

Gasoline



Gasoline: light petroleum product (5 - 10 carbon chains) used in spark-ignited internal combustion engines.

1 gallon of gasoline produces about 124,000 Btu.

Gasoline



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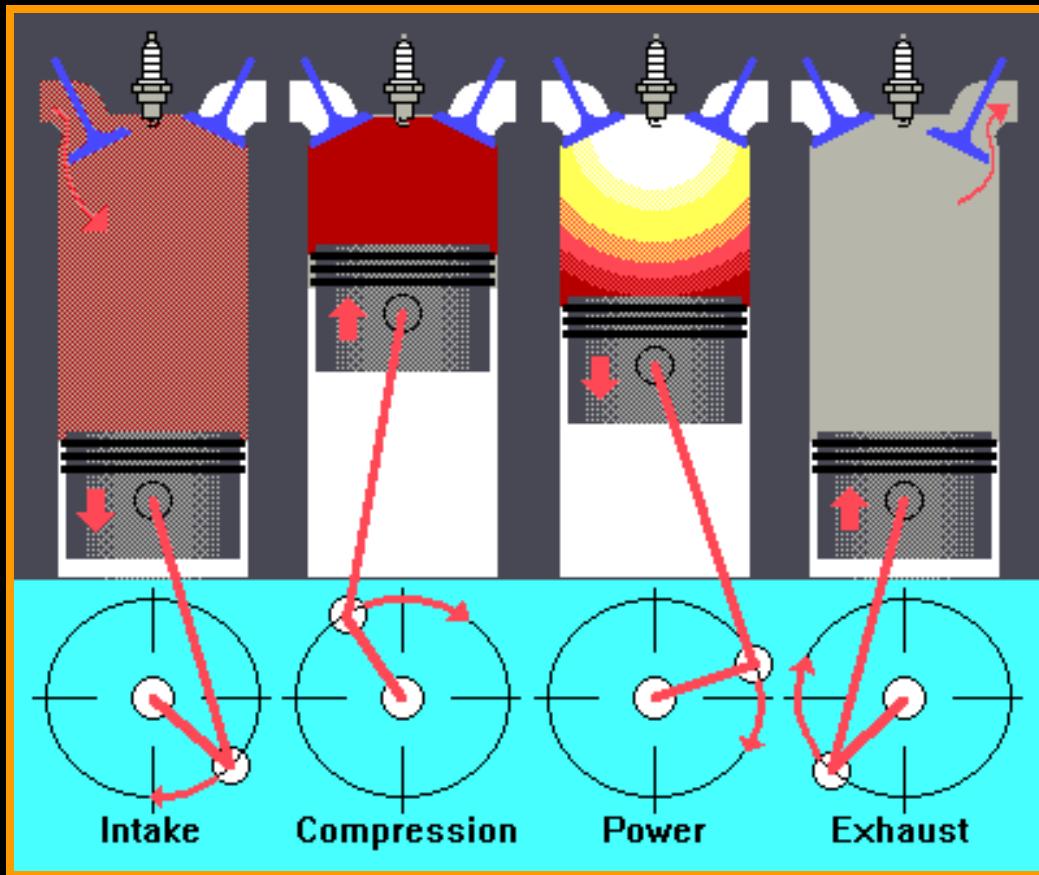


Gasoline

Branded gasoline = carries the name and logo of the oil company (Shell, ExxonMobil, BP).

Unbranded gasoline = generic gasoline.

Internal Combustion Engine



Key to the success of the running of an internal combustion engine is **proper vaporization** of gasoline in the cylinder.

Gasoline Vaporization Pressure

Vapor pressure = is a measure of the pressure it takes to keep a liquid from vaporizing.

Vapor pressure is key to ignition of gas.

Gasoline will not burn in a liquid state.

When gasoline burns, it's the gasoline vapors that are burning.

Measured in RYP (Reid vapor pressure).

Conventional gasoline has a RVP range from 8 - 15.

Vapor Block

Engines shut down at high elevations or high temperatures when the gasoline vaporizes within the fuel system.

In the “good old days” the fumes you see coming out of the gas tank during filling your tank are escaping butane.

Escaping butane and other hydrocarbons contribute to air pollution therefore, lower RVP's have been mandated.

Summer vs. Winter blends

In order to obtain the proper RVP, gasoline is specially blended depending on the time of year and elevation.

RVP is controlled by blending butane with gasoline.

The principal difference between winter and summer blends is the RVP.

The higher the RVP, the easier it is for the gasoline to ignite.

Cold temperatures require a higher RVP in order for the gasoline to ignite properly in the winter months.

Octane Number

Octane number measures
resistance to fuel ignition
without the aid of a spark plug
knocking.

Knocking is the pre-ignition of the
fuel before the cylinder has
maximized the compression.

Higher compression engines
require higher octane gasoline.



Octane numbers

Conventional Gasoline

Least stringently regulated fuel:

Summer RVP limit of 9.0 psi

No lead

May contain 10% ethanol (gasohol)

Regular octane (87)

Medium octane (91)

Premium octane (100)

Accounts for 49% of summer gasoline used.

Gasoline Differences

The only significant difference between gasoline grades is the octane rating.

Branded and unbranded gasoline are virtually identical, regardless of what the TV commercials says.

Branded gasoline may have a “secret additive” that is suppose to make your car run better.

The “secret additive” of each major branded gas is pretty much the same, regardless of what they advertize.



Branded gasoline



Unbranded gasoline

Gasoline Performance Additives

All gasoline have chemicals additives added to gasoline to improve performance.

Lead (in the form of tetraethyl lead TEL) was used to increase octane rating of gasoline.

MTBE (methyl tertiary butyl ether) was used to replace lead in gasoline, unfortunately lead is a pollutant of ground water and is being removed from all gasoline in the U.S.

Alkylates and ethanol are now substituted for MTBE,

- 1. Alkyates are expensive and are not commonly used because of the costs.**
- 2. Ethanol is the most commonly used additive to improve performance.**

Ethanol

Gasoline Performance Additive

Ethanol - a surprising replacement for MTBE for boosting octane.

Has a high RVP and can be used to replace butane.

Increases volume of gasoline production.

Renewable component of gasoline.

Distribution of ethanol is difficult and expensive.

Only has 2/3rd the energy of gasoline.

AAA Ethanol Mileage Equivalents

National Average Prices

9/30/2009

	Regular	Mid	Premium	Diesel	85	**E85 MPG/BTU adjusted price
Current Avg.	\$2.499	\$2.654	\$2.748	\$2.642	\$2.021	\$2.660
Yesterday Avg.	\$2.504	\$2.658	\$2.753	\$2.646	\$2.025	\$2.665
Week Ago Avg.	\$2.551	\$2.710	\$2.806	\$2.658	\$2.040	\$2.685
Month Ago Avg.	\$2.609	\$2.770	\$2.870	\$2.696	\$2.059	\$2.710
Year Ago Avg.	\$3.655	\$3.812	\$3.927	\$4.095	\$2.927	\$3.852

Highest Recorded Average Price:

Regular Unl. \$4.114 7/17/2008

DSL \$4.845 7/17/2008

Types of Gasoline

Conventional gasoline

Reformulated (RFG) gasoline

Low volatility conventional gasoline

Oxygenated fuel (oxyfuel)

Conventional gasoline is the least expensive.

RFG gasoline is more expensive as it costs more to produce.

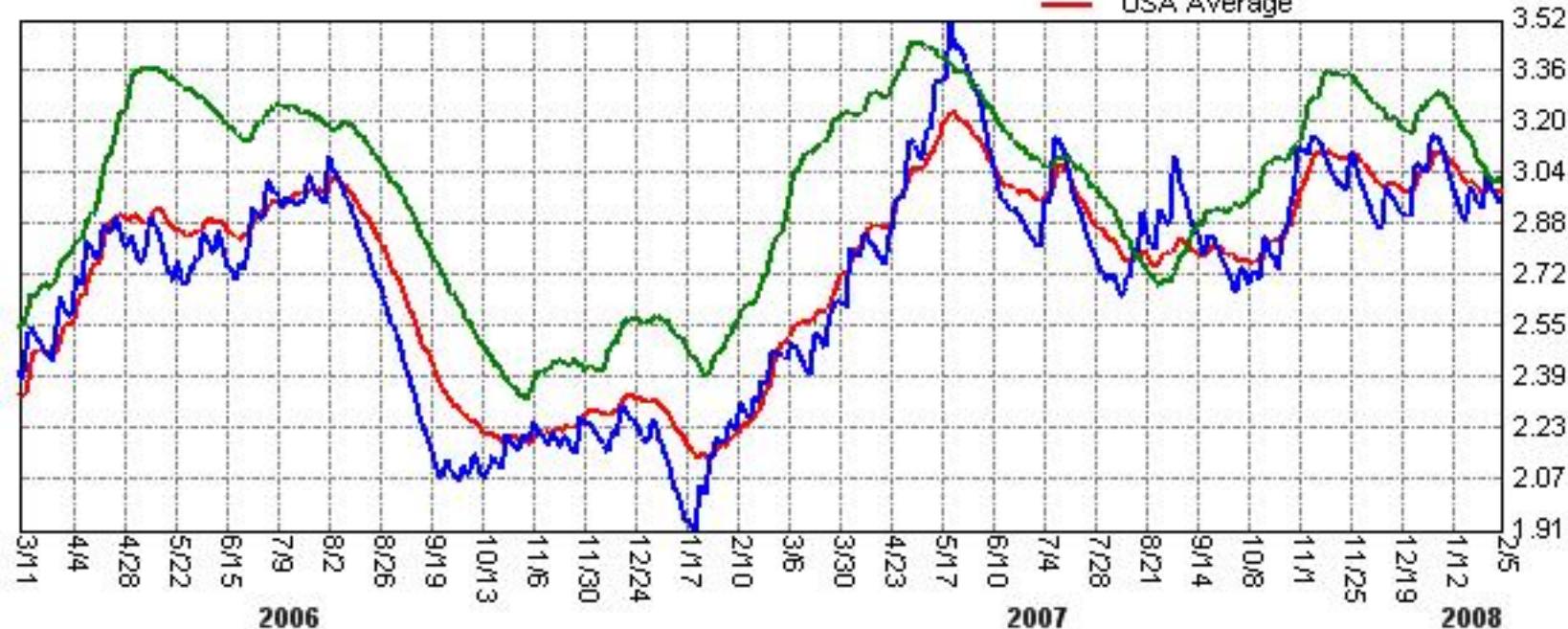
Price Differences (Conventional versus RFG)

Regular Gas Price (US \$/G)

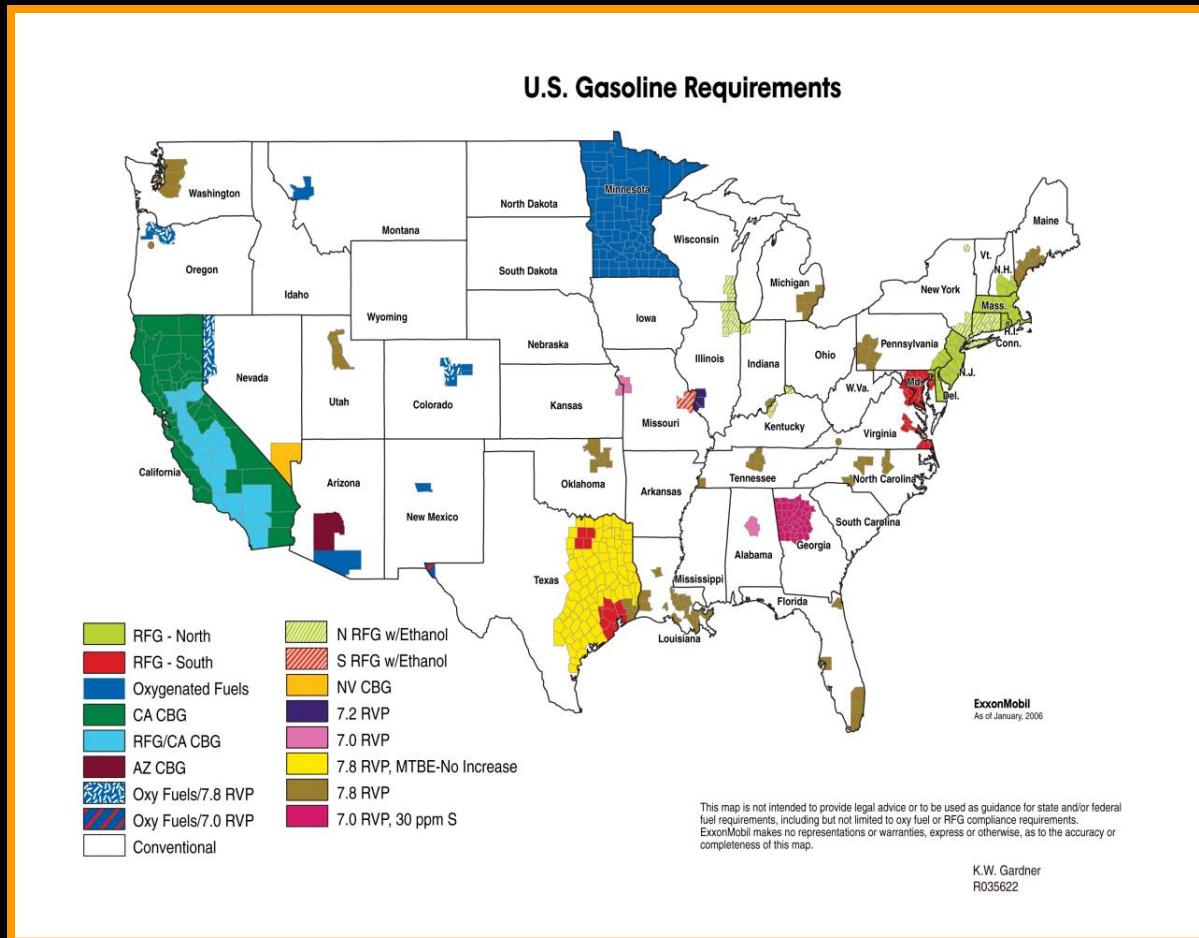
24 Month Average Retail Price Chart

Los Angeles
Indiana
USA Average

Regular Gas Price (US \$/G)



Distribution of Boutique Fuels



RFG requirements can lead to supply disruptions, unless these requirements are temporarily waved.

Positives & Negatives Boutique Fuels

Positive Aspects:

Improved air quality.

Reduced lead and MTBE in the environment.

