



Weekly Update February 24, 2011

APGA Sends Letter to Congress Calling for Section 5 Reform

On Thursday, February 24, the American Public Gas Association sent a letter to key members of Congress calling for reform of Section 5 of the Natural Gas Act (NGA). The letter cites a new study by the Natural Gas Supply Association (NGSA) entitled, "Pipeline Cost Recovery Analysis." The study analyzed the costs, revenues, etc. of 32 major interstate natural gas pipelines and the results again confirm that pipeline over-recovery is rampant.

Specifically, the study concludes that, for the 2005-2009 period, "using 12% as a nominal target allowed return, these 32 pipelines over-recovered their costs by approximately \$4.1 billion...even taking into account those pipelines that under-recovered." Notably seven of the 32 pipelines exceeded 18% return on equity.

In response to the study's conclusions, APGA President and CEO Bert Kalisch said, "These are dollars that could have gone into local businesses in a community or into paying food bills and mortgages or into a child's education. Instead, they have flowed upstream to the pipelines' coffers...I urge [the Congress] to include Section 5 reform legislation [in any energy bill] to provide natural gas consumers with the same level of protection from overcharges that currently exists for electric consumers."

APGA strongly supports the growth and expansion of investor-owned interstate natural gas pipelines. However, it is absolutely critical that the healthy growth of these pipelines be achieved within the confines of the Natural Gas Act's mandate that the customers of these pipelines pay "just and reasonable" rates for transportation of natural gas supplies, which are critical to America's economic prosperity and security. This is especially so for shippers such as the vast majority of the members of APGA that purchase natural gas transportation from a single pipeline and hence cannot avoid paying excessive rates by shopping for (and negotiating with) another service provider.

APGA will continue to engage with Congress on the urgent need for reform of Section 5 of the NGA as energy legislation is being developed.

A copy of the letter can be viewed at www.apga.org/correspondence.

If you have any questions on this article, please contact Scott Morrison of APGA's staff by phone at 202-464-2742 or by email at smorrison@apga.org.

APGA Files Comments in Response to Four Dodd-Frank Rulemakings

On February 22, APGA filed comments in response to four proposed rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act. Three of the comments that were filed were in response to rules proposed by the Commodity Futures Trading Commission (CFTC). The fourth set of comments was in response to a Securities and Exchange Commission (SEC) proposed rule that addresses the registration of “municipal advisors.” APGA was extremely concerned about this proposed rule as it treated elected and appointed members of utility boards differently and would potentially require appointed utility board members to register with the SEC and the Municipal Securities Rulemaking Board (“MSRB”). A very brief summary of the comments that were filed is below.

APGA Comments to the SEC in Response to a Rulemaking on the Registration of Municipal Advisors - In its comments, APGA asserts that “all members of a municipal entity’s governing body should be deemed employees of a municipal entity and thus excluded from the definition of “municipal advisor,” regardless of whether the members are elected or appointed.” The comments further request that the SEC “make clear that the mere act of voting on a municipal bond issuance by an appointed or elected official is not tantamount to giving advice with respect to financial products or the issuance of municipal securities.”

APGA Comments to the CFTC Regarding the Business Conduct Standards for Swap Dealers and Major Swap Participants with Counterparties - APGA expresses concern that aspects of the proposed rules may have the unintended consequence of reducing, rather than increasing, market transparency for “special entities.” In addition, the proposed revisions may reduce the tools available to special entities and thereby lessen their ability to hedge efficiently and, as a consequence, result in increased costs for their customers.

APGA Comments to the CFTC Regarding the End-User Exception to Mandatory Clearing of Swaps - The CFTC has proposed a check-off notification under the end-user exception. APGA does not object to this approach and recognizes that it may be administratively easier to manage than a self-contained periodic or even annual filing. However, APGA believes that the proposed check-off notification would be less burdensome if it were included once, in the master-agreement between the two parties. The parties would be required to update the notice only for material changes thereto. As long as there were no changes, the general notice would remain in effect as first filed.

APGA Comments to the CFTC Regarding the Definition of an Eligible Contract Participant - APGA asks the CFTC to exercise its authority under the Dodd-Frank Act to make a determination that public natural gas distribution companies, including co-operatives that enter into swaps in connection with their business of supplying customers with natural gas are Eligible Contract Participants under the Act.

A copy of the comments 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.

