



Weekly Update August 20, 2009

Administration Sends Derivatives Regulation Proposal to Congress

On August 11, the Obama administration sent a proposal to Congress that addresses regulatory reform of over-the-counter derivatives. The proposal would, among other things, require that over-the-counter derivatives be centrally cleared through a clearinghouse regulated by the Commodity Futures Trading Commission (CFTC) or a securities clearing agency regulated by the SEC. However, the proposal does provide an exception for entities that are not major swap market participants. This approach is consistent with an outline for legislation that was released prior to the congressional August recess by the Chairmen of the House Agriculture and Financial Services Committees.

APGA has raised strong concerns with proposals in Congress and the Administration to require the clearing of over-the-counter (OTC) derivatives. Specifically, APGA is extremely concerned about the impact mandatory clearing would have on prepays as well as the hedging strategies of public gas systems. The mandated clearing of all OTC transactions would require public gas systems to be able to post margin and to meet potential margin calls. In the case of a standard exchange (NYMEX) traded natural gas contract, the initial margin collateral posted at inception is approximately \$5,000 per contract (10,000 MMBtu). APGA has communicated to Congress and the Administration that these increased costs will impact consumers.

A copy of the Administration's derivatives reform proposal is available on the APGA website at www.apga.org. Recently, Chairman Gensler of the CFTC sent a letter to the Chairman, Senator Harkin, and Ranking Republican, Senator Chambliss, of the Senate Agriculture Committee that urges revisions to the Administration's over-the-counter regulation proposal. His letter expresses concerns that exemptions from mandatory clearing would exempt a significant class of end-users and may undermine the policy objective of lowering risk through bringing all standardized OTC derivatives into centralized clearing. The letter also states that the exemption would impact efforts to increase transparency. In response to concerns by APGA and others regarding the cost of mandatory clearing, Chairman Gensler has proposed that end users should be permitted by regulators to use non-cash collateral to satisfy their margin obligations in appropriate circumstances. A copy of Chairman Gensler's letter is also available on the APGA website. If you have any questions on this article, please contact Dave Schryver of APGA's staff by phone at 202-464-2742 or by email at dschryver@apga.org.

APGA Non-Management Salary Survey Reminder

There is still time to participate in the 2009 APGA Non-Management Salary Survey. The survey form along with the position descriptions can be found [HERE](#). All salary entries should be written as hourly wages based on a 40-hour work week. Please complete the form and fax it to the APGA office at 202-

464-0246. All information is kept confidential. No individual salary information will be shared with others. APGA members will receive a free copy of the survey summary. Non-APGA members may purchase the summary for \$500. The deadline for receiving survey forms is **August 31, 2009**. If you have any questions please contact David Naples at 202-464-2742 or e-mail at dnaples@apga.org.

APGA SIF Speaks at South Carolina Pipeline Safety Seminar

The APGA Security and Integrity Foundation (SIF) assisted the Office of Regulatory Staff of South Carolina to put on a three day pipeline safety seminar in Columbia, South Carolina August 11-13. The purpose of the meeting was to update Carolina utilities and pipeline operators with current pipeline safety issues and answer any questions or concerns the operators might have. Vernon Gainey, Supervisor, Pipeline Safety described the programs of his office, which is responsible for compliance with pipeline safety regulations in South Carolina. Linda Dougherty, Wayne St. Germaine and Wayne Lemoi of the Pipeline And Hazardous Materials Safety Administration (PHMSA) reviewed changes to the pipeline safety rules as well as described compliance issues that inspectors have been asked to focus on in the current year. Gerry Lee of the SIF presented a new SIF program on how to survive a compliance audit. This program is being offered to help small systems understand what is expected of them during an audit and how to ensure that the audit goes smoothly. APGA Vice President, Operations John Erickson closed out the seminar with a demonstration of the SHRIMP on-line Distribution Integrity Management Programs (DIMP) plan development tool.

For further information please contact John Erickson, APGA Vice President, Operations 202-464-0834 or jerickson@apga.org.

Weekly Storage Report

Here is the weekly EIA Summary Report issued Thursday, August 20, 2009. A 52 Bcf **increase** has been reported.

EIA Storage Report Highlights for **Friday, August 14, 2009**:

Summary

Working gas in storage was 3,204 Bcf as of Friday, August 14, 2009, according to EIA estimates. This represents a net increase of 52 Bcf from the previous week. Stocks were 562 Bcf higher than last year at this time and 513 Bcf above the 5-year average of 2,691 Bcf. In the East Region, stocks were 162 Bcf above the 5-year average following net injections of 46 Bcf. Stocks in the Producing Region were 275 Bcf above the 5-year average of 799 Bcf after a net injection of 1 Bcf. Stocks in the West Region were 75 Bcf above the 5-year average after a net addition of 5 Bcf. At 3,204 Bcf, total working gas is above the 5-year historical range.