



Weekly Update December 23, 2010

Hurry! Register for the 2011 APGA Gas Supply Conference

Please join us this February for the **2011 APGA Gas Supply Conference**. The agenda is finalized and we have some incredible speakers lined up! This conference will provide you with important information about natural gas supply, current market changes, available purchase alternatives to protect your municipal utility from price spikes and an overview of what the gas supply markets have in store for 2011. [Hurry space is limited!](#) **Make your room reservations at the Sanibel Harbour Resort & Spa before December 29 to get the APGA room rate of \$199** by calling (888) 767-7777 or (239) 466-4000.

Scheduled speakers include:

- Commissioner Bart Chilton from the Commodity Futures Trading Commission - *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 - *An outlook on the U.S. gas supply forecast.*
- Dr. Ken Morgan of the TCU Energy Institute - *An update on shale gas production and safety.*

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 prepaids (the use of tax-exempt financing for the prepayment of natural gas contracts).

2011 APGA Gas Supply Conference

WHEN: February 1-2, 2011

WHERE: [Sanibel Harbour Resort & Spa](#)
Sanibel, Florida

REGISTRATION: [Register now and view the Winter Board & Committee Meetings and Gas Supply Conference schedule and registration information.](#)

RESERVATIONS:

Call (888) 767-7777 or (239) 466-4000 to make your room reservations at the **Sanibel Harbour Resort & Spa before December 29** to get the APGA room rate of \$199 (be sure to mention American Public Gas Association when making your reservations).

If you have any questions, please contact Sheila Deringis at 202-352-1193 or by email at sderingis@apga.org. *Hope to see you there!*

Wrapping up the Lame Duck Session

The approaching holidays have sparked a flurry of Congressional activity on a variety of critical pieces of legislation before the end of the “lame duck” session. Amidst debate on social issues such as “Don’t Ask Don’t Tell” and the immigration bill known as the DREAM Act, Congress passed two important pieces of legislation with significant benefits for municipal public utilities: The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (aka “Bush Tax Cuts”) and the Continuing Resolution (CR).

After a brief but acrimonious debate about extending the Bush Tax cuts, President Obama signed a two year extension of these cuts into law on December 17th. The bill included several critical incentives for natural gas vehicles, infrastructure, and appliances:

- The 50-cent per gallon tax credit for compressed and liquefied natural gas when used as a vehicle fuel. This tax credit, which expired at the end of 2009, is retroactive for 2010.
- The investment tax credit for alternative vehicle refueling property, including natural gas stations. This covers 30% of the cost or \$30,000. This credit also includes a \$1,000 tax credit for a home refueling unit.
- The nonbusiness energy property tax credit which allows taxpayers to claim a 10% tax credit for all energy property purchased (e.g. natural gas water heaters) and installed in the taxable year.

How Tax-Exempt Entities Can Take Advantage of Tax Credits

Though tax-exempt organizations do not have tax liabilities against which they can take a tax credit, there are ways for these organizations to utilize these important benefits.

For example:

50-Cent CNG/LNG Credit: Tax-exempt entities that own their own CNG or LNG stations can claim the \$0.50 per gallon credit whether they are using the fuel in their own vehicles or selling the fuel to other customers. If they are selling fuel to other non-tax-exempt organizations, they will have to pay the 18.3 cents fuel tax per Gasoline Gallon Equivalent for CNG and 24.3 cents per gallon tax for LNG.

Alternative Refueling Property: The Alternative Fuel Vehicle Refueling Property Credit can only be claimed by the seller of the new, qualified property. When the seller is engaged in business with a tax-exempt organization, only they can claim the credit.

However, according to the IRS, if the seller elects to take the credit, they must clearly disclose in writing to the tax-exempt organization the amount of the tentative credit allowable for the refueling property. This is significant because it allows tax-exempt organizations to negotiate a price for refueling property that reflects the tax credit taken by the seller (potentially lowering the purchase price).

For complete information on these and other credits, please visit:

<http://www.ngvc.org/incentives/federalTax.html>.

LIHEAP

Congress failed to pass a broader omnibus spending bill to fund the government due to fiscal concerns and political maneuvering, but was successful in passing a short-term CR in the Senate by a vote of 82-14. This CR will be passed by the House and will fund the government until March 4, 2011. Included in this bill is an extension of the funding for the (LIHEAP) at the FY10 level of \$5.1 billion.

