



AMERICAN PUBLIC GAS ASSOCIATION

Policy Resolutions: 2022 – 2023

Resolutions Pertaining to Pipeline Ratemaking

Amendment of NGA to Provide Refund Protection to Gas Consumers (2005 – *Amended in 2008 and 2020*)

Fair Ratemaking on Tax Issues (2019)

Pipeline Tracker Mechanisms (2015)

Protecting Recourse Shippers from Rate Effects of Altered Pipeline Throughput (2011)

Resolutions Pertaining to Balanced Energy Solutions (benefiting both consumers and the environment)

Support for Renewable Natural Gas (2019)

Environmental Benefits of Natural Gas (2017)

Direct-Use of Natural Gas (2015 – Amended in 2022)

Transparency in the Federal Rulemaking Process (2015)

Energy Efficiency in Federal Buildings (2013)

Use of Natural Gas for Transportation (2008 – *Amended in 2010*)

Energy Efficiency Standards (2005 – *Amended in 2010*)

Resolutions Pertaining to Pipeline Safety

Commitment to Security and Reliability (2022)

Commitment to Enhancing Safety & Environmental Stewardship (2022)

Commitment to Pipeline Safety (2018)

Pipeline Safety User Fees (2015)

State Excavation Damage Prevention Programs (2013)

Resolutions Pertaining to Gas Supply/Markets

Gas-Electric Coordination (2013)

Gas Supply and Safe and Responsible Natural Gas Production (2012)

Retail Unbundling (2005)

Other

Tax-Exempt Financing (2013)

Support for Research and Development (2005 – *Amended in 2010*)

Increased Funding for LIHEAP (2005 – *Amended in 2011*)

The Benefits of a Publicly Owned Gas System (2005)

At each Annual Meeting, the membership of the American Public Gas Association (APGA) reviews and approves the Association's Policy Resolutions. Members are encouraged to participate in the ongoing Committee process to propose changes to continuing resolutions and to bring forth new resolutions that reflect emerging issues relevant to public gas systems.

The American Public Gas Association exists to provide for the needs of its members. The Association's activities are guided by policy positions memorialized in the APGA Policy Resolutions. APGA maintains permanent, detailed records of its evolving Policy Resolutions. Any APGA member in good standing is eligible to participate in APGA's standing Committees. The Committees are responsible for reviewing the Policy Resolutions throughout the year and for bringing forth suggested amendments to the Policy Resolutions. The APGA staff shall ensure that all APGA members in good standing receive copies of the draft Policy Resolutions at least thirty (30) days before each Annual Meeting. At each Annual Meeting, the membership will vote on adopting the Policy Resolutions as presented. The current Policy Resolutions shall be displayed at all times on the public side of the APGA website.

Resolutions Pertaining to Pipeline Ratemaking

Amendment of NGA to Provide Refund Protection to Gas Consumers (2005 – Amended in 2008 and 2020)

In 1988, Congress passed the Regulatory Fairness Act, which amended the complaint section of the Federal Power Act (Section 206) to provide for refunds to consumers where successful complaints were brought against public utilities. Despite efforts at that time to get similar treatment for complainants under Section 5 of the Natural Gas Act, Congress deferred any such action for gas consumers (though indicating it was a mere ministerial act that would be resolved in the next Congress). Attempts in the subsequent Congresses to enact legislation that would put gas consumers on the same footing as electric consumers for refund purposes have failed, even though Congress, as recently as the Energy Policy Act of 2005, has enhanced consumer refund protection under Federal Power Act Section 206. Conversely, under Section 4 of the Natural Gas Act, a pipeline may file with the Federal Energy Regulatory Commission (FERC) to raise its rates when its unit costs are increasing. The pipeline is permitted to collect the new, higher, filed-for rates, after a short suspension period, subject to refund of any part of

the rate increase that is ultimately found inappropriate by FERC.

Interstate pipeline companies, like all cost-based, regulated utilities, are permitted to include in rates a tax allowance for federal income taxes owed on their returns or profit. The tax rate reduction should result in less corporate income tax expense paid by ratepayers. In January 2018, APGA petitioned the Federal Energy Regulatory Commission (FERC) to take action to reduce recourse rates to account for the lower costs to pipelines, which it estimated would lower firm transportation rates 5-9 percent.

On March 15, 2018, FERC reversed a policy long opposed by APGA that permitted a double recovery of federal income tax costs for pipelines organized as Master Limited Partnership (MLP) and thus an excessive return on equity. FERC's Revised Policy Statement on Treatment of Income Taxes established a new policy that MLPs are not permitted to recover an income tax allowance in their cost of service.

FERC implemented a new regulation requiring interstate natural gas pipelines to make a one-time informational filing in 2018 designed to collect financial information to evaluate the impact of the Tax Cuts and Jobs Act and the Revised Policy Statement on interstate natural gas pipelines' revenue requirement (Form 501-G). In addition to the Form 501-G, FERC proposed that pipelines voluntarily make a filing to address the changes to the pipeline's recovery of tax costs or explain why no action is needed. In that filing, pipeline partnerships and other pass-through entities not organized as an MLP must justify any claim of an income tax allowance.

Because FERC lacks the authority under the Natural Gas Act to establish a suspension or refund date for rate reductions caused by the new tax law and policy, lower rates will become effective only prospectively, most likely more than a year after the change in law, resulting in overcharges as much as hundreds of millions of dollars.

Whereas, the Section 5 rate investigations initiated by the Commission since 2009 highlight the shortcomings of the current law, because FERC, which is without power to establish a refund effective date when it commences its investigation, is unable to require pipelines that are charging unjust and unreasonable rates to refund their over-collections at the conclusion of the proceeding; and

Whereas, the annual reviews of the Form 2 reports filed by interstate pipelines show that collectively they are over-recovering in the scores of millions of dollars, underscoring the need for an effective complaint procedure under the Natural Gas Act; and

Whereas, the 2017 Tax Cuts and Jobs Act, lowered the federal corporate income tax rate from 35 percent to 21 percent, which means lower costs to pipelines and need for recourse for shipping costs.

