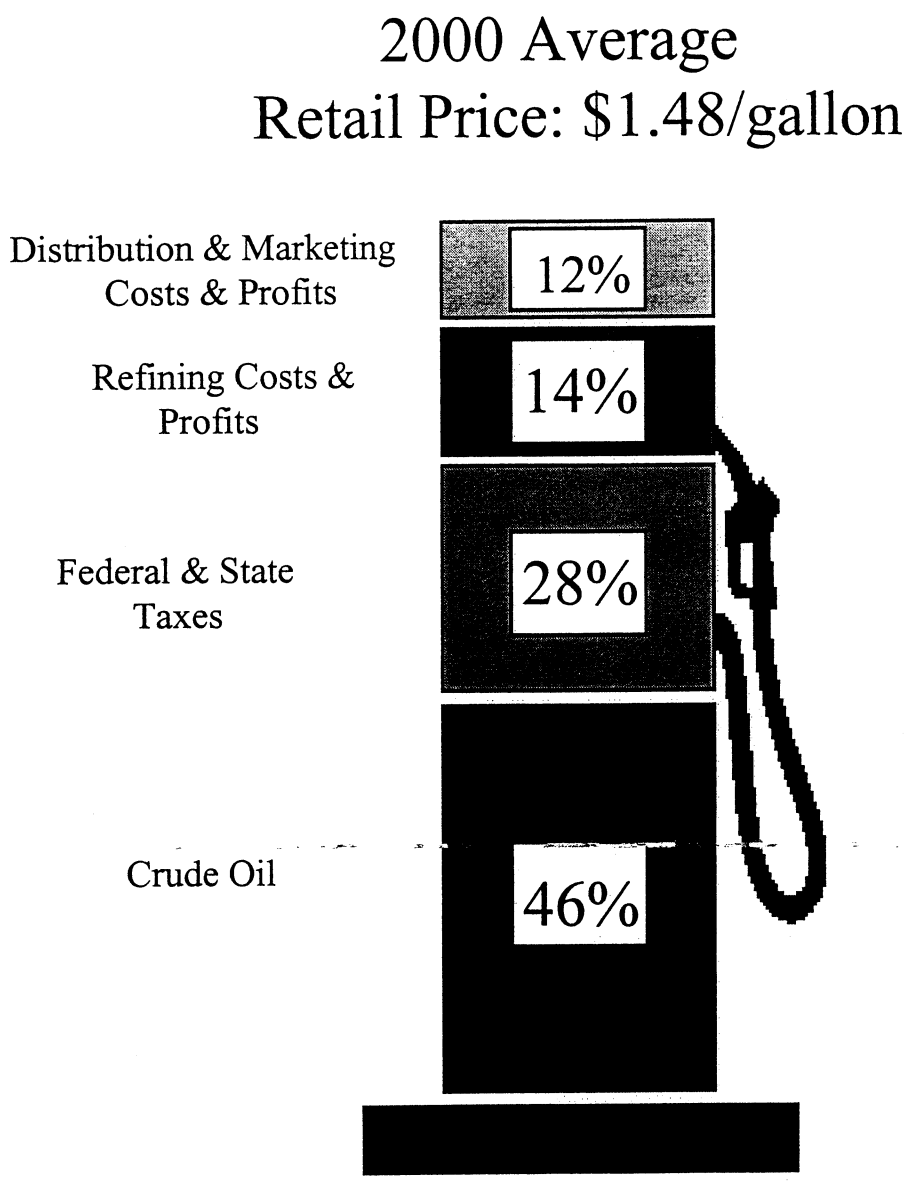
Figure V.1: Costs Included in the Retail Price of Gasoline



Source: DOE/EIA.

EXHIBIT V.1

JUNE 18, 1991

PRIVATE & CONFIDENTIAL

FROM: [redacted]

TO: [redacted]

SUBJECT: [redacted]

Our current information system for pricing [redacted] is rapidly becoming obsolete. The wholesale prices reported by Lundberg do not reflect actual prices to dealers because of the increasing number of rebates, TVA's and special retail programs. Some competitors no longer publish their wholesale prices to price reporting services. The net result is, it is very difficult to know if our prices are competitive. The [redacted] report, which takes Lundberg wholesale prices and adjusts them to be comparable to [redacted] price basis, is no longer a viable tool for pricing. The wholesale prices and adjustments required can no longer be monitored with any degree of certainty.

It is now necessary to set up a new information system for gathering competitive price data so that we can meet competition on the wholesale and retail level. Rather than attempt to collect wholesale prices and then monitor all the adjustments that come and go, the new system will collect competitive street prices which already include the effects of all special pricing programs and are readily apparent to anyone driving down the street. The attachments give a brief overview of a new price analysis system along with a proposed action plan.

We will begin development and testing immediately with a target completion date of August 24. Final review and approval is targeted for August 25 to September 15.

[redacted]

Attachments

[redacted]

[redacted]

[redacted]

From: [redacted]
To: [redacted]
Subject: FW: Pricing Strategy
Date: Friday, December 05, 1997 11:42AM
Priority: High

[redacted] let's discuss on Monday.

