

## **Municipal Gas Systems of Oklahoma**

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### **MEMORANDUM**

To: Municipal Gas Systems of Oklahoma (MGSO)

From: Shane Woolbright  
General Manager

Re: Gas Industry News for November 2011

Date: November 2, 2011

### **SHRIMP Update**

In October APGA staff provided updates on the new DIMP inspection forms and showed how each of the 51 items on the inspection are addressed in the DIMP plans developed using the APGA Security and Integrity Foundation's (SIF) SHRIMP program. To date, nearly 1,500 systems are using SHRIMP. Modifications that have been made to the SHRIMP program ensure that every item on the inspection checklist was covered in the plans created using SHRIMP. The inspection forms and a cross reference of each inspection item and where it is addressed in SHRIMP plans are available for download at [www.apgasif.org](http://www.apgasif.org)

SIF has received funding from the government to develop a SHRIMP-like Operations and Maintenance Manual and funds for updating the PHMSA Small Operator's Guide. We will look forward to seeing those perhaps by the end of next year.

### **LIHEAP**

Democrats increased LIHEAP funding in 2009 after years of declines in funding during the Bush Administration. With Republicans back in control, the House of Representatives budget cut LIHEAP to \$3.4 billion for FY 2012. The current level is 38% more at \$4.7 billion.

## **Congressional Research Service Report**

A CRS report on key pipeline and security policy issues is addressed in a well-written report that can be found at [www.fas.org/spg/crs/homesec/R41536pdf](http://www.fas.org/spg/crs/homesec/R41536pdf) and at [www.apga.org/CSRpipeline](http://www.apga.org/CSRpipeline).

The 32 page report discusses automatic shutoff valves, excess flow valves, safety enforcement, pipeline security, records, and emergency response plans. The Congress uses this staff report in developing on-going legislation. It is worth your time to read the report entitled "Keeping America's Pipelines Safe and Secure: Key Issues for Congress."

### **ONG Marketing Review**

For most Oklahomans, natural gas service comes from ONG. The company takes the competition with electricity for heating seriously and has begun a marketing campaign to keep customers or expand services. For example, they will pay \$30.00 toward a natural gas heating system checkup. For water heater replacement, they will pay \$50.00 toward a more efficient natural gas heater, \$250.00 toward a tankless natural gas furnace, and \$850.00 if you change your electric water heating to gas water heating.

For heating system replacements, ONG pays \$150.00 toward replacement of a natural gas furnace with a new one of 90% efficiency and \$550.00 for one of 96% efficiency or greater, and \$1,950.00 for conversion of electric resistance heating to natural gas.

These market promotions aim to keep customers from changing to electricity when their older heating units need replacement. Few cities provide incentives for consumers, but if you are losing market share to electric utility promotions, consider the whether providing a home energy audit may work for you.

### **Natural Gas Act Progress Stalled**

Congressman John Sullivan of Tulsa is the lead author of NAT GAS Act (New Alternative to Give Americans Solutions Act) which has lost 20 co-sponsors in recent months. Now down to 183 co-sponsors, the bill may have problems. The bill provides some \$5 billion in tax credits over the next 5 years to help boost natural gas trucking and transportation. Supporters include trucking, post office, delivery and other groups. But recently conservative groups have maintained that the bill is about "picking winners and losers." Some of that complaint is due to big money being spent by the petroleum marketers lobby. Opponents include presidential candidate Michele Bachman who has collected over \$150,000.00 from NAT GAS Act opponents. Republican House budget leader Eric Kantor is doing well on both sides having collected \$150,000.00 from groups supporting the NAT GAS Act and \$90,000.00 from groups opposing it. The opponents are winning with 13 Republican House members removing their names from the co-author list last month. This is the kind of bill with added spending that is very difficult to have passed as it violates deficit reduction rules in place.

## **Cantwell on CFTC**

Municipal gas utilities were among the big proponents of the Dodd-Frank legislation reining in reckless speculation in commodities that we felt drove prices upward unrealistically. Looking at \$3.50 per mcf natural gas today compared to \$15.00 in 2008 gives some credence to the idea that speculation played a role in prices.

