REPORT OF THE ATTORNEY GENERAL'S ADVISORY COMMITTEE ON GASOLINE PRICING

December 15, 1999

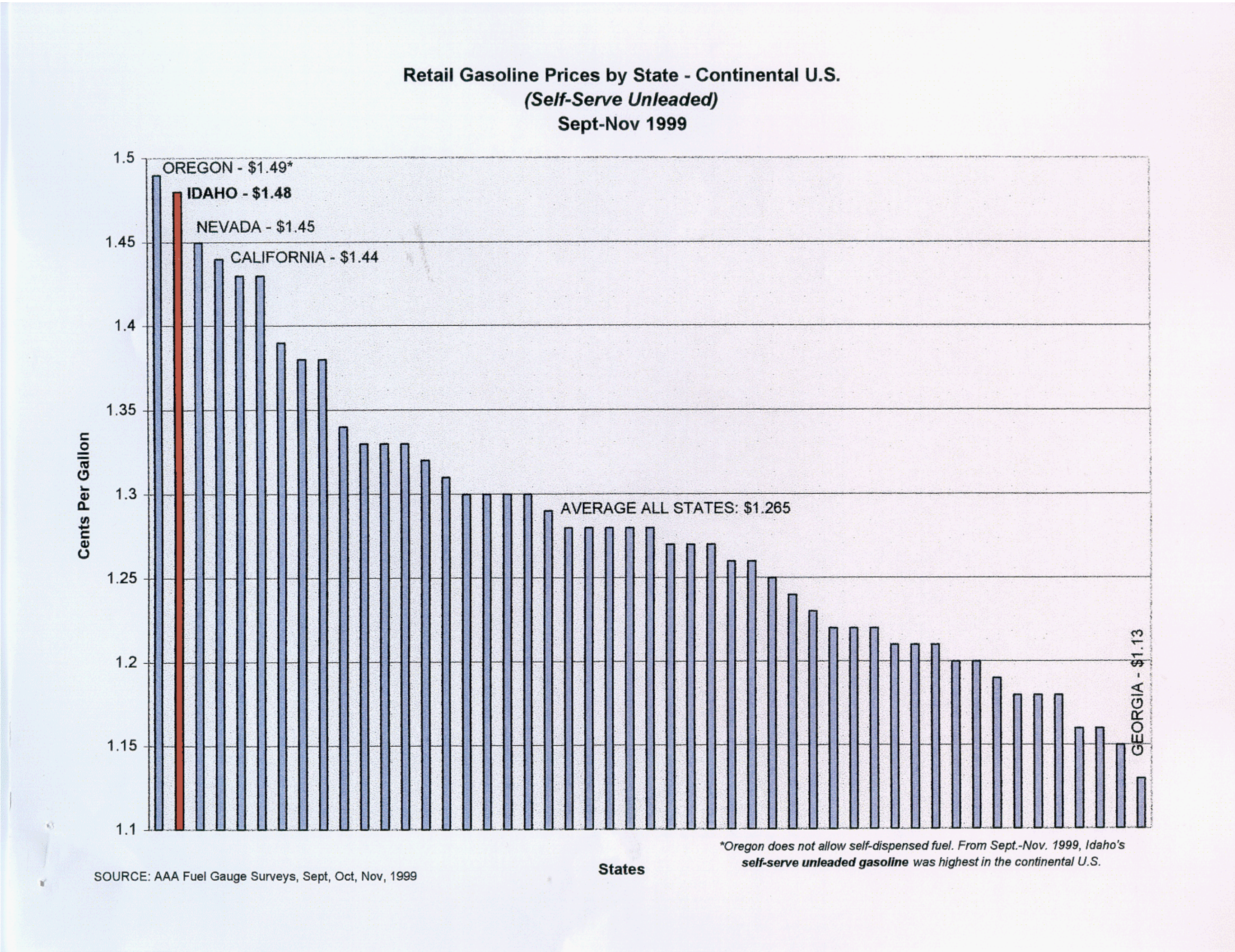
On September 23, 1999, Idaho Attorney General Alan G. Lance appointed an advisory committee to study the high gasoline prices that persisted in the State of Idaho throughout the summer months. The charge of the Committee was to determine the cause of the high prices and to make recommendations as to what actions might be effective to remedy them. Committee members included Jim Jones, a Boise lawyer and former Attorney General, Dave Carlson, Executive Director of AAA Oregon-Idaho, Nora Carpenter, Executive Director of the Better Business Bureau, Dave Bivens, a Commissioner of the Ada County Highway District, Rick Waitley of the Food Producers of Idaho, Dr. Greg Nelson of the Idaho Farm Bureau, Brent Kerbs, a gasoline distributor from Burley, and T. Erik Oaas, former Micron Electronics CFO and private citizen representative. The Attorney General's office was represented by Brett DeLange, lead Deputy Attorney General for Consumer Affairs.

The Committee met on October 6, October 26, November 8, November 29, and December 15 to consider information solicited and obtained from a variety of sources. The Committee received substantial input from Chevron, as well as input from Sinclair and TOSCO. Other oil companies provided limited input. The Committee received and considered input from private citizens as well as from sources pursued by individual Committee members.

The Committee members were not compensated, having agreed to contribute their time. The information upon which the findings and recommendations of the Committee are based is certainly not comprehensive in light of the volunteer nature of the Committee and the limited, budgetary resources involved. However, the findings and recommendations are based on solid information and do not extend beyond what can be supported by the available evidence and reasonable inferences based on the evidence.

FINDINGS OF THE COMMITTEE

1. **Gasoline Prices-Retail**. Commencing in March of 1999, Idaho experienced a sustained period of gasoline and diesel prices that were on average higher than almost any other geographic location in the country. This occurred both with regard to rack prices (prices paid to suppliers/refiners by distributors/wholesalers) and retail prices. The prices for locations supplied by the Salt Lake refiners were generally slightly higher than those locations in northern Idaho supplied by Washington and Montana refiners. Idaho consumers do not have to be reminded that pump prices remained around $1.49/gallon for much of the summer and early fall. During the three-month period from September through November of 1999, Idahoans paid the highest self-serve prices for unleaded regular "in the continental United States, as shown in the chart below. The Idaho average price was 21.5 cents above the national average.



2. **Gasoline Prices -- Wholesale**. The rack or wholesale prices of gasoline and diesel supplied to Idaho also began their sustained climb in March of 1999 and remained at high levels throughout the summer and early fall. The average wholesale price in Boise during the early part of February was around 48 cents per gallon for regular unleaded, doubling to around 96 cents per gallon in early September. A chart showing the weekly rack price for gasoline in selected Idaho markets, as well as selected regional markets, is attached as Exhibit 1. A chart showing the same data for diesel is attached as Exhibit 2. The prices charged by the suppliers/refiners at the various terminals serving Idaho are generally within a few cents of each other at each

location. A pricing sheet, showing the prices charged by the various "competitors" at the Boise, Spokane, and Pocatello terminals for August 30, 1999, is attached as Exhibit 3. [Exhibit 3 has not been reproduced on this web site due to proprietary information and copyright concerns. But to illustrate the Advisory Committee's conclusion that supplier/refiner prices at terminal locations "are generally within a few cents of each other" at each location, the underlying data in Exhibit 3 showed the following wholesale low-high price ranges and price averages for regular unleaded gasoline, exclusive of taxes and discounts, for August 30 1999, at terminals in Boise, Spokane and Pocatello: Boise, 94 cents to 96 cents per gallon and an average of 95.3 cents; Spokane, 85 cents to 88.1 cents per gallon and an average of 86.7 cents; and Pocatello, 93.25 cents to 96.1 cents per gallon and an average of 95.13 cents.]

3. **Recent Price Relief**. Idaho generally experiences a substantial lowering of gasoline prices after the peak summer months when tourist travel declines and farming operations cease. Such price relief did not occur in 1999. Rather, prices stayed high into the early fall even though the demand for gasoline moderated. In recent weeks the rack/wholesale price has declined by about 15 cents per gallon from the summer highs. This decline has been reflected by retail prices in some areas but not in others.

4. **Dealer Margins**. Margins for wholesalers and retailers in Idaho were not out of line during the spring, summer and early fall. With the high rack prices, wholesaler and retailers had little leeway to add a significant margin. There did not appear to be a great deal of profitability at wholesale or retail during most of the year.

With lessening in the rack prices in the last several weeks, some dealers have maintained higher prices to make up profits or recoup losses, while others have passed on their reduced costs to consumers. With the disparity of prices from community to community and within communities, there is not an appearance of price-fixing at the retail level at this time. Some retailers are charging what the market will bear, while others are giving consumers a break.

5. **Crude Oil Costs.** A substantial component of the doubling in the rack prices charges by the suppliers/refiners appears to be the increased crude oil price. Although the supply of crude oil that is refined for Idaho usage does not generally come from OPEC countries, domestic producers of crude oil take advantage of the OPEC-driven price increases and share in the increased profitability with respect to their crude oil stocks. According to one oil company witness, Idaho is held hostage to the higher crude oil price from Intermountain sources. Because of their isolated location, Salt Lake refineries are not the recipients of cheaper crude oil from Gulf Coast sources. The increase in crude oil prices, however, does not account for the doubling of the rack price since March. Substantial increases also occurred with regard to the refiner's prices. It is interesting to note that crude oil prices have increased to a year high in recent weeks, at the same time that the prices charged to wholesalers by suppliers/refiners have decreased, which appears to verify the inflated level of the refiners' summer margins.