From: [redacted]
To: [redacted]
Cc: [redacted]
Subject: Pricing Strategy
Date: Friday, December 05, 1997 11:18AM
Priority: High

I took a look at the Pricing Strategy statement from [redacted] and also ran the list past [redacted] [redacted] Here are some comments:

The theory of "conscious parallelism" among competitors is a type of circumstantial evidence that may be used to infer the existence of a conspiracy among competitors to fix prices. Unfortunately, it is an amorphous area of antitrust law with no clear-cut guidelines for assessing when parallel conduct or acts facilitating parallel prices are illegal. As a result, we must be sensitive to generating documents which would need to be produced in any pricing investigation, and may be misconstrued.

If you want to articulate our pricing strategy in writing that will not be privileged, I recommend that you consider the following that deletes any reference to areas of conscious parallelism. The oral discussions of this strategy can go into greater detail.

1. ~~Maximize profit, not volume.~~

2. Offer product at a retail price that is fair, competitive and consistent with our value proposition.

3. Price for long term profitability, not short term increase in market share.

4. Optimize profitability and margins by pricing product at the highest achievable price to volume point.

5. Price on a location-by-location basis with consideration of all competitive factors for that specific location.

Please let me know if I can be of further assistance.

[redacted]

From: [redacted]
To: [redacted]
Subject: Pricing Strategy
Date: Monday, November 17, 1997 2:24PM

1. ~~Use Chevron and Aloha as benchmarks.~~ w/consid of all comp factors for that specific loc.
2. Price on a ~~site~~ loc by ~~site~~ loc ~~comparative~~ basis~~, not on price alone.~~
3. ~~Optimize profitability by avoiding price wars and undercutting prices unnecessarily.~~
4. Optimize profitability and margins by pricing ~~gasoline~~ product at the highest achievable price to volume point.
5. Offer ~~gasoline~~ product at a retail price that is fair, competitive and ~~supportive of~~ consistent with our value proposition.
6. Price for long term profitability, not short term increase in market share.
7. ~~Adjust price down when diminished volume is sustained, unexplainable and likely to not be followed by major competitors.~~
8. ~~Separate retail and fleet volumes and monitor on an individual as well as combined basis.~~

– Max. profit, not volume.

Figure V.2: U.S. Regular Gasoline Price Differentials by Sales Type, January 1999 - April 2001

