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SENATE ENERGY, UTILITIES AND COMMUNICATIONS COMMITTEE
DEBRA BOWEN, CHAIRWOMAN

SB 1962 - Costa Hearing
Date: April 11, 2000 S
As Introduced: February 25, 2000 FISCAL B

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DESCRIPTION

Current law requires oil refiners to report specified information regarding their refinery inputs and outputs to the California Energy Commission (CEC).

Current law requires major marketers, as defined, to report on their petroleum product receipts, inventories, and distributions to the CEC.

Current law requires the CEC to analyze that information with regard to the nature of any fuel shortages and price changes.

This bill requires refiners and major marketers to report more specific data to the CEC, including imports and exports of finished petroleum products, the destination of their exports, and sales of unbranded gasoline.

BACKGROUND

The sponsor of this bill, the California Independent Oil Marketers Association (CIOMA), believes that while the CEC tracks branded gasoline prices and supplies, it doesn't have the authority to track supplies and distribution of unbranded gasoline. The CEC also has no authority to track imports of gasoline and diesel fuel, nor can it require

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refiners to disclose how much gasoline, diesel fuel, or blend stocks they are shipping out of state.

Current law charges the CEC with preparing a plan specifying actions to be taken in the event of an impending serious shortage of energy and with developing contingency plans to deal with possible shortages of fuel supplies to protect public health, safety, and welfare. In an emergency the CEC, pursuant to an executive order, can order that fuel be made available to relieve a shortage. For example, if there were a shortage of diesel fuel in the Fresno area and such shortage meant that farmers could not operate the necessary equipment to get their product to market, the CEC could order one or more wholesalers of diesel fuel to make supplies available in Fresno. High fuel prices, while constituting an inconvenience, don't qualify as an emergency under the law.

COMMENTS

1. Fill 'er Up . The author believes giving the CEC the authority to track unbranded gasoline supplies, imports,

and exports is critical to helping the CEC develop a full, complete, and effective contingency plan to ensure sufficient supplies of gasoline and diesel are available in an emergency.

2. Those Aren't Baseball Spikes . California's experience over the last several years shows that any disruption in refinery operations has a tendency to cause gasoline prices to spike. While some argue that the spikes are driven by the inability of refiners to build new production facilities and the inability to sell "non-California" gas in the state, the reality is California motorists are competing for gasoline with motorists in Nevada and Arizona because gasoline produced by California refineries is regularly sent to those states. During periods when the supply is adequate, that's a non-issue, but when shortages develop, those exports probably exacerbate the shortage and help drive up prices. This bill permits the CEC to track how much California-produced gasoline is exported to other states in an effort to give it a more complete picture of how the state's gasoline market functions in the "real world."

3. One, Two, Three . . . Okay, Who's Missing? The bill adds intent language stating it's the policy of the state to ensure that emergency service agencies, state and local government agencies, agricultural consumers, and business consumers of petroleum products have adequate and economic supplies of fuel. Left out of this intent language are individual consumers. As such, the author and Committee may wish to consider simply striking this language (Page 2, Line 27 through Page 3, Line 2) and replacing it with language that reads:

"It is also the policy of the state to ensure that all consumers have access to adequate and economic supplies of fuel."

However, the author and Committee may also wish to consider simply striking the amendments to this intent section of law entirely. That's because the notion of ensuring that

"adequate and economic supplies" of fuel are available appears to conflict with the intent of the section as a whole, which is designed to promote cost-effective energy efficiency policies.

POSITIONS

Sponsor:

California Independent Oil Marketers Association

Support:

None on file

Oppose:

None on file

Randy Chinn

SB 1962 Analysis

Hearing Date: April 11, 2000

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SENATE ENERGY, UTILITIES AND COMMUNICATIONS COMMITTEE
DEBRA BOWEN, CHAIRWOMAN

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Current law requires the CEC to analyze that information with regard to the nature of any fuel shortages and price changes.

This bill requires refiners and major marketers to report more specific data to the CEC, including imports and exports of finished petroleum products, the destination of their exports, and sales of unbranded gasoline.

