuel may be sold) and the counties of Hillsborough and Pinellas counties for gasoline (9.0 psi gasoline may be sold). The enforcement discretion was effective immediately and will remain in effect until July 18, 2005, although retail outlets may continue to sell higher sulfur diesel fuel and 9.0 gasoline after that date until supplies are exhausted. If a regulated party takes advantage of this enforcement discretion, it must file a report with EPA no later than August 15, 2005. A copy of the EPA letter is posted on the SIGMA website.

## GAO: SPECIAL BLENDS REPORT

The U.S. Government Accountability Office (GAO) issued a report last week entitled "Special Gasoline Blends Reduce Emissions and Improve Air Quality, but Complicate Supply and Contribute to Higher Prices" (GAO-05-421). The report, which was requested by Senators Jeffords (I-VT) and Boxer (D-CA) and was intended to justify state boutique fuel mandates, in fact reached the opposite conclusion. SIGMA counsel was interviewed extensively by the GAO investigators and GAO also talked with several SIGMA members directly about the problems they experience with the proliferation of boutique fuels. Among the conclusions of the GAO study: (1) EPA's current model for estimating emissions reductions from boutique fuels is out-of-date and unreliable and must be updated to be credible; (2) EPA has no authority to deny a state boutique fuel petition if the new fuel will harm supply or increase prices; and, (3) boutique fuels increase gasoline prices and gasoline price volatility. The GAO report contained two primary recommendations: (1) that EPA, with the Department of Energy, develop a plan to balance the environmental benefits of boutique fuels with

the impact of those fuels on gasoline supply and price volatility; and, (2) identify the statutory changes required to implement this plan. These recommendations are very similar to the legislative provisions on boutique fuels back by SIGMA and contained in the House energy bill, H.R. 6. A copy of the GAO report can be found at [www.gao.gov/new.items/d05421.pdf](http://www.gao.gov/new.items/d05421.pdf)

## RHODE ISLAND BANS MTBE

Rhode Island's governor signed a law Wednesday that will prohibit adding MTBE to gasoline for sale in the state, effective 2007, making Rhode Island the 22<sup>nd</sup> state to ban the additive. The legislation (H. 6117) also prohibits the import of gasoline containing MTBE, or other ethers greater than 0.5 percent by volume, into the state. The director of the state Department of Environmental Management will develop and implement a plan to phase out MTBE and other ether oxygenates by June 1, 2007. Some state lawmakers believe this delayed implementation period will give gasoline producers ample time to meet the demand for MTBE-free gasoline. The legislation is available online at [www.rilin.state.ri.us/billtext05/housetext05/h6117b.pdf](http://www.rilin.state.ri.us/billtext05/housetext05/h6117b.pdf)

## FTC RELEASES GASOLINE PRICE REPORT

On July 5, the Federal Trade Commission (FTC) released a report titled, "Gasoline Price Changes: The Dynamic of Supply, Demand and Competition." It analyzes the many factors that contribute to the wide array of gasoline prices that U.S. consumers pay at the pump. Factors examined include: crude oil prices, increasing national and international demand, and federal state and local regulations. Copies of the report can be found on the FTC website at [www.ftc.gov](http://www.ftc.gov).

## EXECUTIVE LEADERSHIP 2006

Early Bird registration for NPN/SIGMA Executive Leadership Conference at Winter Management will expire on July 20, 2005. Send in your registration today. Get a jump start on 2006 at the industry's premier executive conference dealing with the critical issues and challenges facing our industry (or your business) in 2006. Download a registration Form at: [www.sigma.org/meetings/2006-WMC/06-WMC-Early-Bird-Reg.pdf](http://www.sigma.org/meetings/2006-WMC/06-WMC-Early-Bird-Reg.pdf). The meeting will be held January 22-25, 2006 at the Beaver Run Resort in Breckenridge, Colorado.

## POSITION AVAILABLE

An ethanol company is building a sales team to market E85, an alternative fuel comprised of 85% ethanol and 15% gasoline. Candidates interested in joining the team must have a four year degree and a minimum of five years of sales experience, preferably in the field of petroleum marketing. The company is based in the Midwest. Members of the sales team will work remotely from within their territories. Preference will be given to candidates located in the Midwest. Please inquire at [sigma@sigma.org](mailto:sigma@sigma.org) with reference E85 Sales in the subject line.