NOW, THEREFORE, BE IT RESOLVED: That the APGA calls on interstate natural gas pipelines to file immediately to reduce their recourse rates to account for their lower federal income tax rate and the FERC's revised policy on pass-through entities; and

BE IT FURTHER RESOLVED: That APGA calls on the FERC to expedite its review of pipeline rates and commence proceedings under Section 5 of the Natural Gas Act

to lower rates where necessary; and

BE IT FURTHER RESOLVED: That APGA urges Congress to amend the Natural Gas Act to provide for refunds under Section 5 on a basis comparable to the refund provisions of Section 206 of the Federal Power Act, so that consumers have equal protection under both Acts from the assessment of unjust and unreasonable rates by regulated interstate transportation providers: and

BE IT FURTHER RESOLVED: That APGA will increase its efforts to reform Section 5 of the Natural Gas Act so that delays in just and reasonable rates such as those created by the 2018 tax rate change will never occur again.

Fair Ratemaking on Tax Issues (2019)

The Federal Energy Regulatory Commission (FERC) made many important tax-related rulings in 2018 and 2019 that dramatically affect the rates that APGA members pay to FERC-regulated interstate natural gas pipelines. On March 15, 2018, FERC reversed a policy long opposed by APGA that permitted a double recovery of federal income tax costs for pipelines organized as Master Limited Partnership (MLP) and thus an excessive return on equity. FERC's "Revised Policy Statement on Treatment of Income Taxes" established a new policy that MLPs are not permitted to recover an income tax allowance in their cost of service in line with the remand from the court of appeals in *United Airlines v. FERC* (2016).

On July 18, 2018, in Docket No. PL17-1-000, the Commission provided "guidance" regarding the treatment of Accumulated Deferred Income Taxes (ADIT) where the income tax allowance is eliminated from cost-of-service rates under the Commission's new policy. ADIT balances arise from timing differences between computing book accounting income used in developing the total cost of service for FERC ratemaking purposes on the one hand, and the method of computing the actual taxes payable to the Internal Revenue Service (IRS) and state governments for the same time period (tax normalization). FERC has held that when the pipeline pays these deferred taxes to the government as a result of a sale of the asset, the ADIT associated with the asset is eliminated (not returned to shippers) even though the funds reflected in these accounts are derived from the rates paid to pipelines and represent millions if not billions of dollars.

In addition, the 2017 Tax Cut and Jobs Act reduced tax payments from 35% collected in the past to paying only at the 21% rate for that liability in the future. This created Excess ADIT that should be flowed back to ratepayers.

FERC's July 2018 "guidance" indicated that "if an MLP or other pass-through pipeline eliminates its income tax allowance from its cost of service pursuant to the post-*United Airlines* policy, the Commission anticipates that ADIT will similarly be removed from the cost of service," and "an MLP pipeline (or other pass-through entity) no longer recovering an income tax allowance . . . may also eliminate previously-accumulated sums in ADIT from cost of service instead of flowing these previously-accumulated ADIT balances to ratepayers." The Commission said that this treatment of ADIT is consistent with (1) FERC and IRS regulations; (2) FERC precedent that shippers do not have an ownership interest in previously accumulated sums in ADIT; and (3) court

precedent suggesting that returning the ADIT amounts would violate the prohibition against retroactive ratemaking.

In Order No. 849, also issued in July 2018, FERC made adjustments to the Form 501-G, including automatically eliminating ADIT from a pipeline's cost of service when the form enters a federal income tax of zero for pipelines that are non-tax paying entities, thus determining that pass-through entity pipelines that eliminate income tax allowances from ratemaking calculations may also eliminate ADIT balances. When FERC accepted such Form 501-Gs, it ruled either implicitly or explicitly that the ratepayers of a pass-through entity pipeline that eliminates tax allowances and ADIT balances are not entitled to credits or refunds for any ADIT balances so eliminated.

FERC has observed that the elimination of ADIT, which serves as a no-cost source of financing in ratemaking calculations, would tend to increase rates. One of the largest pipeline companies in fact told its investors that the benefit from the changes related to the removal of ADIT from cost of service is expected to largely offset the income tax disallowance in cost of service rates. Spectra Energy Press Release Aug. 2, 2018. Commissioners LaFleur and Glick filed a concurrence in Order No. 849 expressing "frustration that the rate benefits that customers and shippers would otherwise receive from the Revised Policy Statement may be significantly reduced by the treatment of ADIT announced in today's orders. As a matter of equity, we believe that the arguments for applying previously-accrued ADIT balances to reduce future rate base where a tax allowance is eliminated are compelling."

FERC has long held that accounting rules do not necessarily dictate ratemaking results. On November 15, 2018, FERC issued a Policy Statement titled "Accounting and Ratemaking Treatment of Accumulated Deferred Income Taxes and Treatment Following the Sale or Retirement of Assets" that outlined FERC's policy on the treatment of ADIT for both accounting and ratemaking purposes for natural gas pipelines and oil pipelines. The Policy Statement explains that a natural gas pipeline that continues to have an income tax allowance, any Excess ADIT after December 31, 2017 associated with an asset must continue to be amortized in rates even after the sale or retirement of that asset to return value to the ratepayers. FERC pledged to hear the arguments of ratepayers and pipelines concerning ADIT treatment in individually cases to be decided in the future. FERC then ruled in Opinion No. 511-D on February 21, 2019, concerning an oil pipeline: "ratepayers have no equitable interest or ownership claim in ADIT."

In 2018 many pipeline entities changed their ownership structures and ended their participation in MLPs, often by buying all of the outstanding shares of the interests held by the public in the MLP. The tax and rate ramifications of such transactions are important to APGA members.

Whereas, APGA believes ratepayers deserve fair ratemaking on tax issues.

NOW, THEREFORE, BE IT RESOLVED: That the APGA calls on FERC to require pipelines to return the value of Excess ADIT to ratepayers; and

BE IT FURTHER RESOLVED: That FERC should implement equitable ratemaking policies that are fair to ratepayers who paid rates that produced ADIT account balances, penalize pipelines that may make corporate changes to take undue advantage of tax

policies at the expense of ratepayers, and reconsider ratepayers rights to ADIT sums, and modify its accounting policies accordingly.

