



**Spring 2011
Edition**

Natural Gas TODAY



For Municipal Gas Systems

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Crude Oil to
Natural Gas
Price Ratio on
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2011 IMGA ANNUAL MEETING SUMMARY



IMGA would like to thank all of our members and customers who were able to attend this year's annual meeting. We hope you found the day to be informative and worth while. If you were unable to attend this year, we would like to fill you in on what you may have missed.

The meeting took place on April 12th in Springfield, Illinois at the Northfield Inn, Suites and Conference Center. Attendees started the day off right with our hearty breakfast buffet, sponsored by BP Canada. After breakfast, members attended the IMGA Business Meeting. Amongst other items, the 2011/2012 executive board was selected. Those chosen to serve on the executive board in the upcoming year are: President - Craig Robinson of Pleasant Hill, IL; Vice-President - Mike Millikin of Pinckneyville, Illinois; Secretary - Steve Edwards of Waverly, Illinois; Treasurer - Bill Scheiwe of Pittsfield, Illinois; Board Member at Large - John Watret of Franklin, Illinois; and Board Member at Large - Brent Buerck of Perryville, Missouri.

Following the business meeting, our speaker sessions began, starting with Posey Saenz and Rob Ellis from Atmos Energy Marketing, LLC. Saenz is a Financial Trader and Ellis is the Senior Vice President of Marketing. Saenz presented the current factors affecting the market and where we can expect prices to move from here. Those factors which are currently helping to keep prices low include robust production, healthy storage supplies and demand forecasts showing expectations of lower summer demand compared to last year. Those factors which might cause prices to increase include nuclear

power plants going offline for testing as a result of the tragedy in Japan, forecasts for a more active than normal hurricane season and economical indicators suggesting industrial growth that will result in increased fuel demand. Ellis then jumped in and noted areas where our members may be seeing increased use in natural gas as entities are switching from other fuel to natural gas as natural gas remains a cheaper and cleaner option. Ellis also explained that basis has jumped in the past three years as production has moved out of the Gulf and into the market areas and as interstate pipelines have expanded coverage. He expects pipelines to increase their rates and suggests receipt points be shopped to minimize transportation costs. IMGA would like to thank Atmos Energy Marketing, LLC for also sponsoring the breaks at the Annual Meeting.

The next presenter was Jennifer Fordham of the Natural Gas Supply Association where she currently serves as the Vice President of Markets. Fordham discussed how the market has changed along with the production changes experienced in the market. Technology has brought down the cost of production and has made us less dependent on conventional methods. Fordham says by the year 2020, 80% of U.S. natural gas production is expected to come from shale and other unconventional methods. The unconventional methods have also created natural gas reserves all across the U.S., accounting for a 22% increase from 2006 to 2009. As supplies increase, prices have fallen and are expected to stay below \$6 through the mid-2020's. She ended

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Extended Range Forecast of Atlantic Seasonal Hurricane Activity and Landfall Strike Probability for 2011

By Philip J. Klotzbach and William M. Gray

We continue to foresee well above-average activity for the 2011 Atlantic hurricane season. Our seasonal forecast has been reduced slightly from early December, since there is a little uncertainty about ENSO and the maintenance of anomalously warm tropical Atlantic SST conditions. We continue to anticipate an above-average probability of United States and Caribbean major hurricane landfall.

Information obtained through March 2011 indicates that the 2011 Atlantic hurricane season will have significantly more activity than the average 1950-2000 season. We estimate that 2011 will have about 9 hurricanes (average is 5.9), 16 named storms (average is 9.6), 80 named storm days (average is 49.1), 35 hurricane days (average is 24.5), 5 major (Category 3-4-5) hurricanes (average is 2.3) and 10 major hurricane days (average is 5.0). The probability of U.S. major hurricane landfall is estimated to be about 140 percent of the long-period average. We expect Atlantic basin Net Tropical Cyclone (NTC) activity in 2011 to be approximately 175 percent of the long-term average. We have decreased our seasonal forecast slightly from early December, due to anomalous warming in the eastern and central tropical Pacific and cooling in the tropical Atlantic.

