

Testimony- North Dakota Fuel Supply Shortages
November 20, 2007
U.S. Senate Subcommittee on Energy and Water Development

Chairman Dorgan & members of the committee:

For the record, my name is Mike Rud. I am the President of the North Dakota Petroleum Marketers Association. On behalf of our nearly 400 member marketers and associate members, I thank you for taking the time to come to North Dakota and hear first hand the dilemma facing our great State's retail petroleum suppliers and dealers regarding fuel supply Shortages.

How bad is the fuel supply shortage in North Dakota? That's a question I've been asked many times in the past few months by journalists from across the United States. I came under fire from some when I told reporters several of our long time members called it worse than the oil embargo of the 1970's.

Here's a brief synopsis.

North Dakota petroleum marketers and suppliers have been fighting a lack of supply since late May and early June. It was at this time, NDPMA received information that up to 8 refineries in the Great Plains region would be going down for scheduled maintenance during the course of the summer and early fall.

Our association immediately began working with Governor Hoeven's Office

securing an Hours of Service waiver for procuring and transporting product (mainly gasoline and later diesel fuel) from across state lines back into North Dakota.

It was about this time when gas shipments to terminals in Grand Forks and Fargo became sporadic at best. The Governor's proactive response to this issue paid big dividends as the July 4 weekend rolled around and the peak summer traveling season swung into full gear. The diesel fuel shortages would start to become apparent as the harvest season neared.

The HOS waiver has allowed North Dakota gas retailers to get through the summer with very few outages reported. This only happened because of the great dedication and professionalism of the North Dakota petroleum marketers and transport companies. Aside from rising gas prices, the average person never felt the pinch of the supply issue because of the tireless work of the transport industry.

The general public had no idea transport drivers, some of them owners of the retail gas businesses themselves, were driving anywhere from 800-1000 miles roundtrip in the process sitting in line for up to 12 hours or sleeping on boards laid across the truck seats hoping they might get a truckload of product before the terminal ran dry.

Unfortunately, the long days are taking a toll on marketers. Marketers and transport operators have called the association office saying maybe we should just let people run out of product so someone will take notice. Instead North Dakota Petroleum marketers

have done just the opposite throughout this whole ordeal. We've worked with the Governor's Office to get an EPA waiver on Canadian gasoline. Governor Hoeven continues to support the HOS waivers. NDPMA marketers have worked with Canadian petroleum refiners in securing rail car shipments of gas and diesel fuel to help ease the demand at local terminals. Our marketers have procured allocations of diesel with Canadian outlets and sent trucks up to 12 hours in one direction to bring this product back to the state. Our members have been forced to allocate product to farmers ensuring the harvest season can be successfully completed in a timely manner by all ag producers. Competitors have even joined forces at times to help out a fellow marketer who couldn't get product. In several cases, it's made the difference in whether school buses would run or not on certain days.

During this entire time the North Dakota gas retailer has worked to remain as price competitive as possible in giving the public the best deal at the pumps.

How long can this level of service excellence continue? I don't know.

I had an independent retailer whose wife called me in tears saying she was worried about her husband holding up under all the stress and pressure. Transport owners talked to me about veteran drivers coming back from a few days off, coming into the office and telling the boss they didn't know if they wanted to drive anymore. Small retail outlets were looking for buyers or contemplating closing the doors because of the high costs of

product due to soaring freight costs. A small marketer called my office one day panicking about how to price a load of fuel that carried a 25 cent per gallon freight charge. When you may only go through one load per month, it becomes extremely tough to be price competitive in this volatile fuel market.

Where are we now and where do we go from here?

North Dakota retailers are still facing severe diesel fuel shortages. While we are beginning to see light at the end of tunnel regarding the harvest, we now face the prospect of finding #1 diesel fuel or heating oil as the winter months near.

We desperately need some product to start flowing into the terminals in the eastern part of North Dakota immediately and on a regular basis.

More importantly, we need to make sure this product shortfall doesn't happen again. We can't afford and nor can the motoring public afford to have a large number of Midwest refineries going down at the same time, especially when you're on the end of the supply line. North Dakota can no longer stand by and just settle for the leftovers or crumbs when it comes to petroleum supplies.

Thank you for your time and consideration. I will do my best to answer any questions you might have regarding this issue.

