

MEMORANDUM

To: Municipal Gas Systems of Oklahoma
From: Shane Woolbright, General Manager
RE: Gas Industry Issues for September 2011
Date: September 13, 2011

House Committee Approves Pipeline Safety Bill

The House Energy and Commerce Subcommittee on Energy and Power approved the Pipeline Infrastructure and Community Protection Act of 2011 with no debate and no amendments were offered. (Could this be our Congress?)

The bill would require a rule making that addresses the required use of excess flow valves (EFVs) "where economically, technically, and financially feasible" on new or entirely replaced distribution lines to multifamily facilities and small commercial customers. The bill would require notification within one hour (!) to the National Response Center following the confirmed discovery of a release of hazardous liquid or gas which results in an incident. Previous practice was within two hours. The bill increases civil penalties for major violations which result in substantial damage.

American Public Gas Association lobbyists testified that excess flow valves can be very expensive to replace, and the requirements for them on small commercial structures could be onerous.

To see the legislation as well as the municipal testimony, go to www.apga.org. A similar bill has passed the Senate. Final action is likely in this congress.

Help Requested on New Rules

The US Department of Energy issued a Direct Final Rule that will impact the replacement of residential natural gas furnaces. The rule could become effective October 25. American Public Gas Association thinks the rule could be burdensome and wants assistance from gas systems.

The rule calls for increasing the minimum efficiency of residential gas furnaces to 90% in 30 northern states (not including Oklahoma). The efficiency standard will be 80% here.

APGA worries that the cost of new venting for a 90% AFUE furnace would make new gas furnaces less competitive with other heat sources. APGA is seeking a wide range of information on what this rule might cost.

ACTION REQUESTED

Please secure a one or two bids from contractors that show costs of replacing a non-condensing furnace with a condensing furnace with at least 90% AFUE rating.

No leading questing should be asked of the contractor, and the quote needs to be broken out between the cost of the equipment (furnace, A-coil, labor, etc) and the costs of added venting for material and labor.

Please send copies of the bids to APGA to the attention of Dave Schryver, Mass. Ave, NE, Suite C-4, Washington, DC 20002

If you can scan and send in PDF files, e-mail to dschryver@apga.org

Pricing Update

Nothing seems to dent the price of natural gas at the wholesale level. Prices remain flat even though colder than normal winters are predicted.

Natural Gas Vehicles Update

Argentina has essentially no oil industry, but it does have natural gas. Argentina's goal is 40% of all vehicles using natural gas rather than gasoline, and they are 60% of the way to that goal. Gasoline is priced near \$6.00 per gallon while the equivalent natural gas cost is about \$1.50.

Boone Pickens is the principal of an American company that builds natural gas fueling stations. The company got a \$300 million investment in August. Called Clean Energy Fuels, the company maintains that it will have a significant workload in the near future building fueling stations.

The website www.DomesticFuel.com reported that a fueling station in Santa Ana will fuel all Waste Management vehicles in that area. The company, the nation's largest garbage hauler, is poised to convert the garbage fleet to natural gas.

Moving over the road trucks and trailers to natural gas is the first goal of those pushing for an American source of fuel for transportation.

DIMP Rule and SHRIMP Results

Pilot audits of two Distribution Integrity Management Programs that were created using the SHRIMP program were reviewed this month by the APGA Security and Integrity Foundation. Based on the feedback from these audits, the SIF made changes to the format of the written DIMP plan created by SHRIMP to ensure that all the items on the DIMP inspection form were covered. These included "date stamping" the plans with an effective date and the date of the plan replaced by an updated plan; describing the process followed to develop the plan and adding an implementation plan section to the written plan.

Over 1,400 systems are using the SHRIMP program to develop their DIMP plans and a substantial number of systems represented at the recent Western Gas Conference were SHRIMP users.

Information on SHRIMP, including item-by-item description of how SHRIMP addresses items in the DIMP inspection form can be found at www.apgasif.org/shrimp.