



## Weekly Update April 29, 2010

### **APGA's Nate Hill speaks to Illinois Municipals Gas Systems**

On April 27, APGA Government Affairs Director Nate Hill delivered a presentation to members of the Illinois Municipal Gas Association (IMGA) at the organization's annual meeting in Springfield, Illinois. Hill's remarks focused primarily on APGA's advocacy efforts particularly in the pending financial reform legislation. These efforts include support to maintaining an exemption from clearing for public gas systems' hedging transactions, extending and expanding the Build America Bond program to include natural gas pre-pays, ensuring fair treatment for public gas systems in greenhouse gas reduction legislative and regulatory programs and others initiatives.

Hill told the audience that Congress is working to send financial regulatory reform legislation to the president for signature before Memorial Day, although it could happen sooner. The House passed a financial reform bill in 2009 and the Senate began debating their version of a bill this week. During debate on both bills members of Congress have been pressured heavily to require all over-the-counter (OTC) transactions to be cleared or exchange traded. APGA testified before both the House and Senate Agriculture Committees last year in opposition to these proposals and is pushing Congress to exempt public gas system hedging transactions from a clearing or exchange trading mandate. The House bill passed last December includes an exemption from clearing for public gas systems transactions. Thus far, Senate legislative drafts have also included an exemption and APGA is continuing to push to maintain that exemption. Both chambers will ultimately have to come together and pass identical legislation before being sent to the President for signature or veto.

Hill also said that the Congress is working to enact comprehensive energy and climate change legislation but the clock is ticking more quickly and there are fewer legislative days remaining this session to pass large bills. While the possibility for passage of some form of carbon pricing mechanism remains, debate in the Senate has stalled for the time being over concerns that the Majority Leader may decide to take up immigration reform before energy. Hill went on to say that even while Congress is stalled, the Environmental Protection Agency (EPA) continues to move forward exercising its own authority under the Clean Air Act to regulate greenhouse gas emissions. The agency finalized rules for a greenhouse gas registry last year and made the official finding that emissions are a threat to human health and welfare and therefore subject to regulation. The agency is finishing up a rule on mobile source emissions this spring and is expected to put rules in place for stationary source emissions, potentially including gas systems, later this year or early next year.

Hill finished the presentation mentioning some of APGA's other priorities including reform of Section 5 of the Natural Gas Act, increased funding for the Low Income Home Energy Assistance Program (LIHEAP), extending the Build America Bond Program, pipeline safety reauthorization, natural gas vehicles and others.

If you have questions on this article contact Nate Hill at 202-464-2742 or [nhill@apga.org](mailto:nhill@apga.org).

### **Please Attend the May 3 Research Foundation Board Meeting**

Join us for the APGA Research Foundation Board meeting on Monday, May 3, 3:00 pm – 5:00 pm in Arlington, Virginia. The 24-member Research Foundation Board is the steward of voluntary contributions made by the current 150+ public gas systems in support of critically important operational and end-use technology. Come to the meeting to hear how these dollars are directed and what research and development projects are receiving Research Foundation funding. Hear about the Research Foundation Communication Plan, the outreach to Joint Action Agencies, the 2010 R&D Forum in Chicago, the GTI/Navigant Vision Study for integrating natural gas into the Smart Energy Grid and the recent Research Foundation meeting at the Department of Energy where source energy finally received some deserved recognition.

Please plan to attend this important meeting. Research Foundation Board members look forward to seeing you there.

To attend or for further information, please contact Bob Beauregard at 202-464-2742 or [bbeauregard@apga.org](mailto:bbeauregard@apga.org).

### **APGA Files Comments on CFTC Proposed Rule on Position Limits**

On April 22, APGA filed comments in response to the proposed rule by the Commodity Futures Trading Commission (CFTC) that sets speculative position limits on four energy commodities. Specifically, the CFTC has proposed to set speculative position limits on: (1) Henry Hub natural gas; (2) light sweet crude oil (West Texas Intermediate); (3) New York Harbor No. 2 heating oil; and (4) New York Harbor gasoline blendstock. The CFTC is proposing to set hard position limits in natural gas that for the first time would apply across both markets (the New York Mercantile Exchange ("NYMEX") and the Intercontinental Exchange ("ICE") as well as to each market individually.

