

United States Senate

WASHINGTON, DC 20510

December 19, 2003

The Honorable Pat Wood
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

The Honorable Timothy Muris
Chairman
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20589

Dear Chairman Wood and Chairman Muris:

I am writing to urge you to investigate any recent irregularities in the natural gas markets that may have led to extreme price spikes for natural gas since November 25th. I am deeply concerned the recent increases in the price of natural are not readily explained by typical market occurrences. Accordingly, I ask that you closely monitor the natural gas market for any signs of market manipulation or other improper activity that would artificially raise prices.

The stability of the natural gas marketplace is vitally important to the health of our nation's economy. Severe spikes in the price of natural gas threaten our economy by placing additional residential energy cost burdens on working families as well as by raising the cost of business for the chemical, fertilizer, and other industries.

Since just before Thanksgiving natural gas prices have increased by almost 50%. On the New York Mercantile Exchange, the price of natural gas closed at \$4.86 on November 25th, whereas the closing price on December 12 shot up to \$7.22. Natural gas prices have remained high, with the closing price on December 17th closing at \$6.99. This rapid price increase is somewhat suspicious, due to the fact that natural gas supplies and inventories are less constricted than they have been in recent winters. For instance, natural gas inventories currently stand at about three trillion cubic feet, which is 7% higher than last year's volume. In addition, natural gas stocks are currently about 3% higher than the five-year average.

In the recent past, several large energy companies have attempted to manipulate the prices of natural gas contracts. I am deeply concerned that, given the lack of apparent market-based causes for the recent spike in natural gas prices, further attempts at market manipulation may be threatening the stability of natural gas prices throughout the United States.

I believe that in light of these facts, it is imperative that you closely monitor recent activity in the natural gas market to ensure that natural gas prices are not being artificially inflated. I thank you for your attention to this important matter and hope to hear from you shortly.

Sincerely,

A handwritten signature in black ink that reads "Charles Schumer". The signature is written in a cursive style with a large, prominent "C" at the beginning.

Charles E. Schumer
United States Senate