



Weekly Update December 2, 2010

JOIN US for an Important NGV Webinar

As an APGA member your voice is powerful and we need your help. If natural gas is to play a meaningful role displacing oil in the transportation sector, APGA members must take the lead. By owning and operating natural gas utilities, APGA member cities and communities are uniquely situated to raise the visibility and profile of NGVs.

This December, APGA and NGVAmerica invite you to attend an important 2-hour webinar on NGV-related issues that will include information on financing, infrastructure, equipment, vehicle availability, and incentives.

In addition to your participation, we ask that you recruit and forward this invitation to the decision-makers who purchase vehicles within governmental agencies in your communities and service areas so that they may partake as well. The webinar is free and we look forward to having you join us for this important event.

NGV WEBINAR

WHEN: December 9, 2010

TIME: 3:00 PM EST.

[REGISTER HERE!](#)

Administration Outlines Revised Five Year Lease Plan that Places Off-Limits Significant Offshore Reserves

On December 1, Secretary of the Interior Ken Salazar outlined a revised 2012-2017 Five Year Lease Plan that would keep off-limits to production federal waters in the eastern Gulf of Mexico and off the Atlantic and Pacific coasts. The five-year plan determines where and when companies can lease OCS lands for energy production. Areas in the plan are considered for leasing but do not have to be leased. Areas not included in the plan may not be leased. The Administration communicated that the plan had been revised, in large part due to the deepwater drilling accident in the Gulf, from the earlier leasing strategy announced in March which had proposed opening up some of the areas now placed off-limits.

In response to the announcement, APGA released a statement expressing disappointment with the proposed plan, communicating that "If we are to fully utilize clean domestically produced

natural gas at long-term affordable prices, our energy policy must not take significant domestic supplies, such as those available in the OCS, off the table.” The statement also communicated that federal offshore waters hold tremendous potential for finding and bringing new energy resources to market in the next 5 to 10 years. The Bureau of Ocean Energy Management, Regulation and Enforcement has estimated that there are currently 420 trillion cubic feet of natural gas technically recoverable from all federal offshore areas. This amount alone is equivalent to almost 20 years consumption at our current demand.

A Department of Interior press release regarding the Five Year Lease Plan can be viewed at the Department of Interior website at www.doi.gov. A copy of APGA’s statement can be viewed on the APGA website at www.apga.org. The plan will go through a public comment period once it is formally released and APGA will submit comments. 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.

Make Plans to Attend the APGA Gas Supply Conference

The agenda for the APGA Gas Supply Conference has been finalized and we hope you will make plans to attend the 2011 conference on February 1-2 at the Sanibel Harbour Resort, FL. The conference will provide public utilities a forum to learn more about natural gas supply, current market changes, available purchase alternatives for public gas systems and provide an overview of what the gas supply markets have in store for 2011. After attending APGA’s two-day Gas Supply Conference your management team will have insight into current gas supply conditions, future price predictions and gas purchase options to provide your municipal utility price protection for short-term price spikes in the future.

Scheduled speakers at the conference include Commissioner Bart Chilton from the Commodity Futures Trading Commission who will provide an update on financial regulatory reform and the implementation of the rulemakings required under the Dodd-Frank Wall Street Reform and Consumer Protection Act. Porter Bennett, President & CEO of Bentek Energy, will provide an outlook on the U.S. gas supply forecast and Dr. Ken Morgan of the TCU Energy Institute will provide an update on shale gas production. There will also be an update on methane hydrate developments, the regional EPA hearings on hydraulic fracturing and a panel discussion on the market and outlook for prepays (the use of tax-exempt financing for the prepayment of natural gas contracts).

Information on this conference, including the agenda and registration materials, are available on the APGA website at www.apga.org. If you have any questions on the APGA Gas Supply Conference, please contact Dave Schryver of APGA’s staff by phone at 202-464-2742 or by email at dschryver@apga.org.

APGA Lawsuit Spurs EPA To Exempt Small Utilities From Greenhouse Gas Reporting

On November 30, in a big win for public gas systems, the Environmental Protection Agency (EPA) revised greenhouse gas reporting rules to exempt utilities that deliver less than 460 million cubic feet of natural gas from having to file annual reports on gas receipts and deliveries. The original rule published October 30, 2009, would have required all utilities to report this information even though many other industries were exempted if under a certain size. APGA filed a lawsuit to force EPA to apply the same reporting threshold to utilities. After negotiations with EPA and the Justice Department, EPA agreed to extend the exemption to utilities and APGA agreed to drop its lawsuit. This rulemaking satisfies EPA's agreement and will exempt nearly 850 public gas systems from greenhouse gas reporting.

Utilities that deliver more than 460 million cubic feet of gas a year will have to calculate how much carbon dioxide (CO₂) would be produced by burning that gas and, if greater than 25,000 metric tons, report receipts and deliveries of gas to and from suppliers and customers. In the original rule, EPA adopted APGA's comment that fuel gas billing meters be exempted from annual calibration requirements. In this latest rule EPA further clarifies that utility greenhouse gas monitoring plans need not include calibration requirements for billing meters, nor do calibration recordkeeping requirements apply to billing meters.

APGA is pleased that EPA has taken this action to relieve most public gas systems from burdensome reporting requirements. To assist those members that still must prepare and follow written greenhouse gas monitoring plans, APGA has developed a model plan, now revised to reflect the changes made by this rule, which APGA members can download for free at www.apga.org/resources. In addition we have provided an EXCEL spreadsheet that calculates equivalent metric tons of CO₂ from cubic feet of gas.

For further information please contact John Erickson, APGA vice president, Operations 202-464-2742, ext 1002 or jerickson@apga.org.