## MTBE RISK ASSESSMENT

The Environmental Protection Agency (EPA) developed a draft risk assessment on the gasoline additive known as MTBE with potentially shocking results—it could be causing cancer in humans. Some sources say the agency's draft review (for internal circulation only) includes research that links kidney and lymph node tumors to MTBE exposure. If EPA approves this draft risk assessment, MTBE cleanup will undoubtedly become more extensive and costly. According to agency sources, cleanup standards based on the draft MTBE findings could result in billions of dollars in remediation costs in 36 states. In similar news, the American Petroleum Institute released a study this week that puts cleanup costs at or below \$1.5 billion. The study estimated cleanup costs, not funded by currently identifiable sources like insurance and state/federal monies, to be \$100-300 million for USTs, \$200-900 million for public wells, and \$200-300 million for private wells.

## MTBE—THE ISSUE TO WATCH

As the House and Senate prepare to hash out differences in energy legislation, MTBE liability is THE ISSUE that will make or break the motor fuel marketing industry. As the story above explains, cleanup and accountability will be extremely costly. **Don't let confusing studies muddy the waters when it comes to MTBE liability and YOUR business.** If motor fuel marketers don't weigh in on this issue during the Congressional debate, lawyers will stand in line to sue YOU and hold YOU accountable for MTBE and its cleanups. Ensure your livelihood by attending this year's [Summer Legislative Meeting on July 19-20](#) and make your voice heard. Download a registration form at [www.sigma.org/pdf/05SummerLEGRegForm.pdf](http://www.sigma.org/pdf/05SummerLEGRegForm.pdf).

## IN MEMORIAM: RED BOARDMAN

Long-time SIGMA member Clayton P. "Red" Boardman, Jr. died at age 78 last week due to a brief illness. In the 1970s, Boardman launched the independent Smile Gas Brand whose trademark smiley-face logo revolutionized the gasoline retail industry. Boardman's family would like to honor Red

by continuing his philanthropic contributions to his community. If so desired, please send memorials to the following organizations: the Community Foundation of the CSRA, P.O. Box 31358, Augusta, GA 30903, or The Southeastern Natural Sciences Academy Endowment Fund, 540-B Telfair St., Augusta, GA 30901.

## HIGHWAY BILL CONFEREES STILL AT WORK

Although highway bill conferees may have agreed on a number of major issues regarding the surface transportation reauthorization bill, they will still have to reach a compromise on thousands of programs and positions. According to industry sources, total funding would be either \$286.4 billion or \$286.5 billion and transit programs would receive 18.5 percent of the total guaranteed spending. Congressional staff are said to be spending their July 4 recess concentrating on state shares, rate of return on tax dollars and the overall funding level. We'll keep you updated on future developments.

## PHILADELPHIA '05 EDUCATION

SIGMA's Annual Meeting will be held in Philadelphia, PA from October 21-23 at the Loews Hotel. Thus far, SIGMA is working on several content-rich education sessions you can't afford to miss! **Tom Nielson, from Warren Rogers**, will tell you how to make certain you are getting the gasoline you paid for. **National Biodiesel Board's Petroleum Representative Paul Nazzaro** will highlight what you should know as a marketer who might be interested in entering the biodiesel business, as well as biodiesel basics. **Jeff DeCagna founder, Principled Innovations** will identify new strategic opportunities to achieve growth in your business in this ever-changing landscape. **Wall Street Journal writer Thaddeus Herrick** will share interesting market facts from his coverage of the petroleum industry retail sector. Also on the schedule: **NPN's State of the Industry**, showcasing five marketers from across the nation who will discuss important issues facing motor fuel marketers in today's industry and the third installment of Station Resuscitation. Check SIGMA's website at [www.sigma.org](http://www.sigma.org) frequently for education updates and conference schedule information. Register online at [http://www.sigma.org/meetings/2005\\_annual/registration/index.html](http://www.sigma.org/meetings/2005_annual/registration/index.html) or download a registration form at [http://www.sigma.org/meetings/2005\\_annual/registration.pdf](http://www.sigma.org/meetings/2005_annual/registration.pdf).