

SCOMM

#46:9

STATE OF ALASKA



POUCH V
JUNEAU, ALASKA 99811
(907) 465-4941

HOUSE SPECIAL COMMITTEE ON OIL AND GAS

MEMORANDUM

To: All Interested Persons

From: Rep. Mike Davis, Chairman
House Special Committee on Oil and Gas

Date: April 7, 1986

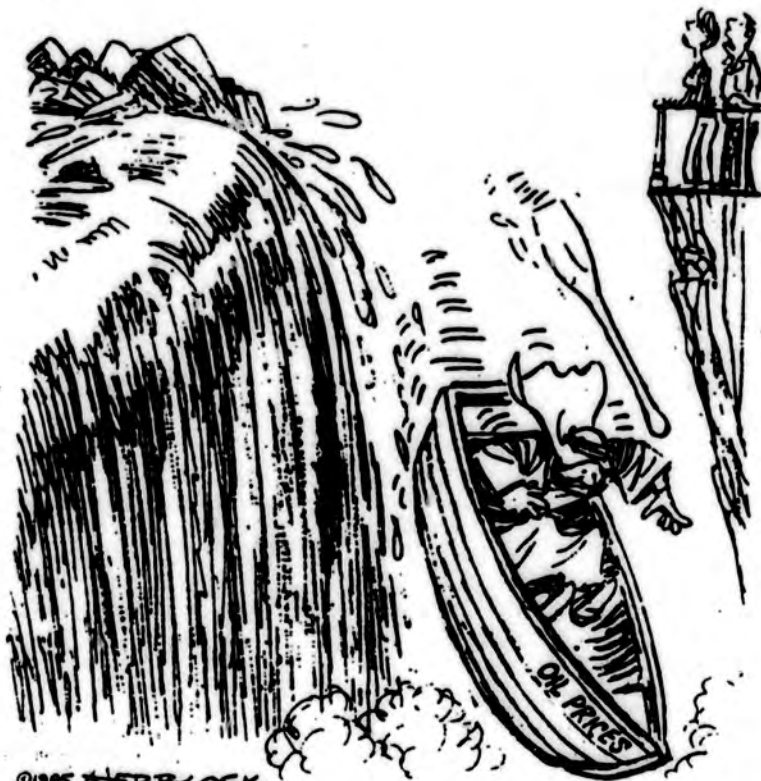
Re: Petroleum Products Pricing Briefing

The House Special Committee on Oil and Gas will conduct an oversight hearing regarding petroleum products pricing at 4:00 p.m. on Thursday, April 10. The meeting will be held in Room 519 of the Capitol Building, and will be teleconferenced to the legislative information offices at all standing sites.

Representatives from the Department of Law, the Department of Natural Resources - Division of Oil and Gas, and the House Research Agency have been asked to participate in the hearing.

The main purpose of the hearing is to provide members of the House Special Committee on Oil and Gas with information regarding the relationship between the price of crude oil and that of refined products, the structure and traits of Alaska's regional markets, an overview of the petroleum product stream, consumer obligations associated with the purchase of royalty oil by in-state refiners, and the authority of the Department of Law and the ability of consumer interest groups to monitor product pricing.

"HOW DOES HE DO THAT?"



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DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 11, 1986

The Honorable Bill Sheffield
Governor
State of Alaska
P.O. Box A
Juneau, AK 99811

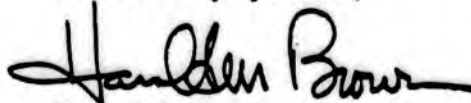
Dear Governor Sheffield:

Enclosed is my office's report on Fairbanks gasoline prices, as requested by your letter of January 13, 1986. As you know, during the last year gasoline prices in Fairbanks have increased, during a time when crude oil prices have decreased substantially.

Our investigation looked at all levels of the gasoline distribution system in Fairbanks: retail, wholesale, distributor, and refinery. Our conclusion is that the higher prices are the result of price increases at the refinery level. That is, the refineries are charging more for refined gasoline, even though they are paying less for the crude oil they use to make the gasoline. This price increase has been entirely passed on through the distribution chain to the Alaska consumer.

There is no law against charging high prices, as far too many Alaskans can testify. However, this situation is particularly deplorable. Alaskans are being paid less and less for the state royalty oil that goes into the refinery, but are being charged more for the product that comes out of the refinery.

