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Gasoline prices head down

Experts think prices will continue falling, but slowly. Supplies are still limited

By DUDLEY PRICE, Staff Writer

For drivers, it was a scene many had not seen since Hurricane Katrina ravaged the nation's gasoline supply a week ago: lower pump prices.

Although there were still reports of spot shortages in the Triangle, on Tuesday the cost of unleaded began what most experts say will be a slow retreat.

The average retail price Tuesday in the Triangle was \$3.14, down from \$3.18 per gallon on Monday, according to AAA, the motor club. Nationally, the average price Tuesday was \$3.04, down from \$3.06 on Monday, AAA said.

"We don't know what the supply situation will be, but the fact that they've gone down for the first time in a week is good news," said Tom Crosby of AAA.

Prices were being driven lower by the gradual improvement in oil and gasoline delivery systems from the Gulf of Mexico and lower demand from travelers during the Labor Day weekend.

Still, many wholesalers are receiving a fraction of their prehurricane deliveries, and some service stations were limiting purchases or were without fuel. Estimates vary concerning when supplies will be restored -- and prices will drop further.

"The pipeline is back to normal, but filling the tanks in the ground and building up inventories will take several weeks," Crosby said.

Colonial Pipeline, which delivers much of the gas and other petroleum products in the Triangle and Eastern North Carolina, said Tuesday that its main artery leading into the Southeast was running at full capacity again late Monday.

Demand fell as fewer drivers took Labor Day trips because of the high cost of fuel and problems with availability that left some service stations closed. Before the storm, AAA had predicted that 800,000 drivers in the Carolinas would take Labor Day trips. Crosby said the actual driving was significantly less, although actual numbers weren't available.

"Everybody is still in short supply," said Gary Harris, executive vice president of the N.C. Petroleum Marketers Association, which represents about 300 wholesalers who sell about 85 percent of all the motor fuels in the state.

Wholesale prices fell for a second day in New York, with light sweet crude for October delivery declining \$1.61 to settle at \$65.96 per barrel. On Friday, crude futures fell \$1.90, after they briefly topped \$70 per barrel last week.

Gasoline futures for October delivery plunged by 12.87 cents Tuesday to \$2.06 per gallon on the New York Mercantile Exchange. They continued a fall that amounts to 15 percent in the past two trading sessions. The September gasoline contract hit \$2.92 Wednesday.

Energy analysts agree that the decline in retail gas prices will not match the speed of last week's rise. In the Triangle, pump prices increased an average of 50 cents per gallon between Thursday and Monday.

At the retail level, "we'll go below \$3 a gallon, but not by much," oil analyst John Kilduff at Fimat USA in New York said Tuesday.

For one thing, crude oil production in the Gulf is still down 58 percent from before the storm. Most wholesalers are receiving only 60 to 75 percent of their prestorm gas supplies and are building up inventory, which further increases demand -- and helps keep prices from dropping further, Harris said.

Most stations won't be inclined to drop prices quickly, Harris said. Stations raised prices quickly when wholesale prices soared after the hurricane but competition kept profits small and some even lost money, Harris said.

Now "they have to keep the price above the wholesale price to recoup what they lost when the price went up on them," Harris said. "Prices are going to fall but it won't be fast, and I hope their aren't any bumps along the way."

(The Associated Press and Bloomberg News contributed to this report.)

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