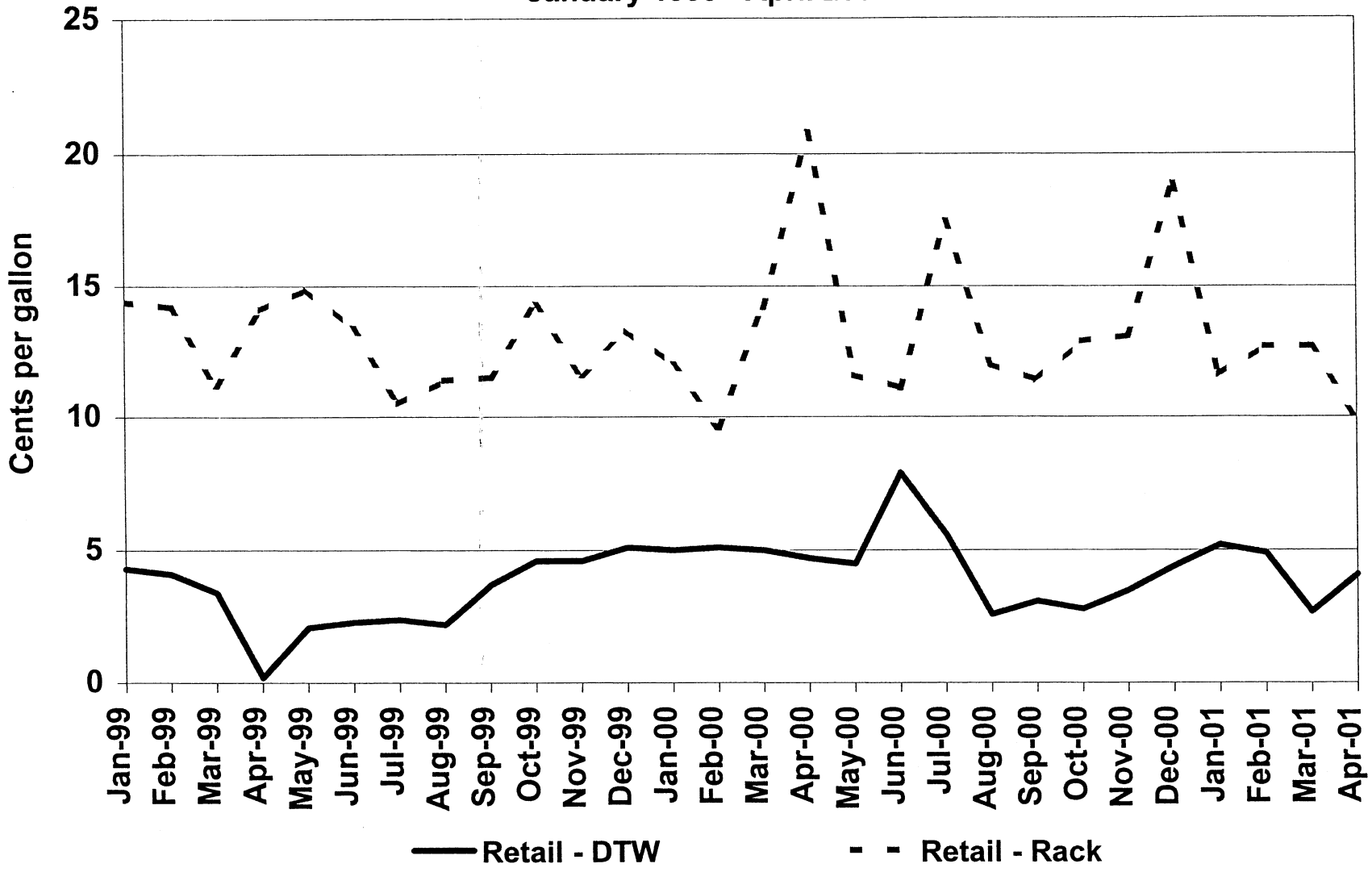
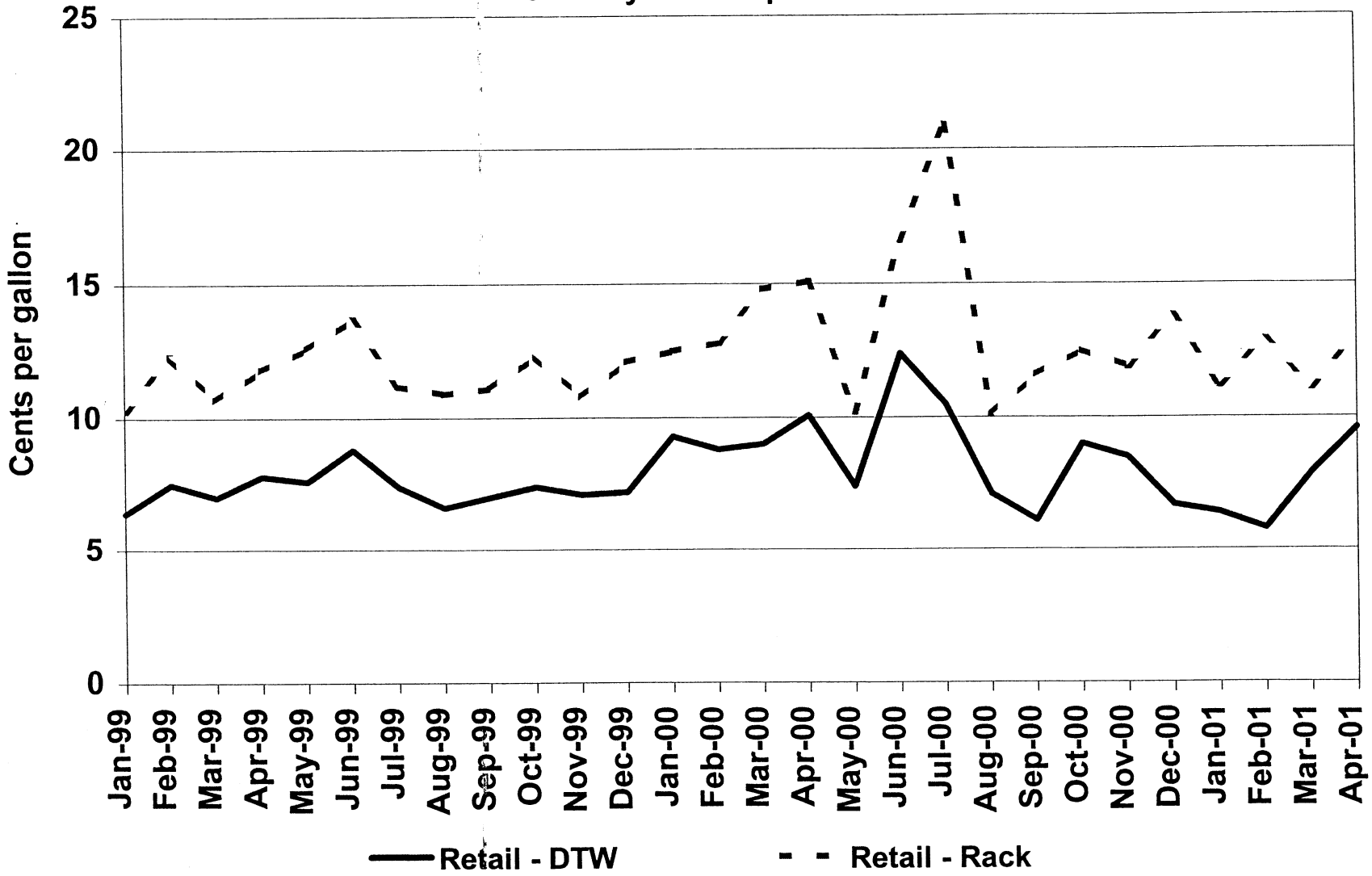
