



# **AB 868 – Hot Fuels Issue Cost Benefit Analysis Study Overview**

California Agricultural Commissioners and  
Sealers Association (CACASA)  
Winter Conference

Sacramento, CA  
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*You will not have to take notes, an electronic copy of this presentation will be made available upon request!*



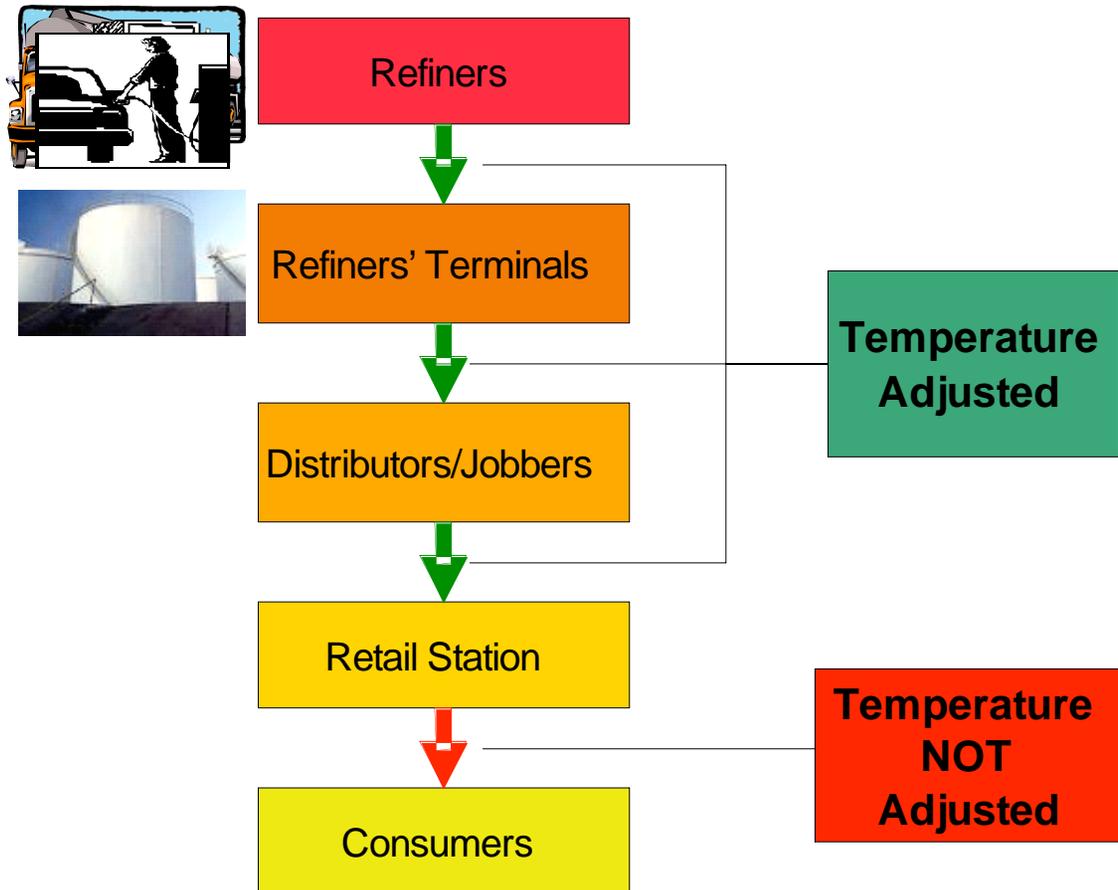


## Presentation Topics

- Background
- AB 868 – legislative directive
- Advisory Group
- Schedule of meetings
- Cost benefit analysis
- Field survey
- Other issues



