OFFICIAL TRANSCRIPT PROCEEDING

FEDERAL TRADE COMMISSION

MATTER NO.   DO9305

TITLE       UNION OIL COMPANY OF CALIFORNIA

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PAGES       1 THROUGH 200

TESTIMONY OF WILLIAM PEDERSEN

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Q Sure.

A On page 22 of the report, it states that, in November 1994, California submitted a SIP.

Q And when did you say that -- maybe you didn't say. Maybe I didn't ask you. When did the legislation that you referred to take effect, that said that EPA could not promulgate the FIP? And if I've misstated that, please correct me.

A Again, on page 41 of my report, footnote 106 states that the law in question was enacted on April 10th, 1995.

Q And California had submitted its SIP in November of 1994, I believe you testified?

A That is correct.

Q In using your methodology, what factors led you to conclude that California could have withdrawn its SIP without any other consequences?

MS. MARRON: Are you done? I missed the first part could you read it back?

(The reporter read the record as requested.)

MS. MARRON: Objection as to form.

THE WITNESS: I do not believe that I
reached any such conclusion.

BY MR. CONN:

Q    What conclusion do you believe you
reached?

A    The conclusion I believe I reached is
that California was under -- let me be sure I say
this right. The prospect of a FIP was completely
unacceptable to California. The prospect -- and
the only way it could be staved off was by
submitting an -- a SIP that EPA would find
acceptable.

The only way to submit a SIP that EPA
would find acceptable was to adopt a variety of
measures, including, among the foremost,
reformulated gasoline regulations that would
provide greater emissions reductions than the
federal RFG regulations.

Therefore, in order to avoid an
unacceptable degree of federal intervention into
California affairs, it was necessary to adopt RFG
regulations with a high degree of environmental
benefit.

Q    Okay. Now, referring you to page 30 of
the report, do you see the Table 3, Contributions
of Phase 2, RFG, to VOC reductions for 1996 in