platts

Gas Daily®

Wednesday, January 22, 2003

Daily Price Survey

Listed in the left column are the midpoints of the daily ranges for the most common prices, paid in $/mmBtu of a typical volume of 5 thousand mmBtu. The middle column shows absolute low-high prices for transactions reported on the date at the top of the column; the third column shows that day's ranges for the most common prices. The prices are generally for gas flowing today; weekends are usually priced using data collected Friday. Ranges are for deals done before nomination deadlines. The common range is built around the volume weighted average and the midpoint is calculated for the common range. Data in this table is Copyright 2003 by The McGraw-Hill Companies, Inc.

NATIONAL AVERAGE PRICE: 5.980****

Trans. date: 1/21

Flow date(s): 1/22

	Midpoint	Absolute	Common
Permian Basin Area			
El Paso, Permian Basin	5.125	5.07-5.23	5.08-5.17
Northern, MIDS 1-6	5.255	5.23-5.29	5.24-5.27
Waha	5.225	5.15-5.28	5.19-5.26
Transwestern, Permian Basin	5.100	5.08-5.14	5.08-5.12
East Texas-North Louisiana Area			
Carthage Hub	5.330	5.29-5.35	5.31-5.35
Lone Star	—	— —	— —
MRT, mainline	5.530	5.50-5.61	5.50-5.56
MRT, west leg	5.380	5.37-5.39	5.37-5.39
NGPL, Texok zone	5.340	5.28-5.36	5.32-5.36
Texas Eastern, ETX	5.350	5.34-5.36	5.34-5.36
Texas Gas, zone 1	5.480	5.44-5.50	5.46-5.50
East-Houston-Katy			
Houston Ship Channel	5.315	5.28-5.35	5.30-5.33
Katy	5.315	5.28-5.35	5.30-5.33
South-Corpus Christi			
Agua Dulce Hub	5.320	5.27-5.33	5.31-5.33
Houston Pipe Line	5.400	5.39-5.41	5.39-5.41
NGPL, STX	5.320	5.30-5.33	5.31-5.33
Tennessee, zone 0	5.335	5.30-5.38	5.31-5.36
Texas Eastern, STX	5.325	5.27-5.37	5.30-5.35
Transco, zone 1	5.500	5.49-5.51	5.49-5.51
Trunkline, Texas	—	— —	— —
EPGT, Texas	—	— —	— —
Louisiana-Onshore South			
ANR, La.	5.455	5.38-5.51	5.42-5.49
Columbia Gulf, La.	5.480	5.43-5.50	5.46-5.50
Columbia Gulf, mainline	5.535	5.49-5.57	5.51-5.56
Florida Gas, zone 1	5.410	5.39-5.55	5.39-5.43
Florida Gas, zone 2	5.445	5.40-5.60	5.40-5.49
Florida Gas, zone 3	5.515	5.46-5.64	5.47-5.56
Henry Hub	5.475	5.42-5.55	5.44-5.51
Gulf South, S. La./East Side	—	— —	— —
NGPL, La.	5.450	5.35-5.54	5.40-5.50
Southern Natural, La.	5.500	5.49-5.54	5.49-5.51
Tennessee, La., 500 Leg	5.495	5.45-5.55	5.47-5.52
Tennessee, La., 800 Leg	5.485	5.43-5.53	5.46-5.51
Texas Eastern, WLA	5.420	5.34-5.45	5.39-5.45
Texas Eastern, ELA	5.505	5.45-5.59	5.47-5.54
Texas Gas, zone SL	5.485	5.41-5.51	5.46-5.51
Transco, zone 2	5.560	5.55-5.57	5.55-5.57
Transco, zone 3	5.605	5.52-5.65	5.57-5.64
Trunkline, WLA	5.520	5.48-5.55	5.50-5.54
Trunkline, ELA	5.530	5.47-5.57	5.50-5.56
Oklahoma			
ANR, Okla.	5.355	5.29-5.41	5.32-5.39
NGPL, Midcontinent	5.250	5.17-5.28	5.22-5.28
Reliant, East	5.345	5.33-5.38	5.33-5.36
Reliant, West	5.275	5.27-5.28	5.27-5.28
Oneok, Okla.	5.270	5.20-5.30	5.24-5.30
Panhandle, Tx.-Okla.	5.305	5.28-5.34	5.29-5.32
Williams, Tx.-Okla.-Kan.	5.280	5.20-5.30	5.26-5.30
New Mexico-San Juan Basin			
El Paso, Bondad	3.755	3.57-3.85	3.68-3.83
El Paso, San Juan Basin	4.575	4.55-4.60	4.56-4.59
Rockies			
CIG, Rocky Mountains	3.090	3.05-3.15	3.06-3.12
Kern River, Opal plant	3.170	3.00-3.38	3.07-3.27
Stanfield, Ore.	4.830	4.81-4.90	4.81-4.85
Questar, Rocky Mountains	3.110	3.00-3.15	3.07-3.15