6. **Supplier's/Refiner's Prices**. The refiners' cost and margin (exclusive of crude oil costs) more than doubled during the course of the year. This includes the cost of refining the crude oil into finished products, as well as the refiners' profits. Although the Committee made repeated attempts to obtain information as to the extent of the refiners' margin increases, the pat response was that the refiners had no means of determining their costs related to production of gasoline and therefore could not determine their profit margin. Thus, the costs and margin are rolled into one figure in the available data. The average of this component for 1999 was significantly higher than the 1998 average. Data from other states indicates that this component generally increases when demand is high because the refiners are inclined, like others, to charge what the traffic will bear. With five refiners in Salt Lake City and two Sinclair refineries in

Wyoming providing finished product to the Salt Lake market, there are seven refineries that contribute to the supply in the Salt Lake area and up through the Chevron pipeline into Southern Idaho. The rack prices charged by the refiners are generally within a few cents of one another at each terminal. The prices appear to move in tandem. Exhibit 4 compares the Spokane rack price for regular unleaded with the cost of crude oil. The chart assumes that costs of transportation (which are an unknown) remained relatively stable and, if so, the chart demonstrates the substantial increase in the refiners' cost and margin from a low of about 15 cents per gallon at the end of February to a high of almost 40 cents per gallon during early August. Exhibit 5 shows the various components going into the price of a gallon of gasoline sold in the Boise market from January of 1998 to September of 1999. The vertical bars show federal and state taxes, which remained constant at 44.3 cents per gallon during the entire period. The chart shows the crude oil cost per gallon going from 31.2 cents in January of 1999 to 56.6 cents in September. The refiners' cost and margin increased from 13.1 cents per gallon in January to a high of 38.6 cents per gallon in August. Does it cost more than triple the amount to refine a barrel of oil in August than it does in January7 It is not likely.

7. **Idaho's Location**. Idaho suffers from geographic isolation. There is only one pipeline that supplies the southern part of the state -- the Chevron pipeline out of Salt Lake City. Exhibit 6 demonstrates the large number of pipelines in the east where the prices are much lower, and the few pipelines in the west where prices are high. Oil company representatives state that the Chevron pipeline operates at capacity (approximately 32,000 barrels per day) during much of the year, particularly during the summer peak season. Generally, transportation by truck or other means is not feasible

from a cost standpoint, although from time to time there is such a disparity between the rack price in Boise and out-of-state racks that a jobber can obtain cheaper product by trucking it in. The northern Idaho supply benefits from more available supply but with problems encountered from the closure of the Yellowstone pipeline from the Billings refineries in Montana, the supply has suffered restrictions and higher prices. Exhibit 7 demonstrates the pipelines serving Spokane and Northern Idaho.

8. **Taxes**. As mentioned above, taxes play a significant part in the pump price of gasoline. The federal tax on gasoline is 18.3 cents per gallon. Up until October 1, 1999, Idaho charged an additional 26 cents per gallon. As of October 1, 1999, the state suspended the 1 cent per gallon Petroleum Products Transfer Fee, reducing the state tax to 25 cents per gallon. Exhibit 8 shows the tax rates of the various states. With its current 25 cent tax, Idaho would be in seventh place (between West Virginia and Utah). Product provided to Idaho through the State of Washington is subject to Washington's Hazardous Substance Tax of 0.7% of the wholesale value of the product. There is no mechanism for obtaining a refund or rebate of that tax so Idaho consumers have no choice but to pay this additional amount at the pump.

9. **Industry Mergers and Acquisitions**. Increased concentration of the oil industry at the local, regional, and national levels appears to have lessened competition both at the supplier and retail levels. For example, the Federal Trade Commission recently indicated that it was planning to approve a merger between Exxon and Mobil to create one of the world's largest energy companies. Such mergers and acquisitions,

which are becoming commonplace at the national level and which are also occurring at the regional and local level, appear to be having substantial anti-competitive-effects. The fewer competitors selling a product, the less likely that competitive pressures will keep consumer prices in check. For example, one of the previous competitors in the Southern Idaho area, Circle K, has been acquired by another company. Circle K often priced its product below other competitors in the marketplace, thereby producing substantial benefits to consumers. Attached as Exhibits 10 and 11 are charts prepared with data gathered by AAA Idaho in its fuel gauge surveys. These are not intended to be scientific charts but are essentially based on surveys made of selected retail outlets in the Boise area for the purpose of demonstrating the general effect of Circle K's pricing practices in the marketplace. With the acquisition of this competitor, there may not be as much price competition in the future. Any proposed mergers or acquisitions should be carefully scrutinized to determine the potential effects on competition.

RECOMMENDATIONS

A. **Investigation of the Salt Lake Refiners.** There are enough indications of possible price fixing by the Salt Lake suppliers/refiners that it would be worthwhile to conduct an in-depth investigation. It is recommended that the Attorney General call upon the Justice Department and/or Federal Trade Commission to conduct an investigation of the rack pricing practices of Salt Lake City suppliers to determine whether tandem pricing is based solely on independent pricing decisions or whether collusion may be involved. With the number of refineries contributing to the supply, the sustained high prices, and the almost identical movement of prices charged by suppliers, collusion can't be ruled out. One thing that is certain is that the oil companies have been making very substantial profits. As indicated in the newspaper article attached as Exhibit 12, Exxon, Chevron and ARCO have done extremely well this year. It may be that the high prices are just the result of price gouging, as opposed to collusion, but in either event it is not to the credit of the oil companies to take advantage of Idaho consumers. The cartoon attached as Exhibit 13 makes the point as to the effect of these pricing practices on consumers.

B. **Review State Laws.** We would recommend that the State review and update its anti-trust laws. This would include granting the Attorney General investigative powers such as are available under the Idaho Consumer Protection Act. At present, the Attorney General does not have the ability to make investigative demands on persons or entities suspected of price fixing or other anti-trust violations. Consideration should also be given to allowing the Attorney General to use the grand jury procedure for calling witnesses and developing evidence. Without more effective evidence gathering procedures, it is difficult, if not impossible, to make a case. In addition, the Legislature should consider funding the Attorney General's office for anti-trust capability. This does not currently exist. The anti-trust person or persons could monitor and act upon proposed mergers and acquisitions that may affect consumers in Idaho. Also, an anti-trust person would be in a position to cooperate with other states in facilitating the investigation of potential price fixing, such as could be found to exist in the Salt Lake market.

C. **More Merger Scrutiny.** The State of Idaho should join with other western states in urging the Federal Trade Commission and Justice Department to give more careful scrutiny to all pending or future oil company mergers and acquisitions, The federal authorities need to do a better job of evaluating the negative consequences to this region as a result of the lessening of competition from mergers and acquisitions.

D. **Support Efforts to Increase the Supply**. The State of Idaho should support efforts to increase pipeline capacity into the State of Idaho, as well as increased capacity for the transport of crude oil to refineries that supply finished product to Idaho. It isn't hard to see from Exhibit 6, that Idaho is underserved with pipeline capacity. As indicated in Exhibit 7, the northern part of the state fares somewhat better, but there are still supply problems. Measures to increase the pipeline capacity are essential. This would include:

1. Support of the Aspen Products Pipeline proposed by a joint venture of Williams and Equilon (Texaco and Shell), which would give the Salt Lake area and Southern Idaho access to low-cost Gulf Coast gasoline. See, Exhibits 14 and 15. This has the potential for providing the market an additional 40,000 - 42,000 barrels per day of refined petroleum products. It is reported that Sinclair has been opposing this project, partly because it has its own project, the Pioneer pipeline which would increase the flow of its products from its Sinclair, Wyoming, refinery to Central Utah. While the Sinclair project would have some benefits, they simply could not match those of the Aspen project. Sinclair and other oil companies

should call a halt to efforts to hinder the Aspen project because it appears that both projects are worth pursuing for the benefit of area consumers.

2. Support of Chevron's tentative plans to reverse the flow of the Chevron pipeline between Boise and Pasco. This year approximately 6,000 barrels per day of gasoline were shipped west beyond Boise through the Chevron pipeline. If the pipeline were reversed from Pasco, this 6,000 barrels per day would theoretically be available in Boise, as well as a pipeline capacity of 12,000 barrels per days from Pasco. This could increase the available supply by around 50%.

3. Support proposals similar to the cross-Cascade pipeline proposal from the west coast to Pasco (which has been shelved) or increased barge traffic to Pasco to increase supplies to northern Idaho (and southern Idaho in the event of a reversal of the flow in the Chevron pipeline).

E. **Washington Tax**. The Legislature and State Tax Commission should consider a means of eliminating or getting Idaho wholesalers a refund of the .7% Washington State Hazardous Substance Waste Tax on gasoline that is sold in Idaho.

Exhibit 1

Date	Boise	Pocatello	Burley	Spokane	Denver	Salt Lake	Portland	Average Barrel Price
	Idaho Average Wholesale Price (regular unleaded)				Surrounding States Average Wholesale Price (regular unleaded)			
12/30/98	42.16	40.82	40.54	NO DATA	NO DATA			11.6350
01/07/99	43.92	42.65	42.76		38.11	39.07	41.52	12.6010
01/14/99	46.14	44.48	45.17		38.05	41.37	40.61	12.7120
01/21/99	47.73	46.76	47.04		36.64	43.20	39.27	12.2162
01/28/99	48.31	47.34	47.57		37.88	44.38	37.79	12.4310
02/04/99	NO DATA				40.31	44.80	38.15	12.2750
02/11/99	48.31	47.28	47.51		38.38	45.59	37.67	11.7900
02/18/99	48.85	47.33	48.07		37.15	46.35	38.62	12.6112
02/25/99	49.42	47.41	48.51		38.27	46.92	41.71	12.4140
03/04/99	50.88	47.50	49.54		41.05	48.45	49.06	12.8460
03/11/99	54.13	50.73	52.88		45.89	51.99	55.19	14.0720
03/18/99	57.40	53.23	55.73		50.58	55.65	57.40	14.7750
03/25/99	64.55	55.98	62.91		54.39	62.49	69.70	15.5400
04/01/99	69.20	59.23	68.00		59.16	67.77	84.83	16.4700
04/08/99	71.15	61.50	69.91		57.92	70.82	88.40	16.4450
04/15/99	73.40	65.34	72.03		56.86	72.86	73.88	16.6970
04/22/99	74.28	67.94	72.78		57.34	74.10	66.34	17.8600
04/29/99	74.28	70.53	72.78		57.82	74.26	65.82	18.1310
05/06/99	74.83	71.66	73.16		59.22	74.78	71.04	18.6050
05/13/99	75.85	72.35	74.22		56.70	75.91	68.51	17.9930
05/20/99	76.10	72.44	74.34		56.37	76.12	66.93	17.2900
05/27/99	74.50	72.35	72.38		56.06	74.20	66.31	17.1720
06/03/99	73.11	72.35	70.33		55.54	72.81	70.03	16.6775
06/10/99	72.66	71.85	69.85		57.29	69.95	76.03	17.8380
06/17/99	73.17	71.94	71.13		58.14	69.58	86.02	18.1770
06/24/99	73.34	72.39	72.19		59.58	70.66	84.04	18.1850
07/01/99	74.40	72.91	73.43		61.59	71.45	83.64	18.8840
07/08/99	75.65	74.23	74.59		63.43	73.14	85.94	19.7280
07/15/99	78.65	76.02	77.87		65.70	75.79	90.95	20.1050
07/22/99	83.10	81.32	81.81		68.77	78.72	90.63	20.0490
07/29/99	84.86	84.42	NO DATA	88.02	72.15	78.85	90.66	20.5230
08/05/99	88.13	87.79		89.13	74.62	81.44	93.69	20.4690
08/12/99	90.70	90.36		87.64	77.79	84.17	88.57	21.3860
08/19/99	93.50	93.25		87.40	77.80	86.68	84.77	21.6640
08/26/99	95.30	95.13		86.77	78.22	88.80	81.80	21.2110
09/02/99	96.15	96.58		86.04	79.46	89.43	79.91	21.7860
09/09/99	96.15	96.85		85.99	79.65	89.47	78.34	22.8837
09/16/99	95.35	96.71		85.56	79.74	89.51	77.15	24.1560
09/23/99	93.65	95.78		85.41	78.39	89.11	76.95	24.3890

