

**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON WAYS AND MEANS
FEBRUARY 22, 2010**

MEASURE: S.B. No. 2715

TITLE: Relating to Petroleum Industry Reporting

Chairs Baker and Gabbard and Members of the Committees:

DESCRIPTION:

This bill suspends Sections 486J-3, 486J-4, 486J-4.5, 486J-5, and 486J-5.5, Hawaii Revised Statutes, ("HRS"), to temporarily relieve industry and government of significant costs borne from the Petroleum Industry Monitoring, Analysis and Reporting ("PIMAR") requirements by suspending the 1) weekly and monthly reporting of oil and gasoline prices by the oil industry to the Public Utilities Commission ("Commission"); and 2) the publication of the oil industry reports for each island by the Commission, for an indefinite period of time until further action by the Legislature.

POSITION:

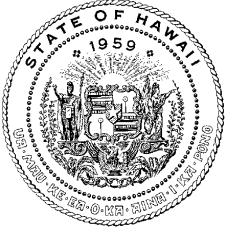
The Commission appreciates the intent of this bill as suspension of certain PIMAR requirements will allow the Commission to focus on higher priority regulatory matters and would relieve the petroleum industry of intensive weekly reporting requirements. The Commission would defer to the Legislature's determination that the PIMAR program is no longer a high priority government function during these trying economic times.

COMMENTS:

- Since September 2007, the Commission has been implementing the PIMAR program as required under Chapter 486J, HRS, and involves highly intensive collection of data from the petroleum industry that include company-specific detailed information regarding petroleum product imports, exports, inventories, production, retail and wholesale transactions, and gross margins, on a weekly, monthly, semi-annual and annual basis. The program has proven to be a very time-consuming effort for both the Commission and the petroleum industry reporting entities.

- The PIMAR program has not revealed evidence of any economic misbehavior in the petroleum market. The Commission's petroleum industry expert and consultant, ICF International, has concluded that the petroleum market in Hawaii is reasonably competitive and that market prices of petroleum products in Hawaii are less volatile and consistently higher than average US prices, but these prices do tend to follow world markets.
- The Commission is appreciative of the Legislature's intent as shown in this bill to enable the Commission to place more focus on higher priority regulatory matters, such as feed-in tariff implementation, integrated resource planning revisions (referred to as clean energy scenario planning), decoupling and other matters arising from the Hawaii Clean Energy Initiative that will help the State to generate more renewable energy, reduce our energy needs, and reduce our dependence on imported fossil fuels.

Thank you for the opportunity to testify.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
PEARL IMADA IBOSHI
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

February 22, 2010

10:00 a.m.

State Capitol, Conference Room 211

in consideration of

SB 2715

RELATING TO PETROLEUM INDUSTRY REPORTING.

Good morning, Chair Kim, Vice Chair Tsutsui, and Members of the Committee.

SB 2715 proposes to suspend the Petroleum Industry Monitoring, Analysis, and Reporting Program, sections 486J-3, 486J-4, 486J-4.5, 486J-5, and 486J-5.5, Hawaii Revised Statutes (HRS), until further acted upon by the Legislature. The Department of Business, Economic Development, and Tourism (DBEDT) recommends that this bill be amended to enable DBEDT to collect fuel data. Energy data and analysis are essential in carrying out the Energy Resources Coordinator's statutory functions of energy planning, policy development, and energy emergency preparedness and response.

DBEDT recommends that this measure be amended in Sections 1 and 2, so as to replace the language of section 486J-3, HRS, with the following, in order to ensure that DBEDT meet its statutory responsibilities:

"Each month, every refiner and distributor, on the reporting date as established by the director, shall file with the department, on forms furnished by the department, information showing separately for each county and for the islands of Lanai and Molokai within which and wherein fuel is sold or used during the last preceding month, the following:

- (1) The total volume of fuel imported into and exported from Hawaii, and if for ultimate sale or consumption in another county or on another island, the total volume of fuel, in barrels, by import location (foreign and domestic), by specific crude oil imported and by liquid fuel type, aviation fuel, diesel fuel, and other types of fuel as required by the department, that is sold, exchanged, or otherwise transferred or used by the distributor;
- (2) The total volume of fuel refined, manufactured, or compounded by refineries, in barrels, by company, and by liquid fuel type, aviation fuel, diesel fuel, and other types of fuel as required by the department, including No. 2 diesel fuel, No. 1 distillate, No. 2 fuel oil, No. 4 fuel oil, kerosene, finished aviation gasoline, kerosene-type jet fuel, residual fuel oil, consumer grade propane, gasoline (regular, midgrade and premium);
- (3) The total volume of fuel distributed, in barrels, by company, by island, and by liquid fuel type, aviation fuel, diesel fuel, and other types of fuel as required by the department, and by
 - i. Classes of Retail Trade;
 - ii. Federal, state, county agencies, ships stores, or base exchanges, commercial agriculture accounts, commercial non-agriculture accounts, retail dealers, and other customers as required by the department."

