# A BILL FOR AN ACT

RELATING TO THE PETROLEUM INDUSTRY.

### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1	SECTION 1. The legislature finds that the establishment and
2	allocation of adequate resources for a vigorous state watchdog
3	system to monitor and oversee the petroleum industry and gasoline
4	market is a prerequisite to ensure the efficient and equitable
5	regulation of gasoline pricing. The collection, aggregation, and
6	analyses of current data relating to Hawaii petroleum fuel
7	prices, volumes, costs, and profits, and the subsequent reporting
8	of this information to planning and enforcement agencies, such as
9	the departments of the attorney general, business, economic
10	development, and tourism, and taxation, for review and
11	assessment, is critical in ensuring compliance with the letter
12	and spirit of the laws and regulations aimed at promoting fair
13	and competitive gasoline prices for Hawaii's consumers.
14	Most importantly, the legislature finds that current global
15	energy supplies cannot keep pace with the increased demands for
16	energy worldwide. The growing energy needs of burgeoning
17	economies, such as China and India, place Hawaii in a very
18	vulnerable position in the global competition for the same fossil

- 1 fuel resources. Furthermore, with many oil-producing countries
- 2 facing political instability and sensitive diplomatic relations,
- 3 Hawaii's deep dependency on imported fossil fuels leaves it
- 4 susceptible to factors that it cannot control yet affect its
- 5 energy security and economy.
- 6 The legislature also finds that a comprehensive approach is
- 7 needed to ensure the adoption of energy policies and programs
- 8 that optimize the security, cost-efficiency, and environmental
- 9 soundness of Hawaii's fuel resources and minimize the social and
- 10 economic costs and supply dislocations to Hawaii's energy users.
- 11 For example, the requirement for ethanol blending may have some
- 12 adverse financial effect on existing industry participants but
- 13 may provide wider, long-term benefits to the state's economy,
- 14 environment, and overall energy strategy.
- 15 An integrated energy strategy will give the legislature and
- 16 other policy makers a broad range of policy options, including
- 17 improved planning, enhanced data collection, and monitoring to
- 18 support the development of a long-term plan with realistic goals.
- 19 An integrated energy strategy with long-range objectives may also
- 20 lead to an improved investment climate. Such a plan will also
- 21 greatly improve strategic partnerships. Additionally, developing

- 1 an integrated energy strategy will allow the state to pursue
- 2 meaningful investment strategies and technology options.
- 3 The purposes of this Act are to:
- 4 (1) Establish the petroleum industry monitoring, analysis,
- 5 and reporting special fund;
- **6** (2) Require the public utilities commission to develop and
- 7 maintain the petroleum industry monitoring, analysis,
- 8 and reporting system, including an automated petroleum
- 9 industry information reporting system;
- 10 (3) Redelineate the types of information that the petroleum
- industry must submit to the public utilities
- 12 commission;
- 13 (4) Make an appropriation out of the petroleum industry
- 14 monitoring, analysis, and reporting special fund to be
- 15 expended by the public utilities commission to
- 16 establish the petroleum industry monitoring, analysis,
- and reporting program;
- 18 (5) Suspend the duties of the public utilities commission
- with respect to enforcement of the petroleum price
- 20 control program on the effective date of this Act;
- 21 (6) Repeal the petroleum price control program effective
- 22 July 1, 2008; and

1	(7) Establish as an unfair trade practice, any
2	misrepresentations made by the petroleum industry.
3	PART I
4	SECTION 2. Chapter 486J, Hawaii Revised Statutes, is
5	amended by adding three new sections to be appropriately
6	designated and to read as follows:
7	"§486J-A Informational cost reports. (a) Each refiner, on
8	a semi-annual basis, at reporting dates as the commission may
9	establish, shall file with the commission, on forms prescribed,
10	prepared, and furnished by the commission, a certified statement
11	of operating and overhead costs for the refiner's Hawaii
12	operations that shall include but not be limited to the
13	following:
14	(1) Crude oil costs and sources;
15	(2) Other feedstock costs and sources;
16	(3) Refinery operating expenses;
17	(4) Marketing operating expenses by petroleum product;
18	(5) Distribution expenses by petroleum product;
19	(6) Corporate overhead expenses; and
20	(7) The percentage of the total number of wholesale gallons
21	of unleaded regular and premium unleaded gasoline sold
22	during the reporting period at wholesale prices per

1	gallon that exceed two hundred per cent of the total
2	costs and expenses reported in this subsection on a per
3	gallon basis.
4	(b) In addition to the reporting required under subsection
5	(a), each distributor shall file with the commission all
6	Securities and Exchange Commission Forms 10-K, 10-Q, annual
7	reports, quarterly reports, and earnings supplements published by
8	the distributor.
9	(c) Each distributor, except a distributor who is so
10	defined solely by criteria in paragraph (4) of that definition in
11	section 486J-1, who sells liquid fuel only at retail and is not a
12	refiner, shall file with the commission, on a semi-annual basis
13	at reporting dates as the commission may establish, on forms
14	prescribed, prepared, and furnished by the commission, a
15	certified statement of operating and overhead costs that shall
16	include the following:
17	(1) Gasoline purchases and exchanges and sources;
18	(2) Diesel purchases and exchanges and sources;
19	(3) Marketing expenses; and
20	(4) Distribution expenses.
21	§486J-B Petroleum industry information reporting system.
22	The commission shall develop and maintain an automated petroleum

1 industry information reporting system that meets the requirements 2 of government, industry, and the public while promoting sound 3 policy making and consumer information and protection. The 4 purpose of the petroleum industry information reporting system is 5 to conduct and facilitate the efficient reporting analysis of 6 information described in section 486J-5. The commission shall 7 develop the petroleum industry information reporting system in a 8 manner that will result in greater market transparency and 9 provide useful information to those agencies that are authorized **10** to conduct oversight of the petroleum industry and ensure 11 compliance with all relevant laws. 12 §486J-C Petroleum industry monitoring, analysis, and 13 reporting special fund. (a) There is established a petroleum 14 industry monitoring, analysis, and reporting special fund to be 15 administered by the commission. 16 (b) The legislature may make appropriations from the 17 general revenues of the State of Hawaii, not to exceed \$2,000,000 in any fiscal year, for the petroleum industry monitoring, 18 19 analysis, and reporting special fund. 20 (c) Moneys in the special fund shall be used to:

Administer the petroleum industry information reporting

program pursuant to this chapter; and

(1)

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1	(2)	Establish full-time staff positions in the
2		commission to implement and maintain the automated
3		petroleum industry information reporting system
4		established by section 486J-B."
5	SECT	ION 3. Section 486J-1, Hawaii Revised Statutes, is
6	amended a	s follows:
7	1.	By adding eight new definitions to be appropriately
8	inserted	and to read:
9	" <u>"Cl</u>	asses of retail trade" means the separate subdivisions,
10	or "class	es", of outlets or methods of retail sales of liquid
11	fuels, ty	pically but not limited to gasoline and diesel for motor
12	vehicles,	and includes any:
13	(1)	Company-operated station that is a retail service
14		station owned and operated by a refiner or wholesale
15		distributor and where retail prices are set by that
16		refiner or wholesale distributor;
17	(2)	Lessee dealer-operated station that is a retail service
18		station owned by a refiner or wholesale distributor and
19		operated by a qualified gasoline dealer other than a
20		refiner or wholesale distributor under a franchise; or

1	(3) Owner-operated station that is a retail service station
2	not owned by a refiner or wholesale distributor and
3	operated by a qualified gasoline dealer.
4	"Commission" means the public utilities commission.
5	"Corporate overhead expenses" means the expenses or costs
6	allocated by the refiners that reflect their Hawaii business
7	units' share of corporate staff costs, such as legal, finance,
8	accounting, information technology, and similar costs.
9	"Dealer tank wagon price" means the wholesale price at which
10	liquid fuel is sold to any retail outlet by any distributor
11	priced on a delivered basis to a retail outlet.
12	"Liquid fuel" means fuels in liquid form, commercially
13	usable for energy needs, power generation, and fuels manufacture
14	that may be manufactured, produced, or imported into the state or
15	that may be exported therefrom, including petroleum and petroleum
16	products and all fuel alcohols.
17	"Nonrefiner wholesale price" means the wholesale price at
18	which liquid fuel is sold by any distributor, not a refiner, to
19	any other distributor, not a refiner, for resale at any
20	subsequent wholesale or retail transaction.
21	"Refiner wholesale price" means the wholesale price at which
22	liquid fuel is sold by a refiner to any distributor, not a

1 refiner, for resale at any subsequent wholesale or retail 2 transaction. 3 "Wholesale liquid fuel prices" means the prices at which 4 liquid fuel is sold at wholesale for resale at wholesale or 5 retail, typically but not limited to gasoline and diesel for 6 motor vehicles, and include "dealer tank wagon price", 7 "nonrefiner wholesale price", and "refiner wholesale price"." 8 2. By amending the definitions of "distributor", "fuel", 9 "person", and "refiner" to read: **10** ""Distributor" means [and includes]: 11 (1) Every person who refines, manufactures, produces, or **12** compounds fuel in the state  $[\tau]$  and sells it at 13 wholesale or at retail, or who [utilizes] uses it 14 directly in the manufacture of products or for the 15 generation of power; 16 (2) Every person who imports or causes to be imported into 17 the state, or exports or causes to be exported from the State, any fuel; [and] 18 19 (3) Every person who acquires fuel through exchanges with

another distributor[-]; or

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         (4) Every person who purchases fuel for resale at wholesale
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              or retail from any person described in paragraph (1),
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              (2), or (3).
         "Fuel" means [and includes] fuels, whether liquid, solid, or
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    gaseous, commercially usable for energy needs, power generation,
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    and fuels manufacture, that may be manufactured, grown, produced,
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    or imported into the State or that may be exported therefrom [\div],
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    including petroleum and petroleum products and gases, coal, coal
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    tar, vegetable ferments, and all fuel alcohols.
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         "Person"[7] means any person, firm, association,
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    organization, partnership, business trust, corporation, or
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    company. "Person" also includes any city, county, public
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    district or agency, the State, or any department or agency
14
    thereof, and the United States to the extent authorized by
15
    federal law.
16
         "Refiner" means any person who owns, operates, or controls
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    the operations of one or more refineries[-] in Hawaii."
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         3. By repealing the definition of "petroleum commissioner".
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         [""Petroleum commissioner" or "commissioner" means the
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    administrator of the energy, resources, and technology division
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    of the department of business, economic development, and
22
    tourism."]
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1	SECTION 4. Section 486J-2, Hawaii Revised Statutes, is
2	amended to read as follows:
3	"§486J-2 Distributors to register. Every distributor, and
4	any person before becoming a distributor, shall register as such
5	with the [commissioner] commission on forms to be prescribed,
6	prepared, and furnished by the [commissioner.] commission."
7	SECTION 5. Section 486J-3, Hawaii Revised Statutes, is
8	amended to read as follows:
9	"§486J-3 Statements. (a) Each distributor [shall], at
10	[such] reporting dates as the [commissioner] commission may
11	establish, shall file with the [commissioner,] commission, on
12	forms prescribed, prepared, and furnished by the [commissioner,]
13	commission, a certified statement showing separately for each
14	county and for the islands of Lanai and Molokai within which and
15	whereon fuel is sold or used during the last preceding reporting
16	period, the following:
17	(1) The total number of gallons or units of fuel, by the
18	type or grade, refined, manufactured, or compounded by
19	the distributor within the State [and sold or used by
20	the distributor, and, if for ultimate [use] sale or
21	consumption in another county or on another island,
22	[the name of that county or island;] the number of

