

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 2630  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Energy and Environment, to which was referred S.B. No. 2630 entitled:

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

begs leave to report as follows:

The purpose of this measure is to promote transparency of the pricing methods used by the Hawaii petroleum industry by expanding the amount of information collected by the Public Utilities Commission (Commission) and requiring publishing of collected industry information and gas prices.

Specifically, this measure amends the Petroleum Industry Reporting Act (Act) to:

- (1) Expand the information required to be reported to the Commission to include the average crude oil cost and the average wholesale gasoline prices charged by the distributor for each class of trade, including but not limited to, the bulk, rack, and dealer tank wagon transactions of each distributor; and
- (2) Require the Commission to publish the information it receives from the petroleum industry under the Act and the average retail price of gasoline for each island.

Testimony in support of this measure was submitted by two private citizens. Testimony in opposition to this measure was submitted by the Western States Petroleum Association and Akana



Petroleum. Comments were submitted by the Chairperson of the Public Utilities Commission; Aloha Petroleum, Ltd.; and Mid Pac Petroleum, LLC.

Your Committee finds that:

- (1) Due to the geographically isolated nature of the State, Hawaii is a captive market that inherently lacks the benefit of full and open competition in the petroleum market. It has been previously acknowledged in Hawaii's courts that gasoline prices are artificially high due to a lack of vigorous competition in the oligopolistic wholesale gasoline market in the State (*Anzai v. Chevron et al.*, *Chevron U.S.A., Inc. v. Cayetano*, Civil No 97-00933). This adversely affects fair trade in an industry of vital importance to the welfare of the people of Hawaii;
- (2) Hawaii consumers continue to pay some of the highest gas prices in the country, which negatively impacts both consumers and the overall State economy. Aside from personal transport related costs, through product distribution channels and business overhead costs, high gasoline prices also influence the retail price of goods and services throughout the State; and
- (3) Therefore, in order to understand the factors influencing gasoline cost and to gain the ability to determine the need for additional regulation by policy makers, the public has a strong and legitimate interest in obtaining information associated with the pricing methods of the petroleum industry.

Your Committee further finds that this measure uses the least restrictive means and is narrowly tailored to advance the legitimate State interest of encouraging fair trade practices by promoting transparency of the pricing methods used by the Hawaii petroleum industry.

The Public Utilities Commission has suggested to your Committee that the measure lacks several industry definitions that the Commission uses in its PIMAR Weekly Petroleum Product Transaction Report (Form W-130).

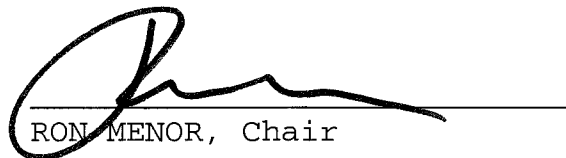
Your Committee has amended this measure by:



- (1) Changing the definitions for "bulk sales", "dealer tank wagon" and "rack sales" to conform with definitions currently used by the Commission;
- (2) Narrowing the information to be published to only include the certified statement of each distributor;
- (3) Requiring the Commission to publish collected information weekly, and, by island and company;
- (4) Adding a severability clause to protect the integrity of the remainder of the measure if any provision is invalidated or suspended; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2630, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2630, S.D. 1, and be referred to the Committee on Commerce, Consumer Protection, and Affordable Housing.


Respectfully submitted on  
behalf of the members of the  
Committee on Energy and  
Environment,

  
\_\_\_\_\_  
RON MENOR, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Energy and Environment**  
**ENE**

Bill / Resolution No.:* <b>SB 2630</b>	Committee Referral: <b>ENE, CPH</b>	Date: <b>2/14/07</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
MENOR, Ron (C)	✓			
HOOSER, Gary L. (VC)	✓			
IHARA, Jr., Les				✓
KOKUBUN, Russell S.				✓
TRIMBLE, Gordon		✓		
<b>TOTAL</b>	<b>2</b>	<b>1</b>		<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:             Original             Yellow             Pink File with Committee Report             Clerk's Office             Drafting Agency				

\*Only one measure per Record of Votes