

# SIGMA WEEKLY REPORT

---

September 22, 2005

## PLEASE NOTE: SIGMA OFFLINE

SIGMA's computers will be offline beginning this evening, Thursday, September 22, at 6:00 p.m. Any important communications dealing with Hurricane Rita or otherwise will be distributed electronically to the *Weekly Report* recipient list from Greg Scott at Collier Shannon Scott. He can be contacted via e-mail at: [gscott@colliershannon.com](mailto:gscott@colliershannon.com). SIGMA intends to be fully operational on Monday morning, September 26.

## FUEL WAIVER IN HOUSTON/GALVESTON, TEXAS

In order to provide greater flexibility to the gasoline market and minimize potential gasoline supply disruptions caused by Hurricane Rita, EPA is waiving the requirement to sell reformulated gasoline (RFG) in the Houston/Galveston RFG covered area. Thus, EPA will allow parties to distribute and sell conventional gasoline (CG) in this RFG covered area. Counties included in this waiver are: Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery and Waller. The waiver is effective immediately and will continue through September 26, 2005. See a copy of the waiver letter at <http://www.sigma.org/pdf/Houston-Fuel-Waiver-9-21-05.pdf>. Additional waivers may be issued as early as late this afternoon (Thursday) in anticipation of Rita making landfall. SIGMA will distribute any EPA or IRS actions as soon as they become available.

## PROPOSED ENERGY BILLS

Post-Hurricane Katrina legislative actions are coming to a head next week on Capitol Hill. It is expected that two draft energy bills will be released sometime next week. Rep. Joe Barton (R-TX), Chairman of the House Energy & Commerce Committee and Senator James Inhofe (R-OK), Chairman of the Senate Environment and Public Works Committee, have been working on their respective committees' bills set to address key energy issues. Both bills are expected to contain provisions on domestic refining capacity, boutique fuels, and price gouging allegations. The Energy and Commerce Committee may be poised to move their version through the House of Representatives next week. SIGMA counsel is working closely with Congressional staff to ensure the proposed bills are

productive and constructive and not ill-considered. Details on the bills should be available next week. SIGMA will keep you up-to-date on any new developments.

## API AD CAMPAIGN

The American Petroleum Institute (API) launched an ad campaign today in major newspapers addressing price gouging. A copy of API's advertisement is available at <http://www.sigma.org/pdf/price-gouging-ad.pdf>. It is clear from the campaign that refiners are trying to distance themselves from any responsibility for retail motor fuel price increases. A letter from Red Cavaney, president and CEO of API--also posted on SIGMA's website--was sent to SIGMA, NACS and PMAA defending the API advertisement.

## DHS EASES SECURITY RULES

The Department of Homeland Security (DHS) exempted commercial truck drivers hauling fuel and other hazardous materials for Hurricane Katrina relief efforts from a federal requirement that they receive a security clearance for the HAZMAT transport. This temporary lapse in rule enforcement will last until December 1, 2005. The department is completing preliminary background checks—complete with name, information and fingerprints—within hours under the exemption for drivers hauling HAZMATs for the first time and participating in the hurricane relief efforts. If TSA determines the applying individual is a threat, after checking out the driver's name, social security number, date of birth and CDU, the state issuing the endorsement must immediately revoke the license. As of September 16, fewer than 20 drivers actually used the exemption.

## SIGMAPAC SILENT AUCTION

SIGMAPAC's first silent auction, held in New Orleans last year, generated so much support for SIGMA's political action committee that members want to bring it back at Philadelphia's Annual Meeting with a new twist—instead of just wine, everything and anything will be up for grabs. Vacation time shares, cultural event tickets, or anything you feel is appropriate! Call Mary Alice Kutyn at (703) 709-7000 for more details and/or to donate items for the auction.

## DEMOCRATS: STRONGER FTC

According to reports released on Wednesday, House and Senate Democrats want to strengthen the Federal Trade Commission's (FTC) authority to investigate gasoline price gouging and to monitor consolidation within the oil industry. Sen. Maria Cantwell (D-Washington) called for a special investigation by the Senate Commerce Committee of a wide range of oil industry practices, including how the industry sets retail prices. The chairman of the committee, Sen. Ted Stevens (R-Alaska), stated he has not decided whether the FTC needs additional authority but agreed that price increases in the wake of Hurricane Katrina may force the committee to act. Meanwhile, FTC Associate General Counsel John Seesel told the committee that his agency does not see a need for additional authority, claiming federal antitrust laws stand adequate to monitor collusion or price fixing situations.