1		gallons or units of fuel, by type or grade, sold,
2		exchanged, or otherwise transferred or used in each
3		county or island;
4	(2)	The total number of gallons or units of fuel, by type
5		or grade, imported or exported by the distributor [or
6		sold]; the total volumes of fuel, by type or grade,
7		sold, exchanged, or otherwise transferred or used by
8		the distributor[ $_{\tau}$ ] $\underline{:}$ and if for ultimate [ $\underline{use}$ ] $\underline{sale}$ or
9		consumption in another county or on another island,
10		[the name of that] the number of gallons or units of
11		fuel, by type or grade, sold, exchanged, or otherwise
12		transferred or used in each county or island;
13	(3)	The total number of gallons or units of fuel sold as
14		liquid fuel, aviation fuel, diesel fuel, and other
15		types of fuel as required by the [commissioner;]
16		<pre>commission;</pre>
17	(4)	The total number of gallons or units of fuel [and the
18		types thereof], by type or grade, and their respective
19		<pre>sales prices for all fuel sold to[÷] federal, state,</pre>
20		and county agencies, ships stores, or base exchanges,
21		commercial agricultural accounts, commercial
22		nonagricultural accounts, retail dealers, and other

1		customers as required by the [commissioner;]
2		commission;
3	(5)	Monthly weighted average acquisition cost per barrel
4		and volumes of foreign or domestic crude oil or other
5		liquid fuels, finished or unfinished, imported to
6		Hawaii, including information identifying the source of
7		the crude oil or other liquid fuels;
8	[ <del>(5)</del>	Monthly Hawaii] (6) Weekly weighted average wholesale
9		prices and sales volumes of finished [leaded regular,]
10		unleaded regular $[-\tau]$ and premium motor gasoline, and of
11		each other grade of gasoline sold [through company
12		operated], by island, to retail outlets, [to other end-
13		users, by classes of retail trade, and to wholesale
14		[customers;] distributors;
15	<u>(7)</u>	Weekly weighted average retail prices, and sales
16		volumes of finished unleaded regular and premium motor
17		gasoline, and of each other grade of gasoline sold, by
18		island, by retail distributor outlets of all classes of
19		retail trade and by any distributor to other end-users.
20		The commission may purchase retail price data from data
21		service companies that the commission may use to

1		substitute some or all data to meet the reporting
2		requirement for retail price data under this paragraph;
3	[ <del>(6)</del>	Monthly Hawaii] (8) Weekly weighted average wholesale
4		prices, and sales volumes [for residential sales,
5		commercial and institutional sales, industrial sales,
6		sales through company-operated retail outlets, sales to
7		other end users, and wholesale sales of No. 2 diesel
8		fuel and No. 2 fuel oil; and] of No. 2 diesel fuel and
9		No. 2 fuel oil, by island, to retail distributor
10		outlets, by classes of retail trade, and to all other
11		wholesale distributors. Weighted average wholesale
12		prices and sales volumes shall be reported by type of
13		wholesale liquid fuel price;
14	(9)	Weekly weighted average retail prices, and sales
15		volumes of No. 2 diesel fuel and No. 2 fuel oil sold,
16		by island, by retail distributor outlets of all classes
17		of retail trade and by any distributor to other end-
18		users. The commission may purchase retail price data
19		from data service companies that the commission may use
20		to substitute some or all data to meet the reporting
21		requirement for retail price data under this paragraph;

1	[ <del>(7)</del> ]	(10) Monthly [Hawaii] weighted average prices, and
2		sales volumes for retail sales and wholesale sales, by
3		island, of No. 1 distillate, kerosene, finished
4		aviation gasoline, kerosene-type jet fuel, No. 4 fuel
5		oil, residual fuel oil, and consumer grade propane $[\cdot]$ ;
6		and
7	(11)	The gross margins or spreads between a refiner's
8		average weighted acquisition price for each gallon of
9		crude oil and blendstock refined within the state and
10		the average weighted prices for each gallon or unit of
11		fuel sold, by county or island, to another distributor,
12		retail dealers, end-users, and consumers. For each
13		distributor that is not a refiner, the gross margins or
14		spreads between the distributor's average weighted
15		price for each gallon or unit of fuel acquired by the
16		distributor and the average weighted prices for each
17		gallon or unit of fuel sold, by county or island, to
18		another distributor, retail dealers, end-users, or
19		consumers.
20	The [ <del>comm</del> :	issioner] commission shall prescribe [ <del>by rule when the</del>
21	<del>first rep</del>	ort shall be submitted.] applicable standards and

1 practices for reporting to facilitate uniformity, consistency, 2 and comparability of the data to be submitted. 3 [(b) In addition to the above reporting, each distributor shall file with the commissioner, Federal Form FEO-1000 or an 4 5 equivalent state form to be prescribed, prepared, and furnished 6 by the commissioner, showing the expected supply of fuel products 7 for the coming month, and their intended distribution as 8 categorized by Form FEO-1000 or the equivalent state form. The 9 state form shall be supplied in the event that the Federal **10** Mandatory Petroleum Allocation Regulations should expire, be 11 revoked, or be amended to delete or substantially change the **12** reporting requirements provided therein. 13 (c) (b) Each major marketer shall submit to the 14 [commissioner,] commission, at a time and in a form as the 15 [commissioner] commission shall prescribe, information, including **16** petroleum and petroleum product receipts, exchanges, inventories, 17 and distributions. [The commissioner shall prescribe by rule 18 when the first report shall be submitted. 19 (d) [c) The [commissioner] commission may request **20** additional information as and when [[the commissioner]] the 21 commission deems necessary to perform [[the commissioner's]] the

commission's responsibilities under this chapter."

1	SECT	ION 6. Section 4860-4, Hawaii Revised Statutes, is
2	amended t	o read as follows:
3	"§48	6J-4 Informational reports. (a) Each major oil
4	producer,	refiner, marketer, oil transporter, and oil storer
5	shall sub	mit to the [commissioner,] commission, in [such] a form
6	as the [e	ommissioner] commission shall prescribe, information
7	[ <del>which</del> ] <u>t</u>	hat includes the following:
8	(1)	Major oil transporters shall report on petroleum by
9		reporting the capacities of each major transportation
10		system, the amount transported by each system, and
11		inventories thereof. The provision of the information
12		shall not be construed to increase and decrease any
13		authority the [commissioner] commission may otherwise
14		have;
15	(2)	Major oil storers shall report on storage capacity,
16		inventories, receipts and distributions, and methods of
17		transportation of receipts and distributions;
18	(3)	Refiners shall report on facility capacity and
19		utilization and method of transportation of refinery
20		receipts and distributions; and

