



Weekly Update February 25, 2010

House Energy and Commerce Committee launches inquiry into hydraulic fracturing

On February 18, House Energy and Commerce Committee Chairman Henry Waxman from California and Energy and Environment Subcommittee Chairman Ed Markey from Massachusetts sent letters to eight oil and gas field service companies asking for information about chemicals used in hydraulic fracturing (or “fracking”) drilling techniques. Techniques that have expanded access to vast natural gas plays nationwide.

Letters were sent to Schlumberger, Halliburton, BJ Services, Universal Well Services, Calfrac Well Services, Sanjel Corp., Frac Tech Services and Superior Well Services. The lawmakers requested data and documents on the types and quantities of chemicals used in hydraulic fracturing fluids, the proximity of injections to underground drinking water sources, questions about the fracking’s environmental and health impacts, and the chemical contents of wastewater produced by fracturing operations.

At APGA’s Gas Supply Conference in January, Dr. Ken Morgan from Texas Christian University Energy Institute told APGA members that hydraulic fracturing blasts mostly sand and water, along with chemical additives deep into a wellbore to break compact rock. His presentation is available for members at www.apga.org. Questions about fracking have mounted in recent years, even though the industry has used fracturing for decades. Fracturing, coupled with horizontal drilling technology, has opened access to prolific natural gas plays but raised questions about potential impact on drinking water aquifers.

An energy bill passed in 2005 by Congress exempted companies who use fracking techniques from the Safe Drinking Water Act. The exemption from safe drinking water laws was placed in the bill after the three major U.S. operators using fracking techniques signed a Memorandum of Understanding with the EPA not to use diesel fuel as a fracking fluid. The agreement was signed by Halliburton, BJ Services and Schlumberger.

Since Chairmen Waxman and Markey sent the letters, Halliburton and BJ Services have acknowledged using diesel fuel in some of their fracking operations between 2003 and 2007. In reaction to this apparent violation of the MOU, some members of Congress are pushing to repeal the exemption. Others are pushing for oil and gas operators to disclose the makeup of their fracking fluids. The oil and gas industry will fight to maintain the exemption and most likely resist any disclosure requirements. However, some companies such as Chesapeake Energy have already published a typical fracking fluid composition on their website.

If you have further questions please contact Nate Hill at 202-464-2742 or nhill@apga.org.

Please Act Now on 2011 Natural Gas Calendars

Good news!!...LyonTree Studios has agreed to proceed with 2011 calendar production with a minimum order commitment of 40,000 calendars. We are only 4,950 short of that number so please get your order commitment to Bob Beauregard ASAP. Also, LyonTree will not raise calendar prices over last year's prices.

250-999 - \$1.99/calendar

1,000-4,999 - \$1.93/calendar

5,000-9,999 - \$1.88/calendar

10,000 and over - Negotiated price

For envelopes, add \$0.055/calendar.

If your system is one of the many public gas system that does not have a formalized marketing plan, the 2011 Natural Gas Calendar can be the one marketing initiative that costs little and pays big dividends in customer good-will. It can also potentially increase their usage of natural gas appliances in their homes.

Reply with your 2011 calendar order commitment by March 15, 2010, to Bob Beauregard at bbeauregard@apga.org or 202-464-2742.

EPA to scale back greenhouse gas reduction regulations

In a February 22 letter to Senators, Environmental Protection Agency (EPA) Administrator Lisa Jackson indicated that the Administration plans to gradually phase in greenhouse gas reductions for stationary sources and potentially raise the threshold to more than 25,000 metric tons for those who must comply. An exact threshold was not stated. The agency still plans to require reporting and disclosure from all entities including public gas systems.

The letter said that EPA will continue on its track to regulate mobile emissions sources such as light-duty vehicles and others this year. Administrator Jackson said that no stationary sources will face greenhouse gas regulations this year and that small sources will not be subject to permitting requirements any sooner than 2016.

EPA is also considering "substantially" raising the thresholds in its proposed "tailoring" rule to exempt more facilities from potential requirements to minimize their greenhouse gas emissions. The proposed rule currently exempts facilities that emit less than 25,000 metric tons (approx. 460,000 Mcf throughput). An exact threshold was not stated in the letter.

Jackson said that in early 2011 only facilities that must already apply for Clean Air Act permits for other pollutants will need to address their greenhouse gas emissions with the EPA. Fewer than 400 facilities would be subject to those requirements, she estimated. The agency will begin to require permits from other large sources in the latter half of 2011 and potentially smaller sources in 2016.

EPA's announcement could mean that fewer public gas systems would be required to participate in a greenhouse gas reduction program being designed by EPA. However, that will not become clear until EPA releases rules regarding emissions reduction from stationary sources. Another way EPA could act sooner or differently is if Congress passes emissions reduction legislation, such as cap-and-trade, that gives EPA direction for which sources to regulate. However, the prospect is highly unlikely that cap-and-trade legislation will pass Congress this year.

If you have further questions on this article contact Nate Hill at 202-464-2742 or nhill@apga.org.