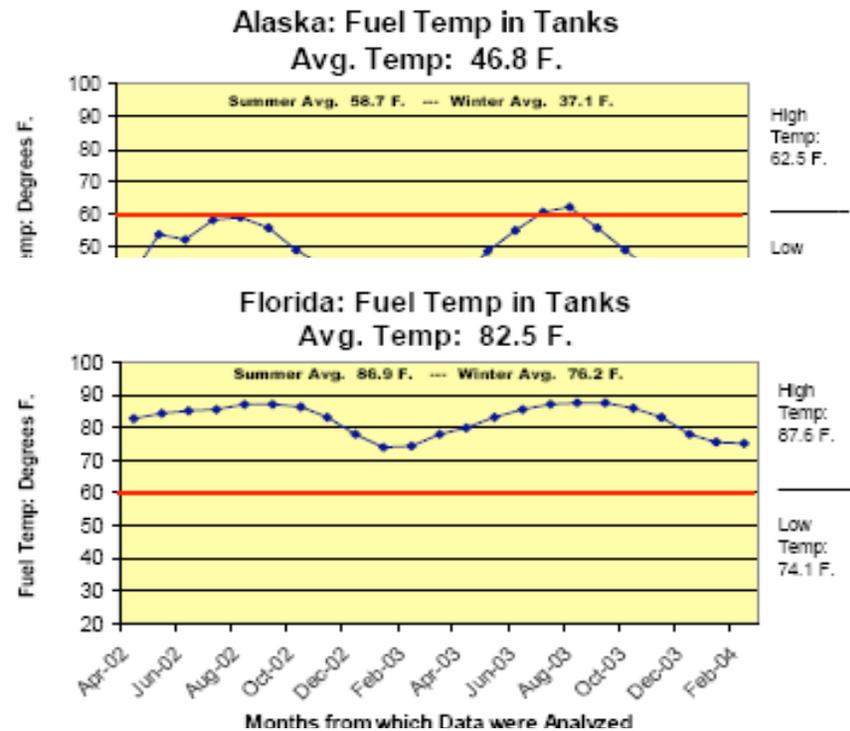
# Temperature Compensation Fuel Distribution Chain





# Background

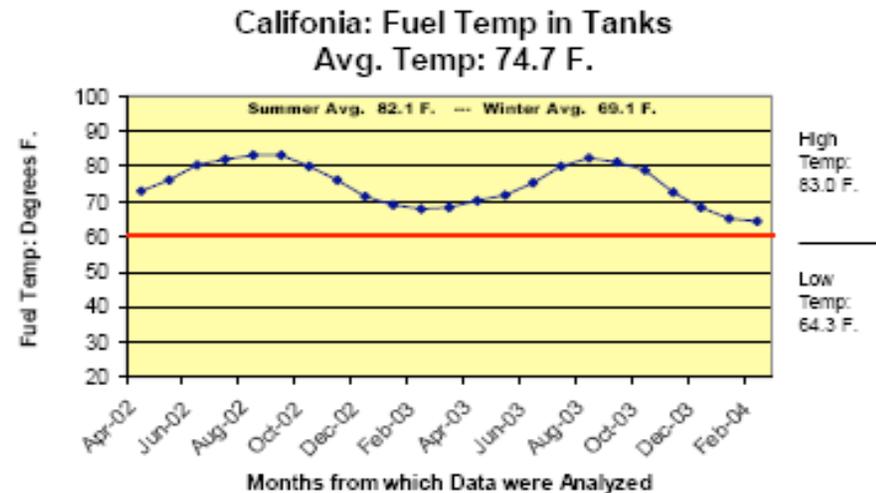
- Liquids expand and contract in response to changes in temperature
- Petroleum industry uses a reference temperature of 60°F
- Temperature of gasoline and diesel fuel delivered to retail establishments varies by geographic location and season
- There are “cold” & “hot” states
- Temperature of retail fuel does not vary significantly prior to delivery to end consumer





# Background

- California appears to be one of the “hot” fuel states
- Gasoline that is 15°F warmer than the standard of 60°F is estimated to expand by approximately 1 volume percent
- Would equate to about 160 million gallons of gasoline in California during 2006 or \$480 million @ \$3 per gallon



CALIFORNIA ENERGY COMMISSION



## AB 868 Legislation

- September 10<sup>th</sup> – California legislature approves AB 868
- September 18<sup>th</sup> – Bill enrolled to Governor's Office
- October 10<sup>th</sup> – Governor signs legislation
- Bill directs the Energy Commission (CEC) to conduct cost benefit analysis for installation of automatic temperature compensation (ATC) devices at retail establishments
- **CEC will work in partnership with DMS, ARB & industry**
- Must convene an Advisory group prior to January 25, 2008
- Study must be completed by the end of 2008
- Will include recommendations to the Legislature



