

ALASKA STATE LEGISLATURE

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Senator Bill Wielechowski

SPONSOR STATEMENT **Senate Bill 28**

"An Act making sales of and offers to sell certain energy resources by a refiner at prices that are exorbitant or excessive an unlawful act or practice under the Alaska Unfair Trade Practices and Consumer Protection Act."

Alaskans are paying far too much for heating and motor fuel. This bill will help reduce the cost of gasoline, and heating fuel for many Alaska residents, from road system communities where the price of gasoline is excessive, to rural communities where the price of heating fuel is far too high.

There is evidence that Alaska's refiners are marking up the cost they pay for crude oil at a rate that far exceeds the markup charged by West Coast refiners, and that is higher than the historical Alaska mark up. Many other states have price gouging laws, and Alaska should have one too.

Most Alaska motor fuel and heating oil is produced by the Tesoro and Flint Hills refineries, with most motor fuel coming from the former. Evidence to date shows that the high price Alaskans are paying for motor fuel and heating oil is caused in large part by this refiner mark-up. While it is understandable that fuel prices will rise and fall with the price of oil, there is questionable justification for the margins Alaska's main refiners are adding to their cost for Alaska crude oil.

This bill provides protection for Alaskan communities, individuals, and businesses that rely on refined petroleum products for heating and transportation by prohibiting refineries from charging excessive or exorbitant prices for heating oil, diesel, and automobile and aircraft fuel. An objective threshold is established where prices are presumed to be excessive or exorbitant, which refiners can rebut by showing that their prices are a reasonable response to expenses. The bill provides for monetary damages to deter potential violators.

During the recent fuel cost crisis, the rate at which Alaskan prices have been higher than Lower 48 rates has consistently exceeded historical norms, and Alaskan prices have increased while Lower 48 rates decreased. Even suspending Alaska's gasoline tax has not been able to eliminate this disparity.

This bill targets refinery prices, because the investigations conducted by the Legislative Research Division and the House Judiciary Committee have shown that the price disparities have arisen because of the prices that refineries sell products to retailers. This bill does not set or control pricing, and disparate pricing would still be legal if refiners can show their prices to be reasonable. This bill only applies to refiners with annual sales of over one million gallons of applicable fuel, exempting smaller community refiners.

While many other states' prohibitions against excessive fuel prices only apply in the event of natural disasters, terrorist attacks, or declared emergencies, Alaska has a unique Constitutional responsibility to ensure that natural resources are used to the maximum benefit of the Alaskan people. This bill prohibits refineries from charging exorbitant or excessive prices that are detrimental to state and local economies and the welfare of individual Alaskans. Also, this recent crisis has shown that high fuel costs alone can be enough to create an economic emergency.