



STATE OF FLORIDA

CHARLIE CRIST
ATTORNEY GENERAL

June 15, 2005

The Honorable Deborah Platt Majoras
Chairman, Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, D.C. 20580-0001

Re: Proposed Valero/Premcor Merger

Dear Chairman Majoras:

I am writing to express this office's concern about the recently announced proposed acquisition by Valero Energy Corporation of Premcor Incorporated, which is currently being reviewed by the Federal Trade Commission.

We believe the competitive impact of this proposed transaction should be carefully scrutinized. Because of the extraordinary increases in the price of gasoline in Florida and, in particular, because of a gasoline price spike in early 2004, this office has been engaged in an investigation of the gasoline industry for the past year. We have concluded that the recent price increases are due to both an increase in crude oil prices and a dramatic increase in the margin, or profits, captured by refiners. Currently, Valero and Premcor are competitors in crude oil refining in the region that supplies Florida. While our investigation to date has not disclosed any illegal, explicit collusion, we are concerned that any further consolidation in the oil production and refining segments of the industry will only lessen the competitive forces that ultimately benefit consumers through lower prices.

Enclosed is a copy of a report, authored by economists Keith Leffler and Peter Ashton, that we are issuing as a result of our investigation. As you will see, they conclude that the fact that there is already a relatively small number of firms in the gasoline industry likely contributed to the recent rise in gasoline prices. Accordingly, we ask that the Federal Trade Commission not approve the Valero/Premcor merger to the extent these companies currently compete with each other. Vigorous competition in all segments of the gasoline industry is the best means to ensure stable and reasonable gasoline prices.

Sincerely,

A handwritten signature in blue ink that reads "Charlie Crist".

Charlie Crist

Enclosure: Florida Attorney General's
Report on Gasoline Pricing