Negative Aspects:

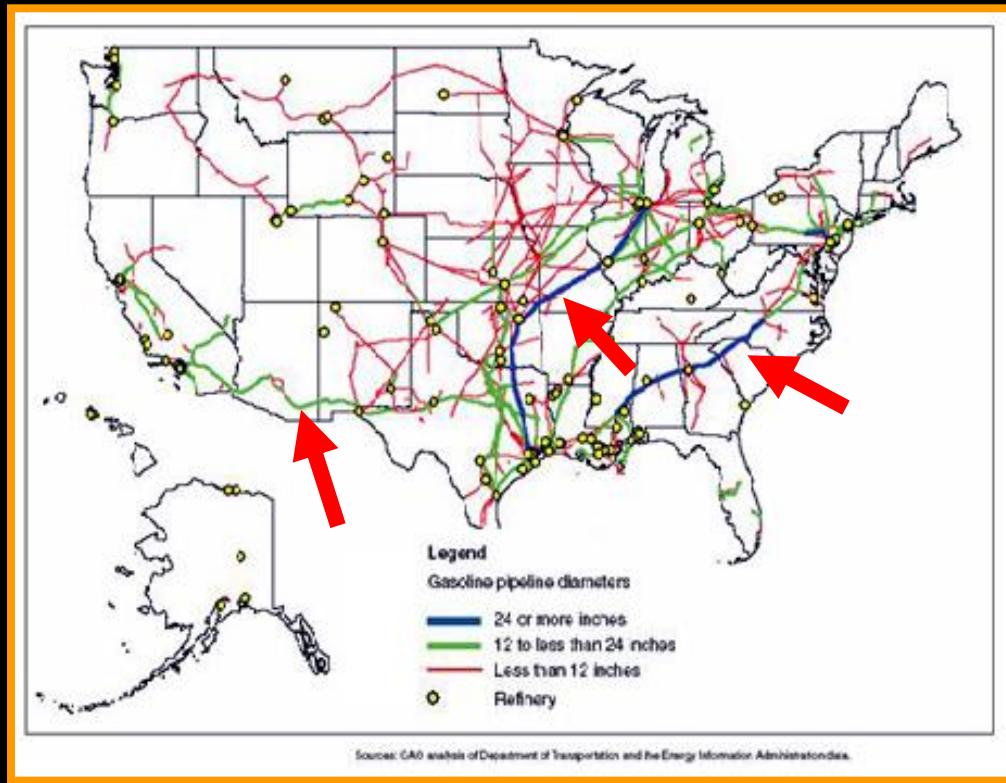
Production costs are more expensive.

Lower production capacity.

Not uniformly used across the US.

Supply instability can lead to short term supply
shortages and price increases.

Major Refined Product Pipelines



Pipelines are not owned by the major oil companies.

Pipelines do not own the oil, they only transport oil.

Pipeline provide a means of moving refined products from the refinery to distribution centers.

Refined Product Use & Transport

End user may be different from the company that produced the product (i.e. generic gasoline).

End user may use any fuel that meets their needs.

Each batch of product is 50,000 barrels.

Product may be removed at any point along the pipeline.

Rate of product flow is 4 - 5 mph.

Batch Delivery

- Different product batches are “pushed” through the system abutting each other.



Reformulated regular gasoline	Low sulfur diesel fuel	Kerosene/ Jet Fuel	High Sulfur Diesel	Conventional regular gasoline	Premium gasoline	Reformulated premium gasoline
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Different fuels from several refineries can be transported at the same time.

Similar fuels are adjacent to each other.

Higher grades can be used by lower grade end users.

Mixed premium and lower grades are sold as midgrade.

Mixing at interface between fuels may be refined again or may be used in facilities where they fuel oil is used.

Wholesale Distribution



Distributed to wholesale terminal and stored in tanks (storage capacity of 50,000 tanks).

Delivered to retailer by tanker truck (8000 gal).

Gasoline Pricing

Why are gasoline prices so high?

Who is making all the money?

What causes sudden changes in gasoline prices?

Why do gasoline prices climb so fast and come down so slowly?

Why do gasoline prices change every day?

Why are gasoline prices higher in some states and lower in others.

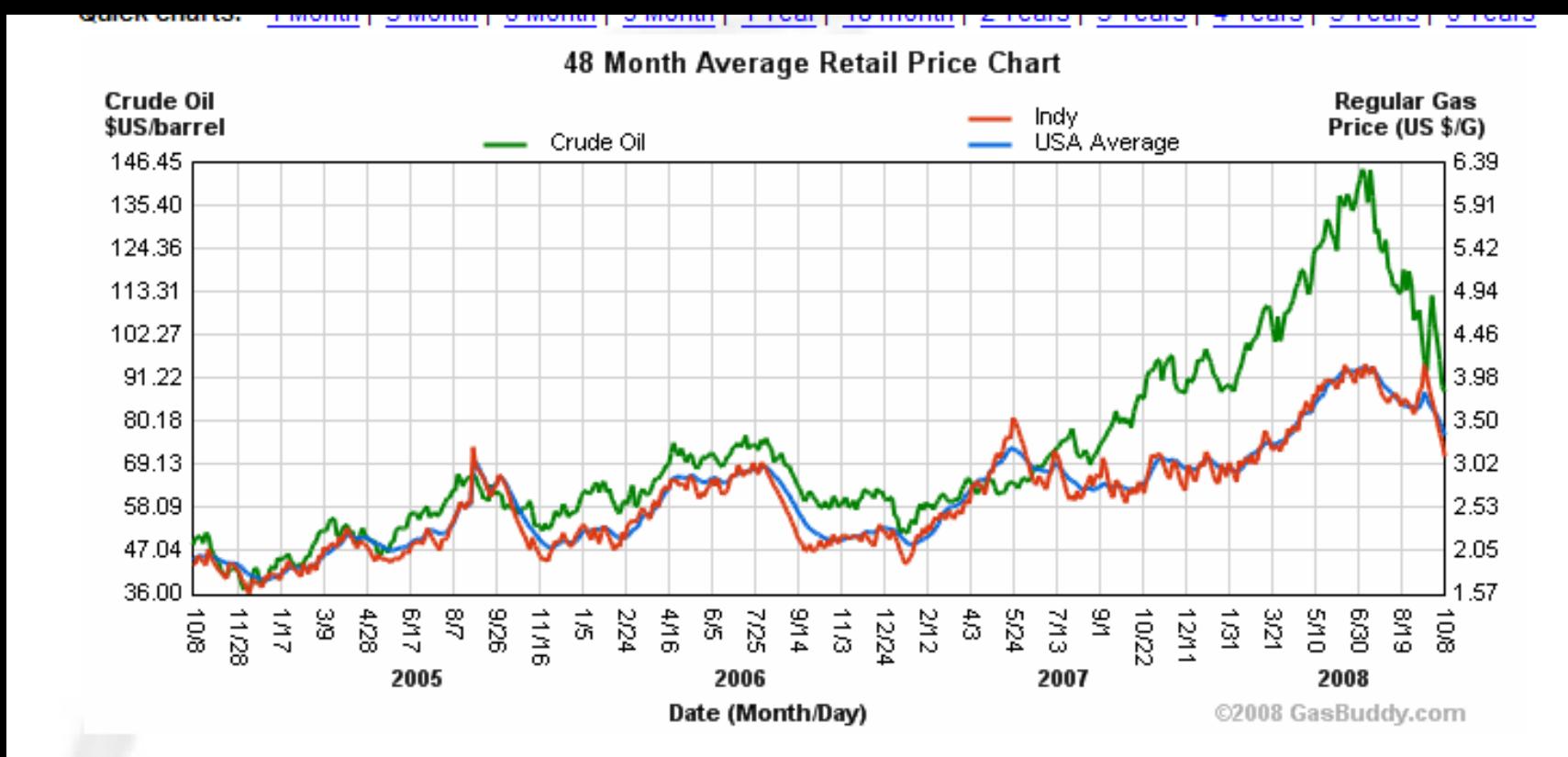


Distribution & Pricing of Gasoline



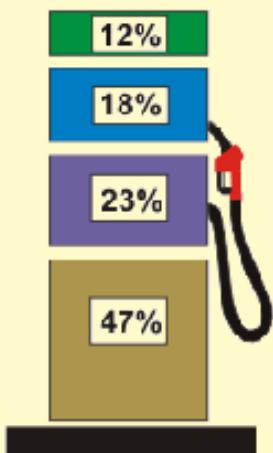
Gasoline Price Trends

2005-2008



Cost to Produce & Sell Gasoline

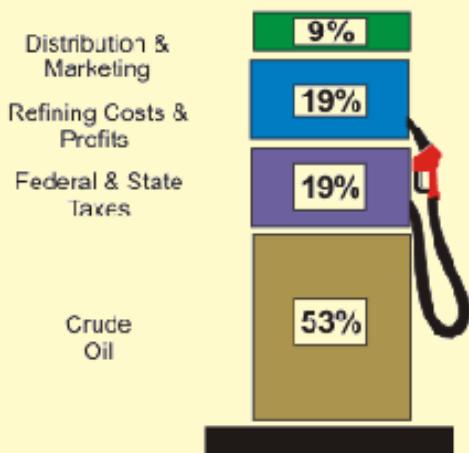
2004 Average
Retail Price: \$1.85/gallon



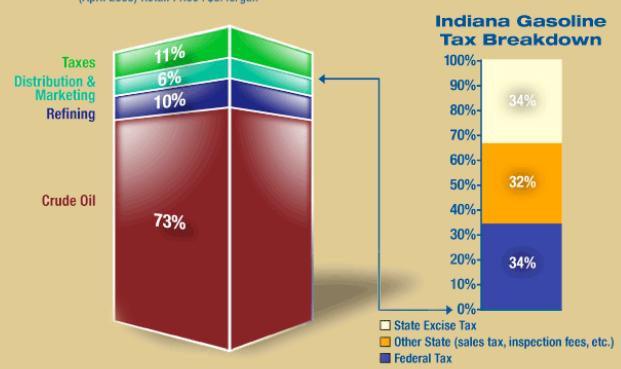
Source: Energy Information Administration, Washington, DC

2004 (\$1.65)

2005 Average
Retail Price: \$2.27/gallon



What We Pay For
In A Gallon of Gasoline
(April 2008) Retail Price : \$3.46/gal.



Source: <http://www.eia.doe.gov>
Source: American Petroleum Institute

2008 Indiana (\$3.46)

Taxes

Federal excise tax: 18.5 ct/gal

State excise tax: 19 ct/gal (varies between states)

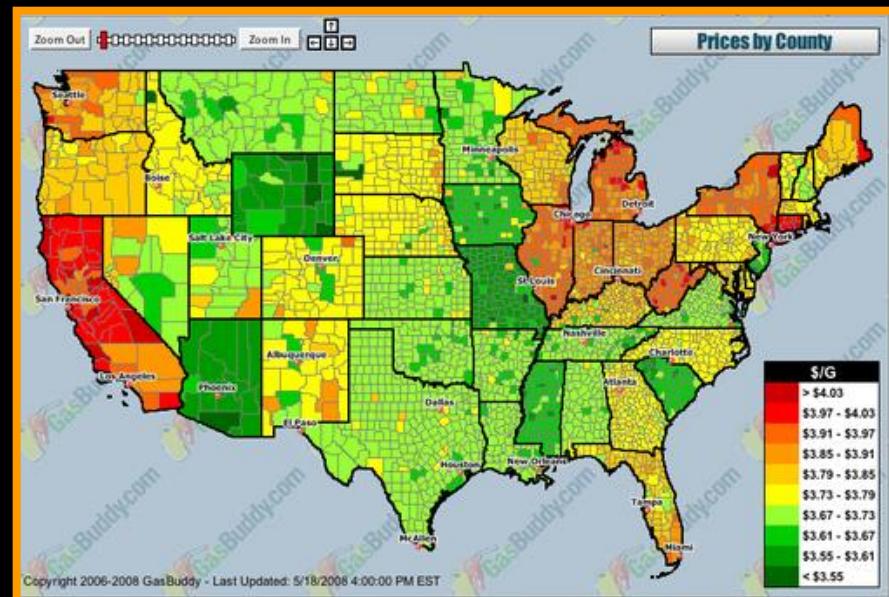
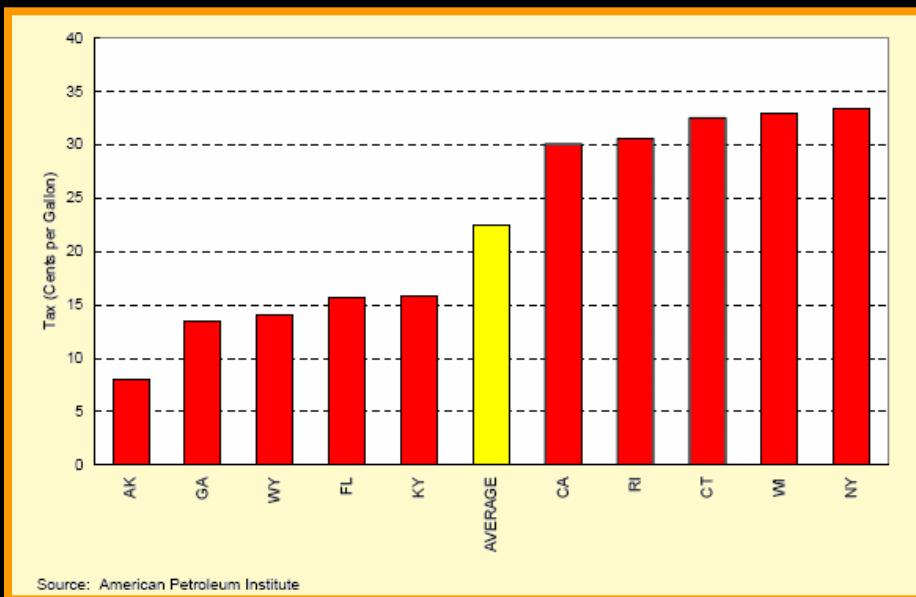
State sales tax: varies (6% in Indiana)

Local tax: a few localities have local taxes which add a few cents to the gallon.

Average taxes on gasoline was about 23% of cost in 2004.