This forecast is based on a new extended-range early April statistical prediction scheme that utilizes 29 years of past data. Analog predictors are also utilized. We expect current La Nina conditions to transition to near-neutral conditions during the heat of the hurricane season. Overall, conditions remain conducive for a very active hurricane season.

PROBABILITIES FOR AT LEAST ONE MAJOR (CATEGORY 3-4-5) HURRICANE LANDFALL ON EACH OF THE FOLLOWING COASTAL AREAS:

- 1) Entire U.S. coastline—72% (average for last century is 52%)
- 2) U.S. East Coast Including Peninsula Florida—48% (average for last century is 31%)
- 3) Gulf Coast from the Florida Panhandle westward to Brownsville—47% (average for last century is 30%)

PROBABILITY FOR AT LEAST ONE MAJOR (CATEGORY 3-4-5) HURRICANE TRACKING INTO THE CARIBBEAN (10-20°N, 60-88°W)

- 1) 61% (average for last century is 42%)

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Representatives from BP Canada chat with members from Pinckneyville, Waverly, and Franklin.

IMGA Annual Meeting Continued

by pointing out that the U.S. has the most robust, transparent, and reliable



Members listen to Posey Saenz, Financial Trader with Atmos Energy Marketing, LLC.

natural gas industry in the world.

Attendees then enjoyed a time of mingling and great food as Panhandle Eastern Pipeline sponsored the Prime Rib and Shrimp Luncheon Buffet. After lunch, our final speaker Dave Schryver, Executive Vice President of the American Public Gas Association, presented the impact of the financial reform on public gas systems. In July of 2010, the Dodd-

advisor who will act in the best interest of the special entity and make reasonable effort to obtain the information needed to make a recommendation. APGA was successful in their work with others to get all end-users excluded from mandatory clearing.

At the end of the day, IMGA General Manager Heather Viele handed out door prizes sponsored by Atmos Energy Marketing, LLC, Ten-



IMGA General Manager, Heather Viele, catches up with attendees from Western Illinois University and a representative from Atmos Energy Marketing, LLC.

Frank Wall Street Reform and Consumer Protection Act was signed into law. The act was put into place to mitigate systemic risk, require transparency and protect customers. In order to achieve these goals, the act brings with it new requirements, such as mandatory clearing, mandatory reporting, and registration of dealers. End-users and special entities (including public gas systems) are subject to the requirements of the act. Each special entity must appoint an

energy, the American Public Gas Association, the Northfield Inn & Suites, and BP Canada. IMGA would like to thank all of our sponsors, speakers and attendees for making the 2011 meeting a success!

If you would like more information about this year's annual meeting or would like to see the PowerPoint presentations of the speakers, please visit our website at www.imga.org/annualmeeting.html.

Planning on planting a tree or garden? Adding an addition to your home or installing a deck or fence? Learn about Utility Location here!

Utility location is the process of identifying and labeling public utility mains which are underground. These mains may include lines for telephones, electricity distribution, natural gas, cable television, fiber optics, traffic lights, street lights, storm drains, water mains, and wastewater pipes. In some locations, major oil and gas pipelines, national defense communication lines, mass transit, rail and road tunnels also compete for space underground.

Because of the many different types of materials that go into manufacturing each of these different types of underground lines, different detection and location methods must be used. For metal pipes and cables, this is often done with electromagnetic equipment consisting of a transmitter and a receiver. For other types of

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Utility Location Continued

pipe, such as plastic or concrete, other types of radiolocation or modern ground-penetrating radar must be used.

Location by these means is necessary because maps often lack the pinpoint precision needed to ensure proper clearance. In older cities, it is especially a problem since maps may be very inaccurate, or may be missing entirely.

“Call before you dig”, “Digger’s Hotline”, “One-call”, “Miss Utility”, or Underground Service Alert are services that allow individuals to contact utility companies, who will then denote where underground utilities are located via color-coding those locations. As required by law and assigned by the U.S. Federal Communications Commission (FCC), the 8-1-1 telephone number can be used for this purpose across the United States.

Failure to call such a number ahead of time may result in a fine or even a criminal charge against the person or company, particularly if such negligence causes a major utility outage or serious accident, or an evacuation due to a gas leak. Hitting a water main may also trigger a boil-water advisory and local flooding.

