

APPENDIX 1.

METHODOLOGY USED FOR ANALYSIS OF WHOLESALE AND RETAIL PRICE DATA

The Subcommittee purchased from the Oil Price Information Service (OPIS) rack (wholesale terminal) price and retail price data for regular unleaded gasoline. The Subcommittee obtained daily data for all of 2000 and the first eight months of 2001 (January 1-August 23) for five states – California, Illinois, Maine, Michigan, and Ohio. The Majority Staff completed analyses of state average rack prices, state average retail prices (net of federal and state taxes), and the resulting rack-to-retail margins for both 2000 and 2001. The Majority Staff also compared branded average rack prices and branded average retail prices (net of federal and state taxes) for each of the five states for 2001. Finally, the Majority Staff reviewed the daily branded retail price changes in Illinois, Michigan, and Ohio for selected weeks in 2001. The brands the Majority Staff chose to compare in each state varied based on which brands generally had the largest market shares in each state.

OPIS obtains its rack prices each day from all of the major jobbers in each region where there is a terminal. To calculate a state's daily average rack price, OPIS averages all of the rack prices in all of the terminals in the state each day. The branded rack prices for each state are developed by weighting the daily regional rack prices for each brand based on the number of times the Wright Express LLC fleet card¹ is swiped for each brand in each region in a state. For example, if on a specific day, Wright Express fleet cards are swiped at Brand X rack terminals only in 3 regions of a state -- 5 times in region A, 3 times in region B, and one time in region C, the following calculation would be made. Brand X's rack price in region A would be added 5 times, Brand X's rack price in region B would be added 3 times, and Brand X's rack price in region C would be added one time, and then the final amount would be divided by 9 to get the "weighted average" rack price for Brand X in that state.²

OPIS collects the retail price data using the Wright Express LLC fleet card as well. Each morning OPIS gets an electronic transfer of actual per gallon transactions for up to 85,000 individual gasoline stations across the country from transactions that occurred over the previous few days. The OPIS database will only accept data that comes from transactions where the fleet card was swiped either inside the store at a register or at a filling pump. The fleet card separates gasoline purchases from all other purchases at a gasoline station (such as purchases of soda and snacks), so OPIS is assured that the price per gallon data is not skewed. The OPIS database is run through a "scrubbing program" that removes any price data that is 30 percent higher or lower than the average prices of other retail outlets in its zip code.³

¹ Wright Express LLS is the largest fleet card provider in the United States. (OPIS website: www.opisnet.com)

² Teleconference with Fred Rozell, OPIS, November 6, 2001.

³ OPIS website and discussions with Fred Rozell, OPIS, November 6 and 8, 2001.

The Majority Staff also compared the rack and retail prices for each state to the daily regional conventional gasoline spot prices and the national crude oil spot prices to see how the wholesale and retail prices of gasoline were affected by changes in the spot market. The Majority Staff obtained these spot market prices from the Department of Energy's Energy Information Administration's the web site, www.doe/eia.gov. The Majority Staff used the Chicago conventional gasoline spot price for the analyses of Illinois, Michigan, and Ohio; the New York conventional gasoline spot price for Maine; and the Los Angeles conventional gasoline spot price for California.

The table below shows which brands the were used for brand prices comparisons in each of the five states the Majority Staff reviewed. These brands the were chosen largely on the basis of our information on which brands had the leading market shares in each state. When the market shares for each brand are summed, the Majority Staff's analyses of rack and retail data cover approximately 50 percent of the market, except for Maine.⁴ The Majority Staff had to remove Mobil from the retail brand price analysis in California, Illinois, and Maine because the Mobil retail data the Subcommittee received from OPIS was not representative of the brand's prices across the state. Speedway brand was used only in the retail price analyses because all of the outlets are company owned and operated by Marathon Ashland LLC, and therefore the brand was not sold at terminals.

Table 1. Brands Used in Analysis of State Branded Rack and Retail Prices

California	Illinois	Maine	Michigan	Ohio
BP	BP	Citgo	BP	BP
Chevron	Citgo	Gulf	Marathon	Marathon
Shell	Marathon	Mobil (rack only)	Mobil	Shell
Texaco	Mobil (rack only)	Texaco	Shell	Speedway (retail only)
	Shell		Speedway (retail only)	Sunoco
	Speedway (retail only)			

⁴ Mobil maintains over ¼ of the market share in Maine, so when it is removed in our analysis of retail pricing by brand, the remaining brands constitute approximately 30 percent of the market.