continued on next page

KM eyes major new pipeline, two expansions

Kinder Morgan Energy Partners and its general partner, Kinder Morgan Inc., on Tuesday unveiled plans for a major new gas pipeline project and expansions of two existing pipeline systems in the West.

KM said it has launched an open season for a proposed 750,000 Dt/day system from Window Rock, Ariz., to the California border near Ehrenberg, Ariz. The binding open season for the so-called Silver Canyon Pipeline ends March 31.

The 455-mile pipeline would include delivery points at key locations in the Phoenix area, as well as interconnections with Southern California Gas at Ehrenberg and the North Baja Pipeline system. "In addition, Silver Canyon would offer connections to proposed third-party pipelines and storage facilities in Arizona," according to

(continued on page 6)

Court vacates FERC ruling in PG&E-NW case

FERC was off base in 2000 when it rejected an interruptible transportation allocation offered by PG&E Gas Transmission-Northwest, a federal appeals court ruled Tuesday.

In denying PG&E-Northwest's value-based allocation method, FERC violated common sense and ignored its own prior rulings, the D.C. Circuit Court of Appeals said in vacating the order and remanding it back to the commission for reconsideration.

To replace an outdated queue system, PG&E-Northwest in March 2000 proposed a new allocation method that would award IT capacity based on net revenue generated. Given that IT rates are mileage-based, a long-haul shipper bidding the maximum rate would win out over a shorter haul at the same rate under the value-based method.

(continued on page 6)

Analyst: Gas production down again in Q4

Domestic gas production in the fourth quarter fell by about 5% from year-ago levels — the sixth consecutive quarterly decline, analyst Raymond James said in a report Tuesday.

The firm said it recently completed its preliminary Q4 production survey, which covered 29 of the largest producers in the United States and represented about 45% of total domestic gas output.

In addition to the year-over-year declines, the firm estimated a 0.5% sequential decline from Q3 2002. And given huge disparities in Q4 production guidance from the exploration-and-production companies surveyed, the reality may be worse than the predictions.

"Given the wide disparity in guidance, historical overly optimistic guidance, and the fact that weather in the fourth quarter was terrible, it is our belief that actual

(continued on page 5)

NE cash hits $17; prices weaken elsewhere

The Market

With the February NYMEX contract weakening Tuesday for the second straight session, cash prices were generally down across North America. In the U.S. Northeast, however, spot prices roared as high as $17 as the season's coldest air yet took hold of the region.

On Transcontinental Gas Pipe Line zone 6-New York, some traders scurried to get gas to thirsty power generation plants, sources said. That sent prices as high as $16 on zone 6-New York, which averaged $13.32, or nearly $3.70 higher than Friday. Texas Eastern Transmission's zone M-3 gained about $3 to settle at $11.63.