Pipeline Tracker Mechanisms (2015)

In 2014, the Federal Energy Regulatory Commission released a proposed policy statement that would allow interstate pipelines to recover, through a tracker mechanism, certain capital expenditures made to modernize pipeline system infrastructure to enhance reliability, safety and regulatory compliance. The proposed policy statement identified five standards that must be met in order for a pipeline to utilize a tracker or surcharge. Those standards are: the pipeline's base rates must have been recently reviewed through a Natural Gas Act general section 4 rate proceeding or through a collaborative effort between the pipeline and its customers; eligible costs must be limited to one-time capital costs incurred to meet safety or environmental regulations, and the pipeline must specifically identify each capital investment to be recovered by the surcharge; captive customers must be protected from cost shifts if the pipeline loses shippers or increases discounts to retain business; there must be a periodic review to ensure rates remain just and reasonable; and the pipeline must work collaboratively with shippers to seek their support for any surcharge proposal.

APGA opposed the proposed policy statement as contrary to basic ratemaking principles under Natural Gas Act Section 4, and in addition, APGA pointed out that if the proposed policy statement was adopted, the five standards needed to be strengthened in order to protect consumers from paying unjust and unreasonable rates.

On April 16, 2015, the Commission issued a Policy Statement permitting pipelines to seek to implement a tracker for recovering the costs of modernizing their facilities and infrastructure to enhance the efficient and safe operation of their systems, and explained that any pipeline seeking such a tracker would have to satisfy the five standards adopted in the Policy Statement (which were fundamentally the same as in the proposed rule). The Commission did not adopt APGA's suggested enhancements to the five standards.

Whereas, tracking mechanisms have historically been considered by the FERC as inconsistent with Natural Gas Act Section 4 and the regulations thereunder, which are designed to ensure that consumers pay "just and reasonable" rates by examining costs and revenues to determine if the unit cost of doing business has increased; and

Whereas, the standards adopted by the Commission in the Policy Statement do not provide consumers the protection afforded under NGA Section 4 from paying unjust and unreasonable rates.

NOW, THEREFORE, BE IT RESOLVED: That APGA opposes the Policy Statement permitting pipeline trackers as founded on a misapplication of NGA Section 4, which misapplication is not made acceptable by the five standards included in the Policy Statement; and

BE IT FURTHER RESOLVED: That the Commission should revisit and strengthen the five standards along the lines suggested by APGA and other commenters; and

BE IT FURTHER RESOLVED: That in applying the five standards on a case-by-case

basis, the Commission should apply them strictly, including requiring refunds where overcharges occur, to ensure that consumers are not exposed to paying excessive, unjust and unreasonable rates.

Protecting Recourse Shippers from Rate Effects of Altered Pipeline Throughput and De-contracting (2011)

There is a growing reliance in this country on gas developed from shale deposits located in areas of the country that have not historically been the primary sources of our Nation's gas supply; and due to the changing locations from which natural gas is being sourced, pipeline usage is affected, in some instances substantially reducing the amount of natural gas being transported from traditional supply areas. Interstate pipelines are increasingly filing rate cases to reflect the changing throughput patterns on their systems; and the effect of such filings may be to dramatically increase the financial burden that recourse shippers are asked to bear. In addition, a substantial portion of the pipeline infrastructure built in the United States in recent years has been based upon negotiated and/or discounted contracts between the pipelines and large anchor shippers.

Whereas, APGA members have a responsibility to fiscally steward their municipalities' funds, while maintaining adequate supply.

NOW, THEREFORE, BE IT RESOLVED: That APGA urges the Federal Energy Regulatory Commission to ensure that to the extent pipelines file for rate increases and/or rate design modifications to reflect changed throughput patterns, including de-contracting, recourse shippers not be asked to bear the financial burden associated with pipeline infrastructure constructed on the basis of negotiated and/or discounted contracts or that is not otherwise properly considered part of the risk associated with recourse service.

Resolutions Pertaining to Balanced Energy Solutions (benefiting both consumers and the environment)

Support for Renewable Natural Gas (RNG) (2019)

Renewable natural gas (RNG) is the product of capturing and processing methane from waste and biodegradable sources. RNG can be sourced from wastewater treatment, refuse, and farm and agricultural waste. RNG represents a growing percentage of natural gas in some parts of the United States.

RNG is set to become an important part of the natural gas landscape. RNG can help reduce emissions to a net negative, while providing pipeline quality natural gas to utilities, and it has the potential to equal the other benefits of traditional natural gas. RNG growth provides economic development and infrastructure opportunities for rural public gas system. RNG can also be used for transportation and power generation applications.

Whereas, APGA members support increasing the supply of natural gas and the diversity of natural gas sources; and

Whereas, APGA members are committed to emissions reduction; and

Whereas, APGA members remain dedicated to providing reliable and affordable natural gas service to their customers.

NOW, THEREFORE, BE IT RESOLVED: that APGA members will communicate their support, at all levels, for the advancement of RNG technologies and projects insofar as they are consistent with other APGA resolutions and APGA's mission.

Environmental Benefits of Natural Gas (2017)

Public opinion around the world, including in the United States, has trended towards increasing concern about the effect greenhouse gas emissions may have on the world's climate.

National legislative and regulatory policies should recognize the value of natural gas in the overall strategy to reduce carbon emissions and support its use as a clean, reliable, affordable and plentiful domestic energy alternative with quantifiable benefits to the environment.

Whereas, protection of the environment is a key priority for APGA members: and;

Whereas, APGA members want to provide balanced energy solutions that provide low-cost energy to consumers, with limited impacts to the environment.

NOW, THEREFORE, BE IT RESOLVED: APGA will communicate to Congress, the Administration, including appropriate regulatory agencies, the many environmental advantages of greater direct use of natural gas as one of our Nation's primary energy sources; and

BE IT FURTHER RESOLVED: APGA will advise these entities of any proposed laws, rules, or regulations that harm American consumers by directly or indirectly diminishing the role of natural gas in our Nation's energy mix; and

BE IT FURTHER RESOLVED: Policymakers proposing climate change initiatives should analyze and report on the cost impacts of proposed rules and regulations on the different classes of end-users, as well as evaluate the full life-cycle environmental and social justice consequences of all energy sources; and

BE IT FURTHER RESOLVED: That for the American economy, a reliable supply of affordable energy is indispensable for the continued health, welfare, and success of individuals, enterprises, and our Nation as a whole; and

BE IT FURTHER RESOLVED: That for American consumers, the direct use of natural gas in homes and businesses reduces demand for other, more carbon intensive forms of energy and results in net carbon emission reductions; and

BE IT FURTHER RESOLVED: That for our environment, clean, affordable, domestically-produced natural gas should continue to play a primary role to achieve our goals to reduce emissions in a less carbon intensive, but energy rich future for the United States.

