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Mr. James Sinegal  
President and CEO  
Costco  
999 Lake Drive  
Isaquah, WA 98027  
and by e-mail

February 13, 2008

Dear Mr. Sinegal,

You may recall that Sol Price, a supporter of our consumer group, introduced us a few years ago. We admire the way you do business, the way you treat employees and your willingness to buck conventional wisdom.

When our consumer group first heard last month that a company was planning to test the sale in California of gasoline adjusted for temperature, our first thought was "Costco." Our source refused to say who was interested, but Costco seemed like the one gasoline retailer with enough independence and clout to pioneer the sale of "Fair Fuel" in the U.S. Now the oil industry publication Oil Express has published a "rumor" that Costco may install pumps with automatic temperature compensation at a some locations.

We at the Foundation for Taxpayer and Consumer Rights would like to offer our support for and backing of your effort, if the rumor is true. We would be pleased to assist with consumer education as well as countering of opposing lobbies.

We hope that you would be willing to talk by phone regarding the "hot fuel" issue, and about lending our consumer-rights voice to you on a reform about which we feel strongly.

Through our website, [OilWatchdog.org](http://OilWatchdog.org), we have campaigned since 2006 for temperature compensation of retail fuel, to make gasoline sales fair and transparent from refinery to minivan. As you may already know, fuel expands when it heats up, and loses about 1% of its energy value for every 15 degrees of heat. Since gasoline is sold at retail by volume, on a 60-degree standard, that means motorists in warm states like California lose a few cents a gallon worth of energy year-round, and more in summer.

( You can read more about the "hot fuel" scam at  
<http://www.oilwatchdog.org/articles/?storyId=5821> )

Gasoline is sold from the refinery and usually to dealers with compensation for heat expansion, thus only the retail purchasers are unable to make fair comparisons of the value of the gasoline they buy. The fuel may be dispensed at 85 degrees at one station, and 70 degrees at one across the street. The estimated loss to motorists in California alone is \$450 million a year. No wonder the petroleum marketing lobby strongly opposes fixing the system.

Only a uniquely situated retailer like Costco could buck this opposition.

The nonprofit, nonpartisan Foundation for Taxpayer and Consumer Rights has assisted Congressional hearings on hot fuel in the Domestic Policy subcommittee, and supported the "FAIR Fuel Act" sponsored by Sen. Claire McCaskill of Missouri. We have helped enlist Sen. Barbara Boxer to the cause of fixing hot fuel at the pump. We have brought a consumer presence to proceedings of the National Conference on Weights and Measures as it struggles under heavy lobbying pressure to make decisions about temperature compensation.

We have cheered California weights and measures officials for certifying the Gilbarco brand temperature-compensating pump for use in the state, even though Gilbarco backed out of the offer (presumably under pressure from its customer trade groups.) We are taking part in deliberations at the California Energy Commission to craft a legislative proposal on temperature compensation, though we believe that a national framework is necessary.

Any shift toward selling temperature-adjusted fuel has to begin with a retailer who believes that consumers will grasp that they're being offered the ultimate shopping tool: the ability to make a fair price comparison.

Costco fits the bill. Its dedication to fair price competition kept it apart from the slump that hit virtually all other major retailers in January. We believe that you know how to educate consumers as well as make a buck. We'd like to talk with you about helping out, if the rumors are true. If not, perhaps we can convince you to make them real on a pilot project

Sincerely,



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President  
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Judy Dugan  
Research Director  
ext. 305