One Northeast source said the market anticipates "cold, cold and more cold" in the New York City area through the weekend. High temperatures are expected to reach

Daily Price Survey continued

Trans. date:	**1/21**		
Flow date(s):	**1/22**		
	Midpoint	**Absolute**	**Common**
Cheyenne Hub	3.170	3.10-3.55	3.10-3.24
Northwest, Wyo. Pool	3.100	3.09-3.11	3.09-3.11
Northwest, s. of Green River	3.125	3.00-3.25	3.06-3.19
Canadian Gas			
Iroquois, receipts	9.900	9.00-12.00	9.15-10.65
Niagara	6.275	6.10-7.10	6.10-6.45
Northwest, Can. bdr. (Sumas)	4.780	4.74-4.82	4.76-4.80
NOVA, AECO-C*	C6.860	C6.80-6.95	C6.82-6.90
NOVA, same-day*****	C6.920	C6.85-7.00	C6.88-6.96
Emerson, Viking GL	5.205	5.10-5.29	5.16-5.25
Dawn, Ontario	5.585	5.50-5.65	5.55-5.62
PG&E-GTNW, Kingsgate	—	— —	— —
Westcoast, station 2*	C6.790	C6.76-6.92	C6.76-6.82
Appalachia			
Dominion, North Point	6.455	6.28-6.58	6.38-6.53
Dominion, South Point	6.400	6.20-6.48	6.33-6.47
Leidy Hub	9.345	7.90-10.20	8.77-9.92
Columbia Gas, Appalachia	5.760	5.73-6.00	5.73-5.79
Mississippi-Alabama			
Florida Gas, Mobile Bay	—	— —	— —
Texas Eastern, M-1 (Kosi)	5.705	5.65-5.77	5.67-5.74
Transco, zone 4	5.640	5.60-5.68	5.62-5.66
Others			
Algonquin, receipts	—	— —	— —
SoCal Gas***	4.950	4.90-5.02	4.92-4.98
PG&E, south***	4.915	4.90-4.96	4.90-4.93
PG&E, Malin	4.880	4.85-4.96	4.85-4.91
Alliance, into interstates	5.550	5.54-5.56	5.54-5.56
ANR, ML 7	5.650	5.64-5.66	5.64-5.66
NGPL, Amarillo receipt	5.335	5.32-5.34	5.33-5.34
NGPL, Iowa-Ill. receipt	5.470	5.30-5.57	5.40-5.54
Northern, TX.-Okla.-Kan.	5.350	5.34-5.36	5.34-5.36
Northern, Ventura	5.570	5.41-5.63	5.51-5.63
Northern, demarc	5.560	5.49-5.61	5.53-5.59
Dracut, Mass.	13.410	11.00-15.50	12.28-14.54
Citygates			
Chicago city-gates	5.560	5.52-5.62	5.53-5.59
Consumers Energy city-gate**	5.615	5.54-5.75	5.56-5.67
Mich Con city-gate**	5.430	5.42-5.46	5.42-5.44
PSCo city-gate	—	— —	— —
PG&E city-gate	5.115	5.08-5.16	5.09-5.14
Northwest, all city-gates	—	— —	— —
Florida city-gates	5.775	5.76-5.80	5.76-5.79
Algonquin, city-gates	14.080	8.94-17.00	12.06-16.10
Dominion, delivered	9.190	7.32-18.25	7.32-11.06
Columbia Gas, delivered	10.120	6.60-11.22	9.02-11.22
Tennessee, zone 5 delivered	9.490	6.80-16.00	7.19-11.79
Tennessee, zone 6 delivered	12.050	10.00-17.00	10.30-13.80
Iroquois, zone 2	11.315	9.80-14.00	10.26-12.37
Texas Eastern, M-3	11.630	9.30-15.60	10.05-13.21
Transco, zone 5 delivered	10.705	10.00-14.01	10.00-11.41
Transco, zone 6 non-N.Y.	11.640	9.50-15.50	10.14-13.14
Transco, zone 6 N.Y.	13.320	9.75-16.00	11.76-14.88

*NOTE: Price in C$ per gj; C$1=US$0.6523

(Canadian currency settlement from one business day prior EST.) **Large end-user prices. ***Deliveries into SoCal at Topock, Blythe, Needles, Ehrenburg; deliveries into PG&E at Topock and Daggett.****Volume-weighted for all points except AECO-C and Westcoast St. 2. *****The NOVA (same-day) midpoint and ranges are for flow on the transaction date.

only the upper teens today and Thursday and the mid-20s on Friday and Saturday.

