

## **NATSO study shows Kucinich temp comp numbers wrong**

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If Rep. Dennis Kucinich, D-Ohio succeeds in his push for mandatory temperature correction at retail, his constituents may actually end up paying more for gasoline, not less.

Kucinich claims that gasoline marketers will “overcharge” consumers by \$1.5 billion this summer by selling them product that has not been temperature-adjusted to the 60 degree Fahrenheit standard that the industry uses for wholesale sales.

As a result, some 513.8 million gallons of gasoline sold to consumers will be “phantom” gallons that will disappear when the fuel cools off in vehicle fuel tanks, according to report issued by the House Domestic Policy Subcommittee that Kucinich chairs.

Kucinich, who is running for president, recently held a hearing on temperature compensation and plans to hold a second session where he will grill major oil company executives. He has also written to Michael Cleary, chairman of the National Conference on Weights and Measures, urging adoption of temporary correction at retail.

To come up with his \$1.5 billion “overcharge” number, Kucinich took fuel temperatures recorded in the summer of 2003 by the National Institute of Standards and Technology (NIST), a federal technology and measurement standards agency.

But fuel expands in heat and contracts in cold and had Kucinich looked at temperatures on a year-round basis, he would have come up with radically different numbers, according to an analysis by the National Assn. of Truck Stop Operators.

NATSO’s analysis, based on NIST temperatures taken over 23 months, shows that consumers in 18 states in the cooler North and Midwest – including Ohio -- would be worse off under mandatory temperature compensation because they would pay for more gallons than they actually receive.

Drivers in 10 hot-weather states in the South, such as Texas, Florida and Georgia, would see a gain of slightly more than a 1% in the volume of fuel they receive if sales were temperature-adjusted, while the differences in fuel volume in the other states would be almost a wash – what they lose in summer they’d make up in winter.

“When we analyzed the numbers on a year-round basis, it confirmed NATSO's belief that -- even in hot-weather states -- the cost of installing the equipment would far outweigh the consumer benefit,” says NATSO VP Holly Alfano.

“Because retailers operate on such small margins, the cost of installing this equipment would be passed on to consumers. The consumer would actually end up paying more for gas due to the costs of installing temperature compensation,” she told Oil Express.

Additionally, the taxpayer would face additional costs because states would have to train Weights and Measures personnel on how to inspect the new temperature-adjusting dispensers and purchase new equipment for those inspections.

A gallon of gasoline expands by 0.069% for every one degree Fahrenheit that the temperature rises.

If the temperature of the gasoline is 90 degrees F, a retailer would actually have to deliver only 19.59 gallons of gasoline to make a 20-gallon sale. If the retailer’s pump price is \$3.50/gal, the consumer effectively paid about \$3.57/gal for that purchase, according to Kucinich’s staff.

To arrive at the \$1.5 billion “hot fuel overcharge” figure, Kucinich’s staff took the NIST average monthly temperature of retail fuel in the summer of 2003 and subtracted the industry’s 60 degree F standard.

They multiplied the difference by 0.00069, then multiplied by the number of gallons sold by state and month. Lastly, they multiplied by the average price of gasoline, using 2007 price projections from the U.S. Energy Information Administration.

According to Kucinich’s staff, consumers in every state except Alaska will get fewer gallons than they actually pay for this summer because of so-called “hot fuel” sales.

Worst off will be those living in hot-weather states, such as Arizona, Florida, Georgia and Texas. For example, Arizona drivers will lose 21.94 million gallons, at a projected cost of more than \$227 million. In Florida, motorists will pay \$65.94 million for 22.35 million gals they never receive, and Texas they will pay \$212.2 million for 74.73 million gals that will disappear in their tanks, says Kucinich.

However, by using summer-only temperatures, Kucinich has skewed the numbers, says NATSO.

For example, Kucinich’s numbers show that his Ohio constituents will pay \$31.02 million for 10.69 million expanded gallons attributable to hot fuel this summer because fuel is not temperature-adjusted at the pump.

But NATSO’s analysis shows that, on a year-round basis, Ohio residents would pay \$44 million more because they would be paying for 3.8 million gallons of fuel that they didn’t actually receive in the other nine, colder months of the year.

Ohio’s gasoline sales are expected to top 4.947 billion gals this year. If Ohio moves to mandatory temperature compensation, consumers would annually pay for .08% of fuel they don’t receive.

The problem is, only a handful of southern states would gain if mandatory temperature correction becomes law. Volume increases in middle-tier states are almost too small to measure statistically, while northern-tier states would lose gallons.

For example, with mandatory temperature correction, residents in Maine would pay for .036% more gallons than they actually receive. Minnesota motorists would be paying for 0.48% more fuel than they get, and Vermont drivers would pay for 0.44% more, according to the NATSO analysis.

Consumers in more moderate climates would pay for more than they receive, too, although the numbers are virtually a wash. In New Jersey, for example, they would pay for 0.19% more fuel than they receive. In Missouri, that number would be .016%.

Only in the hottest states would consumers see measurable benefits. Arizona consumers would annually pay for 1.55% fewer gallons than they receive when they fill up. In California, that would pay 1.03% less, and in Florida, it would be 1.57%. Texans would be the second largest winners, paying for 1.28% fewer gallons.

“Temperature compensation is a loser for consumers,” Alfano says.

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