Data Source: *Oil Price Information Service (OPIS)*

Date	Boise	Pocatello	Spokane	Pasco	Billings	Denver	Salt Lake	Portland	Avg. Barrel Price
	Idaho Avg. Wholesale Price (regular unleaded)				Surrounding States Avg. Wholesale Price (regular unleaded)				
09/30/99	91.75	95.15	86.19	83.50	NO DATA				NO DATA
10/07/99	90.91	94.38	87.05	84.55					22.6100
10/14/99	87.18	92.86	87.05	82.85					23.4500
10/21/99	85.35	92.11	85.79	81.15					21.7500
10/28/99	85.05	84.01	92.07	79.73					

EXHIBIT 1

Exhibit 2

Date	Idaho Avg. Wholesale Price (¢/gal)			Surrounding States Avg. Wholesale Price (¢/gal)					
	Boise	Pocatello	Spokane	Pasco	Billings	Denver	Salt Lake	Portland	Avg. Barrel Price
12/30/98	43.65	39.60	42.78						11.6350
01/07/99	43.44	39.76	41.44						12.6010
01/14/99	44.05	40.16	41.23						12.7120
01/21/99	43.76	40.02	41.03						12.2162
01/28/99	44.64	40.39	40.83						12.4310
02/04/99	NO DATA		42.38						12.2750
02/11/99	45.77	41.71	43.90						11.7900
02/18/99	46.27	41.94	44.65						12.6112
02/25/99	46.65	42.56	44.71						12.4140
03/04/99	47.46	42.94	45.87						12.8460
03/11/99	50.33	45.76	51.28						14.0720
03/18/99	53.26	48.30	55.56						14.7750
03/25/99	56.50	51.83	60.63						15.5400
04/01/99	61.46	58.11	68.16						16.4700
04/08/99	65.04	62.49	73.22						16.4450
04/15/99	66.51	64.29	70.13						16.6970
04/22/99	66.74	65.91	62.78						17.8600
04/29/99	64.07		59.33						18.1310
05/06/99	61.34	64.41	62.13						18.6050
05/13/99	60.74	63.88	63.31						17.9930
05/20/99	60.10	63.15	63.61						17.2900
05/27/99	59.15	62.06	63.35						17.1720
06/03/99	59.03	61.87	63.83						16.6775
06/10/99	59.51	62.25	67.74						17.8380
06/17/99	62.28	62.72	74.61						18.1770
06/24/99	66.23	63.91	75.92						18.1850
07/01/99	69.46	64.91	75.99						18.8840
07/08/99	71.41	66.66	76.03						19.7280
07/15/99	72.46	67.89	74.16						20.1050
07/22/99	72.84	68.89	71.12						20.0490
07/29/99	72.09	69.48	69.15						20.5230
08/05/99	72.78	71.14	71.74						20.4690
08/12/99	75.63	74.04	74.06						21.3860
08/19/99	77.02	76.29	76.02						21.6640
08/26/99	77.78	77.69	76.18						21.2110
09/02/99	77.43	78.23	75.48						21.7860
09/09/99	76.70	77.80	73.86						22.8837
09/16/99	75.27	77.30	71.96						24.1560
09/23/99	72.21	75.36	71.20						24.3890

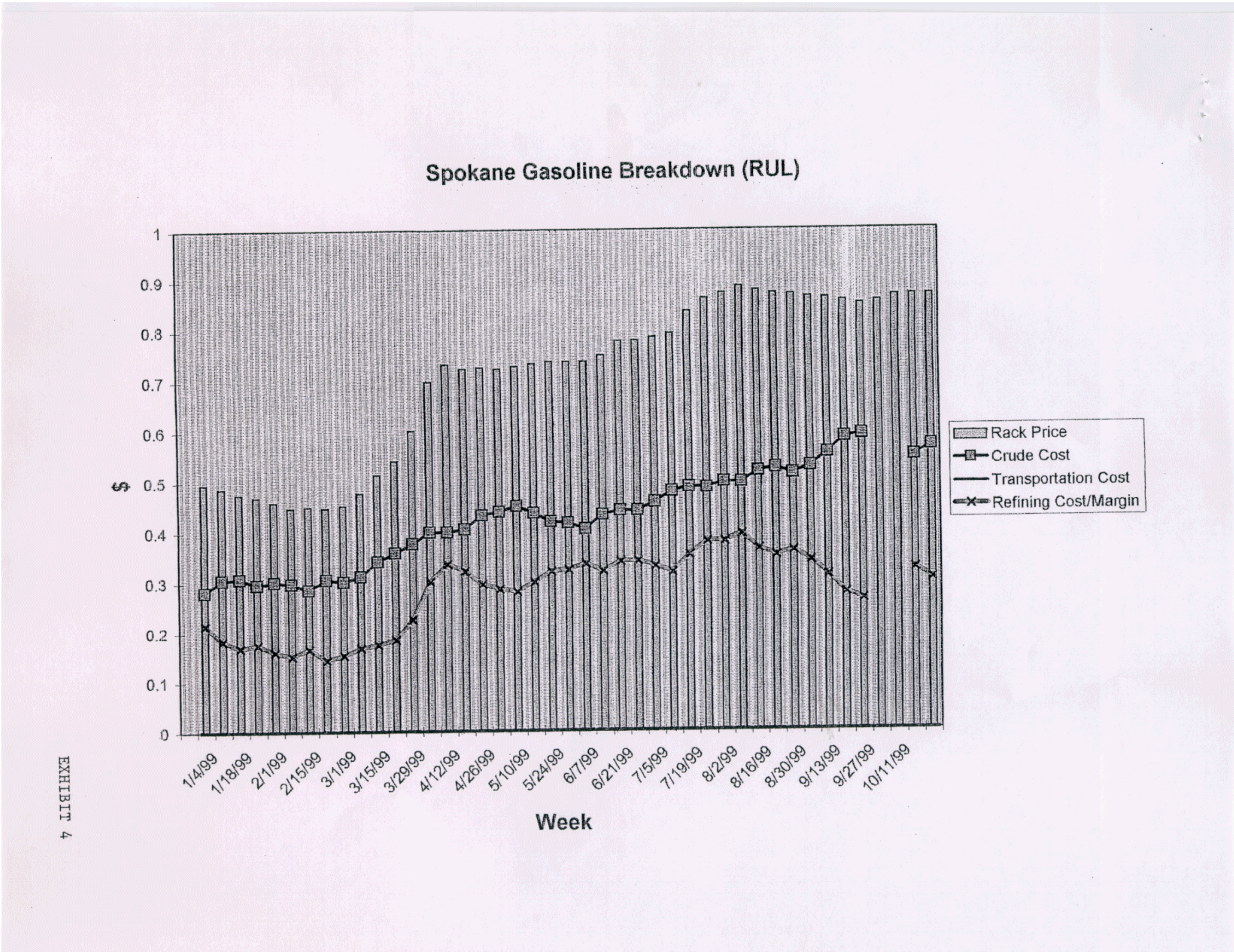
Data Source: *Oil Price Information Service (OPIS)*

Date	Idaho Avg. Wholesale Price (¢/gal)			Surrounding States Avg. Wholesale Price (¢/gal)					
	Boise	Pocatello	Spokane	Pasco	Billings	Denver	Salt Lake	Portland	Avg. Barrel Price
09/30/99	72.55	74.90	73.88						NO DATA
10/07/99	72.68	75.16	75.80						22.6100
10/14/99	71.88	75.15	76.83						23.4500
10/21/99	71.38	75.17	77.63						21.7500
10/28/99	71.44	75.38	76.75						23.0000
11/04/99	71.63	75.66	76.46						24.9100
11/11/99	74.63	78.11	78.76						26.5600
11/18/99	77.07	78.82	79.97						

EXHIBIT 2

Exhibit 3
REDACTED
[See explanatory note on page 4]

Exhibit 4



Spokane Gasoline Breakdown (RUL)
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1
0.9
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0.7
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0
1/4/99
1/18/99
2/1/99
2/15/99
3/1/99
3/15/99
3/29/99
4/12/99
4/26/99
5/10/99
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8/2/99
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8/30/99
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10/11/99
Week
Rack Price
Crude Cost
Transportation Cost
Refining Cost/Margin
EXHIBIT 4

