



AMERICAN PUBLIC GAS ASSOCIATION

April 19, 2018

The Honorable Lisa Murkowski
Chairman
Energy and Natural Resource Committee
304 Dirksen Senate Building
Washington, DC 20510

The Honorable Maria Cantwell
Ranking Member
Energy and Natural Resource Committee
304 Dirksen Senate Building
Washington, DC 20510

Dear Chairman Murkowski and Ranking Member Cantwell:

On behalf of the American Public Gas Association (APGA), we appreciate this opportunity to submit testimony to this important hearing addressing the challenges and opportunities facing our rural communities and their infrastructure.

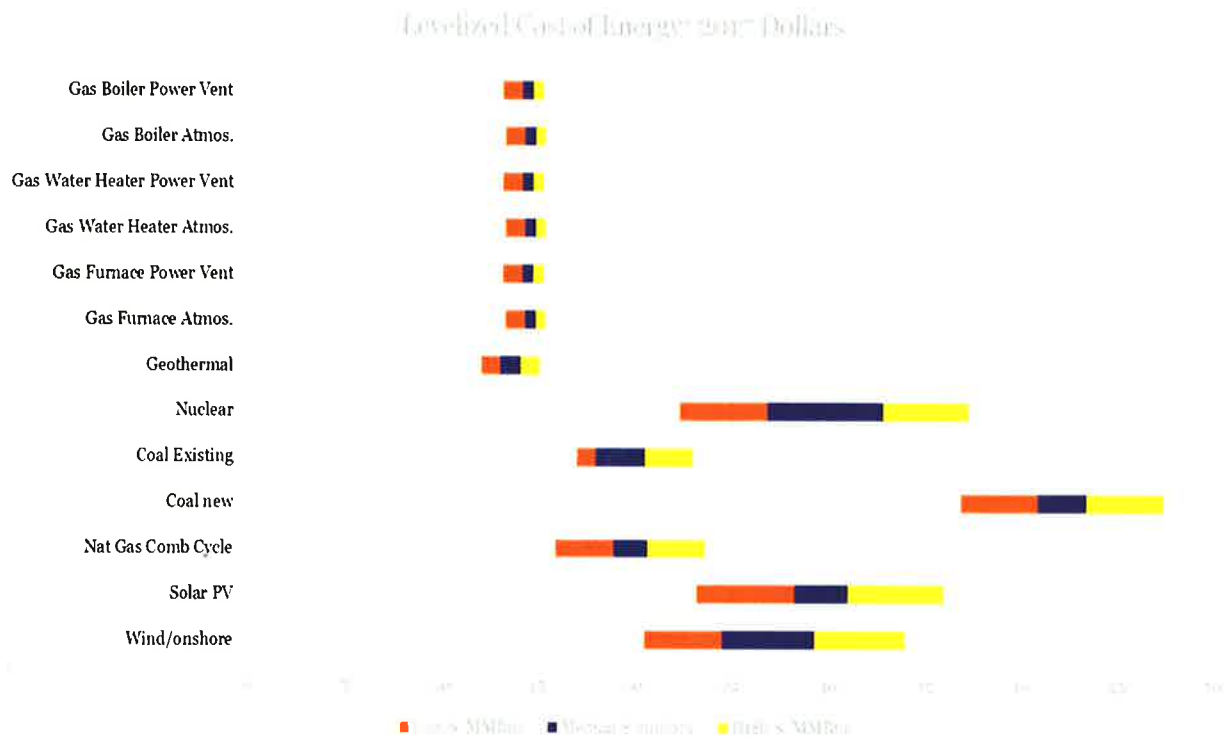
APGA, the national association for municipal natural gas utilities, is in a unique position to offer testimony on this matter because of its members' proximity to the consuming public. APGA represents over 730 public gas systems across the country. The overwhelming majority of the municipal gas utilities in the United States serve rural communities. Our members are retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that own and operate natural gas distribution facilities in their communities.

Natural gas should be a foundation of our energy future. As this Committee begins to address our rural communities' energy infrastructure needs, we encourage the Committee to support dynamic federal programs that allow communities to choose how best to meet their energy needs without establishing any bias or embedded preferences.