Transparency in the Federal Rulemaking Process (2015)

Every year agencies of the federal government issues new regulations that affect public gas systems. Given the impact of these rules, the procedures agencies use in the rulemaking process are critical. The manner in which the rulemaking process is conducted can affect the quality and the legitimacy of a specific rule. Transparency is a critical component of the rulemaking process because the basis for new regulations must be clear to the public. In addition, adequate notice is a prerequisite of the Administrative Procedure Act.

Transparency contributes to the goals of the rulemaking process by making Information more readily available to more people. Increased access by the public to Information enables better public participation, which in turn contributes to a more robust rulemaking process. Transparency also is important as it allows the public to serve as an effective check on the regulatory system and helps safeguard against regulators pursuing policies that may not be consistent with the public interest and their enabling statutes.

Whereas, APGA is familiar with rulemaking proceedings in which the agency proposing a new rule has relied upon complex and opaque technical data to support the proposed rule and been reluctant to share with the public the underlying inputs to the technical data; and

Whereas, APGA is familiar with rulemakings in which the agency proposing a new rule has relied on proprietary data in its technical support, despite the fact that the proprietary data could only be acquired by the general public at a substantial cost and even then would be subject to confidentiality limitations.

NOW, THEREFORE, BE IT RESOLVED: That APGA favors policies that ensure the federal government is transparent in its rulemaking proceedings, provide full and timely access to all relevant data, answer all questions regarding the inputs to technical support data, and does not rely on proprietary data unless that data is made available to the public at no cost and without limitations as to its use in the rulemaking.

Direct Use of Natural Gas (2015 – Amended in 2022)

Natural gas is an affordable, reliable, and clean source of energy that millions of Americans rely on to fuel their homes and businesses.

Natural gas appliances are three times as efficient as electric ones on a full fuel cycle basis because so much energy is lost when converting and transmitting electricity for use in the home. Specifically, direct use of natural gas in the home translates into lower energy bills for consumers, as well as emissions reductions

Although the U.S. has the potential to domestically produce abundant amounts of natural gas, benefiting residential customers, businesses, and industry, the direct use of natural gas is being challenged by forced electrification policies, at the same time natural gas is one of the leading fuels used to generate America's electricity. Forced fuel switching leads to higher costs to consumers, greater emissions, and less efficient use of America's primary energy resource – natural gas.

Whereas, natural gas is one of the cleanest burning fuels available. Direct use of natural gas in the home to fuel cooking, water, and space heating, as well as clothes drying, is even more efficient than burning it to produce electricity. Carbon intensity will be reduced further through the direct use of natural gas as more renewable natural gas (RNG) is utilized. Biomethane collected from agricultural waste, landfills, and wastewater treatment plants is plentiful and when converted to RNG reduces methane emissions into the environment; and

Whereas, APGA member utilities strive to provide the lowest cost and dependable natural gas service possible. They operate as not-for-profits. Rates are set by local utility boards or city councils that, in concert with the utility, aim to provide reliable, affordable energy to their communities, not creating profits for shareholders or investors; and

Whereas, nearly 180 million people and more than 5 million businesses in the U.S. rely on natural gas. Policy-driven electrification will not only result in utility bill increases; it will also deter market forces which should be driving energy policy. Consumers would be forced to shoulder the cost of replacing the appliances and equipment they use to heat their homes, cook, and dry clothes; and

Whereas, the U.S. economy needs its energy system to be resilient and reliable, which the natural gas distribution system has proven to be, contrary to the outage-prone electric grid. Pipeline infrastructure is underground, looped, and shielded from many types of disruptions that can lead to electricity outages. When the power goes out, natural gas directly delivered to homes can still provide fuel for some heat and the ability to cook and boil water.

NOW, THEREFORE, BE IT RESOLVED: That APGA will advocate for “all of the above” energy policies that recognize the many benefits of the direct use of natural gas.

Energy Efficiency in Federal Buildings (2013)

Energy efficiency programs reduce energy costs for U.S. consumers and reduce pollution. APGA supports energy efficiency. The greater efficiency of the direct use of natural gas (on a source to site basis) over electricity is well documented by the U.S. Department of Energy, the National Academy of Sciences, and the Environmental Protection Agency, among others.

APGA is concerned, however, that in promulgating energy efficiency regulations, DOE, in an attempt to increase efficiency, may encourage fuel switching from efficient to less efficient appliances. This can occur, for example, where energy efficiency standards force consumers to choose between more efficient appliances with higher up-front costs

and less efficient appliances with lower up-front costs. The net result may be a reduction in overall energy efficiency.

Whereas, the direct-use of natural gas achieves a higher level of energy efficiency than electricity as it avoids the loss of useable energy that results from electricity generation, transmission and distribution; and

Whereas, natural gas is the cleanest of all fossil fuels, emitting substantially lower quantities of greenhouse gases and criteria pollutants per unit of energy produced than coal or oil.

NOW, THEREFORE, BE IT RESOLVED: That regulations concerning energy efficiency in federal buildings must recognize the high efficiency gains and reduced greenhouse gas emissions provided by the direct use of natural gas; and

BE IT FURTHER RESOLVED: That any regulations concerning energy efficiency in federal buildings should be based on source-based energy metrics; and

BE IF FURTHER RESOLVED: That APGA supports the repeal of Section 433 of the Energy Independence and Security Act of 2007, which mandates the elimination of all fossil fuel-generated energy use in new or renovated Federal buildings by 2030.

Use of Natural Gas for Transportation (2008 – Amended in 2010)

Natural gas vehicles (NGVs) are 90% cleaner than the EPA's current NOx standard and emit up to 21% fewer greenhouse gas (GHG) emissions than a comparable gas or diesel vehicle. When fueling with renewable natural gas (RNG), GHG emissions can be reduced up to 382%.