Attached is a revision of the bill that includes the changes prescribed in our recommendations above.

This is consistent with DBEDT's position and recommendations relating to HB2631, HD1.

Thank you for the opportunity to testify.

A BILL FOR AN ACT

RELATING TO PETROLEUM INDUSTRY REPORTING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Notwithstanding any other law to the contrary,
2 sections 486J-4, 486J-4.5, 486J-5, and 486J-5.5, Hawaii Revised
3 Statutes, are hereby suspended and shall have no force and
4 effect from the date of this Act until further acted upon by the
5 legislature.

6 SECTION 2. Section 486J-3, Hawaii Revised Statutes, shall
7 be amended as follows:

8 ["~~§486J-3 [Statements.]~~ Information. [~~a)~~—Each week every
9 distributor and major fuel user shall file with the commission,
10 on forms prescribed, prepared, and furnished by the commission,
11 a certified statement showing on a statewide consolidated basis,
12 and separately for each county and for the islands of Lanai and
13 Molokai within which and whereon fuel is sold or used during the
14 last preceding reporting week, the following:

15 (1) ~~The total number of gallons or units of fuel, by type~~
16 ~~or grade, refined, manufactured, or compounded by the~~
17 ~~distributor within the State and, if for ultimate sale~~
18 ~~or consumption in another county or on another island,~~

1 ~~the number of gallons or units of fuel, by type or~~
2 ~~grade, sold, exchanged, or otherwise transferred or~~
3 ~~used by the distributor in each county or island;~~

4 ~~(2) The total number of gallons or units of fuel, by type~~
5 ~~or grade, imported or exported by the distributor; the~~
6 ~~total volumes of fuel, by type or grade, sold,~~
7 ~~exchanged, or otherwise transferred or used by the~~
8 ~~distributor; and if for ultimate sale or consumption~~
9 ~~in another county or on another island, the number of~~
10 ~~gallons or units of fuel, by type or grade, sold,~~
11 ~~exchanged, or otherwise transferred or used by the~~
12 ~~distributor in each county or island;~~

13 ~~(3) The total number of gallons or units of fuel sold as~~
14 ~~liquid fuel, aviation fuel, diesel fuel, and other~~
15 ~~types of fuel as required by the commission;~~

16 ~~(4) The total number of gallons or units of fuel, by type~~
17 ~~or grade, and their respective sales prices for all~~
18 ~~fuel sold to federal, state, and county agencies,~~
19 ~~ships stores, or base exchanges, commercial~~
20 ~~agricultural accounts, commercial nonagricultural~~
21 ~~accounts, retail dealers, and other customers as~~
22 ~~required by the commission;~~

- 1 ~~(5) Weekly weighted average acquisition cost per barrel~~
2 ~~and volumes of foreign or domestic crude oil or other~~
3 ~~liquid fuels, finished or unfinished, imported to~~
4 ~~Hawaii, including information identifying the source~~
5 ~~of the crude oil or other liquid fuels;~~
- 6 ~~(6) The effective date and time, and the amount of change~~
7 ~~in cents per gallon, of any increase or decrease in~~
8 ~~wholesale price occurring during the week and the~~
9 ~~weekly weighted average wholesale prices and sales~~
10 ~~volumes of finished unleaded regular and premium motor~~
11 ~~gasoline, and of each other grade of gasoline sold, by~~
12 ~~island, to retail outlets, by classes of retail trade,~~
13 ~~and to wholesale distributors;~~
- 14 ~~(7) Weekly weighted average retail prices, and sales~~
15 ~~volumes of finished unleaded regular and premium motor~~
16 ~~gasoline, and of each other grade of gasoline sold, by~~
17 ~~island, by retail distributor outlets of all classes~~
18 ~~of retail trade and by any distributor to other end-~~
19 ~~users; provided that the commission may purchase~~
20 ~~retail price data from data service companies that the~~
21 ~~commission may use to substitute some or all data to~~

1 ~~meet the reporting requirement for retail price data~~
2 ~~under this paragraph;~~

3 ~~(8) The effective date and time, and the amount of change~~
4 ~~in cents per gallon, of any increase or decrease in~~
5 ~~wholesale price occurring during the week and the~~
6 ~~weekly weighted average wholesale prices, and sales~~
7 ~~volumes of No. 2 diesel fuel and No. 2 fuel oil, by~~
8 ~~island, to retail distributor outlets, by classes of~~
9 ~~retail trade, and to all other wholesale~~
10 ~~distributors. Weighted average wholesale prices and~~
11 ~~sales volumes shall be reported by type of wholesale~~
12 ~~liquid fuel price;~~

