



August 17, 2015

Testimony of Sal Risalvato

My name is Sal Risalvato. I am the Executive Director of the New Jersey Gasoline-Convenience-Automotive Association (NJGCA). We are a nonprofit trade association representing thousands of independent businesses in the state; most relevant to today's discussion are those businesses in the motor fuel retail business.

Resiliency

I know that in this review of the Energy Master Plan, the main new addition will be on the subject of energy resiliency, and learning the lessons of Superstorm Sandy. For that reason, I want to focus much of my comments on the fueling problems that followed in the days after the storm and why it happened.

In the immediate aftermath of Sandy and the related inability to purchase gasoline, nearly a dozen bills were introduced in the Legislature mandating motor fuel retailers purchase and install backup power generators. Some bills provided funding, some provided low interest government loans, and others provided no financial assistance at all. I said it then and years later I say it still; none of the proposals that had been introduced would have eliminated the bad experience New Jersey and New York had in the aftermath of Sandy.

Let's first look at exactly what did happen during and after Hurricane Sandy. These are the problems that created the gas lines and long waits and anxiety.

Electric power was lost throughout much of the state. Hundreds of thousands of residences lost power as well as businesses. Residential power outages contributed greatly to the gasoline lines that were experienced. Although I listed loss of electricity first, requiring generators at gas stations will not come close to eliminating, or even alleviating, the problem.

Power at most gas stations was restored quickly only to have those stations remain closed because they were out of gas. The term "gas shortage" was used numerous times by the media, government officials and the motoring public. Let me be clear, at no time was there ever a gas shortage. There was enough gasoline stuck at the delivery terminals where the tanker trucks get loaded to fill all of the gasoline stations and even our swimming pools if necessary. There was plenty of gas!

I was contacted almost immediately after the storm ended by representatives from PSE&G. It became clear that the public was in a panic and lines were forming at those gas stations that were open. I worked with PSE&G and officials at the ROIC to identify locations that had gasoline

in their underground storage tanks yet did not have power to pump it. Communicating with my members was difficult as phone, internet and cell service was not working.

Through a combination of emails, and text messages I was able to reach enough members who needed PSE&G's help. I began compiling data and forwarding the information every few hours in an excel file to all involved. Over a two day period I identified approximately 125 gas stations that needed power restored. PSE&G began restoring power and reporting back to me with each successful restoration. I informed state officials stationed at the ROIC when a restoration was completed.

PSE&G used this information to expedite power restoration to the locations I had identified, but as fast as PSE&G restored their power is how fast these stations then ran out of gas. Many remained closed with power but out of gas for over a week. Backup generators at these sites would have contributed exactly nothing to alleviate the long gas lines.

The long lines were caused by panic buying. What caused the panic?

Believe it or not one big reason the panic was actually caused, was the new found prevalence of gasoline powered generators that residents were using at their homes. After Hurricane Irene a year earlier and the Halloween snowstorm that knocked out power to so many homes, many residents purchased portable generators to keep their refrigerators and small appliances running. Warnings of Hurricane Sandy's imminence caused generators and small gas cans to fly off of store shelves.

In the 3 days leading up to Hurricane Sandy, motorists had already depleted gasoline inventories at many gas stations. Many of these stations were out of gas before the hurricane arrived and did not receive another delivery for over a week. Many of these stations never lost power. Backup generators at these sites would have contributed exactly nothing to alleviate the long gas lines.

Once the panic set in and so many residents began relying on their home generators, refilling all of those 5 gallon cans became almost a matter of security if not survival.

A situation evolved that perpetuated itself. Motorists who worried that they might not be able to fill their vehicles began filling up unnecessarily. Many took three or four of these 5 gallon cans out of their trunk in order to keep their home generators running. One car filling up with three 5 gallon cans took as long to fill as would usually take to fill up six cars. Filling 5 gallon cans takes much more time than filling a car because of the care needed to avoid spilling gasoline.

Media reports of lines caused cars to get on line out of worry and not need. It became a vicious cycle.

When Governor Christie implemented odd-even gasoline rationing the lines began to dwindle and slowly they disappeared. Even though many gas stations remained closed because they were still unable to receive deliveries, the lines disappeared.

Since I had experienced the same gas lines in 1979 as a young man who owned a gas station in Paramus during the Iran oil embargo, I was extremely skeptical that the odd-even rationing would have a positive effect. Odd-even rationing is burdensome to the retailers who must enforce it, and who are subject to fines if they do not. I thought Governor Christie was unnecessarily burdening my members. I was wrong. The rationing did work. Governor Christie was right and I was wrong.

The rationing worked because unlike my experience in 1979, there was never a “gas shortage”. Like I said earlier there was plenty of gas. There was just no way to get it delivered to the gas stations.

Even if every single gas station in this state had been equipped with backup generators before Superstorm Sandy arrived, the gas lines that we experienced afterward would have been identically as bad. **The problem wasn't the lack of power; it was the lack of gasoline supply getting to the stations.** Backup generators at these sites would have contributed exactly nothing to alleviate the long gas lines.

Gasoline was unable to be delivered to gas stations for several reasons, all of which were caused by Sandy. Yes at first there were power outages at the refineries and the distribution centers that are also known as the racks. These are the racks that tanker trucks pull underneath in order to fill with gasoline. Each tanker holds 8500 gallons of gasoline. The many storage tanks that you are familiar with along the NJ Turnpike are used to supply the racks and fill the tanker trucks.

