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## Washingtonians pay more for gas than most of the country. But why?

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Washingtonians for years have paid a premium at the pump.

Despite the presence of five oil refineries in the Puget Sound region, the state has had some of the highest gasoline prices in the nation.

And through much of the past decade, the disparity has grown, according to a Seattle Times analysis of retail pump prices compiled by AAA.

From 2017 through 2021, the average cost of a gallon of regular gas in Washington was 45 cents higher than the national average. That difference, or spread, is almost double the 2011-2016 average of 24 cents, according to the analysis, which is adjusted for state gas-tax increases.

Through most of March and April, the spread widened as Washington gas prices skyrocketed in the aftermath of the Russian invasion of Ukraine. It then narrowed. But on May 5, the average \$4.75 price of a gallon of Washington regular gas was still nearly 39 cents higher than the national average. That price also was \$1.26 higher than the average Washington regular gallon on that date a year ago, the AAA data show.

Surging gas prices have helped to supercharge the already strong Washington demand for electric vehicles, in a state with some of the lowest power costs in the nation. These prices also have spurred Sen. Maria Cantwell, D-Wash., to draft legislation, expected to be introduced to the Senate this month, that would provide more pricing information to federal regulators for market oversight.

In recent weeks, the cheapest gas in the state has been found in Eastern Washington, where stations tap into a pipeline network that can bring in gas from Montana and Utah refineries. On May 5, sparsely populated Asotin County at the Idaho border had the state's best bargain for gas, with an average regular price of \$4.33.

The state's most expensive gas has been marketed in the Puget Sound region and several other areas west of the Cascades that are largely supplied by the state's own refineries. In King County on May 5, the average price for regular gas topped \$4.91.

For Washington truckers and other diesel users, prices also have soared. But as of May 5, the spread between the price paid in Washington and the rest of the nation had tightened to 5 cents once adjusted for taxes, according to The Times analysis of AAA data.

The retail prices paid by motorists result from a mix of factors that include global crude oil prices, the wholesale pricing of gas produced by refineries and the margins, of varying sizes, taken by retailers.

The five Washington refineries are located in Skagit, Whatcom and Pierce counties. They process crude from Alaska's North Slope and other sources, including oil from Alberta, North Dakota and overseas. Along with those in California, these refineries support West

Coast fuel markets that are largely cut off from pipeline networks supplying other parts of the nation.

## Market forces and oversight

Some oil industry analysts and officials say the premium Washingtonians pay for regular gasoline reflects a greater imbalance between demand and supply along the West Coast. They say gas has been in shorter supply due in part to the closure of several California refineries.

“If I took the population of the states that are bordering the Pacific Ocean, and I look at refining capacity, there’s no question that those markets are tighter than they used to be,” said Tom Kloza, global head of energy analysis for the Oil Price Information Service, a Dow Jones company that collects fuel pricing information for many clients, including AAA.

“It really always comes back to market forces and choices consumers make when selecting the stations to buy fuel from,” said Kevin Slagel of the Western States Petroleum Association.

But the higher fuel costs in Washington, Oregon and California have long triggered government scrutiny.

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Some oversight has come from the states.

The Washington Attorney General’s Office monitors gasoline markets, publishing a [quarterly gasoline report](#) that notes producers and retailers are free to charge whatever price for their product they choose so long as they do not collude or engage in unfair or deceptive practices. As far back as 1977, the office alleged that oil companies fixed prices and artificially created product shortages. The ensuing 15-year legal battle resulted in a settlement of more than \$150 million. Since then that office has launched other investigations, and challenged some oil-company acquisitions over antitrust concerns.

In 2019, the California Energy Commission, at the request of Gov. Gavin Newsom, conducted an investigation of high state gas prices. The commission concluded [in a report](#) that prices had climbed as retailers increased their margins above the national average, including higher-priced brands that raised margins “far beyond competitors.”

“The overall California increase in retail margins, above that experienced by the rest of the U.S., has resulted in California gasoline consumers paying an estimated additional \$1.5 billion in 2018 and \$11.6 billion over the last five years,” the report stated.