Don't Miss the 2010 Marketing & Sales Trends and Training Conference

What: The Marketing & Sales Trends and Training Conference. Return home with a tool box of new ideas and marketing skills. Also, count on valuable networking and idea sharing with other utilities and networking opportunities.

Who: Utility managers, operational and accounting personnel and marketing, sales and customer service employees.

When: March 29-31, 2010

Where: Hilton Pensacola Beach Gulf Front Hotel, Pensacola Beach, Florida.
12 Via de Luna Drive, Pensacola Beach, Florida, United States 32561
Tel: 1-850-916-2999 Fax: 1-850-934-0891

To ensure the hotel rate of \$125, make your reservation by March 8. Also look for the available discounted conference registration rates for persons from the same utility.

*To-date we have 11 exhibitors. They are SENSUS, ECCO, Rinnai, Rheem, BP Energy, Questline, Texican, Apogee Interactive, Advanced Utility Systems, Kohler and Noritz. They all look forward to interacting with attendees during the Vendor Speed Sessions and networking throughout the conference.

Register Now For the SIF Operations Conference

What: The American Public Gas Association and the Security and Integrity Foundation (SIF) will hold an operations conference this month.

When: March 22-24, 2010

Where: University Plaza Hotel
333 South John Q Hammons Parkway
Springfield, MO 65806
tel: (417) 864-7333

Who: The conference offers two tracks – one for operations supervisors and managers, seminars on operational issues such as public awareness, compliance audits and Distribution Integrity Management Programs (DIMP) held at the hotel, and another for field personnel, operator qualification evaluations held at the Springfield Utilities Training Center.

What to expect: The seminar begins on Monday afternoon with presentations on utility public awareness programs. June 20 is the deadline for completing the first public awareness effectiveness assessment so a key presentation will be an update on the APGA GOAL Program (Gas Overall Awareness Level) which has already conducted surveys of customers and non-customers for 170 utilities, measuring the level of gas safety knowledge. Tuesday morning will be devoted to “How to survive a compliance audit” offering guidance on preparing for and managing a safety audit by a state pipeline safety agency. Tuesday afternoon will be a roundtable discussion on operations and safety topics suggested by the

participants. Finally, Wednesday morning will feature an update on DIMP and a demonstration of the new "SHRIMP" on-line DIMP plan creation tool.

The conference will also include an exhibit of the latest in gas utility equipment and services.

Costs:

Entire Conference (includes conference, receptions, SHRIMP seminar)

\$395 APGA members

\$595 non-members

SHRIMP only Seminar

\$75 for all attendees

SHRIMP webinar

\$75 APGA members

\$150 non-members

To register go to www.apgasif.org/OSC. For further information please contact John Erickson, APGA Vice President, Operations 202-464-2742, ext 1002 or jerickson@apga.org.

OQ held in conjunction with APGA/SIF Operations Conference in Springfield, Missouri

What: The APGA Security and Integrity Foundation will hold Operator Qualification (OQ) and requalification workshops

Where: The City Utilities of Springfield Training Facility, Springfield, MO

When: March 22-24, 2010.

Who: This event is not intended to be a training event for new or inexperienced employees. It will primarily qualify or re-qualify operators that have been previously trained in the specific task areas. The operator qualification evaluations are aimed at persons who have received training in one of the covered tasks but need to take written tests and hands-on evaluation in order to be qualified for those tasks. An SIF evaluator will conduct a short refresher course, and then administer tests and hands on evaluations.

A qualification certificate will be mailed to each operator after the tests are graded.

Cost:

Three-Day OQ Training

\$395 (includes conference and hotel receptions)

Monday: Odorization (B31Q Tasks 1211, 1221)

Tuesday: Leak Investigation (B31Q Tasks 1231, 1241, 1261)

Wednesday: Valves (B31Q Tasks 0301, 0331, 0341)

OQ Single Day Registration Fees:

Monday: OQ only (hotel reception not included) - \$129.00

Tuesday: OQ only (hotel reception not included) - \$195.00

Wednesday: OQ only - \$129.00

**Operators who want to attend the OQ workshop need to register using the OQ registration form (separate from the general session registration form). The SIF will provide evaluators and material.*

To register go to www.apgasif.org/OSC. For more information call or email Todd Brady at 202-370-6211 or tbrady@apga.org. Additional information can be found on the SIF website at www.apgasif.org.

Weekly Storage Report

Here is the weekly EIA Summary Report issued on Thursday, February 25, 2010, that reports last week's storage report highlights for Friday, February 19, 2010. A 172 Bcf **decline** has been reported.

Summary

Working gas in storage was 1,853 Bcf as of Friday, February 19, 2010, according to EIA estimates. This represents a net decline of 172 Bcf from the previous week. Stocks were 56 Bcf less than last year at this time and 13 Bcf above the 5-year average of 1,840 Bcf. In the East Region, stocks were 23 Bcf below the 5-year average following net withdrawals of 95 Bcf. Stocks in the Producing Region were 20 Bcf below the 5-year average of 627 Bcf after a net withdrawal of 66 Bcf. Stocks in the West Region were 56 Bcf above the 5-year average after a net drawdown of 11 Bcf. At 1,853 Bcf, total working gas is within the 5-year historical range.