

Hot fuel fix gets cold shoulder from oil industry

ENERGY: An industry group says the cost to change pumps is an "undue burden" not worth the "negligible" benefit to customers.

STEVE EVERLY, MCCLATCHY NEWSPAPERS

Idyllic weather, pounding surf and a warm, welcoming culture help make Hawaii unique in this nation.

So does its gallon of gas.

The Hawaiian gallon contains nearly 234 cubic inches of fuel -- about 3 cubic inches more than is dispensed in the rest of the United States.

The extra volume, required by state law, helps offset the higher temperatures in this tropical climate, which cause the gasoline to expand. If the gallon weren't adjusted for temperature, Hawaiians would receive less energy per gallon than called for under the government standard. That's because for nearly a century, gasoline and diesel have been measured across America as if they were being dispensed at a temperature of 60 degrees -- a more condensed gallon of 231 cubic inches.

The larger Hawaiian gallon saves consumers in the state millions of dollars a year. But across the rest of America, consumers will lose an estimated \$2.3 billion this year because of hot fuel. No other state adjusts for temperature fluctuations when dispensing fuel, including warm-weather states such as California, Texas and Florida, where drivers lose hundreds of millions of dollars a year.

In fact, few consumers even realize that they're not getting what they pay for when they fill up at the pump. That's because no national law requires retail station owners to sell fuel at the government standard of 60 degrees, or use pumps that adjust to reflect the hotter fuel.

That omission might seem odd, especially considering soaring gas prices and record oil industry profits. As Hawaii proved, states can take action to address the hot-fuel problem. Congress can step forward to require temperature compensation. And the industry itself could push for the change.

But don't count on it.

The bigger Hawaiian gallon, which assumes a fuel temperature of 80 degrees, was introduced during the energy crisis of the 1970s. At the time, state officials considered it a temporary measure until the United States required fuel pumps that would automatically adjust the volume of gasoline and diesel to conform to the official standard.

They're still waiting.

"We never gave it a second thought," says George Mattimoe, former head of Hawaii's department of weights and measures. "We thought the pump guys would do it."

Instead, the energy industry has repeatedly blocked efforts in America to install retail fuel dispensers that automatically adjust for temperature change. The American Petroleum Institute, which represents the industry, contends it would cost too much to fix the problem. Moreover, it believes that consumers don't want to be bothered by pumps that adjust the size of a gallon to make sure they get the same amount of energy no matter what the temperature.

"We've never supported it for retail" in the United States, says Michael Belue, a consultant for the petroleum institute.

Ironically, the industry takes the opposite stance in Canada, where low temperatures give it a financial incentive to adjust the volume of gas at the pump and make more money. Nearly all fuel sold at retail outlets in Canada has been temperature-adjusted for years.

In retrospect, Mattimoe, who is now 83 and retired, says he isn't surprised nothing has changed in this country. He says he should have taken the hint from the reception he got from Big Oil to a contraption that still sits in his garage in Oahu.

Mattimoe repaired radar units on Curtiss Hell Diver planes during World War II and is something of a gearhead. In the 1970s, tiring of the debate over whether fuel pumps could be automated to accurately adjust for temperature change, he went ahead and invented a solution.

The state of Hawaii was so impressed it obtained a patent on his work. Then he crated up his adjusting pump and hauled it to an industry conference in San Diego.

An industry executive, Mattimoe recalls, took one look at the pump and quickly delivered his judgment. "Jesus, George, what are you trying to do to us?" the executive said.

Today, George Mattimoe's temperature-adjusting pump still gathers dust in his garage. But two American companies produce similar pumps, which are widely used by the energy industry -- in Canada.

INDUSTRY ARGUMENTS

The petroleum institute has argued for decades that the hot-fuel problem isn't worth fixing because the "negligible" benefit to consumers doesn't justify the "undue burden" of the industry's cost to fix the problem. "It doesn't make sense" financially, says Prentiss Searles, a senior associate for marketing issues at the institute.

The industry acknowledges that it doesn't have a specific estimate on how much it would cost to retrofit or replace the nation's pumps to adjust for temperature change.

But Searles contends that it could cost \$25,000 to purchase a new pump that adjusts for temperature. At that price, he estimates that the one-time cost of fixing the problem would be about \$15 billion -- equal to about six years of potential savings for American consumers.

Yet that number is almost certainly overstated. To begin with, Searles' rough estimate is more than four times as high as what the petroleum institute estimated in 1979, when it pegged the repair cost at \$3.4 billion in today's inflation-adjusted dollars.

Moreover, pump-industry experts point out that oil companies and other gas marketers regularly replace pumps for various reasons. Thanks to innovations in technology, adding an automatic temperature-adjustment control to a dispenser would be just a small part of the total cost.

For example, Lucy Sackett, marketing manager for Gilbarco Veeder Root Inc., a pump manufacturer in Greensboro, N.C., says adding an automatic temperature control to a dispenser would cost \$1,105 to \$1,975 per pump.

But a new pump isn't even necessary to deliver temperature-compensated fuel.

Officials with Kraus Global Products in Canada say the company's retrofit kits sell for \$630 to \$1,100 for an electronic dispenser. For mechanical dispensers, used primarily at some small stations, retailers would need electronics that would allow the automatic adjustment for temperature. Yet it would still cost between \$1,350 and \$2,700 each to retrofit those pumps, says Gord Wedel, a technical sales representative for Kraus Global Products.

Based on such figures provided by pump manufacturers, the Kansas City Star estimates the retrofit cost in the United States would average \$2,000 to \$2,650 per dispenser, including labor.

At that cost, the one-time price to fix the nation's hot-fuel problem would be between \$1.4 billion and \$1.9 billion. And that expense probably would be spread out over several years.

The petroleum institute's argument that it would cost too much to fix the hot-fuel problem is echoed by the

Petroleum Marketers Association of America, based in Arlington, Va., which represents independent gas station operators.

"You put significant cost on the industry for virtually no gain," says Dan Gilligan, president of the marketers association.

Indeed, the industry's view of the cost also may include the \$2.3 billion oil companies and gas marketers take in annually from consumers because of hot fuel. Yet, no matter what the true cost may be, one thing is certain: With high gas prices and record oil company profits, there is plenty of money available to fix the problem.

Five of the largest oil companies -- BP PLC, Chevron Corp., ConocoPhillips, Exxon Mobil Corp. and Royal Dutch Shell PLC -- recently reported combined second-quarter earnings of \$34.6 billion. By way of perspective, that means even the Star's high-end estimate of \$1.9 billion to fix the hot-fuel problem is the equivalent of just five days of those companies' second-quarter profits.