A few utilities are permanently marked with short posts or bollards, mainly for lines carrying petroleum products.

Color-Coding

Utility color codes are used for identifying existing underground utilities in construction areas with the intent of protecting them from damage during excavation.

Public utility systems are often run underground; some by the very nature of their function, others for convenience or aesthetics. Before digging, local governments often require that the underground systems’ locations be denoted and approved, if it is to be in the public right-of-way.

Colored lines and/or flags are used to mark the location and denote the type of underground utility. A special type of spray paint, which

works when the can is upside-down, is used to mark lines, often in a fluorescent color. On flags, a logo often identifies the company or municipal utility which the lines belong to, or an advertisement for a company which has installed an irrigation system for lawns or gardens. In this case, each sprinkler head is usually marked, so that landscaping crews will not cover or bury them with soil or sod, or damage them with tractors or other construction equipment while digging holes for trees, shrubs, or other large plants or fence posts. This is also important because a vehicle (tractor, truck, or otherwise) can break a sprinkler or the hard-PVC pipe or joint it is mounted on simply by driving over it, particularly on newly-moved soil which has not been compacted and therefore unresponsive of such weight.

The American Public Works Association (APWA) Uniform Color Codes for temporary marking of underground utilities are as follows:

Red—electric power lines, cables, conduit, and lighting cables

Orange—telecommunication, alarm or signal lines, cables, or conduit

Yellow—natural gas, oil, steam, petroleum, or other gaseous or flammable material