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1
         (4) Major oil marketers shall report on facility capacity
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              and methods of transportation of receipts and
3
              distributions.
4
    [The commissioner shall prescribe by rule when the first report
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    shall be submitted.
6
         (b) The [commissioner] commission may request additional
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    information as and when [{the commissioner}] the commission deems
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    it necessary to perform [{the commissioner's}] the commission's
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    responsibilities under this chapter."
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         SECTION 7. Section 486J-5, Hawaii Revised Statutes, is
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    amended to read as follows:
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         "§486J-5 Analysis of information; [audits and inspections;]
13
    summary reports. (a) The [petroleum commissioner,] commission,
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    with the [commissioner's] commission's own staff and other
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    support staff with expertise and experience in, or with, the
    petroleum industry, shall gather, analyze, and interpret the
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    information submitted to it pursuant to sections 486J-3 [and],
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    486J-4, and 486J-A and other information relating to the supply
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    [and price], prices, margins, and profits of petroleum products,
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    with particular emphasis on motor vehicle fuels, including [\tau] but
    not limited to [-7] all of the following:
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1	( 1 )	The nature, cause, and extent of any petroleum or
2		petroleum products [shortage] situation or condition
3		affecting $supply[\div]$ , price, margins, or profits;
4	[ <del>(2)</del>	The economic and environmental impacts of any petroleum
5		and petroleum product shortage or condition affecting
6		supply;
7	(3)	Petroleum or petroleum product demand and supply
8		forecasting methodologies utilized by the petroleum
9		industry in Hawaii;
10	<del>(4)</del> ]	(2) The prices, with particular emphasis on wholesale
11		and retail motor <u>vehicle</u> fuel prices, and any
12		significant changes in prices charged by the petroleum
13		industry for petroleum or petroleum products sold in
14		Hawaii and the reasons for [such] the changes;
15	[ <del>(5)</del> ]	(3) The income, expenses, <u>margins</u> , and profits[-] <u>in</u>
16		<pre>Hawaii, both before and after taxes, [of the industry</pre>
17		as a whole and of major firms within it, including a
18		comparison with other major industry groups and major
19		firms within them as to profits, return on equity and
20		capital, and price-earnings ratio; of each distributor
21		and the income, expenses, margins, and profits, both

1		before and after taxes, of major oil companies in other
2		regions of the United States or other countries; and
3	[ <del>(6)</del> ]	$\underline{(4)}$ The emerging trends relating to supply, demand,
4		[and conservation of petroleum and petroleum products;
5	<del>(7)</del>	The nature and extent of efforts of the petroleum
6		industry to expand refinery capacity and to make
7		acquisitions of additional supplies of petroleum and
8		petroleum products; and
9	(8)	The development of a petroleum and petroleum products
10		information system in a manner which will enable the
11		State to take action to meet and mitigate any petroleum
12		or petroleum products shortage or condition affecting
13		supply.
14	<del>(b)</del>	The commissioner shall conduct random or periodic
15	<del>audits an</del>	d inspections of any supplier or suppliers of oil or
16	petroleum	products to determine whether they are unnecessarily
17	withholdi:	ng supplies from the market or are violating applicable
18	<del>policies,</del>	laws, or rules. The commissioner may solicit
19	assistanc	e of the department of taxation in any such audit. The
20	<del>commissio</del>	ner shall cooperate with other state and federal
21	<del>agencies</del>	to ensure that any audit or inspection conducted by the
22	<del>commissio</del>	ner is not duplicative of the data received by any of

- their audits or inspections which is available to the
  commissioner.] price, margins, and profits.

  [(c)] (b) The [commissioner] commission shall analyze the
- 4 [impacts] effects of state and federal policies, rules, and
- 5 regulations upon the supply and pricing of petroleum products.
- 6 [(d)] (c) The [commissioner] commission shall publish
- 7 annually and submit to the governor and the legislature twenty
- **8** days prior to the first day of [the current] each legislative
- 9 session a summary, including any analysis and interpretation of
- 10 the information submitted to it pursuant to this chapter, and any
- 11 other activities taken by the [commissioner,] commission,
- 12 including civil penalties imposed and referrals of violations to
- 13 the attorney general under section 486J-9. Any person may submit
- 14 comments in writing regarding the accuracy or sufficiency of the
- 15 information submitted. [At the option of the director, this
- 16 report may be combined with reporting required by section 196-
- 17 4(11), in the director's role as state energy resources
- 18 coordinator.]"
- 19 SECTION 8. Section 486J-6, Hawaii Revised Statutes, is
- 20 amended to read as follows:
- 21 "§486J-6 Confidential information. (a) Confidential
- 22 commercial information [presented] provided to the [commissioner]

- 3 necessary to [assure] ensure confidentiality as governed by
- 4 chapter 92F, including its penalty provisions.
- 5 [(b) No data or information submitted to the commissioner
- 6 shall be deemed confidential if the person submitting the
- 7 information or data has made it public.
- **8** (c)] (b) Unless otherwise provided by law, with respect to
- 9 data provided pursuant to [sections] section 486J-3 [and], 486J-
- 10 4, or 486J-A, neither the [commissioner,] commission, nor any
- 11 employee of the [department,] commission, may do any of the
- 12 following:
- 13 (1) Use the information furnished under [sections] section
- 14 486J-3 [and], 486J-4, or 486J-A for any purpose other
- than the statistical purposes for which it is supplied;
- 16 (2) Make any publication whereby the data furnished by any
- 17 [particular establishment or individual] person under
- 18 [sections] section 486J-3 [and], 486J-4, or 486J-A can
- be identified; or
- 20 (3) Permit [anyone] any person to examine the individual
- reports provided under [sections] section 486J-3 [and],
- 486J-4, or 486J-A other than the [public utilities]