Sincerely yours,



Harold M. Brown
Attorney General

HMB:RDM:cck
Enclosure:

cc: Hon. Mike Davis
Alaska State House of
Representatives

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3800

STATE

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

August 26, 1985

The Honorable Mike Davis
Alaska State House of Representatives
P.O. Box 81435
College, AK 99708

Dear Representative Davis:

Enclosed per your request is a copy of our report on the gasoline price situation in Southeast Alaska. We did not look at the Fairbanks market during this investigation.

Our conclusion was that prices will not go down in Southeast until there is more competition, both wholesale and retail. The outlook for this is not too good. The two wholesalers do not show any desire to undercut each other or to expand their shares of the total market. The retailers in Southeast, especially Juneau, appear content with the high profit margins on their present sales volume. We did not find any evidence of price fixing at the wholesale level, although we did find some evidence of price fixing at the retail level.

To prove price fixing requires a showing that competitors (1) met and discussed setting prices, (2) agreed to fix prices, and (3) acted on their agreement. If this is proven, the parties are subject to criminal misdemeanor prosecution, with a potential of a year in jail and a \$20,000 fine for each offense. AS 45.50.578. In addition, any injured party can get treble damages -- a judgment of three times the amount of his actual damages. AS 45.50.576. The treble damage remedy exists to encourage prosecution of what can be very difficult cases to prove.

Most of our successful antitrust prosecutions have begun as consumer complaints. To start an investigation, the law requires the Attorney General to have a reasonable belief that a violation of the antitrust statutes has occurred. AS 45.50.590. We need more than just a consumer "suspicion" that price fixing has happened to begin an investigation. If your constituent has some good evidence as to price fixing in the Fairbanks gasoline market, we would certainly like to hear about it.

f4E p

BILL SHEFFIELD, GOVERNOR

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Honorable Mike Davis
Alaska State House of Representatives

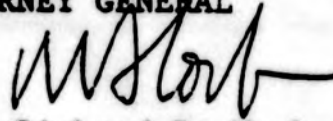
August 26, 1985
Page 2

Please feel free to call if you have any questions.

Sincerely yours,

HAROLD M. BROWN
ATTORNEY GENERAL

By:



Richard D. Monkman
Assistant Attorney General

HMB:RDM:cct

cc w/o enc.:

Randy Olsen

Assistant Attorney General

Attorney General's Office/Fairbanks

MEMORANDUM

State of Alaska Community and Regional Affairs

TO: Raymond Gillespie
Chief of Staff
Office of the Governor

DATE: February 28, 1986

FILE NO:

TELEPHONE NO: 465-4890

FROM: Emil Notch
Commissioner

SUBJECT: Exxon Oil
Overcharge Funds

This is response to your request for information regarding the Exxon Oil Overcharge Funds that the State of Alaska will soon be receiving.

On January 26, 1986, the U.S. Supreme Court ruled that Exxon Corporation must pay over \$2 billion in refunds and interest for oil overcharges. The Court also upheld a lower court ruling that the money must be distributed to the States and spent on the federal energy programs (Energy Extension Service, State Energy Conservation Program, Institutional Conservation Program, Weatherization, and Low-Income Energy Assistance). It is estimated that Alaska's share will exceed \$7.9 million.

It is not clear at this time what restrictions will be placed upon the funds. In its decision the federal court ruled that the funds must be disbursed in accordance with Section 155 of Public Law 97-377,96 (Warner Amendment). The Warner Amendment stipulates that the State must apply the funds among the five federal energy conservation programs, that interest gained on the funds must be used for the same purpose and that none of the funds may be for administrative expenses. The U.S. Department of Energy (DOE) has, to date, issued no directives regarding the use of the funds.

It is my recommendation that the funds be placed into a trust account until such time clear guidance is given by the DOE as to what policies will govern the expenditure of the funds.

Steve Baden, Program Manager of the Division's Conservation section, has been tracking the developments in regards to the case and will be in Juneau next week, Mr. Baden and I will be glad to provide you a more detailed briefing and answer any questions you may have at that time.

RECEIVED
MAR 14 1986

MAR 14 1986

THE COMMISSIONER

RECEIVED

MAR 05 1986

COMMISSIONER'S OFFICE
COMMUNITY & REGIONAL AFFAIRS

ALASKA PETROLEUM PRODUCT PRICING
**A review of industry practice and policy
and its effect upon
energy costs to Alaskans**

