AMERICAN PUBLIC GAS ASSOCIATION

June 26, 2008

The Honorable Harry Reid
Majority Leader
U.S. Senate
528 Hart Senate Office Building
Washington, D.C. 20510

Dear Majority Leader Reid:

On behalf of over 700 publicly-owned, not-for-profit, natural gas retail distribution systems in 36 states across the country, the American Public Gas Association (APGA) strongly urges Congress to act to bring consumers relief from record high natural gas prices.

Since earlier this year, our nation's attention has been focused on the high price of gasoline, especially in advance of the summer driving season. APGA believes it is equally important to focus on the price of natural gas in advance of the winter heating season.

Earlier today, the natural gas futures contract for July closed at a record-high of over $13 per million British thermal units (MMBtu). This is almost a 100% increase from last year's July closing price! This time of year, many utilities are required to buy natural gas and inject it into storage for withdrawal during the following heating season. This December when natural gas customers open their heating bills, the commodity cost will be more than double from last December.

Over the last 10 years if gasoline prices increased at the same rate as natural gas, drivers would now pay more than $6.50 per gallon. These troubling trends will only be exacerbated if Congress considers climate change legislation that increases natural gas demand without a matching increase in supply. It is likely that climate change legislation will force electric generators to turn, at least in the short-term, to natural gas in order to meet the proposed target greenhouse gas emission reductions.

APGA's number one priority is the safe and reliable delivery of affordable natural gas at just and reasonable rates. We maintain that a greater level of market transparency is also necessary to restore public confidence in the pricing of natural gas and help ensure the price consumers pay reflects appropriate market fundamentals and is not the result of market manipulation, excessive speculation, or other market abuses.

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While the recently-passed Farm Bill will help increase market transparency and restore confidence in the markets, it is just a first step to tame a market where hedge funds, speculators, paper trades, financials and swaps overwhelm both the physical supply and legitimate hedgers. This influx of new players and huge sums of cash help drive the direction of price and creates extreme swings of volatility in the market. We commend Congress for its focus on the impact speculative investment has on the price of natural gas and other energy commodities. With energy prices at their current high levels, consumers should not be forced to pay a "speculative premium". To the extent that speculative investment increases the price of natural gas, we strongly encourage Congress to take quick and responsible action to address this issue and protect consumers from these additional cost burdens.

Additionally, APGA has long-maintained that conservation, along with increasing energy efficiency and gas supply are fundamental components of the solution to long-term affordable natural gas prices. Producers should actively produce our country's domestic reserves to increase supply. Congress should mandate seismic surveys of all potential production areas, including those areas currently off-limits to production. Only when our policymakers and producers have the most accurate information about our domestic resources will they be confident in making informed decisions and sound investments regarding our energy future.

Natural gas is an essential commodity used by more than 65 million residential and commercial customers. We are extremely concerned that the current prices for natural gas will not begin to resonate until later in the year when this $13 gas is delivered to consumers who may then face the difficult choice between paying their heating bill or for other necessities such as prescription drugs, food and childcare. At that time, the consumer frustration level will understandably rise to new levels. Decisive and deliberate action by Congress to address supply and market issues will help dampen this frustration.

I thank you in advance for your consideration of our views and look forward to working with you towards providing natural gas consumers with the price relief they so richly deserve.

Sincerely,

Bert Kalisch
President & CEO