1	commission, the department of taxation, the attorney
2	general, and the consumer advocate, and the authorized
3	representatives and employees of each."
4	SECTION 9. Section 486J-7, Hawaii Revised Statutes, is
5	amended to read as follows:
6	"§486J-7 Confidential information obtained by another state
7	agency. Any confidential information pertinent to the
8	responsibilities of the [commissioner] commission specified in
9	this chapter that is obtained by another state agency, including
10	the department of taxation, [the public utilities commission,]
11	the attorney general, and the consumer advocate, shall be
12	available only to the attorney general, the attorney general's
13	authorized representatives, and the [commissioner] commission and
14	shall be treated in a confidential manner."
15	SECTION 10. Section 486J-8, Hawaii Revised Statutes, is
16	amended to read as follows:
17	"§486J-8 Sharing of information obtained by the
18	[commissioner.] commission. The [commissioner] commission shall
19	make all information obtained by the [commissioner] commission
20	under this chapter, including confidential information, available
21	only to the attorney general, the department of taxation, [the
22	public utilities commission, the consumer advocate, and the

1 authorized representative of each, who shall safequard the 2 confidentiality of all confidential information received." SECTION 11. Section 486J-9, Hawaii Revised Statutes, is 3 4 amended to read as follows: 5 "§486J-9 Failure to timely provide information; failure to 6 make and file statements; false statements; penalties; referral 7 to the attorney general. (a) The [petroleum commissioner] 8 commission shall notify those persons who have failed to timely 9 provide the information specified in section 486J-3 [or], 486J-4, **10** or 486J-A or requested by the [commissioner] commission under 11 section 486J-3 [or], 486J-4[-], or 486J-A. If, within five business days after being notified of the failure to provide the **12** 13 specified or requested information, the person fails to supply 14 the specified or requested information, the person shall be 15 subject to a civil penalty of not less than \$50,000 per day nor **16** more than \$100,000 per day for each day the submission of 17 information is refused or delayed[, unless the person has timely 18 filed objections with the commissioner regarding the information 19 and the commissioner has held a hearing and, following a ruling 20 by the commissioner, the person has properly submitted the issue 21 to a court of competent jurisdiction for review].

- 1 (b) Any person who wilfully makes any false statement,
- 2 representation, or certification in any record, report, plan, or
- 3 other document filed with the [commissioner] commission shall be
- 4 subject to a civil penalty not to exceed  $$500,000[_{7}]$  and shall be
- 5 deemed to have committed an unfair or deceptive act or practice
- 6 in the conduct of a trade or commerce and subject to the
- 7 penalties specified in chapter 480.
- **8** (c) The [commissioner] commission shall refer any matter
- 9 under [this] subsection (a) or (b) to the attorney general, who
- 10 may exercise any appropriate legal or equitable remedies that may
- 11 be available to the State.
- 12 [<del>(c)</del>] (d) For the purposes of this section, "person" means,
- 13 in addition to the definition contained in section 486J-1, any
- 14 responsible corporate officer."
- 15 SECTION 12. Section 486J-10, Hawaii Revised Statutes, is
- 16 amended as follows:
- 17 1. By amending subsection (a) to read:
- 18 "(a) The [commissioner] director shall adopt rules in
- 19 accordance with chapter 91 to require that gasoline sold in the
- 20 [State] state for use in motor vehicles contain ten per cent
- 21 ethanol by volume. The amounts of gasoline sold in the [State]
- 22 state containing ten per cent ethanol shall be in accordance with

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- 1 rules as the [commissioner] director may deem appropriate. The
- 2 [commissioner] director may authorize the sale of gasoline that
- 3 does not meet these requirements as provided in subsection (d)."
- 4 2. By amending subsections (d), (e), and (f) to read:
- 5 "(d) The [commissioner] director may authorize the sale of
- 6 gasoline that does not meet the provisions of this section:
- 7 (1) To the extent that sufficient quantities of
- 8 competitively-priced ethanol are not available to meet
- 9 the minimum requirements of this section; or
- 10 (2) In the event of any other circumstances for which the
- 11 [commissioner] director determines compliance with this
- section would cause undue hardship.
- (e) Each distributor, at [such] reporting dates as the
- 14 [commissioner] director may establish, shall file with the
- 15 [commissioner,] director, on forms prescribed, prepared, and
- 16 furnished by the [commissioner,] director, a certified statement
- 17 showing:
- 18 (1) The price and amount of ethanol available;
- 19 (2) The amount of ethanol-blended fuel sold by the
- 20 distributor;
- 21 (3) The amount of non-ethanol-blended gasoline sold by the
- distributor; and

```
1
              Any other information the [commissioner] director shall
         (4)
2
              require for the purposes of compliance with this
3
              section.
4
         (f) Provisions with respect to confidentiality of
5
    information shall be the same as provided in section [486J 7.]
6
    486J-6."
7
         3. By amending subsection (h) to read:
8
               The [commissioner,] director, in accordance with
9
    chapter 91, shall adopt rules for the administration and
10
    enforcement of this section."
11
         SECTION 13. Chapter 486H, Hawaii Revised Statutes, is
12
    amended as follows:
13
         1. By repealing section 486H-13.
14
         ["$486H-13 Maximum pre-tax wholesale price for the sale of
15
    gasoline; civil actions. (a) Notwithstanding any law to the
16
    contrary, no manufacturer, wholesaler, or jobber may sell regular
17
    unleaded, mid grade, or premium gasoline to a dealer retail
18
    station, an independent retail station, or to another jobber or
19
    wholesaler at a price above the maximum pre tax wholesale prices
20
    established pursuant to subsection (b). The commission shall
21
    publish the maximum pre tax wholesale prices by means that shall
```

include the Internet website for the State of Hawaii.