NGVs offer the fastest path to reducing heavy-duty vehicle emissions. Heavy and medium duty vehicles are the number one source of smog. While heavy-duty vehicles total only 7% of all vehicles on America's roadways, they account for upwards of 50% of all smog-precursor emissions and 20% of all transportation-related GHGs.

Whereas, APGA members strive for balanced energy solutions, protecting the environment and providing affordable products for consumers.

NOW, THEREFORE, BE IT RESOLVED: That APGA supports the use of natural gas in all viable transportation applications as being in the best long-term interests of the U.S.; and

BE IT FURTHER RESOLVED: That APGA supports comparative consideration of environmental, security, energy independence, reliability and convenience benefits in federal policy discussions in all transportation applications; and

BE IT FURTHER RESOLVED: That APGA supports federal and state incentives that

encourage the use of natural gas-fueled transportation of all types, the manufacturing of natural gas-powered vehicles, ships, and locomotives, and the building of refueling infrastructure; and

BE IT FURTHER RESOLVED: That APGA supports legislation to streamline the permitting and cost of retrofitting of all American made transportation applications that use natural gas; and

BE IT FURTHER RESOLVED: That APGA supports legislation to require government agencies to use NGVs as a percentage of their fleets; and

BE IT FURTHER RESOLVED: That APGA supports legislation to allow states to require access to high occupancy vehicle (HOV) lanes by dedicated alternative fuel vehicles including NGVs.

Energy Efficiency Standards (2005 – Amended in 2010)

The Department of Energy sets energy efficiency standards for various appliances, including those using natural gas. In 2011, the Department of Energy issued a Policy Statement to the effect that fuel efficiency and environmental assessments should be measured on a full fuel cycle basis, versus a site basis. It is well understood that on a full fuel cycle basis, natural gas, which loses only about 10% of its usable energy on a source-to-site basis, is far more efficient than electricity, which loses about 70% of its usable energy on a site-to-source basis.

Whereas, the full fuel cycle bases for measuring energy efficiency is the most appropriate.

NOW, THEREFORE, BE IT RESOLVED: That APGA urges Congress, through legislation, and federal agencies (such as DOE and EPA), through regulation, to incorporate full fuel cycle analysis in the establishment and administration of energy efficiency appliance standards. This would represent a “total energy efficiency” or “real energy efficiency” approach to energy efficiency appliance standards. Such an approach would measure the amount of energy used from the production of energy through final delivery to customers when calculating the amount of energy used for energy efficiency standards; and

BE IT FURTHER RESOLVED: That APGA supports amending federal energy efficiency standards so that natural gas appliances are designated as Energy Star appliances and therefore are eligible to receive available tax incentives and energy credits; and

BE IT FURTHER RESOLVED: That APGA opposes any efforts by DOE to change the accounting for source energy in a fashion that distorts the full fuel cycle efficiencies of natural gas versus electricity; and

BE IT FURTHER RESOLVED: That APGA urges DOE in setting energy efficiency standards for gas-fueled appliances to avoid setting standards that promote fuel-switching from natural gas to electricity or other less efficient resources.

Resolutions Pertaining to Pipeline Safety

Commitment to Security and Reliability (2022)

Pipelines are an inherently reliable form of infrastructure. Because gas distribution pipelines are buried underground, they are protected from extreme weather events. Retail natural gas customers rarely experience outages – on average, 1 in 800 customers will experience an unplanned outage each year. In comparison, electric customers experience an average of 1 outage per customer per year.

The Transportation Security Administration (TSA) is responsible for the physical and cyber security of pipelines and with support from the Cybersecurity and Infrastructure Security Agency (CISA), issued mandatory security directives for pipeline operators. Those directives require more stringent cybersecurity measures, as well as incident reporting. Security directives are temporary, but TSA is planning rulemakings in this space. While the operators required to comply with these is not known at this time, all of industry will be looking at any regulation from TSA as a possible requirement, if not now, in the future. The Pipeline and Hazardous Materials Safety Administration (PHMSA) issues gas distribution pipeline safety regulations pertaining to design, maintenance, and operation, as well as emergency preparedness. Those regulations promote reliability by including standards for protecting pipelines from weather and other natural hazards, as well as damage from third parties, such as vandalism. The Federal Energy Regulatory Commission (FERC) has a role to play because it authorizes the development and operation of interstate pipeline infrastructure. Ensuring adequate pipeline capacity to transport natural gas to market is an important part of ensuring reliable supply.

Whereas, gas distribution pipelines are already both reliable and well-regulated; and

Whereas, pipelines are already regulated by multiple agencies responsible for ensuring both safety and reliability; and

Whereas, APGA members recognize the importance of ensuring their customers have reliable access to energy, which requires taking steps to ensure their infrastructure is protected from cyberattacks and physical threats.

NOW, THEREFORE, BE IT RESOLVED: APGA's cyber and physical security initiatives support enhancing existing regulators' capabilities to improve coordination at the federal and state level, ensuring an efficient partnership between public natural gas utilities and government partners. Specifically:

1. **Flexibility and Scalability in Achieving Performance Objectives:** Public natural gas utilities share the government's goal of ensuring IT and OT systems are secure, safe, and reliable. Their personnel have the first-hand knowledge and technical expertise required to manage their systems. Often, these companies take a risk-based approach to their security programs, identifying, understanding, and addressing threats unique to their system(s) that could negatively impact their operations. As an example of differences in pipeline assets, there is considerably more automation at a compressor or pump station that would significantly impact operation if prey to a cyber-attack, possibly shutting them down. APGA members' pipeline systems often don't have compressors, so they do not have this amount of automation. Another focus for public natural gas utilities is minimizing threats that could pivot into the OT environment.

APGA's members have different setups with OT network architecture and ingress or egress points with other OT or IT networks. There needs to be allowance for variability in how networks are physically and logically segmented. Future regulations need to account for the size of the utility, equipment operated, and ability to maintain operational integrity if a cybersecurity incident occurs. Given this, coalescing around common performance objectives is a sensible way to support the mutual goal of securing assets, allowing for a risk-based, scalable approach to account for the various characteristics of pipeline operations and put in place an appropriate mitigation plan if intrusion does occur. Mandating mitigation measures, such as the 2021 Security Directives, that are too prescriptive, have the potential to make public gas utilities less secure and less safe. To effectively achieve the goal of safe critical infrastructure, all the appropriate federal government entities should come together and collaborate with APGA members to align on baseline measures and allow scalability and flexibility in how operators meet these common performance objectives.