BACKGROUND

The sponsor of this bill, the California Independent Oil Marketers Association (CIOMA), believes that while the CEC tracks branded gasoline prices and supplies, it doesn't have the authority to track supplies and distribution of unbranded gasoline. The CEC also has no authority to track imports of gasoline and diesel fuel, nor can it require

refiners to disclose how much gasoline, diesel fuel, or blend stocks they are shipping out of state.

Current law charges the CEC with preparing a plan specifying actions to be taken in the event of an impending serious shortage of energy and with developing contingency plans to deal with possible shortages of fuel supplies to protect public health, safety, and welfare. In an emergency the CEC, pursuant to an executive order, can order that fuel be made available to relieve a shortage. For example, if there were a shortage of diesel fuel in the Fresno area and such shortage meant that farmers could not operate the necessary equipment to get their product to market, the CEC could order one or more wholesalers of diesel fuel to make supplies available in Fresno. High fuel prices, while being annoying and disruptive, don't qualify as an emergency under the law.

KEY QUESTIONS

1. Should oil refiners and major marketers be required to report more specific data to the CEC in the manner

proposed by this bill?

2. Do the amendments to the intent section of the Warren-Alquist State Energy Resources and Development Act proposed by this bill conflict with the intent section as a whole?

COMMENTS

- 1) A More Complete Picture . The author believes giving the CEC the authority to track unbranded gasoline supplies, imports, and exports is critical to helping the CEC develop a full, complete, and effective contingency plan to ensure sufficient supplies of gasoline and diesel are available in an emergency.
- 2) Price Spikes . California's experience over the last several years shows that any disruption in refinery operations has a tendency to cause gasoline prices to spike. While some argue that the spikes are driven by the inability of refiners to build new production facilities and the inability to sell "non-California" gas in the state, the reality is California motorists are competing for gasoline with motorists in Nevada and Arizona because gasoline produced by California refineries is regularly sent to those states. During periods when the supply is adequate, that's a non-issue, but when shortages develop, those exports probably exacerbate the shortage and help drive up prices. This bill permits the CEC to track how much California-produced gasoline is exported to other states in an effort to give it a more complete picture of how the state's gasoline market functions in the "real world."
- 3) Overdependence vs. Adequate Supply . The bill adds language to the intent section of the Warren-Alquist State Energy Resources and Development Act stating it's the policy of the state to ensure that emergency service agencies, state and local government agencies, agricultural consumers, and business consumers of

petroleum products have adequate and economic supplies of fuel.

Left out of this intent language are individual consumers, but even if individual consumers were to be added, the author and Committee may wish to consider whether this portion of the bill actually conflicts with existing state law as it pertains to the state's energy policy.

That's because Public Resources Code 25000.5(a) states that an overdependence on petroleum-based fuels as an energy resource is a threat to the energy security of the state and that petroleum use as an energy resource contributes substantially to a number of public health problems.

Public Resources Code 25000.5(b), which this bill proposes to amend, states it's the policy of the state to establish a state transportation energy policy that results in the least environmental and economic cost to the state. The author and Committee may wish to consider whether adding language to this section, as this bill proposes to do, stating it's the policy of the state to ensure an adequate and economic supply of fuel runs counter to the intent of PRC 25000.5 as a whole.

POSITIONS

SPONSOR:

_____ California Independent Oil Marketers Association

SUPPORT:

_____ None on file

OPPOSE:

_____ None on file

Randy Chinn
SB 1962 Analysis
Hearing Date: April 25, 2000

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Date of Hearing: August 9, 2000

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Carole Migden, Chairwoman

SB 1962 (Costa) - As Amended: June 29, 2000

Policy Committee:	Transportation
Vote:	17-0
	Utilities & Commerce
	10-0

Urgency:	No	State Mandated Local Program:
No	Reimbursable:	

SUMMARY

This bill requires refiners and major marketers of petroleum products to report, on a monthly basis to the California Energy Commission (CEC), information on imports and exports, receipts of finished petroleum products and blendstocks, and exports of unfinished product. In addition, this bill requires the CEC to gather, analyze, and interpret information on sales of fuels to unbranded retail markets.