1	(b) On a weekly basis, the commission shall determine the
2	maximum pre-tax wholesale price of regular unleaded, mid-grade,
3	and premium gasoline as follows: the maximum pre tax wholesale
4	price of regular unleaded gasoline shall consist of the baseline
5	price for regular unleaded gasoline, plus the location adjustment
6	factor, the marketing margin factor, and the zone price
7	adjustment, and for mid grade and premium gasoline, the
8	applicable mid-grade and premium adjustment factor, such that the
9	maximum pre tax wholesale gasoline prices reflect and correlate
10	with competitive market conditions.
11	(c) The baseline price for regular unleaded gasoline
12	referred to in subsection (b) shall be determined on a weekly
13	basis and shall be equal to the average of:
14	(1) The weekly average of the spot daily price for regular
15	unleaded gasoline for Los Angeles;
16	(2) The weekly average of the spot daily price for regular
17	unleaded gasoline for New York Harbor; and
18	(3) The weekly average of the spot daily price for regular
19	unleaded gasoline for the United States Gulf Coast;
20	as reported and published by the Oil Price Information Service
21	for the five business days of the preceding week; provided that
22	the commission, in its discretion, may determine a more

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1
    appropriate baseline or a more appropriate price information
2
    reporting service.
3
         (d) The location adjustment factor referred to in
4
    subsection (b) shall be $.04 per gallon or as otherwise
5
    determined by the commission and shall thereafter be subject to
6
    adjustment pursuant to section 486H-16(a).
7
         (e) The marketing margin factor referred to in subsection
8
    (b) shall be $.18 per gallon or as otherwise determined by the
9
    commission and shall thereafter be subject to adjustment pursuant
10
    to section 486H-16(a).
11
         (f) The mid grade adjustment factor shall be $.05 per
12
    gallon or as otherwise determined by the commission and shall
13
    thereafter be subject to adjustment pursuant to section 486H-
14
    <del>16(a).</del>
15
         (g) The premium adjustment factor shall be $.09 per gallon
16
    or as otherwise determined by the commission and shall thereafter
17
    be subject to adjustment pursuant to section 486H 16(a).
18
         (h) For purposes of this chapter, the State shall be
19
    divided into the following zones:
20
         (1) Zone 1 shall include the island of Oahu;
21
         (2) Zone 2 shall include the island of Kauai;
```

1	(3) Zone 3 shall include the Island of Maul, except the
2	district of Hana;
3	(4) Zone 4 shall include the district of Hana on the island
4	of Maui;
5	(5) Zone 5 shall include the island of Molokai;
6	(6) Zone 6 shall include the island of Lanai;
7	(7) Zone 7 shall include the districts of Puna, south Hilo,
8	north Hilo, and Hamakua on the island of Hawaii; and
9	(8) Zone 8 shall include the districts of north Kohala,
10	south Kohala, north Kona, south Kona, and Kau on the
11	<del>island of Hawaii.</del>
12	(i) The commission shall establish zone price adjustments
13	to the maximum pre tax wholesale regular unleaded, mid grade, and
14	premium gasoline prices on a zone by zone basis.
15	(j) Every manufacturer, wholesaler, or jobber, upon the
16	request of the commission, shall furnish to the commission, in
17	the form requested, all documents, data, and information the
18	commission may require to make its determination on zone price
19	adjustments. Any person who refuses or fails to comply with a
20	request for information by the commission shall be subject to a
21	fine of up to \$50,000 per day. Each day a violation continues
22	shall constitute a separate offense.

1	(k) The maximum pre tax wholesale gasoline price imposed by
2	this section shall take effect on September 1, 2005,
3	notwithstanding the lack of the adoption of rules pursuant to
4	this section.
5	(1) Any manufacturer, wholesaler, or jobber who knowingly
6	violates any requirement imposed or rule adopted under this
7	section, except for subsection (j), shall be subject to a civil
8	penalty, for each violation, equal to three times the amount of
9	the overcharge or \$250,000, whichever is greater, and shall be
10	liable for the costs of the action and reasonable attorney's fees
11	as determined by the court. Within two years from the date the
12	commission obtains actual knowledge of the violation, the
13	commission may institute a civil action in a court of competent
14	jurisdiction to collect the civil penalty, the costs, and
15	attorney's fees. In the case of ongoing violation, the two year
16	period shall start from the date of the last violation. The
17	commission may refer any such action to the attorney general as
18	it deems appropriate. As used in this subsection, "overcharge"
19	means the number of gallons of gasoline sold, times the wholesale
20	price at which the manufacturer or jobber sold regular unleaded,
21	mid grade, or premium gasoline to a dealer retail station, an
22	independent retail station, or another jobber or wholesaler, less

1 taxes assessed, less the maximum pre tax wholesale price 2 established pursuant to subsection (b). 3 (m) The commission shall have the power to determine the 4 extent to which a manufacturer, wholesaler, or jobber is 5 complying with any requirement imposed or rule adopted under this 6 section, including the power to compel a manufacturer, 7 wholesaler, or jobber to submit documents, data, and information 8 necessary and appropriate for the commission to determine such 9 compliance. The commission may use data collected by the **10** department of business, economic development, and tourism 11 pursuant to chapter 486J, as well as obtain the assistance of **12** that department in determining such compliance. 13 (n) The commission shall report to the governor and the 14 legislature, in a timely manner, on any significant aberrations, 15 trends, or conditions that may adversely impact the gasoline 16 consumers in the State. 17 (o) The commission shall adopt rules pursuant to chapter 91 18 as may be necessary to implement this section and section 486H-19 <del>16."</del>1 2. By repealing section 486H-15. 20 21 ["\frac{9486H-15}{Governor's emergency powers. (a)

Notwithstanding any law to the contrary, the governor may

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1	suspend, in whole or in part, section 486H 13 or any rule adopted
2	pursuant to that section whenever the governor issues a written
3	determination that strict compliance with the section or a rule
4	will cause a major adverse impact on the economy, public order,
5	or the health, welfare, or safety of the people of Hawaii. In
6	the written determination, the governor shall state the specific
7	provision of the section or rule that strict compliance with will
8	cause a major adverse impact on the economy, public order, or the
9	health, welfare, or safety of the people of the State, along with
10	specific reasons for that determination. The governor shall
11	publish this determination in accordance with section 1 28.5.
12	The suspension shall take effect upon issuance of the written
13	determination by the governor.
14	(b) Except as provided in subsection (c), the suspension
15	under subsection (a) shall remain in effect until the earlier of:
16	(1) The adjournment of the next regular or special session
17	of the legislature; or
18	(2) The effective date of any legislative enactment
19	intended to address the major adverse impact;
20	provided that if the legislature has passed legislation to
21	address the major adverse impact, and the governor vetoes the
22	presented legislation, the suspension shall terminate on the date

1	of that veto, and the maximum pre tax wholesare gasorine prices
2	in effect immediately prior to the issuance of the written
3	determination by the governor shall take effect on the day after
4	the date of the veto; and provided further that if no action is
5	taken by the legislature during the regular or special session to
6	address the major adverse impact, then the maximum pre-tax
7	wholesale gasoline prices in effect immediately prior to the
8	issuance of the written determination by the governor shall take
9	effect on the day after adjournment sine die of the regular or
10	special session.
11	(c) If the written determination is issued while the
12	legislature is in session, the suspension under subsection (a)
13	shall remain in effect until the earlier of:
14	(1) The adjournment of that session of the legislature; or
15	(2) The effective date of any legislative enactment
16	intended to address the major adverse impact;
17	provided that if the legislature has passed legislation to
18	address the major adverse impact, and the governor vetoes the
19	presented legislation, the suspension shall terminate on the date
20	of that veto, and the maximum pre-tax wholesale gasoline prices
21	in effect immediately prior to the issuance of the written
22	determination by the governor shall take effect on the day after

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1
    the date of the veto; and provided further that if no action is
2
    taken by the legislature during the regular or special session to
3
    address the major adverse impact, then the maximum pre tax
4
    wholesale gasoline prices in effect immediately prior to the
5
    issuance of the written determination by the governor shall take
6
    effect on the day after adjournment sine die of the regular or
7
    special session."]
8
         3. By repealing section 486H-16.
         ["§486H-16 Adjustments. (a) A manufacturer, wholesaler,
9
10
    or jobber may petition the commission to adjust the maximum pre-
11
    tax wholesale price of regular unleaded, mid grade, or premium
12
    gasoline in the event of a change in the value of the baseline
13
    price for regular unleaded gasoline, the location adjustment
14
    factor, the marketing margin factor, the mid-grade adjustment
15
    factor, the premium adjustment factor, or a zone price
16
    adjustment. The petitioner shall bear the burden of proof to
    establish by clear and convincing evidence the need for and the
17
18
    amount of any adjustment. The adjustments shall be determined as
19
    follows:
20
         (1) The value of the baseline price shall be equal to the
21
              average of:
```