APGA CEO & President Bert Kalisch to Speak at the Southeast LDC Gas Forum

On Wednesday, April 13, Bert Kalisch, president & CEO of APGA, will give a keynote speech at the Southeast LDC Gas Forum in Atlanta, Georgia. His speech entitled ***"Refocus on Natural Gas: Our Bridge to the Energy Future"*** will explain the challenges and opportunities of pending legislation and regulation in Congress and at the various agencies that impact the operation of our industry and LDCs. Specifically, Mr. Kalisch will address timely topics such as gas supply, exportation, the CFTC implementation of the Dodd-Frank Act, energy efficiency, and pipeline safety reauthorization. In addition he will touch on ways LDCs can support increasing the direct use and adoption of natural gas, the integration of NGVs, and the role of natural gas in a smart energy future.

If you are interested in learning more or registering for the Southeast LDC Gas Forum, please go to <http://www.ldcgasforums.com/se/>.

EPA Announces Regulatory Review

February 18, the U.S. Environmental Protection Agency (EPA) announced it is inviting the public to provide input on a plan that will guide EPA's retrospective reviews of regulations as part of the agency's response to President Obama's January 18, 2011 Executive Order (EO) 13563, "Improving Regulation and Regulatory Review."

EO 13563 directs each federal agency to consider "how best to promote retrospective analysis of rules that may be outmoded, ineffective, insufficient, or excessively burdensome."

EPA commits to using common sense and transparency to review federal regulations and will solicit public input regarding the design of its plan via the EPA website through March 20, 2011. [More information about EPA's retrospective can be found on their website.](#) EPA will also provide opportunities for input through a public meeting in Washington, D.C. on March 14, and listening sessions in other parts of the country. Information about these meetings will be announced soon.

By late May, EPA will provide the public with its retrospective review plan, as well as the initial list of regulations it plans to review.

More information about environmental laws and regulations: <http://www.epa.gov/lawsregs/>

The announcement is being reviewed by APGA staff. For more information contact Bob Beauregard at 202-464-2742 or bbeauregard@apga.org.

APGA Speaks at Flexible Power Symposium

On February 15-17, APGA attended and addressed the Wärtsilä Flexible Power Symposium in Vail, CO. Wärtsilä is a global supplier of power plants for the decentralized power generation market. They offer solutions for base load power generation, grid stability and peaking, industrial self-generation, as well as for the oil and gas industry. The Symposium explored the structural, technical, market, financial, environmental and political forces impacting the power generation markets and the need to add flexibility to the energy mix. APGA was invited to speak because natural gas will likely serve a strategic role in fueling decentralized power generation and as back-up fuel to wind and solar generation.

APGA shared with Symposium attendees the new white paper, “Natural Gas in a Smart Energy Future” which identifies the federal and industry actions needed to integrate the natural gas infrastructure with an increasingly “smart” electricity grid, including decentralized generation, and supporting increased levels of renewable energy. Such actions include:

By Policy Makers

- Include natural gas in advanced metering infrastructure development among all utility infrastructures including electricity and water;
- Ensure future federal funding programs allow the of funding for dedicated natural gas projects and combined electric/natural gas projects;
- Develop technology roadmap for natural gas in a smart energy future, including critical input from a broad group of stakeholders and the energy technology R&D community;
- Increase governmental funding for basic and applied research in natural gas safety and reliability and smart energy infrastructure technology; and
- Establish a governmental public-private research, development and deployment program for natural gas that includes component and system suppliers.

By Regulators and Code-Setting Bodies

- Incorporate full-fuel-cycle analysis in all conservation and energy efficiency standards, including common measures of energy and greenhouse gas emissions;
- Expand smart grid standards development efforts to include natural gas;
- Provide consumers information about energy usage and energy appliance selections;
- Ensure new International Green Construction Code provides for every new building to have access to natural gas service where available;
- Institute direct communications between pipeline and electric grid operators to fully optimize energy usage;
- Promote real-time communications between gas and electricity grids;
- Timely approve natural gas infrastructure projects to meet current and future end-uses; and
- Make efficiency programs neutral with respect to energy sources.

By the Natural Gas and Electric Industries

- Create real-time communications between the gas and electricity grids;
- Enhance systems to manage natural gas supply for fast-ramping generation to complement variable renewable resources;
- Actively engage federal, provincial, and state regulators on:
 - developing shale gas as a long-term energy source
 - increasing offshore drilling for natural gas
 - increasing R&D regarding the extraction from the oceans and polar permafrost of natural gas from methane hydrates;
- Increasing use of natural gas for decentralized generation and combined heat and power and to complement intermittent energy sources.
- Ensure natural gas infrastructure can meet emerging:
 - end-uses
 - technologies
 - increased demand
 - new supply sources (renewable & unconventional)
- Improve natural gas asset utilization on real-time basis.
- Moderate electricity demand with natural gas powered cooling solutions;
- Develop hybrid electric/natural gas appliances for space conditioning, water heating, cooking, and clothes drying; and
- Provide customers information to make educated choices about energy usage and energy appliance selections.