Green—sewers and drain lines

Blue—drinking water

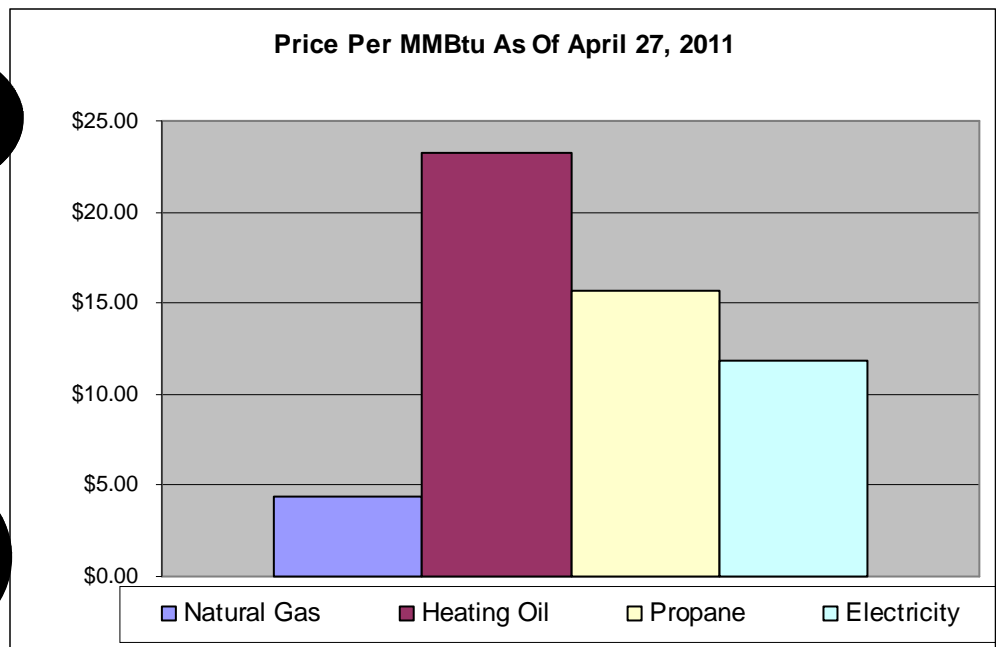
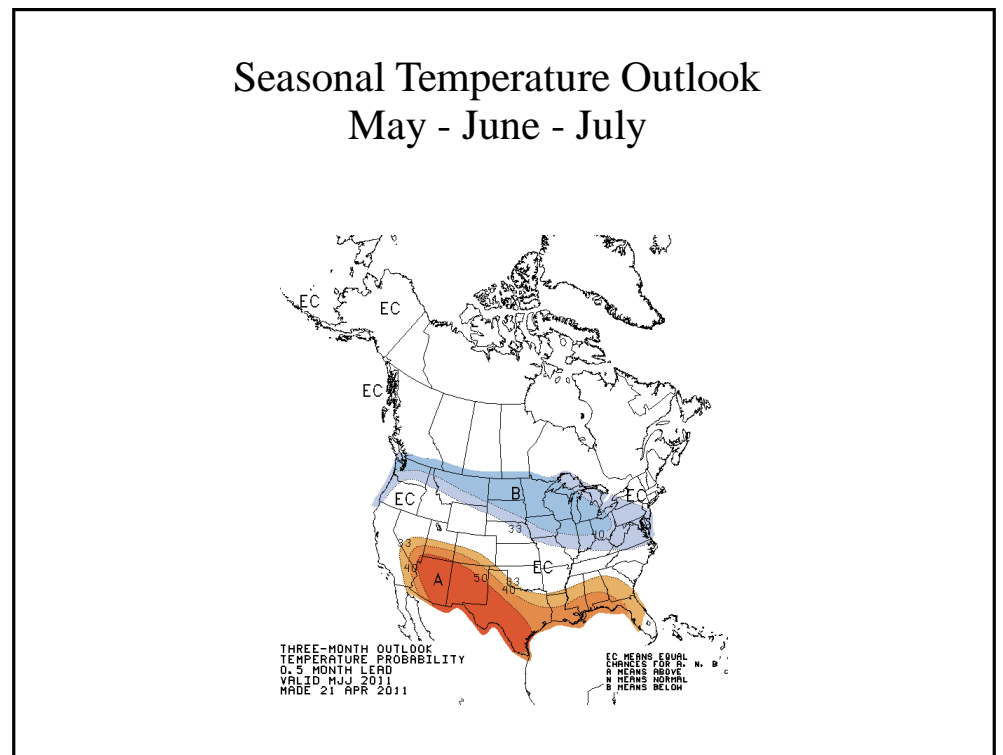