## Congressional interest

In Congress, the spring 2022 run-up in prices spurred [an April 5 request](#) for a Federal Trade Commission investigation of West Coast gas prices by Sens. Maria Cantwell, D-Wa., Ron Wyden, D-Ore., and Dianne Feinstein, D-Calif., who expressed concern that pricing “cannot be fully explained by supply and demand fundamentals.”

This month Cantwell plans to introduce legislation, co-sponsored by Wyden and Feinstein, that seeks to increase transparency in transportation fuel markets. The bill would direct the Energy Information Administration to collect more detailed information and make more disclosures about the pricing of these fuels. It would also create a new unit within the FTC to monitor markets to increase watchdogging for manipulations or unfair methods of competition used to increase profits. It also would double maximum penalties to \$2 million a day for each violation.

“How can we shine a light on the black box to expose any anti-competitive dark trading, making sure there aren’t a bunch of smart guys in the room hurting consumers because they think we can’t figure out what is happening when there is a lack of transparency?” [said Cantwell](#), chair of the Senate Commerce, Science & Transportation Committee, during an April 5 hearing.

Kloza, in an interview, said his company, [OPIS](#), already provides transparency by publishing wholesale and retail prices obtained through its reporting network.

But Robert McCullough, a Portland-based economist who testified at the April 5 Senate hearing, calls U.S. oil and gasoline markets “less transparent than almost any other commodities.” McCullough is an expert witness for plaintiffs in a California antitrust lawsuit over gas prices. And in [his Senate testimony](#), he called for greater federal reporting of oil and gasoline transactions, which he said is “critical to discourage anomalous trading.”

The draft bill has gotten a chilly reception from oil industry officials.

“Using the power of the FTC to undertake political investigations of American energy companies will not lower gas prices by a penny. Energy prices are determined by supply and demand, not false accusations of ‘price gouging’ motivated by the upcoming election instead of the facts,” said Anne Bradbury, CEO of the American Exploration & Production Council.

In a statement released earlier this month, Frank Macchiarola, an American Petroleum Institute senior vice president, said “Americans are looking for solutions, not political posturing,” and that pump prices are a function of “increased demand and lagging supply combined with geopolitical turmoil and policy uncertainty from Washington.”

## **The electric vehicle pinch**

Gas prices are surging as automobile manufacturers are launching a major shift to electric vehicles.

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In the Puget Sound region, electric car dealers report that demand for the vehicles far outstrips available supplies, which have been severely crimped by disruptions of the supply chain.

Tommy Thoensen, general manager of Lee Johnson Nissan of Kirkland, said all electric Leafs have been presold before they arrive at the dealership. Nissan has not kept up with demand as it becomes increasingly difficult to get parts out of China, he said.

“We have 15 coming in this month, all sold. Only one coming in June and one coming in July,” Thoensen said. “If I could get an unlimited supply, I could probably sell 60 a month.”

In Washington, the fuel for the vehicles is produced by utilities that operate under very significant price constraints.

More than half the state’s power is produced by public utilities, such as Seattle City Light. They are required to be based on the actual costs of providing power, including investments in operations, capital improvement and debt service.

Electricity also is produced by regulated private utilities such as Puget Sound Energy. These utilities must submit their rates for approval to the Washington State Utilities and Transportation Commission, which is charged by the Legislature to ensure customers get “reasonable rates” and companies earn a fair profit.

The prices at fast-charging stations, such as those operated by Tesla or Electrify America, do not fall under state regulation. But so long as electric car owners charge at their home or at a charging station installed by a utility, the prices reflect those of a nonprofit or regulated utility.

The federal Energy Department calculates the cost of an “eGallon,” comparing the average cost of fueling an electric vehicle in Washington to that of a similar gas-powered vehicle. The Washington eGallon cost, last updated in March 2021, was 81 cents compared with a national average eGallon cost of \$1.16.

Tonia Buell, a Washington state Department of Transportation official helping to develop a West Coast network of fast-charging stations, said electric vehicles also have lower maintenance costs.

“It’s a great time to buy an electric car — if you can find one,” Buell said.

For the vast majority of Washington motorists tied to petroleum fuels, price relief is not expected anytime soon. Proposed European sanctions on Russian crude helped send U.S. oil prices above \$110 a barrel— and gas prices are forecast to continue to rise.