



Petroleum Transportation & Storage Association

Weekly Update

*Regulatory News and Compliance Information for the Petroleum Transportation and Storage Industry
Washington, D.C. Friday, June 24, 2005.*

1. VISA AND MASTERCARD LOWERING SOME INTERCHANGE FEES, FACES CLASS ACTION

SUIT: Visa and MasterCard are lowering select interchange fees in an effort to settle a growing number of lawsuits for alleged price-fixing brought by merchant groups against the credit card giants and their issuing banks. Credit card companies contend that the more than \$20 billion per year they collect in interchange fees each year are necessary to cover electronic transaction costs, consumer credit risk and fraud. Interchange rates for petroleum marketers can run as high as 3.5% on each transaction plus a percentage on total sales, often amounting to the second biggest operational expense next to payroll. While such fees for petroleum marketers have not yet been reduced, relief may be in sight as mounting lawsuits and federal regulators increase pressure on credit card companies to make fundamental changes in the way interchange rates are set. Separate lawsuits filed by Wal-Mart, Best Buy, Toys "R" Us and the Home Depot have resulted in out of court settlements that have significantly lowered interchange fees for these companies. A group of small and mid-size businesses filed an anti-trust suit against credit card companies and issuing banks in a Connecticut court this week and seeks to represent all of the nation's retailers in a class action lawsuit. The outcome of this suit, whether in the form of an out-of-court settlement or a judgment against the credit card companies would likely result in lower interchange fees across-the-board. Federal authorities are also applying pressure on credit card companies. The Federal Reserve and U.S. Department of Justice are closely monitoring the practice for anti-competitive trends and Congress is likely to propose legislation early next year limiting interchange fees. European countries have recently addressed the problem by limiting fees to about 1/2% about the cost of processing the electronic transaction. A recent study found that the number of electronic payments for retail purchases (credit and debit cards) surpassed cash payments for the first time in 2003.

2. SATELLITE TRACKING FOR HAZMAT SHIPMENTS ADDED TO HOMELAND SECURITY BILL:

The Senate Appropriations Committee approved the fiscal year 2006 Homeland Security Appropriations bill with an amendment that earmarked \$4 million for monitoring and tracking trucks carrying hazardous materials. The bill is important to petroleum marketers because it could lead to a mandatory installation of expensive global positioning (GPS) and tracking equipment in cargo tank motor vehicles. The money will be spent to build a HAZMAT truck tracking center in Nevada, the home state of the bill's sponsor Minority Leader, Senator Harry Reid (D). Despite the current lack of a federal mandate for GPS equipment, the center is designed to track 800,000 daily shipments of hazardous materials by truck, and will coordinate emergency response in case of an accidental spill or a terrorist attack. Last April, the Department of Transportation's Pipeline and Hazardous Materials Safety Administration announced it would propose a federal rule that could require tracking for hazmat shipments, including communications systems with global tracking. The agency said this week it was still in talks with the Federal Motor Carrier Safety Administration about a recently completed field test to investigate truck-tracking technologies and set no deadline when the proposed rule might be published. Meanwhile, the Department of Homeland Security's Transportation Security Administration is in the process of awarding grants for a pilot program looking at the security benefits of tracking hazardous materials trucks by satellite, but no such grants have been announced. The \$30.8 billion funding bill will now go before the full Senate, where a vote is likely before the August recess.

3. SENATE COMPLETES ENERGY PACKAGE, SHOWDOWN WITH HOUSE LOOMS OVER MTBE:

The Senate voted June 23 to bring debate on the energy bill to a close, inching closer to final approval and setting up what will be an extremely difficult conference with the House in July. Senate leaders completed work on all amendments to the bill (H.R. 6). However, Senate leaders said a vote on final passage is not likely to occur until June 28. A vote to end debate on the bill passed easily. The energy package enjoys more bipartisan support in the Senate since controversial provisions to open up the Arctic National Wildlife Refuge to drilling and provide liability relief for MTBE producers were dropped from the bill. Details of the final bill were completed late on June 23rd and are not yet fully available. One thing for

certain is that the bill includes a renewable fuels mandate requiring refiners to blend 8 billion gallons of ethanol into gasoline, more than double the current production, by 2012. The extension of the expiring Leaking Underground Storage Tank Trust Fund tax is expected to be in the final bill, but a provision to reinstate the 1/10 of a cent per gallon Superfund tax on motor fuels which expired in 1995, is not. Important provisions to petroleum marketers that *may* make the final cut include changes in IRS ultimate vendor rules requiring credit card companies to file excise tax claims on retail gasoline sales to tax-exempt users and require farmers (instead of the ultimate vendor) to file a credit or refund claim for federal excise taxes on clear diesel fuel sold for tax-exempt off-road use. Once again, provisions concerning MTBE and ANWR, included in the House energy bill but not in the Senate version are predicted to be the major hurdles for House-Senate conferees to overcome before the bill can go to the President for his signature.