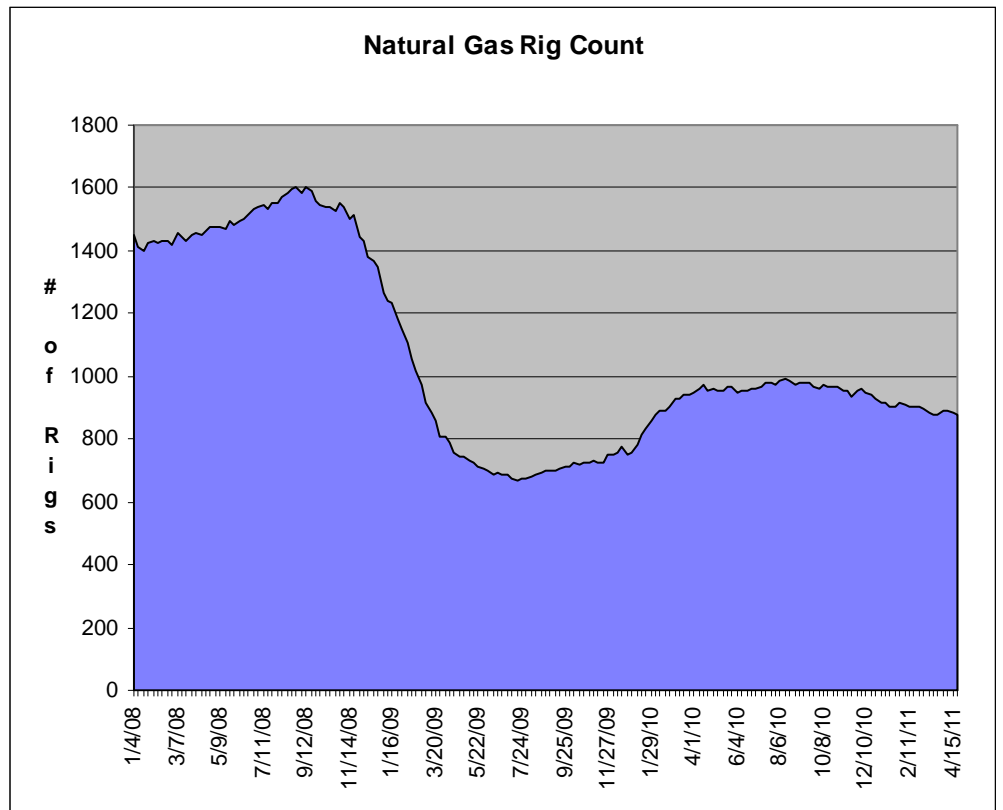
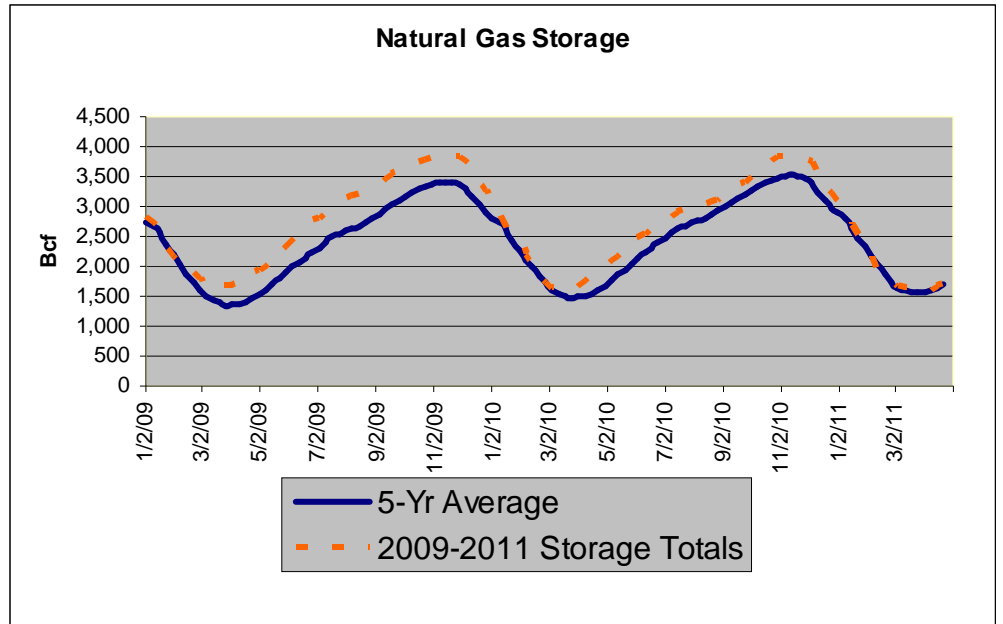
Violet—reclaimed water, irrigation, and slurry lines

