

Submitted
by
G. Mattimore

TEMPERATURE COMPENSATION - CALIFORNIA'S VIEWPOINT

Presented By

Darrell A. Guensler

Assistant Chief

Division of Measurement Standards

Department of Food and Agriculture

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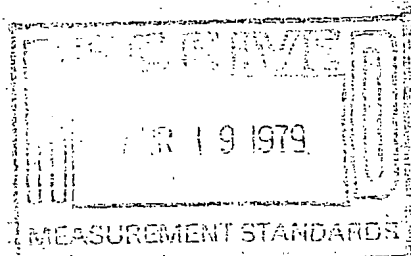
"Symposium on Temperature Compensated Volumes
in the Sale of Petroleum Products"

National Bureau of Standards

Gaithersburg, Maryland

April 3, 4, 1979

DOCKET
07-HFS-1
DATE _____
RECD. JAN 21 2009



State of California

Department of Food and Agriculture
Division of Measurement Standards
8500 Friktidge Road
Sacramento 95826



Darrell A. Guensler
Assistant Chief

TEMPERATURE COMPENSATION - CALIFORNIA'S VIEWPOINT

IT'S A PLEASURE TO BE HERE TODAY TO PRESENT THE VIEWPOINT OF THE CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE ON THE SUBJECT OF "TEMPERATURE COMPENSATION". THE DIRECTOR OF THIS DEPARTMENT IS RESPONSIBLE FOR THE ENFORCEMENT OF WEIGHTS AND MEASURES LAWS IN CALIFORNIA.

OUR STATE, WHICH HAS A POPULATION OF APPROXIMATELY 22 MILLION PEOPLE, EXPERIENCES GASOLINE SALES IN THE NEIGHBORHOOD OF A BILLION GALLONS A MONTH. I THINK IT IS SAFE TO SAY THAT COMPETITION IS AS KEEN IN CALIFORNIA AS IT IS ELSEWHERE.

FIRST OF ALL, I'D LIKE TO ATTEMPT TO SET THE RECORD STRAIGHT ON A FEW POINTS.

- WE DO NOT QUESTION THE CONTENTION THAT TEMPERATURE CORRECTION PROVIDES THE MOST UNIFORMLY ACCURATE GALLON OF GASOLINE. THE SAME IS TRUE FOR ANY LIQUID.

- WE ALSO AGREE THAT THERE ARE INCONSISTENCIES IN THE METHOD OF SALE OF PETROLEUM PRODUCTS.

- WE DO, HOWEVER, QUESTION THE MOTIVES OF SOME OF THOSE WHO SO STRONGLY ADVOCATE TEMPERATURE CORRECTION AT RETAIL.

RE THAT AS IT MAY, WE HAVE ATTEMPTED TO EVALUATE THE TOPIC IN A PURELY SCIENTIFIC AND ECONOMIC MANNER AS IT RELATES TO WHAT WE BELIEVE OUR MISSION OR ROLE TO BE.

WE HAVE ATTEMPTED TO DEFINE OUR ROLE WITH THE FOLLOWING STATEMENT:

"TO PRESERVE AND MAINTAIN THE STANDARDS OF MEASUREMENT ESSENTIAL
IN PROVIDING A BASIS OF VALUE COMPARISON FOR CONSUMERS AND FAIR
COMPETITION FOR INDUSTRY".

PRACTICALLY EVERY TECHNICAL DECISION WE MAKE IS EVALUATED WITH REGARD TO THIS
ROLE STATEMENT.

ON THE GENERAL SUBJECT OF TEMPERATURE COMPENSATION, WE HAVE THE FOLLOWING
CONDITIONS PRESENT IN CALIFORNIA:

- . BY LAW, ALL SALES OF GASOLINE IN QUANTITIES OF 5000 GALLONS OR
MORE MUST BE OFFERED ON A TEMPERATURE COMPENSATED BASIS.
- . ALL PACKAGED LIQUID PETROLEUM PRODUCTS MUST REPRESENT THEIR
VOLUMES AT 60°F.
- . THERE IS NO LAW AGAINST COMPENSATING FOR TEMPERATURE CHANGE
AT EITHER WHOLESALE OR RETAIL.
- . SPECIFICATIONS HAVE BEEN DEVELOPED WHICH RECOGNIZE WHOLESALE
DELIVERIES OF GASOLINE, DIESEL AND LPG AS WELL AS LPG BY
VEHICLE TANK METERS ON A TEMPERATURE COMPENSATED BASIS.
- . TEMPERATURE COMPENSATION ACTUALLY TAKES PLACE ON MANY SALES
OF LPG AND ON MOST WHOLESALE DELIVERIES OF GASOLINE.

RETAIL SALES OF FUEL OIL BY VEHICLE TANK METER IS NOT A PARTICULARLY SIGNIFICANT BUSINESS IN CALIFORNIA, AT LEAST WHEN COMPARED TO THE NORTHEAST SECTION OF THE NATION. TO MY KNOWLEDGE, THERE IS NO TEMPERATURE COMPENSATION TAKING PLACE ON THESE TYPES OF SALES.