FISCAL EFFECT

Minor costs, less than \$50,000 annually, to the CEC to process additionally reported information and to conduct the analysis of data concerning unbranded retail markets (Energy Resources Programs Account.)

COMMENTS

Rationale . The author believes the CEC needs more data to better analyze the market for petroleum products in California, especially to track the volume of gasoline produced in California and exported to other states. In addition, the author believes the CEC should have the authority to track the sale of unbranded gasoline in California.

Analysis Prepared by : Steve Archibald / APPR. / (916)319-2081


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|SENATE RULES COMMITTEE           | SB 1962 |  
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|(916) 445-6614      Fax: (916)  |         |  
|327-4478             |         |  
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UNFINISHED BUSINESS

Bill No: SB 1962
Author: Costa (D), et al
Amended: 6/29/00
Vote: 21

SENATE ENERGY, U.&C. COMMITTEE : 10-0, 4/25/00
AYES: Bowen, Brulte, Hughes, Kelley, Mountjoy, Murray,
Peace, Solis, Speier, Vasconcellos

SENATE APPROPRIATIONS COMMITTEE : Senate Rule 28.8

SENATE FLOOR : 39-0, 5/24/00 (Consent)
AYES: Alarcon, Alpert, Bowen, Brulte, Burton, Chesbro,
Costa, Dunn, Escutia, Figueroa, Hayden, Haynes, Hughes,
Johannessen, Johnson, Johnston, Karnette, Kelley, Knight,
Leslie, Lewis, McPherson, Monteith, Morrow, Mountjoy,
Murray, O'Connell, Ortiz, Peace, Perata, Polanco,
Poochigian, Rainey, Sher, Solis, Soto, Speier,
Vasconcellos, Wright

ASSEMBLY FLOOR : 62-0, 8/18/00 (Passed on Consent) - See
last page for vote

SUBJECT : Petroleum products: reports

SOURCE : California Independent Oil Marketers
Association

DIGEST : This bill requires oil refiners and major
marketers to report more specific data to the California
Energy Commission.

CONTINUED

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Assembly Amendments (1) add coauthors and (2) extend CEC and staff prohibitions regarding the use of reported information to the provisions of this bill, as specified.

ANALYSIS : Current law requires oil refiners to report specified information regarding their refinery inputs and outputs to the California Energy Commission (CEC).

Current law requires major marketers, as defined, to report on their petroleum product receipts, inventories, and distributions to the CEC.

Current law requires the CEC to analyze that information with regard to the nature of any fuel shortages and price changes.

This bill requires refiners and major marketers to report more specific data to the CEC, including imports and exports of finished petroleum products, the destination of their exports, and sales of unbranded gasoline. Further, the bill requires the CEC to gather, analyze and interpret information on sales of fuels to unbranded retail markets.

Background :

The sponsor of this bill, the California Independent Oil Marketers Association (CIOMA), believes that while the CEC tracks branded gasoline prices and supplies, it doesn't have the authority to track supplies and distribution of unbranded gasoline. The CEC also has no authority to track imports of gasoline and diesel fuel, nor can it require refiners to disclose how much gasoline, diesel fuel, or blend stocks they are shipping out of state.

Current law charges the CEC with preparing a plan specifying actions to be taken in the event of an impending serious shortage of energy and with developing contingency plans to deal with possible shortages of fuel supplies to protect public health, safety, and welfare. In an emergency the CEC, pursuant to an executive order, can order that fuel be made available to relieve a shortage. For example, if there were a shortage of diesel fuel in the Fresno area and such shortage meant that farmers could not

operate the necessary equipment to get their product to market, the CEC could order one or more wholesalers of

diesel fuel to make supplies available in Fresno. High fuel prices, while being annoying and disruptive, don't qualify as an emergency under the law.

Comments :

A More Complete Picture . The author believes giving the CEC the authority to track unbranded gasoline supplies, imports, and exports is critical to helping the CEC develop a full, complete, and effective contingency plan to ensure sufficient supplies of gasoline and diesel are available in an emergency.

