

Honolulu, Hawaii

APR - 7 2006

RE: H.B. No. 3115
H.D. 2
S.D. 2

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 3115, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE PETROLEUM INDUSTRY,"

begs leave to report as follows:

The purpose of this measure is to provide Hawaii's gasoline consumers with fair market-related gasoline prices in a local oligopolistic petroleum industry.

Specifically, this measure:

- (1) Amends chapter 486J, Hawaii Revised Statutes, to require additional and more pertinent information to be provided by the petroleum industry, thereby providing more transparency in the petroleum industry;
- (2) Establishes the petroleum industry monitoring, analysis, and reporting program and special fund;
- (3) Suspends the maximum pre-tax wholesale gasoline price provision, while authorizing the Public Utilities Commission to temporarily lift the suspension on a zone-by-zone basis if oil companies raise and maintain wholesale gasoline prices above the maximum pre-tax wholesale gasoline price that would have been in effect had it not been suspended;



- (4) During any time that the maximum pre-tax wholesale gasoline price provision is suspended,
- (A) Requires the gasoline distributors and dealers to continue to provide information and data required by chapter 486J; and
 - (B) Requires the Public Utilities Commission to continue to calculate and publish what the maximum pre-tax wholesale gasoline price would have been had the provision not been suspended;
- (5) Amends section 486H-13, Hawaii Revised Statutes, by:
- (A) Adding the Singapore spot price weekly average price of conventional regular unleaded gasoline to the baseline price determination, with the three lowest weekly averages being averaged to determine the baseline price of regular unleaded gasoline;
 - (B) In the event of a holiday or holidays in a prior week, requiring the Public Utilities Commission to average the prices of the days that were not holidays;
 - (C) Eliminating the location adjustment factor;
 - (D) Reducing the marketing margin to 14 cents;
 - (E) Allocating percentages of zone price adjustments in zones 2 through 8 to distributors based upon the different function of the distributors; and
 - (F) Providing for zone price adjustments and allocations of zone price adjustments on a zone by zone basis;
- (6) Makes an appropriation from the general fund into the petroleum industry monitoring, analysis, and reporting special fund and an appropriation from the latter special fund to establish and maintain the petroleum industry monitoring, analysis, and reporting program; and



- (7) Sets forth and prohibits unfair trade practices by the petroleum industry.

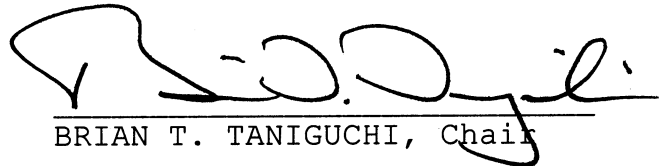
Your Committee finds that these provisions should have the desired effect of providing Hawaii's gasoline consumers with fair market-related gasoline prices, by providing more transparency in the petroleum industry and by also maintaining the maximum pre-tax wholesale gasoline price provision in the event that the industry transparency does not result in the desired fair market-related gasoline prices.

Your Committee has amended this measure by:

- (1) Providing specified amounts to be appropriated by this measure;
- (2) Changing the effective date to July 1, 2050, to allow further discussion on this measure; and
- (3) Making technical nonsubstantive changes for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3115, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 3115, H.D. 2, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


BRIAN T. TANIGUCHI, Chair



