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August 25, 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 # 11-317: Notification Regarding the Listing of SoCal Gas City-Gate 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 a new financially settled natural gas swap contract, SoCal Gas City-Gate Swap (Platts IFERC) futures, for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, August 28, 2011, for trade date Monday, August 29, 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:** SGW
- **Floating Price:** The Floating Price for each contract month will be equal to the bidweek price (average) ("Bidweek Price") for the SoCal Gas city-gate 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.
- **First Listed Month:** October 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).
- **Fee Schedule:**

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	\$0.54	\$0.54	\$0.61	\$0.67	
Globex	N/A	N/A	N/A	N/A	NA
ClearPort		\$0.54		\$0.67	

Processing Fees			Additional Fees and Surcharges	
	Member	Non-Member	EFS Surcharge	N/A
Cash Settlement	\$0.10	\$0.10	Block Surcharge	N/A
Futures from E/A	N/A	N/A	Facilitation Desk Fee	\$0.05

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the SoCal Gas City-Gate Swap (Platts IFERC) futures contract into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new SoCal Gas City-Gate Swap (Platts IFERC) futures contract. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract.

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 and its terms and conditions comply 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 August 29, 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 (212) 299-2207, (347) 463-5347 or [felix.khalatnikov@cmegroup.com](mailto:felix.khalatnikov@cmegroup.com). Please reference NYMEX Submission No. 11-317 in any related correspondence.

Sincerely,

/s/Felix Khalatnikov  
Dir & Assoc General Counsel

Attachments: Appendix A: Rule Chapter  
Appendix B: Chapter 5 Table  
Appendix C: Cash Market Overview and Analysis of Deliverable Supply

**Chapter 914**  
**SoCal Gas City-Gate Swap (Platts IFERC) Futures**

**914100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

**914101. CONTRACT SPECIFICATIONS**

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

**914102. TRADING SPECIFICATIONS**

The number of months open for trading at a given time shall be determined by the Exchange.

**914102.A. Trading Schedule**

The hours of trading for this contract shall be determined by the Exchange.

**914102.B. Trading Unit**

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) multiplied by the settlement price.

**914102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0001 per MMBtu.

**914102.D. Position Limits and Position Accountability**

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in SoCal City-Gate Basis Swap (Platts IFERC) Futures. Each position in the contract will be calculated as a single position in the SoCal City-Gate Basis Swap (Platts IFERC) Futures contract.

In accordance with Rule 559, no person shall own or control positions in excess of 2,000 contracts net long or net short in the spot month.

1. the all-months accountability level shall be 7,000 contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 5,000 contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

**914102.E. Termination of Trading**

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

**914103. FINAL SETTLEMENT**

Final settlement under the 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.

**914104. DISCLAIMER**

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX") ITS AFFILIATES NOR PLATTS, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. ("PLATTS") GUARANTEES THE ACCURACY NOR COMPLETENESS OF THE PLATTS PRICE ASSESSMENT OR ANY OF THE DATA INCLUDED THEREIN.

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## Appendix A

ASSESSMENT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING AND/OR CLEARING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND PLATTS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE PLATTS PRICE ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR PLATTS HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

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**NYMEX RULEBOOK CHAPTER 5 POSITION LIMIT TABLE**  
 (Bold/underline indicates additions; strikethrough indicates deletions)

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>All Month Account-ability Level</u>	<u>Any One Month Account-ability Level</u>	<u>Expira-tion Month Limit</u>	<u>Report-ing Level</u>	<u>Aggre-gate Into (1)</u>	<u>Aggre-gate Into (2)</u>
			<u>Rule 560</u>	<u>Rule 560</u>	<u>Rule 559</u>	<u>Rule 561</u>		
<i>Natural Gas</i>								
<i>Inside FERC</i>								
<i>California</i>								
<u>SoCal Gas City-Gate Swap (Platts IFERC) Futures</u>	<u>914</u>	<u>SGW</u>	<u>7,000</u>	<u>5,000</u>	<u>2,000</u>	<u>25</u>	<u>9A</u>	

### **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 Gas City-Gate 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 SoCal Gas city-gate. 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.

