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July 13, 2004

VIA FACSIMILE

Mr. Jim Wells

Director, Natural Resources and Environment

Government Accountability Office

441 G Street, N.W.

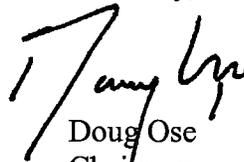
Washington, DC 20548

Dear Mr. Wells:

This letter follows up on the July 7, 2004 hearing of the Government Reform Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, entitled "Driving Down the Cost of Filling Up." Please respond to the enclosed followup questions for the record.

Please hand-deliver the agency's response to the Subcommittee majority staff in B-377 and the minority staff in B-350A Rayburn House Office Building not later than July 28, 2004. If you have any questions about this request please call Subcommittee Staff Director Barbara Kahlow on 226-3058.

Sincerely,



Doug Ose
Chairman

Subcommittee on Energy Policy, Natural
Resources and Regulatory Affairs

Enclosure

cc The Honorable Tom Davis
The Honorable John Tierney

- Q1. As discussed during the hearing, the econometric analysis of Government Accountability Office's (GAO's) May 2004 report entitled, "Energy Markets: Effects of Mergers and Market Concentration in the U.S. Petroleum Industry" (GAO-04-96), is premised on the notion that "gasoline is mostly fungible, especially in the eastern part of the United States" (p. 115).
- c. What specific evidence supports this assertion of fungibility?
 - d. The Environmental Protection Agency (EPA) testified that, because of fuel requirements, gasoline from one area of a State may be prohibited for use in another area of the same State or in other States. In other words, gasoline is not fungible. What implications does this have for GAO's assumption of fungibility?
- Q2. During the hearing, you stated, "The retail sector is much more complex in terms of the factors that can influence gasoline prices. So, we thought a good proxy is to look at the wholesale level, which deals with the actual prices paid as the gasoline is moved from the refinery into the market." If your statement is accurate, and that retail factors are influenced by a myriad of factors, would increases in wholesale prices necessarily translate into increases at the gas pumps?
- Q3. At the hearing, both GAO and the Federal Trade Commission (FTC) agreed to work more closely with one another to resolve their differences over GAO's recent report.
- a. Have GAO and FTC set a date and time for the joint conference that was proposed? If so, what is the agreed upon date?
 - b. Will GAO release its petroleum industry data so that the FTC and other experts can authenticate GAO's results? If not, why not?