

State gasoline price passes \$3 mark again

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**(06-15) 18:20 PDT** -- Just in time for summer, \$3 gas is back.

California's average price for a gallon of regular gasoline topped \$3 Monday for the first time since last fall, driven higher by a rally in the market for crude oil. Just one month ago, Californians paid \$2.52 per gallon, according to the AAA auto club.

"I can't believe how fast it's gone back up," said Miranda Lee, 33, filling up her old BMW for \$3.09 per gallon Monday in San Francisco. "Right now I'm going down to Big Sur, and I've got to pay whatever it is."

San Francisco's average hit \$3.09 on Monday, according to AAA. Oakland reached \$3.01, the same as the state average, and San Jose, \$3.02.

Gasoline prices usually rise through the spring and peak in the summer, as Americans take to the road on vacation. Last year's historic price spike reached its pinnacle on June 19, when California's average price for regular hit \$4.61, a record. Then, prices crashed along with the global economy.

They have now rebounded.

Since late April, traders have bid up the price of crude oil, gasoline's raw material. They're betting that the economy has hit bottom and will start improving this year, driving up the demand for fuel. And with the dollar struggling against other currencies, big institutional investors have used oil as a relatively safe place to park their money.

As a result, gasoline prices are climbing just as families prepare for summer trips. So far, prices haven't climbed high enough to keep vacationers at home.


Wesley Walton of San Francisco, for example, has been biking to work more often this year and trying to cut the amount he drives. But he's still planning a Vegas road trip this summer.

"I'm driving to Las Vegas in a few weeks because I want to - I enjoy it," said Walton, 45, as he filled his Passat on Monday. "I could easily fly, rent a car, but (gas is) still cheap enough that I can do this. It's not prohibitively expensive."

Americans may not cut back on driving this summer as much as they did last year, said Severin Borenstein, director of the UC Energy Institute.

"It's all about expectations," he said. "And last summer, I think there was a real concern that we'd seen a regime change where prices were high and were going to stay high forever. ... This time, the prices aren't that high. And also, people are probably a little more jaded."

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Some analysts say the price increase won't go much farther.

Oil, they say, is now overpriced, because the demand for oil and gasoline in the recession-plagued United States remains low. If this spring's oil rally continues, gas will keep rising. If the oil rally stops, gasoline prices should soon level out.

The federal Energy Information Administration last week predicted that gas prices nationwide would peak in July, averaging \$2.70 for a gallon of regular for the month. According to AAA, the national average is already \$2.67. The auto club expects the national average to pass \$3 in the next few weeks.

"We still have possibly a little ways to go," said AAA spokesman Matt Skryja.

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