## AB 868 Advisory Group

- Purpose of the Advisory Group is to convene stakeholders who have expertise in a number of areas associated with the hot fuels issue
- Legislation lists specific groups of stakeholders
  - Equipment manufacturers
  - Consumer groups
  - Fuel industry representatives
  - Agricultural commissioners
  - Appropriate government agencies
  - Other interested parties



## AB 868 Advisory Group

- Fuel dispenser manufacturers
  - Gilbarco/Veeder Root
  - Dresser Wayne
  - Tokheim
  - Bennett Pump Company
- Retrofit contractors
  - Kraus Global
  - MeterCal





## AB 868 Advisory Group

- Consumer
  - Foundation for Taxpayer and Consumer Rights (FTCR)
- Environmental
  - Natural Resources Defense Council (NRDC)
- Trucking
  - American Trucking Associations (ATA)
  - California Trucking Association (CTA)
  - Owner Operator Independent Driver Association, Inc. (OOIDA)
- Water associations
  - American Water Works Association (AWWA)
  - Association of California Water Agencies (ACWA)



## AB 868 Advisory Group

- California state agencies
  - CA Air Resources Board (CARB)
  - CA Department of Food & Agriculture
  - CA State Water Resources Control Board (SWRCB)
  - CA Division of Measurement Standards (DMS)
- Other state agencies
  - Arizona Department of Weights & Measures
  - Hawaii Weights and Measurements
- Government agencies
  - Government Accountability Office (GAO)
  - National Institute of Standards and Technology (NIST)
  - Measurement Canada



## AB 868 Advisory Group

- Petroleum industry
  - American Petroleum Institute (API)
  - Western States Petroleum Association (WSPA)
  - Individual oil companies & box stores (Costco)
- Retail affiliation
  - California Independent Oil Marketers Association (CIOMA)
  - National Association of Convenience Stores (NACS)
  - National Association of Truck Stop Operators (NATSO)
  - The Partnership for Uniform Marketing Practices (PUMP)
  - Petroleum Marketers Association of America (PMAA)
  - Society of Independent Gasoline Marketers (SIGMA)
  - Western Petroleum Marketers Association (WPMA)



## AB 868 Advisory Group

- County sealers
  - Large urban - Los Angeles, San Diego
  - Close to home - Sacramento
  - Rural regions – Del Norte, Imperial
- Measurement organizations
  - California Agricultural Commissioners and Sealers Association (CACASA)
  - National Conference on Weights & Measures (NCWM)
  - Western Weights & Measures Association (WWMA)
  - Southern Weights & Measures Association (SWMA)



## AB 868 Meetings Schedule - 2008

- Will conduct a minimum of three public meetings, held at the California Energy Commission in Sacramento
- **January 24<sup>th</sup>** – Convene advisory group
  - Receive input on scope of CBA study & field work
- **March 4<sup>th</sup>** – Initial public workshop
  - Receive input from stakeholders on scope of CBA study
  - Describe field work
- **September 9<sup>th</sup>** – Second public workshop
  - Share preliminary findings in the form of a draft report



## AB 868 Study - Scope

- Cost benefit analysis will examine the following *options*:
  - Retain the current temperature reference of 60°F
  - Establish a different statewide reference standard – Hawaii example
  - Establish different regional reference standards throughout the state
  - Require installation of ATC retrofit kits at all retail establishments
  - *Require installation of ATC retrofit kits at retail establishments on a regional basis*



## AB 868 Study - Costs

- Energy Commission will need to quantify the following costs, at a minimum:
  - Parts for ATC retrofit kits
  - Labor to install ATC
  - Labor for initial calibration of equipment by county sealers
  - Increased staffing for county sealers
  - Increased staffing for DMS for testing & oversight
- Gasoline and diesel will be included in the assessment
  - Lack of data will likely preclude analysis for other types of transportation fuels, with possible exception of aviation gasoline