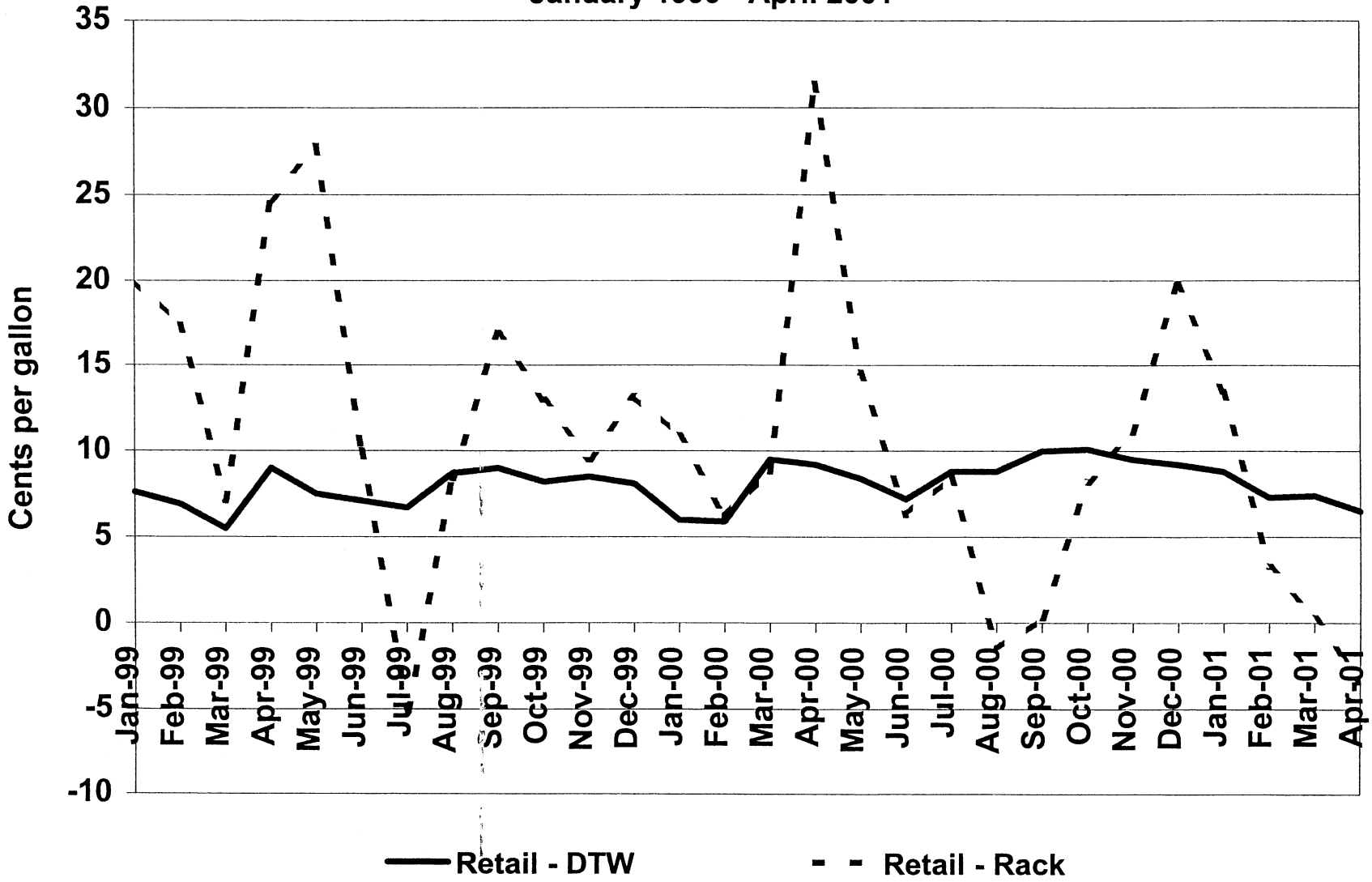