Price Spikes . California's experience over the last several years shows that any disruption in refinery operations has a tendency to cause gasoline prices to spike. While some argue that the spikes are driven by the inability of refiners to build new production facilities and the inability to sell "non-California" gas in the state, the reality is California motorists are competing for gasoline with motorists in Nevada and Arizona because gasoline produced by California refineries is regularly sent to those states. During periods when the supply is adequate, that's a non-issue, but when shortages develop, those exports probably exacerbate the shortage and help drive up prices. This bill permits the CEC to track how much California-produced gasoline is exported to other states in an effort to give it a more complete picture of how the state's gasoline market functions in the "real world."

FISCAL EFFECT : Appropriation: No Fiscal Com.: Yes
Local: No

CEC advises that any costs associated with this bill would be minor and absorbable.

SUPPORT : (Verified 8/18/00)

California Independent Oil Marketers Association (source)

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ASSEMBLY FLOOR :

AYES: Aanestad, Ackerman, Alquist, Aroner, Ashburn, Baldwin, Bates, Battin, Baugh, Bock, Briggs, Calderon, Cardoza, Corbett, Cox, Cunneen, Davis, Dickerson, Ducheny, Dutra, Floyd, Gallegos, Granlund, Havice, Honda, House, Jackson, Kaloogian, Keeley, Leach, Lempert, Leonard, Longville, Lowenthal, Machado, Maddox,

Maldonado, Margett, Mazzoni, McClintock, Migden, Nakano,
Olberg, Oller, Robert Pacheco, Papan, Pescetti, Runner,
Scott, Shelley, Steinberg, Strickland, Strom-Martin,
Thompson, Thomson, Torlakson, Washington, Wayne, Wiggins,
Wildman, Zettel, Hertzberg

NC:jk 8/19/00 Senate Floor Analyses

SUPPORT/OPPOSITION: SEE ABOVE

**** END ****

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Date of Hearing: July 6, 2000

ASSEMBLY COMMITTEE ON UTILITIES AND COMMERCE

Roderick Wright, Chair

SB 1962 (Costa) - As Amended: June 29, 2000

SENATE VOTE: 39-0

SUBJECT : Petroleum products: reports.SUMMARY : Requires oil refiners and marketers to report additional specific information to the California Energy Commission (CEC). Specifically, this bill :

- 1) Defines unbranded fuel as gasoline and diesel fuel sold for wholesale or retail distribution to consumers without proprietary additives or marketing under an independent refiner or integrated refining and marketing company brand name or trademark.
- 1) Requires refiners to report monthly to CEC on imports and sources of finished petroleum products and blendstocks, exports and destinations of finished petroleum products and blendstocks, and all unbranded gasoline sold by the refiner, blender, or importer.
- 1) Requires major marketers to additionally report monthly to CEC on sources of petroleum product receipts, inventories of finished petroleum products and blendstocks by type, distributions through branded and unbranded distribution networks, and exports of finished petroleum products and blendstocks, by type, from the state.
- 1) Requires CEC staff to include sales to unbranded retail markets as part of their analysis of prices of petroleum products.
- 1) Extends CEC and staff prohibitions regarding use of reported information on petroleum products and blendstocks for any other purposes except statistical purposes, publication of information on petroleum products and blendstocks whereby the reporting establishment or individual can be identified, and permitting anyone other than CEC members and staff to examine the reports providing the information on petroleum products and blendstocks;

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- 1) Makes additional findings and declarations relative to information and data on production and supplies of branded and unbranded gasoline, diesel fuel and other distillates, supplies of blendstocks used in the manufacturing of gasoline, exports of finished gasoline, diesel fuel, and other refined products, and exports of finished gasoline, diesel fuel, and blendstocks.

EXISTING LAW:

- 1) Requires petroleum product refiners to submit monthly information to CEC, including information on feedstock inputs, origin of petroleum receipts, refinery outputs, refinery stocks, and finished product supply and distribution.
- 1) Defines major marketer as any person who sells natural gas or oil in amounts determined by CEC as having a major effect on energy supplies.
- 1) Requires major marketers of petroleum products to provide information to CEC on petroleum and petroleum product receipts, inventories, and distributions.
- 1) Requires CEC to gather, analyze, and interpret information submitted to it concerning motor fuel prices and any significant changes in prices charged by the petroleum industry for petroleum or petroleum products sold in California and the reasons for those changes.
- 1) Makes information provided to CEC by petroleum product refiners and major marketers confidential and subject to disclosure and release only under certain circumstances.