1		(A) The weekly average of the spot daily price for
2		regular unleaded gasoline for Los Angeles;
3		(B) The weekly average of the spot daily price for
4		regular unleaded gasoline for New York Harbor; and
5		(C) The weekly average of the spot daily price for
6		regular unleaded gasoline for the United States
7		<del>Gulf Coast,</del>
8		as reported and published by the Oil Price Information
9		Service for the five business days of the preceding
10		week; provided that the commission, in its discretion,
11		may determine a more appropriate baseline or a more
12		appropriate price information reporting service;
13	(2)	The value of the location adjustment factor in effect
14		at the time the petition is filed shall be adjusted to
15		reflect the average of the actual acquisition cost to
16		non-refiner marketers to obtain gasoline from refiners
17		or importers for sale on the island of Oahu over the
18		prior twelve-month period, which cost shall be taken
19		from arm's length transactions between non refiner
20		marketers, and refiners or importers, such as exchange
21		agreements, sales agreements, or other similar
22		agreements; provided that the location adjustment

1	<del>factor shall not exceed the reasonable cost of</del>
2	importing gasoline to the island of Oahu. As used in
3	this paragraph, "actual acquisition cost" means the
4	amount over the base price of regular unleaded gasoline
5	that a non refiner marketer pays to a third party for
6	delivery of such gasoline into a terminal located on
7	the island of Oahu;
8	(3) The value of the marketing margin factor in effect at
9	the time the petition is filed shall be adjusted by
10	adding to such value the difference between:
11	(A) The average of the difference over the prior
12	twelve-month period between:
13	(i) The dealer tank wagon price for sales for
14	resale for "regular" gasoline; and
15	(ii) The bulk price for sales for resale for
16	<del>"regular" gasoline,</del>
17	for Petroleum Administration for Defense (PAD)
18	District V, as reported and published by the
19	Energy Information Administration or its successor
20	in Table 31 - "Motor Gasoline Prices by Grade,
21	Sales Type, PAD District, and State" or other
22	source containing the same information; less

1	(B) The average of the difference over the period from
2	1994 until the most current year between:
3	(i) The dealer tank wagon price for sales for
4	resale for "regular" gasoline; and
5	(ii) The bulk price for sales for resale for
6	"regular" gasoline,
7	for Petroleum Administration for Defense (PAD)
8	District V, as reported and published by the
9	Energy Information Administration or its successor
10	in Table 31 - "Motor Gasoline Prices by Grade,
11	Sales Type, PAD District, and State" or other
12	source containing the same information;
13	(4) The value of the mid grade and premium adjustment
14	factors in effect at the time the petition is filed
15	shall be adjusted by any material change in the mid-
16	grade and premium adjustment factor as published by an
17	appropriate price information reporting service; and
18	(5) The value of any zone price adjustment in effect at the
19	time the petition is filed shall be adjusted based upon
20	material changes in the operating costs for a zone,
21	such as terminaling, storage, or distribution costs,

1	and other empirical data the commission deems
2	<del>appropriate.</del>
3	(b) If the commission adjusts the maximum pre tax wholesale
4	gasoline prices, the commission shall publish its findings and
5	the adjusted prices by means that shall include the Internet
6	website for the State of Hawaii.
7	(c) Regardless of whether a petition has been filed and
8	notwithstanding a determination of the adjustments made pursuant
9	to subsection (a), the commission, in its discretion, may make
10	such other and further adjustments deemed necessary and
11	appropriate to establish maximum pre tax wholesale gasoline
12	prices that reflect and correlate with competitive market
13	conditions."]
14	SECTION 14. Section 486J-12, Hawaii Revised Statutes, is
15	repealed.
16	["\$486J-12 Rules. The commissioner shall adopt, amend, or
17	repeal such rules as [the commissioner] may deem proper to fully
18	effectuate this chapter."]
19	SECTION 15. On the effective date of this Act, the public
20	utilities commission shall suspend any and all duties with
21	respect to sections 486H-13 and 486H-16, Hawaii Revised Statutes.