[The power point presentation used by APGA can be viewed here.](#)

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

House Passes CR Constraining EPA Regulation of GHGs

In the early morning hours of Saturday, February 19, the House of Representatives passed a controversial Continuing Resolution (CR) along party lines 235-189. House leadership had to recalibrate the CR and include deeper than originally proposed spending cuts, \$60 billion versus the original \$40 billion, due to what some termed as a “rebellion” largely by Tea Party-backed freshman members who insisted on deeper cuts to the legislation.

Featured prominently among those cuts, was the Environmental Protection Agency (EPA) the actions of which on multiple fronts, outraged industries across the country with stringent air and water quality rules. In perhaps no other area was the outrage with EPA more evident than in the Supreme Court mandated regulation of greenhouse gases (GHGs) from Stationary Sources that started January 1 of this year. Conservatives in both parties have assailed this regulation as a “job killing” regulatory overreach by unelected EPA bureaucrats.

To that end, included in the CR itself was language that effectively prohibited the EPA from using any funding provided by the bill to implement its stationary source GHG regulation program. However, even some industry groups questioned the wisdom of this course of action as simply defunding the stationary source program does not change the law itself; in short, EPA will still be forced to regulate GHGs, but will not have any money to administer it (e.g. process permits).

Democrats in the Senate are adamant that the overall House CR is dead on arrival, due in no small part to what they perceive as attacks on common-sense measures by EPA, including regulation of GHGs. To counter the House-passed bill, on Tuesday, February 22, the Senate proposed its own more moderate CR for consideration. The fate of the funding for EPA is in question as it is highly likely that both chambers will have a showdown over the CR, one that could lead to a government shutdown.

If you have any questions on this article, please contact Scott Morrison of APGA's staff by phone at 202-464-2742 or by email at smorrison@apga.org.

APGA Creates NGV Task Force

Three weeks ago, during the Gas Supply Conference in Ft. Myers, FL, the APGA Board approved the creation of a Natural Gas Vehicles (NGV) Task Force. The creation of the Task Force is particularly timely given the increased interest in NGVs and due to the projected changes in energy prices in both the short and long-terms.

From November of 2010 to the present, the price of gasoline and other energy commodities has increased significantly. The combination of stronger global demand for oil, the approaching U.S. peak driving seasons, and the instability in the Middle East has driven the national average price per gallon for gasoline to approximately \$3.13. A large number of analysts are projecting that prices for gasoline will hit \$4.00/gallon or more by the summer and long-term trends point to even higher prices over the next several years.

Given the bleak outlook on gasoline prices, there is a significant opportunity for the newly created NGV Task Force to aid member systems and their communities in the transition to NGVs. The transition to NGVs has significant potential to reduce dependence on foreign oil, create jobs, and save taxpayers' money. To that end, the Task Force will focus on three key areas:

1. To act as a clearinghouse of information on NGVs;
2. To provide advice to APGA members on matters about NGVs; and,
3. To play the active and leading roles in APGA's NGV-related advocacy efforts.

New members are still being accepted and if you are interested in participating, please contact Dave Schryver dschryver@apga.org or Scott Morrison smorrison@apga.org. The NGV Task Group will likely hold regular (i.e., bi-weekly to monthly conference calls), and we will convene our first face-to-face meeting in May during the APGA Board and Committee meetings. Although the NGV Task Group will meet during APGA's quarterly meetings, you do not have to travel to APGA meetings be a member.

If you have any questions on this article, please contact Scott Morrison of APGA's staff by phone at 202-464-2742 or by email at smorrison@apga.org.

Weekly Storage Report: Storage decreases to 1,830 Bcf.

Here is the weekly EIA Summary Report issued on Thursday, February 24, 2011, that reports last week's storage report highlights for Friday, February 18, 2011. A 81 Bcf decline has been reported.

Summary

Working gas in storage was 1,830 Bcf as of Friday, February 18, 2011, according to EIA estimates. This represents a net decline of 81 Bcf from the previous week. Stocks were 48 Bcf less than last year at this time and 61 Bcf below the 5-year average of 1,891 Bcf. In the East Region, stocks were 96 Bcf below the 5-year average following net withdrawals of 57 Bcf. Stocks in the Producing Region were 46 Bcf above the 5-year average of 641 Bcf after a net withdrawal of 11 Bcf. Stocks in the West Region were 10 Bcf below the 5-year average after a net drawdown of 13 Bcf. At 1,830 Bcf, total working gas is within the 5-year historical range.