Exhibit 5

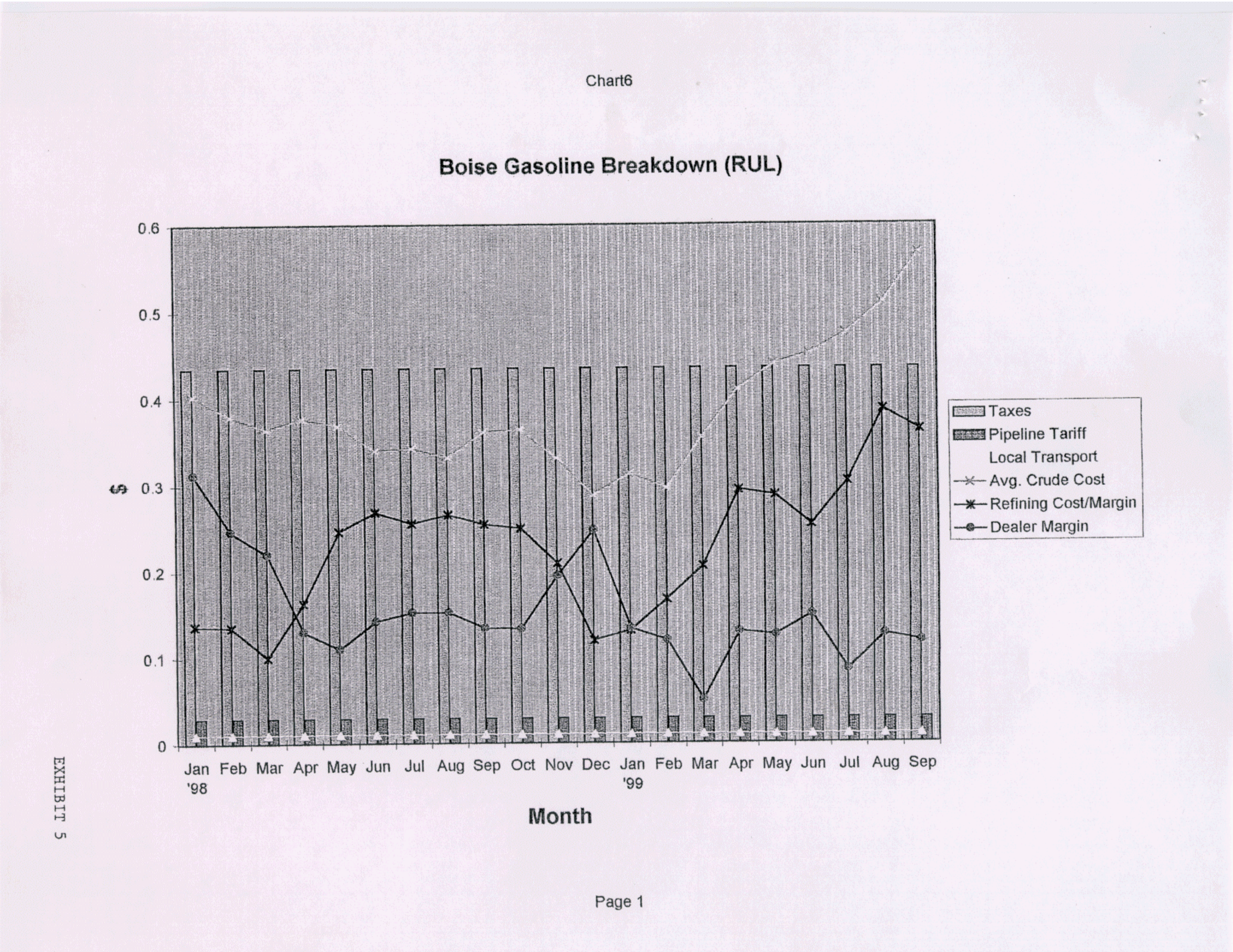

Chart6
Boise Gasoline Breakdown (RUL)
0.6
0.5
0.4
0.3
0.2
0.1
0
$
Taxes
Pipeline Tariff
Local Transport
Avg. Crude Cost
Refining Cost/Margin
Dealer Margin
Jan '98
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan '99
Feb
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Page 1
EXHIBIT 5

Exhibit 6

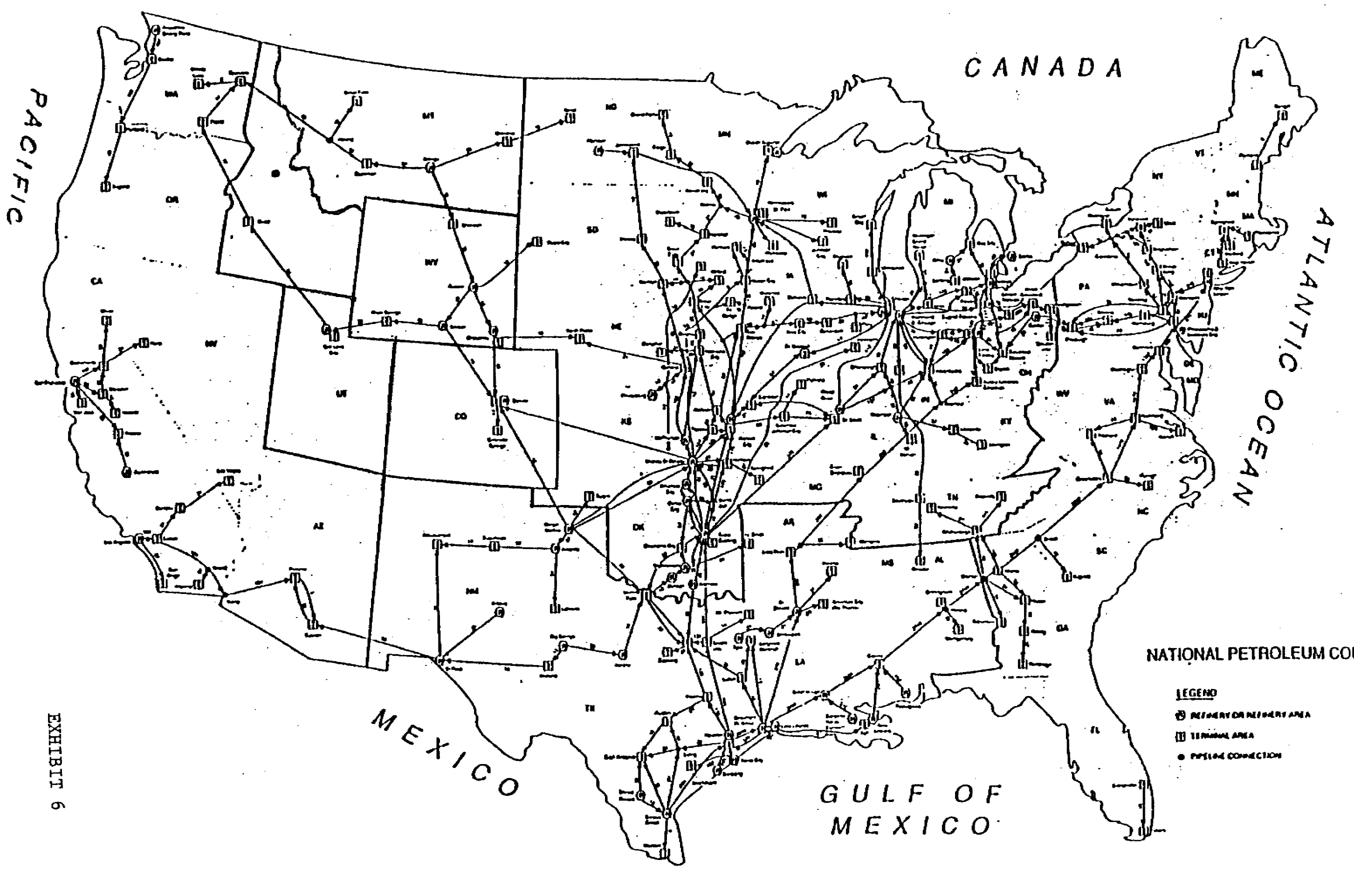
CANADA
PACIFIC
ATLANTIC OCEAN
MEXICO
GULF OF MEXICO
NATIONAL PETROLEUM COU
LEGEND
EXHIBIT 6

