



Weekly Update July 1, 2010

Hill delivers legislative update to Atmos customers

On June 24, APGA Government Affairs Director, Nate Hill delivered remarks to Atmos Energy Marketing customers, including several public gas systems, at a workshop put on by the company in Franklin, Tennessee. Hill gave an update on federal issues that could impact utilities in the future including legislation in Congress and activities undertaken by federal agencies such as the Environmental Protection Agency (EPA), Commodity Futures Trading Commission (CFTC) and others.

Hill explained that Congress and the Administration are making a last ditch effort to enact energy legislation that could potentially include language that places a price on greenhouse gas emissions. In response to the Deepwater Horizon oil spill in the Gulf of Mexico, the President is making a strong push on Congress to enact energy and climate legislation. Some are speculating that Congress may attempt to attach energy or climate change legislation to any bill that moves through the Senate to address the Gulf of Mexico oil spill. The House of Representatives passed a bill in June 2009 that regulates GHG emissions via a cap-and-trade scheme. The Senate has yet to act but leaders are plotting to push forward in July with energy and potentially climate change legislation.

The EPA continues to act through rulemakings to put in place a foundation for eventual carbon regulation. The agency put in finalized a rule last year that requires utilities to have a greenhouse gas monitoring plan in place by March 2011 and submit data to EPA. Further, the agency made official its authority to regulate emissions unilaterally by enacting the “endangerment finding,” which states the ghg emissions are a threat to human health and welfare and subject to regulation under the Clean Air Act.

Hill’s told the audience that APGA’s efforts to shape the financial reform legislation had bore fruit as both the Senate and House versions of the bill included exemptions for public gas systems hedging transactions from a mandatory clearing provision. Many members of Congress were adamant that all over-the-counter (OTC) transactions be cleared, exchange-traded or somehow backed by cash held in a margin account. APGA argued for months that public gas systems use their credit rating and the OTC market for hedging purposes only and their transactions pose no systemic risk to the U.S. financial system. Both the House and Senate agreed and exempted public gas system transactions from the clearing mandate.

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

Conference Committee Approves Financial Reform Legislation

After a 20-hour mark-up that concluded at approximately 6 am on June 25, the financial reform conference committee approved financial reform legislation by a party-line 27-16 vote. The bill, entitled the Wall Street Reform and Consumer Protection Act of 2009, would impose new rules on the financial system and establish a new consumer protection agency. The bill also would also establish new rules on the trading of derivatives. It was this section of the legislation that was a primary focus of APGA. APGA had successfully worked with other energy end-users in pushing back against efforts to require all end-users to clear their transactions. The mandated clearing of all OTC transactions would require public gas systems to post initial margin and to meet potential margin calls whenever required and on little notice. APGA has argued in testimony before Congress that requiring a public gas system to clear its transactions would significantly impair that system's hedging strategy and place an increased financial and operational burden on the communities and consumers they serve.

APGA had also worked to replace language in the bill that would place a fiduciary duty on a swap dealer when entering into swaps with all state and local governments and instrumentalities. APGA was extremely concerned that swap dealers will be less inclined to make a deal with public gas systems if they have to act as their fiduciary. This language was replaced in conference committee with language from the House conferees that established, among other things, additional requirements on a swap dealer when they enter into transactions with a state or local government. One concern APGA has expressed with this new language relates to a requirement that calls for a municipality, including a public gas system, to have in place an "independent representative" that evaluates swap transactions the entity is involved in. APGA has communicated to Congress that in some cases a utility already has an employee in place whose job is to handle the day-to-day hedging operations of the system and it is unlikely that a third party would have the knowledge of the in-house employee. In addition, the significant additional costs of hiring a third-party will be passed directly onto consumers. APGA is working to get a clarification from Congress that an "independent representative" only has to be independent of the swap dealer or major swap participant and an in-house employee can be used to fill this role.

A copy of the derivatives section of the bill is available on the APGA website at www.apga.org. On June 30, the House passed the final conference report by a vote of 237-192. The Senate plans to take up the conference report the week of July 12. 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.

