Testimony before VT House Ways and Means Committee
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Thank you for your consideration. I have worked in the Petroleum Industry since 1987, first with Johnson & Dix Fuel Corp. and more recently with Summit Distributing, both of whom have extensive operations in Vermont. Before that I spent six years on the Staff of the U.S. Senate Committee on Energy and Natural Resources in Washington, D.C.

However you choose to regard it, the petroleum industry has developed perhaps the most efficient distribution business in the history of civilization. It is a business based on pennies, where losses are simply not tolerated – for both environmental and financial reasons.

Petroleum shrinks and expands in volume based on its temperature and specific gravity. The effects are less pronounced in Northern climates, but between the time a gallon of gasoline is loaded at a terminal in Albany or Montreal and when it is sold at retail in Vermont – through a precisely calibrated volumetric meter – that product has lost between .7 and 1.0 percent of its volume due to temperature correction or, in industry parlance, "shrink."

In 2014, for example, the average temperature of gasoline loaded at the Buckeye Terminal in Rensselaer, NY, was 60 degrees Fahrenheit. Meanwhile, the average VT air temperature is 43 degrees and the average ground temperature of underground tanks is 46 degrees. Gasoline loses approximately 1% of its volume when it drops from 60 to 45 degrees.

If you question the efficacy of this assertion, ask your own Dept. of Environmental Conservation. Every station owner in the State is required to keep detailed inventory records on his underground storage tanks to ensure against leakage, and the standard of "acceptable" inventory loss is slightly MORE than 1.0 percent; only losses <u>greater</u> than that would indicate a possible leaking tank. Shrink is fact of life.

So now we turn the question to taxes. For reasons of efficiency and accountability, State Governments assess motor fuel taxes at the point of importation – based on terminal purchases – rather than on retail sales. Distributors remit taxes on 100 gallons of gas, but by the time that gas is sold to the end user, it has "shrunk" to 99 gallons. This is the reason that Vermont (and a vast majority of other States) have legislated a "collection allowance" or "refund" to distributors/dealers, in some cases as high as 3 percent.

I would like to conclude by emphasizing that Motor Fuel Distributors play an integral role in the collection and remittance of taxes in the State of Vermont, and however one feels about our Industry, it is hard to dispute that this current "point of import" arrangement benefits the State, which would face a much more daunting audit trail if the "sales method" alternative becomes the new industry standard.

I would be happy to answer questions, and/or submit supporting data to the Committee.

Thank You