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PMAA BOARD APPROVES 2010 OFFICERS

This week at the Fall PMAA Board of Directors meeting in Las Vegas, NV, the Board approved the slate of new Executive Committee members and officers for 2010. Gerry Ramm was elected Chairman. Gerry noted that Congress is in the process of enacting multiple bills that will dramatically affect the future of the petroleum industry and independent petroleum marketers. "PMAA's greatest resource is the political grassroots strength of our member state associations. I plan to give greater focus in 2010 to improving our grassroots communications. We have a strong voice in Congress but I think it can be and must be stronger."

Others newly elected were Vice Chairman, Sean Cota, Cota & Cota, Inc.; Treasurer, Stanley Roberts, Capital Oil, Inc.; North Central Region Chairman, Robert Buhler, Open Pantry Food Marts of Wisconsin; Northeast Region Chairman, Dave Martin, Webber Energy; Southeast Region Chairman, Sam Bell, Echols Oil Co., Inc.; Western Region Association Executive, John Hill, Utah Petroleum Marketers and Retailers Association; South Central Region Association Executive, Chris Newton, Texas Petroleum Marketers and Convenience Store Association.

EXXONMOBIL LOSES MTBE LAWSUIT

Last week a federal jury fined ExxonMobil more than \$100 million in damages for water wells containing the gasoline additive methyl tertiary butyl ether (MTBE) in the New York City area. The jury also found that ExxonMobil did not provide adequate warning that the gasoline contained MTBE. ExxonMobil is expected to appeal the ruling. PMAA attorneys will report more on this case as more details are learned.

DOT WILL PROPOSE TO BAN GASOLINE IN WETLINES

It was announced this week that the Pipelines and Hazardous Materials Safety Administration (PHMSA), an agency within the Department of Transportation (DOT), would begin the rulemaking process to potentially ban the transportation of "flammable liquids" in wetlines. The proposed rule is expected to be published in the Federal Register in May 2010 followed by a 60 day comment period.

It is not yet clear what influence the rulemaking process will have on legislation currently under consideration in Congress to ban the transportation of hazardous materials in wetlines. PMAA, along with other associations have expressed concern that an empty wetlines mandate cannot be justified once all the facts are known. On two previous occasions the DOT agreed that benefits did not outweigh the costs and did not implement an empty wetlines mandate.

PMAA will continue to convey this message to Congress and to PHMSA as part of the rulemaking process.

HOUSE COMMITTEE APPROVES BETTER DERIVATIVES BILL

On Wednesday, the House Agriculture Committee approved by voice vote derivatives legislation which is stronger than derivatives legislation passed by the Financial Services Committee last week. House Agriculture Committee Chairman Collin Peterson (D-MN) introduced a bill as an amendment in the nature of a substitute to H.R. 3795, the derivatives regulatory bill approved by the House Financial Services Committee last week.

Peterson largely expanded the scope of the legislation passed by the Agriculture Committee earlier in the year known as the "Derivatives Markets Transparency and Accountability Act of 2009" (H.R. 977) to include regulatory provisions that would cover major swaps dealers while allowing commercial end-users to use derivatives, but would be exempt from clearing and exchange traded requirements. Of particular importance for petroleum marketers, is an amendment the committee adopted that was introduced by Reps. Deborah Halvorson (D-IL) and Bob Goodlatte (R-VA) which would require CFTC to develop aggregated position limits for all "economically equivalent" contracts on all trading venues without meeting the significant price discovery function test. The CFTC would also be required to impose the position limits simultaneously, with the intention to mitigate regulatory arbitrage and loss of trading on US exchanges.

However, in order to receive bipartisan support, Chairman Peterson's Manager's Amendment dropped the requirement that Tier 1 Financial Companies must clear all their swaps. PMAA is concerned that this may not close loopholes which have allowed non-commercial swap participants from taking on excessive leverage in the \$590 trillion derivatives market. It is assumed that commodity swaps make up a large portion of the derivatives market, however, it is hard to quantify because the public is unable to oversee the market due to the Commodity Futures Modernization Act of 2000, which exempted most

derivatives contracts.

Following passage of the Committee's legislation, the Commodity Markets Oversight Coalition (CMOC) held a constructive conference call to discuss Chairman Peterson's legislation. There it was learned that the strong regulatory language that Peterson removed from the bill actually may not be harmful to the Coalition's efforts. PMAA, NEFI and CMOC members are reviewing the bill and will compile a list of improvements to urge Chairman Peterson to consider as he moves the bill to the Floor. Once that list is complete, PMAA will activate a grassroots call to action.

Peterson may move his bill as early as next week (but probably not for a few more weeks). The arrangement he has with House Financial Services Committee Chairman Barney Frank (D-MA) is that Peterson can move his derivatives bill apart from Frank's omnibus financial services bill, but that Frank will include Peterson's language again in his Financial Services bill when he takes that bill to the Floor. It is also likely that the Senate Agriculture Committee will begin moving a derivatives bill by starting with the House language.

In other news, media coverage of derivatives regulation consumed a good portion of the week. PBS Frontline aired *The Warning*, which focused on the history of the financial market meltdown and the history of deregulation.

PHIL CHISHOLM SUCCUMBS TO STROKE

PMAA is saddened to report that former PMAA Executive Vice President Phil Chisholm passed away on Friday, October 16. It was reported that Phil suffered a stroke a few days prior to his death.

Phil was the chief staff executive at PMAA for nearly two decades and helped lead the independent petroleum marketing industry through times of great change and challenge. Early in his tenure the National Oil Jobbers Council (NOJC) decided to change its name and become the Petroleum Marketers Association of America (PMAA). Phil is held in high esteem by his peers and is still remembered for his exceptional lobbying skills.

In the early 1980's many environmental groups began lobbying Congress for a new national law to regulate underground storage tanks and Phil helped negotiate the 1988 law on behalf of PMAA members. In the early 1990's he helped lead PMAA efforts to oppose President Clinton's proposed national BTU tax. He also spearheaded legislation designed to curb jobber subsidies paid to refiner direct operations.

Funeral services were held on Thursday, October 22 in Greensboro, North Carolina. In lieu of flowers, the family has requested donations to the Muscular Dystrophy Association. www.mda.org.

2010 WESTERN PETROLEUM MARKETERS CONVENTION & CONVENIENCE STORE EXPO LAS VEGAS, NEVADA

Start planning now to attend the 2010 WPMA Convention and Convenience Store Expo. It will be held at the Mirage in Las Vegas, Nevada. Mark your calendars for February 16-18, 2010.

MARK YOUR CALENDARS FOR UPCOMING EVENTS IN 2010

June 8-10, 2010 – MPMCSA Convention – Billings Hotel and Convention Center – Billings, Montana

June 22-24, 2010 – WOMA Convention – Suncadia Lodge – Cle Elum, Washington

August 4-6, 2010 – IPM&CSA Convention – Schweitzer Mountain Resort – Sandpoint, Idaho

August 31-September 1, 2010 – NMPMA Convention – TBA

September 22-24, 2010 – UPMRA Convention – Park City Marriott – Park City, Utah

Petro Pete: "The economy is so bad... that I got a pre-declined credit card in the mail."

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