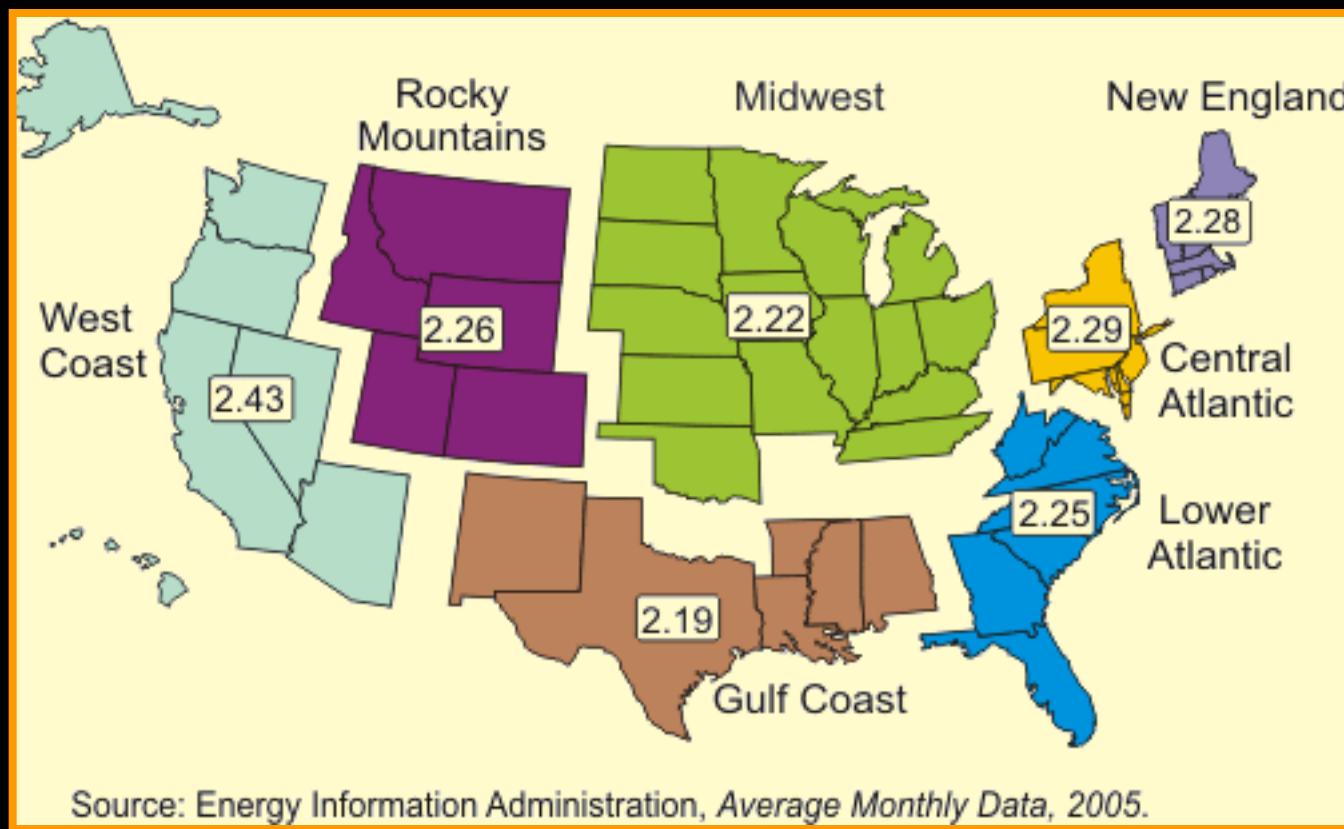
Distributors and producers have no control over taxes.

Selected State Tax Comparison 2004

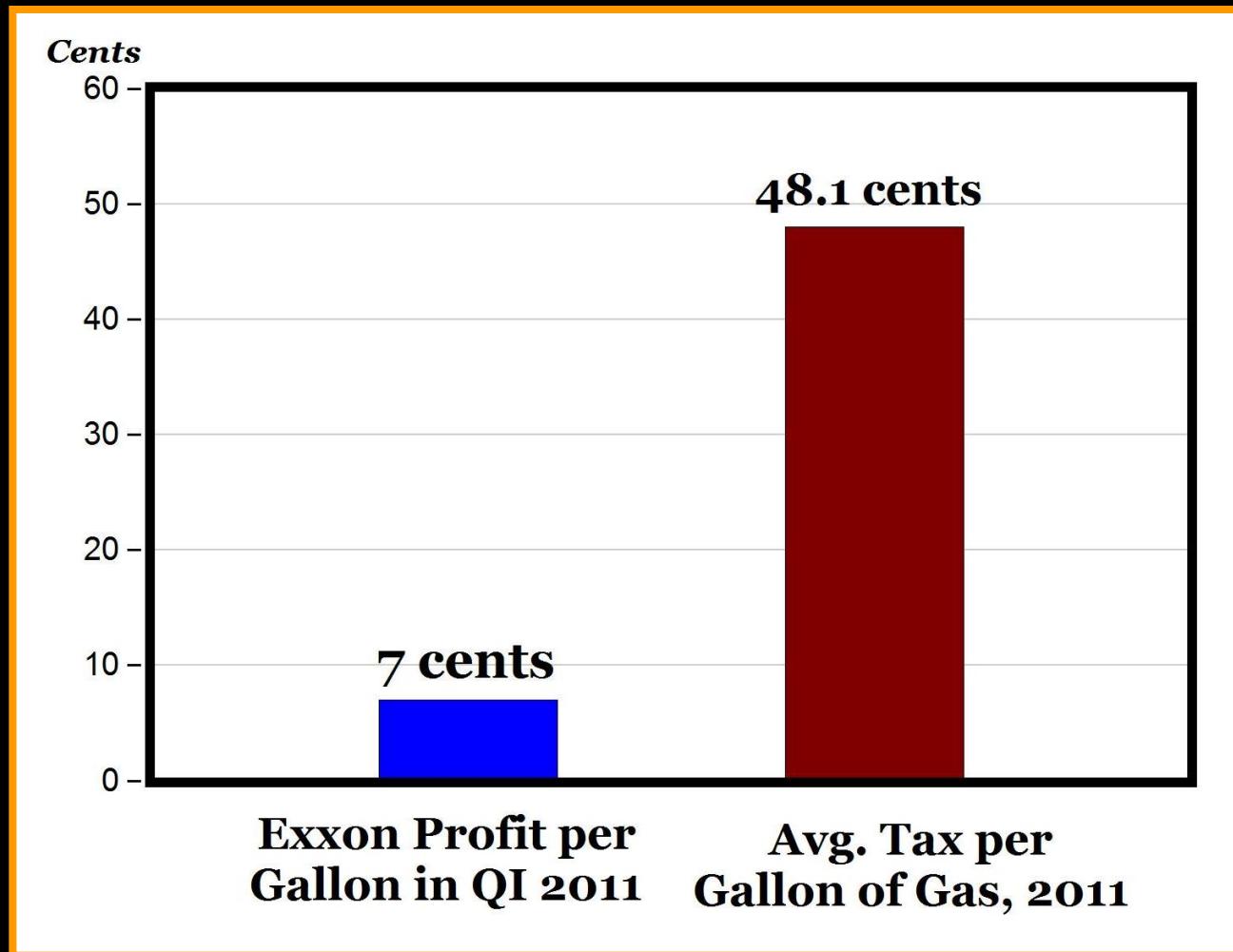


Gasbuddy price map

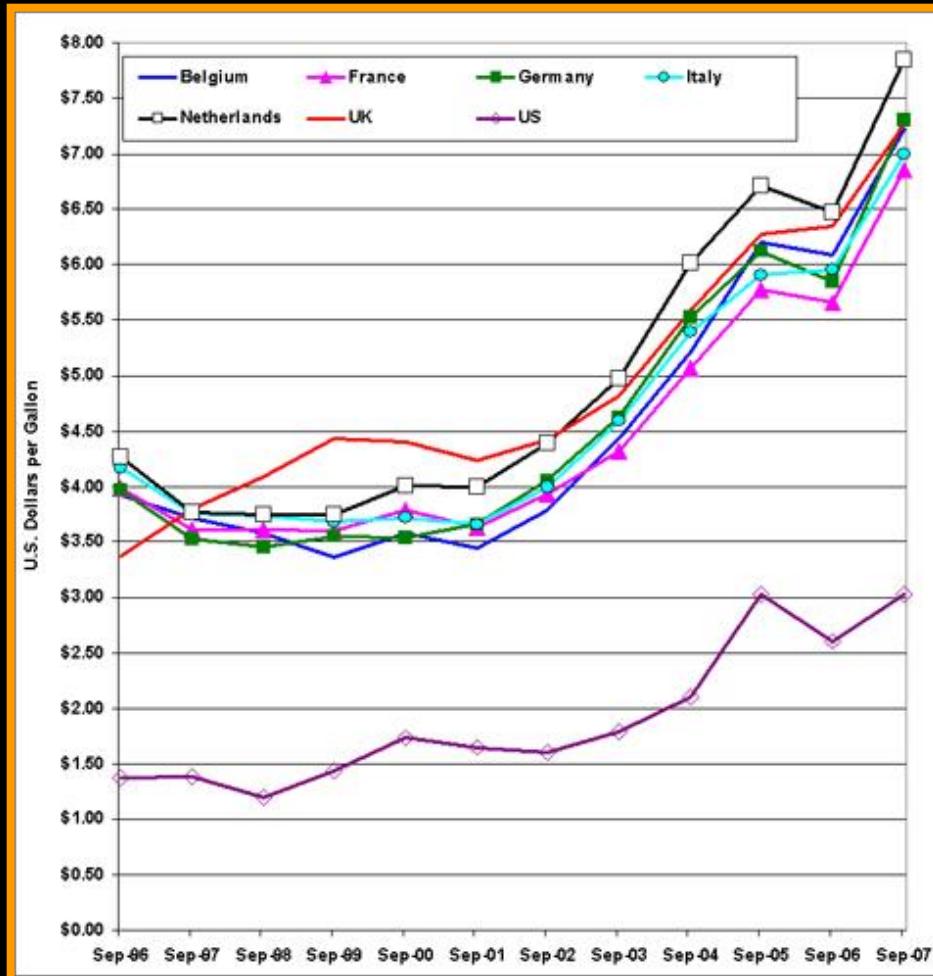
Regional Price Differences



Average Gasoline Tax vs. Exxon Profit, Per gallon



World Gasoline Costs



Dollars/gal

History of Gasoline Retailing

Oil companies made their greatest profits through refining and gasoline sales.

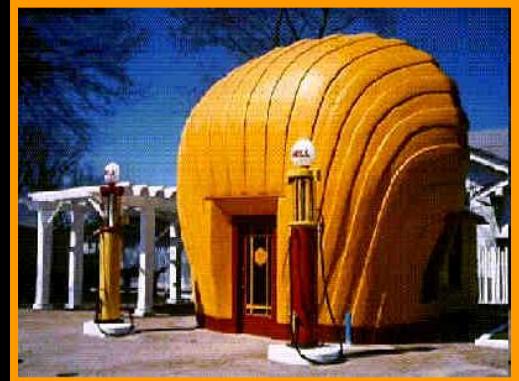
During the first half of the 20th century there was intense competition to sell gasoline.

Place-product packaging - development of look-a-like gas stations.

During the second half of the 20th century, profits in refining and gasoline sales decreased and most of the profits came from production.

This led to decline of full service gas stations and rise of convenience store type of gas stations.

Major oil companies gradually divested themselves of retailing gasoline.



