



## Weekly Update March 25, 2010

### **Operations Conference A Success!**

Over 60 people participated in the first Operations Conference co-sponsored in Springfield, Missouri March 22-24 by APGA and the Security and Integrity Foundation (SIF). The two-day conference included presentations and roundtable discussions on topics including public awareness, the APGA GOAL program, meter change out policies, excess flow valve experience and much more. Five Associate members also displayed their products and services in the exhibit area.

John Twilly of Springfield Utilities welcomed the attendees Monday afternoon, followed by a welcome from APGA Operations and Safety Committee chairman Jim Hodges and SIF Chairman Leonard Phillips. Two special half-day programs focused on new programs developed by the Security and Integrity Foundation. Tuesday morning covered, "How to survive a compliance audit" conducted by Gerry Lee of the SIF with help from Dale Johanson of the Missouri Public Safety Commission. Wednesday morning there was a demonstration of SHRIMP (Simple Handy Risk-based Integrity Management Plan). APGA's John Erickson showed attendees how to use SHRIMP to write a Distribution Integrity Management Program (DIMP) plan using actual data from Jackson Energy Authority. This portion of the program was webcast live to additional participants around the country.

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

### **APGA and AGA Meets with HUD**

March 24, APGA and AGA had a follow-up meeting with Housing and Urban Development (HUD) officials to further discuss their initial exchange in December 2009. The gas utility industry learned several new things.

In mid-2009 HUD, EPA and DOT entered into an interagency partnership on Sustainable Communities and adopted guiding 'principles' they will use to coordinate federal transportation, environmental protection, and housing investments at their respective agencies. In February 2010, HUD established its new Office of Sustainable Housing and Communities. In HUD's words, this new office "will help build a clean energy economy through investments in more energy efficient homes..."

Our meeting was with Jim Lopez, the Deputy Director of Energy and Climate Change in the new Office of Sustainable Housing and Communities. Jim outlined his responsibilities and those of his staff. All are germane to gas utilities, including revising existing policy on appliance purchases for HUD financed public or private housing.

Industry believes HUD has historically ignored the comparative efficiencies and carbon footprints of natural gas and electric residential appliances. Our meeting reinforced the gas industry's support for direct use of natural gas and full-fuel-cycle energy analysis as the only equitable, pro-environment, pro-

consumer path for comparing the efficiency and carbon emissions of multi-fuel appliance options as well as emerging technologies. We summarized and shared several supporting documents including:

- The May 2009 National Academy of Science recommendation that DOE implement source-based energy measurement of multi-fuel appliance options ([www.apga.org/files/public/EERE.pdf](http://www.apga.org/files/public/EERE.pdf));
- The June 2009 GTI study that demonstrates the clear environmental benefits of direct use of natural gas (<http://www.apgarf.org/files/public/GTIreport.pdf>);
- The President's October 2009 Executive Order that requires federal agencies to improve their carbon footprint and energy efficiency. The EO adopts a source-based energy approach for measuring the carbon footprint of agency activities, including the GHG emissions from purchased electricity ([www.apga.org/files/public/2009EO.pdf](http://www.apga.org/files/public/2009EO.pdf));
- The March 2010, new International Green Construction Code (IgCC) that adopts source-based energy measurement to allow rational fuel switching and equitable treatment of advanced multi-fuel technology options (Detailed information on the IgCC, including the availability to download the document, can be found at the IgCC website, <http://www.iccsafe.org/IGCC>);
- The GTI authored article, "Natural Gas: The Natural Choice for Building" that appeared in the winter 2009 edition of "The Source." The article clearly demonstrates direct use of natural gas in buildings can provide the least-cost option for major reductions in CO2 emissions compared to electric and oil equipment on a full-fuel cycle basis (<http://www.nxtbook.com/nxtbooks/naylor/PGAQ0409/index.php?startid=12>); and
- EPA's tutorial on why it uses full-fuel-cycle analysis for commercial buildings as opposed to site energy at: [http://www.energystar.gov/index.cfm?c=evaluate\\_performance.bus\\_benchmark\\_comm\\_bldgs#diff](http://www.energystar.gov/index.cfm?c=evaluate_performance.bus_benchmark_comm_bldgs#diff)

Mr. Lopez evidenced a positive appreciation for the industry's positions on direct use of natural gas and full-fuel-cycle energy measurement and will, when implementing the President's Executive Order cited above, give those principles serious consideration. He will also consider asking APGA and AGA to join HUD's energy planning activities. Finally, he asked industry to set up meetings with other members of his staff to spread the good words on natural gas.

For further information contact Bob Beauregard at 202-464-2742 or [bbeauregard@apga.org](mailto:bbeauregard@apga.org).