Figure V.3: Michigan Regular Gasoline Price Differentials by Sales Type, January 1999 - April 2001



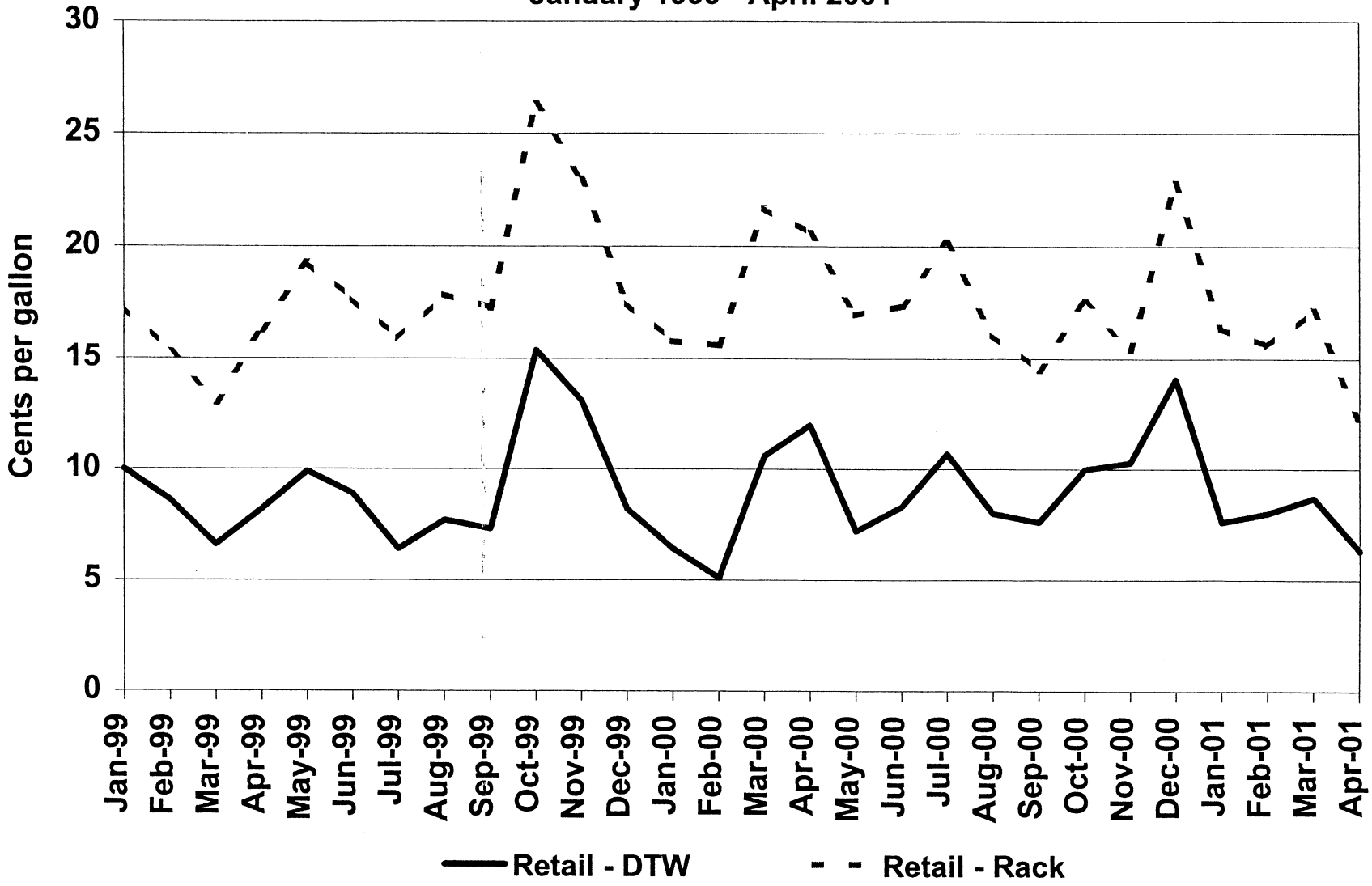
Source: DOE/EIA.

Figure V.4: California Regular Gasoline Price Differentials by Sales Type, January 1999 - April 2001