Early gas station with a personality



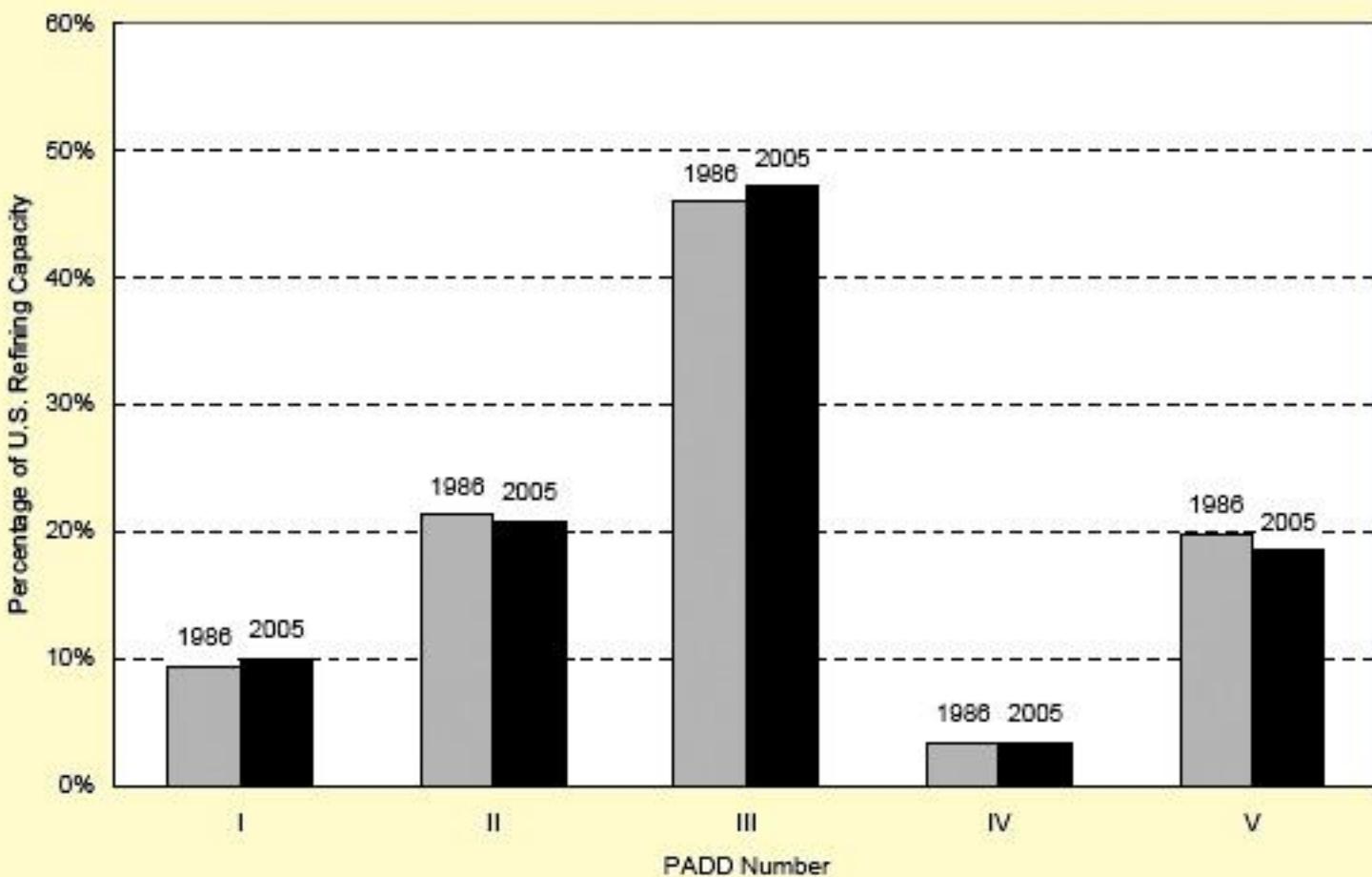
Modern stations

Petroleum Administration for Defense Districts

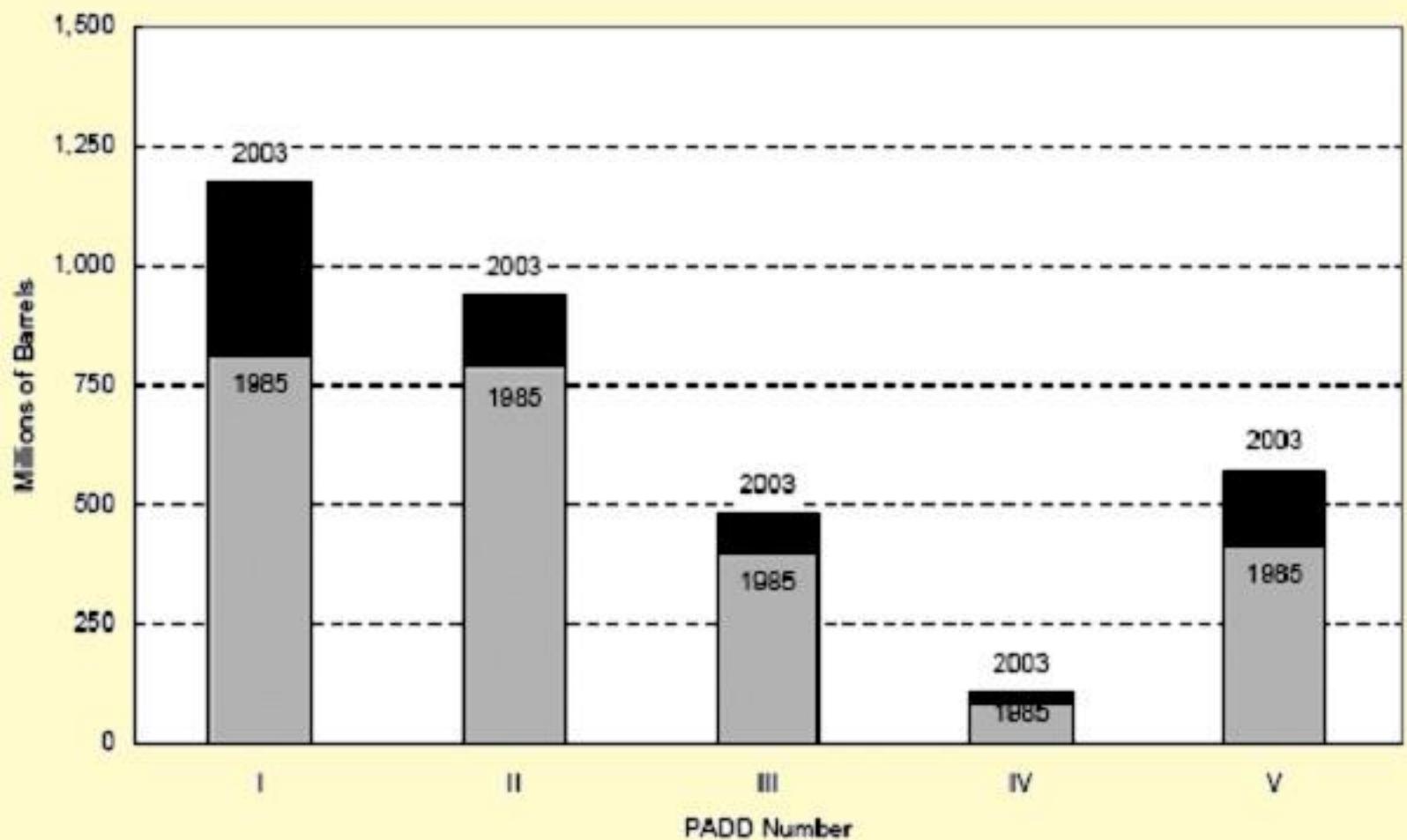


Nation was divided into regions during World War II for strategic planning and distribution of petroleum products

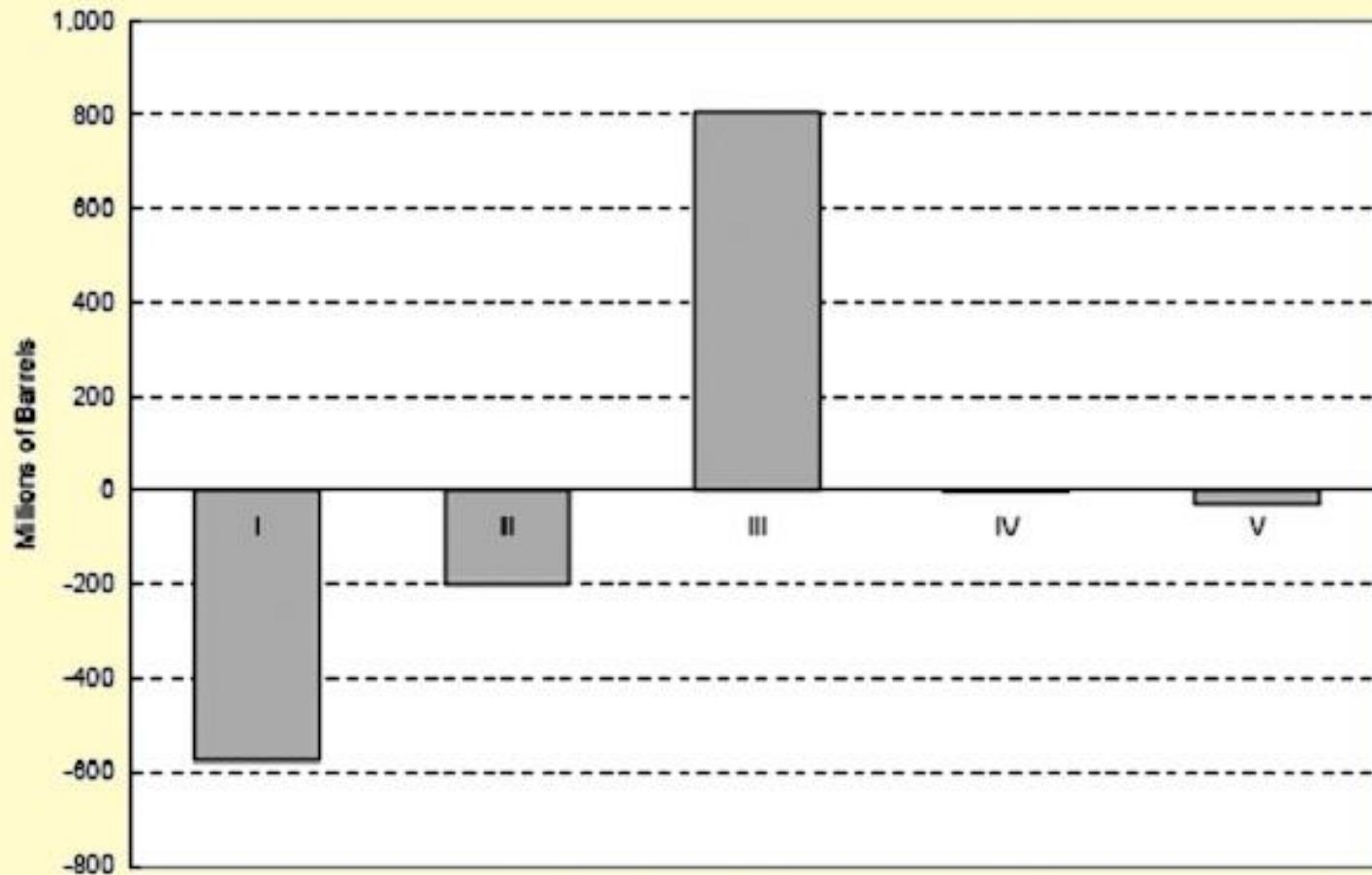
Percent Refining Capacity by PADD (1985-2003)



Gasoline Consumption by PADD (1985-2003)

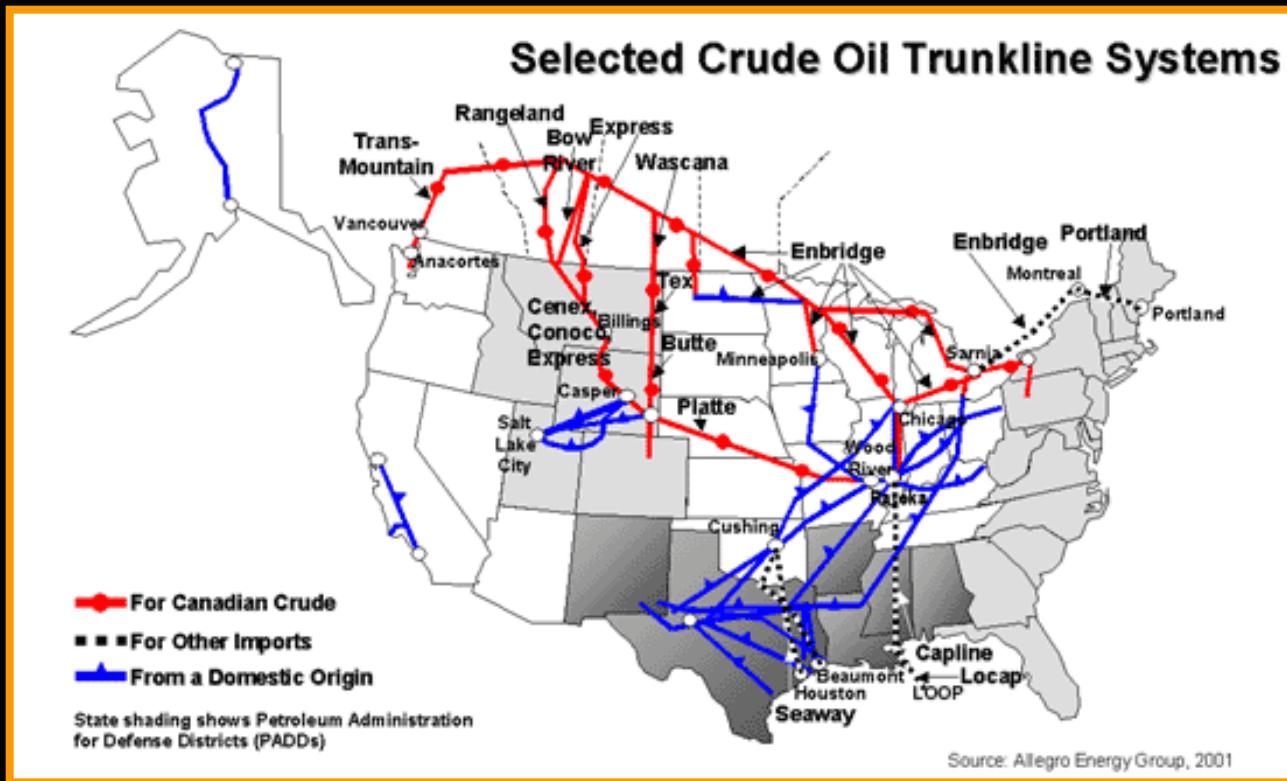


Net Shipment of Gasoline to PADD (1986-2003)



Source PADD

Refineries



Refineries tend to be concentrated in certain locations:

1. Near producing areas
2. Seaports
3. Along major pipelines

Location of refineries determines the impact of any supply disruptions.

Distribution System

Distribution system is designed to get the product to:

The place that needs it.

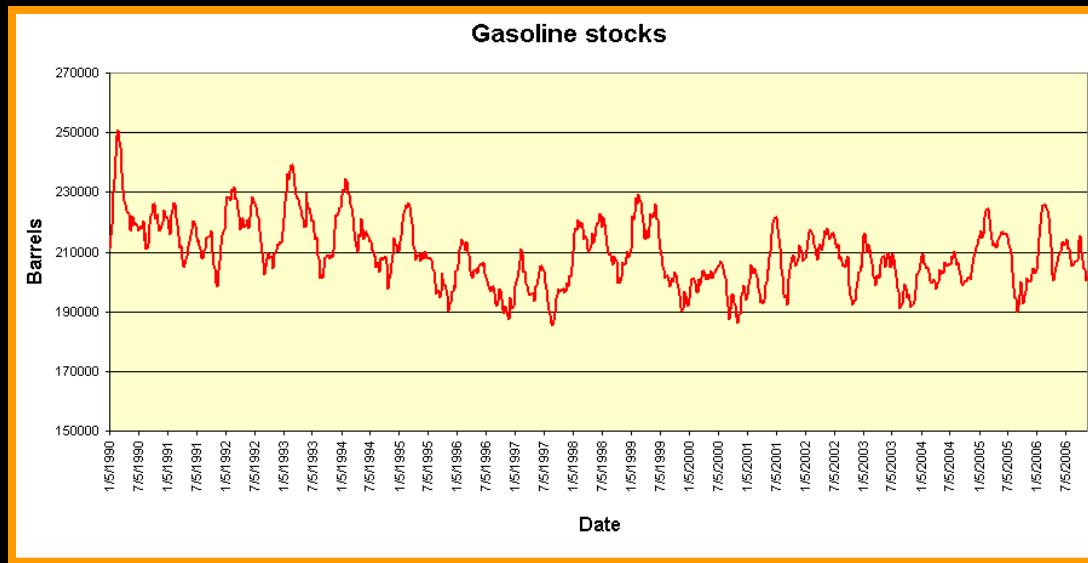
At the time it is needed.

At the lowest cost possible.

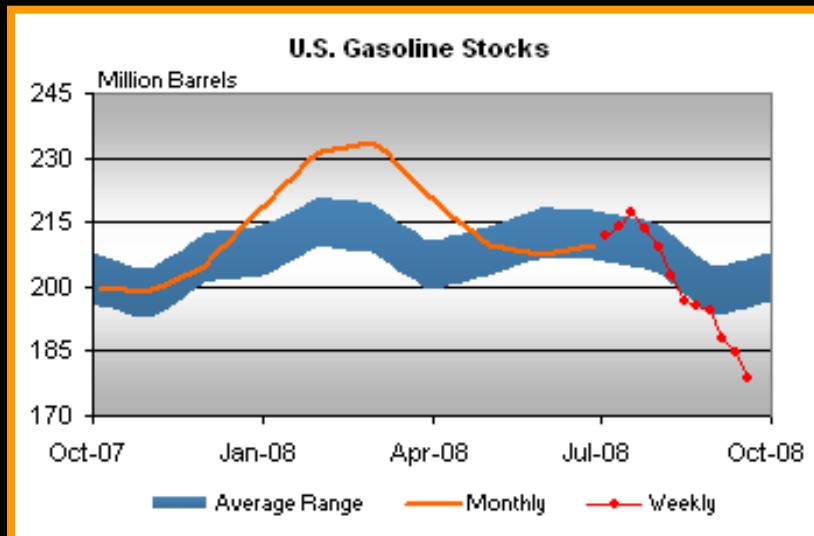
“Inventory on demand” - minimum amounts of inventory are kept at the terminal due to cost of storage.

