



Weekly Update January 28, 2010

CFTC Chairman to Speak at APGA Annual Conference

Commodity Futures Trading Commission (CFTC) Chairman Gary Gensler is scheduled to speak at APGA's 49th Annual Conference on July 25-28 in San Diego, CA. Chairman Gensler will speak on the morning of July 26. Gary Gensler was sworn in as the Chairman of the CFTC on May 26, 2009. He previously served at the U.S. Department of the Treasury as Under Secretary of Domestic Finance (1999-2001) and as Assistant Secretary of Financial Markets (1997-1999). As Chairman, he has been actively involved in congressional efforts to pass financial reform legislation, a component of which would be the regulation of the over-the-counter (OTC) derivatives market including energy commodities such as natural gas.

APGA has been heavily involved in OTC reform and testified last year before the House, the Senate, as well as the CFTC in regard to regulation of the natural gas OTC market. With the House passage of financial reform legislation and the Senate moving to pass similar legislation this spring, Chairman Gensler's remarks at the APGA Annual Conference will be very timely.

Information regarding the APGA Annual Conference is available on the APGA website at www.apga.org. A conference packet including registration materials will be sent out to all APGA members soon. 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 Requires Utilities To Submit Contractor Drug And Alcohol Test Data

In the January 19 Federal Register, the Pipeline and Hazardous Materials Safety Administration (PHMSA) published an advisory bulletin advising operators that the Drug & Alcohol Management Information System (DAMIS) and the Management Information System (MIS) reports are being modified to collect annual drug and alcohol testing data for contractor employees. MIS reports are required for operators who had 50 or more operator and contractor employees performing § 199.3 "covered functions" in 2009. "Performs a covered function" includes performing the covered function and being available to immediately perform the covered function. The MIS reports are due March 15, 2010.

PHMSA advised APGA that utilities should include the MIS reports for ALL individuals in the contractor's drug and alcohol testing program, not just those that performed a covered

function for the utility during 2009. This will ensure that PHMSA receives data for all affected individuals. Where a contractor works for more than one utility PHMSA will eliminate duplicates when evaluating the data. The data is used, among other purposes, to determine the required random testing rate for coming years.

Copies of the advisory can be downloaded at www.apga.org. For further information please contact John Erickson, APGA Vice President, Operations 202-464-2742, ext 1002 or jerickson@apga.org.

Pensacola Beach is Calling!

The 2010 Marketing & Sales Trends & Training Conference (MSTTC) is planned for March 29-31, 2010, in Pensacola Beach, Florida. The conference is a collaborative effort of APGA, the Alabama Natural Gas Association and the Florida Natural Gas Association. Together, they have determined the conference agenda, speakers and location. Please register ASAP and make your hotel reservations by March 8 to ensure getting the \$125/day rate. The venue is the Hilton Pensacola Beach Gulf Front Hotel.

All gas utilities, especially those from Alabama and Florida, are encouraged to support this conference with their attendance. Program highlights include:

Training Your Sales Staff – Willis Turner, Sales & Marketing Executives International (CPE credit)

Selling in a Down Economy – Jeff Baker, Forum Sales Training (CPE credit)

Integrating Customer Service & Marketing – Gary Long, Okaloosa Gas District

Technology Advancements Crucial to Customer Retention & Growth – Ron Snedic, GTI

Cracking the Multi-Family Housing Market – Paul Brimlow, Rinnai & Aleida Socarras, TECO Partners

Accounting 101 Phase I & II – Rod Ballard and Burton Benkwith, Jackson-Thornton (CPE credit)

Successful Marketing & Customer Service Campaigns – Charlottesville, VA Public Utilities, ESP and SEAGD

Using Social Media to Improve Sales & Customer Satisfaction – Ken Cuccinelli, Quest Fore

Climate Change & Energy Legislation: Impact on Gas Supply & Revenue – City of Hamilton and CPS Energy

To register for and see greater detail on the MSTTC, please go to www.apga.org/msttc

For further information, please contact any of the following three persons;

- Brad Pitt, Riviera Utilities – (251) 943-5001; bpitt@riviera-utilities.com
- Jill Grove, ESP - (850) 474-5318; jgrove@ci.pensacola.fl.us
- Bob Beauregard, APGA – (202) 464-2742; bbeauregard@apga.org

CFTC Proposes Rule on Speculative Position Limits for Energy Commodities

The Commodity Futures Trading Commission (CFTC) has released a proposed rule that would set for the first time speculative position limits for four energy commodities: (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 voted 4-1 in favor of proposing these rules in a public meeting held on January 14, 2010. Under this proposed rule, limits would be established for all months combined, each single futures month and the spot month. The proposed rule includes formulas for how the position limits would be established. For example, the single-month limit aggregated across markets would be set at two-thirds of the all-months-combined level.