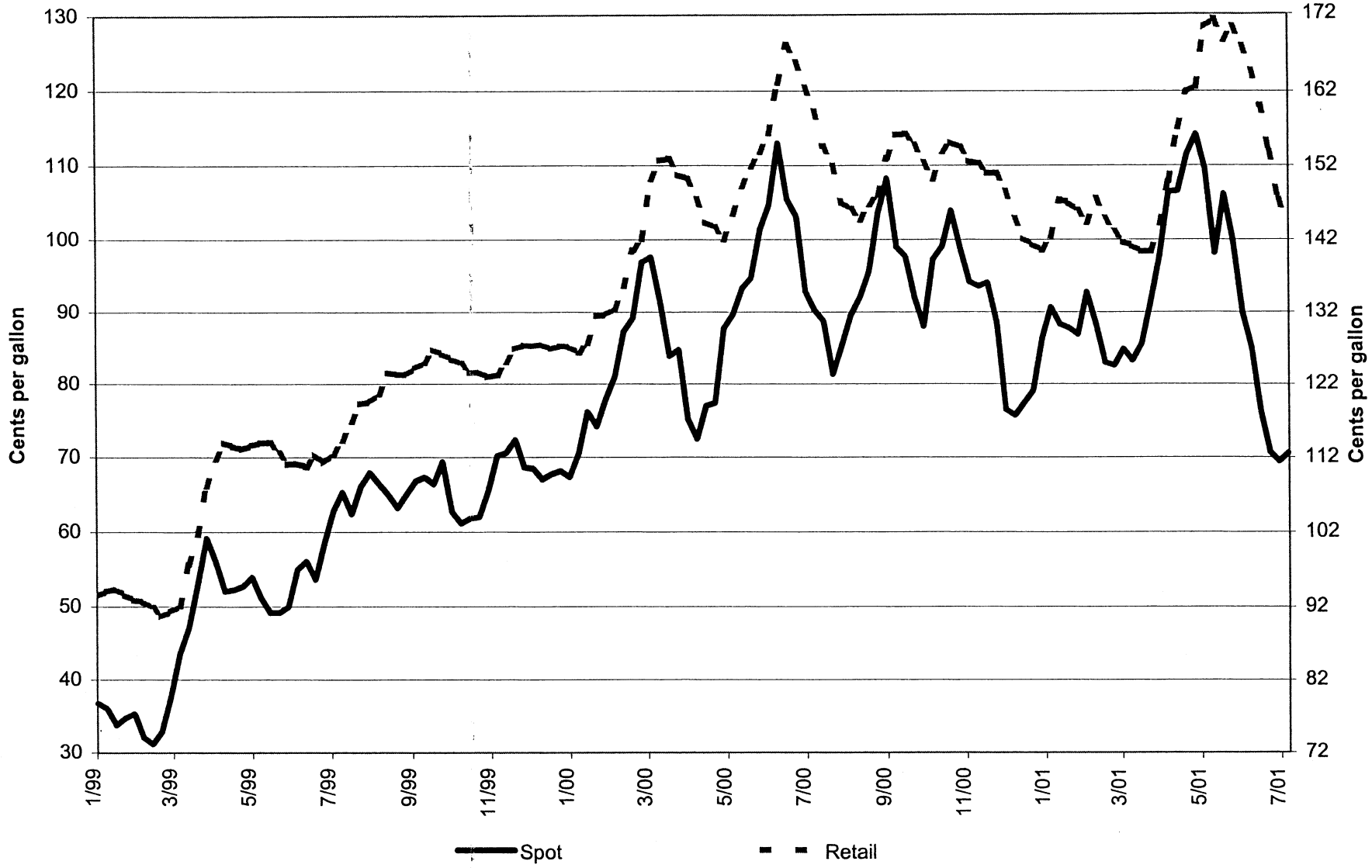
Source: DOE/EIA.

Figure V.5: Maine Regular Gasoline Price Differentials by Sales Type, January 1999 - April 2001



Source: DOE/EIA.

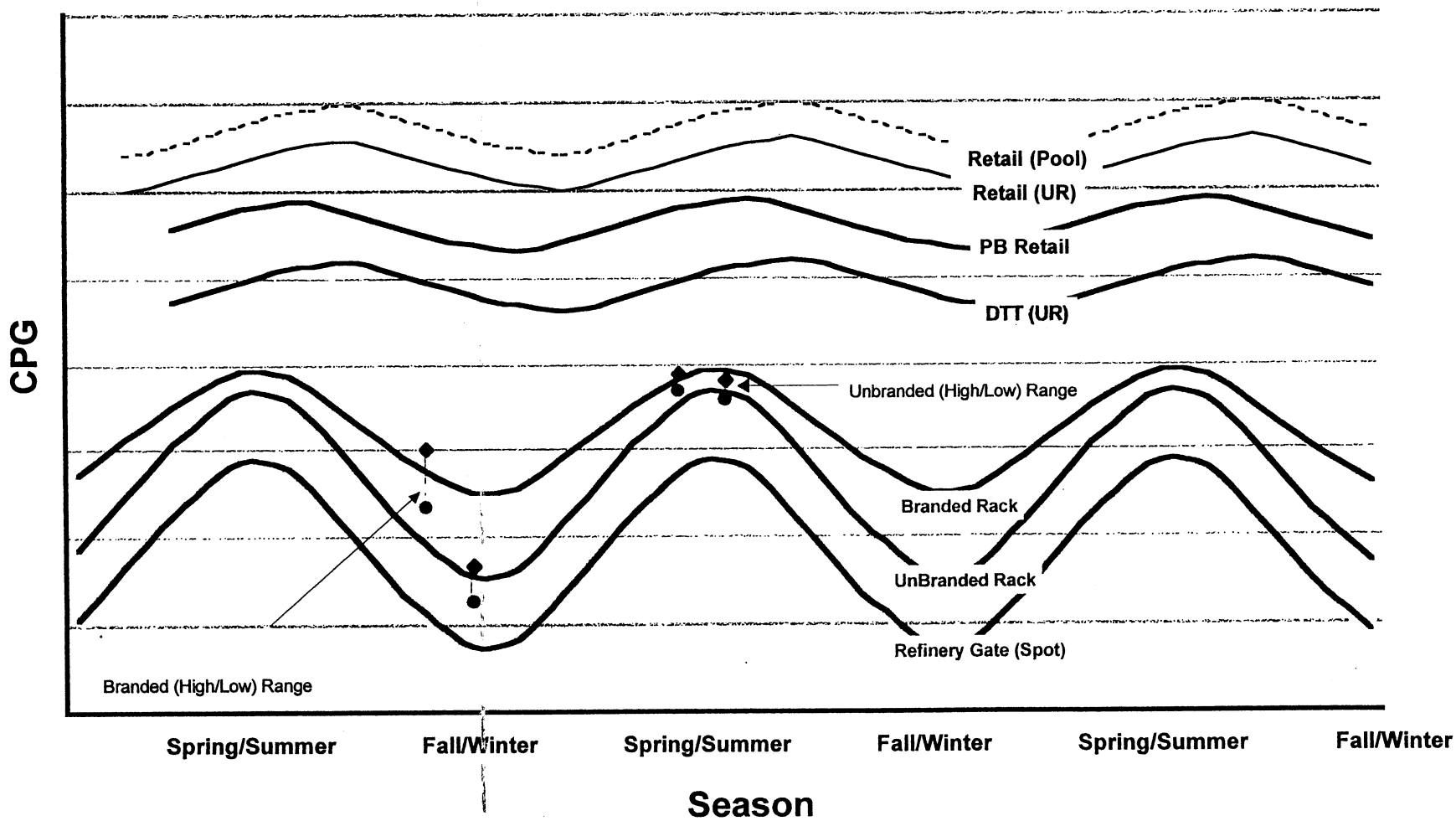
Figure V.6: Retail Prices Lag Spot Prices