Energy cost has a substantial impact on rural and agricultural communities and the commodities they produce because so many areas do not have access to multiple energy resources. The impact of energy cost is felt across many rural economic sectors, such as manufacturing, agriculture, and farming. APGA Members are experiencing high demand for natural gas in many agricultural sectors including crop drying and processing, poultry farming, and greenhouse operations. Farmers in these sectors recognize the value of low cost energy for their operations and some of these farmers have been fortunate enough to be in close proximity to a natural gas distribution system. APGA Members have been unable to meet some of these requests for gas service due to farming locations. We believe increasing natural gas access in rural communities will lower energy bills for both homeowners and businesses, while alleviating potential delivery interruptions often associated with propane, oil and electricity. Among other things, the stable cost of natural gas improves the ability of farmers and agricultural producers to budget future energy costs more accurately.

As the Committee discusses future energy infrastructure needs for America's rural communities, the Committee should not overlook the fact that the direct use of natural gas in America can and should play a critical role in the reliability, resiliency, efficiency, and security of any size energy system.

Natural gas is currently distributed to approximately 75 million homes and businesses nationwide; however, many rural and agricultural communities do not have access to this energy resource. The direct use of natural gas appliances in homes and businesses frees up critical capacity and increases flexibility for the electric grid while lowering overall energy costs, improving overall efficiency, and reducing emissions. Similar to electricity conservation, natural gas appliances reduce the strain on the electricity grid while minimizing the need for the construction of additional generation plants and transmission lines. According to APGA's Levelized Cost of Energy Study,¹ the direct use of natural gas has significantly lowered levelized costs to consumers when compared to any of the electric generation technologies.



The direct use of natural gas for manufacturing, heating, hot water, and cooking provides relief for congested and stressed electrical infrastructure, as well as primary energy for on-site, back-up generators during grid outages. Additionally, technologies such as combined heat and power systems, allow for natural gas to be used directly in on-site power generation. Often lost in the dialogue about the nation's energy resiliency is the fact that not everything needs to be "electrified." Diversity of delivery mechanisms (natural gas pipelines and electric transmission) and fuel sources is key to ensuring overall system reliability.

A fresh example is the current prolonged winter season, including, in particular, the extreme cold weather of January 2018. According to the American Gas Association, local gas utility preparation, and the diversity of gas supply, met an extreme challenge. On January 1, 2018,

¹ APGA published the ["Levelized Cost of Energy: Expanding the Menu to Include Direct Use of Natural Gas"](#) study in August 2017 to look at the levelized cost of electricity generation options and the direct use of natural gas.

forty-two percent of the natural gas delivered to American consumers was sourced from underground storage infrastructure. Domestic production of natural gas sustained 72 billion cubic feet (Bcf) per day, which was supplemented with Canadian imports as high as 8 Bcf per day. Natural gas energy delivered to consumers on January 1 was equal to about 1700 gigawatts (GW) equivalent electricity. To put this in perspective, total generation capacity in the U.S. today is only about 1000 GW.

As the United States continues to benefit from historically low natural gas prices, expanding natural gas direct-use will benefit the nation in several ways. First, natural gas will reduce the negative impact on communities from the tremendous costs associated with the build-out of additional electric generation and transmission assets. Consumers also will benefit from lower monthly utility bills when operating natural gas appliances as compared to electric alternatives.

The Committee should explore increasing gas utilities' ability to expand their distribution capabilities. The expansion of a community's natural gas service is a key component to local and regional economic revitalization. Natural gas provides stable and low-cost energy to manufacturing and industrial businesses – an invaluable benefit that can attract investment and provide increased economic activity across the country. Our members have continued to look for ways to better serve their communities by upgrading and expanding service to new areas. In many instances, upgrades and expansions are driven by the agricultural sector and the desire to provide farms and other agribusinesses with low cost energy.

One of the biggest challenges to serving rural communities is the effort to lower the initial infrastructure cost for end users – also known as “last mile” programs. Due to state and local laws and policies, natural gas utilities must recoup all of the costs associated with expanding into new areas. Buildout can be more difficult in rural areas where lower population density increases the cost per customer. The Committee should explore how the federal government might be able to help lower these front-end costs for farmers and other agribusinesses that are often high energy users. A 2017 National Association of Regulatory Utility Commissioners Task Group on Natural Gas Access and Expansion report (attached to this Testimony) provides an overview of the beneficial impact “last mile programs” have on dramatically lowering businesses' and underserved communities' energy bills.

APGA believes that any infrastructure discussion must include an objective, comprehensive assessment of the benefits of direct use of natural gas, especially in rural communities. Moreover, promoting fuel and delivery diversity is essential to the reliability, resiliency, and security of the nation's energy system. APGA believes that the direct use of natural gas can, and should, play an important role in providing consumers a reliable, diverse, resilient, and secure energy system now and well into the future. We stand ready to work with the Committee on these and all other energy issues.

Sincerely,



Bert Kalisch
President & CEO