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State seeks answers in gas price spikes

David R. Baker
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October's record-setting jump in gasoline prices cost Californians \$320 million, and yet state officials lack some of the basic information needed to ensure that refineries aren't playing games with the fuel market.

That was the testimony Thursday at a hearing that explored the causes of the price spike, which saw the state's average price for a gallon of regular reach \$4.67.

Called by state Sen. [Mark Leno](#), D-San Francisco, the hearing could lead to legislation. With its own specialized gasoline blends made by just a handful of refineries, California has long been prone to price spikes. But four of the most severe on record happened in 2012.

"I think we'll only see more of them," Leno said, adding that he would "see what we can do legislatively to correct what I think is a market that has gone askew."

State an 'energy island'

The October price spike began after an electrical outage suddenly shut down an [ExxonMobil](#) refinery in Los Angeles County. Fuel supplies in California had already been strained by the Aug. 6 fire at Chevron Corp.'s Richmond refinery, as well as the closure of a crude-oil pipeline in the Central Valley.

[Severin Borenstein](#), director of the [University of California Energy Institute](#) in Berkeley, noted that the state's reliance on just a few refining companies gives those businesses significant power over the market, even if they don't conspire to raise prices.

No pipelines connect California to refineries in the Midwest or on the Gulf Coast, leading many analysts to label the state an "energy island."

"The problem we have here, that the oil companies don't like to hear, is that we now have a very concentrated refining market here in California," he said.

"Unfortunately, we've created a situation in the California market where because we're an island and because it's pretty concentrated, we actually do have companies that are in a pretty strong position to raise prices by putting less (gas) on the market. There is no law against them doing that."

Borenstein added after the meeting that he had not seen any sign that companies had withheld supply in October, a point echoed by a representative for the [Western States Petroleum Association](#).

"We have not seen anyone present evidence that companies held back product during this period of high volatility," said spokesman [Tupper Hull](#).

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"There's no question that the (Exxon) refinery was knocked offline by a power outage. Chevron had a fire. These weren't speculation - they were facts."

Operations continue

At the hearing, energy consultant [Robert McCullough](#) presented a report arguing that some Bay Area refineries, including Shell's facility in Martinez, were actually producing gasoline at times when media reports had described them as undergoing maintenance.

He and his staff, he said, had been able to determine that the plants were still operating by studying air pollution data from the Bay Area [Air Quality Management District](#).

He argued that the state needs refineries to report their planned and unplanned repairs, with that information made readily available to the public.

"Markets work best in the light," McCullough said. "For our most critical commodity, we need to make this as open as possible."

[Gordon Schremp](#), senior analyst with the [California Energy Commission](#), agreed that requiring companies to report their maintenance plans in advance would be useful. He noted, however, that refineries don't shut down entirely while doing maintenance. In most cases, they still produce gasoline, just at a reduced rate.

David R. Baker is a San Francisco Chronicle staff writer. E-mail: dbaker@sfgate.com

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