- 1 SECTION 16. There is appropriated out of the general
- 2 revenues of the State of Hawaii the sum of \$ or so much
- 3 thereof as may be necessary for fiscal year 2006-2007 to be
- 4 deposited into the petroleum industry monitoring, analysis, and
- 5 reporting special fund.
- 6 The sum appropriated shall be expended by the public
- 7 utilities commission for the purposes of this part.
- 8 SECTION 17. There is appropriated out of the petroleum
- 9 industry monitoring, analysis, and reporting special fund the sum
- 10 of \$ or so much thereof as may be necessary for fiscal
- 11 year 2006-2007 to establish the petroleum industry monitoring,
- 12 analysis, and reporting program established under chapter 486J,
- 13 Hawaii Revised Statutes.
- 14 The sum appropriated shall be expended by the public
- 15 utilities commission for the purposes of this part.
- 16 PART II
- 17 SECTION 18. The Hawaii Revised Statutes is amended by
- 18 adding a new chapter to be appropriately designated and to read
- 19 as follows:

1

2	UNFAIR TRADE PRACTICES BY PETROLEUM INDUSTRY
3	§ -1 Definitions. As used in this chapter, unless the
4	context otherwise requires:
5	"Advertising" includes the use of any banner, sign, placard,
6	poster, streamer, card, or any publication in the media.
7	"Gasoline" means a volatile mixture of liquid hydrocarbons,
8	generally containing small amounts of additives, suitable for use
9	as a fuel in spark-ignition internal combustion engines.
10	"Person" means an individual, corporation, government, or
11	governmental subdivision or agency, business trust, estate,
12	trust, partnership, unincorporated association, two or more of
13	any of the foregoing having a joint or common interest, or any
14	other legal or commercial entity.
15	"Petroleum products" means gasoline, diesel fuel, liquefied
16	petroleum gas only when used as a motor fuel, kerosene, thinner,
17	solvent, liquefied natural gas, pressure appliance fuel, white
18	gasoline, or any motor fuel, or any oil represented as engine
19	lubricant, engine oil, lubricating or motor oil, or any oil used
20	to lubricate transmissions, gears, or axles.
21	"Sell" or any of its variants means attempt to sell, offer
22	for sale or assist in the sale of, permit to be sold or offered

"CHAPTER

- 1 for sale or delivery, offer for delivery, trade, barter, or
- 2 expose for sale.
- 3 § -2 Misrepresentations. (a) It is unlawful for any
- 4 person to make any deceptive, false, or misleading statement by
- 5 any means whatsoever regarding quality, quantity, performance,
- 6 price, discount, profit, or savings used in the sale or selling
- 7 of any petroleum product regulated pursuant to this chapter or
- 8 chapters 486H and 486J.
- 9 (b) The following misleading, unfair, or deceptive acts or
- 10 practices committed or permitted by any person offering to sell
- 11 any petroleum product that is regulated by this chapter or
- 12 chapters 486H and 486J are also a violation of this section:
- 13 (1) Misrepresenting the brand, grade, quality, or price of
- a petroleum product;
- 15 (2) Using false or deceptive representations or
- designations in connection with the pricing, profits,
- or sale of petroleum products;
- 18 (3) Advertising petroleum products or services and not
- selling them as advertised;
- 20 (4) Advertising petroleum products of a designated brand,
- 21 grade, trademark, or trade name not actually sold or
- 22 available for sale;

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1	(5)	Making false, deceptive, or misleading statements
2		concerning conditions of sale, price reductions, costs
3		of operations, profits, or failing to disclose business
4		relationships within the petroleum industry that affect
5		the wholesale pricing of petroleum products;
6	(6)	Representing that the consumer will receive a rebate,
7		discount, or other economic benefit and then failing to
8		give that rebate, discount, or other economic benefit;
9		and
10	(7)	Forging or falsifying any records or documents required
11		by this chapter or chapter 486H or 486J or knowingly
12		keeping, using, or displaying the false or forged
13		records or documents.
14	§	-3 Unlawful profiteering. Any person who sells
15	petroleum	products and who, with intent to enhance the price or
16	restrict	the supply of petroleum products:
17	(1)	Wilfully destroys or permits preventable waste in the

(2) Prevents, limits, lessens, or restricts the manufacture, production, supply, or distribution of petroleum products;

petroleum products;

production, manufacture, storage, or distribution of

**18** 

19

**20** 

21

- (3) Enters into any contract, combination, or conspiracy in
   restraint of trade or commerce;
- (4) Exacts or demands any unjust or unreasonable profit in
   the sale, exchange, or handling of petroleum products;
   or
- (5) In any way aids or abets the doing of any act statedhere,
- 8 shall commit an unlawful trade practice.
- 9 § -4 Penalty. Any person who sells petroleum products in 10 violation of this chapter shall be fined not more than \$10,000 11 for each violation or imprisoned for not more than five years, or 12 both.
- S -5 Injunctions. Any person in violation of this

  that chapter may be enjoined by the circuit court by mandatory or

  restraining order necessary or proper to effectuate the purposes

  of this chapter in a suit brought by the attorney general in the

  name of the State or by any private person in the person's own

  name.
- 19 § -6 Remedies cumulative. The remedies prescribed in
  20 this chapter are cumulative and in addition to any other remedies
  21 provided by law."

- 1 SECTION 19. In codifying the new sections added by section
- 2 and section 18 of this Act, the revisor of statutes shall
- 3 substitute appropriate section numbers for the letters used in
- 4 designating the new sections in this Act.
- 5 SECTION 20. Statutory material to be repealed is bracketed
- 6 and stricken. New statutory material is underscored.
- 7 SECTION 21. This Act shall take effect on July 1, 2020;
- 8 provided that section 13 shall take effect on January 1, 2008,
- 9 and section 18 shall take effect on July 1, 2007.

#### Report Title:

Petroleum Industry; Petroleum Industry Special Fund; Unfair Practices by Petroleum Industry

### Description:

Establishes: (1) petroleum industry monitoring, analysis, and reporting special fund; (2) petroleum industry information reporting system; and (3) unfair practices by petroleum industry. Suspends enforcement of gasoline price limit program by PUC. (HB3115 HD2)

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