**Prepared for the
SENATE RESOURCES COMMITTEE:**

Senator Bettye Fahrenkamp, Chairman
Senator Robert H. Ziegler, Vice-Chairman
Senator Paul Fischer
Senator Richard I. Eliason
Senator Vic Fischer
Senator Bob Mulcahy
Senator Arliss Sturgulewski

by

Louis F. DeLong
Lloyd M. Pernela

PACIFIC-ALASKA, INC.
Fairbanks, Alaska

February 1, 1983

RESOLUTION NO. 85-089

A RESOLUTION ASKING FOR AN INVESTIGATION INTO
THE PRICE OF GASOLINE AND FUEL OILS IN ALASKA

WHEREAS, the price of crude oil on the world markets has been in decline for the past several months; and

WHEREAS, the supply of crude oil has been in excess of demand for the past several months; and

WHEREAS, this over-supply of crude oil has existed long enough for the consumer prices of gasoline and fuel oils to go down in the Lower Forty-eight States; and

WHEREAS, the State of Alaska continues to experience a large decline in State Revenues from its crude oil sales; and

WHEREAS, this decline in State Revenues is affecting most of the State's residents, municipalities, schools, and businesses; and

WHEREAS, the consumer prices for gasoline and fuel oils have continued to increase in the Interior of Alaska during this time of declining prices for the crude oil;

NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Assembly requests the Governor of Alaska to create a task force for the purpose of examining the reasons for the inverse situations in gasoline and fuel oil prices in Alaska.

PASSED AND APPROVED THIS 9TH DAY OF DECEMBER, 1985.

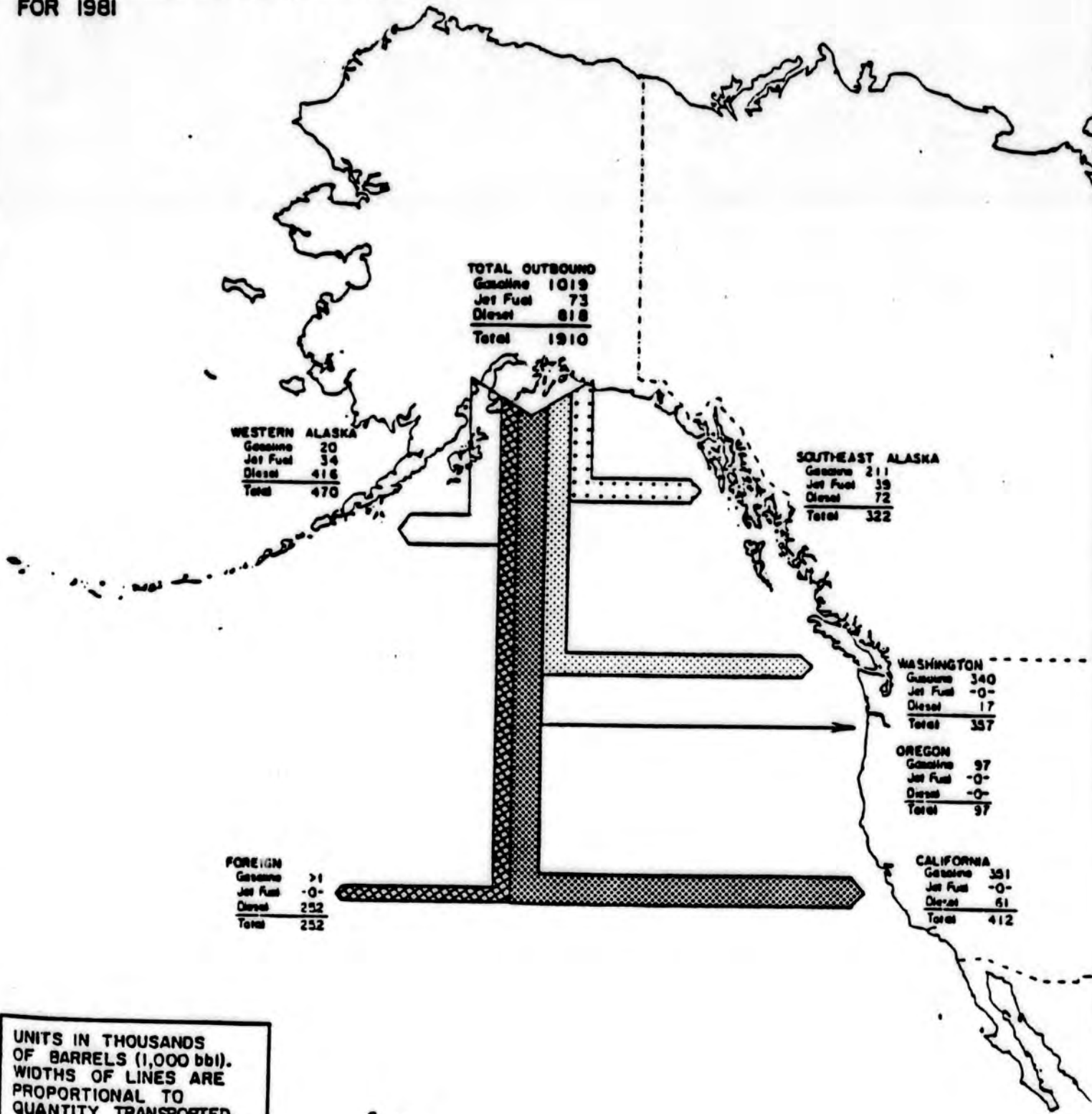
Seneca Scott Stinson

Presiding Officer

ATTEST:

Mona Lisa Prester

**SOUTHCENTRAL ALASKA
COASTAL FUEL MOVEMENTS-OUTBOUND
FOR 1981**



UNITS IN THOUSANDS OF BARRELS (1,000 bbl). WIDTHS OF LINES ARE PROPORTIONAL TO QUANTITY TRANSPORTED.

DATA SOURCE:
KEISER, G., TEAL, D.,
FUEL CONSUMPTION AND PRICING IN ALASKA, A REGIONAL ANALYSIS,
HOUSE RESEARCH AGENCY REPORT 83-C, JAN. 1984

Historical + Projected Oil + Gas
Consumption - DNR 1/86

FIGURE 3.6

**SOUTHCENTRAL ALASKA
COASTAL FUEL MOVEMENTS-INBOUND
FOR 1981**

TOTAL INBOUND
Gasoline 833
Jet Fuel 818
Diesel 894
Total 2545

WESTERN ALASKA
Gasoline 1
Jet Fuel 0
Diesel 15
Total 16

SOUTHEAST ALASKA
Gasoline 3
Jet Fuel 1
Diesel 11
Total 15

WASHINGTON
Gasoline 90
Jet Fuel 318
Diesel 321
Total 727

CALIFORNIA
Gasoline 237
Jet Fuel 290
Diesel 237
Total 764

FOREIGN
Gasoline 480
Jet Fuel 0
Diesel 0
Total 480

HAWAII
Gasoline 0
Jet Fuel 210
Diesel 12
Total 222

UNITS IN THOUSANDS OF BARRELS (1,000 bbl). WIDTHS OF LINES ARE PROPORTIONAL TO QUANTITY TRANSPORTED.

DATA SOURCE:
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Historical + Projected Oil + Gas
Consumption - DNR 1/86

Table 31
GASOLINE PRICE COMPARISONS
Fairbanks Area Service Stations
September 1985

