



Petroleum Transportation & Storage Association

## *Weekly Update*

*Regulatory News and Compliance Information for the Petroleum Transportation and Storage Industry  
Washington, D.C. Friday, April 8, 2005.*

### **1. HOUSE PUTS BILL TO MAKE ESTATE TAX REPEAL PERMANENT ON FAST TRACK:**

The U.S. House of Representatives is moving quickly to pass legislation (H.R. 8) that would permanently repeal the federal estate tax. Under legislation passed in 2001, the federal estate tax is being phased out over a ten year period by annual increases in the exemption threshold until the tax is eliminated altogether. However, the 2001 law has a sunset provision which eliminates the phase-out and repeal after December 31, 2010 and reinstates the \$650,000 threshold exemption existing prior to the legislation. The sunset provision was added to the legislation in order to re-assess the impact the estate tax elimination would have on the federal budget in the years leading up to repeal. Critics say that allowing permanent repeal would cost too much, adding to the already skyrocketing federal deficit. Despite the grim budget outlook, the GOP leadership thinks 2005 offers the best chance for permanent repeal. The House is expected to pass the legislation quickly. Passage in the Senate has always been the major hurdle for repeal proponents. Senate leaders say this year is different. With a gain of GOP seats in the last election and several key Democrats who support the measure, repeal is a real possibility in this session of Congress. Sen. Jon Kyl (R-AZ) introduced the companion bill (S. 420) in the Senate. Strong support in the House is expected to clear the way for the Senate to act.

### **2. EPA LAUNCHES ONLINE-CLASSROOM FOR UST INSPECTOR TRAINING:**

A new online classroom by the Environmental Protection Agency's Office of Underground Storage Tanks (OUST) was launched this week in an effort to improve UST inspector training. Petroleum marketers have complained for years that many state inspectors lack sufficient training to determine the compliance status of operational USTs. A 2001 report by the Government Accountability Office found inspector training to be inadequate and recommended that EPA provide more training materials and courses. OUST maintains that inadequate training is due to lack of money and a high turnover rate among inspectors. Underground storage tank inspectors can now go online 24/7 for training on how to prevent and detect leaks and comply with federal UST federal regulations. The virtual classroom includes an introductory course module that explains UST regulations, discusses UST financial responsibility and orients new users to the operational components of an UST system. The second module describes how inspectors prepare for and conduct compliance inspections at UST sites. Over the next year, the agency said it will add a third module that will provide training for leaking underground storage tank site managers and introduce users to duties relating to overseeing accurate site characterization and remediation activities. The on-line classroom also provides refresher courses and re-certification training. The course is mandatory for EPA inspectors, but voluntary for state inspectors.

### **3. DOT HAZMAT LEGISLATION WOULD INCREASE PENALTIES FOR NON-COMPLIANCE:**

Legislation currently before Congress to reauthorize the federal Hazardous Material Transportation Act (HMTA) would increase the maximum civil penalty for hazmat rule violations from \$27,500 to \$100,000. The change is one of a number the Pipeline and Hazardous Materials Safety Administration (PHMSA, formerly RSPA) is seeking in federal hazardous materials regulations. Petroleum marketers are subject to non-compliance penalties for infractions discovered at roadside inspections or on-site audits. PTSA opposes the increase because the current maximum fine has proven to be a sufficient deterrent to non-compliance. Federal hazardous material regulations non-compliance rates have dropped significantly in recent years according to government statistics. Many believe that the increased fines are an effort on the part of PHMSA to increase revenue and start the transition to more reliance on a user fee revenue source rather than the annual appropriations process that currently funds the agency's activities. The House and Senate are hoping to pass HAZMAT legislation as part of the fiscal year 2006 highway spending bill. PTSA is part of a coalition seeking to head off the fines and promote legislation that is beneficial to petroleum marketers.

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#### **4. SENATE BILL INTRODUCED TO PERMANENTLY REPEAL SPECIAL OCCUPATIONAL TAX:**

A bill was introduced in the Senate this week that would permanently repeal the special occupational tax (SOT) on the retail sale of alcoholic beverages. Every year petroleum marketers must register with the Treasury Department's Bureau of Alcohol and Tobacco Tax and Trade Bureau and pay the \$250 SOT for each retail site that sells alcoholic beverages. The per store SOT levy is a significant cost for petroleum marketers who operate convenience stores. Recognizing this burden, Congress passed the American Jobs Creation Act in October 2004 that temporarily suspended the SOT for three years. The temporary suspension begins on July 1, 2005 and will be re-imposed on July 1, 2008. The bill (S. 702) permanently repealing the SOT was introduced by Senator Max Baucus (D-MT). According to Baucus, the SOT, originally enacted to help finance the civil war, places an unfair burden on millions of small retail businesses each year. Co-sponsors of the bill include Senators Jim Bunning (R-KY), Tim Johnson (D-SD), Jim Talent (R-MO), and Larry Craig (R-ID). Baucus predicted the measure would pass stating that SOT repeal is supported by a broad-based group of business organizations and by both parties on Capitol Hill.

