



# AMERICAN PUBLIC GAS ASSOCIATION

February 26, 2018

The Honorable Fred Upton  
Chairman  
Energy and Commerce Committee  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Bobby Rush  
Ranking Member  
Energy and Commerce Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Upton and Ranking Member Rush:

On behalf of the American Public Gas Association (APGA), we appreciate this opportunity to submit testimony to this important hearing addressing the future of this country's energy infrastructure.

APGA, the national association for municipal natural gas utilities, is in a unique position to offer testimony on this matter because of its members' proximity to the consuming public. APGA represents over 730 public gas systems across the country. Our members are retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that own and operate natural gas distribution facilities in their communities.

As the debate on our energy future continues, it is clear that natural gas should be a foundation for our energy future. As this Committee begins to address our energy infrastructure needs, we would like to see this Committee support dynamic federal programs that allow communities to choose how to best meet their energy needs without establishing any bias or imbedded preferences.

As our nation discusses our future energy infrastructure needs, the Committee must not overlook the fact that the direct use of natural gas is a critical factor in the reliability, resiliency, efficiency, and security of the overall U.S. energy system. The direct use of natural gas today provides relief for our congested and stressed electrical infrastructure, as well as primary energy for on-site, back-up generators during grid outages. Often lost in the dialog about the nation's energy resiliency is the fact that diversity of delivery mechanisms (pipelines and electric transmission) and fuel sources and fuel reliance is key to ensuring overall system reliability. A fresh example is the current winter season, in particular the extreme weather of January 2018. According the American Gas Association, local gas utility preparation and the diversity of gas supply met an extreme challenge. On January 1, 2018, forty-two percent of natural gas delivered to consumers was sourced from underground storage infrastructure. Domestic production of natural gas sustained 72 billion cubic feet (Bcf) per day, which was supplemented with Canadian imports as high as 8 Bcf per day. Bottom-line: The natural gas energy delivered to consumers on January 1<sup>st</sup> was equal to about 1700 giga-watts (GW) equivalent electricity. To put this in perspective, total generation capacity in the U.S. today is only about 1000 GW. Natural gas is indeed foundational to our nation's energy resiliency.

Natural gas is currently distributed to approximately 75 million homes and businesses nationwide. The use of natural gas appliances in homes and businesses frees up critical capacity and increases

flexibility for the electric grid while lowering costs, improving overall efficiency, and reducing emissions. Similar to electricity conservation, natural gas appliances reduce the strain on the electricity grid while minimizing the need for the construction of additional generation plants and transmission lines. According to APGA's Levelized Cost of Energy Study<sup>1</sup>, the direct use of natural gas has significantly lower levelized costs to consumers when compared to any of the electric generation technologies.

Expanding natural gas direct-use will benefit the nation in several ways. First, natural gas will reduce the impact on consumers from the tremendous costs associated with the build out of additional electric generation and transmission assets. Consumers will also benefit from lower monthly utility bills when operating natural gas appliances as compared to electric alternatives.

The Committee should explore increasing utilities' ability to expand their distribution capabilities. The expansion of a community's natural gas service is a key component to local and regional economic revitalization. Natural gas provides stable and low-cost energy to manufacturing and industrial businesses -- an invaluable benefit that can attract investment and provide increased economic activity across the country.

Our members have continued to look for ways to better serve their community by upgrading and expanding service to new areas. In many instances this is driven by the agricultural sector and the desire to provide farms and other agribusinesses with low cost energy.

One of the biggest challenges to serving rural communities is lowering the initial infrastructure cost for end users -- also known as "last mile" programs. Natural gas utilities must recoup all of the costs associated with expanding into new areas and this can be difficult in rural areas where lower population density increases the cost per customer. The Committee should explore how the government can help lower these cost for farmers and other agribusinesses that are often high energy users. A 2017 National Association of Regulatory Utility Commissioners Task Group on Natural Gas Access and Expansion Report provides an overview of the impact "last mile programs" have on dramatically lowering businesses' and underserved communities' energy bills.

APGA believes that any infrastructure discussion must include assessing the benefits of direct use of natural gas, a domestic resource, and evaluating how best to assure a resilient energy system, not just a resilient electric system. Preserving fuel diversity is essential to the reliability, resiliency, and security of the nation's energy system. In considering the reliability of the electric grid, Congress should take into account how low priced, domestic natural gas has changed the energy sector. APGA believes that the direct use of natural gas can and should play an important role in providing consumers a reliable, diverse, resilient and secure energy system now and well into the future. We stand ready to work with the Committee on these and all other natural gas issues.

Sincerely,



Bert Kalisch  
President & CEO

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<sup>1</sup> APGA published the "Levelized Cost of Energy: Expanding the Menu to Include Direct Use of Natural Gas" study in August 2017 to look at the levelized cost of electricity generation options and the direct use of natural gas.