Distribution is arranged according to the past history of demands for gasoline.

Changes in Gasoline Stock



Month inventory (1990 to 2006)

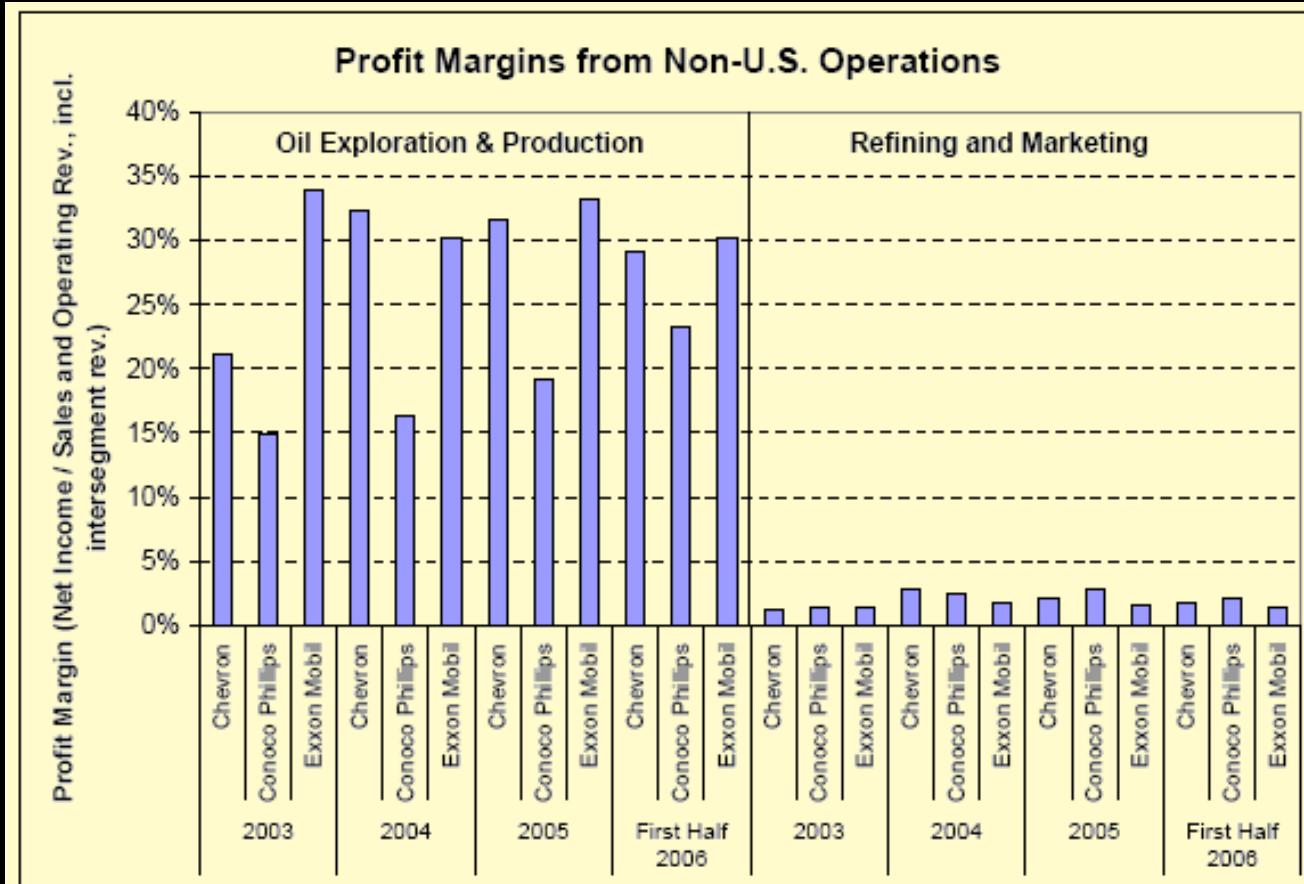


Monthly inventory and 5 year average (blue)

Refining & the Cost of Gasoline



Where is the Money Made?



Source: CEC analysis of company management reports, SEC 10-K, 10-Q, 20-F, and 6-K filings.

Refinery Down Time

Planned:

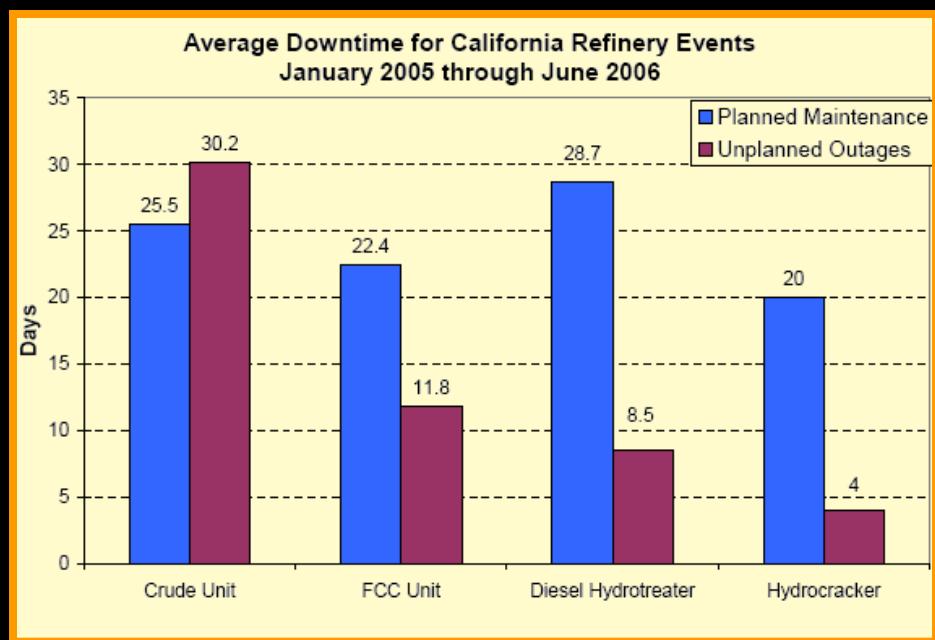
Refineries are shutdown to change from winter to summer blends.

Recondition, repair, and upgrade facility.

Shutdowns are planned one to two years in advance.

Unplanned:

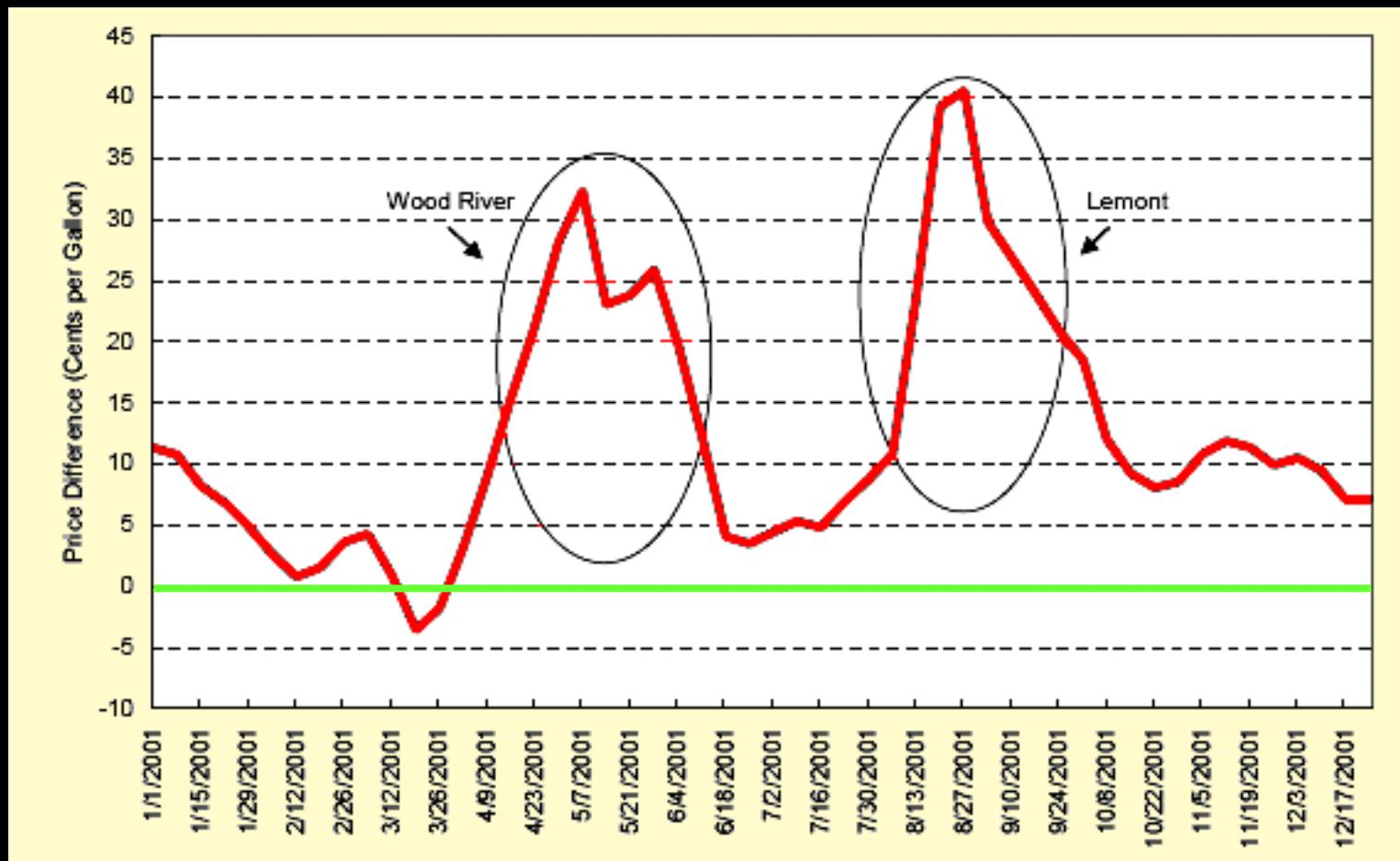
Any refinery shutdown not anticipated; fire, power failure.



Unplanned Shutdown

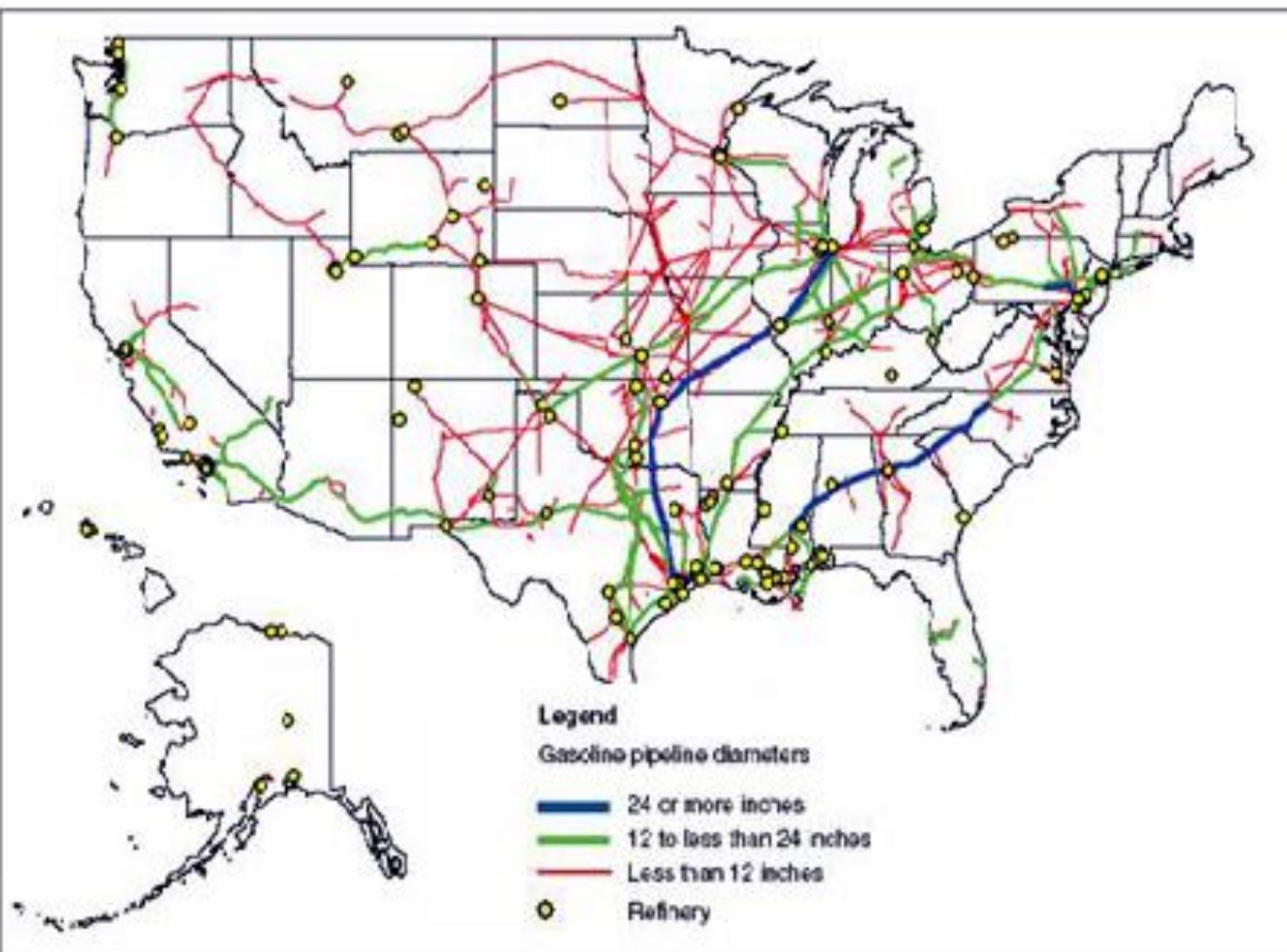
- Has a major impact on the supply of gasoline locally and regionally.
- The duration of an unplanned shutdown varies, depending on the cause of shutdown.

Local Price Spike



Weekly difference between spot price of gasoline between Chicago and Houston due to refinery fires.

Major Refined Pipelines



Sources: CAO analysis of Department of Transportation and the Energy Information Administration data.

Distribution Terms

- **Rack** = refers to the loading area or point of sell (rack price).
- **Jobber** = business person who sells wholesale products to the retailer.
- **Branded gasoline** = product with producer name.
- **Unbranded gasoline** = generic gasoline.

**It's a great system as long as there
are no disruptions in supply**

Types of disruptions:

Reduction in crude supply (imports).

