

AUTOMATIC TEMPERATURE COMPENSATION

The retail petroleum business is one of the most competitive industries in the United States. Few industries compete on the basis of one penny per gallon and advertise their prices on signs that are visible to consumers from the highway. Due to the competitive nature of retail petroleum pricing, mandating costly automated temperature compensation (ATC) pumps at every retail station would be detrimental to gasoline retailers and their consumers.

For 70 years, liquid motor fuels have been sold nationwide to retail consumers on the basis of regularly posted prices for each liquid gallon (231 cubic inches) of fuel delivered into the motorist's tank. Some consumers argue that they are being cheated in warmer climates because warmer fuel temperatures result in less energy content in the gallon.

STUDIES COMPLETED

Congressman Bart Gordon (D-TN), Chairman of the House Science and Technology Committee, issued a letter requesting that the Government Accountability Office (GAO) assess several factors associated with the installation of ATC. The report concluded that the costs to implement ATC are unclear and that further studies were needed to determine whether ATC would benefit or hurt the consumer. Furthermore, the California Energy Commission (CEC) adopted their extensive study which concluded that implementing ATC would force consumers to pay more for their fuel and the "net cost to society is slightly negative" if automatic temperature compensation were required. The 148-page report found that the initial costs alone to retrofit fuel pumps in California would range from \$103 to \$127 million, and that annual expenses for ATC-related maintenance and inspections would range from \$7 to \$20 million. While PMAA applauds the CEC study findings, we continue to express concern that some of the costs may in reality be higher than the CEC estimates because of inaccurate assumptions concerning retail fuel operations. PMAA also disagrees with the CEC's suggestion that fuel retailers could simply raise prices on convenience store items to cover the costs associated with installation of ATC equipment.

PMAA'S POSITION

PMAA does not agree with the assertion that fuel temperatures directly indicate any losses or gains *to the consumer*. Fuel temperature plays no role in pricing decisions made by retailers.

PMAA is opposed to both the permissive and/or mandatory use of ATC devices at the retail level. Under permissive temperature compensation, few retailers will install the equipment unless there is a perception by retailers that somehow those costs can be recouped in the marketplace. Permissive temperature compensation will create ambiguity and lead to unequal cost and volume delivery standards from location-to-location. Another factor to assess is the emergence of ethanol, which has 25 percent less energy content than conventional gasoline.

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Mandatory ATC will disadvantage the consumer as the costs associated with installing and maintaining ATC equipment must be passed on to the consumer with no resulting gain in energy. Retailers cannot absorb the costs associated with installation of ATC equipment as well as the expected increased state inspection costs that will be passed on to the retail community, and ultimately, the consumer.

CURRENT LEGISLATION

In 2009, Senator Claire McCaskill (D-MO) reintroduced the Future Accountability in Retail Fuel Act, S. 1476, which would require all new and upgraded retail fuel pumps to be equipped with automatic temperature compensation equipment.

CONCLUSIONS

In July 2009, the National Conference on Weights and Measures (NCWM) Laws and Regulations (L&R) Committee withdrew two proposals which would have required the mandatory or permissive use of automatic temperature compensation (ATC) devices for retail fuel dispensers. After several hours of testimony regarding the two proposals, the L&R Committee decided to withdraw both voting items due to the overwhelming opposition from Weights and Measures officials and industry. The L&R Committee report cited several reasons for withdrawing both ATC proposals including: “conference consensus against ATC, economic cost factors, lack of benefit to consumers, absence of uniformity in the marketplace and the additional cost to Weights and Measures officials and service companies.”

The final vote to adopt the L&R Committee report was 36 to 2 in the House of Representatives and 30 to 8 in the House of Delegates. Twenty-seven votes were needed to adopt the L&R Committee’s report. The lopsided vote of the entire NCWM confirms that the consensus of Weights and Measure officials continue to have many concerns about retail ATC. More importantly, the vote that took place in the summer of 2009 will remove retail ATC as a priority item and will enable NCWM to focus on more important issues.

In January 2010, NCWM Specifications and Tolerances (S&T) Committee voted to withdraw the final proposal on automatic temperature compensation (ATC). The S&T Committee proposal would have established requirements that would have been uniformly applied to the method of sale of motor fuels equipped with ATC at retail.

The argument that costs outweighed any benefit associated with ATC prevailed. PMAA applauds NCWM officials for their decision, which was important to gasoline retailers and more importantly American motorists.

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