Congress of the United States
House of Representatives
Washington, DC 20515

September 21, 2005

Dr. James Newsome
President,
New York Mercantile Exchange, Inc.
World Financial Center
One North End Avenue
New York, NY 10282-1101

Dear Dr. Newsome:

Thank you for appearing before the House Energy and Commerce Committee's hearing on the Impacts of Hurricane Katrina on gasoline supplies and prices. We certainly appreciate your testimony and availability to answer questions.

As we all know, the New York Mercantile Exchange provides a neutral and transparent market for participants to engage in open and competitive transactions to meet their business needs and to participate in the price discovery function for unleaded gasoline futures. Your testimony explained that these contracts are based upon delivery of product in the New York Harbor and from refineries in the New York and Gulf Coast regions. You also testified that "NYMEX has closely monitored the gasoline futures market during this recent period of price increases in the aftermath of Hurricane Katrina and has initially concluded that the market behaved rationally and the market participants acted responsibly in their futures and options trading."

To follow-up on your testimony, would you please provide us with answers to the following questions:

- In conducting heightened surveillance of trading in the aftermath of Hurricane Katrina, you initially concluded that the market functioned properly. Please share with us the specific findings that support your conclusions and the results of any additional analysis that NYMEX may have conducted related to Hurricane Katrina.

- Please provide information on the relationship between gasoline traded in the spot market and the futures market and include any pricing and volume analysis conducted in the aftermath of Katrina.

- At a Senate hearing on Tuesday, the Commodity Futures Trading Commission did not provide a specific breakdown between gasoline futures contracts traded by non-commercial traders (e.g. speculators) and commercial traders (e.g. energy-related businesses). Please provide us with data reflecting the number of open positions of non-commercial traders relative to commercial traders

on NYMEX during a representative timeframe under ordinary market conditions and during the trading days immediately following Hurricane Katrina.

- Futures contracts must meet specific designation requirements under the Commodity Exchange Act and CFTC regulations, including be reasonably expected to be used for hedging and/or determining a cash market price on a regular basis. NYMEX's unleaded gasoline contract and its other energy products perform a significant function as the benchmark for pricing transactions in the cash market. Please explain what it means to be a price discovery vehicle for energy products? What is the typical relationship between futures prices and prices for the underlying cash commodity? Was that relationship influenced by Hurricane Katrina? If so, how?

- There have been allegations that the role of non-commercial speculators has increased in recent years and that speculative trading has pushed the price of gasoline above a level that reasonably reflects basic market fundamentals of supply and demand. What is your response to such a concern?

Thank you for your assistance in helping us better understand the relationship between the NYMEX market for unleaded gasoline futures and the elevated gasoline prices being paid by our constituents. We look forward to your prompt response to these questions.

Sincerely,

Roy Blunt
Member of Congress

Vito Fossella
Member of Congress

Jack Kingston
Member of Congress

Darrell Issa
Member of Congress

Jerry Moran
Member of Congress

Robin Hayes
Member of Congress

Paul Ryan
Member of Congress

Mike Conaway
Member of Congress

Tom Reynolds
Member of Congress

Steve Pearce
Member of Congress