Exhibit 6A

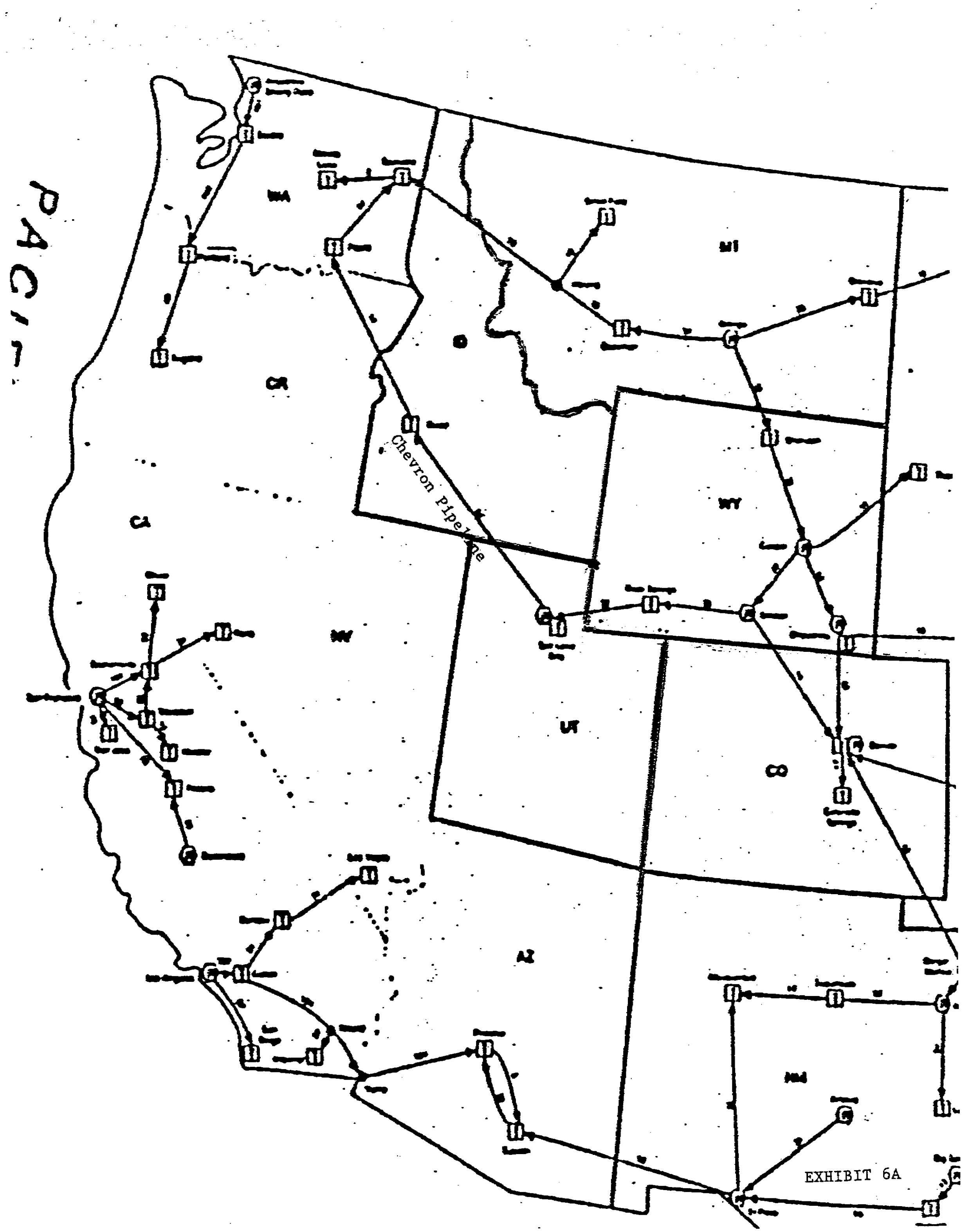

Exhibit 7

he gas lane

sources give area a competitive edge at the pump

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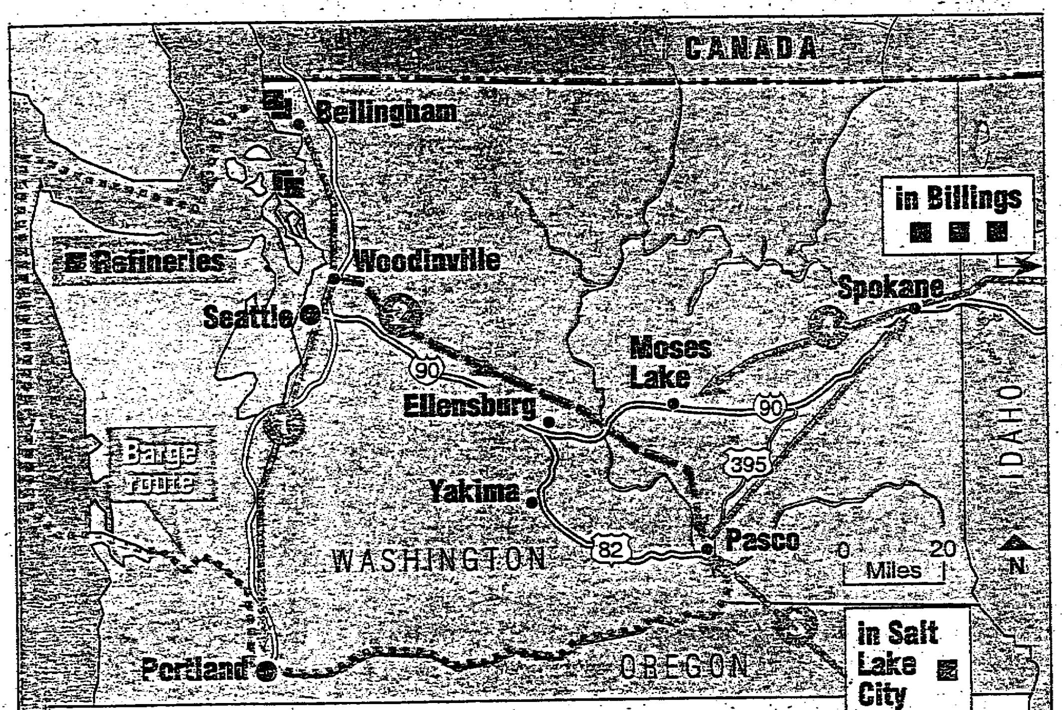


Gas pipelines in Washington

1. **Olympic Pipe Line:** Co-owned by ARCO, Equilon (Texaco and Shell) and GATX. Operated by Equilon.

2. **Cross-Cascade:** Application to build this pipeline was withdrawn June 24.

3. **Chevron:** Moves small amounts of gasoline from Salt Lake City, as well as larger quantities from Puget Sound area by way of Pasco.

4. **Yellowstone Pipeline:** New path of this pipeline from Billings still under review. Current pipeline has a major gap in Montana.

SOURCES: Aspen Environmental Group and Olympic Pipe Line Co.

Staff graphic

Spokesman Review 10-31-99

Exhibit 8

Motor Fuel Excise Tax Rates
as of January 1, 1999
(sorted *alphabetically* by state)

State	Tax
Alabama	18.00
Alaska	8.00
Arizona	18.00
Arkansas	18.70
California[1]	18.00
Colorado	22.00
Connecticut	32.00
Delaware	23.00
District of Columbia	20.00
Florida[1]	13.10
Georgia	7.50
Hawaii[1]	16.00
Idaho	26.00
Illinois[1]	19.30
Indiana	15.00
Iowa	20.00
Kansas	18.00
Kentucky	16.40
Louisiana	20.00
Maine	19.00
Maryland	23.50
Massachusetts	21.00
Michigan	19.00
Minnesota	20.00
Mississippi	18.40
Missouri	17.05
Montana	27.00
Nebraska	24.40
Nevada[1]	24.00
New Hampshire	18.70
New Jersey	10.50
New Mexico	18.00
New York	8.00
North Carolina	21.60
North Dakota	20.00
Ohio	22.00
Oklahoma	17.00
Oregon[1]	24.00
Pennsylvania	30.77
Rhode Island	29.00
South Carolina	16.00
South Dakota[1]	21.00
Tennessee[1]	21.00
Texas	20.00
Utah	24.75
Vermont	20.00
Virginia[1]	17.50
Washington	23.00
West Virginia	25.35
Wisconsin[2]	25.40
Wyoming	14.00
Federal	18.30

Motor Fuel Excise Tax Rates
as of January 1, 1999
(sorted *by amount of tax*)

State	Tax
Connecticut	32.00
Pennsylvania	30.77
Rhode Island	29.00
Montana	27.00
Idaho	26.00
Wisconsin	25.40
West Virginia	25.35
Utah	24.75
Nebraska	24.40
Nevada	24.00
Oregon	24.00
Maryland	23.50
Delaware	23.00
Washington	23.00
Colorado	22.00
Ohio	22.00
North Carolina	21.60
Massachusetts	21.00
South Dakota	21.00
Tennessee	21.00
District of Columbia	20.00
Iowa	20.00
Louisiana	20.00
Minnesota	20.00
North Dakota	20.00
Texas	20.00
Vermont	20.00
Illinois	19.30
Maine	19.00
Michigan	19.00
Arkansas	18.70
New Hampshire	18.70
Mississippi	18.40
Federal	18.30
Alabama	18.00
Arizona	18.00
California	18.00
Kansas	18.00
New Mexico	18.00
Virginia	17.50
Missouri	17.05
Oklahoma	17.00
Kentucky	16.40
Hawaii	16.00
South Carolina	16.00
Indiana	15.00
Wyoming	14.00
Florida	13.10
New Jersey	10.50
Alaska	8.00
New York	8.00
Georgia	7.50

[1] Tax Rates do not include local option taxes. In AL, \$.01 - \$.03; CA, \$.01; HI, \$.08 - \$.115; IL, \$.05 in Chicago and \$.06 in Cook County (gasoline only); NV, \$.01 - \$.10; OR, \$.01 - \$.02; SD and TN, \$.01; and VA, 2%

[2] Portion of the rate is adjustable based on maintenance costs, sales volume, or cost of fuel to state government.

EXHIBIT 8

Exhibit 9

The Idaho Statesman   Sunday, November 28, 1999

FTC expected to OK Exxon, Mobil merger

$81 billion deal includes selling 2,400 gas stations

By Ted Bridis
The Associated Press

WASHINGTON — The Federal Trade Commission is indicating to states that it intends to recommend approval of Exxon Corp.'s $81 billion acquisition of Mobil Corp., government sources said Saturday.

The merger would create one of the world's largest energy companies.

Some states, however, are not satisfied with a proposal worked out by the companies and the FTC that includes the sale of about 2,400 gas stations nationwide. It is unlikely those states could stop the deal, though officials could lobby FTC commissioners or ask a court to block it.

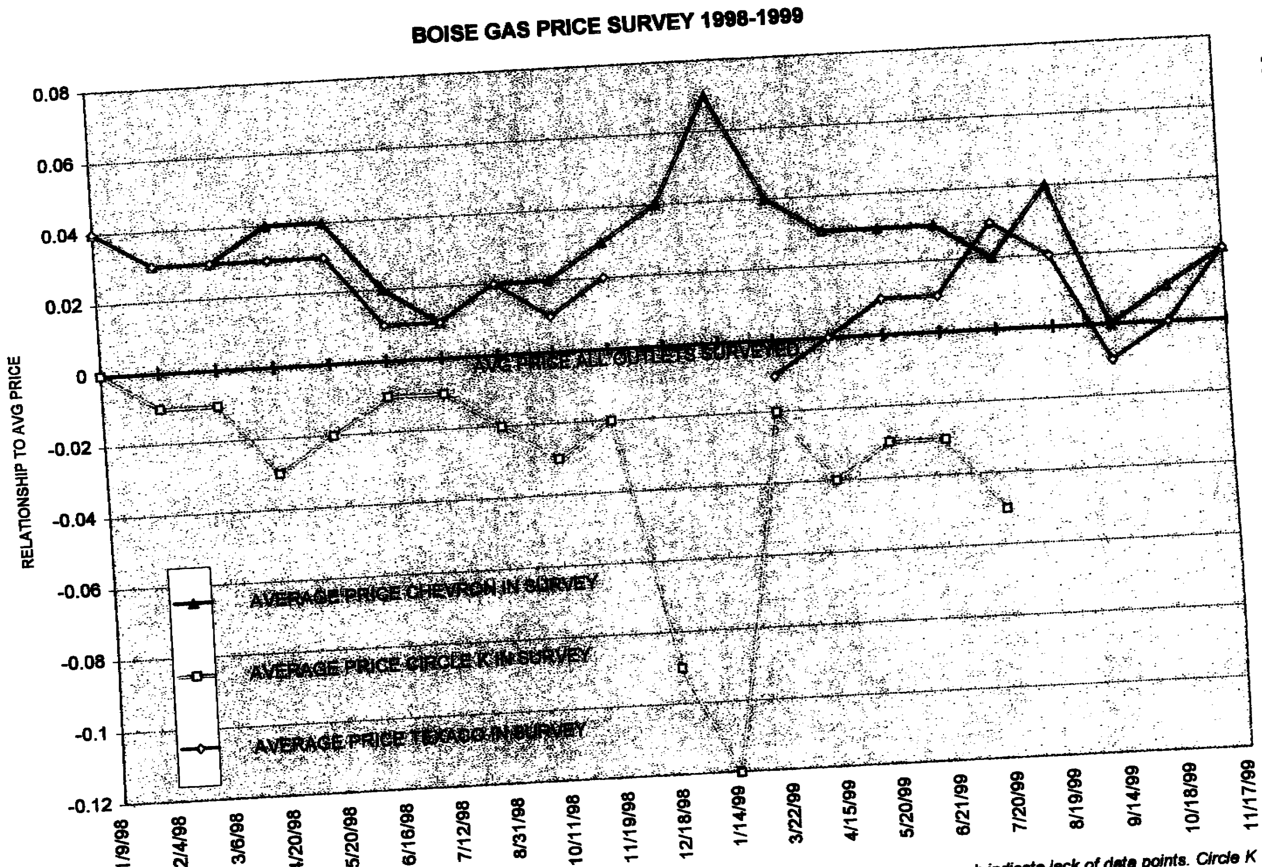
The centerpiece of the agreement between Exxon and Mobil — the nation's largest and second-largest oil producers, respectively — is the sale of about 2,400 gas stations, roughly 15 percent of the companies' retailers around the country.

