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OFFICE OF THE  
SECRETARIAT

June 22, 2011

**VIA E-MAIL**

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: Rule Certification. New York Mercantile Exchange, Inc. Submission # 11-240:  
Notification Regarding the Listing of SoCal Swap (Platts IFERC) Futures for  
Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort®**

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of the financially settled swap futures contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, June 26, 2011, for trade date Monday, June 27, 2011.

The Exchange will allow the exchange for related position ("EFRP") transactions to be submitted through CME ClearPort. EFRP transactions in this futures contract will be governed by the provisions of Exchange Rule 538.

The specifications for the contract are provided below for your convenience.

- **Commodity Code:** XN
- **Floating Price:** Floating Price for each contract month will be equal to the bidweek price (average) (Bidweek Price) for the Southern California Gas Co."SoCal" under the California heading found in *Platts Inside Ferc (IFERC) Gas Market Report – Market Center Spot Gas Prices*, for the corresponding contract month.
- **Settlement Type:** Financial
- **Contract Unit:** 2,500 MMBtu
- **Termination Date:** Last business day of the month prior to the contract month.
- **Minimum Price Fluctuation:** \$0.0001 per MMBtu
- **First Listed Month:** July 2011
- **Listing Period:** balance of current year + 5 consecutive years
- **Trading Hours:**  
Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 p.m. – 1:30 p.m. Chicago Time/CT).  
CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. This submission will be made effective on trade date June 27, 2011.

Should you have any questions concerning the above, please contact Brad Leach at (212) 299-2609 or [bradford.leach@cmegroup.com](mailto:bradford.leach@cmegroup.com). Alternatively, you may contact the undersigned at (312) 930-8167.

Sincerely,

/s/ Sean Downey  
Assoc Dir & Asst General Counsel

Attachments: Contract terms and conditions  
Cash Market Overview and Analysis of Deliverable Supply

1285

**Chapter 507**  
**SoCal Swap (Platts IFERC) Futures**

**507.01 SCOPE**

The provisions of these rules shall apply to all contracts listed on the Exchange for cash settlement based on the Floating Price.

**507.02 FLOATING PRICE**

The Floating Price for each contract month will be equal to the bidweek price (average) ("Bidweek Price") for the Southern California Gas Co."SoCal" under the California heading found in *Platts Inside Ferc (IFERC) Gas Market Report*, "Market Center Spot Gas Prices" for the corresponding contract month.

**507.03 CONTRACT QUANTITY AND VALUE**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to exchange for related position (EFRP) transactions.

Each futures contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

**507.04 CONTRACT MONTHS**

Trading months shall be conducted in contracts in such months as shall be determined by the Exchange.

**507.05 PRICES AND FLUCTUATIONS**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0001 per MMBtu. There shall be no maximum price fluctuation.

**507.06 TERMINATION OF POSTING OF TRANSACTIONS**

The contract shall terminate on the last business day of the month prior to the contract month.

**507.07 FINAL SETTLEMENT**

Delivery under the futures contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**507.08. EXCHANGE FOR RELATED POSITION TRANSACTIONS**

Any exchange for related position ("EFRP") transactions shall be governed by the provisions of Exchange rule 538.

**507.09 DISCLAIMER**

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## CASH MARKET OVERVIEW

The Exchange will use *Platts Inside F.E.R.C.* ("*Platts* IFERC") as the third-party reference in connection with its determination of final settlement for the SoCal Swap (*Platts* IFERC) Futures contract. Specifically, the reference used to cash settle this contract shall be the monthly bid-week market survey of physical market transactions at the Southern California Gas Co. The bid-week survey is contained in the *Platts* IFERC Gas Market Report. *Platts* defines "bid-week" as the last five business days of the month. During that period, *Platts* surveys numerous market participants regarding their transactions for the next-month delivery for the respective location.

*Platts'* methodology is organized to reflect the content of the Federal Energy Regulatory Commission's (FERC's) policy statement on price indices for natural gas. *Platts* also employs compliance staff who are independent of the staff who conduct the survey. *Platts* IFERC has been an industry standard-bearer with respect to price reporting since the early days of wellhead price deregulation in natural gas during the late 1980s.

*Platts* subjects its collected data to a series of statistical tests to ensure the quality and completeness of the survey sample for each pricing point or geographical location. These tests include: (i) the identification and consideration of anomalous or outlying transactions; (ii) a comparison of volume-weighted average prices for each data submitter; and (iii) the calculation of a number of overall measures of central tendency, including the volume-weighted average, the median, the simple average, the mode and the midpoint. These procedures safeguard the price series against manipulation.