APGA Expresses Opposition to Legislation that Could Increase Speculative Investment in Natural Gas

On November 24, APGA joined several other organizations in a letter sent to the Senate expressing opposition to legislation S.3948 - The Regulated Investment Company Modernization Act of 2010. This bill may be taken up by the Senate during the lame-duck session which resumed on November 29 and would eliminate current restrictions on the investment revenues earned by mutual funds. Specifically, current rules require that 90 percent of investment gains realized by mutual funds must come from securities, and only 10 percent may be realized through alternative investments, such as commodity investments. This legislation would modify this restriction and allow commodity investments to be realized as part of the 90 percent.

As stated in the letter, the removal of these current restrictions "could dramatically increase speculative investments in the commodity markets." The letter also communicates concern that many mutual funds "utilize commodity index and exchange-traded funds, which employ a

controversial “passive” investment strategy that some argue leads to excessive speculation and volatility in commodity markets, including energy and agriculture.”

The House of Representatives passed its version of this legislation in September. It remains unclear when and if the Senate will take up this legislation during the lame-duck session. A copy of the letter referenced in this article is available on the APGA website at www.apga.org. 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.

PHMSA Changes Incident Reporting Requirements

On November 26, the Pipeline and Hazardous Materials Safety Administration (PHMSA) published a final rule modifying reporting requirements for natural gas and hazardous liquid pipeline operators. APGA filed comments with PHMSA in September 2009 suggesting changes to the proposed rule published in July 2009. APGA’s major concern was a proposal to modify the definition of a reportable incident to include “fire-first” events, where a fire unrelated to the pipeline facility eventually damages the pipeline facility. APGA provided evidence that this would result in thousands of additional distribution incident reports that would provide little or no information useful for assessing trends in pipeline safety. APGA is pleased that PHMSA agreed with APGA’s comments and did not make this change in the final rule.

APGA’s comments supported PHMSA’s proposal to remove the cost of lost gas from the calculation of whether the property loss exceeded the reporting threshold of \$50,000. PHMSA also proposed to require reporting of any event that resulted in the unintended release of over three million cubic feet of gas, regardless of the dollar amount of property loss. APGA pointed out that at the price of \$3.75 per thousand cubic feet when APGA filed its comments, three million cubic feet was equivalent to just \$11,000 property loss and urged that the volumetric reporting threshold be increased to 20 million cubic feet. PHMSA did not accept this comment and the final rule now requires reporting as an incident any event where three million cubic feet or more of gas are released.

This final rule is effective January 1, 2011. For further information please contact John Erickson, APGA vice president, Operations 202-464-2742, ext 1002 or jerickson@apga.org.

Winter Update: Council for Responsible Energy

The core mission of the Council for Responsible Energy is to move the industry together with a focus to redefine and fortify the Natural Gas brand — taking it beyond safe and reliable and making it desirable for consumers. The concept is simple — when we speak together, more people hear us.

A Look Ahead

The Council is pleased to introduce **Tom Moskitis** as its new Executive Director. Under an agreement with the American Gas Association, Tom will serve in this role and be instrumental in moving the organization forward. Additionally, **Donna Peeples**, vice president and chief marketing

officer-AGL Resources, will step down as CRE Chair at the end of 2010 and **Kevin Webber**, vice president-Florida Public Utilities, will take on this role for the year ahead.

Enhanced Member Resources

The Council is undertaking an effort to overhaul the Creative Library into a more intuitive and robust collection of creative resources that are easy for members to customize and distribute. A creative review in 2011 will help guide a refresh to the brand platform and prioritize additional resources based on member feedback.

Check It Out!

If you haven't already done so, be sure to check out "Carter's Take on Natural Gas" the latest video from Natural Gas celebrity ambassador, **Carter Oosterhouse**. The video is for use by full members of the Council and is designed to be a short welcome for member company websites. A companion version is available for use at consumer or industry events. The videos are easy to download from the Marketing Resources section of the CRE member website at cremembers.org.

Speaking of Carter, he will make an appearance at the 2011 International Builders Show (January 2011, Orlando, FL) on behalf of the Natural Gas industry. If you'll be in Orlando for the show, stop by booth W3129 and say hello!

Membership Renewal

The Council recently mailed a hardcopy package to members that includes 2011 membership renewal information. The deadline for dues payment has been extended to January 31, 2011, to accommodate a transition to a calendar fiscal year. Your support and participation is vital to ensure a cohesive, consistent and coordinated industry effort to brand our product. Help share our message with consumers across America. Natural Gas is Comfortable and Responsible.

If you're not a member of the Council for Responsible Energy, what are you waiting for? Join now to gain immediate access to member resources.

For more information about Council for Responsible Energy membership, email support@cremembers.org.

Weekly Storage Report: Storage increases to 3,814 Bcf

Here is the weekly EIA Summary Report issued on Thursday, December 2, 2010, that reports last week's storage report highlights for Friday, November 26, 2010. A 23 Bcf decline has been reported.

Summary

Working gas in storage was 3,814 Bcf as of Friday, November 26, 2010, according to EIA estimates. This represents a net decline of 23 Bcf from the previous week. Stocks were 23 Bcf less than last year at this time and 347 Bcf above the 5-year average of 3,467 Bcf. In the East Region, stocks were 88 Bcf above the 5-year average following net withdrawals of 16 Bcf. Stocks in the Producing Region were 235 Bcf above the 5-year average of 1,028 Bcf after a net

injection of 14 Bcf. Stocks in the West Region were 25 Bcf above the 5-year average after a net drawdown of 21 Bcf. At 3,814 Bcf, total working gas is within the 5-year historical range.