SOME POSSIBLE PROBLEMS IN THE AREAS JUST MENTIONED ARE:

- ON LPG SALES BY VEHICLE TANK METER, THERE IS A TENDENCY TO TEMPERATURE COMPENSATE IN THE NORTHERN PART OF THE STATE WHERE THE TEMPERATURES ARE GENERALLY BELOW 60°F. AND TO NOT COMPENSATE IN THE SOUTHERN PART. OUR REQUIREMENTS ARE ONLY THAT ONCE STARTED, COMPENSATION MUST CONTINUE THROUGHOUT THE YEAR. POSSIBLY, THERE IS A NEED TO REQUIRE ALL DEALERS IN A GIVEN MARKETING AREA ("MARKETING AREA" WOULD HAVE TO BE DEFINED) TO EITHER COMPENSATE OR NOT. WE BELIEVE THAT THIS SHOULD BE ADDRESSED IN THE "MODEL STATE METHOD OF SALE OF COMMODITIES REGULATION".
- ON WHOLESALE DELIVERIES OF GASOLINE (OVER 5000 GALLONS) THERE ARE SOME PRACTICES SUCH AS TEMPERATURE AVERAGING WHICH ARE QUESTIONABLE FROM THE STANDPOINT OF INDIVIDUAL ACCURACY AND WHICH ARE DIFFICULT TO VERIFY. BECAUSE OF THIS, LEGISLATION HAS BEEN INTRODUCED IN CALIFORNIA TO PROVIDE MORE ACCOUNTABILITY ON THE PART OF THE SELLER.

SPECIFICALLY WITH REGARD TO RETAIL SALES OF GASOLINE, THE CURRENT SITUATION IN CALIFORNIA IS:

IT IS REASONABLE TO ASSUME THAT MORE GASOLINE IS SOLD AT RETAIL

ABOVE 60°F. THAN BELOW.

THERE IS NO TEMPERATURE COMPENSATION TAKING PLACE NOW.

WE HAVE HEARD OF ONLY ONE SUPPLIER OF RETAIL TEMPERATURE

COMPENSATION EQUIPMENT. WE HAVE NOT EVALUATED SUCH EQUIPMENT.

(OUR DEPARTMENT DID NOT PARTICIPATE IN THE TESTS MENTIONED BY

GEORGE MATTIMOE).

WE HAVE RECEIVED NO COMPLAINTS REGARDING TEMPERATURE COMPENSATION
AT RETAIL EXCEPT FOR THOSE OBVIOUSLY GENERATED BY THE ADVOCATE

GROUP.

IT IS OUR UNDERSTANDING THAT AT LEAST ONE OF THE STRONGEST

ADVOCATES OF RETAIL TEMPERATURE COMPENSATION HAS AT LEAST AN

ARM'S LENGTH FINANCIAL INTEREST IN THIS EQUIPMENT.

THERE SEEMS TO BE NO QUESTION THAT SALES OF GASOLINE AT RETAIL WOULD BE MORE
UNIFORMLY ACCURATE IF THEY WERE TEMPERATURE COMPENSATED.

THE QUESTIONS ARE:

IS IT NECESSARY TO TEMPERATURE COMPENSATE IN ORDER TO PRESERVE
AND MAINTAIN THE STANDARDS OF MEASUREMENT ESSENTIAL IN PRO-
VIDING A BASIS OF VALUE COMPARISON FOR CONSUMERS AND FAIR
COMPETITION FOR INDUSTRY?

IS MANDATORY TEMPERATURE COMPENSATION WORTH THE COST?

IF WE ATTEMPT TO ANSWER THESE QUESTIONS WITH A SIMPLE YES OR NO, WE BELIEVE THAT THE ANSWER, IN BOTH CASES, WOULD HAVE TO BE NO. HOWEVER, SUCH A SIMPLE ANSWER DOES NOT REALLY DO JUSTICE TO SUCH A COMPLEX SUBJECT.

IN ORDER FOR VALUE COMPARISON AND FAIR COMPETITION TO FUNCTION PROPERLY, IT IS NECESSARY THAT:

THE GALLON BE THE SAME SIZE THROUGHOUT THE COMPETITIVE MARKETING AREA, AND

THE QUANTITY REPRESENTED MUST BE VERIFIABLE.

EVEN THOUGH IT IS FACT THAT IN THE SUMMER THE GASOLINE SOLD IN THE DESERT IS WARMER THAN THAT SOLD IN THE HIGH MOUNTAINS; WHEN A PERSON ATTEMPTS TO VALUE COMPARE OR A BUSINESS PERSON ATTEMPTS TO COMPETE, GENERALLY, THE CONDITIONS ARE THE SAME WITHIN THEIR PARTICULAR AREA OF INTEREST. PROVIDED NO ONE IS ARTIFICIALLY CONTROLLING THE TEMPERATURE OF THE PRODUCT, EVERYONE GETS A FAIR SHOT.

OBVIOUSLY, IF WE WERE TO REQUIRE TEMPERATURE COMPENSATION AT RETAIL GASOLINE OUTLETS, THERE WOULD BE COSTS INVOLVED. OBVIOUSLY, THE ULTIMATE CONSUMERS OF THE GASOLINE WOULD ABSORB SUCH COSTS. PHASING IN EQUIPMENT ON A NORMAL REPLACEMENT CYCLE WOULD MINIMIZE COSTS BUT WOULD CREATE A NON-UNIFORM, CHAOTIC CONDITION WHICH COULD LAST IN EXCESS OF 10 YEARS. SINCE THAT IS NOT REALISTIC, CHANGE WOULD HAVE TO BE ACCELERATED TO SOME REASONABLE PERIOD WHICH WOULD THEN REQUIRE RETRO-FIT OR PREMATURE REPLACEMENT RESULTING IN HIGH COSTS. MAINTENANCE AND INSPECTION COSTS WOULD ALSO INCREASE.

IF YOU ASSUME A CONSERVATIVE COST OF \$500.00 PER DISPENSER, THE COST TO THE CONSUMERS IN CALIFORNIA ALONE WOULD BE EQUAL TO \$70 MILLION. THIS DOES NOT INCLUDE MAINTENANCE AND ADMINISTRATIVE COSTS.

IN OUR OPINION, THE RESULT IS SIMPLY NOT WORTH THE COST.

OUR EYES AND MINDS REMAIN OPEN.

THANK YOU.