### ***Southern California Gas Co.***

According to *Platts'* definition<sup>1</sup>, Southern California Gas Co refers to natural gas "deliveries into Southern California Gas from El Paso Natural Gas at Topock, Calif., and Blythe, Calif. (Ehrenberg, Ariz.); from Transwestern Pipeline at Topock/Needles, Calif.; from Kern River Gas Transmission at Wheeler Ridge and Kramer Junction, Calif.; and from Questar Southern Trails Pipeline at Needles. The point also

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<sup>1</sup> [http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/na\\_gas\\_methodology.pdf](http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/na_gas_methodology.pdf)

includes deliveries from Pacific Gas and Electric at several points, including Kern River station and Pisgah/Daggett; and instate production.”

### ***Methodology***<sup>2</sup>

Platts publishes a range of reported prices, excluding outliers, and either an index or an assessment. Prices are published on the first business day of the month in which the gas will flow. Platts relies on straightforward quantitative analysis of the data in calculating indexes. For low-liquidity points where few or, in some cases, no transactions are reported, Platts may perform assessments. Those prices are clearly marked with an asterisk (\*) to make clear an assessment process has been used. If insufficient market information is available at a point, Platts does not publish a price (N.A.). In July 2003, Platts adopted a three-tier system grouping points in its monthly survey by the reported volumes and number of trades. The top tier includes points with volumes of at least 100,000 MMBtu/day and at least 10 trades; the second tier includes points with volumes of 25,000 to 99,999 MMBtu/day and at least five trades; and the third tier includes points with volumes below 25,000 MMBtu/day and/or fewer than five trades. In August 2004, Platts began publishing volumes and the number of transactions for points in tiers 1 and 2. Because of increased liquidity and data reporting by market participants, effective February 2007 Platts added volumes and transactions for tier 3 points as well.

The current format for the monthly survey has been in place since March 1986. Platts has reported monthly index prices since January 1988. The monthly bidweek index is a single benchmark price designed to represent a central or average value for dealmaking during the bidweek period. A number of data sorts, statistical calculations and tests are performed on the collected transactional data. These typically include an analysis of the quality and completeness of each pricing point's survey sample, the identification and consideration of anomalous or outlying deals, a comparison of volume-weighted average prices for each data submitter and the calculation of a number of overall measures of central tendency, including the volume-weighted average, the median, the simple average, the mode and the midpoint. Other statistical and analytical tools are also used to examine the reported data, including identification and consideration of the price series' skew, its standard deviation and distribution, the relationship between series data and that of related trading points, and the track record of the survey

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<sup>2</sup>[http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/na\\_gas\\_methodology.pdf](http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/na_gas_methodology.pdf)

participants reporting prices at the point. In limited instances, when points are too thinly traded to permit use of the traditional index method, Platts uses an assessment methodology. In those cases, in the absence of sufficient trade data to calculate a representative monthly index, Platts will examine other market information to determine whether it can publish an assessment. If that is not possible, Platts will publish no index price for the month, designated as "N.A." Except in the case of corrections, Platts does not revise prices after the fact — once an N.A. is published for a month, no price will be published even if additional information is subsequently provided.

To derive the index, Platts editors use volume-weighted averages as the foundation. At pricing points with robust dealmaking and a generally normal distribution curve, the index is the simple volume-weighted average. This applies to the large majority of bidweek indexes. Because survey samples of reported trading at any individual pricing point can vary under different market conditions, the volume-weighted average alone is not always an adequate indicator of average dealmaking over the five-day bidweek period. Survey samples can vary with participation levels and the completeness of data elements reported. In a thinner and/or very volatile market, a single party with one or two large-volume deals reported at an extreme end of the market's price range can significantly move a volume-weighted average away from the average value at which most parties traded. In these situations, Platts editors also consider the median of the price series, which tends to represent the centerpoint of trading better than the volume-weighted average. At points where trading is robust and the distribution of reported transactions is generally normal, the volume-weighted average and the median are usually aligned with each other. When the two measures significantly diverge, an analysis of the data set typically is performed to determine the reason. If the analysis finds that the characteristics of the survey sample are creating an unrepresentative skew of the volume-weighted average, either the median is used as the index or the average of the median and the volume-weighted average is used. In the limited instances of thin, illiquid markets, the use of volume-weighted indexes may not be possible. Platts believes that price assessments using available information other than reported transactions help provide market transparency. At such thinly traded or thinly reported points, defined as those with volumes below 25,000 MMBtu/day and/or fewer than five trades, Platts editors make a determination whether the reported transactions reflect a representative central value for the bidweek time period based on current market conditions at the trading point and a comparison with other related and more deeply traded locations. If the reported data for such

