



PENNSYLVANIA
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**Testimony of John V. Kulik,
Executive Vice President
Pennsylvania Petroleum Association
Regarding
Gasoline Pricing Issues
Before the House Transportation Committee**

Op-ed: Gas prices and transportation funding



By Patriot-News Op-Ed February 17, 2013 at 12:00 AM

There has been much discussion of Governor Tom Corbett's transportation funding plan and the impact it will have on Pennsylvania's drivers. Of particular interest has been the reaction to phasing out the cap contained in the Oil Company Franchise Tax over a five-year period and the impact it will have on drivers at the pump.

Having worked a number of years for the Pennsylvania Petroleum Association (the trade group representing the state's independent petroleum distributors), I can tell you, based on history, there are many factors that impact the price of motor fuel in the state. Although federal and state taxes are certainly a part of the price structure, the cost of crude is by far the biggest factor in what consumers pay at the pump. According to the U.S. Energy Information Administration, crude oil constitutes 64 per cent of the price of gasoline on a given day.

The cost of crude in large part is determined by world commodity markets on which the investment activity of traders sets the daily indexes for those ultimately marketing the fuel.

In recent years, the volatility of these markets have resulted in dramatic upswings and downturns of the level of the price of crude. PPA, in conjunction with our national organization, has been urging the US Commodity Futures and Trading Commission to finish its rulemaking on financial reform. Many experts believe limiting trader position limits would remove a significant speculative component from the price of crude.

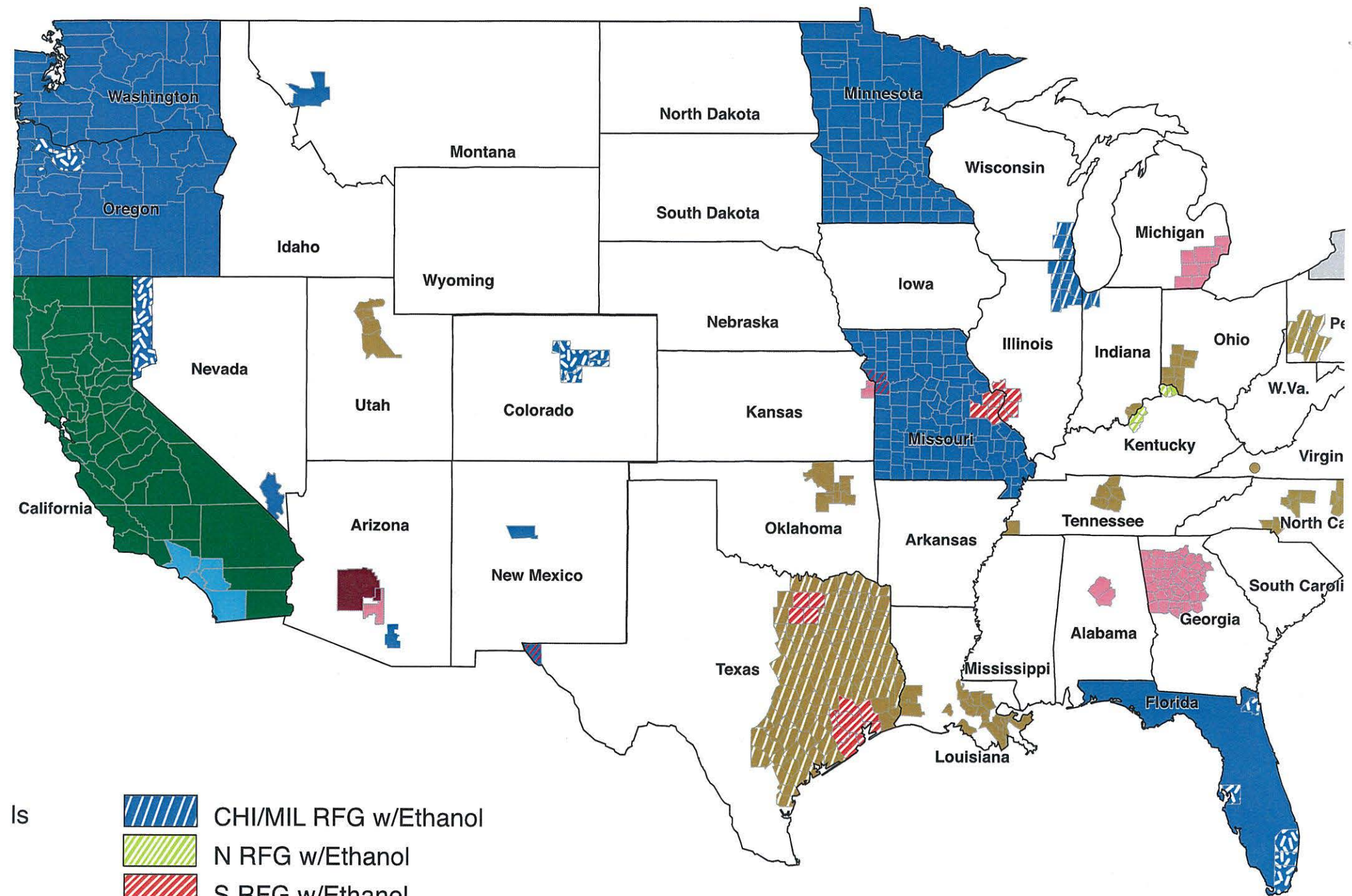
Another major factor in what Pennsylvanians pay for gasoline is the federal environmental requirements that result in the Commonwealth having three different types of gasoline in the summer months. These requirements often result in a substantial difference in what drivers pay at

the pump in southeastern Pennsylvania (reformulated), southwestern Pennsylvania (7.8 RVP) and the rest of the state (conventional). Given these variables alone it is impossible to predict what the price of gasoline will be in Pennsylvania on a given day in the future.

Meanwhile, Pennsylvania's infrastructure needs have gone unattended for too long. PPA members who deliver motor fuel and heating oil across the state see the need for addressing this growing crisis.

In adjusting the Oil Company Franchise Tax cap, and proposing the 17 percent reduction in the state's flat tax, the Corbett Administration is working to achieve a balanced, stable transportation funding mechanism. The factors outside the control of state government that impact gasoline prices need to be addressed in other forums.

PPA will continue to work with Governor Corbett in reaching his transportation funding goal.



- Is
- CHI/MIL RFG w/Ethanol
 - N RFG w/Ethanol
 - S RFG w/Ethanol
 - 7.0 RVP
- VP
- 7.8 RVP
- VP
- 7.8 RVP No 1 psi EtOH Allowance

This map is not intended to provide legal advice or fuel requirements, including but not limited to oxygen content. ExxonMobil makes no representations or warranties.