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SENATOR BILL WIELECHOWSKI

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Legislative Research Report Reveals Magnitude of Refiner Price Gouging in Alaska

*Sen. Wielechowski Estimates Refiner Price Gouging has Cost Alaskans over \$189,000,000,
Renews Call for Passage of Anti-Price Gouging Legislation*

(ANCHORAGE) – Senator Bill Wielechowski (D-Anchorage) today released a research report prepared by the non-partisan Legislative Research Services Division that conclusively shows that price gouging by Alaskan refiners has continued unabated, and the average refiner margin in Alaska in August 2009 is twice the national average.

“During the last legislative session we were assured by a Tesoro representative that Alaskan gasoline prices were merely lagging behind those of the lower forty eight, and that they would soon come down,” said Wielechowski. “These charts show that the refiners have continued to jack up the price of gas, even when the price of crude oil has gone down.”

The refiner margin is very roughly the profit earnings, plus some costs, for a refiner. Tesoro and Flint Hills Refiners provide virtually all the refined gasoline for Alaska, with Tesoro dominating the gasoline refining, with over 80% of the market. According to the American Automobile Association, Alaska still has the highest gasoline prices in the nation today.

The Research Report shows refiner margin trends in Alaska, Washington and the United States since 2004. From January 2004 through July 2008, the refinery margins in Alaska have roughly tracked the refiner margins in Washington and the United States, with occasional fluctuations. However, when the price of oil spiked in the summer of 2008, Alaskan refiner margins exploded to \$1.45 per gallon by October 2008, while the Washington and US average refiner margin peaked at 60 and 63 cents, respectively, in September 2008.

In November 2008, the Washington and US average refiner margins hovered at around 10 cents per gallon, while Alaska's refiner margin remained over 10 times higher, at \$1.17 per gallon. As the Alaska legislative session progressed, and price gouging bills continued to be debated over Tesoro's and Flint Hills strong objections, the refiner margin difference narrowed. After the session ended in April, Alaska refiner margins dropped for two more months, hitting a low of 78 cents per gallon in June 2009, while the Washington refiner margin was 54 cents per gallon, and the US average refiner margin was 46 cents.

However, in July 2009, the Alaska refiner margin spiked again to \$1.02 per gallon, while the Washington and US refiner margins both dropped, to 48 cents and 35 cents, respectively.

"The evidence is plain and speaks for itself. Alaskans continue to be gouged by Tesoro and Flint Hills refineries," said Sen. Wielechowski.

From January 2004 through June 2008, the Alaska refiner margin has averaged about 59 cents per gallon, while the Washington refiner margin has averaged about 52 cents per gallon, and the US average has been about 47 cents per gallon. The Alaskan refiner margin has historically been about 7 cents higher than the Washington average, and 12 cents higher than the US average. These higher costs account for the slightly higher cost of doing business in Alaska. However, from July 2008 through August 2009 (the last date for which data are available), the Alaska refiner margin has averaged \$1.03 per gallon, while the Washington and US refiner margins have averaged 42 cents and 35 cents. Taking the historical averages, Sen. Wielechowski estimates that Alaskans have been overcharged an average of 54 cents per gallon (compared to Washington refiners: \$1.03 AK refiner margin - .42 Washington refiner margin = .61 - .07 (historically higher AK refiner margin) = 54 cents overcharge. The US average difference is 56 cents).

Wielechowski noted that Alaskans use approximately 25 million gallons of gasoline per month, on average. Every penny in additional costs added by refiners costs Alaskans about \$250,000. 54 cents multiplied by 250,000 equals a loss of \$13,500,000 per month. This means that Alaskans have paid an additional \$189,000,000 for gasoline over what they have historically paid (compared to Washington refiner margins). Compared to US refiner margins, the overcharge is higher.

Senator Wielechowski noted that the price gouging continues today, adding tens of millions of dollars in overcharges, but the data are not yet ready to report.

"Price gouging is costing Alaskans hundreds of millions of dollars. This is a hidden tax on consumers, and it is hurting our families and our businesses." Sen. Wielechowski said. The Senator urged the swift passage of Senate Bill 54, which would outlaw price gouging on gasoline and other fuels in Alaska.

For more information, contact Senator Wielechowski at 269-0120.