One Northeast trader said he felt bad doing a $10 deal at Tennessee Gas Pipeline zone 6 until he noticed some bids near the $15 mark. "All of a sudden I didn't feel like such a jerk anymore when I saw that someone actually paid $5 more than I did," the trader remarked.

Texas Eastern anticipated restricting interruptible transmission through its Berne, Ohio, compressor for today, and one source said that was a minor factor in the run-up in the Northeast. "Texas Eastern's zone M-3 prices started out around $9.75 to $10 and bounced in 50¢ to $1 increments to $11, $12 and $13 when gas couldn't flow from the Gulf Coast to the market area," another trader said. "We're getting back to the winter of 2000 with this cold weather."

Demand continued to strengthen in response to lower temperatures in Algonquin Gas Transmission's service area, a source said. As a result, Algonquin said no forward-haul interruptible transportation or authorized overruns were allowed on its system and no due-shipper gas was available. A critical notice effective Tuesday required all shippers to stay within a daily 2% tolerance for imbalances.

Spot prices at the Algonquin citygates rocketed as high as $17 and averaged $14.08, more than $4 above Friday's midpoint.

Feb. NYMEX drops 10.3¢

The February NYMEX futures contract lost more than a dime Tuesday despite a crude oil futures contract that soared to the highest front-month level since November 2000.

Gas traders cited several revised weather forecasts for the slight pullback in gas futures prices, while pointing out that the February crude oil contract expired Tuesday, which helped to boost oil prices.

The February gas contract opened about a dime below Friday's settlement value and bounced between a low of $5.35 and a high of $5.525 before settling at $5.433, down 10.3¢ from Friday.

Trading was relatively light, although several weather forecasts that called for moderating temperatures through much of the East by the end of the month spurred some selling, traders said. LK

The Appalachian region diverged from the rest of the Northeast, making only moderate gains at some points and losing ground at others. The path north from Dominion South Point was "the place to be," one source said, as prices there gained about 6¢ to $6.40. But Columbia Gas Transmission fell about 20¢ to average $5.76.

In the Gulf Coast region, Henry Hub lost 18¢ with the weak NYMEX contract, averaging around $5.47. Transco zone 3 tumbled 25¢ but still managed to stay 14¢ ahead of Henry Hub to average $5.60.

As the Sunshine State felt the warmth of its namesake, a source said supply concerns ceased on Tuesday and Florida Gas Transmission zone 3 trading activity was "eerily empty." Prices there averaged $5.51, down 60¢ from Friday.

The Chicago area is expecting the coldest day of the year on Thursday, with highs in the single digits and lows below zero. But a weekend warm-up is expected, a source said, with temperatures getting back to seasonal by Saturday.

But most upper Midwest buyers seemed to have their supplies already lined up for the impending harsh conditions, a source said, as the Chicago city-gates came off about 11¢ to average $5.56.

Gas Daily®
Volume 20, Number 14
(ISSN:0885-5935)

Sales and Service
Toll-free: 1-800-752-8878
Direct: 212-904-3070
Fax: 720-548-5701
Email: support@platts.com
Prices: gas_daily@platts.com
Comments: gasdaily@platts.com

To contact editors:
Telephone: 202-383-2148
Houston bureau: 713-658-9261
Fax: 202-383-2125
Email: gasdaily@platts.com
Web: www.platts.com

Single subscriptions are $1,690 for email and web delivery. Fax delivery is $1,915 in the U.S. and Canada. Gas Daily enhanced service is $1,990.

Price notice

The Midpoint, Absolute, and Common ranges for Alliance, into interstates, under Others published in the Jan. 21 issue of *Gas Daily* should have been $5.685, $5.67-70, $5.68-69, respectively.