NEWS BRIEFS:

OPEC - The Senate approved for the first time an amendment to the energy bill that would permit the Justice Department and Federal Trade Commission to take the Organization for Petroleum Exporting Countries (OPEC) into federal court for price-fixing and violation of U.S. antitrust laws. The amendment, sponsored by Senators Mike DeWine (R-OH) and Herb Kohl (D-WI.), was approved by voice vote. However, Domenici, the energy bill manager, said the OPEC amendment is not practical and "might get lost" in the upcoming conference with the House, which does not have a similar provision.

MTBE - Cleaning up public drinking water systems contaminated by the gasoline oxygenate MTBE is estimated to cost about \$25 billion to \$33.2 billion, but could top \$85 billion according to two studies by water utilities released this week. The studies, by the American Water Works Association and the Association of Metropolitan Water Agencies, show that thousands of water systems are contaminated with MTBE at levels that customers can taste or smell. The studies were released as Congress considers energy legislation that could give MTBE producers protection from defective product liability lawsuits. MTBE is listed by the EPA as a possible carcinogen but the agency does not regulate it in drinking water.

WEEKLY ENERGY NEWS:

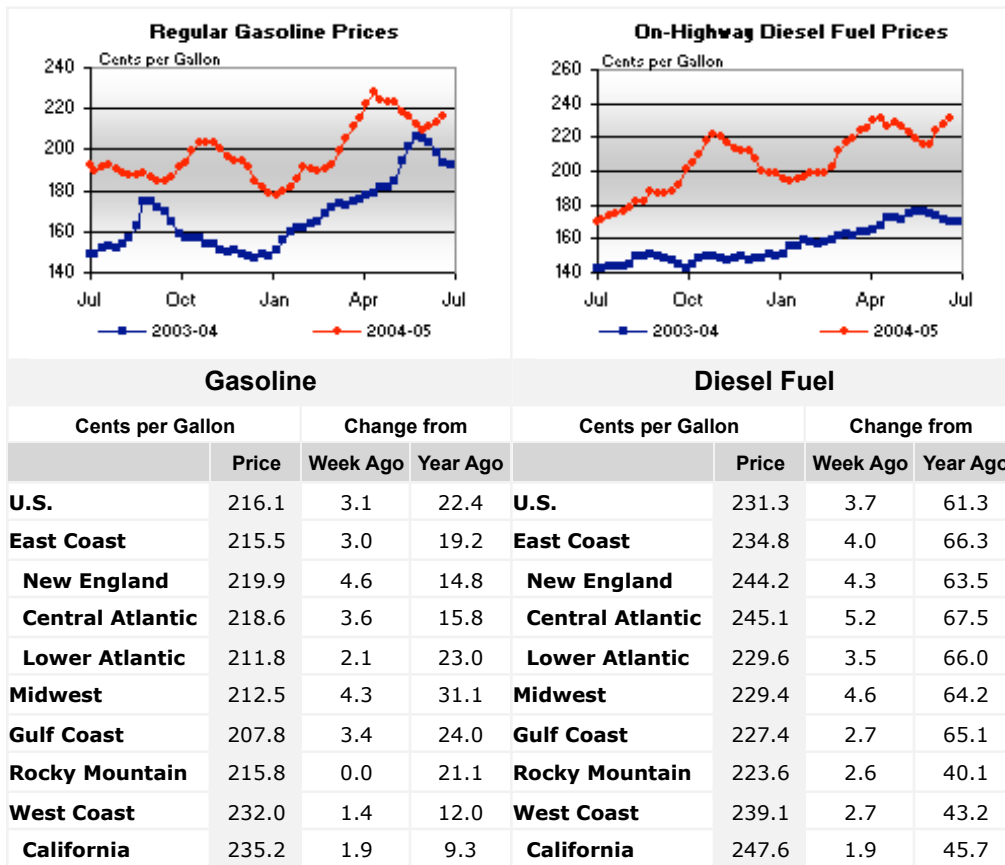
DISTILLATE PRODUCTION INCREASES AS CRUDE NEARS \$60 BBL - With diesel selling at a premium to gasoline, refiners have been adjusting their product mix to take advantage of prices. Distillate production has been at historically high levels as refiners try to capitalize on the price differential between the middle distillates and gasoline. According to the energy Information Administration (EIA), heating oil futures, which also serve as a proxy for jet fuel and diesel, have been selling at an unseasonable premium over gasoline so far this spring, and that doesn't show signs of changing now that summer has officially arrived. Although some analysts dispute the notion that changes in product prices can drive the market for crude oil, recent anecdotal evidence seems to point to that conclusion. Many traders in recent weeks have been reporting that surges in heating oil, and to a lesser extent gasoline, have led to increases in crude oil prices.