2. **Appropriateness and Harmonization of Reporting Requirements:** Within the energy sector alone, multiple incident reporting requirements currently exist, which require considerable effort from public natural gas utilities. There is even some discrepancy within reporting just for pipeline operators. As well, many APGA members operate other critical infrastructure such as electric or water, who have their own reporting requirements. Public gas utilities may also have additional security and reliability requirements imposed by state regulatory bodies. New policies related to reporting must recognize the existing compliance obligations in all the critical infrastructure sectors and promote a mechanism that simplifies appropriate government notification. As well, what is to be reported should be reasonable. For example, every blocked intrusion must not be required to be submitted. Rather than trying to respond to various and sometimes conflicting regulations and terminology from several government entities, consistency, and appropriateness in reporting for all critical infrastructure is the right policy, ensuring all America's infrastructure is resilient.
3. **Bi-directional Information Sharing:** Public natural gas utilities would be obliged to share physical and cybersecurity threat information with relevant federal agencies, recognizing it is crucial to protect against and respond to all threats. Unfortunately, occurrences have arisen whereby this information sharing was one-way. For operators to adequately respond to evolving threats, federal agencies must improve their dissemination of threat information, at both the classified and unclassified levels.
4. **Confirmation of Information Protection:** Along with the information sharing, public natural gas utilities want to have confirmation that any data passed along to the federal government is secure. Recently, there have been significant intrusions into the data managed by the federal government. If public natural gas utilities are to have an effective partnership any information provided must be protected and retained in accordance with the appropriate classification, such as Sensitive Security Information (SSI).

Commitment to Enhancing Safety & Environmental Stewardship (2022)

Pipelines generally, and public gas systems specifically, have excellent pipeline safety

records. The regulations that establish minimum safety standards for the design, construction, operations, maintenance, and integrity management of the nation's pipeline safety infrastructure are set by the Pipeline and Hazardous Materials Safety Administration (PHMSA). PHMSA's mission is to protect people and the environment by advancing the safe transportation of energy by establishing national policy, setting and enforcing standards, educating, and conducting research to prevent incidents. There are also several federal agencies whose goals include environmental stewardship and the minimization of greenhouse gas emissions.

Whereas, APGA members foremost are committed to the safe operation of the infrastructure they operate in the communities in which they serve;

Whereas, Natural gas is a clean and affordable energy source, transported through resilient pipeline infrastructure operated by a well-trained workforce;

Whereas, APGA members have committed to enhancing pipeline safety through the APGA Commitment to Pipeline Safety; and

Whereas, APGA members have committed to environmental stewardship through the APGA Commitment to Environmental Stewardship.

NOW, THEREFORE, BE IT RESOLVED: APGA's pipeline safety and environmental stewardship activities support enhancing safety and minimizing methane emissions through relevant and impactful federal regulations, information collection requests, and the appropriate adoption of voluntary consensus standards and programs. Specifically:

- 1. Codification of regulations that focus on technically feasible, reasonable, and cost-effective enhancements to pipeline safety:** Public natural gas systems share in the goal of eliminating pipeline incidents and accidents. In doing so public gas systems and regulators have the mutual goal of minimizing methane emissions and keeping natural gas in the pipe until it reaches the consumer. Reaching these goals can be achieved through verifying compliance with existing regulations and codifying new regulations as necessary. The introduction of additional regulatory requirements should only be pursued when new information concerning pipeline safety becomes available, awareness of a threat to pipeline integrity is illuminated, or technology advances allow operators to utilize additional solutions in a cost-effective manner. Stakeholders should avoid layering regulatory requirements that do not meaningfully enhance pipeline safety.
- 2. Interagency collaboration on methane emission reduction strategies and reporting:** Minimizing methane emissions is a goal of the administration and several federal agencies. While some agencies focus on the quantification of existing methane emissions, others seek for actionable ways to reduce those emissions. Cooperation between these agencies will prevent duplicative or contradictory efforts. Most importantly, collaboration will ensure that appropriate agencies are able to capture and incorporate the efforts being taken by public gas systems to reduce methane emissions.
- 3. Participation in the development, revision, and promotion of voluntary consensus standards and programs:** In addition to federal and state regulations,

public gas systems are often encouraged, and sometimes required, to incorporate consensus standards into their operations. The unique size, organizational structure, and financial constraints facing public gas systems should be represented in the development of these standards and programs.

Commitment to Pipeline Safety (2018)

A safety management system (SMS) is a systematic approach to managing safety. Embedded in a SMS are the overarching structures, policies, and procedures an organization uses to direct and control its activities. In many situations, pipeline operators already have these elements implemented and Pipeline Safety Management Systems (PSMS) offer a framework to continuously improve these programs.

One of the elements of a SMS that is essential to safe operations is a commitment by management.

Whereas, safety is the highest priority of APGA members; and

Whereas, public gas systems have an excellent safety record; and

Whereas, the basic elements of PSMS are applicable to public gas systems of all sizes and can assist operators in identifying areas where pipeline safety performance can be enhanced.

NOW, THEREFORE, BE IT RESOLVED: That each APGA member is committed to continuing to enhance pipeline safety through the following SMS elements:

1. Promoting a positive safety culture within its system.
2. Communicating and educating employees, contractors, and the public regarding pipeline safety.
3. Implementing processes and actions that reduce risk and maintain the integrity of its pipeline assets.
4. Developing and maintaining safe work practices.
5. Investigating incidents and near-misses on its pipeline system in an effort to identify and implement corrective actions moving forward.
6. Verifying that existing operations and safety practices are improving pipeline safety.
7. Reviewing its system's safety performance to determine if additional actions are necessary to improve pipeline safety.
8. Responding effectively to pipeline incidents.
9. Ensuring that its personnel and contractors are competent in performing all tasks that impact the integrity of its system.
10. Maintaining documentation needed to ensure pipeline safety.

