



## Weekly Update July 30, 2009

### APGA Testifies Before the CFTC

On July 28, Laura Campbell, Assistant Manager of Energy Resources for Memphis Light, Gas & Water, testified on behalf of APGA at a Commodity Futures Trading Commission (CFTC) hearing on position limits. The hearing was the first of several hearings that the CFTC will be holding on market oversight. Other witnesses at tomorrow's hearing include: Senator Bernie Sanders (I-VT); Congressman Bart Stupak (D-MI); Jeffry Sprecher – CEO of the Intercontinental Exchange; Terry Duffy – Executive Director of CME; Todd Petzel – Offit Capital Advisors LLC 's Chief Investment Officer on behalf of the Futures Industry Association; Ben Hirst - Senior Vice President & General Counsel for Delta Airlines; and Sean Cota – President of Cota & Cota on behalf of the Petroleum Marketers Association of America. CFTC Chairman Gensler began the hearing with the statement that “we must aggressively use all existing authorities to ensure market integrity and efficiency.” Chairman Gensler went onto state that the CFTC must seriously consider setting strict position limits in energy markets. He also stated that position limits can enhance market liquidity by promoting more market participants rather than having a few market participants with large concentrations.

APGA's testimony stated that position limits were appropriate for markets, such as natural gas, that have constrained deliverable supplies. The testimony also stated that unified position limits are necessary to eliminate the possibility of traders being able to move positions from one market to another in order to evade position limits. The testimony also focused on APGA's concerns with proposals in Congress and the Administration to require the clearing of over-the-counter (OTC) derivatives. The mandated clearing of all OTC transactions would require public gas systems to be able to post margin and to 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). As stated in the testimony, “this would have a significant impact upon the financial operations of these systems, ultimately increasing the cost to the consumer.”

A copy of Laura Campbell's testimony is available on the APGA website at [www.apga.org](http://www.apga.org). It is anticipated that both the House and Senate will take-up financial overhaul/derivatives reform legislation later this year and OTC clearing and position limits will be issues that will be debated in the context of this legislation. 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](mailto:dschryver@apga.org).

### EIA Weekly Storage Report

Here is the weekly EIA Summary Report issued Thursday, July 30, 2009. A 71 Bcf increase has been reported.

EIA Storage Report Highlights for Friday, July 24, 2009:

#### Summary

Working gas in storage was 3,023 Bcf as of Friday, July 24, 2009, according to EIA estimates. This

represents a net increase of 71 Bcf from the previous week. Stocks were 571 Bcf higher than last year at this time and 478 Bcf above the 5-year average of 2,545 Bcf. In the East Region, stocks were 132 Bcf above the 5-year average following net injections of 56 Bcf. Stocks in the Producing Region were 265 Bcf above the 5-year average of 794 Bcf after a net injection of 16 Bcf. Stocks in the West Region were 80 Bcf above the 5-year average after a net drawdown of 1 Bcf. At 3,023 Bcf, total working gas is above the 5-year historical range.