

**JOHN B. LARSON**  
FIRST DISTRICT, CONNECTICUT

**COMMITTEE ON WAYS AND MEANS**  
SUBCOMMITTEE ON TRADE  
SUBCOMMITTEE ON SELECT REVENUE MEASURES  
**DEMOCRATIC STEERING COMMITTEE**



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March 28, 2005

Mr. David M. Walker  
Comptroller General  
Government Accountability Office (GAO)  
441 G Street, NW, Room 7125  
Washington, DC 20548

VIA FACSIMILE (202) 512-7919

**RE: The trading of petroleum futures on the New York Mercantile Exchange (NYMEX)  
and the Commodity Futures Trading Commission**

Dear Comptroller General Walker:

I am writing to express concern over the trading of petroleum futures on the New York Mercantile Exchange (NYMEX), specifically heating oil and gasoline futures contracts. The responsibility of the Commodity Futures Trading Commission (CFTC) is to protect the public from fraud, manipulation and abusive practices related to the sale of commodity futures. Therefore, I am requesting that the General Accountability Office (GAO) investigate the CFTC and its role in the trading of petroleum commodities on the NYMEX.

Two major fuel companies in my Congressional District have contacted me with their extreme concern for this issue over the past year. In addition, the Independent Connecticut Petroleum Association (ICPA), to which both are members, recently voted unanimously to support an effort to investigate this issue. The past two years have seen increasing volatility in the daily price changes in heating oil and gasoline contracts with daily volatility reaching (8) or even (10) cents per gallon. This has put a huge strain on wholesalers and end users in Connecticut and all over New England. The constant price changes drive the wholesale markets for products as well as the charges to consumer retail.

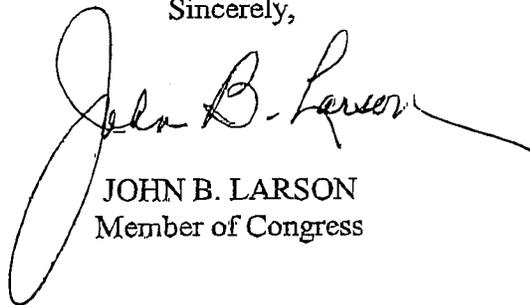
It is important to mention that on March 15, 2005 the NYMEX released a report of its review of whether hedge funds have magnified or in any way exacerbated the volatility of

the marketplace, which effect, prices Americans pay for petroleum products. While the NYMEX doesn't believe that hedge fund operators create a negative impact, there is still a legitimate concern that these markets have been the objects of the influence of fund operators whose interests lie outside of general consumers. An investigation that is independent of the NYMEX and the industry is truly necessary in order to determine all the facts on how and why heating oil and gasoline futures have seen such increased volatility over the past two years.

One of the direct effects of the volatility of the heating oil and petroleum commodities has been the price for consumers. Congress annually appropriates \$1.8 billion in funds for Low Income Energy Assistance and billions more to purchase petroleum products for various operational needs of all its departments and agencies. Therefore, Congress has an obligation to make sure that there is accountability for the drastic price increases of heating oil and petroleum over the past two years.

Again, I am requesting that the GAO investigate the Commodities Futures Trading Commission on all matters related to the trading of petroleum related products on the New York Mercantile Exchange. Consumers deserve more than just an industry investigation of this issue and Congress has an obligation to be accountable for the money it appropriates to buy fuel and the money appropriated for Low Income Energy Assistance. If you have any questions or need further information please feel free to contact me or my Chief of Staff, Elliot Ginsberg, at (860) 278-8888.

Sincerely,



JOHN B. LARSON  
Member of Congress

cc:

Ms. Gloria L. Jarmon  
Director, Office of Congressional Affairs  
Government Accountability Office  
441 G Street, NW, Room 7125  
Washington, DC 20548