Unplanned refinery shutdown.

**Reduction in distribution of refined products
(pipeline breaks).**

Gasoline Price Spikes

Price spikes may be produced by:

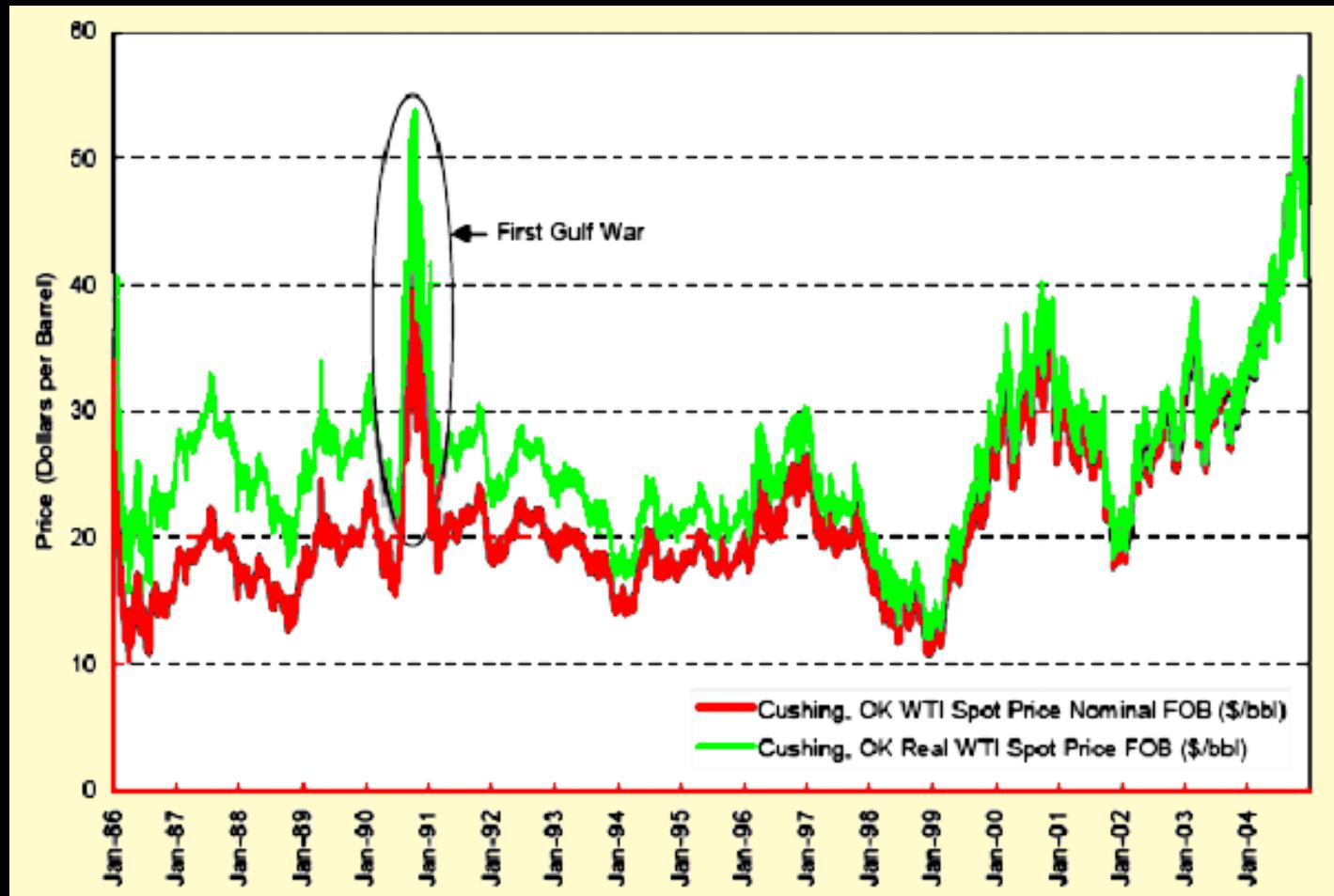
Global disruption in crude supply.

Disruption in distribution system resulting in reduction of supply.

Types of supply disruption:

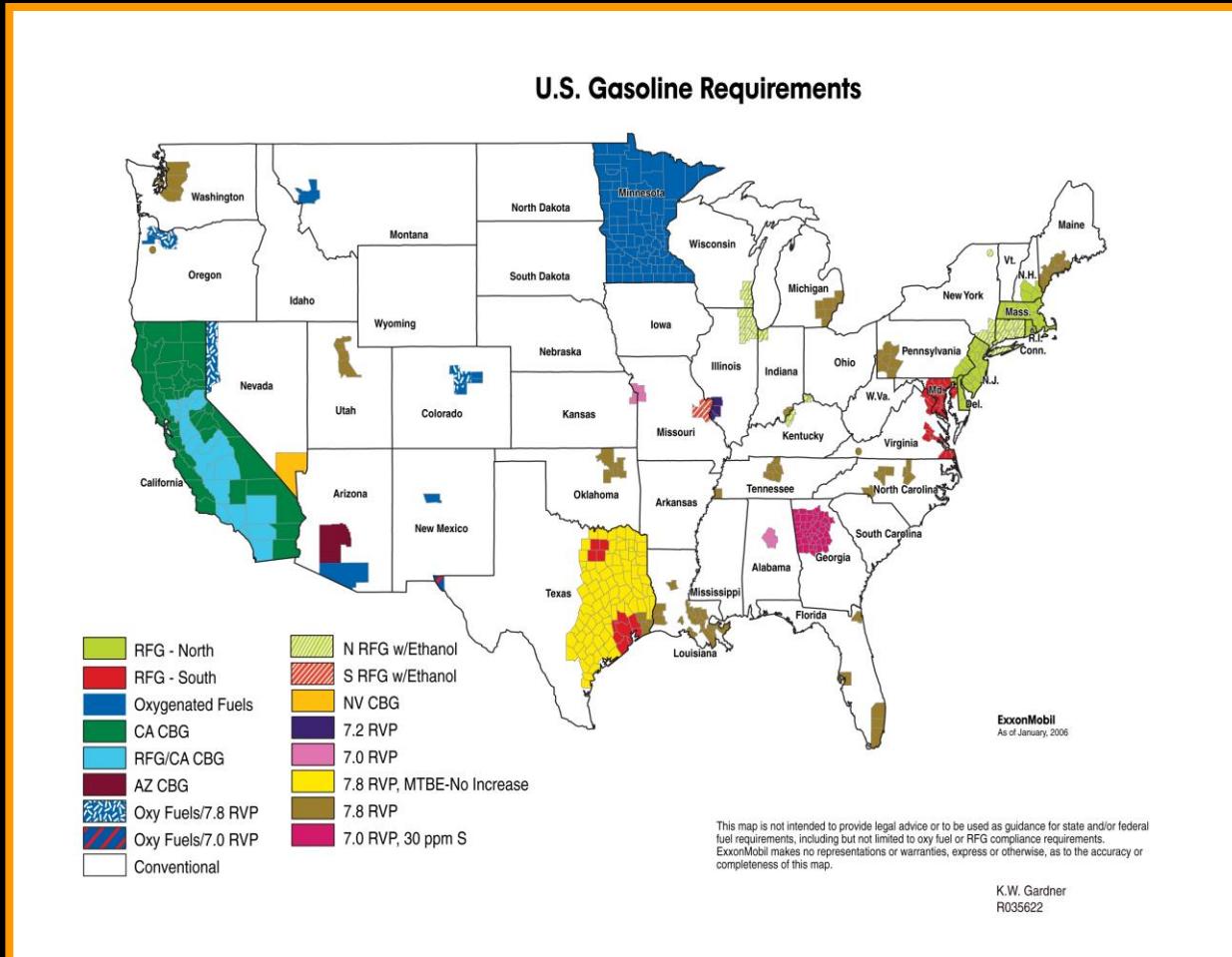
- 1. Supply cut off or reduced.**
- 2. Local supply sold elsewhere.**

Global Price Spike

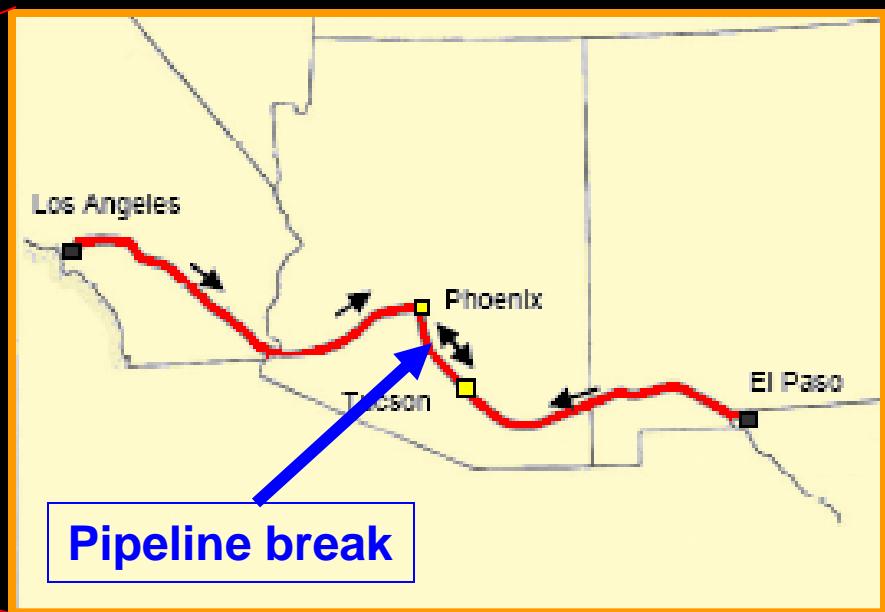
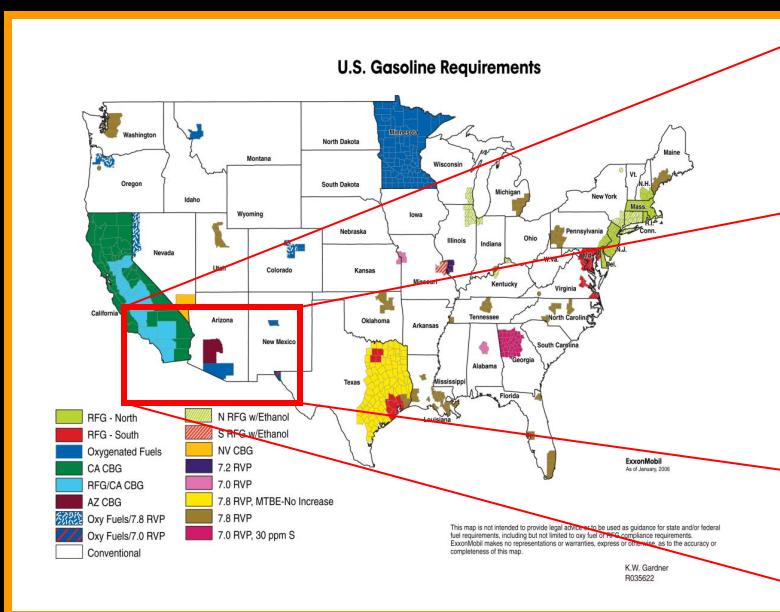


Effects of First Gulf War on U.S. crude prices

Distribution of Boutique Fuels



Effect of Pipeline Outage Between Phoenix & Tucson



Phoenix Pipeline Outages

Phoenix gasoline supply:

Has unique RFG gasoline requirement.

Most of Phoenix gasoline comes from El Paso.

California is a marginal supply.*

Tucson uses different RFG gasoline.

***Marginal supplier - supplies products, if the price is right.**

Ideal Conditions for a Price Spike

“Inventory on demand” - normally inventories are kept at a minimum.

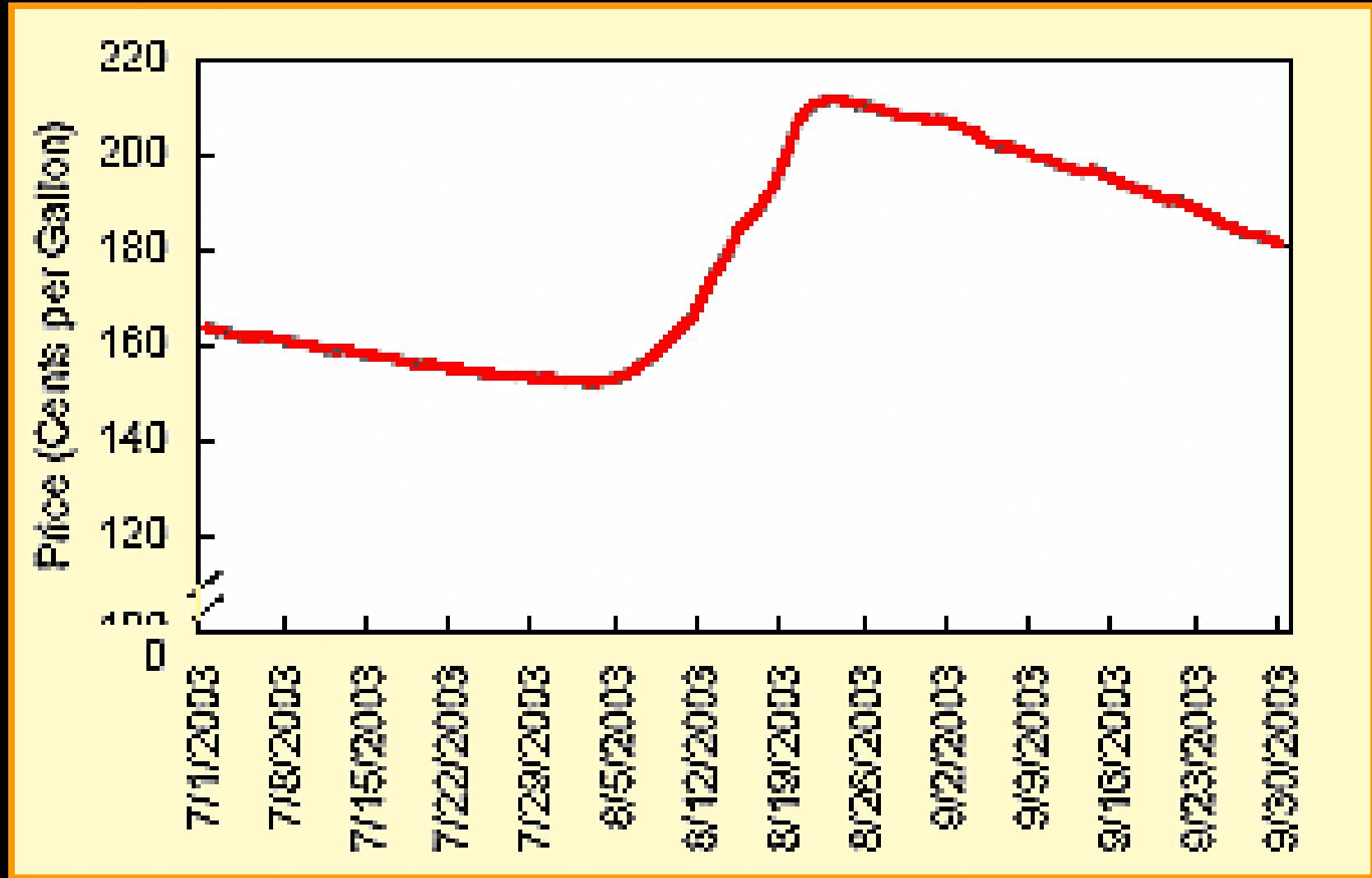
Use of two different RFG gasolines.