Pipeline Safety User Fees (2015)

Since 1986 the Pipeline and Hazardous Materials Safety Administration's (PHMSA) gas

safety budget has been paid for by user fees collected by transmission and LNG operators. The concept underlying this collection mechanism is that the cost of regulatory oversight over the natural gas pipeline system should be paid by gas customers that benefit from efficient and safe pipeline transportation. Most of the gas consumed in the U.S. passes through the interstate pipeline system so that is the logical place to collect the fee. Pipeline operators can pass on this cost to their customers through adjustment to transportation rates.

Interstate pipelines have complained that user fees are only assessed on transmission pipelines and not also on distribution lines. They contend that since PHMSA provides funding to state pipeline safety agencies for the states to enforce pipeline safety regulations on distribution utilities and intrastate transmission lines, some portion of PHMSA's budget should be paid for by user fees assessed directly to distribution pipeline operators. This contention overlooks two important facts. First, user fees paid by transmission pipelines are already passed on to distribution systems and other customers using the transmission pipelines in the rates the pipelines charge for transporting gas. Distribution customers are already paying part of PHMSA's budget through the fees they pay their pipeline suppliers.

Second, a mechanism already exists for interstate pipelines to incorporate changes to the pipeline safety user fees in their transportation rates so that they are kept whole. Pipelines may apply to the Federal Energy Regulatory Commission to raise their rates accordingly. APGA is unaware that FERC has ever denied the pass-through of pipeline safety user fees in any pipeline's general rate proceeding.

Were PHMSA to impose user fees on distribution pipelines, many distribution customers would be paying user fees twice – once in the direct payments by the distribution company to PHMSA and again in the transportation rates charged by the LDCs' pipeline supplier(s).

Whereas, the cost of regulatory oversight over the natural gas pipeline system should continue to be paid by gas customers that benefit from efficient and safe pipeline transportation; and

Whereas, most of the gas consumed in the U.S. passes through the interstate pipeline system; and

Whereas, pipelines already collect from customers the costs of user fees as they currently exist in their rates; and

Whereas, a mechanism already exists for interstate pipelines to apply to the Federal Energy Regulatory Commission to raise their rates to reflect increases in user fees.

NOW, THEREFORE, BE IT RESOLVED: That APGA urges Congress to reauthorize the Natural Gas Pipeline Safety Act of 1968 without changing an effective, long-standing method in how pipelines collect user fees.

BE IT FURTHER RESOLVED: That APGA opposes a cost tracker for pipeline safety costs that could impose rather than considering such costs to be part of an interstate pipeline's cost of service that may be recovered in general rate proceedings under the Natural Gas Act.

State Excavation Damage Prevention Programs (2013)

Excavation damage is the leading cause of accidents on natural gas distribution systems. According to statistics from the Pipeline and Hazardous Materials Safety Administration (PHMSA), in 2011 there were over 76,000 instances of excavation damage to natural gas distribution piping. Thirty-one of these incidents resulted in death, injury and/or property loss exceeding \$50,000.

Public gas systems are leaders in establishing “one-call” systems, which allow an excavator to make one call to notify all utilities participating in the one-call about the excavator’s intent to excavate, so the utilities can mark the location of their buried facilities. One-call systems are most effective when they are truly “one call,” i.e., all owners of buried facilities participate in the one-call center.

Excavation damage prevention is regulated by state laws and regulations. Most states have damage prevention laws, but many of these laws are ineffective because they exempt certain classes of excavators and utilities from damage prevention requirements. In some states there is little or no enforcement of damage prevention laws.

Whereas, safety is the highest priority of APGA members; and

Whereas, excavation damage is the leading cause of accidents on natural gas piping; and

Whereas, effective state damage prevention programs have proven successful at reducing the occurrence of excavation damage to gas pipelines; and

Whereas, one-call systems are most effective when all excavators and owners of buried facilities participate in the one-call system; and

Whereas, not all states have effective damage prevention laws that require all excavators and all operators of buried facilities to participate in one-call systems.

NOW, THEREFORE, BE IT RESOLVED: That APGA urges states to adopt and enforce effective damage prevention laws that include requiring all excavators and all operators of buried facilities to participate in one-call systems.

Resolutions Pertaining to Gas Supply/Markets

Gas-Electric Coordination (2013)

In early February 2011, many southwestern states experienced unusually cold and windy weather which lasted for several days. The sustained cold temperatures placed a strain on the electric and gas systems in those states and, as a result, service to approximately 4.4 million electric customers and 50,000 gas customers was impacted. This event, as well as the ongoing trend toward more reliance on natural gas for electricity generation, has drawn the attention of the Federal Energy Regulatory

Commission (FERC) to the interdependence of the gas and electric industries as the Commission looks to ensure that reliability problems are not the result of the lack of coordination between the electricity and gas industries.

Changes to existing industry practices to address gas-electric coordination issues have the potential to significantly impact local distribution systems, especially public gas systems given that approximately 95% of public systems are captive to one pipeline.

Whereas, APGA members are responsible for reliable supply to their customers.

NOW, THEREFORE, BE IT RESOLVED: That APGA supports reasonable measures to enhance gas-electric coordination provided that such measures do not diminish current LDC flexibility in the exercise of their firm transportation rights and do not result in LDCs underwriting pipeline services to other classes of customers; and

BE IT FURTHER RESOLVED: That, given that the pipeline infrastructure in this country has been built on the basis of firm commitments by LDCs, a key predicate for any regulatory action must be that customers seeking firm transportation service pay the reservation charges associated with such firm service; and

BE IT FURTHER RESOLVED: That pipelines must operate under rate schedules that ensure that curtailment orders are honored by non-firm (including secondary firm) customers so that service to high-priority residential and commercial consumers is protected.

Gas Supply and Safe and Responsible Natural Gas Production (2021)

Advances in drilling technology have made substantial untapped domestic natural gas reserves recoverable both on and offshore. This expanded resource base has altered, in a very positive manner, the energy landscape. It has provided the United States with the ability, among other things, to nearly eliminate its energy dependence on other nations, while delivering affordable and clean natural gas to American communities. This increased access to natural gas has fueled economic growth and reduced global greenhouse gas emissions. Households that use natural gas for heating, cooking, and clothes drying save almost \$900 per year on average compared to homes that use electricity for those applications.

