

**Testimony of John V. Kulik, Executive Vice President  
Pennsylvania Petroleum Marketers & Convenience Store Association  
Before the Senate Environmental Resources and Energy Committee  
Regarding Renewable Fuels  
September 25, 2007**

The Pennsylvania Petroleum Marketers & Convenience Store Association (PPMCSA) represents over 450 independent distributors of petroleum products in the state. Our members supply motor fuel to several thousand retail, commercial and governmental accounts; heating oil to 1.2 million homes, as well as commercial and governmental entities; and service other distillate and lubricant customers as well.

I appreciate the opportunity afforded us by Senator White and Senator Musto to share a few thoughts on the issue of renewable fuels now before the General Assembly.

PPMCSA members have seen - and adapted to - a myriad of changes in the industry over the course of time.

For example, many of our member companies were family operations that delivered coal in the middle of the last century and then moved into the heating oil market as the environmental and governmental landscape changed.

In order to survive and grow, successful distributors have had to look ahead to what is coming around the next bend in terms of trends and product development.

For example, a number of our member companies have been selling biodiesel and bio-heating oil for a few years now. Our Association's web site offered advice to consumers and businesses about biofuels before the word became mainstream.

A few firms have expanded their interest in the fledging industry by investing in advanced blending equipment and potential production facilities.

Subsidies, public sentiment, concern for the environment, and supply and demand economics have all played a role in these decisions.

The impetus toward biofuels/ethanol production has been amplified by energy policies developed and supported by both the Bush Administration and the Congress.

The goal of energy independence is certainly a laudable one.

Because of the importance to the future of Pennsylvania, PPMCSA feels the need to express caution and respectfully advises careful deliberations as the decision-making process continues to evolve.

Although our members have the flexibility to sell a variety of products on an individual basis, the requirement for a Pennsylvania motor fuel standard must take into account a number of factors.

For example, ethanol poses problems in handling at terminals, storage facilities, and trucking firms. This needs to be of paramount concern to policymakers.

Much attention has been given to development of production facilities, but if the network for delivering the product is not adequate to meet demand, the potential for serious disruption in the markets is obvious.

Another concern is the history of high profile government requirements that changed with the political winds, leaving millions of dollars of investments in the dust.

An example of that phenomenon occurred in the mid-1990's, when Pennsylvania abruptly reversed its requirement for RFG gasoline as public sentiment turned against Washington environmental policy.

In addition, there is a wariness in our segment of the industry when it comes to fuel marketing areas created by regulation or law.

A case in point is that the state presently has three different fuels in the summer months, due to environmental requirements.

Events in the southwest Pennsylvania motor fuel market in August and September put an enormous strain on the distribution network because of the fact that the counties in the region are an island unto themselves when it comes to 7.8 RVP gasoline.

World market forces, including the commodity exchange, do not bend because the government has carved out a specific fuel for a specific jurisdiction.

All of these dynamics need to be taken into consideration when making this critical decision regarding the future of Pennsylvania.

PPMCSA members will continue to meet the challenges in the changing landscape of fuels and government policy.

We would respectfully ask that we learn from history as Pennsylvania makes these critical choices.

The Association's members stand ready to offer their expertise as this process continues.

I, again, appreciate and thank you for the opportunity to appear before you today to share the concerns of our industry.