

214TH NEW JERSEY LEGISLATURE
ASSEMBLY REGULATORY
ASSEMBLY HOMELAND SECURITY & STATE
PREPAREDNESS COMMITTEE
HON. ANNETTE QUIJANO--CHAIR

TESTIMONY

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COMMITTEE ROOM 12
TRENTON, NJ 08625

Testimony of Sal Risalvato

Chairwoman Quijano and members of the Committee, my name is Sal Risalvato. I am the Executive Director of the New Jersey Gasoline-Convenience-Automotive Association (NJGCA). There are over 2300 gasoline retail locations in New Jersey, most of which are independently owned and operated. These are America's quintessential small businesses and I thank you for the opportunity to testify on their behalf today regarding a very important matter.

Like all of you I and the members of NJGCA were shocked at the devastation from Superstorm Sandy that struck us just over 100 days ago. I am pleased to see that the Legislature is beginning the process of looking back at what happened during and after the storm to try and learn what we can do better and how we can prepare for the next major disaster.

Sandy had an effect the on the gasoline industry in this state that will last for a long time. In fact just this past weekend a winter storm brought back reminders and caused a bit of panic buying at gas stations. I refer to this psychological state as the "Sandy Hangover", and I am sure this "hangover" will be repeated again.

Today's committee hearing has been called to address the numerous amount of legislation that has been introduced that would require generators to be installed at gas stations. Although I understand what legislators are trying to accomplish (or avoid), it is important for the legislature to understand that none of the proposals that have been introduced will eliminate the bad experience New Jersey and New York had in the aftermath of Sandy. However, I do applaud your efforts. NJGCA members want to do their part in any solution if it is affordable, makes sense, and actually solves the problem.

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 including Michele Brown from Governor Christie’s office, 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. Back up 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. Back up 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.

I understand the deeply held desire of wanting to fix a problem that affected so many of your constituents during a time of disaster. I believe that a careful discussion of this issue and its effects must be had before the Legislature moves forward with any bill.

It seems the easiest solution is to mandate that gas stations be equipped with backup generators sufficient to operate their business even during widespread and prolonged power outages. By my count there are at least 8 different proposals currently in the Legislature which address this.

Had any of these laws passed 5 years ago, and even if every single gas station in this state had been equipped with backup generators before Hurricane 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. Back up 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. I will leave it to my colleague Eric Degesaro of the Fuel Merchants Association who represents the gasoline distributors who supply my members to give you more accurate details, but I can give you some basic facts.

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.

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

It is important for the legislature 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 \$5000 to repair.

Since Hurricane Sandy, several companies that offer and install commercial generators have asked to meet with me. My research was quite revealing. 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 most will cost about \$20,000.

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.

There are other facts to consider too. The type of generator that would be needed to satisfy the proposed legislation requires a lot of maintenance. Each generator comes equipped with control units that automatically start and operate the generator for an hour each week as a test to assure that it is working properly and be prepared in the event it is needed. The weekly testing creates a need for expensive maintenance that is usually included in a maintenance contract. Besides the initial investment there is an ongoing expense to keep the generator operative and ensure its availability when needed.

Another stunning fact that I just learned, since this is all very new to me too, is that the life expectancy of a generator of this type is only 10-15 years. This is a result of the fact that the testing requirements cause the unit to run every week and not just every few years when a storm passes thru. This makes the decision to invest in a generator even harder to justify. Mandating a generator takes away the decision for the small business owner but is equally hard to justify, especially if the problem still exists after the mandate is fulfilled.

Since Sandy devastated New Jersey I have been thinking how we can solve this problem to keep it from happening again. How can we make lemonade out of lemons?

Even though NJGCA members are opposed to most of the provisions of the proposed legislation, several members did express to me that they might be interested in installing a generator to just simply avoid the headaches caused by being without power and be able to serve their commercial accounts. They would have to crunch the numbers to see if and how they could make it work. They will also have to take in to account the ability to get gasoline even if they have a generator. That gamble is likely to cause them to reject making the investment.

I am thinking that any legislation should offer incentives to small business owners of any kind, and to install emergency provisions of any kind, would be a better way to encourage solutions.

Small business owners may be encouraged by offering tax incentives and low interest loans and matching grants. One bill, introduced by Senator Buono attempt to do just that and should be considered. Will Senator Buono's bill solve the problem? I doubt it because it still does not guarantee gasoline deliveries to the gas station that installed a generator. I must reiterate that back up generators at gas stations would have contributed exactly nothing to alleviate the long gas lines that we experienced after Sandy departed.

Unfortunately, I fear that the legislature is looking for a 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 there is nothing that can be done to at least make the situation easier to get through. Assemblyman Greenwald has introduced legislation A-3549, that will require the Division of Consumer Affairs to create and maintain a database that must be updated monthly and include the name and location of every business that sells motor fuel in the state. There are aspects of his proposal that may be helpful and some that may need to be added, but it is a beginning and I plan to discuss this with him.

Having this information available during the hurricane and its aftermath would have alleviated many of the logistics and communications problems that were experienced.

While I wholeheartedly oppose any mandate from the government forcing all stations to purchase these generators, I would like to reiterate that NJGCA members will support legislation that provides some sort of economic incentive to business owners willing to make the investment. Members are obviously put off by the magnitude of the cost, and the risk that the investment could be for naught should they not be able to receive gasoline deliveries. Providing tax incentives, matching grants, and low interest loans is a good first start and would be a helpful and reasonable proposal.

I too deeply desire to solve this problem and make sure that we never have to experience such an emergency again. My members too want to ensure that another crisis never happens again. You can imagine their frustration because their customers were literally lining up for their product, only for them to be unable to serve them. I am confident that we will be able to craft legislation that is fair to the small business and the consumer.

Thank you.