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Ohio Gas Association An Update on Legislative/Regulatory Issues Impacting Natural Gas

July 19, 2011



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APGA

- **The** national trade association for publically-owned natural gas utilities
- ~1000 community-owned gas systems
 - ▶ 36 states
 - ▶ >5M Customers
 - ▶ ~21,000 Employees
 - ▶ ~120,000 Miles of Main
- Meters: 12 to ~500,000
- Largest : Philadelphia, San Antonio, Indianapolis, Memphis, Omaha, Long Beach
- Smallest: Freedom, OK (12 meters)



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Priority #1

The Safe and Reliable Delivery of
Affordable Natural Gas at Just &
Reasonable Rates



Issues Impacting Natural Gas

1. Pipeline Safety Reauthorization
2. Dodd-Frank Rulemakings
3. Gas Supply
4. Greenhouse Gas Registry
5. Natural Gas Vehicles
6. Section 5 Reform
7. Clean Energy Standard



Pipeline Safety Reauthorization

1. Despite Accidents, 3rd safest year
2. Accidents will have an impact
3. Pipeline Safety Summit
4. Senate Committee approval
5. House moving Bill
6. Issues
 - Excess Flow Valves
 - User Fees
 - Aging Infrastructure
 - 811 Exemptions
 - One-Hour Notification



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Financial Markets Reform

Goal: Restore public confidence in the pricing of natural gas

- APGA supported greater transparency in 2005
- Public gas systems use market instruments to manage price volatility
- Our transactions do not pose systemic risk
- APGA legislative goal was to ensure transparency without removing hedging tools



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Overview of Dodd-Frank

- Dodd–Frank Wall Street Reform and Consumer Protection Act signed into law in July, 2010
- Dramatic Change to Financial Regulation
- Goals of the Act
 - Mitigate Systemic Risk
 - Transparency
 - Customer Protection



Dodd-Frank Act

- Who is affected by the Act?
 - Swap Dealers
 - Major Swap Dealers
 - End-users
 - Special Entities



Dodd-Frank Act

- An End-User is:
 - A party that is not a financial entity
 - Using swaps to hedge or mitigate commercial risk
 - Must communicate to the CFTC how it meets its financial obligations for un-cleared transactions



Dodd-Frank Act

- A Special Entity is:
 - A governmental entity including public gas and power systems
 - A Pension Plan
 - An Endowment

The Act places a higher standard of care on swap dealers and MSP's when dealing with special entities



Dodd-Frank Act

- Requirements when dealing with Special Entities
- When acting as advisor must:
 - Act in the best interest of the Special Entity
 - Reasonable efforts to obtain the information needed to make a recommendation

When acting as a counterparty must:

Have a reasonable basis to believe that the Special Entity has an independent representative to review and approve transaction



Dodd-Frank Act

- The Act places new requirements on swaps
- Mandatory clearing of swaps
- Swaps will have to go through a Derivatives Clearing organization, collateral and margin must be posted
- APGA worked with others towards successfully getting an exception for end-users from mandatory clearing



Dodd-Frank Act

- Act required 193 Rulemakings
- The vast majority of these must be in place by July 16th, 2011
- CFTC has held 12 Open Meetings on Proposed Rules
- APGA responding to rulemakings that have biggest impact on public gas systems



Dodd-Frank Act

- Key Rulemakings:
 - Standards of Conduct
 - End-User Exception
 - Definition of Eligible Contract Participant
 - Registration of Municipal Advisors
 - Position Limits
 - Capital and Margin Requirements X2
 - Agricultural Commodity Definition



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Gas Supply

1. Promise of natural gas has never been greater
2. MMS 5-Year Lease Plan
3. EPA Fracking Study
4. LNG Export



Global Warming Rules

- EPA has taken 3 actions that could significantly affect utility operations
 - Final rule on reporting greenhouse gases (GHG)
 - Proposed rule on reporting fugitive emissions of methane from utility operations
 - Final rule “tailoring” the Clean air Act to make sense when GHG’s are concerned



Natural Gas Vehicles

1. APGA Created NGV Task Group
2. Partnership with NGVAmerica
3. High Gasoline Prices Present Opportunity
4. Nat Gas Act Re-introduced
 - Tax Credits for NGV's
 - R&D





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Natural Gas Act Section 5 – FERC Refund Authority

APGA is pushing Congress to change the law to give the agency that oversees interstate pipeline rates, Federal Energy Regulatory Commission (FERC), refund authority to protect consumers.



Natural Gas Act Section 5 – FERC Refund Authority

- Certain pipelines are proven to be overcharging consumers
- This authority would allow FERC to grant refunds to consumers when it is proven a pipeline is charging more than just and reasonable rates



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Clean Energy Standard

- Focused on Generation
- Direct-use of Natural Gas
 - Clean
 - Efficient

Direct-use of Natural Gas can help meet
new energy needs



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Questions?

www.apga.org



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