Exxon also would sell a refinery in Benicia, Calif., and the companies would sell substantial interests in several pipelines throughout the United States.

Some federal and state officials have raised antitrust questions about another oil merger, BP Amoco's proposed $29 billion purchase of Atlantic Richfield Co.

In that deal, executives from the companies are expected to reach a final agreement allaying antitrust and other concerns, officials said.

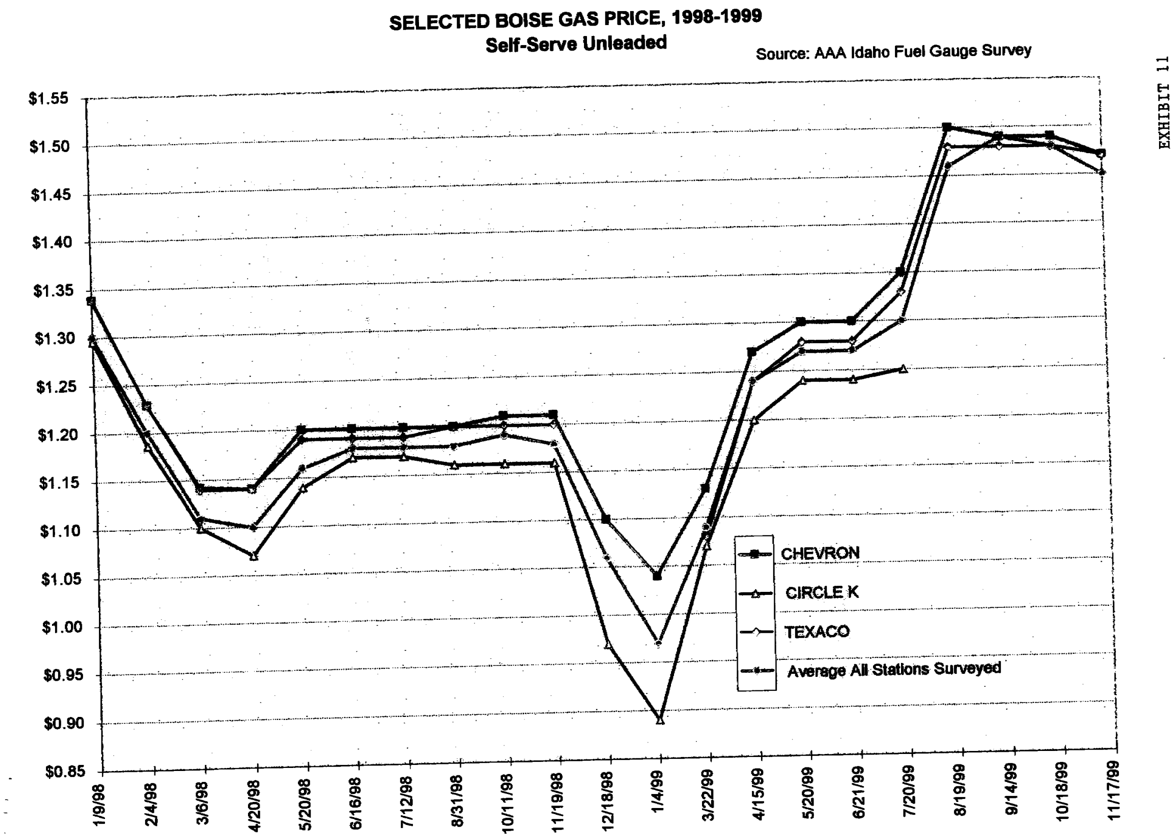
Exhibit 10



Average prices derived from observational surveys of approximately 18 retail outlets each date shown. Breaks in Texaco graph indicate lack of data points. Circle K stores changed ownership/branding to Texaco approximately Oct 1, 1999. Graph does not show prices per se, only how retail stations priced gasoline in relationship to each other. Graph indicates trendline to higher prices with loss of Circle K in marketplace. SOURCE: AAA IDAHO Fuel Gauge Survey.

EXHIBIT 10

Exhibit 11


SELECTED BOISE GAS PRICE, 1998-1999
Self-Serve Unleaded
Source: AAA Idaho Fuel Gauge Survey
$1.55
$1.50
$1.45
$1.40
$1.35
$1.30
$1.25
$1.20
$1.15
$1.10
$1.05
$1.00
$0.95
$0.90
$0.85
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2/4/98
3/6/98
4/20/98
5/20/98
6/16/98
7/12/98
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8/19/99
9/14/99
10/18/99
11/17/99
CHEVRON
CIRCLE K
TEXACO
Average All Stations Surveyed
EXHIBIT 11

Exhibit 12

The Times-News

Tuesday, October 26, 1999

Exxon, Chevron, Arco beat forecasts

Texaco, Mobil fall below expectations

Bridge News

OKLAHOMA CITY – Exxon Corp., Chevron Corp. and Arco, boosted by higher crude oil prices, came in ahead of Wall Street expectations as the top five U.S. oil firms reported third-quarter results.

Yet Mobil Corp. and Texaco Inc. came in just short of views, largely due to disappointing refining and marketing operations. All five reported sharply higher profits than a year ago.

Exxon Monday reported third-quarter net income of $1.5 billion, or 61 cents per diluted share, up from $1.4 billion, or 58 cents per share in the year-ago period. The higher results were ahead of Wall Street estimates of 59 cents per share. Sales in the quarter rose to $33.07 billion from $28.5 billion a year ago.

Analysts said the nation's largest oil company, which has been sidetracked by numerous delays of its $81.2 billion merger with Mobil Corp., should send positive shock waves throughout the oil sector.

"This is a big day, and a big week for U.S. (oil) majors," said Tyler Dann, international oil analyst at Banc of America Securities.

Last week, many analysts predicted Exxon's third-quarter results would be weaker than its U.S.-based rivals. However, Lee Raymond, Exxon's chairman and

Please see **OIL**, Page C5

Oil

Continued from C3

CEO, said crude oil prices, which were up about $8 a barrel, resulted in the 7 percent improvement in profits.

"Upstream earnings more than doubled compared to last year's third quarter and represented the highest third quarter upstream results in 15 years," Raymond said.

Soon after Exxon reported its rousing results, Chevron announced it had beat Wall Street expectations by nearly 6 percent.

Chevron Monday announced third-quarter net income, before special items, of $1.07 per share, or $702 million, up 82 percent from 59 cents per share, or $386 million earned in last year's quarter and 6 cents better than Wall Street.

However, Mobil and Texaco, although they came in below analysts' views, were well ahead of second quarter and nearly doubled last year's profits. Mobil missed Wall Street expectations of 89 cents per share, according to First Call, citing unscheduled downtime in its U.S. operations and pressure on international downstream margins.

Mobil reported third quarter 1999 estimated operating earnings of 87 cents per share, or $705 million, compared with 63 cents per share or $509 million in 1998.

Peter Bijur, chairman and CEO of the White Plains, N.Y.-based Texaco, said its downstream operations were burdened by higher crude costs which could not be fully recovered in product prices.

Texaco reported Monday third-quarter 1999 income before special items of 83 cents per share, or $453 million, compared with 37 cents, or $208 million a year ago. Meanwhile, Atlantic Richfield Co. (Arco), which is expected to complete its $30 billion merger with BP Amoco by the end of the year, beat Wall Street expectations by a whopping 20 percent.

The Los Angeles-based oil firm reported third-quarter earnings of $1.55 per share, or $511 million, compared with net income of 22 cents per share in the same quarter last year. Analysts surveyed by First Call had expected Arco to reported third quarter earnings of $1.23 per share.

"Stronger commodity prices made the headlines this quarter," said Arco CEO Mike Bowlin.

Exhibit 13

SELF SERVE

Exhibit 14 (page 1)

The Salt Lake Tribune

BUSINESS

E

SUNDAY

MAY 16, 1999

ARLES JAFFE, E-3 ■ RHONDA ABRAMS, E-4 ■ HUMBERTO CRUZ, E-5 ■ WEEKLY PLANNER, E-5

Oil Giants See Gold in Growing Utah

Local refineries could lose big in race to supply Intermountain region

BY GUY BOULTON

THE SALT LAKE TRIBUNE

Ignore the prices posted in large numbers at nearly every convenience store and gasoline station in the state.

A corporate chess game of sorts just getting under way may matter more. Its outcome could influence what you pay for gasoline every time you fill up your car or truck.

Depending on how this plays out, it could lower prices at the pump. But it also could force one or more of the state's refineries out of business. And it could drive down the price of crude oil produced in Utah and the region.

"People are watching this very closely," said Thomas Brill, an economist with the state Office of Energy and Resource Planning.

The game centers on who will supply the additional gasoline and other fuels needed to meet the state's projected growth.