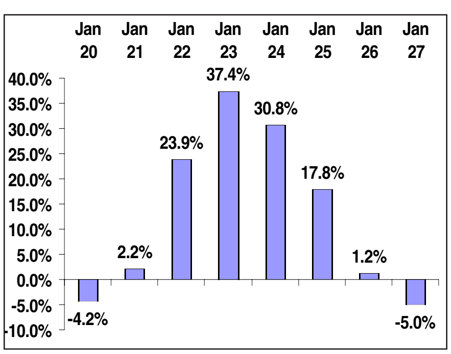
Pipeline operational update

Northern Natural Gas has extended through today the system overrun limitation called for Tuesday on its system. The SOL affects all Northern Natural market zones. Under the SOL, DDVC penalties are applicable to the bumped shipper's quantity.

East Tennessee Natural Gas on Tuesday urged all LMS-MA balancing parties to avoid the creation of due-pipe imbalances daily starting today and continuing until further notice. If imbalances are not avoided, the pipeline could call an operational flow order. East Tennessee said it is concerned that cold weather forecast for its service area would boost demand to the point that it could lead to due-pipe imbalances or cause pressure degradations in limited areas of the pipe that could threaten East Tennessee's ability to provide firm service or jeopardize the pipeline system's integrity. In addition, East Tennessee stated that restrictions remain in place for secondary receipts upstream of stations 3104 and 3205 as well as secondary deliveries downstream of station 3309. Maximum allowable delivery service restrictions remain in place as well.

Texas Eastern Gas Transmission anticipates restricting interruptible flow through the Berne Compressor Station for today's gas day due to weather and load forecasts that indicate an extended period of high demand on the Texas Eastern system. The pipeline reminds TABS-1 parties to stay in balance so that due-pipe imbalances are not created and warns that it will force-balance TABS-1 pools if necessary. Meter operators whose physical activity results in due-pipe imbalances are subject to be rescheduled by the pipeline.

Dominion Energy's U.S. Energy Use Forecast



This section of the Dominion Energy Index represents a national forecast for home heating and cooling requirements above or below normal with the baseline of 0 representing normal for that day based on historical data.

In Oklahoma, cash prices sank between 6¢ and 15¢ as warmer weather expectations killed any rally, a source said. ANR Pipeline, which said it is continuing to closely monitor supply sources so that production volumes match scheduled volumes, traded about 5¢ higher than Panhandle Eastern Pipe Line and settled at $5.35.

Cold weather is once again predicted for Texas starting today, but demand wasn't enough to keep the floor under Permian Basin prices. Waha lost about 20¢ to average $5.22, which was about 10¢ above El Paso Natural Gas in the Permian.

In the Rockies, Opal, Wyo., plant prices jumped to near $3.40 for daily highs — about 15¢ higher than Friday's highs — to average about a nickel up on the day at $3.17. One source said players were buying gas to put in storage.

"Wouldn't you buy Rockies spot gas now at $3.15 for storage when you can pull it out and sell for $3.75 later on?" he asked.

Some market participants also have been taking advantage of the Opal-to-Sumas, Wash., spread, which has averaged around $1.40 since Jan. 5, and that was causing fits on Northwest Pipeline as the drafting situation has gotten to a near critical stage, the pipeline said.

Unless shippers change their gas procurement practices and voluntarily buy more of their gas from Canadian sources, Northwest said an operational flow order might be unavoidable. To avoid systemwide entitlements and, ultimately, OFOs, Northwest will target individual shippers as early as today with customer-specific entitlements to prevent drafting. The entitlements will affect shippers with markets north of the Kemmerer, Wyo., compressor station who take more than 10% in excess of scheduled quantities.

Northwest said between Jan. 5 and Jan. 19, it lost about 800,000 Dt from its Jackson Prairie storage account because of drafting and overscheduling at Kemmerer.

In the Pacific Northwest and western Canada, Sumas averaged about a dime lower than Friday at $4.78. Regional prices basically followed the sagging futures contract, sources said, with Westcoast Energy station 2 averaging about C18¢ lower at C$6.79, while the AECO-C Hub in Alberta came off about C25¢ to average 7¢ over station 2.

