



California Independent Oil Marketers Association  
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**CIOMA Legislative Briefing Materials\**  
**CIOMA Day at the Capitol • April 2, 2008**

Included in this document are briefing pieces that were distributed to legislators during our Day at the Capitol Wednesday April 2<sup>nd</sup>. Please feel free to use these materials if you want or need to brief your district representatives on issues important to CIOMA and independent marketers this year. Included are briefing sheets on the following issues:

- The Need for Underground Storage Tank Fund Extension
- Why is Fuel So Expensive?
- CARB's "Buy New Trucks" Regulation – Too Green, Too Fast
- Enhanced Vapor Recovery at Service Stations – Fuel Supply Train Wreck in the Making?
- Update on Energy Commission Temperature Correction at Service Stations study

For further information on these issues contact:

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## The Need for Underground Storage Tank (UST) Fund Extension

One of the state's most successful environmental improvement programs helps service station owners remediate their locations and while protecting and improving valuable groundwater resources – the Underground Storage Tank Fund. The funding mechanism for this nationally-renowned program will expire as of January 1, 2011. Legislation is being carried this year to extend the fund until 2016.

**SB 1161 (Lowenthal)** is the product of an intensive set of meetings including the Water Board, tank owners and operators and UST contractors/consultants held late last year. The measure is carefully crafted to insure preservation of revenues into the fund at the current rate (1.4¢/gallon of fuel), while also preserving the current distribution formula, allowing those with the least resources to access the fund on a priority basis. Five years is the minimum time the fund should be extended, as provided in the measure.

*We ask for your support of this important measure.*

We also ask that:

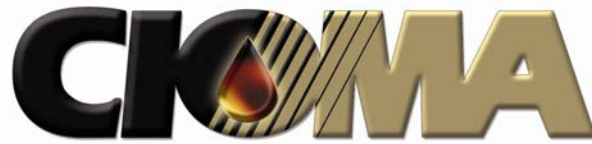
- You oppose any use of the fund for purposes other than remediation of petroleum underground storage tank leaks.
- You oppose any legislation, or amendments to SB 1161, that would alter the delicate balance achieved by the current distribution system.
- Support continuation of the Water Board working group efforts started last year, which will address related issues such as fund distribution efficiencies; remediation/improvement of single walled tanks; and possible changes to the distribution formula. These issues **SHOULD NOT** be included in **SB 1161** as they may hinder the much-needed extension of the fund **THIS YEAR**.

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## Seven Reasons Fuel Prices Are So High

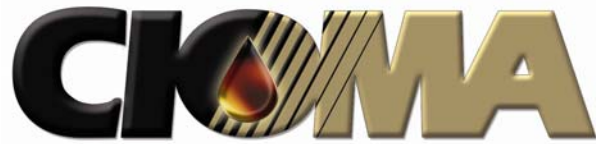
1. The price of crude oil is at an all-time high. The price of fuel closely follows fluctuations of the price of crude.
2. The price of crude oil is at record levels because of increased competition for crude globally. The rapidly expanding economies of India and China are prime driving forces in this competition. These expanding economies have also provided competition for diesel fuel, which is a main reason diesel has seen especially high price spikes.
3. Large volumes of investment capital have moved from the stock market to the commodities markets, including crude and fuel markets. This has increased speculation on petroleum futures and in paper trading, which fosters price increases. Some believe speculation in the commodity markets has provided a \$30 “lift” per barrel of oil.
4. State sales tax, based upon a percentage of purchase price, adds additional price increase. The higher the price per gallon, the greater the tax amount.
5. In addition, credit card purchases, which increase as fuel price increases, add additional upward pressure. Like the sales tax, credit card fees are based on a percentage of total purchase. The retailer pays this fee, and that puts pressure on to increase the fuel price to cover the expense. Credit card fees set by major card vendors are about 2%. (example \$1.40 for a \$70 fill-up). This can come close to the net margin realized by the fuel retailer on a fuel sale.
6. California has unique fuel blend requirements adding to the cost of state fuels.
7. California has unique and expensive regulatory burdens that add to the cost of fuel. Examples are: enhanced vapor recovery requirements; unique underground storage tank installation and monitoring requirements; costly permit fees and conditions; and, frequent/overlapping inspection mandates.

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## **Enhanced Vapor Recovery at Service Stations – A Fuel Supply Train Wreck in the Making?**

The Air Resources Board has established a retrofit deadline of April, 2009 requiring a vast majority of the state's service station dispensers be upgraded with new vapor recovery equipment, commonly called EVR/ISD. Unfortunately, the technological advances in retrofit equipment have lagged seriously and only now (one year before the deadline) is there a choice in retrofit systems. More importantly, the vast majority of systems have not had a retrofit path until last May to perform needed improvements. There remain approximately 10,000 fueling locations that need to be upgraded. *That means that approximately 850 stations per month need to purchase equipment, get permits, install the systems and get final approvals to meet the April 2009 deadline.* This is an unprecedented challenge in meeting such a requirement. Frankly, CIOMA does not see how it can get accomplished.