As power was restored rather quickly at the racks too, just as it was at the gas stations, it became evident that they had also sustained heavy damage from the storm surge. That coupled with the closing of major pipelines that supply them and the closing of waterways that also re-supply them compounded the delivery problems. Tankers that normally loaded in northern NJ had to travel to South Jersey, Delaware, and Pennsylvania for product. Travel times were increased from 1 hour to 5 hours.

Because of the added strain on the distribution centers that were still operational, wait times for tankers to load may have been as long as 5-8 hours. A tanker that typically made 3-4 deliveries in a day was barely able to make 1. NJGCA members were calling me and begging me for help especially for their commercial customers that relied on them for product. I was helpless as the deliveries just could not be made.

Backup generators at gas stations would have contributed exactly nothing to alleviate the long gas lines.

It is important to understand that a mandate to purchase a generator is quite burdensome to a small business owner that sells gasoline. The type of generator that is needed is not the same as those that everyone is familiar with and is purchased off the shelf from Home Depot.

It is not a matter of spending a few hundred dollars. It is a matter of investing many thousands of dollars. Several of my members mistakenly tried to help local emergency squads in their towns by hooking up a store bought generator. In fact one member had a generator delivered to him by his local police department. I applaud each of these members for trying to help their community; however, because the generators that they used were inappropriate for their needs, they caused serious damage to their gas pumps and computer controls. The damage that was caused has cost one member over \$5,000 to repair.

The minimum that a station owner can expect to invest in such a generator is \$11,000. The requirements will be different depending on the size and type of generator that is required to suit the needs at each location. Many generator systems will cost over \$30,000, but the average seems to be about \$25,000. Some of our members have been quoted prices as high as \$75,000. Besides the initial investment there is an ongoing expense to keep the generator operative and ensure its availability when needed.

Even the “quick connects”, the installation of appropriate wiring and transfer switches to allow a portable generator to be dropped off can cost up \$5,000-\$10,000.

Considering that a typical gas station pumping about 100,000 gallons of gas a month barely earns \$300 a day before paying all expenses like labor and utilities, it would take between 5 and 15 hurricanes to recoup their investment. Since many locations don't break even on the sale of gasoline and rely on auto service or convenience store sales, many will never be able to recoup their investment.

Recouping an investment is one thing, but standing by and watching as your investment is unable to be used is quite a painful other matter. Imagine being a small business owner struggling to make a profit and being required by law to spend money that is difficult to come by. Then imagine watching from your office as your new \$20,000 generator is all cranked up and powering your gas pumps, but you don't have any gas to sell. That is a very bitter pill to swallow. Both you and the motoring public would be in the exact same situation as if you did not install the generator.

Unfortunately, there is no guaranteed way to make sure there is never another gas crisis as a result of a natural disaster in New Jersey. If every gas station in New Jersey had a mini nuclear power plant installed and attached to it, then every single person who waited on line for gas after Sandy still would have waited on line. Since the real reason for the problem lies with the distribution of gasoline, and I can't imagine how a law can be made to prevent damage at the distribution terminals, then only a law that outlaws hurricanes altogether is likely to solve the problem.

This is not to say that absolutely no action has been taken. NJGCA has worked closely with the NJ Economic Development Authority (EDA) in implementing the Retail Fuel Station-Energy Resiliency Program. This program was developed to distribute grant money from the FEMA Hazard Mitigation Grant Program.

There were some early stumbles in the rollout of the program, but adjustments were made and the process was made a little less arduous and it looks as if all of the grant money will be used. Most stations are eligible from up to \$15,000 to install quick connects and transfer switches, while large stations with over 35,000 gallons of gasoline storage capacity are eligible for up to \$65,000 to permanently install standby generators.

The State has purchased a supply of backup generators that it plans to distribute as needed to those stations that go through the program and install quick connects.

Renewable Energy Infrastructure

I also want to talk about the role this industry can play in the advancement of alternate energy in the transportation sphere. Fundamentally, a gas station is a motor fuel retailer. It is really only by quirk of history that for the last several decades the only motor fuels of choice in New Jersey have been gasoline and diesel. Our industry should not be viewed as an enemy or an obstruction in the expansion of alternate energy but as a partner. These businesses have no particular desire to sell gasoline; they desire to sell motor fuel, whatever it may be.

The problem with expanded alternate energy has always been the chicken and the egg conundrum. It is hard for any business to justify the large upfront cost of installing the equipment and arranging for the fuel to be delivered without the concrete knowledge that there will be a customer base. Meanwhile motorists are hesitant to buy an alternate vehicle if they cannot find any nearby place to refill it.

Motor fuel retailers are already relied upon as the fueling infrastructure and it will be natural for motorists to continue patronizing them if they purchase a vehicle that can run on something other than gas or diesel. Biofuels and hydrogen are the most natural fits, and natural gas would work well also, particularly if some local fleets were prepared to convert as well.

Breaking this cycle of stalemate is where government could play a key role. If the government can provide some direct funding or perhaps tax credits to stations that install hydrogen, biofuels, and natural gas it will lower the pain of the initial investment and encourage businesses to branch out.

I hope that the next version of the Energy Master Plan will call on the state government to look seriously at partnering with the current motor fuel infrastructure to enhance the availability of the next generation of motor fuel infrastructure.

Thank you.