In testimony before the CFTC last year, APGA stated that public gas systems depend upon liquid and deep markets in which to lay off risk. However, concerns were expressed regarding the potential impact of speculative investment in the natural gas market stating that “speculative trading strategies may not always have a benign effect on the markets”. In its testimony, APGA also expressed support for the use of spot month speculative position limits as a proven and effective tool for addressing markets with constrained deliverable supplies, which is typical of the markets for natural gas.

APGA will be submitting comments to the CFTC in regard to the proposed rule. Comments are due April 26. 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.

2011 APGA Calendar – A Maybe...

Sales of the 2010 APGA calendar was far less than expected and the revenue was only one-tenth of what we originally budgeted. As a result, APGA will proceed with production of the 2011 calendar only if a minimum order commitment of 75,000 calendars is achieved. We ask you to respond with your order commitment no later than **February 15, 2010**.

For planning purposes, assume the following calendar prices based on quantity:

Suggested Retail Costs:

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

If you want envelopes please add \$0.05/calendar.

If your system is one of the many public gas system that does not have a formalized marketing plan, the APGA 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 February 15, 2010, to Bob Beauregard at bbeauregard@apga.org or 202-464-2742.

APGA Participates in Congressional Briefing on OTC Clearing Issue

On January 20, APGA participated in a briefing for congressional staff on legislation that would reform the regulation of over-the-counter (OTC) derivatives. Regulation of the OTC derivatives market is being considered in the Senate as part of financial reform legislation. The briefing was provided by four panelists: Joe Holmes, Leader Energy Trader for Colorado Springs Utilities on behalf of APGA; Martin Proctor, Sr. Vice President for Constellation Energy; Jeff Walker, Vice President of ACES Power Marketing; and Rob Gramlich, Sr. Vice President for Public Policy at the American Wind Energy Association. The briefing was well attended by congressional staff.

During his presentation, Joe Holmes discussed the important role that the natural gas OTC market plays in helping public gas systems protect their customers from market volatility. He further discussed the impact that proposals requiring the mandatory clearing of OTC transactions would have on public gas systems. 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 expressed concerns, in testimony before the Congress, meetings with staff, and in meetings with the Commodity Futures Trading Commission Chairman, Gary Gensler, in regard to the impact mandated clearing would have upon the financial ability of public gas systems to engage in gas supply strategies.

The House of Representatives passed its version of OTC reform on December 11, 2009 as part of the H.R. 4173, The Wall Street Reform and Consumer Protection Act of 2009. That legislation contained an exemption, supported by APGA, for end-users such as public gas systems from mandatory clearing requirements. It is anticipated that the Senate will be working on its version of financial reform legislation in the near future. 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.

Weekly Storage Report

Here is the weekly EIA Summary Report issued on Thursday, January 28, 2010, that reports last week's storage report highlights for Friday, January 22, 2010. A 86 Bcf **decline** has been reported.

Summary

Working gas in storage was 2,521 Bcf as of Friday, January 22, 2010, according to EIA estimates. This represents a net decline of 86 Bcf from the previous week. Stocks were 120 Bcf higher than last year at this time and 87 Bcf above the 5-year average of 2,434 Bcf. In the East Region, stocks were 14 Bcf below the 5-year average following net withdrawals of 67 Bcf. Stocks in the Producing Region were 42 Bcf above the 5-year average of 765 Bcf after a net withdrawal of 3 Bcf. Stocks in the West Region were 60 Bcf above the 5-year average after a net drawdown of 16 Bcf. At 2,521 Bcf, total working gas is within the 5-year historical range.