#### ***SoCal Gas City-Gate***

According to Platts' definition<sup>1</sup>, SoCal Gas city-gate refers to natural gas "Deliveries at Southern California Gas Co.'s city-gate pool". The SoCal Gas city-gate pool is a "virtual" trading location on SoCal Gas' system for deliveries to and from holders of the distributor's city-gate pool contracts. This point includes storage transactions delivered to and from the city-gate pool.

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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)

## *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 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

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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)

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.

### Consumption

Based on the U.S. Energy Information Administration ("EIA") data, the average monthly natural gas consumption in California was approximately 193,234 MMcf for 2008 and 186,945 MMcf for 2009. During the first half of 2010, the monthly average consumption was 182,280 MMcf. Table 1 below illustrates natural gas consumption in California according to data provided by the EIA.

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

Month	Natural Gas Delivered to Consumers in California (Including Vehicle Fuel) (MMcf)
Jan-2008	252,256
Feb-2008	219,719
Mar-2008	192,366
Apr-2008	182,504
May-2008	166,188
Jun-2008	159,240
Jul-2008	176,823
Aug-2008	193,075
Sep-2008	184,155
Oct-2008	187,051
Nov-2008	179,314
Dec-2008	226,118
Jan-2009	219,303
Feb-2009	206,065
Mar-2009	190,835
Apr-2009	166,469
May-2009	152,587
Jun-2009	145,401
Jul-2009	186,265

<sup>3</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)

Month	Natural Gas Delivered to Consumers in California (Including Vehicle Fuel) (MMcf)
Aug-2009	192,097
Sep-2009	196,535
Oct-2009	178,637
Nov-2009	179,048
Dec-2009	230,101
Jan-2010	223,667
Feb-2010	200,873
Mar-2010	195,609
Apr-2010	179,329
May-2010	153,700
Jun-2010	140,500

### Cash Market

Table 2 below provides the volume reported by *Platts* IFERC in its bid-week surveys for each month from January 2010 through December 2010 for SoCal Gas city-gate. The data is available under *Platts Liquidity in North American Monthly Gas Monthly Gas Markets*<sup>4</sup> report. The monthly data was adjusted to reflect NYMEX contract equivalents (contract size is 2,500 MMBtu). As illustrated in Table 2, below, the monthly volume, which is captured by the *Platts* IFERC bid-week surveys, ranges from 616 contract equivalents in January 2010 to 3,432 contract equivalents in April 2010. The average monthly volume is 2,040 contract equivalents.

**Table 2: Volumes from *Platts Liquidity in North American Monthly Gas Monthly Gas Markets Report***

(All Volumes are in NYMEX Equivalents (2,500 MMBtu))

Month	SoCal Gas City-gate
Jan-10	616
Feb-10	2,187
Mar-10	1,675
Apr-10	3,432
May-10	1,988
Jun-10	2,030
Jul-10	2,395
Aug-10	1,341
Sep-10	2,062
Oct-10	2,216
Nov-10	2,521
Dec-10	2,019

<sup>4</sup> <http://www.platts.com/MethodologyAndSpecifications/NaturalGas>

Table 3 below provides a list of SoCal city-gate natural gas market participants.

**Table 3: 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
	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**

As illustrated in Table 2 (above), the average monthly volume is 2,040 contract equivalents. According to the *Platts* IFERC editorial staff, *Platts* captures 51% of the volume reported to index providers. The estimated total index market is 4,080 contract equivalents for SoCal Gas city-gate.

Based on the Energy Policy Act of 2005, the Federal Energy Regulatory Commission ("FERC") issued Order No. 704 which imposed an annual reporting requirement on certain natural gas market participants. FERC collected information in "Annual Report of Natural Gas Transactions" (Form 552). The data collected for 2009 shows that the respondents who reported fixed price transactions to index publishers accounted for 11% to 13% of the total natural gas volumes reported by Form 552 respondents. The "FERC imputed average" reflects the estimated physical market size based on 13% for SoCal Gas city-gate. The estimate is 28,562 contract equivalents.

The recommended position limit for SoCal Gas city-gate swap futures is 2,000 contracts which represents 7% of the FERC imputed monthly volume. The recommended spot month limit is lower than the estimated physical market.