Meanwhile, Southern California Gas prices fell about 5¢ to average $4.95, blowing out the spread to El Paso-San Juan to about 60¢. Sources said SoCal Gas tried to hang in with the San Juan, but El Paso averaged about $4.57, up 2¢.

Malin, Ore., and the Pacific Gas and Electric city-gate each lost 15¢, with the city-gate averaging $5.11 and Malin $4.88. One source said PG&E projected low line pack on Friday, which could mean an OFO. —Market Staff Reports

Farmers object to gas pipeline in rural Oregon

While many gas pipeline projects run up against opposition from landowners in populated urban areas, a proposed 60-mile pipeline in rural central Oregon is facing a different sort of foe — farmers who are worried the project will damage soil in the area beyond repair.

"Nobody wants the pipeline in their back yard," said Oregon Department of Energy Spokesman Adam Bless. "The farmers feel the pipeline is being proposed to serve urban growth, so it should be built in urban areas."

Bless said some farmers have complained that soil would never return to its original fertility once a pipeline comes through.

The $94.5 million Northwest Natural South Mist Pipeline Extension project was proposed nearly two years ago. It would link the company's underground gas storage reservoirs near the town of Mist in Columbia County to a Williams-owned interstate pipeline near Molalla.

The project has received a recommendation for approval from the Oregon Office of Energy. But according to Oregon law, it must be approved by the Oregon Energy Facility Siting Council before construction can begin. That seven-member, governor-appointed council acts as a jury, considering all testimony from the company and public interests before rendering a decision.

Hearings began in mid-January and will continue through Feb. 14, when the siting council is to issue a proposed order either favoring or opposing the 24-inch pipeline. The council will announce its final decision on March 1, Bless said.

"At this time, the Department of Energy has done its part — we received the application and think Northwest Natural made its case," he said. "We report to the citizen board … but I think [it] will be appealed to the Supreme Court, regardless of the decision."

Environmental and citizens' organizations, such as 1,000 Friends of Oregon, have been vocal during the recent hearings and are pressing the siting board to reject Northwest Natural's plan for the pipeline, 56 miles of which would wind through farmland.

Futures
NYMEX @ Henry Hub

Results From Tuesday

	Settlement	High	Low	Change	Vol.*
Feb., 2003	5.433	5.525	5.350	-10.3	36941
March	5.432	5.500	5.350	-7.1	24385
April	5.127	5.180	5.070	-2.1	11285
May	4.945	4.980	4.900	-1.3	3280
June	4.892	4.930	4.853	-1.1	1974
July	4.897	4.930	4.870	-0.6	1131
August	4.898	4.930	4.850	-0.5	1616
September	4.848	4.870	4.800	-0.5	1987
October	4.843	4.860	4.800	-0.5	2129
November	4.953	4.970	4.930	-2.0	773
December	5.063	5.110	5.030	-2.0	508
Jan., 2004	5.130	5.175	5.100	-1.8	365
February	4.995	5.025	4.975	-1.8	678
March	4.780	4.800	4.760	-1.8	929
April	4.413	4.435	4.428	-1.5	612
May	4.273	4.295	4.270	-1.5	537
June	4.223	4.240	4.233	-1.0	392
July	4.223	4.245	4.220	-1.0	106
August	4.223	4.228	4.228	-0.5	476
September	4.203	4.208	4.208	-0.5	811
October	4.218	4.223	4.223	-0.5	85
November	4.343	4.343	4.343	-0.5	750
December	4.468	4.468	4.468	+0.0	1095
Jan., 2005	4.523	4.523	4.523	+0.0	210
February	4.438	4.438	4.438	+0.0	31
March	4.278	4.278	4.278	+1.0	582
April	3.978	3.960	3.960	+2.0	18
May	3.838	3.838	3.838	+0.5	18
June	3.808	3.808	3.808	+0.0	470
July	3.826	3.826	3.826	+0.0	405
August	3.826	3.826	3.826	+0.0	17
September	3.786	3.786	3.786	+0.0	18
October	3.781	3.781	3.781	+0.0	17
November	3.943	3.943	3.943	+0.0	17
December	4.078	3.826	3.826	+0.0	30
Jan., 2006	4.143	4.143	4.143	-1.3	21

Volume of contracts (official*) 94,699
Front-months open interest Monday :
Feb., n/a ; Mar., n/a ; Apr., n/a
Total open interest Monday : n/a
* Volume is reported for the business day prior to the settlement date.
Weighted average of x trades in the last two minutes of trading. Change is from previous settlement price.