In its comments, APGA commends the CFTC for issuing the proposed rule and communicates that the proposed speculative position limits are necessary to reduce or diminish the recent unwarranted price volatility in the futures and option markets for natural gas. APGA also states that this proposal will be a good first step in addressing the recent increased volatility in the natural gas markets.

APGA further states that the proposed rules will provide enhanced protections to the markets and that the proposed Commission-set speculative position limits are important additional tools to assure the price integrity of these markets. APGA also urges the Commission to make

three modifications to the proposed rule: reduce the proposed levels of the speculative position limits; apply a single, integrated spot month limit to all contracts on the same commodity, across markets and regardless of the nature of the settlement procedure; and to enhance the large trader reporting system as a first step in addressing the issue of limiting the size and effect of passive, long-only traders.

A copy of APGA's comments are available on the APGA website at [www.apga.org](http://www.apga.org). If you have any questions on APGA's comments, please contact Dave Schryver of APGA's staff by phone at 202-464-2742 or by email at [dschryver@apga.org](mailto:dschryver@apga.org).

### **2010 M&S Award – Make Your Submission**

In early March, APGA members received an email inviting them to make a submission to the 2010 Marketing & Sales Award competition. The email provided competition rules and a form for completion. The email is copied below. APGA now asks members that intend to make an award submission to communicate that intention to Bob Beaugard as soon as possible.

APGA invites you to participate in the 2010 APGA Marketing & Sales Award competition. This award encourages APGA members to submit their marketing or sales program, project, or customer service campaign to be considered for recognition. Judging will focus on specific gas marketing or projects and programs with measurable results and ask the system to specify a key project leader(s). APGA also asks your permission to post entries on its website.

#### **Criteria for Entry**

1. The gas marketing or sales program, project, promotion, or service must be active in 2009/2010 and have measurable results to demonstrate value.
2. Appliances (if applicable) must have been installed in 2009.
3. Entries must be received by Monday, June 28, 2010, to be eligible.
4. The winning public gas system will be presented the award at the APGA Annual Conference in San Diego, CA in July. The winning public gas system will also be invited to send a representative to make a presentation on their award winning program at the March 2011 Marketing & Sales Trends and Training Conference.

Please view the entry form at [www.apga.org/2010MSAwardForm](http://www.apga.org/2010MSAwardForm). Complete and return the form no later than June 28, 2010. Supporting collateral and documentation must be sent in electronic format to [bbeaugard@apga.org](mailto:bbeaugard@apga.org).

### **Senate Agriculture Committee Approves OTC Reform Legislation**

On April 21, the Senate Agriculture, Nutrition and Forestry Committee approved The Wall Street Transparency and Accountability Act of 2010 by a 13-8 vote. This legislation would significantly increase regulation of the over-the-counter (OTC) derivatives market. Specifically,

the legislation would:

- Require most swaps to trade on regulated exchanges and pass through clearinghouses.
- Require banks to spin off swaps desks if they are protected by federal deposit insurance or access the Federal Reserve discount window.
- Increase transparency and allow the Commodity Futures Trading Commission (CFTC), which oversees the futures markets, to impose position limits on swaps that perform or affect a significant price discovery function in the market.
- The bill also provides an exemption from the mandatory clearing requirements for commercial end-users, such as public gas systems. APGA supports this exemption.

Many public gas systems rely on the OTC derivatives markets to hedge the price on the gas they buy in the physical markets. The mandated clearing of all OTC transactions would require public gas systems to post margin and 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 in testimony before Congress and the CFTC, that requiring the clearing of all standardized OTC derivatives transactions would significantly impair the financial ability of public gas systems to engage in their gas supply strategies. This would effectively remove hedging as a tool for many public gas systems to manage price risk and expose them and their customers to increased gas market volatility.

The next step is to resolve differences between the bill reported by the Agriculture Committee and that approved by the Banking Committee prior to the bill coming to the House floor. It is anticipated that the legislation will come to the Senate floor in the near future. The House passed its version of financial reform legislation last December. 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](mailto:dschryver@apga.org).