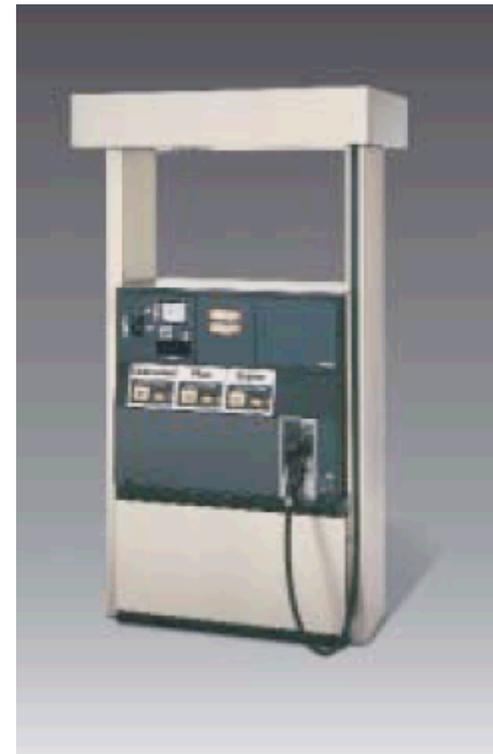
## AB 868 Study - Costs

- Due to the county-specific nature of the analysis, a data base will need to be populated with site-specific information:
  - Number of meters – county sealers
  - Dispenser quantity, manufacturer & model – certain air districts, GDF data base, *but limited*
  - Grades of gasoline & diesel fuel availability – air districts, CEC retail survey, and field survey



## AB 868 Study - Costs

- What information will be required to determine range of costs for ATC retrofit kit?.....good question!
  - Fuel dispensers
    - Dispenser manufacturer and model is optimal
    - Mechanical versus electronic
    - Quantity of fuel dispensers
    - Number of meters per dispenser
    - Number of gasoline grades/fuel types per dispenser





## AB 868 Study - Costs

- Unfortunately, not all relevant information is available from various state agencies and petroleum companies
- A field survey will be necessary to obtain missing data
  - Physical addresses for all retail establishments
- County sealers have the most accurate list of locations
- CEC are currently seeking assistance from county sealers for physical location, number of meters, and quantity of dispensers (if available)



## AB 868 Study - Benefits

- Retail consumer “savings” will be calculated using:
  - Regional fuel temperature data from DMS study – up to 36 counties
  - Statewide gasoline demand data from BOE
  - County-specific gasoline consumption data from CalTrans
  - County-specific average retail fuel prices from the Oil Price Information Service (OPIS)
  - Density algorithm from ASTM
- Will also investigate potential benefit of early leak detection and prevention
  - Input from industry and SWRCB will be solicited



## Field Survey

- Initial phase will focus on areas of state that are not adequately covered in the CEC data base – primarily rural counties
- Time and resources will dictate ultimate scope of the field work
- Contracted surveyors will tabulate specific information after visual inspection, then obtain digital images for review by CEC technical staff
  - Retail site
  - Fuel dispensers
  - Name plates or tags – when visible



## Other Issues

- If ATC retrofit is the final recommendation of the study.....
  - Who pays?
  - How should the work be funded?
  - What lead time would be appropriate to ensure compliance?
  - Labeling requirements?
  - Average failure rates of ATC equipment
  - Incremental manufacturer costs for ATC ready fuel dispensers
  - Approval timeline for ATC equipment & fuel dispensers
  - Seasonal gasoline density – do we use an average?
  - Class action lawsuits



## How You Can Help

- Provide us with data records for individual retail establishments
  - Physical locations & mailing addresses
  - Number of meters
  - Number, make & model of dispensers, if available
  - Type of facility, if available – retail, marina, airport, etc.
- Suggestions for additional stakeholders to be included in the Advisory Group
- Technical information
  - Fuel density data for gasoline, diesel, aviation gasoline



## How You Can Help

- Estimates for increased work load that could occur if ATC calibration & inspection were recommended
  - Time for initial calibration step by meter/dispenser
  - Average times for normal inspection
  - Additional time for expanded inspection that will include ATC step
- List of current fees for inspection visit
- Send us emails and call us with your suggestions.....we view this as an ongoing *partnership*



## Contact Information



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