

ONE HUNDRED TWELFTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
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WASHINGTON, DC 20515-6115

Majority (202) 225-2927  
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October 9, 2012

The Honorable Jon Leibowitz  
Chairman  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington, DC 20580

Dear Chairman Leibowitz:

I am writing to request that the Federal Trade Commission investigate the current spike in California gasoline prices in order to ensure that market manipulation is not exacerbating the situation.

Over the past week, retail gasoline prices in California have soared by more than 50 cents per gallon to a record price of \$4.67 per gallon. There has been no similar surge in gasoline prices nationwide.

The most common explanation for this price increase is that there is a gasoline supply crunch resulting from a series of refinery accidents and temporary shutdowns in California. Production dropped at Chevron's large Richmond refinery after an August 6 fire. Exxon Mobil's Torrance refinery reportedly was shut down for a week in late September and again this week, and a Phillips 66 refinery in San Francisco reportedly planned "to reduce production for an unspecified amount of time due to planned maintenance."<sup>1</sup> According to Energy Information Administration data, West Coast gasoline inventories are unusually low for this time of year – at the lower edge of the five-year range.<sup>2</sup>

In this environment, some market experts are raising concerns about the potential for market manipulation or price gouging. For instance, Severin Borenstein, an energy expert at UC

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<sup>1</sup> Bloomberg Businessweek, *California to Face Higher Gasoline Prices for Weeks* (Oct. 5, 2012); Washington Post, *Why California's Gas Prices Are Going Haywire* (Oct. 8, 2012).

<sup>2</sup> Energy Information Administration, *Weekly Petroleum Status Report* (Oct. 3, 2012) (online at: [http://www.eia.gov/pub/oil\\_gas/petroleum/data\\_publications/weekly\\_petroleum\\_status\\_report/current/pdf/figure2.pdf](http://www.eia.gov/pub/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/current/pdf/figure2.pdf)).

The Honorable Jon Leibowitz  
October 9, 2012  
Page 2

Berkeley, recently said that “[i]t’s not a crazy notion” that California refiners are taking advantage of the tight supply by withholding some of their gasoline in order to further increase prices.<sup>3</sup>

Periods of tight gasoline supply require special vigilance because of the opportunities for market manipulation – especially when individual market participants possess substantial market share as is the case in California. When Los Angeles consumers see their gasoline prices skyrocket by 50 cents per gallon over the course of one week, something is wrong.

A decade ago, market manipulation by Enron sent California’s electricity prices soaring. While we do not know whether this is a parallel situation, we must make sure California consumers are protected. That is why I am requesting an independent investigation by the FTC that examines the causes of the current gasoline price spike in California.

I appreciate your attention to this matter.

Sincerely,



Henry A. Waxman  
Ranking Member

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<sup>3</sup> Washington Post, *Why California’s Gas Prices Are Going Haywire* (Oct. 8, 2012).