Options
NYMEX @ Henry Hub

Results from Tuesday

Strike	Calls-Settle			Puts-Settle		
Price	Feb.	Mar.	Apr.	Feb.	Mar.	Apr.
5.25	28.4¢	46.6¢	35.9¢	10.1¢	28.5¢	--
5.3	25.3¢	44.4¢	34.0¢	12.0¢	31.2¢	--
5.35	22.5¢	41.9¢	32.2¢	14.2¢	33.7¢	--
5.4	19.9¢	39.6¢	30.5¢	16.6¢	36.4¢	--
5.45	17.5¢	37.3¢	28.9¢	19.2¢	39.1¢	--
5.5	15.3¢	35.2¢	27.3¢	22.0¢	42.0¢	64.4¢
5.55	13.4¢	33.3¢	--	--	45.1¢	--
5.6	11.6¢	31.4¢	24.5¢	28.3¢	48.2¢	--
5.65	10.1¢	29.6¢	23.1¢	31.8¢	51.3¢	--

Estimated Volume: Calls: n/a Puts: n/a
Total open interest Friday Calls: n/a Puts: n/a
Not all strike and settlement prices listed.
Implied Volatility for at-the-money strike price
Calls: n/a Puts: n/a Source: Bloomberg

Platts oil prices, January 21

	($/b)	($/MMBtu)
Gulf Coast spot		
1% Resid	31.50-32.00	5.05
3% Resid	31.00-31.50	4.97
Crude spot		
WTI (Feb.)	34.30-34.32	5.46
New York spot		
No.2	37.38-37.51	5.96
0.3% Resid HP	38.25-38.50	6.1
0.3% Resid LP	38.00-38.25	6.06
0.7% Resid	34.50-34.75	5.51
1% Resid HP	32.15-32.40	5.13

In its application to the siting council, Northwest Natural said it "added eight miles of pipeline to increase the use of land in or next to public rights of way" in order to minimize the impact on farm owners.

Northwest Natural spokeswoman Valerie White was optimistic the proposal would be approved. If so, she said construction would begin immediately.

"These are typical land use policy discussions. There has been an ongoing dialogue. … It's a matter of finding the right balance," she said.

Northwest Natural said the pipeline would be in service by late fall of 2004 if regulatory approvals are received and the case does not get tied up in court. The company believes the total project, which includes gas storage facilities, "will save ratepayers at least $250 million over the next 30 years." LH

Study: Demand to grow 2.5% as supply shrinks

U.S. gas demand will grow 2.5% this year as domestic production declines 1% and net gas imports fall 3%, according to an analyst's report released Tuesday.

The monthly energy outlook by Stephen Smith of Natchez, Miss.-based Stephen Smith Energy Associates assumes an average 2003 gas price of $3.50 — an estimate Smith now believes to be conservative. "We try to start the whole analysis by setting a reference price and determine what we think the supply will be and what would the demand be," he said.

If Smith's production, storage and consumption forecasts hold true, they would result in "a theoretical supply shortfall of over 460 Bcf for the year 2003," he asserted.

The study noted that the storage surplus relative to seasonal norms fell dramatically throughout 2002, beginning the year at 540 Bcf and peaking at almost 800 Bcf in late February. "Ten months later, by Dec. 13, this surplus had almost vanished — down to 26 Bcf."