It is unclear at what level the 112th Congress will choose to fund the LIHEAP given a larger, looming battle over deficits and the national debt. APGA will continue to push lawmakers to fully fund this critical program in the next Congress.

APGA Comments on DOE NOPR Reducing Fossil Fuel Generated Energy Consumption in Federal Buildings

On December 14, APGA filed hard-hitting comments on DOE's proposal to eliminate by 2030, fossil fuel consumption in new and renovated federal buildings. DOE states the proposal is required by the Energy Conservation and Production Act, as amended by the Energy Independence and Security Act of 2007 (EISA). Section 433 of EISA requires DOE to issue revised federal building energy efficiency performance standards that specify the elimination of fossil fuel consumption according to the following schedule:

Reduction %	Year
55	2010
65	2015
80	2020
90	2025
100	2030

APGA comments cited six major concerns:

I. Section 433 of EISA calls for and DOE falls into lockstep, proposing phased reduction of fossil fuel consumption in Federal buildings without any consideration of the comparative efficiency and environmental impacts of optional fuel choices. No national interest or sound public policy goal is served by a federal law or regulation picking winners and losers between fuel options. However, that is exactly what Section 433 of EISA and DOE would do in this rulemaking.

II. Congress and DOE would phase out fossil fuel use by 2030 without any assurance that fuel needs of Federal buildings could be physically or economically met by electricity generated by non-fossil fuels.

III. DOE sites to its NOPR on Sustainable Design Standards for New Federal Buildings (May 28, 2010, 75FR29933) and states, "If and when these two rulemakings are finalized, DOE will coordinate the final text between the two rulemakings." APGA contends these two rules cannot be coordinated because one looks to improve the energy efficiency and environmental quality of federal buildings even if direct use of fossil fuels best serves those goals and the other would simply ban fossil fuel consumption without consideration of energy efficiency and environmental impacts.

IV. The \$2.5 million threshold for NOPR compliance on federal building renovations is much too low given that construction project costs are proposed to include design, permitting, construction (materials and labor), and commissioning costs. It is likely that a large majority of all federal building renovations will meet or exceed the \$2.5 million threshold.

V. This NOPR finds, under the Regulatory Flexibility Act, that "...the only entities impacted by this rulemaking would be federal agencies." The vast majority of APGA members are small businesses as defined by the Small Business Administration. Many of our members have federal buildings in their service territories and provide such buildings with natural gas service. Reducing fossil fuels to zero will certainly impact the load and revenue of many public gas systems across the country. This contradiction must be addressed.

VI. This NOPR finds, under Executive Order 13211, that this "...proposed rule would not have a significant adverse effect on the supply, distribution, or use of energy and, therefore, is not a significant energy action." The intent of this rule is to prohibit over 20-years any direct use of fossil fuels or electricity generated by fossil fuels in all new and renovated federal buildings. A Statement of Energy Effects should be prepared because this quickly-arrived-at prohibition will disrupt the energy markets at all levels. Such disruptions will likely be adverse and significant.

[See the full comments here.](#)

For more information, please contact Bob Beauregard at 202-464-2742 or bbeauregard@apga.org.

Weekly Storage Report: Storage decreases to 3,368 Bcf

Here is the weekly EIA Summary Report issued on Thursday, December 23, 2010, that reports last week's storage report highlights for Friday, December 17, 2010. A 184 Bcf decrease has been reported.

Summary

Working gas in storage was 3,368 Bcf as of Friday, December 17, 2010, according to EIA estimates. This represents a net decline of 184 Bcf from the previous week. Stocks were 56 Bcf less than last year at this time and 264 Bcf above the 5-year average of 3,104 Bcf. In the East Region, stocks were 27 Bcf above the 5-year average following net withdrawals of 117 Bcf. Stocks in the Producing Region were 204 Bcf above the 5-year average of 934 Bcf after a net withdrawal of 56 Bcf. Stocks in the West Region were 33 Bcf above the 5-year average after a net drawdown of 11 Bcf. At 3,368 Bcf, total working gas is within the 5-year historical range.