Pink—temporary survey markings, unknown/unidentified facilities

White—proposed excavation limits or route

Remember, the call is free and can save you time and money in the long run. Just call 811 from anywhere in the country to be routed to your local One Call Center!

Snapshots



You're paying how much for natural gas???

Not receiving quality risk management service and timely information from your natural gas supplier?

As a leader in the municipal arena of natural gas \$ risk management, IMGA has assisted municipal gas systems in the Central and Midwest United States by providing innovative risk management strategies that stabilize and lower natural gas prices.

IMGA can handle all of your natural gas price risk management needs with or without physically supplying your natural gas.

Unhappy with your natural gas risk management strategies?

Carol Mitchell, Mayor of the Village of Tamms IL states, "The biggest benefit of the IMGA is that we are all allowed to hold on to our individuality. Each purchase is set up for our specific town, not all towns in general. The Agency knows our specific situation and works to meet our needs. I don't have to worry. I know that we'll be taken care of."

Tired of trying to guess the natural gas futures market yourself?

Contact us today to learn how to get your natural gas prices under control with a personalized risk management strategy.

HEATHER VIELE - IMGA General Manager
217-438-4642 or hviele@imga.org

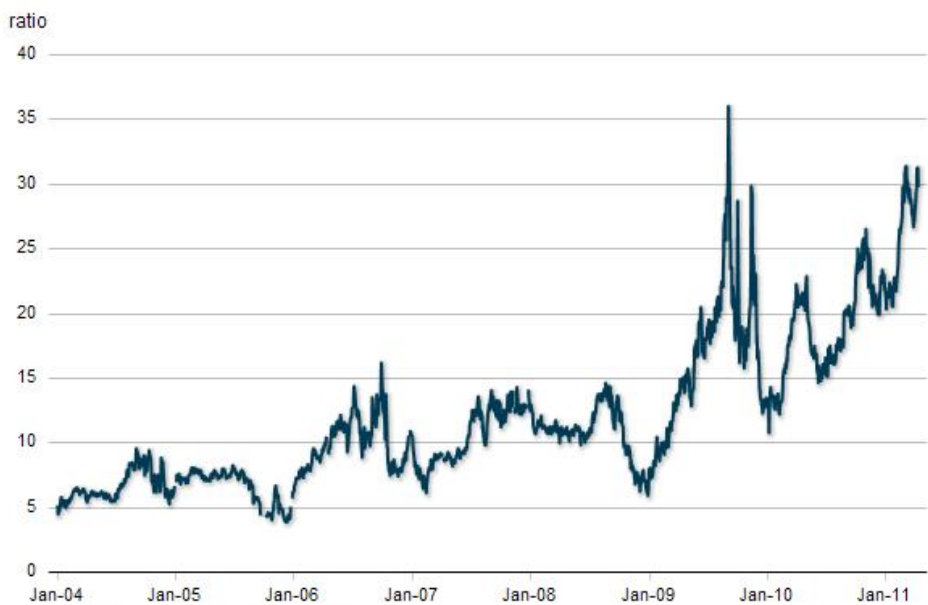
THE INTERSTATE MUNICIPAL GAS AGENCY
Created BY Municipals FOR Municipals

More unhappy with your natural gas prices?



Price Ratio of Crude Oil to Natural Gas Increasing
 Courtesy of the U.S. Energy Information Administration

Crude oil-to-natural gas price ratio



Source: U.S. Energy Information Administration based on data from Thomson Reuters.

Note: The crude oil-to-natural gas price ratio is calculated by dividing the spot price of Brent crude oil (\$/barrel) by the spot price of natural gas at the Henry Hub (\$/MMBtu.) In the past, the crude oil price most utilized for this calculation was West Texas Intermediate (WTI). Due to the significant current discount of WTI relative to Brent and other crude benchmarks, we use the Brent price here.

The ratio between the spot prices of crude oil and natural gas is a measure of the market's relative valuation of these two fuels. This ratio climbed rapidly in 2009 peaking near 36 on September 4, 2009 and remains very high in comparison to typical valuations over the past years. In the five years prior to 2009, the ratio averaged about 9. The 2009 increase was driven by both an increase in oil prices, and low natural gas prices held down by increasing shale gas supplies and a mild hurricane season. The ratio has remained high, averaging close to 30 since the beginning of March 2011.

The crude oil-to-natural gas spot price ratio also has implications for both production and consumption. On the production side, a higher ratio encourages operators to drill for oil in preference to natural gas and makes natural gas liquids developments more commercially attractive. This ratio can also influence operator's decisions about where to drill within a supply basin. High crude to gas ratios have encouraged operators to deploy rigs in "oily" (liquids-rich) parts of supply basins containing both oil and gas.

On the consumption side, the crude oil-to-natural gas ratio also affects end-user decisions—encouraging end users to choose natural gas over products derived from crude oil, such as distillate and residual fuel oil. High relative oil prices limit the role that oil now plays as a substitute fuel for power generation. Increasingly, electric power

plants rely upon oil only when natural gas is unavailable or when spot natural gas prices rise to very high levels usually due to winter natural gas pipeline constraints, especially in the Northeast.

Ever Wonder Why and How Hurricanes Are Named?

Courtesy of the National Weather Service

Experience shows that the use of short, distinctive names in written as well as spoken communications is quicker and less subject to error than the older more cumbersome latitude-longitude identification methods. These advantages are especially important in exchanging detailed storm information between hundreds of widely scattered stations, coastal bases, and ships at sea.

Since 1953, Atlantic tropical storms have been named from lists originated by the National Hurricane Center. They are now maintained and updated by an international committee of the World Meteorological Organization. The original name lists featured only women's names. In 1979, men's names were introduced and they alternate with the women's names. Six lists are used in rotation. Thus, the 2009 list will be used again in 2015.

