



Weekly Update August 13, 2009

APGA Members Meet for 48th Annual Conference

On August 2nd, APGA began its 48th Annual Conference which was held at the Hyatt Regency hotel in Indianapolis, IN. Approximately 200 APGA members attended the conference. The event began on Sunday, August 2nd with a reception at the Indianapolis Motor Speedway Hall of Fame Museum. On Monday, the conference began with an update on APGA's activities over the past year by Mike Comstock, Chairman of the APGA Board of Directors and Deputy Director of the Energy Resources Department for the City of Mesa, AZ. Mike was followed by a natural gas market outlook presented by David Pentzien, Vice President of Sales and Marketing for ProLiance Energy. After a number of award presentations, there was a panel discussion on climate change legislation and the impacts it will have on the natural gas industry. The panel was moderated by Kathy Garcia, Manager for Federal and State Relations for CPS Energy, who began the discussion with an overview of climate change legislation currently being considered in Congress. The panel for the discussion was made up of: Carey Lykins, President and Chief Executive Officer of Citizens Energy Group in Indianapolis; Tom Black, Chief Energy Services Officer for Colorado Springs Utilities, CO; and Charles Young, Deputy City Manager for the City of Hamilton, OH. The day ended with a presentation on customer service by Bryan Townsend. In the evening, participants attended an ice cream social.

On Tuesday, the day began with a presentation on the regulation of natural gas financial markets by Commissioner Bart Chilton of the Commodity Futures Trading Commission (see article on page three). Bert Kalisch, APGA's President & CEO, then provided an overview of APGA's strategic plan and the initiatives taken under that plan. Mark Smith, an Alternative Fuel Vehicle Consultant for Homeland Energy Resources Development, and Mark Riley, General Manager of the Midwest and Eastern US for Clean Energy, discussed the role of natural gas vehicles and the fueling infrastructure needed for them. The session concluded with a presentation by Phillip Van Hooser on transformational leadership. In the evening, the Chairman's Dinner was held at the roof ballroom in the Indiana Repertory Theater. The dinner featured a number of awards presentations and the entertainment was veteran comedian Vic Henley.

The Annual Conference ended on Wednesday with the Annual Meeting of the membership. Attendees approved a motion that froze membership dues for 2010 at 2009 levels. The membership also approved policy resolutions (see article on page five). Many of the presentations made during the conference are available on the APGA website at www.apga.org. To view more photos from the conference, please go to pages 10 and 11.

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.

CFTC Commissioner Chilton Speaks at APGA Annual Conference

On August 4th, Commissioner Bart Chilton of the Commodity Futures Trading Commission (CFTC) spoke to APGA members at the 48th Annual Conference in Indianapolis, IN. Commissioner Chilton's remarks focused on regulation of the financial markets. Specifically, Commissioner Chilton stated that regulation of energy trading is not moving fast enough. He stated that there is a need for greater transparency, comprehensive regulation, clearing of standardized over-the-counter products, position limits and other measures that should be taken. Commissioner Chilton further stated that there needs to be a balanced approach that recognizes the need for congressional legislation that enacts regulatory reform in coordination with the CFTC existing authorities. He expressed concerns that if the right balance of regulation is not struck, there is potential for trading to go overseas or to unregulated dark markets.

APGA has been a strong supporter of increasing natural gas market transparency as a means to restore consumer confidence in the markets and help detect and deter market manipulation and other abuses. However, APGA has also expressed strong concerns with recent proposals in Congress and the Administration to require the clearing of over-the-counter 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). The concern is that public gas systems often don't have the resources to post the collateral associated with clearing a transaction. Prepays are large transactions and because of their size mandatory clearing would virtually eliminate prepays as well as significantly impact the hedging strategies of public gas systems.

A copy of Commissioner Chilton's speech is available on the members' only side of the APGA website at 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.