#### **5. EIA PREDICTS HIGH GASOLINE PRICES THIS SUMMER, \$50 + CRUDE THROUGH YEAR'S END:**

Summer gasoline prices will average \$2.28 per gallon, 38 cents higher than a year ago, and crude oil prices will remain above \$50 per barrel for the rest of the year, according to the latest energy forecast by the federal Energy Information Administration (EIA). The EIA predicts crude oil and gasoline prices show no signs of easing in the near term and crude prices above \$50 per barrel are forecast to extend through 2006 as well. EIA expects gasoline prices to peak in May at \$2.35 per gallon for the highest monthly average, although daily and weekly prices could run even higher. U.S. gasoline demand is projected to hit 9.3 million barrels per day this summer, up 1.8 percent from a year ago. In order to meet demand and keep prices within the forecasted range, OPEC must maintain a daily output of 30.2 million barrels throughout the summer driving season. OPEC is producing 30 million barrels of crude per day with only another 1 million bbl per day spare production capacity. The reason for the sustained prices according to EIA are growing worldwide demand, tight domestic refinery capacity, expanding boutique fuel requirements, "geopolitical tensions," and market speculation. Refineries currently are running at 95 percent of capacity.

#### **NEWS BRIEFS:**

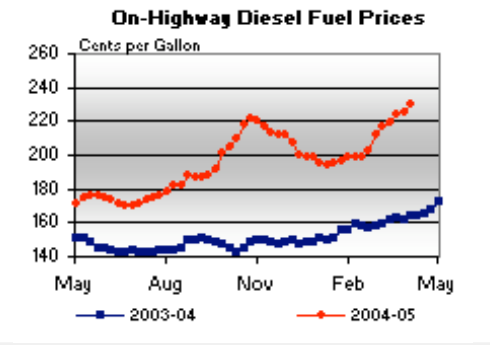
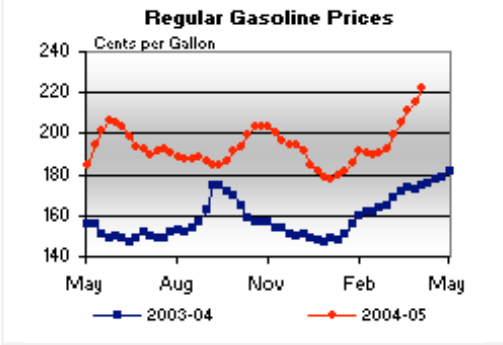
**LIHEAP** - The House Energy and Commerce Committee approved a provision in upcoming energy legislation to increase the authorization for the Low-Income Home Energy Assistance Program (LIHEAP) from \$3.4 billion to \$5.1 billion a year, although appropriators have the final word on funding levels. An effort by southern states to change the LIHEAP formula so that more money would go to paying energy bills in warm-weather states was defeated on a 22-30 vote. Supporters of the change said more deaths result from heat than cold. Committee chairman Rep. Joe Barton (R-TX) said the committee would continue to work on a major revision to the LIHEAP formula that could be added to the energy bill in the coming weeks.

**BOUTIQUE FUELS** - The House Energy and Commerce Committee is working on a draft energy bill that has new language to increase U.S. petroleum refining capacity and to reduce the number of reformulated gasolines known as "boutique fuels." The new section on boutique fuels is based on a bill (H.R. 4545) sponsored by House Majority Whip Roy Blunt (R-Mo.), which was debated last year during the House GOP's "energy week." The bill fell short of a two-thirds majority needed for passage on a 236-194 vote. Blunt said the vote showed that a majority of House members believe the proliferation of RFG summer-blend gasolines must to be curbed because it is contributing to gasoline shortages and disruptions in the distribution chain. Blunt's provision would cap the number of RFG formulations required in the nation's most polluted areas at the current level of 18 and only allow additional RFG if others are dropped. In addition, the bill would allow the EPA and DOE to waive RFG requirements during extreme fuel supply emergencies.

**PLEASE SEE WEEKLY ENERGY INFORMATION BELOW AND**

**DON'T FORGET TO OPEN BIO-DIESEL REGULATORY ALERT ATTACHMENT**

## U.S. Gasoline and Diesel Fuel Prices, 04/04/05



Gasoline				Diesel Fuel			
Cents per Gallon	Change from			Cents per Gallon	Change from		
	Price	Week Ago	Year Ago		Price	Week Ago	Year Ago
<b>U.S.</b>	221.7	6.4	43.7	<b>U.S.</b>	230.3	5.4	65.5
<b>East Coast</b>	218.5	6.5	44.2	<b>East Coast</b>	229.9	5.1	66.3
<b>New England</b>	215.8	6.1	41.3	<b>New England</b>	242.7	5.3	67.2
<b>Central Atlantic</b>	217.0	6.2	40.7	<b>Central Atlantic</b>	241.2	5.2	69.2
<b>Lower Atlantic</b>	220.5	6.8	47.8	<b>Lower Atlantic</b>	223.8	4.9	64.9
<b>Midwest</b>	219.7	5.9	46.7	<b>Midwest</b>	225.8	5.5	64.8
<b>Gulf Coast</b>	214.1	6.2	47.0	<b>Gulf Coast</b>	224.0	5.8	65.4
<b>Rocky Mountain</b>	216.2	2.9	37.4	<b>Rocky Mountain</b>	236.1	3.5	66.4
<b>West Coast</b>	239.8	8.0	34.9	<b>West Coast</b>	254.1	5.8	65.6
<b>California</b>	246.4	8.8	33.8	<b>California</b>	258.1	6.9	56.7

