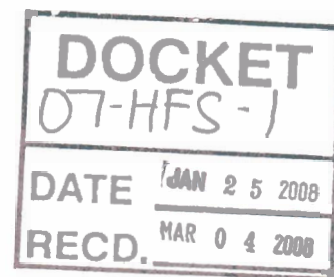
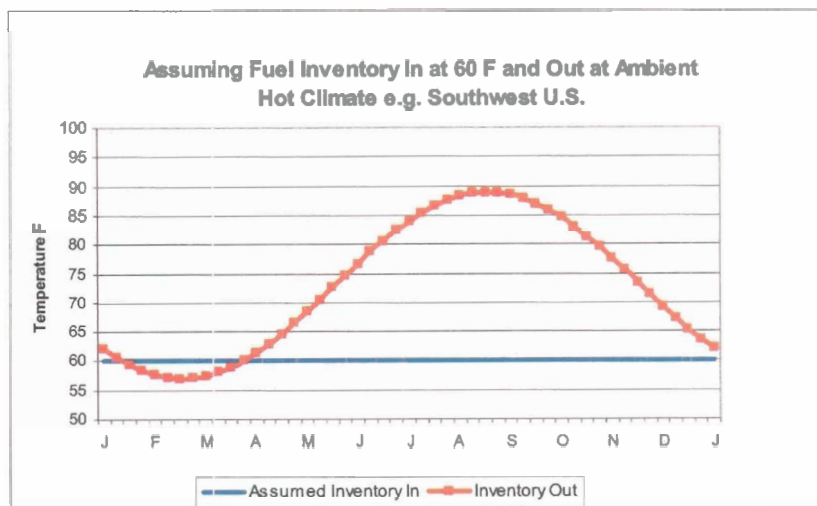


Understanding the Inventory Flow at the Retail Station
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What does it really mean to buy net at 60 F and sell gross at ambient temperature?

Here we assume that the retailer received inventory at 60F and sold it at ambient temperature. Whichever line is colder represents the higher value so, under this assumption, the retailer has a big advantage over the consumer. Retailer can buy at 60 F in August and sell at close to 90 F. That is almost 2% gain on each load of gasoline purchased. For a 10,000



net purchase that is about 200 expanded gallons extra he gets to sell and perhaps \$600 of unearned profit per load. This is how the media came up with the massive losses to consumers.

This is not how it really happens though! Consider the Bill of Lading (BOL) that accompanied the tanker load of gasoline from the terminal on or about August 15th in the graphic above. It might show the following information.

Net gal	API gravity	Temp F	Gross gal
10,000	58	94	10,236

This tells us that the 10,236 gallons at 94 F is exactly equivalent to the 10,000 at 60 F. They are the same thing expressed in different ways. Which of these two options is actually used by the retailer? By used, I mean which value gets entered into the ledger of inventory. Everyone looking at the system has ASSUMED it was the 10,000 gallons net. I strongly suggest that this assumption be verified before the California Energy Commission studies the questions it has proposed for its study.

From the BOL it should be clear that the retailer has a choice! **IF** the retailer takes in the 10,000 gal figure in inventory then he is truly receiving his inventory at 60 F. However, if he takes in the 10,236 gallon figure, he is actually receiving his inventory at 94 F (same as at the rack). Tim Columbus of the National Association of Convenience Stores testified to that effect to Congress and it is what I have found in my state. This option would dramatically change the overall picture and would significantly change the baseline of the study.