Limited sources of RFG gasoline for Phoenix:

El Paso (principal supplier).

Los Angeles (marginal supplier only).

Phoenix Regular Gasoline Price following Pipeline Outages



How to Meet Gasoline Needs of Phoenix

Buy more gasoline from California.

Truck it in from Tucson.

Store Phoenix RFG gasoline in storage tanks normally used for Tucson gasoline.

Marginal Suppliers from California

Happy to sell RFG gasoline to Phoenix if the price is right.

Makes more money selling to Phoenix than southern California.

Unfortunately this would lead to less gasoline in California.

Prices in California would begin to rise.

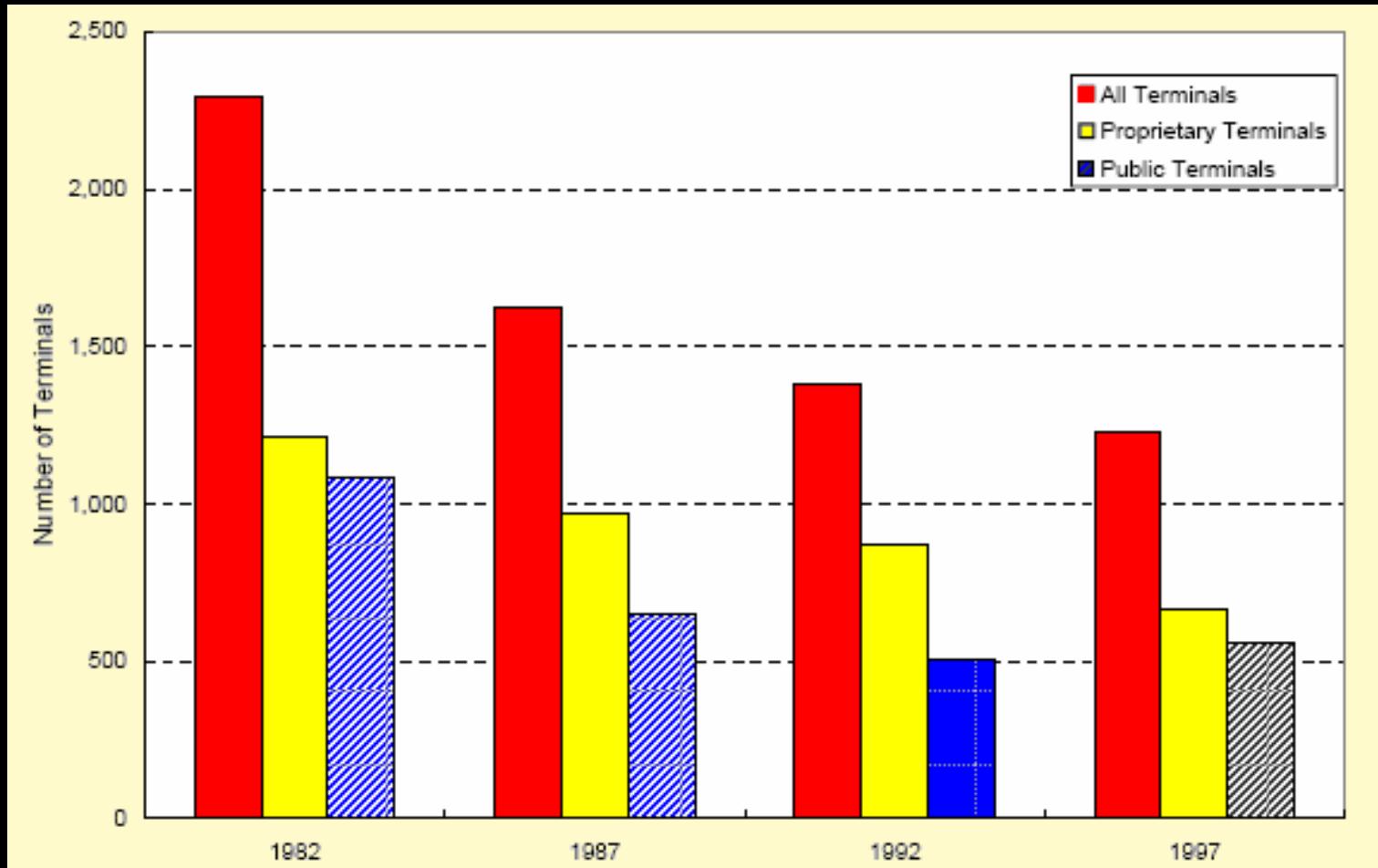
Regional Effect of Phoenix Pipeline Outage

- Price rises sharply in Phoenix.
- Phoenix begins to buy RFG gasoline from California.
- Supply in California tightens and prices rise in California.
- Storage of RFG gasoline from El Paso for use in Phoenix is trucked and stored in tanks normally used for Tucson gasoline. Results in less gasoline in Tucson, so prices rise in Tucson.
- Washington begins to sell RFG gasoline to California to make up for California's short fall.
- Less gasoline available in Washington, so prices rise in Washington.

Local Retailer & Gasoline Prices



Number of Proprietary & Public Terminals



Anyone can purchase petroleum products from a Public Terminal

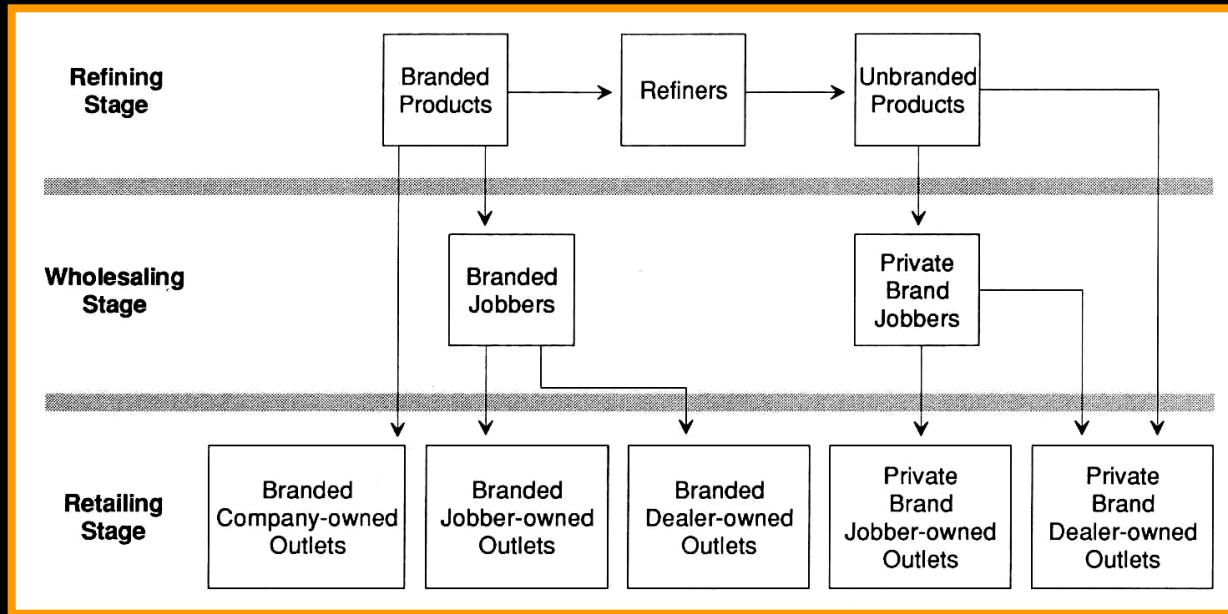
Types of Retail Outlets in U.S.

Traditional full service station - provides gas, tires, oil, and repairs. Occasionally soft drinks and ice - almost a thing of the past.

Convenience Outlet - only gasoline, limited auto accessories (i.e. oil etc), groceries of all kinds, may have a restaurant.

Hypermarket - sells gasoline as a “come on” to get you in their store (Wal-Mart, Sam’s, Costco, etc.).

Source of Gasoline for Retailer



Terminal (public or proprietary).

The price the retailer pays for gasoline is determined by the wholesaler.

Delivered by tanker truck

(8,400 gallons)

Jobber = driver who delivers the gasoline to retailer.

Who Owns the Gas Stations?

- **Retailer leases the station from a company.**
- **Retailer owns the station and uses the company's logo.**
- **Retailer is an independent station.**
- **Retail stations may be owned by either the wholesaler, jobber, or independent dealer.**

Retailer Leases Station from Major Oil Company

Stations are managed by company employees that provides branded gasoline or station can be leased to a private individual, but closely supervised by the company.

Retailer sells and receives a percentage of his sales.

Retailer does not have to worry about finding a supplier or the cost of gasoline.

Retailer Owns Company Station

- Independent businessman.
- Used oil company's logo and advertising.
- Buys branded gasoline from the oil company.
- Normally receives an allotment of gasoline from company.
- Cannot buy gasoline from other suppliers.
- May be told how much he can sell his gas for - “suggested price.”
- Retailer has to make a profit to survive.



Independent Retailer

Owns station, may be part of a franchise.

No guaranteed source of gasoline.

Gets surplus gasoline from a variety of wholesalers with gasoline sources.

Has more pricing flexibility.

Has to make a profit to survive.

Distribution System

Distribution system is designed to get the product to:

The place that needs it.

At the time it is needed.

At the lowest cost possible.

**“Inventory on demand” = minimum amount of inventory
is kept at the terminal, due to the cost of storage.**

**Distribution system is based on
projections of past needs of
wholesalers and retailers during
a given time interval**

Wholesalers Pricing Strategy

Rack pricing is based on:

Current price and rack's profit margin.

Inventory position at terminal.

Production estimates at refinery.

Delivery schedules from refinery.

Current rack sales.

Sales projections.

NEMEX price.

Current competitive prices.

Basis of Pricing Strategy is to Set the Right Price

If the rack price is too high, less volume will be sold than projected:

Risk of running out of storage space at terminals as more product is delivered.

Can slow down or stop pipeline deliveries.

Potentially disrupting deliveries over a wider region.

If rack price is too low, more volume will be sold than projected:

Risk running out of product before next delivery, leaving customers without needed product .

Retailer Pays on Delivery

The independent retailer has to pay on delivery, therefore he must anticipate the cost of his delivery.

Jobber advises retailer of any price changes.

Retailer will increase price immediately to pay for the next shipment.

If a retailer receives more than one shipment a day or if the price changes more than once, the retailer may change his price more than once during the day.



Retailer Pricing Strategy

Location:

Rural v. suburban

Type of customer

Location and number of competitors.

Nature of the market.

Unique local factors of the market.

Hyperstations & Local Retailers

Hyperstation = high volume at low price (lost leader) to bring customers into store.

Local retailers cannot compete.

Depend on gasoline zoning to survive.

Zoning – wholesalers will discount prices to help the retailers survive.