Station	-----Price (In Cents Per Gallon)-----						
	-----Full-Service-----				-----Self-Service-----		
	Regular	Unleaded	Super	Diesel	Regular	Unleaded	Super
CHEVRON							
Alaska Chevron**	147.9 c	153.9 c	160.9 c	--	134.9c	140.9c	147.9 c
Badger Road Chevron	131.9	138.9	148.9	138.9c	--	--	--
Eagle Chevron	147.9	153.9	160.9	135.9	131.9	138.9	146.9
Goldpanner Chevron	149.9	155.9	159.9	146.0	132.9	139.9	--
Hutchison's Standard	137.9	145.9	148.9	148.5	--	--	--
Mike's University Chevron	151.9	156.9	160.9	135.9*	133.9	140.9	148.9
Northside Grocery and Gas	--	--	--	--	131.9	136.9	142.9
Ron's Service	146.9	151.9	157.9	--	132.9	137.9	--
Steese Chevron	--	--	--	--	129.9	136.9	143.9
Totem Chevron	146.9	152.9	159.9	--	131.9	137.9	144.9
TESORO							
7-Eleven, Airport Way	--	--	--	--	130.9	138.9	--
7-Eleven, Graehl	--	--	--	--	131.9	139.9	--
7-Eleven, College and University	142.9	147.9	--	143.9	131.9	138.9	--
7-Eleven, Airport and University	--	--	--	134.9	132.9	138.9	--
7-Eleven, Badger Road	--	--	--	132.9	126.9	132.9	--
Box Boy Gas, Airport and Dale Road	--	--	--	--	128.9	131.9	--
Box Boy Gas, Chena Pump Road	128.9	133.9	--	129.9	--	--	--
Box Boy Gas, South Cushman	125.9	129.9	--	--	--	--	--
Curry's Corner	--	--	--	133.9	124.9	129.9	--
Discount Truck Stop, South Cushman	--	--	--	129.9	130.9	134.9	--
Discount Truck Stop, Badger Road	--	--	--	134.9	128.9	134.9	--
Michael's Tesoro	--	--	--	--	123.9	129.9	--
Valley View Center	--	--	--	--	126.9	132.9	--
TEXACO							
Bob's Texaco	148.9	153.9	160.9	--	128.9	133.9	140.9
Cripple Creek Store	--	--	--	126.9	119.9	124.9	--
Fairbanks Minuteman	145.9	152.9	155.9	--	129.9	135.9	145.9
Fox Grocery and Gas	--	--	--	140.0	134.9	139.9	--
Jim's College Texaco	152.9	158.9	168.9	--	131.9	137.9	154.9
Kobuk Fuel and Feed	--	--	--	113.9	119.9	124.9	--
Kobuk Mini-Mart, South Cushman	--	--	--	--	127.9	133.9	--
Kobuk No. 9, College Road	--	--	--	--	129.9	134.9	--
Mom and Pop Gas	--	--	--	--	130.9	135.5	--
Riverview Liquors	--	--	--	--	127.9	125.9	136.9
Stage Stop	--	--	--	130.9	123.9	129.9	--
University Car Care Center	143.9	148.9	154.9	--	--	--	--
UNION							
Arctic Acres Country Store	--	--	--	129.0	123.9	129.9	--
Cork's Pit Stop	132.0	137.0	155.0 [†]	136.0	--	--	--
Don's Union	148.9	154.9	--	--	128.9	134.9	--
Gas 'n Go	--	--	--	130.9	128.9	136.9	--
Gold Hill Liquor	--	--	--	--	119.9	124.9	--
Goldstream General Store	--	--	--	--	127.9	133.9	--
Loop Union	--	--	--	136.0	128.9	132.9	--
North Pole Plaza Union	--	--	--	131.9	129.9	139.9	--
Russell's Union	148.9	154.9	--	--	128.9	134.9	--
AVERAGE							
September 1985	143.4	149.1	158.0	134.3	129.0	134.7	145.4
September 1984	141.0	146.3	154.5	132.6	123.4	130.4	140.2
% Change September 1984 - September 1985	2%	2%	2%	1%	5%	3%	4%

NOTE: Figures reflect prices shown on the gasoline pumps. Some stations offer discounts to customers paying cash. Also the retail price of gasoline depends on the date of delivery. Therefore, variations in price may partly reflect different delivery dates. Stations are grouped according to the brand of gasoline sold, as shown on their pumps.

- * Self-service only. The price for full-service diesel was 145.9¢.
- ** Alaska Chevron has a "cash only" island which shows pump prices of 5 cents less per gallon than those given here for the regular self-service island.
- † A high octane (96) leaded gasoline.

Fairbanks North Star Borough -
Community Research Center

FAIRBANKS SELF-SERVICE GASOLINE PRICES

		\$1.00	\$1.15	\$1.20	\$1.25	\$1.30	\$1.35	
CHEVRON	3/30	Alaska						
		Badger Rd.	* Does not sell self service.					
		Eagle						
		Goldpanner						
		Hutchison	* Does not sell self service.					
		Mike's University						
		Northside						
		Ren's						
		Steepe						
		Totem						
TESORO	7-11	Airport						
		Grachl						
		College Rd.						
		College & University						
		Airport & University						
	Box	Badger Rd.						
		Dale & Airport						
		Chena Pump						
		S. Cushman						
		DTS - S. Cushman						
		DTS - Badger Rd.						
		Curry's Corner						
		Valley View						
		Discount Gas						
TEXACO	Bob's							
	Cripple Creek							
	Fairbanks Minuteman							
	Fox Grocery							
	Jim's College							
	Kobuk Fuel & Feed							
	Kobuk 'n Mart							
	Kobuk #9							
	Mom & Pop							
	Riverview							
	Stage Stop							
	University Car Care	* Does not sell self service.						
	UNION	Arctic Acres						
Cork's Pit Stop								
Don's Union								
Gas 'n Go								
Goldhill								
Goldstream								
Loop Union								
North Pole Plaza								
Russell's								

\$1.10 \$1.15 \$1.20 \$1.25 \$1.30 \$1.35 \$1.40

The above gasoline price survey was conducted on the afternoon of March 24 by the University of Alaska Fairbanks, on behalf of the Alaska Public Interest Research Group. Many local retailers have lowered gasoline prices since the survey, reflecting competition and price drops passed onto them from other sources.

Average Price Range

Note: Tesoro, not Texaco, operates Kobuk Minimart (now Cushman Minimart) and Kobuk #9 (now Wynn's #9).

UAF - AKPIRG

News - Miner 3/30/86