**Bert Kalisch, President & CEO, American Public Gas Association, set to give the Keynote on Wednesday, April 14 at the LDC Gas Forum Southeast**

7:30 - 8:30 a.m. APGA Member Breakfast

9:30 - 10:30 a.m. Keynote - Regulatory Update: The LDC Perspective

With a comprehensive climate change legislation looking less likely, what might a less ambitious energy bill include? While the Regulatory Roller Coaster in 2009 was full of turns, what can we expect in 2010 while moving towards the mid-term election? Will the trading limits and other proposed legislation

surrounding the community markets come to pass? How will trading, efficiency standards, financial & climate reforms affect the natural gas markets?

**Gas Buyers Forum April 14, 11:00 a.m. – 12:00 p.m.**

Our gas buyer panelists will give you solid and valuable insight into what is currently working, what they have learned from the recent high volatility and what they will do differently next time.

- How is the price of gas affecting usage?
- Long term contracts - today vs. yesterday
- Regulatory concerns
- How will LNG, shale or pipeline capacity affect buying patterns
- How is storage being utilized and will this change with today's pricing?

**Moderator:**

Mr. Scott Harwell, Director, Marketing, Tenaska Marketing Ventures

**Panelists:**

- Mr. Bill Cummings, Energy Supply Leader, Kimberly-Clark Corporation
- Mr. Daniel P. Lopez, Group Manager, PepsiCo Energy & Utilities Group
- Mr. Carl Haga, Director, Gas Services, Southern Company
- Mr. Garth Renfrow, Director, Gas Supply, Texas Gas Service

For questions about the LDC Gas Forum Southeast contact Christy Coleman at 713-343-1873.

**Senate Banking Committee Approves Financial Reform Legislation**

On March 22, the Senate Banking Committee approved financial reform legislation, entitled the Restoring American Financial Stability Act of 2010, on a 13-10 straight party-line vote. The over 1,300 page bill, entitled the Restoring American Financial Stability Act of 2010, would significantly revise the oversight and regulation of the financial/banking community. The bill has 11 major components that address issues ranging from banking and hedge funds to derivatives, executive pay and insurance. An issue that APGA has been working on relates to how the legislation would address regulation of the over-the-counter (OTC) market. APGA supports provisions in the bill that would increase transparency in the OTC market. However, the legislation also includes provisions regarding the mandated clearing of OTC transactions.

While there is an exemption from the mandated clearing requirements for end-users, APGA is extremely concerned that the exemption is too restrictive and would be difficult to obtain.

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 meetings with Commodity Futures Trading Commission Chairman 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 Senate Agriculture Committee also is working on OTC reform legislation and the Committee is anticipated to release its version of an OTC reform bill in the near future. After the Agriculture Committee marks-up the legislation, the Committees and leadership will negotiate a final OTC title that will then be merged in the financial reform legislation prior to the full Senate taking up the bill. 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. 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).

### **APGA and other Natural Gas Associations Urge Senators to Join Natural Gas Caucus**

On March 24, APGA joined several other natural gas associations in a letter to Senators urging them to join the Senate Natural Gas Caucus. Other associations that signed the letter included: the American Gas Association; the Natural Gas Supply Association of America and the Interstate Natural Gas Association of America. The Senate Natural Gas Caucus was established last October by Senator Mary Landrieu from Louisiana and Saxby Chambliss from Georgia. As stated by Senator Landrieu, the caucus was formed "to raise the profile of the benefits of natural gas."

The letter communicates to Senators that joining the caucus "will add attention to the fact that clean natural gas is a key component in the backbone of America's manufacturing future – and American jobs." The letter goes on to state that "Clean natural gas can also quickly help the United States achieve dramatic improvements in our nation's carbon reduction targets. The direct use of natural gas for home heating, water heating and cooking preserves 60 percent more usable energy than electricity for the same applications, making direct use the more efficient, cost-effective and carbon friendly choice."

A copy of the joint association letter is available on APGA's website at [www.apga.org](http://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](mailto:dschryver@apga.org).

### **Weekly Storage Report**

Here is the weekly EIA Summary Report issued on Thursday, March 25, 2010, that reports last week's storage report highlights for Friday, March 19, 2010. A 11 Bcf decline has been reported.

#### **Summary**

Working gas in storage was 1,626 Bcf as of Friday, March 19, 2010, according to EIA estimates. This represents a net increase of 11 Bcf from the previous week. Stocks were 28 Bcf less than last year at this time and 121 Bcf above the 5-year average of 1,505 Bcf. In the East Region, stocks were 64 Bcf above the 5-year average following net withdrawals of 10 Bcf. Stocks in the Producing Region equaled the 5-year average of 581 Bcf after a net injection of 19 Bcf. Stocks in the West Region were 57 Bcf above the 5-year average after a net addition of 2 Bcf. At 1,626 Bcf, total working gas is within the 5-year historical range.