One of the people who pushed through the sections dealing with the Commodity Futures Trading Commission or CFTC was Senator Maria Cantwell of Washington. She felt strongly that limits should be placed on speculators to keep commodity prices in line. The legislation required the CFTC to set rules, and in October the CFTC did set rules, but Senator Cantwell is not happy with the CFTC commissioners who set rules which the Senator says are too broad. Said Cantwell, "The CFTC was supposed to provide speed limits for Wall Street's gambling on commodities. Today's overly broad rule is like setting the speed limit at 125 miles per hour. The CFTC should do its job and provide transparency and oversight of Wall Street. I'm pleased the CFTC followed our suggestion in dropping the conditional spot month position limit which would have allowed easier manipulation of prices. But I'm disappointed that this rule is simply too weak to meaningfully protect consumers."

The vote on the rule was 3-2 which would indicate that possible tightening could come in the future. CFTC commissioners are notable in the short time they spend at the agency.

## **U.S. Senate Passes Pipeline Safety Legislation**

The Senate passed by unanimous vote its version of pipeline safety legislation October 18. The vote came after Kentucky Senator Rand Paul stopped his hold on the legislation. That release came after the inclusion of language that effectively requires operators with pre-1970's transmission pipelines to test said pipe as soon as possible and where economically feasible. The American Public Gas Association, on behalf of municipal gas systems, was successful in removing language that would have increased fees on local distribution companies for their share of transmission line reviews.

The House of Representatives has not completed its version of the act. That action will then start a review and merger of the two bills and then require passage by both houses.

## **Comment on Gas Value**

In this issue I included a note that showed many Republicans had removed their names from the bill that had the nation begin the process of actively promoting natural gas transportation. Many of those congressmen removed their names after conservative groups attacked the idea that incentives to create natural gas fueling stations was bad policy and favored one group over another. I have to wonder as Malcolm Berko did in a recent article if major oil companies are not contributors to these anti-gas groups.

Oklahoma is a major gas producer and appears to be poised to produce an abundant amount of natural gas in the future. For gas distribution cities as well as our state, gas fueling stations offer great promise. The reason is the cost of gas is so low.

Natural gas at the wellhead today was \$3.60 per mcf from which you can get 1 million Btu of energy. High quality East Texas crude oil has just over 6 million Btu of heating equivalent. This may be rough math, but you get 6 million Btu of heat for less than \$25.00 in natural gas compared to \$90.00 for that heat from a barrel of oil. So it's no wonder that gasoline is three times as much as natural gas for fueling transportation.

There is often a chicken and egg problem with new technology. Companies won't build cheap natural gas vehicles without a market. There won't be a market unless there are fueling stations. There won't be fueling stations without large numbers of vehicles. That's why nationally developed and directed policy is needed, and it's why Congressman Sullivan's Natural Gas Act is the best piece of legislation Congress is not acting on.

I would hope that those who push natural gas for the economy would begin to use this simple equation. You get five times the energy from gas as from oil, and the money stays here in the United States. Maybe one of the Republicans running for President could pick up this bit of arithmetic and make it part of their energy strategy. It's easier than 9-9-9 and not nearly so difficult to implement.

As a nation, we often provide federal loan guarantees for technology the private sector may find to chancy to fund. For example, a single nuclear power plant in Georgia is being built with \$8.5 billion in federal loan guarantees. The market won't fund nuclear power, so as a nation we have supported the technology. A \$100 billion loan fund for natural gas fueling stations would put the bulk of the funds needed to install 100,000 gas fueling stations in place. That's enough to insure availability.

With \$400 billion in annual imports of oil, it would seem that a program that might easily cut 25% of that amount (\$100 billion every year) would be a no brainer. Fleets use about 40% of our energy, and those fleets would go to gas with availability. So perhaps we local gas providers should begin calling our congressmen and start this push. It has to begin somewhere.

## **Alaska Gas Pipeline Proposed**

While we in the lower 48 states have wondered for 20 years when a pipeline might be built to bring Alaska's abundant flow of natural gas (much of which is flared) here, it now appears that Alaska gas might go to Asia. TransCanada, the pipeline company that was to build the pipeline to the lower United States along with Exxon now seeks the chance to build a short pipeline to Valdez where gas would be liquefied and shipped to Asia because the market is better in Japan and other gas-short countries while shipping more to the US would only further depress gas markets here.

