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Office of the Attorney General

Attorney General Issues Civil Subpoenas In Gas Price Investigation

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Attorney General Jack Conway announced that because of information received during a preliminary investigation into Louisville gas prices, his office has today issued civil subpoenas to refiners and suppliers of the Kentucky petroleum market and has asked the Federal Trade Commission (FTC), the anti-trust division of the U.S. Department of Justice, and the U.S. Government Accountability Office (GAO) to review the merger of Marathon and Ashland Oil.

General Conway made the announcement at a news conference Friday afternoon in Louisville, where he joined Gov. Steve Beshear, Rep. John Yarmuth (D-Ky.) and Mayor Jerry Abramson to discuss initial findings from a joint investigation into Louisville gas prices.

"Our investigation has raised significant questions about the wholesale price of gasoline being charged in Louisville compared to other communities that utilize similar blends of gasoline," said Gov. Beshear. "We intend to get answers."

The preliminary data from the past two years shows that Louisville retailers have been paying about 10 cents more per gallon for gas when compared to prices reported in other parts of the state and region. Higher wholesale prices result in higher prices paid by consumers.

General Conway, Gov. Beshear, Rep. Yarmuth and Mayor Abramson have urged federal anti-trust authorities to review the 1997 merger of Marathon and Ashland Oil and its impact on the entire Kentucky petroleum market.

The FTC reviewed the merger in 2004 and determined it had not adversely affected consumers because retail prices were not out of line with other cities in the region.

"With the data we've received, I don't think that's the case anymore," General Conway said. "Louisville consumers are clearly paying a higher pre-tax price for gas today than they were ten years ago relative to other comparable cities in the region. We're also concerned about the prices in Northern Kentucky and the rest of the state."

"A significant portion of the Louisville market is being supplied by a single refiner, and we need to know if it is squeezing out competition and creating an unfair or illegal business environment," Rep. Yarmuth said. "We are calling on the FTC and the Department of Justice to conduct a swift investigation that we hope will provide some long overdue answers and relief for Louisville drivers."

The civil subpoenas sent by the Office of the Attorney General to retailers and suppliers seek explanations and data to determine why Louisville retailers are paying more for gasoline than their counterparts in other cities.

"They have 45 days to supply the information we're seeking, and after analyzing that information we will determine whether or not to move forward with a lawsuit in this case," General Conway said.

Gov. Beshear and General Conway launched the joint investigation during the first week of July after receiving complaints from Louisville consumers who were paying about \$4.30 per gallon for gas. That price was almost 30 cents more per gallon than other parts of the state.

"Louisville motorists are paying more at the pump than they should, and I am glad that our elected leaders are getting to the bottom of it," Mayor Abramson said. "I applaud the team approach taken by General Conway, Gov. Beshear and Congressman Yarmuth to protect our citizens."

Economists from the Governor's Budget Office obtained two years of data from the Oil Price Information Service (OPIS). That data includes daily average retail and wholesale prices from July 2006 to July 2008. The budget office economists analyzed the two-week period from June 12 to July 2, when prices peaked in Louisville and dissected data for the two-year period to track trends in the market.

Findings

During the two-week period this summer, experts report that consumers in Louisville were paying an average of \$4.16 per gallon for gas. Analysts then compared the pre-tax price of gas in Louisville to the pre-tax price per gallon for reformulated gas in other comparable regional cities. The pre-tax price was used because tax rates differ from community to community and state to state.

June 12 to July 2, 2008

City	Retail Price	Wholesale Price	Tax
Louisville	\$4.16	\$3.66	\$0.34
Northern Ky.	\$4.02	\$3.55	\$0.36
Chicago	\$4.16	\$3.46	\$0.64

During the analysis, experts spotted similar trends that seemed to indicate that wholesale prices in Louisville have been higher than wholesale prices in similarly situated markets for the two-year period in which data was obtained.

July 2006- July 2008

City	Retail Price	Wholesale Price	Tax
Louisville	\$2.90	\$2.45	\$0.33
Northern Ky.	\$2.91	\$2.37	\$0.35
Chicago	\$3.03	\$2.36	\$0.55