…different entities have each proposed either building, expanding or reconfiguring pipelines to increase the supply of gasoline and other fuels in Utah and southern Idaho. Completing all three projects would flood the market with gasoline, diesel fuel and jet fuel. For that reason, most observers doubt all three will be completed.

The game, in other words, probably includes some posturing.

"Everybody's playing chicken," said Phil Adams, president of Flying J Inc., which owns a refinery in Woods Cross.

No one disputes that Utah will need more gasoline in the future. Demand increased an estimated 37 percent this decade. That trend is expected to continue, albeit at a slower rate.

The question is who will meet that demand. And one proposal in particular has the potential to permanently change the market.

Aspen Products Pipeline LLC, a joint venture of Williams Cos., Texaco Inc. and Shell Oil Co., plans to build a pipeline that could bring gasoline and other fuels from the Texas Gulf Coast to Salt Lake City.

Getting gasoline and other fuels to Utah and southern Idaho is not easy. Nearly all of the gasoline consumed in Utah — and much of gasoline consumed by southern Idaho — is produced by five Utah refineries and a refinery in Sinclair, Wyo.

It makes for a relatively lucrative market. Prices for gasoline and other fuels are higher in Utah than many other parts of the country. The Aspen Products Pipeline could change that.

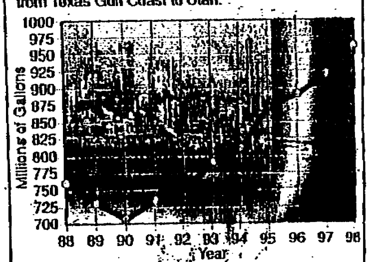
The refineries on the Texas Gulf Coast are massive — the smaller ones are bigger than all five of Utah's refineries combined. The economies of scale that come from their sheer size enables them to produce gasoline and other products at a lower cost. They also have access to less expensive imported oil.

As a result, refineries on the Texas

See OIL WARS, Page E-6

Utah Gasoline Consumption

The boom in Utah's population and its economy over the past decade has increased demand for gasoline and other petroleum products. The trend is expected to continue. Yet the state's existing refineries could have trouble meeting the projected increase in demand. That is one of the reasons Williams Cos. and Equilon Pipeline Co. LLC have formed a joint venture to build a products pipeline that could bring gasoline, diesel fuel and jet fuel from Texas Gulf Coast to Utah.



Source: Utah Office of Energy and Resource Planning

Steve Baker / The Salt Lake Tribune

EXHIBIT 14

Exhibit 14 (page 2)

tribution terminals, would cost up to $150 million.

"Neither partner could have done this pipeline project alone," said Kelly Swan, a Williams spokesman.

The pipeline could move 65,000 barrels a day to Salt Lake City and could be expanded to 85,000 barrels. But it also will transport gasoline and other fuels to the Albuquerque and Grand Junction/Moab markets. Swan estimated that about half of the pipeline's products would go to Salt Lake City.

That still works out to nearly 1.4 million gallons of gasoline, diesel fuel and jet fuel a day.

The joint venture's market research indicates the demand in the Utah market is growing about 5 percent a year for gasoline and 10 percent a year for diesel fuel.

Others question those projections.

"We think that is grossly overestimated," said Maguire of Chevron.

Yet Aspen Products Pipeline is seemingly as determined as Chevron or Sinclair and Conoco to move forward.

"We think we have a place in the market and we can thrive there," Swan said. "Regardless of other plans by competitors, we are proceeding and staying on course."

Aspen Products Pipeline would not buy and sell gasoline and other fuels. Rather, it would make its money transporting petroleum products for other companies.

The fear among Utah refiners is Gulf Coast refineries will dump their excess products in the Utah market, driving one or more existing refineries out of business. That would cost the state high-paying jobs and tax revenue.

The additional competition also would come just as refineries face spending millions of dollars to meet stricter regulations on the sulfur content of gasoline and diesel fuel.

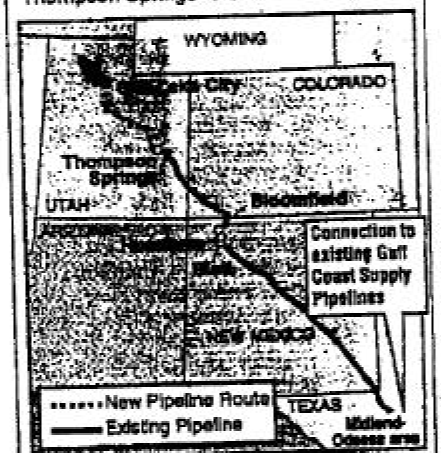
The closing of one or more refineries, in turn, would lessen demand for crude oil produced in Utah, potentially leading to lower prices.

"When you look at these kinds of situations, you have to look at the overall economic impact," said Andrew Van Chau, a spokesman for BP Amoco Corp.

BP Amoco owns a refinery that can handle 60,000 barrels of crude oil a day and that employs 220 people, excluding contractors.

Aspen Products Pipeline

A proposed pipeline to Salt Lake City from Texas could remake the market for gasoline and other fuels in Utah and southern Idaho. Aspen Products Pipeline LLC, a joint venture, plans to link part of a pipeline owned by Williams Cos. with a pipeline owned by Texaco Inc. and Shell Oil Co. The joint venture would convert the two segments to petroleum products and then build a 235-mile pipeline from Thompson Springs to Salt Lake City.



Source: Williams Energy Services Cos.

Steve Baker / The Salt Lake Tribune

Consumers understandably may hope that all three projects are completed. The more supply, after all, the lower the price. But some perspective is needed here.

First, gasoline costs less than some bottled water. Remember, about 45 cents of the price at the pump is state and federal taxes. And, taking into account inflation, gasoline costs about the same as it did when the Beach Boys were singing paeans to T-birds and hot rods.

Second, the drop in prices could be short lived. If one or more refineries close, there will be that much less supply.

"The marketplace will find equilibrium," said Adams of Flying J.

Just how all this plays out is anybody's guess. But an intricate market, one with a delicate balance of supply and demand, is about to change.

Exhibit 14 (page 3)

Oil Wars: The Race Is On for Utah Market

■ Continued from E-1

Gulf Coast can sell gasoline for less money than Utah refineries. The price difference can offset the estimated 7 cents to 10 cents a gallon it would cost to transport gasoline and other fuels 1,500 miles.

The Aspen Products Pipeline also could give Texas Gulf Coast refineries another market for their excess supplies. And it would link the isolated Utah market to the national market.

"That's what this issue is really about — we've never been connected to the Texas Gulf Coast before," Brill said.

Not surprisingly, refineries that supply the Utah and Idaho markets are not thrilled about the proposed pipeline.

"It's a competitive issue," said Walt Maguire, a spokesman for Chevron Corp. "We would prefer that a products pipeline not be built."

Chevron owns a refinery in North Salt Lake that can process about 47,000 barrels of crude oil a day. (A barrel is 42 gallons.) The refinery employs about 250 people, excluding contractors.

The company has its own proposal.

Chevron operates a products pipeline that runs from Salt Lake City to Pasco, Wash., passing Pocatello and Boise, Idaho and Spokane, Wash., along the way. Chevron has proposed reversing the pipeline from Pasco to Boise, enabling it to supply that market from other sources.

That would free up nearly 800,000 more gallons a day of gasoline, diesel fuel and jet fuel to sell in Utah.

Chevron plans to complete the project by June 2000. Maguire said. And it believes its proposal can meet Utah's projected needs for the next 10 years.

There's also a third proposal.

Sinclair Oil Corp., which operates a refinery in Sinclair, Wyo., and Conoco Inc. plan to build a new pipeline from Sinclair to Salt Lake City that could move 70,000 barrels of petroleum products a day in its first phase.

The pipeline would replace an existing one owned by the two oil companies. That pipeline was expanded in 1997 and can move 48,000 barrels of gasoline and other fuels a day.

In addition, Sinclair plans to increase the refinery's capacity by 11,000 barrels a day in a project estimated to cost more than $50 million. The refinery now processes an average of 54,000 barrels of oil a day. The project is expected to be completed in early 2000.

The proposed pipeline also could move gasoline and other fuels from Kansas, Oklahoma and even the Texas Gulf Coast.

Either Chevron's or Sinclair's proposal probably could meet Utah's projected growth.

"Everybody has taken a shot at trying to solve the problem so you don't have to build a pipeline up here," said Bill Fink, president of Inland Refining Inc., which operates a refinery in Woods Cross that can handle 10,000 barrels of oil a day.

Inland itself proposed resurrecting and expanding a closed refinery in Roosevelt last year. That project has since been shelved.

What is clear is the existing players would like to keep the market to themselves.

Last year, Utahns consumed an average of about 2.6 million gallons of gas[...] line a day. Think of American Stores Co. 24-story headquarters in downtown Sa[...] Lake City being filled and drained ever[...] 37 days or so.

Aspen Products Pipeline would like [...] piece of that market.

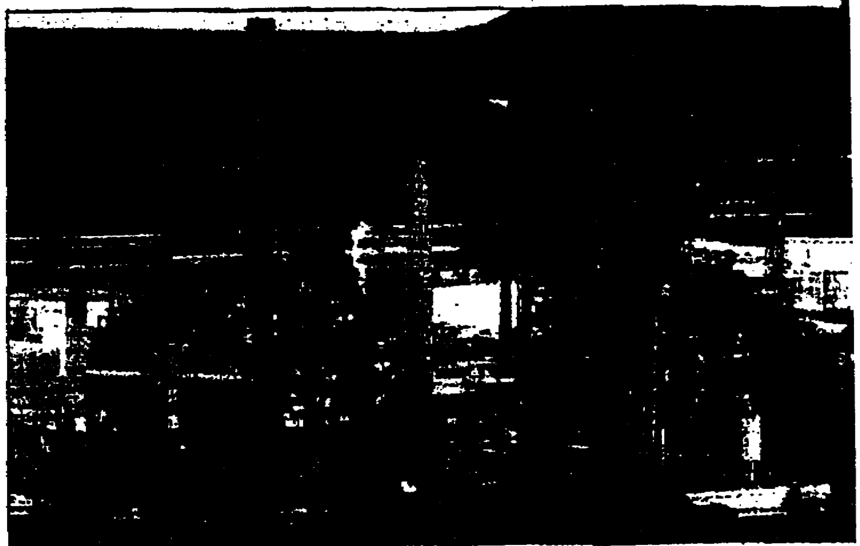
The joint venture consists of a unit [...] Williams Cos. and Equilon Pipeline C[...] LLC. Williams, based in Tulsa, Okla., [...] the parent company of Northwest Pip[...] line. Equilon is a joint venture of Shel[...] and Texaco's Western and Midweste[...] refining and marketing businesses.