The only time that there is a change in the list is if a storm is so deadly or costly that the future use of its name on a different storm would be inappropriate for reasons of sensi-

tivity. If that occurs, then at an annual meeting by the WMO committee (called primarily to discuss many other issues) the offending name is stricken from the list and another name is selected to replace it.

The lists are re-cycled every six years, i.e., the 2011 list will be used again in 2017. Several names have been changed since the lists were created. There is an exception to the retirement rule, however. Before 1979, when the first permanent six-year storm name list began, some storm names were simply not used anymore. For example, in 1966, "Fern" was substituted for "Frieda," and no reason was cited. Since 1954, 75 names have been retired.

In the event that more than 21 named tropical cyclones occur in the Atlantic basin in a season, additional storms will take names from the Greek alphabet: Alpha, Beta, Gamma, Delta, and so on. If a storm forms in the off-season, it will take the next name in the list based on the current calendar date. For example, if a tropical cyclone formed on December 28th, it would take the name from the previous season's list of names. If a storm formed in February, it would be named from the subsequent season's list of names.

The following are the six lists of names to be used on a rolling basis:

2011

- | | | |
|--------|----------|-------|
| Arlene | Emily | Irene |
| Bret | Franklin | Jose |
| Cindy | Gert | Katia |
| Don | Harvey | Lee |
| Maria | Philippe | Tammy |

Nate
Ophelia

2012

Alberto
Beryl
Chris
Debby
Ernesto
Florence
Gordon

Rina
Sean

Helene
Isaac
Joyce
Kirk
Leslie
Michael
Nadine

Vince
Whitney

Oscar
Patty
Rafael
Sandy
Tony
Valerie
William

2013

Andrea
Barry
Chantal
Dorian
Erin
Fernand
Gabrielle

Humberto
Ingrid
Jerry
Karen
Lorenzo
Melissa
Nestor

Olga
Pablo
Rebekah
Sebastien
Tanya
Van
Wendy

2014

Arthur
Bertha
Cristobal
Dolly
Edouard
Fay
Gonzalo

Hanna
Isaias
Josephine
Kyle
Laura
Marco
Nana

Omar
Paulette
Rene
Sally
Teddy
Vicky
Wilfred

2015

Ana
Bill
Claudette
Danny
Erika
Fred
Grace

Henri
Ida
Joaquin
Kate
Larry
Mindy
Nicholas

Odette
Peter
Rose
Sam
Teresa
Victor
Wanda

2016

Alex
Bonnie
Colin
Danielle
Earl
Fiona
Gaston

Hermine
Ian
Julia
Karl
Lisa
Matthew
Nicole

Otto
Paula
Richard
Shary
Tobias
Virginie
Walter

Did you know?

Summer is fast approaching, here are some tips on how to stay cool when the temperatures rise:

- Turn your thermostat up in the summertime. For every degree you turn your thermostat higher, you lower your energy consumption. (A 78-degree setting for air conditioner uses 35% less energy than a 70-degree setting.)
- Open doors and windows to take advantage of free comfort when you know the outside temperature and humidity have dropped.
- Try to cook early in the day or late in the evening when it is cooler, and cook outdoors when possible.
- Ceiling fans generate air movement (wind chill factor), which makes people naturally feel cooler. Fans use only about one-tenth of the energy that air conditioning does. So, use fans to make people feel cooler. However, if no one is in the room to enjoy the air movement, the fans may be adding heat to the room. In reality, fans do not lower the room temperature. Be sure to turn fans off when no one is using them.
- Use drapes, shutters, awnings, shade trees, glass with reflective film or solar screens to keep sunlight out in the summer.

Stay Informed With The IMGA Evening Report

The IMGA Evening Report is an excellent way to stay up to date on NY-MEX prices, weather, gas storage, and industry news. Each issue includes the days closing market prices for natural gas futures and crude oil, as well as a short commentary on market movement and industry related news.

The IMGA Evening Report is distributed electronically daily and is com-

plementary to all of our members. If you are not an IMGA member, but would like to receive the IMGA Evening Report, please contact Charlene Howard at choward@imga.org or 217-438-4642. The IMGA Evening Report fee for non-members is \$150 per year, or become a member today for a one time fee of \$250.



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