



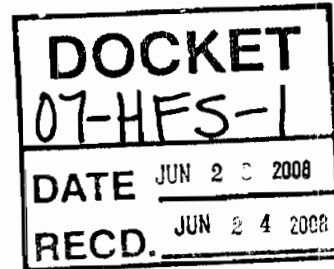
*Formerly The Foundation for Taxpayer & Consumer Rights*

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June 23, 2008

California Energy Commission  
Dockets Office, MS-4  
Docket No. 07-HFS-01

1516 Ninth Street  
Sacramento, CA



Re: June 5, 2008 Hot Fuel Advisory Committee Meeting

Again, my thanks to the staff of the CEC for their thoroughness and professionalism in conducting their fuel temperature study.

The June 5 meeting admirably summarized the status of the study and final points of consideration. There was, however, a significant omission: The presentation did not mention or assess the economic consequences of information asymmetry between buyer and seller in the retail purchase of motor fuel.

At the June 5 advisory board meeting, Mr. Gordon Schremp stated that the information imbalance in fuel sales, which heavily favors the seller, is being discussed by committee staff. It must also be a formal component of cost-benefit analysis.

As I stated in my letter (Log # 46616) delivered at the June 5 meeting, retail consumers are unable to determine the temperature, and thus the true value, of motor fuel either before or during purchase. The seller possesses this information but conceals it from the buyer.

In any transaction where the buyer has no source of information about an aspect of a product's value, and no corresponding warranty of value from the seller, the seller invariably gains economic benefit. (The same applies if the seller lacks information—which is why the health histories of individual health insurance purchasers go under a microscope.)

Individual losses to hot fuel may be in pennies per gallon and several tens of dollars per year (in at least the hundreds of dollars for truckers). The aggregate losses to retail buyers are large, and in any case market behavior in the fuel industry shows that retail customers see pennies as significant. Fuel suppliers report in publications such as Oil Express that discounts of as little as 3 cents, for instance for using a branded gasoline

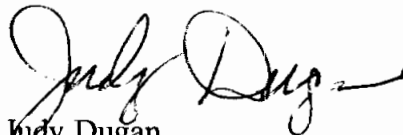
credit card, increase traffic and credit applications. Thus 3 cents a gallon has clear economic value.

In many populous Southern California markets, consumers' average loss from hot fuel (on gasoline costing \$4.60 a gallon) is closer to a nickel a gallon.

The fairness of the method of sale is not just a moral or ethical matter. Fairness and equality of information in the retail sale of fuel have clear economic value in excess of the cost, over time, of remedying the hot fuel imbalance.

Please add the cost of information asymmetry and the benefit of remedying it to the formal points of consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Judy Dugan", with a stylized flourish at the end.

Judy Dugan  
Research Director