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Statement to the California Energy Commission
Regarding the Fuel Delivery Temperature Study
By
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Good morning, my name is Ross Andersen and I am the Director of Weights and Measures for the New York State Department of Agriculture and Markets. I have been involved with the issue of temperature compensation for over 30 years. It was my pleasure to serve on the Advisory Group for the Commission's Fuel Delivery Temperature Study. It is in my view the best study of the issues surrounding temperature compensation yet. Even though you correctly reached the important objective conclusions, there are important shortcomings.

I believe the Report lacks a baseline. If we are to assess the benefit of changing the present gross gallon measurement system, we need to understand how well that system is working now. While I believe the Commission staff already has that baseline in their minds, and that baseline is necessary to deduce that there are no hot fuel profits, it is not described in sufficient detail in the Report. Without the benefit of that baseline the reader is unlikely to understand why the Commission reached the conclusions it did.

I believe the Report lacks an explanation of how either of the alternatives will improve the marketplace. Many people believe these changes will make an unfair market fair. Even though we've been discussing this at the NCWM for 9 years, I'm still unable to picture what will be different. How will we know that we have this increased fairness? Can we measure it? Neither Hawaii nor Canada ever tried.

I believe the report failed to answer an important question raised in the Executive Summary about why retailers don't use ATC now. I provided written testimony to the docket on four reasons why, but the Report just glosses over this question. In Appendix S, the Report suggests retailers won't use ATC unless forced to by legislation or regulation. I counter that the objective conclusions of the study indicate that it simply doesn't pay for anyone, and of course the retailers think it is against the law.

The fourth gap in the Report deals with the deadweight loss. It is tough to challenge something that is only vaguely described. The whole analysis is somewhat theoretical. It is based on measurements of the causes but not the effects. I provided data for the docket from retail stations in New York in my early testimony in January '08. Losses and gains in inventory represent measurable outcomes from temperature changes. A loss of inventory indicates that sales temperatures at the nozzle were on average cooler than at the rack. I showed that retailer inventory losses in my state were highest in the summer months and they actually saw smaller inventory gains in the winter. Our summer fuel temperatures are only a few degrees cooler than the California average. Can temperature effects be that different?

Yesterday I received data from 10 large truckstop locations in various parts of California. Those locations with underground storage tanks reported diesel sales of 120 million gross gallons, with inventory losses of 114,000 gross gallons. That's 0.09% in losses over the year which represents an average sales temperature 2 F colder than their purchases.

My concern is risk. I strongly support the work done on this project as it has national and international implications. If California stations lose inventory in warm weather like those in New York, the deadweight loss calculations in the report will be suspect. The actual numbers thus far appear to be negative indicating the consumer now gets a small benefit from purchasing in gross gallons. The use of ATC technology will remove that benefit and help the retailer manage inventory better at consumer expense. What are the implications of that? All I am asking for is some validation of assumptions. Looking at the retailer inventory is, in my opinion, the only viable place to find that validation.

As a measurement scientist, I know that we can never eliminate variation and after a certain point, improvement in measurement becomes a cost with no benefit. That's the science. Thus the principles we work from require us to consider cost when setting tolerances and seek to put the most practical measurement in the marketplace, not necessarily the most accurate. Your report has answered a lot of important questions and could be even be better if you filled those few gaps. Overall I am pleased with the work product and would like to thank the great State of California for conducting this study.