

Weekly Update – May 27, 2010

APGA Expresses Support for Legislation that Helps Communities Obtain Natural Gas Service

On May 27, APGA sent a letter to Senate Majority Leader Reid in support of legislation he introduced that day entitled “The Clean Energy Infrastructure for Rural Communities Act of 2010”. The legislation would expand federal loan programs to allow the Department of Agriculture to provide a federal loan to communities that want to create a public or cooperatively-owned gas system. Specifically, the legislation would amend the Consolidated Farm and Rural Development Act to authorize federal loans for “improving the economic and environmental climate by encouraging the development and construction of infrastructure to provide access to natural gas in rural communities”.

In its letter, APGA states that the legislation would provide critical federal financial assistance to communities interested in obtaining natural gas service and that increasing the direct-use of affordable and reliable natural gas provides many benefits including the reduction of greenhouse gas emissions. The letter further states that while “many communities, particularly small and rural areas, lack the resources and ability to develop the needed infrastructure to supply natural gas service to their residents” and that “providing financial assistance to these communities will give them the tools they need to establish a natural gas system to the benefit of their community, businesses and residents.”

A copy of the letter to the Majority Leader is available on the APGA website at www.apga.org. The Majority Leader’s office has indicated that they may attempt to attach this legislation to an energy bill when it comes to the Senate floor. 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.

Senate Passes Financial Reform Legislation

On May 20, after several weeks of debate the Senate passed financial reform legislation. The bill, entitled The Restoring American Financial Stability Act of 2010, would impose new rules on the financial system and establish a new consumer protection agency. The bill would also establish new rules on derivatives trading. It was this section of the legislation that was a primary focus

of APGA. Earlier drafts of the legislation did not provide an exemption from mandatory clearing provisions for end-user hedgers such as public gas systems. 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 that requiring public gas systems 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. Working with other end-users, such as the American Gas Association, APGA was able to successfully include an exemption in the final bill for end-user from the mandatory clearing provisions.

However, language was added to the bill that would significantly alter and potentially eliminate the ability of public gas and power systems to hedge on behalf of their customers in the over-the-counter derivatives market. Specifically, the bill mandates that swap dealers have a fiduciary relationship when entering into swaps with all state and local governments and instrumentalities. APGA is 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. The swap dealer takes the opposite side of a transaction from the end-user. Accordingly, it is inconsistent with the fundamental structure of a swap transaction to provide that the dealer should also act as a fiduciary. APGA has communicated to the Senate that the ultimate result of this provision would be that public gas systems would no longer be able to use these markets to hedge on behalf of their customers, thus subjecting them to greater price volatility and increased rates.

APGA has been working with congressional staff to fix this issue as part of a manager's amendment that was anticipated to be offered. Unfortunately, due to time constraints the manager's amendment was not offered. APGA will work to address the issue in the conference committee formed to resolve differences between the Senate-passed bill and the financial reform legislation passed by the House last December. 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.

2010 M&S Award – Make Your Submission by June 28!

APGA invites you to participate in the 2010 APGA Marketing & Sales Award competition. This award encourages APGA members to submit their marketing or sales program, project, or customer service campaign to be considered for recognition. The judges will focus on specific gas marketing or projects and programs with measurable results. They also will ask the system to specify a key project leader(s). APGA asks your permission to post entries on its website.

Criteria for Entry:

1. The gas marketing or sales program, project, promotion, or service must be active in 2009/2010 and have measurable results to demonstrate value.
2. Appliances (if applicable) must have been installed in 2009.
3. Entries must be received by Monday, June 28, 2010 to be eligible.
4. The winning public gas system will be presented the award at the APGA Annual Conference in San Diego, CA in July. The winning public gas system will also be invited to send a representative to make a presentation on their award winning program at the March 2011 Marketing & Sales Trends and Training Conference.

Please view the entry form at www.apga.org/2010MSAwardForm. Complete and return the form no later than June 28, 2010. Supporting collateral and documentation must be sent in electronic format to bbeauregard@apga.org.

APGA's John Erickson to Speak at Public Awareness Workshop

On June 30, 2010, PHMSA is co-sponsoring a one-day public awareness workshop with the National Association of Pipeline Safety Representatives (NAPSR) at the Hotel Intercontinental in Houston, Texas from 8:00 am to 5:00 pm (CT).

John Erickson has been invited to speak on behalf of public gas systems. He will emphasize the results of the APGA GOAL program that nearly 200 systems are using to measure the effectiveness of their gas safety education to customers and non-customers living near distribution lines. This is timely since utilities must complete their first effectiveness assessment no later than June 20.

To view the preliminary agenda and register for the PHMSA/NAPSR workshop or webcast, use this link:

<http://primis.phmsa.dot.gov/meetings/MtgHome.mtg?mtg=65&nocache=9351>

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

TAKE THE SURVEY!

APGA is conducting an on-line survey of members to learn more about how members are complying with the public awareness regulation. This survey will help build our discussion for the next Operations and Safety Committee roundtable on public awareness at 2 pm Eastern Tuesday June 22.

Please take a few minutes to take a short survey on public awareness at <http://www.surveymk.com/s/publicawareness>.

During the call several APGA members will describe how they approach public awareness and then the call will be opened for general discussion. Information gleaned from the roundtable and survey will provide good preparation for APGA to participate in PHMSA's workshop.

To participate on the call please dial 800-377-8846, password 36861700 or register online at www.agpa.org/roundtable.

APGA's Bert Kalisch to Speak at IUB Conference in Des Moines

The Iowa Utilities Board's (IUB) Safety and Engineering Section, in partnership with the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) Training and Qualifications group, will hold its biennial Pipeline Safety Educational Conference on Tuesday, June 22 thru Thursday, June 24 in West Des Moines, IA. APGA president and CEO Bert Kalisch will address the conference on integrity management, pipeline safety reauthorization, and other issues that could impact the operation of a gas utility.

The conference provides an opportunity for pipeline operators, gas industry personnel, managers, supervisors, trainers, engineers, emergency services, excavators, locators, and technicians throughout the state to receive updates on the latest rules and regulations, learn about hot topics in the industry that will prepare you for the upcoming challenges in pipeline and excavation safety, and network with industry colleagues and product vendors. The

conference will offer general sessions in addition to breakout sessions on Regulations, O&M, Damage Prevention, Lessons Learned, and New Technology.

The Conference will be held at the newly built West Des Moines – Jordan Creek Holiday Inn Hotel & Suites. Rooms have been reserved at the special Conference rate of \$86 per night. To receive the conference rate please call 866-397-5044. For more information on the conference, contact Cynthia Munyon at the IUB at 515-281-5740.

Weekly Storage Report

Here is the weekly EIA Summary Report issued on Thursday, May 27, 2010, that reports last week's storage report highlights for Friday, May 14, 2010. A 104 Bcf increase has been reported.

Summary

Working gas in storage was 2,269 Bcf as of Friday, May 21, 2010, according to EIA estimates. This represents a net increase of 104 Bcf from the previous week. Stocks were 71 Bcf higher than last year at this time and 318 Bcf above the 5-year average of 1,951 Bcf. In the East Region, stocks were 117 Bcf above the 5-year average following net injections of 55 Bcf. Stocks in the Producing Region were 115 Bcf above the 5-year average of 730 Bcf after a net injection of 31 Bcf. Stocks in the West Region were 86 Bcf above the 5-year average after a net addition of 18 Bcf. At 2,269 Bcf, total working gas is above the 5-year historical range.