FISCAL EFFECT : Unknown.COMMENTS :

- 1) The author has introduced this bill to give CEC the authority to track the production, sale, and distribution of unbranded fuel, along with imports and exports of all gasoline, diesel fuel, and blended fuel stocks. This additional information will assist CEC in monitoring the production and supplies of these fuels, as well as developing contingency plans to ensure sufficient supplies of fuels are available for necessary

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services.

- 1) Police and fire departments, government agencies, farmers, and small businesses are the primary consumers of unbranded fuel. According to the sponsor, recent shortages in the supply of unbranded fuels have driven prices beyond those of branded fuels (fuels sold for wholesale or retail distribution containing proprietary additives and marketed under a marketing company brand name or trademark). The price increases caused financial problems for these consumers because they cannot cut back on the amounts of fuel they use to deliver services or readily switch to alternative sources.
- 1) Existing law gives CEC authority to track price and supply information on branded gasoline and diesel fuel in California. CEC uses the data to produce reports and analysis on market structures, trends, demand forecasts, and makes recommendations on policy issues. Refiners and marketers are required to report this information to CEC on a periodic basis. Additionally, CEC is required to use this information to develop a contingency plan every five years in the case of energy shortages that pose a threat to public health or safety. This plan includes the Emergency Fuel Allocation Program. During a prolonged and widespread shortage, the Governor may proclaim a state of emergency and order CEC to implement a fuel set-aside program to ensure enough fuel is available to continue necessary public services. The sponsor argues the additional data this bill provides will give CEC a more complete picture of available fuel supplies in the state and the ability to plan better for contingencies.
- 1) An additional measure related to fuel supplies is SB 123 (Peace), which permits a branded gasoline franchise to purchase the branded petroleum product from any location in the franchiser's network. The object of that bill was to address the increase in fuel prices by requiring refiners to charge a uniform price to dealers supplied from each of the refiners terminals. According to the Assembly Utilities and Commerce Committee analysis, implementation of those provisions could actually result in higher prices caused by a lack of predictability in the gasoline market. This bill, by contrast, addresses the issue of high fuel prices by increasing the universe of data available on fuel prices and supplies.

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REGISTERED SUPPORT / OPPOSITION :Support

California Independent Oil Marketers Association (sponsor)

Opposition

None on file.

Analysis Prepared by : Jonathan Buttle / U. & C. / (916)
319-2083

SB 1962

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Date of Hearing: June 26, 2000

ASSEMBLY COMMITTEE ON TRANSPORTATION
Tom Torlakson, Chair
SB 1962 (Costa) - As Amended: May 2, 2000

SENATE VOTE : 39 - 0SUBJECT : Petroleum products: reports

SUMMARY : Requires oil refiners and major marketers to report more specific information to the California Energy Commission (CEC). Specifically, this bill :

- 1) Requires oil refiners to include in their monthly reports to CEC (see existing law #1 below) data on:
 - a) Imports of finished petroleum products and blendstocks;
 - b) Exports of finished petroleum products and blendstocks;
 - and
 - c) Distribution of gasoline sold unbranded.
- 2) Requires major marketers of petroleum products, as defined, to include in their monthly reports to CEC (see existing law #2 below) data on:
 - a) Sources of product receipts;
 - b) Inventories of finished petroleum products and blendstocks;
 - c) Distributions through both branded and unbranded distribution networks; and
 - d) Exports of finished petroleum products and blendstocks.
- 3) Defines "unbranded" fuel as gasoline or diesel fuel that is sold for retail or wholesale distribution without being marketed under a brand name or trademark of either an independent refiner or an integrated refining and marketing company, or that is sold without proprietary additives.
- 4) Requires CEC to include in its analysis of prices in the petroleum industry (as described in existing law #3) the price to unbranded retail markets.