Elected and Appointed Officials Invited to San Diego Breakfast

The APGA Research Foundation is hosting a plated breakfast on Tuesday, July 27, and all elected and appointed officials at the APGA Annual Conference are invited to attend. Many public gas systems are either investing or considering investing in natural gas research and development through the APGA RF. The breakfast will be an opportunity to hear about recent and imminent R&D successes important to the health of the gas industry from RF board members and Ron Edelstein of GTI.

The APGA RF is a not-for-profit corporation that serves as the “bank” for public gas system voluntary R&D contributions. The Foundation provides public gas systems with their own organization to collect and allocate voluntary R&D dollars to important to public gas customers. The Foundation identifies and prioritizes research projects and ensures that project deliverables are tracked and met. Those deliverables always include commercialization prospects, values and schedules. The APGA RF has over 150 investors that serve about 2.5 million customers.

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

Mark Your Calendars for the 2010 Fall Operations Workshop

Plan now to attend the 2010 Natural Gas Fall Workshop scheduled for September 13-16 in Athens, AL. APGA’s partners in sponsoring this workshop are Tennessee Gas Association, Southern Gas Association, Mississippi Natural Gas Association, Mississippi Public Service Commission, Municipal Gas Authority of Georgia, the Tennessee Regulatory Authority, the City of Athens Utilities and the Alabama Natural Gas Association.

Many of the sessions will be conducted at the Leak City training facility and will focus on Operator Qualification covered tasks. Sessions held at Leak City will include testing and evaluation which can satisfy OQ requirements. The target audience for the operations focused workshop is field level operating professionals. However, engineers (continuing education), supervisors, team leaders and managers will benefit from the Professional Development Workshop. Supervisors, managers and directors will benefit from the Regulatory Compliance Round Table and the Safety Round Table. Exhibitor opportunities are available for Affiliate members. Training will be provided by manufacturer’s and affiliates.

To learn more about the joint workshop program description, how to register and pricing information or go to the following website: <http://www.southerngas.org/index.php/event-calendar/445>.

For further information contact John Erickson, APGA Vice President, Operations (202-464-2742, ext 1002 or jerickson@apga.org).

APGA Annual Conference: SAN DIEGO 2010

If you haven't heard, the home of this year's Annual Conference is sunny San Diego on July 25-28 at the Sheraton San Diego Hotel & Marina. The location with an overlook of a gorgeous marina and near fabulous restaurants, historic districts, shopping and family entertainment is an ideal spot to learn and play.

The three-day conference is geared specifically for public gas managers, board members, city council members, associates, operations personnel and other industry figures. The agenda is packed with the latest trends and interesting speakers including FERC Commissioner Marc Spitzer. There will also be numerous networking opportunities with our exhibitors that bring the newest technologies and products to help you do your job and serve your customers better. To register for this conference please go to www.apga.org.

To make your room reservations, please call the hotel at: 619-291-2900.

To become an exhibitor, sponsor or to advertise at this conference please contact Sheila Deringis at 202-352-1193 or at sderingis@apga.org.

Tours:

Want to see the famous San Diego Zoo, get splashed at Sea World, or take a gorgeous wine tour or harbor cruise? To register or if you have any questions, please email apga@tmmdmc.com. *All tour registration forms must be received by July 2, 2010. Tour requests will not be accepted by phone.*

Weekly Storage Report

Here is the weekly EIA Summary Report issued on Thursday, July 1, 2010, that reports last week's storage report highlights for Friday, June 25, 2010. A 60 Bcf increase has been reported.

Summary

Working gas in storage was 2,684 Bcf as of Friday, June 25, 2010, according to EIA estimates. This represents a net increase of 60 Bcf from the previous week. Stocks were 27 Bcf less than last year at this time and 287 Bcf above the 5-year average of 2,397 Bcf. In the East Region, stocks were 72 Bcf above the 5-year average following net injections of 42 Bcf. Stocks in the Producing Region were 123 Bcf above the 5-year average of 820 Bcf after a net injection of 8 Bcf. Stocks in the West Region were 91 Bcf above the 5-year average after a net addition of 10 Bcf. At 2,684 Bcf, total working gas is within the 5-year historical range.