Source: DOE/EIA.

Figure V.7:

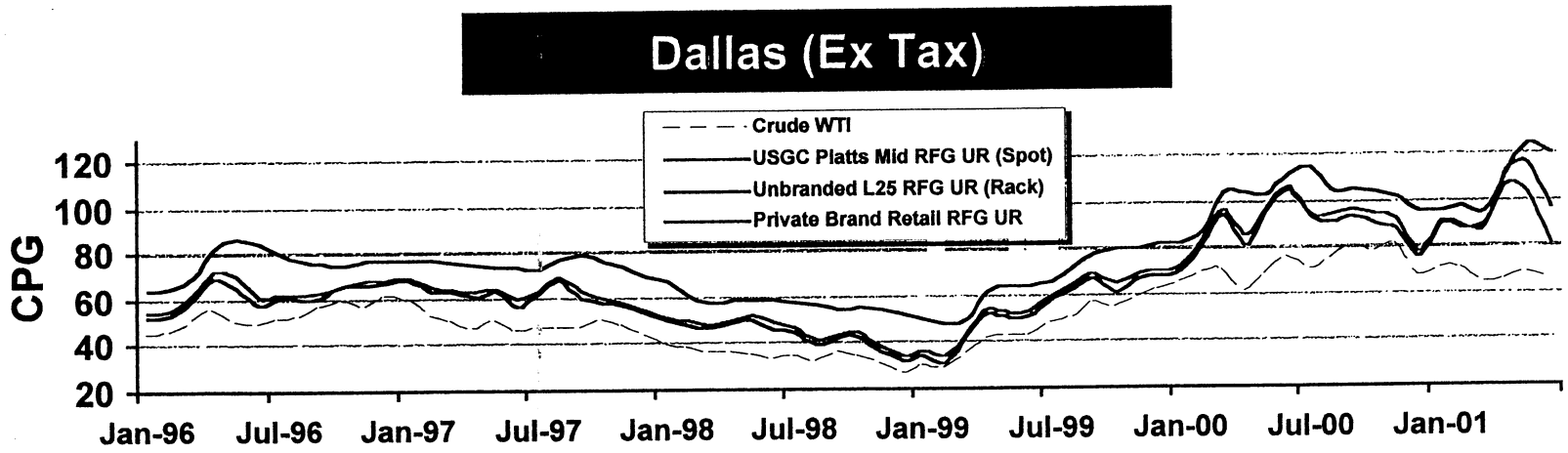
Pricing Simplified, Price Cycles, Stratifications