Pipelines continue to be the safest mode to transport natural gas resources. More than 4.1 million American jobs are connected to the natural gas industry--many high-paying and union jobs. Pipeline infrastructure projects undergo a rigorous permitting process that allows experts to weigh-in on the security, safety, and environmental impacts of every project. Additional natural gas infrastructure development also benefits APGA members' customers, as the overwhelming majority of these public gas systems are captive to one pipeline, which can negatively impact pipeline rates.

Concerns about potential adverse impacts of domestic production and supply of natural gas, including contributions to climate change from related methane releases, have become a national conversation on energy development. There have been efforts at state, local, and federal levels to limit or prohibit natural gas production and infrastructure projects, and they are anticipated to continue.

Whereas, APGA appreciates technological innovation, such as safe and responsible

hydraulic fracturing and horizontal drilling, resulting in increased access to domestic natural gas supply.

Whereas, the responsible expansion and continued maintenance of natural gas supply infrastructure is critical to sustain access to safe, reliable, resilient, affordable, and clean energy, including minimizing emissions all along the natural gas supply chain, such as via the reduction of production site flaring through the capture and transport of natural gas.

NOW, THEREFORE, BE IT RESOLVED: That APGA supports safe and responsible natural gas development consistent with practices that protect human health, drinking water supplies, and the environment; and

BE IT FURTHER RESOLVED: That APGA urges the Federal government to permit sufficient drilling for gas reserves on Federal lands to ensure an adequate and affordable supply of clean natural gas; and

BE IT FURTHER RESOLVED: That APGA supports the responsible expansion of the natural gas pipeline network through efficient and timely permitting and construction of additional infrastructure; and

BE IT FURTHER RESOLVED: That APGA supports responsible natural gas production and supply and supports innovation to continue to decrease emissions along the value chain; and

BE IT FURTHER RESOLVED: That APGA supports transparent rulemaking processes that result in carefully crafted, common-sense regulations for the natural gas supply chain, that appropriately balance the demand for domestic and affordable energy with protection of human health and the environment.

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Retail Unbundling (2005)

The natural gas and electric utility industries have undergone substantial restructuring, which is ongoing, as FERC and the states rely increasingly on competition to replace regulation. Legislators and regulators at the federal and state level continue to debate whether "customer choice" at the retail level should be mandated by government action.

Whereas, APGA members support policies best for their customers, who are their neighbors in their communities.

NOW, THEREFORE, BE IT RESOLVED: That APGA submits that retail unbundling may not be appropriate for every community and that it should be implemented only if it

provides net benefits to consumers; and that such determination should be made by state and local governments, not by FERC or by the Congress.

Other

Tax-Exempt Financing (2013)

Some in Congress and the Administration, as a way to increase federal tax receipts, have suggested restrictions on the ability of local governments to issue debt on which the interest payments are exempt from federal taxation. Some would eliminate tax-exempt financing altogether. Absent tax-exempt status, the cost of municipal bonds would increase borrowing rates by as much as two percentage points.

Whereas, the elimination of, or restrictions on, tax-free financing by political subdivisions would have significant adverse impacts on the ability of public gas systems to finance infrastructure investments that are necessary to support economic growth and jobs, as well as for the prepayment of natural gas purchases, thereby negatively impacting service reliability and end-user prices; and

Whereas, advance refunding bonds allow APGA members the ability to refinance and restructure existing debt; and

Whereas, advance refunding is an important tool for APGA members to lower their borrowing costs associated with building and maintaining their infrastructure, which results in lower costs to customers.

NOW, THEREFORE, BE IT RESOLVED: That APGA believes any future tax legislation should restore the ability to issue tax-exempt advance refunding bonds

NOW, THEREFORE, BE IT FURTHER RESOLVED: That APGA opposes legislation and/or regulations that would reduce or repeal the federal tax exemption on interest earned from municipal bonds.

Support for Research and Development (2005 – Amended in 2010)

In August 2004, the federally mandated natural gas research and development (R&D) surcharge was terminated. As such, there is no sustained federal support for natural gas operational and end-use R&D. However, there are still many research and development needs all along the natural gas value chain. APGA members fund R&D through the not-for-profit APGA Research Foundation.

Whereas, innovation is key to furthering natural gas use and ensuring the environment and consumers benefit from the continued consumption of this fuel.

NOW, THEREFORE, BE IT RESOLVED: That APGA supports the appropriation of federal dollars for R&D, including DOE R&D directed at integrating natural gas into the smart energy grid through new and improved end-use technology; and

BE IT FURTHER RESOLVED: That APGA supports federal funding of R&D in support of increasing natural gas resources, both conventional and unconventional, including natural gas from methane hydrates; and

BE IT FURTHER RESOLVED: That APGA supports federal funding of R&D in support of cost- effective, fuel neutral technologies to sequester, capture or reduce CO2 emissions; and

BE IT FURTHER RESOLVED: That APGA urges Congress to increase annual appropriations for these valuable R&D programs and to relax co-funding requirements for public gas utilities.

Maintain Funding for LIHEAP (2005 – Amended in 2011)

The Low-Income Home Energy Assistance Program (LIHEAP) serves a critical role as a safety net for our Nation's low-income households. Since 1981, the number of households eligible for LIHEAP assistance has grown, while the number of households receiving assistance has declined.

Whereas, natural gas can be a part of America's clean energy future, supplying those most vulnerable populations with affordable and reliable fuel.

NOW, THEREFORE, BE IT RESOLVED: That APGA supports funding LIHEAP at the full authorization level of \$5.1 billion.

The Benefits of a Publicly-Owned Gas System (2005)

There are almost 1000 publicly-owned gas systems serving some five million consumers in more than 1000 communities in the United States. Publicly-owned gas systems, which are political subdivisions of the state, have as their primary purpose providing a dependable source of energy for consumers at the lowest reasonable rates.

Whereas, APGA members are proud to serve their communities, providing a fuel that is affordable, abundant, and American.

NOW, THEREFORE, BE IT RESOLVED: That APGA believes that gas consumers and all sectors of the industry should be fully informed of the benefits of public gas service, including the ability of publicly-owned gas systems to function efficiently in a competitive energy marketplace, and it supports the principle that every community should be able to provide competitively priced, publicly-owned gas service.