Senator Cantwell Questions FERC Nominee on NGA Section 5

On Thursday August 6th, the U.S. Senate Energy and Natural Resources committee held the confirmation hearing for John Norris to be the next Commissioner at the Federal Energy Regulatory Commission (FERC). Norris would fill the open seat left on the Commission after the retirement of former Chairman Joseph Kelliher. Norris served five years as Chairman of the Iowa Utilities Board and most recently as Chief of Staff to U.S. Secretary of Agriculture Tom Vilsack.

During the hearing, Senator Maria Cantwell from the state of Washington pressed Norris to consider the merits of openly supporting Natural Gas Act (NGA) Section 5 reform to give FERC authority to set a refund effective date for consumers who file Section 5 cases against an interstate pipeline. Cantwell urged that Norris join the four other serving FERC commissioners

in openly supporting the need to reform NGA Section 5. Norris said he'd look further into the issue but noted that to him it seems refund authority has been effective on the electricity side under the Federal Power Act in maintaining just and reasonable rates. APGA has been working closely with Cantwell's office since February to include NGA Section 5 reform in the broader energy bill moving through Congress.

Mr. Norris's nomination must now be voted out of the U.S. Senate Energy and Natural Resources Committee before his nomination goes before the full Senate for a final confirmation vote.

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

APGA Membership Approves Policy Resolutions

At the Annual Meeting, held in conjunction with APGA's 48th Annual Conference, APGA membership approved policy resolutions for 2009-2010. The new resolutions approved by the membership included resolutions that expressed support for Congress providing FERC with cease and desist authority and federal incentives for natural gas vehicles. APGA has maintained that it is important that regulatory agencies, such as FERC, charged with overseeing markets have the authority and resources needed to protect consumers. As stated in the resolution, "Providing FERC with cease and desist authority would enhance the Commission's ability to protect consumers by providing it with the ability to stop market manipulation and other market abuses immediately." The natural gas vehicle resolution states that these vehicles hold tremendous potential in terms of reducing greenhouse gas emissions and expresses support for federal and state incentives for their use.

The membership also approved revisions to APGA's climate change resolution. Specifically, the revisions to the resolution stated that emissions released from natural gas combustion have declined in recent years and as a result these emissions should be excluded from any federally mandated carbon management program and that if Congress decides to include natural gas emissions in a federal greenhouse gas cap-and-trade program, the point of regulation should be further "upstream" at the processing facility. Upstream regulation would mean fewer points of regulation for monitoring emissions which would simplify the administration of the program. The revisions also expressed that the federal government should allocate a portion of emission allowances and auction revenue to publicly-owned local distribution companies to help consumers offset the cost of rising energy prices that will be caused by climate change legislation. Particularly under a cap-and-trade program, a portion of the federal revenue generated from the auction of permits to emit greenhouse gases should be allocated to natural gas LDCs because they are closest to the consumer and have a history in dealing with the consumer.

A copy of APGA's policy resolutions are available on the APGA website at www.apga.org. If you have any questions on this article, please contact Dave Schryver of APGA's staff by email at dschryver@apga.org or by phone at 202-464-2742.

Alternative Fuel Vehicles . . . An Annual Conference Highlight

Mark Riley of Clean Energy* and Mark Smith of American Honda** collaborated on a presentation that demonstrated the very real transportation markets for natural gas. Public gas systems have new and exciting opportunities to expand their markets into transportation.

Clean Energy is the largest U.S. provider of vehicular natural gas (CNG & LNG) and a financier and builder of fueling infrastructure for airport and seaport vehicles, for government-owned fleets (refuse and recycling trucks, transit buses and taxis), utilities and telecommunication fleets, school district fleets and private fleets. They also assist customers and potential customers to acquire state and federal grant money to support the purchase or conversion to NGVs and the building of fueling infrastructure. You can see by this list that Clean Energy is focused on the what they term “niche” non-retail markets.

Mark Riley’s presentation can be viewed on the members’ only side of APGA’s website at www.apga.org/ACPresentations. His contact information is on the last slide.

