



Weekly Update October 22, 2009

House Agriculture Committee Approves OTC Legislation

On October 21, the House Agriculture Committee approved by a bipartisan voice vote over-the-counter (OTC) reform legislation entitled the Derivative Markets Transparency and Accountability Act of 2009. The legislation, among other things, would establish new rules for the over-the-counter OTC markets including enhanced transparency and position limits. APGA had expressed strong concerns in regard to language that was previously in the bill that addressed the mandated clearing of OTC transactions. Mandated clearing would require a public gas system to post initial margin and to meet potential margin calls whenever required on little notice. APGA expressed concerns in testimony before the Congress and more recently in a meeting with Commodity Futures Trading Commission Chairman Gensler regarding the impact mandated clearing would have upon the financial ability of public gas systems to engage in gas supply strategies.

APGA's concerns regarding mandated clearing were addressed as part of a Manager's Amendment offered by the Chairman of the Committee, Colin Peterson (D-MN). As a result of the Manager's Amendment, which was agreed to by voice vote, the legislation would not require public gas systems to clear their transactions even if their counterparty is a Tier 1 Financial Holding Company (i.e. a large bank). Many APGA members met with, and sent letters to their congressional representatives on this issue including representatives from Minnesota meeting with Chairman Peterson. Those efforts certainly helped ensure that APGA's concerns were addressed as part of this legislation.

The next step will be for the House Leadership to work with the Financial Services Committee and Agriculture Committee towards developing a final OTC reform bill which can be brought to the floor. Congressional staff have indicated the bill could come to the House floor in November. The Senate has yet to began debate on its version of this legislation but the Senate Agriculture Committee has indicated that they may begin holding hearings 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.

APGA speaks to Tennessee Natural Gas Association

APGA Government Affairs Director Nate Hill spoke to members the Tennessee Gas Association during the group's fall management conference in Chattanooga, TN on October 20 and 21. Hill was invited to give an update on issues Congress and the Executive Branch are working on that could impact public gas systems.

Hill told the group that while energy and climate change legislation remain a top priority, Congress does not have enough time left on the calendar this year to pass a bill through both chambers and get to the President for signature. There is a possibility for passage next year, although the odds become more difficult in an election year. The House of Representatives passed an energy and climate change bill in June entitled the American Clean Energy & Security Act that would among other things, set up a cap and trade program to address U.S. greenhouse gas emissions. The action is now focused on the Senate which has only just begun the bulk of the heavy lifting on climate change issues. Two leading climate Senators, Barbara Boxer and John Kerry, released a draft climate change bill in September. Five different Senate committees have expressed interest in holding hearings, markups or both on the bill. This will take considerable time this fall and winter. Hill expressed APGA's concerns about the legislation including the increased regulatory burden on public gas systems, the potential for massive fuel switching from coal to natural gas for electric generation and others.

Hill said that legislation to regulate derivatives and other Wall Street financial products currently has more momentum in Congress than energy and climate change legislation. APGA testified before the House Agriculture Committee in September and has participated in several meetings with committee staff and Commodity Futures Trading Commission Chairman Gary Gensler expressing that public gas system's hedging and pre-pay transactions should be exempted from these regulations. APGA suggests that regulation should focus on those entities that pose systemic risk to the US financial system like AIG and not end-user public gas system transactions that pose no risk.

Third, Hill told the group about APGA's efforts to encourage Congress and the Dept. of Interior to open more federal areas for exploration and production of natural gas. APGA has long said that increased domestic supply is a fundamental component of long-term affordable natural gas. Finally, a quick update was given on future pipeline safety regulations and the new tools that APGA is developing to help public gas systems comply with the soon-to-be-released Distribution Integrity Management Plan (DIMP). APGA has developed an online software product called the Simple, Handy, Risk-based, Integrity Management Plan (SHRIMP) to help public gas systems develop their DIMP plans. You can get more information on SHRIMP by visiting www.apga.org.

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

Are you ready? DIMP rule coming soon!

The Distribution Integrity Management Programs (DIMP) rule will be issued any day now and will require utilities to develop a written DIMP plan meeting specific requirements and customized for the unique construction and maintenance history of each utility. The APGA Security and Integrity Foundation (SIF) have developed the SHRIMP on-line DIMP plan development tool to make writing a plan easy and inexpensive. SHRIMP is scheduled to be released this November in time for the issuance of the final DIMP rule. For further information please contact John Erickson, APGA Vice President, Operations 202-464-0834 1002 or jerickson@apga.org.

CRE Webinar

On October 27 at 2:00 pm EST spend An hour to learn all about the CRE and see a demonstration all of the new CRE creative materials, how to use the library and materials, case studies, etc. This webinar for all CRE members and potential members will feature an intro from Donna Peeples (CRE Board Chair) mentioning all of the deliverables that have been created over the past year.

Following Donna, a video tutorial showing how to use the Creative Library will be presented (this video will be placed on the member's web site following the webinar to allow members to review how to use the tools and materials). Also to be shown, will be some examples and case studies of how other members have been using the materials. Members will likely benefit more from this approach as it will answer a lot of their questions about use—and highlight the value—of all of the CRE materials. The webinar will conclude with a Q&A session and a wrap-up by Donna Peeples.

To learn more and sign up go to www.cremembers.org.

Weekly Storage Report

Here is the weekly EIA Summary Report issued on Thursday, October 16, 2009, that reports last week's storage report highlights for Friday, October 16, 2009. An 18 Bcf **increase** has been reported.

Summary

Working gas in storage was 3,734 Bcf as of Friday, October 16, 2009, according to EIA estimates. This represents a net increase of 18 Bcf from the previous week. Stocks were 397 Bcf higher than last year at this time and 432 Bcf above the 5-year average of 3,302 Bcf. In the East Region, stocks were 114 Bcf above the 5-year average following net injections of 11 Bcf. Stocks in the Producing Region were 252 Bcf above the 5-year average of 935 Bcf after a net injection of 5 Bcf. Stocks in the West Region were 65 Bcf above the 5-year average after a net addition of 2 Bcf. At 3,734 Bcf, total working gas is above the 5-year historical range.