## ETHANOL INCREASE BY 2006

The Environmental Protection Agency (EPA) indicated this week that it plans to publish interim implementation regulations relating to the "renewable fuels standard" (RFS) by January 2006. The RFS, contained in the EPAct 2005, will require a sharp increase in ethanol and other renewable fuel blending with gasoline and diesel fuel. According to the EPAct 2005, EPA must translate 4 billion gallons of ethanol or other renewable fuel into a blending percentage by Nov. 30, 2005 for the year 2006. EPA must meet the Nov. 30<sup>th</sup> deadline every year between now and 2012, when it then must set a constant percentage for renewable fuels in gasoline. If EPA fails to establish a percentage by 2006, the law states that gasoline in that year must contain 2.78 percent renewable content.

## NPN STATE OF THE INDUSTRY

NPN will hold its State of the Industry Roundtable at SIGMA's Annual Meeting in Philadelphia. NPN's State of the Industry showcases marketers from five companies located across the nation who will discuss important issues facing motor fuel marketers in today's industry. These marketers will sit down with NPN's Kate Kenny and Keith Reid to cover several important topics including rising credit card fees, implementation of ULSD, effects of Hurricane Katrina, gasoline price volatility, importance of the Energy Bill, and much, much more. Confirmed panelists include: Felix Rodriguez, CEO, CITGO Petroleum, Houston, TX; Paul Reid, President, Reid Petroleum, Lockport, NY; Ed Burke, President, Dennis K. Burke Inc., Chelsea, MA; Diana Durand, Vice President & Steven Boyd, Director of New Business Development, Sun Coast Resources Inc., Houston, TX. This roundtable discussion is open to any SIGMA convention attendee who wants to watch! Sparked your interest? Register today at [www.sigma.org](http://www.sigma.org) or call (703) 709-7000.

## N.Y. STATE SENATE APPROVES GAS TAX CAP

On September 20, the New York State Senate approved a package of energy tax breaks including a measure to cap state and local sales taxes on gasoline. Senate Majority Leader Joseph L. Bruno says the bill would save motorists \$45 million this year and an estimated \$200 million next year, if prices remain at around \$3.00 per gallon. The measure will have to be addressed in the state Assembly which will not convene until after a series of hearings on rising gas prices.

## SIGMA'S GENERAL SESSION

On Sunday, October 23, SIGMA will hold its General Session and Business Meeting in Philadelphia. We've got a full program that morning. Don't miss a minute!

[Wall Street Journal Live](#)

In a time of soaring gas prices, the major oil companies are seeing huge profit margins. The central paradox of this "crisis" is that oil companies are making record profits but unable and/or unwilling to invest in either production or refining. This is a compelling issue, since lack of capacity in both is largely responsible for high gas prices. Thaddeus Herrick, a writer for the WSJ, will discuss the implications for the retail sector.

[Irrational Exuberance and Today's Real Estate Markets: Key Implications to Petroleum Distributors](#)

As we all know, the speculation in today's housing markets and low cap rates/high prices in the commercial real estate markets have led to a series of articles, TV programs, and Robert Shiller's provocative book on a real estate bubble. George Overstreet from the University of Virginia, will discuss how the frenzy for real estate will affect petroleum distributors.

[People Assets: Planning for the Unexpected](#)

Do you ever feel like you're not ready for the unexpected? Mark Green, Director of Austin Family Business Program, will share his tips on how to create a "fire drill" precaution plan for your company during the General Session: examine what could happen when key components of your business suddenly fall apart—CEO, CFO or Ops Mgr suddenly falls ill, takes another job, retires, or quits!—and how to construct a crisis plan that will keep your business moving forward.

## FALL 2005 SIGMA MASTERS

It is extremely important that you be the most Effective Fuel Buyer you can be. SIGMA and EMI will offer the "Effective Fuel Buying" Masters Program to take place **October 20-21**, in Philadelphia, PA, immediately before SIGMA's Annual Meeting. In addition to classroom-type instruction, you will also learn from your peers during a marketer and supplier panel presentation. Register at [www.sigma.org](http://www.sigma.org) or call 703-709-7000 for information.