Location, Location, Location

Prices July 2007

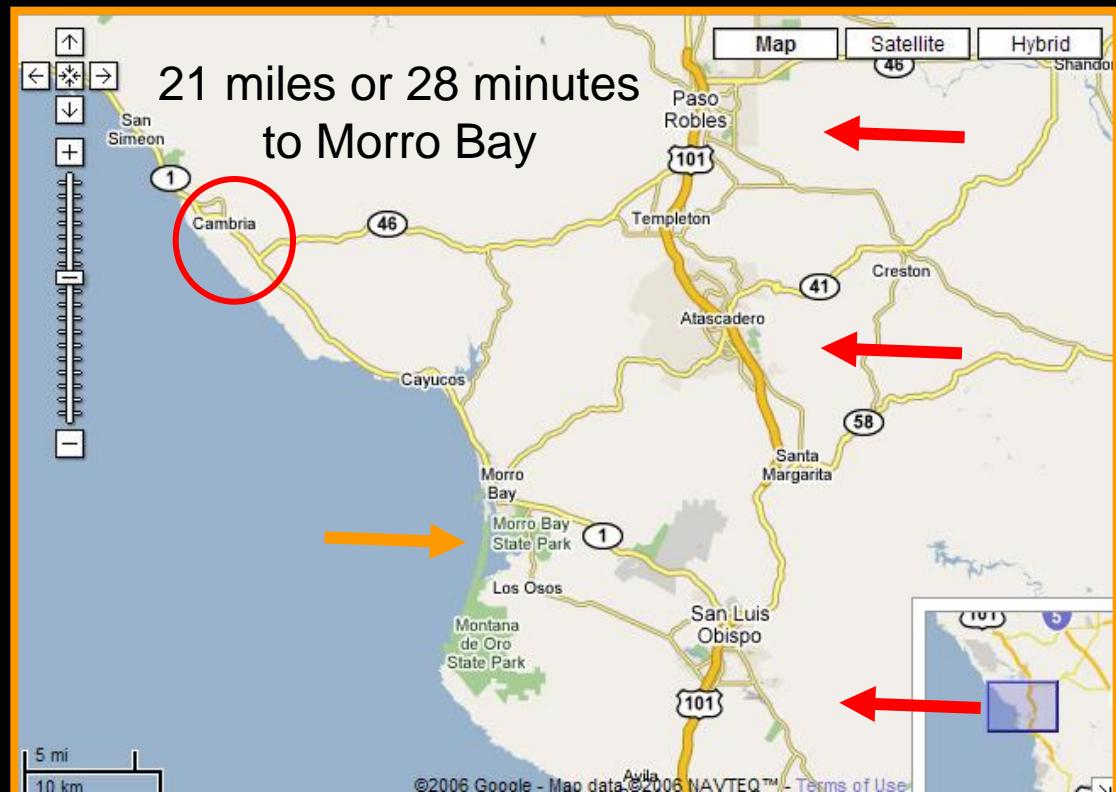
Cambria \$3.37 & \$3.64

Moro Bay \$2.49

San Luis Obispo \$2.49

Paso Robles \$2.41

Atascadero \$2.41



Cambria, CA

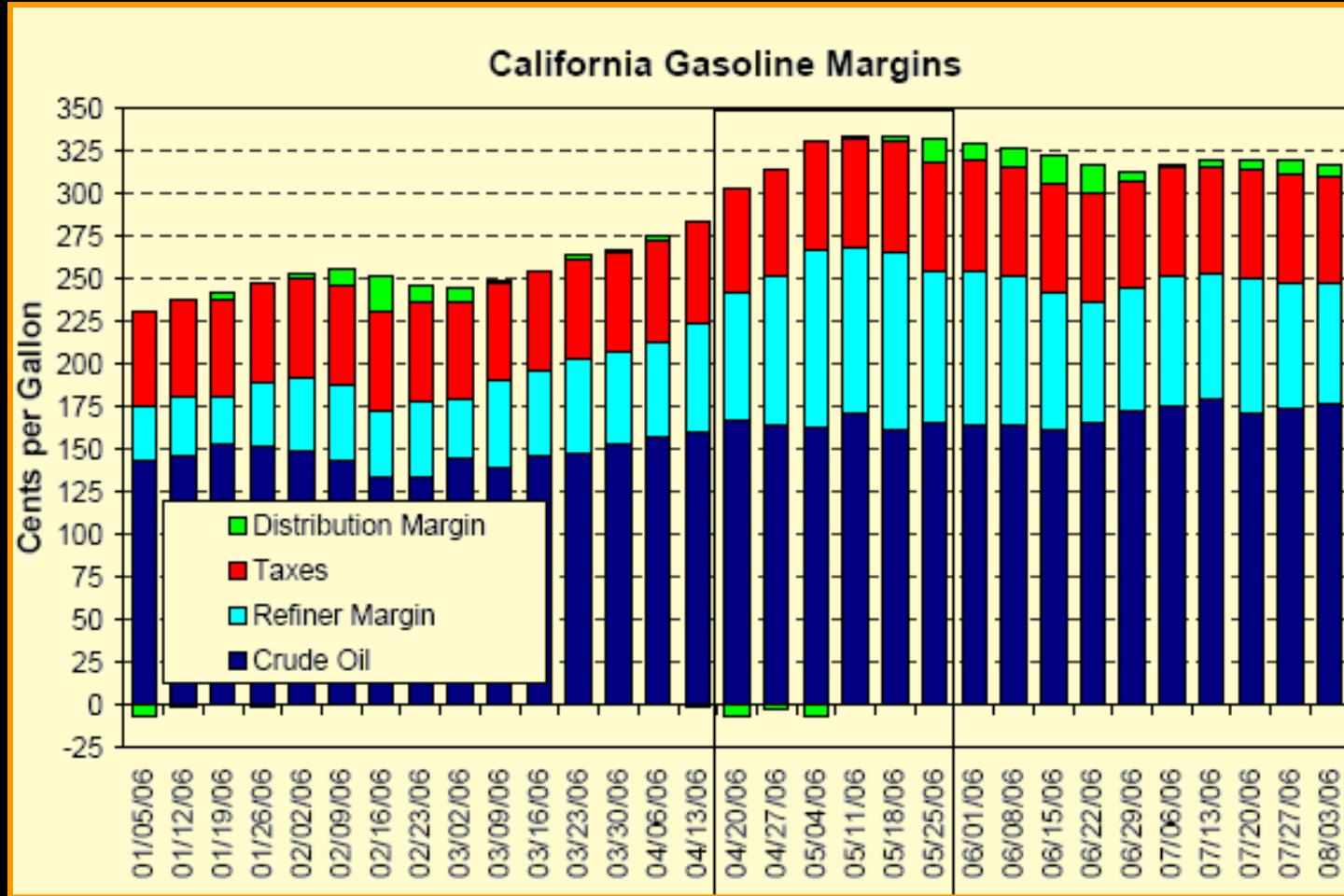
Retailers Don't like High Prices!

In many cases the higher the price, the lower the profit margin for the retailer.

In some cases the retailer may loose money on each gallon sold.

Just a few cents increase can make the difference between a sale or no sale.

Dealers Margin



Profit Margins, Jan. & Feb. 2008

January and February 2008

Branded	Jan 7, 2008	Jan 14, 2008	Jan 21, 2008	Jan 28, 2008	Feb 4, 2008	Feb 11, 2008	Feb 18, 2008	Feb 25, 2008
Distribution Costs, Marketing Costs and Profits	\$0.10	\$0.23	\$0.26	\$0.20	\$0.07	\$0.09	\$0.08	\$0.05
Crude Oil Cost	\$2.22	\$2.20	\$2.12	\$2.13	\$2.10	\$2.18	\$2.25	\$2.35
Refinery Cost and Profits	\$0.38	\$0.24	\$0.23	\$0.21	\$0.33	\$0.23	\$0.25	\$0.30
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.25	\$0.24	\$0.24	\$0.23	\$0.23	\$0.23	\$0.24	\$0.25
State Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$3.33	\$3.29	\$3.23	\$3.15	\$3.11	\$3.11	\$3.19	\$3.33
Unbranded	Jan 7, 2008	Jan 14, 2008	Jan 21, 2008	Jan 28, 2008	Feb 4, 2008	Feb 11, 2008	Feb 18, 2008	Feb 25, 2008
Distribution Costs, Marketing Costs and Profits	\$0.14	\$0.29	\$0.38	\$0.18	\$0.01	-\$0.01	-\$0.03	-\$0.08
Crude Oil Cost	\$2.22	\$2.20	\$2.12	\$2.13	\$2.10	\$2.18	\$2.25	\$2.35
Refinery Cost and Profits	\$0.35	\$0.18	\$0.11	\$0.23	\$0.39	\$0.33	\$0.36	\$0.43
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.25	\$0.24	\$0.24	\$0.23	\$0.23	\$0.23	\$0.24	\$0.25
State Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$3.33	\$3.29	\$3.23	\$3.15	\$3.11	\$3.11	\$3.19	\$3.33

Profit Margins, May & June 2008

May and June 2008

Branded									
	May 5, 2008	May 12, 2008	May 19, 2008	May 26, 2008	June 2, 2008	June 9, 2008	June 16, 2008	June 23, 2008	June 30, 2008
Distribution Costs, Marketing Costs and Profits	\$0.13	\$0.06	\$0.06	\$0.04	\$0.01	\$0.02	\$0.08	\$0.12	\$0.16
Crude Oil Cost	\$2.86	\$2.96	\$3.03	\$3.15	\$3.04	\$3.20	\$3.21	\$3.22	\$3.31
Refinery Cost and Profits	\$0.24	\$0.23	\$0.19	\$0.23	\$0.51	\$0.51	\$0.58	\$0.53	\$0.31
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.29	\$0.29	\$0.29	\$0.30	\$0.31	\$0.33	\$0.34	\$0.34	\$0.34
State Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$3.90	\$3.92	\$3.95	\$4.10	\$4.24	\$4.43	\$4.59	\$4.59	\$4.57
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Unbranded									
	May 5, 2008	May 12, 2008	May 19, 2008	May 26, 2008	June 2, 2008	June 9, 2008	June 16, 2008	June 23, 2008	June 30, 2008
Distribution Costs, Marketing Costs and Profits	\$0.09	\$0.03	- \$0.03	- \$0.13	- \$0.25	- \$0.19	\$0.10	\$0.19	\$0.27
Crude Oil Cost	\$2.86	\$2.96	\$3.03	\$3.15	\$3.04	\$3.20	\$3.21	\$3.22	\$3.31
Refinery Cost and Profits	\$0.28	\$0.26	\$0.28	\$0.40	\$0.76	\$0.71	\$0.56	\$0.46	\$0.28
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.29	\$0.29	\$0.29	\$0.30	\$0.31	\$0.33	\$0.34	\$0.34	\$0.34
State Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$3.90	\$3.92	\$3.95	\$4.10	\$4.24	\$4.43	\$4.59	\$4.59	\$4.57

Profit Margins, July & August 2008

July and August 2008

Branded								
	July 7, 2008	July 14, 2008	July 21, 2008	July 28, 2008	August 4, 2008	August 11, 2008	August 18, 2008	August 25, 2008
Distribution Costs, Marketing Costs and Profits	\$0.16	\$0.18	\$0.28	\$0.33	\$0.26	\$0.19	\$0.20	\$0.20
Crude Oil Cost	\$3.37	\$3.44	\$3.10	\$2.95	\$2.96	\$2.71	\$2.67	\$2.70
Refinery Cost and Profits	\$0.31	\$0.20	\$0.37	\$0.34	\$0.30	\$0.53	\$0.49	\$0.39
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.34	\$0.33	\$0.33	\$0.32	\$0.31	\$0.31	\$0.30	\$0.29
State Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$4.55	\$4.52	\$4.46	\$4.32	\$4.21	\$4.12	\$4.04	\$3.96
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Unbranded								
	July 7, 2008	July 14, 2008	July 21, 2008	July 28, 2008	August 4, 2008	August 11, 2008	August 18, 2008	August 25, 2008
Distribution Costs, Marketing Costs and Profits	\$0.28	\$0.22	\$0.56	\$0.50	\$0.40	\$0.23	\$0.34	\$0.27
Crude Oil Cost	\$3.37	\$3.44	\$3.10	\$2.95	\$2.96	\$2.71	\$2.67	\$2.70
Refinery Cost and Profits	\$0.18	\$0.15	\$0.09	\$0.17	\$0.16	\$0.49	\$0.35	\$0.31
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.34	\$0.33	\$0.33	\$0.32	\$0.31	\$0.31	\$0.30	\$0.29
State Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$4.55	\$4.52	\$4.46	\$4.32	\$4.21	\$4.12	\$4.04	\$3.96

Profit Margins, Sept & Oct 2008

September and October 2008

Branded								
	Sept 1, 2008	Sept 8, 2008	Sept 15, 2008	Sept 22, 2008	Sept 29, 2008	Oct 6, 2008	Oct 13, 2008	Oct 20, 2008
Distribution Costs, Marketing Costs and Profits	\$0.11	\$0.17	\$0.12	\$0.21	\$0.15	\$0.23	\$0.24	\$0.40
Crude Oil Cost	\$2.73	\$2.53	\$2.24	\$2.82	\$2.23	\$2.02	\$1.86	\$1.69
Refinery Cost and Profits	\$0.39	\$0.49	\$0.79	\$0.04	\$0.64	\$0.71	\$0.73	\$0.64
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.29	\$0.29	\$0.28	\$0.28	\$0.27	\$0.27	\$0.26	\$0.25
State Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$3.91	\$3.86	\$3.80	\$3.73	\$3.67	\$3.60	\$3.47	\$3.36
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Unbranded								
	Sept 1, 2008	Sept 8, 2008	Sept 15, 2008	Sept 22, 2008	Sept 29, 2008	Oct 6, 2008	Oct 13, 2008	Oct 20, 2008
Distribution Costs, Marketing Costs and Profits	\$0.00	\$0.18	\$0.17	\$0.33	\$0.19	\$0.35	\$0.28	\$0.52
Crude Oil Cost	\$2.73	\$2.53	\$2.24	\$2.82	\$2.23	\$2.02	\$1.86	\$1.69
Refinery Cost and Profits	\$0.51	\$0.48	\$0.73	- \$0.08	\$0.60	\$0.58	\$0.69	\$0.51
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.29	\$0.29	\$0.28	\$0.28	\$0.27	\$0.27	\$0.26	\$0.25
State Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$3.91	\$3.86	\$3.80	\$3.73	\$3.67	\$3.60	\$3.47	\$3.36

Profit Margins, Nov & Dec 2008

November and December 2008

Branded	Nov 3, 2008	Nov 10, 2008	Nov 17, 2008	Nov 24, 2008	Dec 1, 2008	Dec 8, 2008	Dec 15, 2008	Dec 22, 2008	Dec 29, 2008
Distribution Costs, Marketing Costs and Profits	\$0.56	\$0.42	\$0.39	\$0.40	\$0.27	\$0.24	\$0.10	\$0.10	\$0.10
Crude Oil Cost	\$1.45	\$1.40	\$1.23	\$1.19	\$1.07	\$0.92	\$0.92	\$0.61	\$0.82
Refinery Cost and Profits	\$0.19	\$0.17	\$0.19	- \$0.02	\$0.10	\$0.14	\$0.21	\$0.59	\$0.38
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.21	\$0.19	\$0.18	\$0.16	\$0.14	\$0.13	\$0.13	\$0.13	\$0.13
State Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$2.78	\$2.56	\$2.37	\$2.11	\$1.96	\$1.81	\$1.74	\$1.81	\$1.81
Unbranded	Nov 3, 2008	Nov 10, 2008	Nov 17, 2008	Nov 24, 2008	Dec 1, 2008	Dec 8, 2008	Dec 15, 2008	Dec 22, 2008	Dec 29, 2008
Distribution Costs, Marketing Costs and Profits	\$0.56	\$0.46	\$0.50	\$0.43	\$0.27	\$0.30	- \$0.06	- \$0.14	- \$0.08
Crude Oil Cost	\$1.45	\$1.40	\$1.23	\$1.19	\$1.07	\$0.92	\$0.92	\$0.61	\$0.82
Refinery Cost and Profits	\$0.19	\$0.13	\$0.09	- \$0.05	\$0.10	\$0.07	\$0.37	\$0.83	\$0.57
State Underground Storage Tank Fee	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
State and Local Sales Tax	\$0.21	\$0.19	\$0.18	\$0.16	\$0.14	\$0.13	\$0.13	\$0.13	\$0.13
Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Federal Excise Tax	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18	\$0.18
Retail prices	\$2.78	\$2.56	\$2.37	\$2.11	\$1.96	\$1.81	\$1.74	\$1.81	\$1.81

Retailer Profit Margin for 2008

Retail price range of gasoline \$1.74 (wk of Dec 13) to \$4.55 (wk of July)

Branded ¢/gal

Jan-Feb 0.14

Mar-Apr 0.09

May-Jun 0.08

Jul-Aug 0.23

Sep-Oct 0.25

Nov-Dec 0.28

Average 0.18

Range 0.01 to 0.53

Unbranded ¢/gal

Jan-Feb 0.11

Mar-Apr 0.06

May-Jun 0.01

Jul-Aug 0.35

Sep-Oct 0.32

Nov-Dec 0.25

Average 0.18

Range -0.25 to 0.83 (8 weeks in 2008 lost money on each gallon sold)

Retailer's Price Squeeze

Retailer may not be able to raise his profit margin high enough to offset price increases and other costs associated with the increasing prices.

Competition with other nearby retailers.

Credit card charges (2.5 to 3 cents/gal; 9 cents on \$3.00 gas).

Drive-offs (1 SUV drive-off of 30 gallons = \$90 lost).