13 ~~(9) Weekly weighted average retail prices, and sales~~
14 ~~volumes of No. 2 diesel fuel and No. 2 fuel oil sold,~~
15 ~~by island, by retail distributor outlets of all~~
16 ~~classes of retail trade and by any distributor to~~
17 ~~other end users. The commission may purchase retail~~
18 ~~price data from data service companies that the~~
19 ~~commission may use to substitute some or all data to~~
20 ~~meet the reporting requirement for retail price data~~
21 ~~under this paragraph;~~

- 1 ~~(10) Weekly weighted average prices, and sales volumes for~~
2 ~~retail sales and wholesale sales, by island, of No. 1~~
3 ~~distillate, kerosene, finished aviation gasoline,~~
4 ~~kerosene type jet fuel, No. 4 fuel oil, residual fuel~~
5 ~~oil, and consumer grade propane;~~
- 6 ~~(11) For each distributor that is a refiner, the gross~~
7 ~~margins or spreads between a refiner's average~~
8 ~~weighted acquisition price for each gallon of crude~~
9 ~~oil and blendstock refined within the State and the~~
10 ~~average weighted prices for each gallon or unit of~~
11 ~~fuel sold, by county or island, to another~~
12 ~~distributor, a retail dealer, end user, and consumer;~~
- 13 ~~(12) For each distributor that is not a refiner, the gross~~
14 ~~margins or spreads between the distributor's average~~
15 ~~weighted price for each gallon or unit of fuel~~
16 ~~acquired by the distributor and the average weighted~~
17 ~~prices for each gallon or unit of fuel sold, by county~~
18 ~~or island, to another distributor, a retail dealer,~~
19 ~~end-user, or consumer; and~~
- 20 ~~(13) Revenues, expenses, profits and losses, and any other~~
21 ~~financial or operating information as may be required~~
22 ~~by the commission.~~

1 ~~The commission shall prescribe applicable standards~~
2 ~~and practices for reporting to facilitate uniformity,~~
3 ~~consistency, and comparability of the data to be~~
4 ~~submitted.]~~ Each month, every refiner and distributor,
5 on the reporting date as established by the director,
6 shall file with the department, on forms furnished by
7 the department, information showing separately for
8 each county and for the islands of Lanai and Molokai
9 within which and wherein fuel is sold or used during
10 the last preceding month, the following:

- 11 (1) The total volume of fuel imported into and
12 exported from Hawaii, and if for ultimate sale or
13 consumption in another county or on another
14 island, the total volume of fuel, in barrels, by
15 import location (foreign and domestic), by
16 specific crude oil imported and by liquid fuel
17 type, aviation fuel, diesel fuel, and other types
18 of fuel as required by the department, that is
19 sold, exchanged, or otherwise transferred or used
20 by the distributor;
- 21 (2) The total volume of fuel refined, manufactured,
22 or compounded by refineries, in barrels, by

1 company, and by liquid fuel type, aviation fuel,
2 diesel fuel, and other types of fuel as required
3 by the department, including No. 2 diesel fuel,
4 No. 1 distillate, No. 2 fuel oil, No. 4 fuel oil,
5 kerosene, finished aviation gasoline, kerosene-
6 type jet fuel, residual fuel oil, consumer grade
7 propane, gasoline (regular, midgrade and
8 premium);

9 (3) The total volume of fuel distributed, in barrels,
10 by company, by island, and by liquid fuel type,
11 aviation fuel, diesel fuel, and other types of
12 fuel as required by the department, and by

13 i. Classes of Retail Trade;

14 ii. Federal, state, county agencies, ships
15 stores, or base exchanges, commercial
16 agriculture accounts, commercial non-
17 agriculture accounts, retail dealers, and
18 other customers as required by the
19 department.

20
21 ~~(b) Each major marketer shall submit to the commission, at~~
22 ~~a time and in a form as the commission shall prescribe,~~

1 ~~information, including petroleum and petroleum product receipts,~~
2 ~~exchanges, inventories, and distributions.~~

3 ~~(c) The commission may require additional information as~~
4 ~~and when the commission deems necessary to perform the~~
5 ~~commission's responsibilities under this chapter.~~

6 ~~(d) Information in the statements filed pursuant to this~~
7 ~~section shall be collected and maintained for the purpose of~~
8 ~~facilitating the analysis required by this chapter; provided~~
9 ~~that the commission shall make the information available to the~~
10 ~~public, to the extent permitted under sections 486J-6 and 486J-~~
11 ~~8."]~~

12 SECTION 3. The director of finance shall transfer to the
13 general fund all unexpended and unencumbered moneys remaining in
14 the petroleum industry monitoring, analysis, and reporting
15 special fund at the close of fiscal year 2009-2010.

16 SECTION 4. This Act shall take effect upon approval.