The proposed pipeline would link pa[...] of a pipeline owned by Williams with [...] pipeline owned by Equilon.

William's segment runs from Thom[...] son Springs, northwest of Moab, [...] Bloomfield in northwest New Mexic[...] The pipeline moves propane, butane an[...] other so-called natural gas liquids.

Equilon's segment runs from We[...] Texas to Bloomfield. It is used to mo[...] crude oil.

The new joint venture would conve[...] the two segments to petroleum produc[...] and then build a 235-mile pipeline fro[...] Thompson Springs to Salt Lake City. T[...] entire project, including building two di[...]



Michael J. Miller/The Salt Lake Tribu[...]

If oil from the Texas Gulf Coast is piped to the Wasatch Front, Utah refineries like Amoco's Beck Street facility in Salt Lake City could close.

Exhibit 15

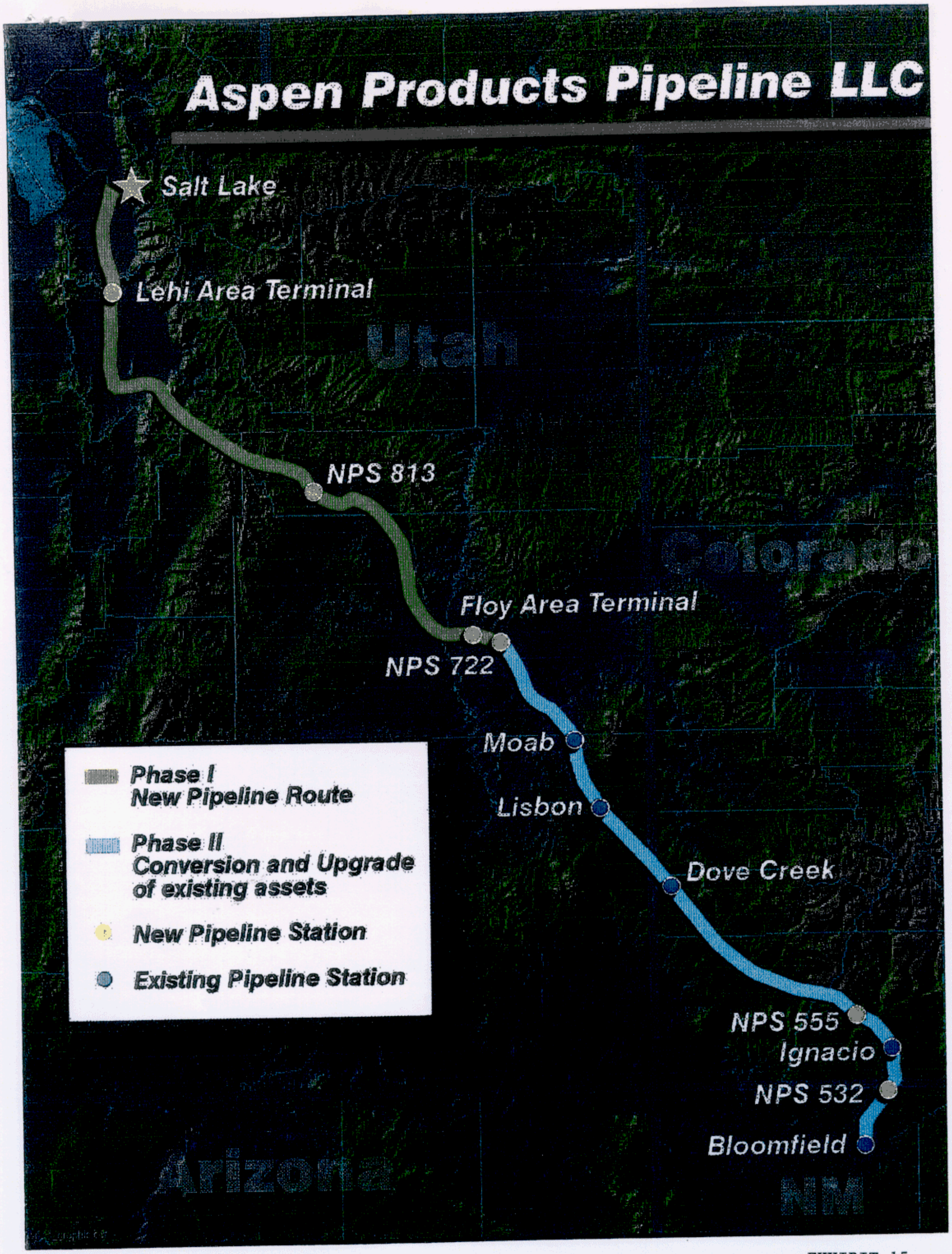


EXHIBIT 15

Exhibit 16

past year and closed Monday above $27 a barrel in trading on financial markets, compared with a 12-year low of just under $11 last December.

"The best inflation news is behind us," said Cynthia M. Latta, DRI-McGraw Hill's principal U.S. economist. She noted that low energy prices have insulated the U.S. economy from oth-

last week that so far this year, prices of gasoline and home heating oil have increased at a 30.9 percent annual pace. Gerald D. Cohen, an economist at Merrill Lynch & Co., noted that airline fares jumped by 5.3 percent last month, but he added that fare prices are volatile and had fallen sharply in the previous two months.

products.

Oil experts said Monday that Iraq's decision to cut off supply comes at a time when oil-producing countries are enjoying increased leverage. Global demand for oil is increasing now that several Asian economies are rebounding from last year's crisis and production cutbacks orchestrated by

diminish demand, but more recently indicated a willingness to keep the cutbacks in place until June.

"What better time to squeeze the market than when inventories have been drawn down and OPEC is creating all kinds of uncertainty?" said Philip K. Verleger Jr., an oil industry consultant.

But they also
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resume the sa
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ies of humani
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Nothing illegal about California's high gas prices, official says

By Jordan Lite
The Associated Press

SAN FRANCISCO — Californians paid $1.3 billion more for gasoline this year than they would have if they lived in states where there's a competitive market for oil, state Attorney General Bill Lockyer said Monday.

But oil companies aren't breaking the law with their pricing practices, Lockyer said. Instead, the inflated prices that forced residents in some California communities to pay upwards of $2 a gallon in April when Lockyer started his probe are the result of inadequate competition, California's stiff clean air laws and the state's slightly higher gasoline taxes.

"We don't have any evidence that they've done anything criminal or violated anything civil," Lockyer said. But, he said, "the supply is manipulated in a way that produces the highest possible prices, and that is business, that is the American way.

"We can't make an antitrust case about these practices yet," he added. "Whether there is collusion or not or zone pricing mechanisms ... is still worthy of investigation."

A similar investigation is under way in Idaho, where former attorney general Jim Jones is leading a gas-price task force appointed by Attorney General Al Lance.

The price of self-serve regular unleaded fuel in Idaho is as high as any in the nation, Jones said as his task force winds down its probe on Idaho prices.

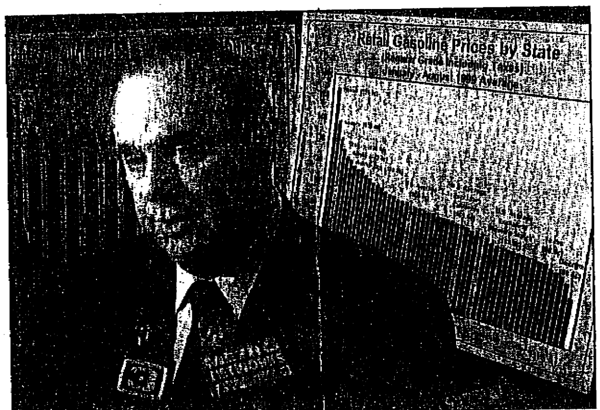
Jones hopes to submit a report to Lance sometime in December. So far, the Idaho investigation has focused on how a limited distribution system out of Salt Lake City has restricted gasoline supplies in Idaho and helped boost prices.

Californians typically spend more at the pump than motorists everywhere but Hawaii and Nevada, which gets most of its gasoline from California. Motorists in California paid an average of $1.32 a gallon between January and August, compared to a high of $1.54 in Hawaii and a low of 89 a gallon cents in Georgia, the report found.

Proposed mergers between BP Amoco PLC and Atlantic Richfield Co., and between Mobil Corp. and Exxon Corp. could further stifle competition, especially because 90 percent of California's refining capacity and the retail gasoline market is controlled by six oil companies, Lockyer said. In Texas, the top six oil companies control only 58 percent of the market, he said.

Both consumer advocates and oil companies called the report a victory.

"The preliminary report's findings confirm what we've been telling the California Legislature for years," de-



The Associated Press

California Attorney General Bill Lockyer answers questions following a news conference in Sacramento, Calif., concerning the results of a probe into skyrocketing gas prices his office released on Monday. Californians paid $1.3 billion more for gasoline this year than they would have if they lived in states where there's a competitive market for oil.

clared Dennis DeCota, executive director of the California Service Station and Automotive Repair Association.

Chevron Corp. spokesman Fred Gorell said the company was pleased Lockyer had found no evidence of wrongdoing. "We believe that other ongoing governmental investigations will come to the same conclusions," he said.

The attorney general said he plans to form a group of consumers, economists and oil industry experts to come up with a plan to lower prices.

He said he will lobby the Legislature to pass laws that would force companies to increase their inventories; facilitate imports from outside the state; enable smaller refineries to pool their resources and purchase tankers of crude oil; and free retailers from restrictions on where they can buy their products.

Lockyer also said he will "carefully scrutinize the pending mergers of Exxon-Mobil and BP-Arco to see what we can do to restore more healthy competition." The state must review any merger or acquisition to protect against "the erosion of competition in an already concentrated and vertically integrated gasoline market," he said.

Nationally, the average price of a gallon of gas is $1.3287, according to Friday's latest Lundberg Survey, a review of pump prices at 10,000 gas stations nationwide.

Statesman staff contributed to this story.

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By Albert B.
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