

Senator seeks probe into high West Coast gas prices

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WASHINGTON – West Coast oil refiners cut gasoline production after a fire earlier this year at a Washington state refinery, creating a supply shortage that has left West Coast motorists paying high prices when the rest of the nation is seeing prices plunge, according to an influential senator and an energy analyst.

In a letter being sent to regulators today and obtained by McClatchy, Sen. Maria Cantwell, D-Wash., calls on the Federal Trade Commission to investigate refinery operators Alon, Chevron, ConocoPhillips, Shell, Tesoro and BP following the shutdown of BP's Cherry Point refinery in Washington state.

Citing a report by Portland energy consultant McCullough Research – a group whose work helped topple energy-trading giant Enron Corp. – Cantwell questioned why May gasoline prices in her state soared recently to within cents of the local record of \$4.35 a gallon set in July 2008. Meanwhile, gasoline prices nationwide fell 17 cents a gallon and oil tumbled more than \$14 a barrel.

The McCullough Research report, published Tuesday, questioned whether the historically low gasoline inventories on the West Coast were really a result of a fire on Feb. 17 that idled the BP plant for about three months.

Gasoline prices on the West Coast had tracked closely with the price of West Texas Intermediate crude delivered at Cushing, Okla., but in May veered widely from historical norms, according to the report. Had prices followed supply costs, said the report's author, Robert McCullough, prices on the West Coast would have dropped to about \$3.65 a gallon.

"The sudden price shift has provided a significant windfall for refineries and retailers on the West Coast. At a differential of \$0.68 a gallon, this translates into a windfall profit of \$43 million a day," the report said.

"The question is not whether there was a fire at Cherry Point. It's whether everybody else in the refining market also shut down capacity to create a shortage," Cantwell said in an interview.

Cantwell in recent years has fought for legislation that limited how much of the oil market can be controlled by financial speculators and has pressed the Federal Trade Commission to look more closely at refiners.

The Western States Petroleum Association – a Sacramento-based trade association for energy companies on the West Coast – denied the allegations.

"Sen. Cantwell has, in the past, made similar requests for investigations ... and all of those have found that market factors are the dominant explanation for changes in product prices," said Tupper Hull, the group's spokesman. "And none of those have found that manipulation of the market has occurred."

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