

United States Senate

WASHINGTON, DC 20510

April 18, 2006

The Honorable Deborah P. Majoras
Chairwoman, Federal Trade Commission
600 Pennsylvania Ave, NW
Washington, DC 20580

Dear Chairman Majoras:

I write to you today to ask the Federal Trade Commission to carefully monitor refining capacity during the summer fuel blend switch to ensure oil companies return to full capacity as quickly as possible. As oil prices and prices at the pump continue to rise, it is essential that our consumers have access to our nation's full production capacity and that oil companies do not attempt to short the market in an attempt to increase their already huge profit margins.

As you know, fuel costs have been rising steadily, and, as of April 17, 2006, are currently averaging 278.3 cents per gallon. In the last three weeks alone, fuel costs rose a total of 28.5 cents per gallon. The price of a barrel of crude oil has been hovering at near-record levels, and currently sits at just over \$69 per barrel. Now, with the summer driving season on the horizon, surging gas prices have become even more critical as Americans will be reaching ever deeper into their pockets to fill up their cars to get to work, take their children to school or visit their families.

One of the factors oil companies can directly control is their own refining capacity. Some of that capacity is off-line at this point in time as the switch to summer blends for fuel is made. In fact, during the week of March 31, 2006 to April 7, 2006, refiners were only using 85% of their operable utilization, and finished motor gasoline production fell to 7.8 million barrels per day. While a temporary drop capacity may be appropriate, the FTC should carefully monitor oil companies to ensure they return to full capacity as quickly as possible. Full utilization of refining capacity can help ensure consumer pay the lowest prices currently possible. For example, between April and September 1998 the average operable utilization rate was at 98.1% and fuel prices averaged 106.5 cents per gallon. Although other factors also contribute to fuel prices, we must ensure oil companies are producing at their fullest capability.

American consumers will need all the help they can get at the pump as we head into the summer driving season. I urge the FTC to rigorously monitor refining capacity to ensure the industry is producing as the highest level possible and not manipulating the amount of product flowing to the market. I look forward to working with you to ensure your reply.

Sincerely,



Charles E. Schumer
United States Senator

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