American Honda began its natural gas vehicle business in 1995 with the production of 60 Civic GX demo vehicles for major gas utilities. In 2009, Honda has 51 GX retail dealers and 78 GX fleet dealers spread across 32 states. The Civic GX is now manufactured in Greensburg, Indiana. GX fleet applications include taxi cabs, parking enforcement, community patrol, private business and federal, state, county and municipal governments.

Honda has made very large investments based on the belief that the Civic GX will gain great acceptance in both retail and certain fleet applications.

Mark Smith’s presentation can be viewed on the members’ only side of APGA’s website at www.apga.org/ACPresentations. See Mark’s contact info on his first slide.

Mark Riley and Mark Smith share the view that natural gas is the big winner because it’s cheaper, cleaner and domestic. They are both ready and available to meet with public gas systems to discuss the business opportunities presented by natural gas vehicles and natural gas fueling infrastructure.

For further information, contact Bob Beaugard at 202-464-0831 or bbeaugard@apga.org.

**Mark Riley is Clean Energy’s General Manager for Midwest and Eastern U.S.*

***Mark Smith is American Honda’s AFV Consultant*

APGA and AGA Meet with HUD

On August 6th, Bob Beaugard, APGA and Charlie Fritts, AGA met with Housing and Urban Development Administration officials to tell the natural gas story. They made a series of recommendations and offered themselves as a continuing resource as HUD considers important energy policy and proposals to reduce carbon emissions from buildings and facilities within its jurisdiction. The recommendations were directed at helping HUD achieve near-term reductions in the carbon footprint of homes and buildings.

Bob and Charlie emphasized that natural gas is clean, abundant, domestic, reliable and efficient.

APGA and AGA recommended that HUD create a program that requires federal buildings under its jurisdiction, and the buildings and homes that HUD finances, to install the appliance or technology and use the fuel source that, in combination, reliably provide the required service while producing the lowest carbon emissions. In many cases, the choice will be the direct use of natural gas.

APGA and AGA also recommended the creation of a model building energy performance labeling program that, to be most effective, would:

- Display the annual CO₂ emissions and total energy consumption of the building — it's "carbon footprint" — measured on a full-fuel-cycle (source) basis, as required by the EPA Energy Star program.
- Show the annual usage of each type of energy consumed in a building (e.g. if both electricity and fossil fuel are used within a building, the label will list both kWh and Btu).
- Provide a consistent, verifiable, comparable means for quantifying the environmental impact of buildings of similar characteristics and purpose (e.g. schools, office buildings, etc.).
- Be easily recognized and understood by consumers, builders, architects, code officials and enforcement agencies.
- Serve as a market indicator to encourage builders, architects, engineers and others to incorporate lower CO₂ emissions as a factor in new construction and remodeling projects.
- Encourage the use of building materials, construction practices and equipment that minimize the energy use and CO₂ emissions of buildings.

For more information, please contact Bob Beauregard at 202-464-0831 or bbeauregard@apga.org.

Weekly Storage Report

Here is the weekly EIA Summary Report issued Thursday, August 13, 2009. A 63 Bcf **increase** has been reported.

EIA Storage Report Highlights for **Friday, August 7, 2009**:

Summary

Working gas in storage was 3,152 Bcf as of Friday, August 7, 2009, according to EIA estimates.

This represents a net increase of 63 Bcf from the previous week. Stocks were 592 Bcf higher than last year at this time and 517 Bcf above the 5-year average of 2,635 Bcf. In the East Region, stocks were 163 Bcf above the 5-year average following net injections of 56 Bcf. Stocks in the Producing Region were 279 Bcf above the 5-year average of 794 Bcf after a net injection of 5 Bcf. Stocks in the West Region were 75 Bcf above the 5-year average after a net addition of 2 Bcf. At 3,152 Bcf, total working gas is above the 5-year historical range.