EXISTING LAW :

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- 1) Requires oil refiners to report each month to CEC on the feedstock inputs, origin of petroleum receipts, refinery outputs, refinery stocks, and finished supply and distribution for each of their refineries.
- 2) Requires major marketers of petroleum products, as defined, to report each month to the CEC on petroleum and petroleum product receipts.
- 3) Requires CEC to gather, analyze, and interpret the information submitted in the reports (described in #1 and #2 above) from refiners and major marketers, with particular emphasis on retail motor fuel prices, among other matters.
- 4) Charges CEC with preparing a plan specifying actions to be taken in the event of an impending serious shortage of energy and with developing contingency plans to deal with possible shortages of fuel supplies to protect public health, safety, and welfare. In an emergency, CEC, pursuant to an executive order, can order that fuel be made available to relieve a shortage. For purposes of this provision of law, high prices do not constitute an emergency.

FISCAL EFFECT : No or minimal costs to state.

COMMENTS : This bill gives CEC more data to better analyze the market for petroleum products in California, and in particular to be able to track the amount of gasoline produced in California and exported to other states. The bill also enables CEC to track the sale of unbranded gasoline in California.

The sponsor of this bill, the California Independent Oil Marketers Association (CIOMA), notes that while CEC tracks branded gasoline prices and supplies, it lacks the authority to track supplies and distribution of unbranded gasoline. COIMA further notes that CEC also has no authority to track imports of gasoline and diesel fuel, nor can it require refiners to disclose how much gasoline, diesel fuel, or blend stocks they are shipping out of state. COIMA is sponsoring this bill to give CEC the ability to track all of this information, and to base its contingency planning for fuel shortages on this information.

Existing law directs CEC to prepare "an integrated plan specifying actions to be taken in the event of an impending

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serious shortage of energy, or a clear threat to public health,

safety, or welfare." Among these actions is the issuance of an executive order by the Governor to direct fuel where necessary to respond to an emergency. The last time such an executive order was issued was under Governor Jerry Brown during the 1979-80 energy crisis.

The author believes giving CEC the authority to track unbranded gasoline supplies, imports, and exports is critical to helping CEC develop a full, complete, and effective contingency plan to ensure sufficient supplies of gasoline and diesel are available in an emergency.

Double-referral : The Assembly Rules Committee referred this bill first to the Transportation Committee and second to the Utilities and Commerce Committee.

REGISTERED SUPPORT / OPPOSITION :

Support

California Independent Oil Marketers Association (sponsor)

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Opposition

None received.

Analysis Prepared by : Carrie Cornwell / TRANS. / (916)

319-2093

changes.

This bill requires refiners and major marketers to report more specific data to the CEC, including imports and exports of finished petroleum products, the destination of their exports, and sales of unbranded gasoline. Further, the bill requires the CEC to gather, analyze and interpret information on sales of fuels to unbranded retail markets.

Background :

The sponsor of this bill, the California Independent Oil Marketers Association (CIOMA), believes that while the CEC tracks branded gasoline prices and supplies, it doesn't have the authority to track supplies and distribution of unbranded gasoline. The CEC also has no authority to track imports of gasoline and diesel fuel, nor can it require refiners to disclose how much gasoline, diesel fuel, or blend stocks they are shipping out of state.

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Comments :

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Price Spikes . California's experience over the last several years shows that any disruption in refinery

operations has a tendency to cause gasoline prices to spike. While some argue that the spikes are driven by the inability of refiners to build new production facilities and the inability to sell "non-California" gas in the state, the reality is California motorists are competing for gasoline with motorists in Nevada and Arizona because gasoline produced by California refineries is regularly sent to those states. During periods when the supply is adequate, that's a non-issue, but when shortages develop, those exports probably exacerbate the shortage and help drive up prices. This bill permits the CEC to track how much California-produced gasoline is exported to other states in an effort to give it a more complete picture of how the state's gasoline market functions in the "real world."

FISCAL EFFECT : Appropriation: No Fiscal Com.: Yes
Local: No

SUPPORT : (Verified 5/12/00)

California Independent Oil Marketers Association (source)

NC:jk 5/17/00 Senate Floor Analyses

SUPPORT/OPPOSITION: SEE ABOVE

**** END ****