### **APGA Offers Certification Services to Members**

APGA will offer the services of Certification Institute of North America (CINA) to our members. CINA offers an innovative program to assist utilities in ensuring that piping and components that are installed in distribution systems comply with nationally-recognized consensus standards such as those issued by ANSI, ASTM and others. CINA offers a voluntary program in which CINA tests pipe and components against applicable national standards. Currently each utility must verify that products they install meet the applicable standards, but only the largest utilities have the resources to perform onsite inspections of manufacturing facilities and testing of materials.

Last year the Pipeline and Hazardous Materials Safety Administration (PHMSA) reported that several transmission operators had received piping that did not meet the standard for which it was marked, leading to costly replacement. On April 20, at the PHMSA/NAPSR Distribution New Construction Workshop, the focus was on the importance of ensuring that materials used in distribution meets the applicable standards as the first line of ensuring quality construction.

Manufacturers cover the cost to have their products certified, plus have as many as four unannounced plant visits by CINA each year, during which off-the-shelf samples may be randomly selected for testing. One incentive for manufacturers to participate is to reduce the expense of duplicative inspections performed by utility customers. APGA members wishing to participate in the program pay nothing but agree to accept CINA certification as “technical acceptance”, meaning the utility will not require manufacturers who maintain CINA certification to perform additional testing nor submit to additional audits and facility inspections to verify that piping and components meet relevant national standards. Participating utilities are not agreeing to purchase CINA certified products and technical acceptance is separate from commercial acceptance, with commercial terms negotiated on a supplier-by-supplier basis.

This is not an APGA program however our Operations and Safety Committee felt that this service might be of interest to many members that lack the resources to independently verify compliance with applicable standards. Both utilities and manufacturers contacted by APGA who participate in CINA’s program spoke highly of the service. Copies of the utility acceptance letter and cover letter further describing CINA’s service can be downloaded from [www.apga.org](http://www.apga.org) or here <http://www.apga.org/files/public/APGA%20Letter%20100309.pdf>.

For further information contact John Erickson, APGA Vice President, Operations 202-464-2742, ext. 1002 or [jerickson@apga.org](mailto:jerickson@apga.org).

### **JOB OPENING AT PHMSA**

The U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration's (PHMSA) mission is to protect people and the environment from the risks inherent in transportation of hazardous materials - by pipeline and other modes of transportation.

This position serves as Regional Director, Pipeline and Hazardous Materials Safety Administration (PHMSA), Southern Region, Office of Pipeline Safety (OPS). Exercises executive direction over the activities of the region to effectively promote, implement, and administer the pipeline safety program of PHMSA, U.S. Department of Transportation (DOT). You will report directly to the Deputy Associate Administrator for Field Operations in Pipeline Safety and represents the agency with both internal staff and external organizations.

You will administer the pipeline safety program in the Southern Region which consists of 8 States and Puerto Rico. As Regional Director, you will be responsible for protecting against the risk to life and property inherent in the pipeline transportation of natural gas, petroleum, and other hazardous liquids through inspection and enforcement of federal safety regulations, investigation of accidents and incidents, education, emergency response, and monitoring of state programs for pipeline safety. Participate, on a regular basis, with the Associate Administrator and the Deputy Associate Administrator for Field Operations in establishing national policy and initiatives.

This position is perfect for a senior-level General Engineer who is looking for challenging

assignments. This position offers excellent benefits, including the potential for ongoing medical benefits after retirement. Alternative work schedules and telework schedules are strongly encouraged.

### **Weekly Storage Report**

Here is the weekly EIA Summary Report issued on Thursday, April 29, 2010, that reports last week's storage report highlights for Friday, April 23, 2010. A 83 Bcf increase has been reported.

#### **Summary**

Working gas in storage was 1,912 Bcf as of Friday, April 23, 2010, according to EIA estimates. This represents a net increase of 83 Bcf from the previous week. Stocks were 101 Bcf higher than last year at this time and 303 Bcf above the 5-year average of 1,609 Bcf. In the East Region, stocks were 146 Bcf above the 5-year average following net injections of 38 Bcf. Stocks in the Producing Region were 83 Bcf above the 5-year average of 644 Bcf after a net injection of 31 Bcf. Stocks in the West Region were 74 Bcf above the 5-year average after a net addition of 14 Bcf. At 1,912 Bcf, total working gas is above the 5-year historical range.