Spot Prices (Cents Per Gallon)			
Spot Prices		Change From Last	
06/17/05		Week	Year
Crude Oil WTI	58.40	4.85	19.72
Gasoline (NY)	157.3	9.8	40.8
Diesel Fuel (NY)	172.4	4.5	67.8
Heating Oil (NY)	164.8	4.5	62.7
Propane Gulf Coast	82.7	2.9	14.4

U.S. Average Retail Gasoline and Diesel Prices Increase Again

The U.S. average retail price for regular gasoline increased this week by 3.1 cents from the previous week to 216.1 cents per gallon as of June 20, 22.4 cents higher than this time last year. This is the third week in a row that prices have increased. Prices were up throughout the country, with the Midwest seeing the largest regional increase of 4.3 cents to reach 212.5 cents per gallon. East Coast prices rose by 3.0 cents to 215.5 cents per gallon while West Coast prices gained 1.4 cents to 232.0 cents per gallon. California prices, the highest in the nation, increased 1.9 cents to 235.2 cents per gallon, which is 9.3 cents higher than this time

last year. Retail diesel fuel prices were up 3.7 cents last week to 231.3 cents per gallon, just 0.3 cent lower than the all-time high reached on April 11, 2005. Prices were up throughout the country, with the Midwest seeing the largest regional increase of 4.6 cents to 229.4 cents per gallon. California prices, the highest in the nation, rose by 1.9 cents to 247.6 cents per gallon, which is 45.7 cents higher than this time last year.



COMPLIANCE REMINDERS:

UPCOMING FEDERAL REGULATORY COMPLIANCE DEADLINES:

HAZMAT Registration: 07/01/05 – Petroleum marketers (intrastate and interstate) with cargo tank motor vehicles must register with the U.S. DOT and pay a fee of \$150 to obtain a hazardous material certificate. A copy of the 2005-2006 registration certificate must be placed in the cab of each cargo tank motor vehicle hauling hazardous materials. **You cannot operate a cargo tank vehicle after 07/01/05 without an updated HAZMAT registration certificate.** If you have not filed your registration form with the DOT, **expedited** online registration is available at <http://hazmat.dot.gov/reg/register/register.htm>.

Special Occupational Tax for Sale of Alcoholic Beverages: 07/01/05 - The Department of Treasury's Alcohol and Tobacco Tax Trade Bureau (TTB) requires retail sellers of alcoholic beverages to file an annual registration form and pay a special occupational tax (SOT) each year by July 1st. Congress **temporarily suspended** the annual \$250 per store tax on the retail sale of alcoholic beverages for three years beginning

Page 4. PTSA Weekly Update, Friday June 17, 2005.

July 1. However, you must still file SOT form 5630.5 by July 1 in return for your federal tax stamp, just don't pay the \$250 per store tax. You should have received a form 5630.5 in the mail from the TTB, if not, you may obtain one by contacting the TTB at 1 (887) 882-3277 or at ttbformrequest@ttb.gov.

New IRS 637 Registration for Alcohol and Bio-diesel Blenders: 07/01/05 - In order to make tax payments and file claims for the alcohol fuel mixture credit, and the biodiesel mixture fuel credit blenders must obtain a IRS 637 "M" registration (blender of gasoline, diesel fuel or kerosene outside the bulk

transfer/terminal system) by July 1, 2005. Blenders who currently have an IRS 637 "T" registration (buyer of gasoline for blending into gasohol outside the bulk transfer/terminal system) will be considered a 637 "M" registrant by the IRS for purposes of filing returns and making claims for the alcohol fuel mixture credit until July 1, 2005. **After this date, all blenders must obtain an IRS 637 "M" registration.** You may obtain an IRS 637 registration form at www.irs.gov. "Click" on "Forms and Instructions" and scroll down to Form 637.