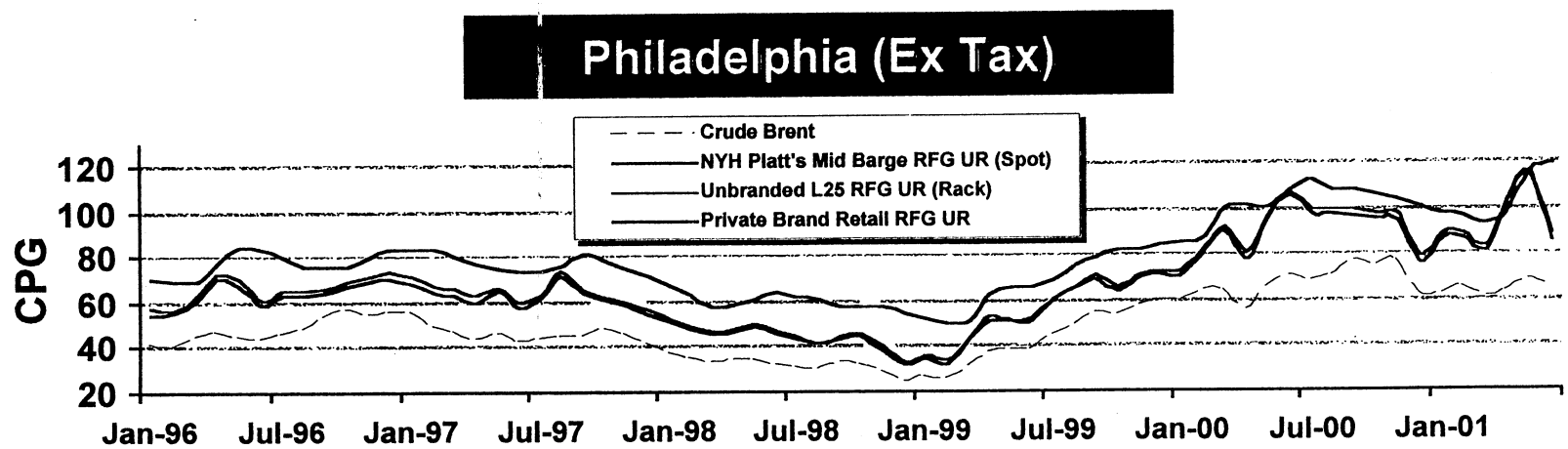


Source: Document in Subcommittee files.

Figure V.8A:

Examples of of How Gasoline Prices Respond to Market Conditions

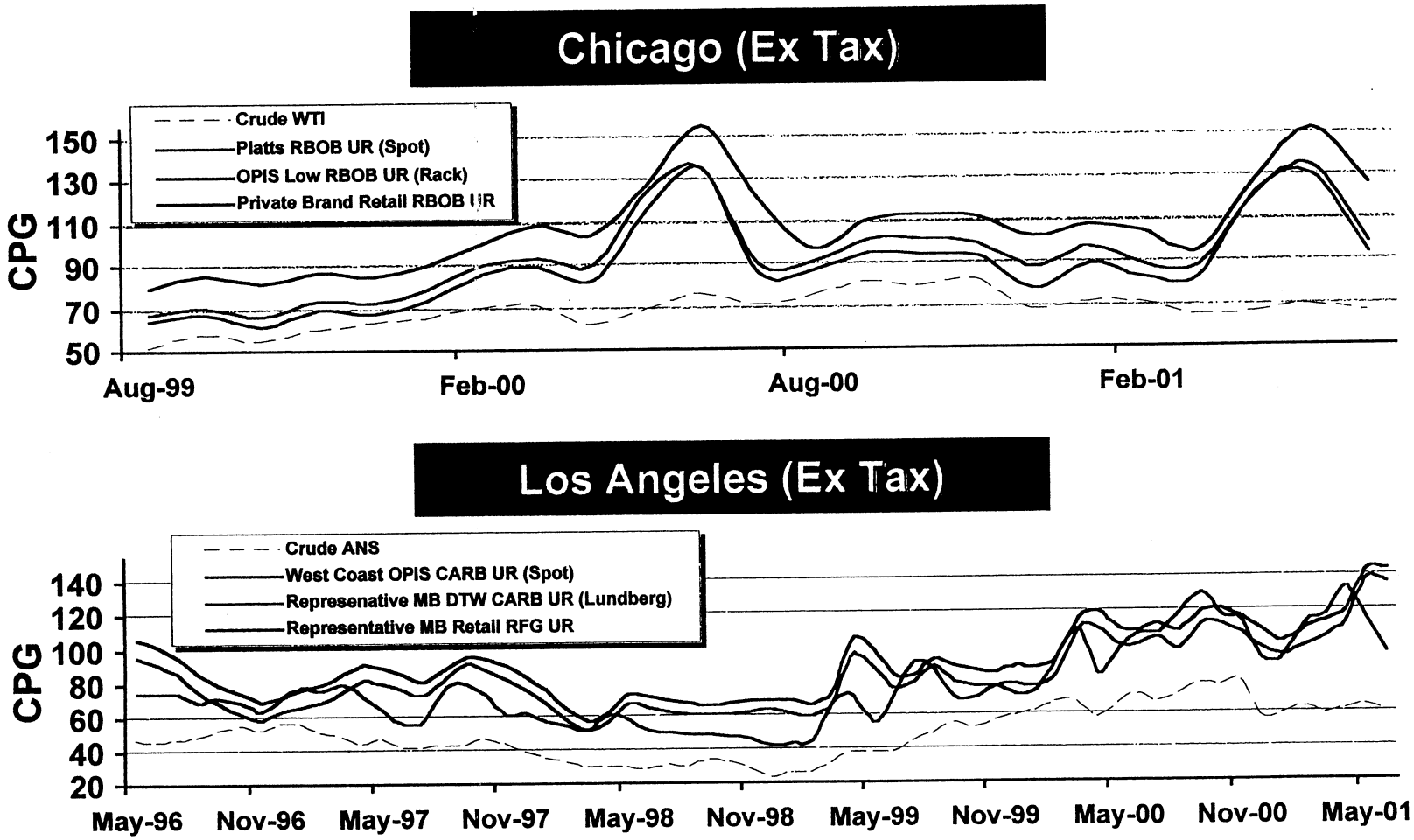




Source: Document in Subcommittee files.

Figure V.8B:

Examples of of How Gasoline Prices Respond to Market Conditions *(Cont.)*



Source: Document in Subcommittee files.