The worst-case scenario is that service stations which have not completed, or cannot afford, system installation will be forced to close their doors, or face significant penalties for continued operation. This will create a fuel supply crisis in the state.

Recently, CIOMA asked for a public CARB Board discussion of an update memo being performed by CARB staff. We were denied that request.

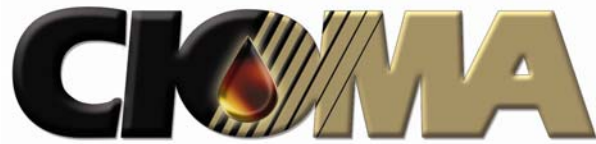
*We ask you to become a signatory on a letter the CARB Chair Mary Nichols simply requesting her to provide an open forum of discussion of this pending problem.*

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## **CARB's "Buy New Trucks" Regulation Proposal – "Too Green, Too Fast"**

The Air Resources Board has proposed a regulation that would require every commercial diesel truck owner to replace their existing truck with not one, but two, brand new trucks within the next 10 years. This is the most expensive regulation ever proposed by CARB - industry estimates it will cost \$6 - \$8 billion in new truck purchases and repowers. A broad and diverse group of affected parties has come together to form the **DRIVING TOWARDS A CLEANER CALIFORNIA** coalition. The group has been formed to provide an economically rational alternative to CARB. Their web site is [www.drivecleanca.org](http://www.drivecleanca.org).

At highest risk in this regulatory effort are small businesses who simply cannot afford to do what CARB says. CIOMA members are in that high-risk group. What we are asking:

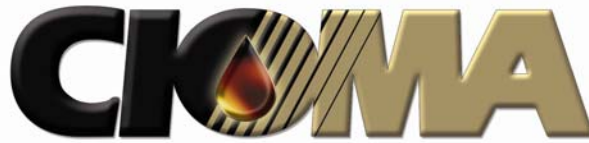
- Pay close attention to the evolution of CARB regulatory efforts on this matter. Be prepared to help us if CARB is being unrealistic in their negotiations.
- Understand that a significant economic assistance package may need to be crafted to help truck owners meet aggressive truck replacement schedules. The Carl Moyer program and Prop 1B funding are woefully cash-short and have fatal design flaws for use in a program like the one being proposed.
- Listen to your commercial trucking constituents - they can do the math on CARB proposals and let you know if a workable solution is being offered.

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## Update on California's Cost-Benefit Study on Fuel Temperature Compensation at Retail Locations

Last year CIOMA sponsored legislation [AB 868 (Davis)] that requires the California Energy Commission to lead a multi-agency effort in performing a cost-benefit analysis on whether new technology should be required on service station fuel dispensers. Little did we know that the study would become an important piece of knowledge nationwide.

The study was necessitated by the serious lack of information on whether consumers would benefit, or just be faced by higher costs, if such equipment was mandated at service stations. There have been lawsuits alleging that consumers are being "ripped off" since dispensers do not have such equipment. There is no proof, either way, and groups who have filed the suits are using un-based allegations to try and strike consumer confusion and fear on this issue.

So, CIOMA sponsored legislation that would bring an objective, impartial analysis into play, providing decision-makers with quality information and recommendations. The CEC report, and recommendations to the Legislature, are due by December 2008. Here is where things stand:

- CEC has had two workshops and is well underway on report development. A wide variety of interests are involved including representatives from an array of national organizations.
- CEC has presented a sound analytical basis for understanding both costs and possible consumer benefits.
- Additional workshops have been calendared, and one was just recently added.
- Participants are working in a constructive and supportive manner.

Our main message is twofold:

1. Resist any further legislative efforts to mandate temperature correction technology if they are proposed. Wait until the CEC report and recommendations are made available.
2. We have discovered that the Division of Measurement Standards may have a glaring lack of authority regarding their ability to halt premature application of this technology, including requirement of adequate safeguards. We are talking to Assemblyman Davis about this issue and may have more to report in the near future.

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Ms. Mary Nichols, Chair  
California Air Resources Board  
P.O. Box 2815/1001 "I" Street  
Sacramento, CA 95812

Subject: Consideration of full CARB Board discussion on the status of the Enhanced Vapor Recovery/In-Station Diagnostics retrofit deadline, April, 2009.

Dear Chairperson Nichols:

We, the undersigned, respectfully request that you schedule a full Board discussion on the status of the Enhanced Vapor Recovery/In-Station Diagnostics retrofit deadline, April, 2009. It is our understanding that you have denied a request from the California Independent Oil Marketers Association to hear an update from your staff at the May Board meeting.

The latest statistics show that over 10,000 sites still need to be permitted and retrofitted. This means approximately 950 sites per month, between now and the April, 2009 deadline, will have to be finalized. We have serious concerns regarding how this is going to be accomplished, and believe a full public discussion of where things stand is in order. If there is the potential for closure of service stations, this issue needs to be carefully, and publically, reviewed.

We ask that you schedule a Board briefing at the May 22-23 Board meeting.

Sincerely,