a point produces an average that substantially correlates with those of other related and more deeply traded points, Platts will establish its index using just the reported data. If, however, the reported transactions at the illiquid point do not produce an average that substantially correlates with those at more liquid related points, then Platts will make an assessment if adequate alternative market information is available on which to base an assessment. If insufficient other market information is available, Platts editors may elect to publish no price for that point. Assessments, which are clearly designated by asterisks in price tables, may incorporate any transactional data reported or may be based solely on other information, including an analysis of bid/ask spreads, basis relationships to values at related liquid pricing points, implied physical values derived from financial swaps and derivative index deals, and daily market trading at the point during bidweek. Assessments are based on objective factual information in addition to actual transactions, not on editors' subjective judgments of where markets would have traded or industry participants' opinions on prices.

## Production

Based on the U.S. Energy Information Administration ("EIA") data, the average monthly natural gas marketed production in California was approximately 25,597 MMcf for 2007 and 24,706 MMcf for 2008. In 2009, the monthly average production was 23,048 MMcf which is a decrease of 7% compared to the previous year. Table 1 below presents data sourced from EIA on the natural gas marketed production of California.

**Table 1: EIA Statistics for Natural Gas Production (million cubic foot)<sup>3</sup>**

Date	California Natural Gas Marketed Production (MMcf)
Jan-2007	27,195
Feb-2007	24,592
Mar-2007	26,843
Apr-2007	25,587
May-2007	26,703
Jun-2007	25,628
Jul-2007	26,558
Aug-2007	25,358
Sep-2007	24,796
Oct-2007	24,853

<sup>3</sup> <http://www.eia.gov/dnav/ng/hist/n9050ca2m.htm>

Date	California Natural Gas Marketed Production (MMcf)
Nov-2007	24,201
Dec-2007	24,846
Jan-2008	26,180
Feb-2008	23,765
Mar-2008	25,854
Apr-2008	24,719
May-2008	25,648
Jun-2008	24,696
Jul-2008	25,796
Aug-2008	24,549
Sep-2008	24,008
Oct-2008	23,984
Nov-2008	23,264
Dec-2008	24,005
Jan-2009	24,493
Feb-2009	22,149
Mar-2009	24,177
Apr-2009	23,014
May-2009	24,039
Jun-2009	23,057
Jul-2009	23,929
Aug-2009	22,837
Sep-2009	22,341
Oct-2009	22,370
Nov-2009	21,741
Dec-2009	22,429

### Consumption

Based on EIA data, the average monthly natural gas consumption in California was approximately 380,490 MMcf for 2008 and 366,044 MMcf for 2009. In 2010, the monthly average consumption was 319, 936 MMcf which is a decrease of 13% compared to the previous year. Table 2 below presents data sourced from EIA on the natural gas consumption of California.

**Table 2: EIA Statistics for Natural Gas Consumption (million cubic foot)<sup>4</sup>**

Date	Consumption
Jan-2008	504,512
Feb-2008	439,438
Mar-2008	384,732
Apr-2008	365,009

<sup>4</sup> [http://www.eia.gov/dnav/ng/ng\\_cons\\_sum\\_dcua\\_sca\\_m.htm](http://www.eia.gov/dnav/ng/ng_cons_sum_dcua_sca_m.htm)



Date	Consumption
May-2008	332,376
Jun-2008	318,481
Jul-2008	353,646
Aug-2008	386,151
Sep-2008	368,310
Oct-2008	374,102
Nov-2008	358,628
Dec-2008	452,236
Jan-2009	438,606
Feb-2009	412,129
Mar-2009	381,670
Apr-2009	332,938
May-2009	305,173
Jun-2009	290,801
Jul-2009	372,530
Aug-2009	384,193
Sep-2009	393,070
Oct-2009	357,274
Nov-2009	358,095
Dec-2009	460,202
Jan-2010	444,821
Feb-2010	399,476
Mar-2010	388,705
Apr-2010	356,226
May-2010	304,886
Jun-2010	278,568
Jul-2010	325,050
Aug-2010	348,876
Sep-2010	153,226
Oct-2010	375,296
Nov-2010	144,163
Dec-2010	424,250

### Cash Market

Table 3 below provides the volume reported by *Platts* IFERC in its bid-week surveys for each month from January 2008 through June 2011. The data is available under *Platts Liquidity in North American Monthly Gas Monthly Gas Markets*<sup>5</sup> report. The monthly average volume was 17,948,835 MMbtu. The monthly volume reached a high of 55,161,000 MMbtu in March 2008 and a low of 5,364,000 MMbtu in March 2011.

<sup>5</sup> <http://www.platts.com/MethodologyAndSpecifications/NaturalGas>

Table 3

Month	Year	Volume ( x 1,000 MMBtu/day)	Monthly Volume in MMBtu	NYMEX Contract Equivalent
Jan	2008	1078	32,337,000	12,935
Feb	2008	1269	38,083,950	15,234
Mar	2008	1839	55,161,000	22,064
Apr	2008	1221	36,621,000	14,648
May	2008	1451	43,524,968	17,410
Jun	2008	1033	30,993,000	12,397
Jul	2008	1002	30,054,960	12,022
Aug	2008	985	29,539,170	11,816
Sep	2008	1085	32,544,180	13,018
Oct	2008	489	14,681,400	5,873
Nov	2008	226	6,791,970	2,717
Dec	2008	296	8,891,520	3,557
Jan	2009	324	9,705,000	3,882
Feb	2009	334	10,010,220	4,004
Mar	2009	288	8,641,230	3,456
Apr	2009	305	9,150,000	3,660

Month	Year	Volume ( x 1,000 MMBtu/day)	Monthly Volume in MMbtu	NYMEX Contract Equivalent
May	2009	205	6,161,190	2,464
Jun	2009	445	13,350,000	5,340
Jul	2009	538	16,136,410	6,455
Aug	2009	366	10,986,000	4,394
Sep	2009	377	11,320,530	4,528
Oct	2009	563	16,900,170	6,760
Nov	2009	385	11,539,860	4,616
Dec	2009	728	21,849,930	8,740
Jan	2010	667	20,022,000	8,009
Feb	2010	388	11,625,600	4,650
Mar	2010	544	16,320,000	6,528
Apr	2010	650	19,485,000	7,794
May	2010	811	24,336,000	9,734
Jun	2010	793	23,775,000	9,510
Jul	2010	339	10,166,550	4,067
Aug	2010	566	16,989,750	6,796
Sep	2010	371	11,118,750	4,448

Month	Year	Volume ( x 1,000 MMBtu/day)	Monthly Volume in MMBtu	NYMEX Contract Equivalent
Oct	2010	421	12,630,000	5,052
Nov	2010	519	15,567,780	6,227
Dec	2010	331	9,933,000	3,973
Jan	2011	215	6,450,000	2,580
Feb	2011	372	11,163,000	4,465
Mar	2011	179	5,364,000	2,146
Apr	2011	312	9,345,000	3,738
May	2011	275	8,250,000	3,300
Jun	2011	545	16,335,000	6,534
<b>Average</b>				<b>7,195</b>
<b>Minimum</b>				<b>2,146</b>
<b>Maximum</b>				<b>22,064</b>

#### SoCal Natural Gas Market Participants

BROKERS	MARKET PARTICIPANTS
Amerex Brokers LLC	BP Corporation North America, Inc.
ICAP Energy LLC	ConocoPhillips Company
TFS Energy LLC	Citigroup Energy Inc.
GFI Brokers LLC	Chevron USA, Inc.
	Credit Suisse Energy LLC
	Deutsche Bank AG, London

BROKERS	MARKET PARTICIPANTS
	Hess Corporation
	JP Morgan Chase Bank, Inc.
	Merrill Lynch Commodities Inc.
	National Trading II
	UBS Securities, LLC
	Wachovia Bank, NA
	AGR Power LLC
	Louis Dreyfus Energy Services L.P
	Coral Structuring, L.L.C.
	Eagle Energy Partners I, LP
	Constellation Energy Commodities Group Inc.
	Alpha Energy Master Ltd.
	Northwind Resources LLC
	SIG Energy LLLP

### ANALYSIS OF DELIVERABLE SUPPLY

Using the *Platts* IFERC volume data shown in Table 3 above, the monthly data was adjusted to reflect NYMEX contract equivalent (contract size is 2,500 MMBtu). The monthly average volume is 17,988,197 MMBtu which is equivalent to 7,195 contracts. The proposed spot month limit is 2,000 contracts which represents approximately 28% of the 7,195 contract equivalents of monthly supply.

The physical market does include transactions which may not be captured by the *Platts* IFERC bid-week surveys. However, as evidenced by the data generated by the *Platts* IFERC bid-week surveys and by the stringent policies and price index methodology implemented by *Platts*, we firmly believe that the *Platts* IFERC bid-week surveys for this location is reflective of competitive, liquid, and active physical market.