In the first days of 2003, following four weeks of milder-than-normal weather, the surplus over the five-year average began to widen again, but that trend appears temporary. "We have already had 10 very cold days since the last reported gas storage results and the rest of January is expected to be colder than normal as well."

Smith told *Gas Daily* it is difficult to make assumptions about domestic gas supplies because "no one can agree on what the supply is in the U.S." The analyst used data from the Department of Energy and state production data from Texas and Louisiana as well as the results of its own survey of top gas producers.

The study showed that the domestic gas production of the 35 top gas producers, representing about 47% of total U.S. gas production, fell steadily over the last seven quarters for which data were available, from 24.6 Bcf/day in the first quarter of 2001 to 23.4 Bcf/day in the third quarter of 2002.

"It is possible that the decline rate might ease somewhat going forward," Smith said. "But the basic conclusion remains: A drilling boom driven by two years of $4-plus prices could not reverse, on a sustained basis, the trend decline in domestic gas production."

Canadian import volumes, which peaked in January 2001, have been trending lower since then, Smith said, and the drop in recent months is related in part to the production declines in the prolific Ladyfern field in British Columbia.

Smith predicted that the supply shortfall resulting from declining domestic production and Canadian imports will be made up, to some degree, by liquefied natural gas imports, which he expects to grow annually beginning this year.

Smith said he now estimates that average 2003 prices will be around $4.30, rather than the $3.50 assumed in the report, which could result in some loss of demand from industrial and utility customers that will either switch fuels or reduce their gas consumption. If so, the overall supply/demand tightness should ease.

"How high do you have to go to get a balance?" Smith asked. "If prices end up being $4.30, you're going to eat into the demand growth and destroy some of that." JM

Mo. PSC rejects Laclede assistance program

The Missouri Public Service Commission, on a 3-2 vote, last week rejected Laclede Gas' plan to help low-income customers catch up on their past-due bills. Calling the proposal flawed, the commission determined that the company's Catch-up/Keep-up program would result in a rate increase for most of the utility's customers.

The PSC said it appreciates the plight of low-income ratepayers and has previously authorized — and continues to support — a variety of other low-income support programs.

But the commission described Laclede's proposal as an debt-forgiveness package that would unfairly affect paying customers.

"A properly designed low-income assistance program should benefit all stakeholders by promoting conservation and by assisting low-income consumers in reducing their energy burden," the commission said. "The low-income customers may then be able to pay their utility bills, thereby reducing utility costs for all ratepayers."

Laclede has been able, through negotiation, to obtain some discounts from FERC-authorized rates charged by interstate pipelines. Under the Catch-Up/Keep-Up program, all of the savings from those discounts would have gone to Laclede's customers — 70% in an across-the-board gas cost reduction and 30% to low-income customers with large past-due balances.

The PSC asserted that the success of the program "is dependent on the modification of the behavior of the low-income consumer. The expectation that low-income customers in the program will become better able to pay their utility bills may be unrealistic."

Furthermore, the program doesn't provide "any means to assist participants with payment of current bills, although eligible customers must apply for assistance from available sources," the PSC asserted.

The PSC also argued that Laclede would be obtaining "temporary double recovery" of bad-debt expenses because such costs already are included in the utility's base rates.

The majority's assertions were disputed by Commissioner Connie Murray who, in a written dissent, pointed out that the commission approved the savings flow-through mechanism in its gas supply incentive plan that is similar to Catch-Up/Keep-Up. She added that Laclede has made "a good faith effort" that would "redirect shareholder benefits to forgive arrearages of low-income customers."

Company officials expressed "extreme disappointment and dismay" with the PSC decision.

"Tens of thousands of St. Louisians have been left out in the cold by today's commission action," a company spokesman said. "We find it difficult to understand how such a decision can be justified in these days of tight federal and state budgets, which lower the amount of available energy assistance for the poor, at a time when wholesale natural gas prices are rising across the nation."

The company said the program would have made several million dollars each year available for Dollar-Help, a fuel fund, thereby avoiding the need to construct an additional, costly administrative process. In time, the process of eliminating past-due balances also would reduce the utility's level of uncollectable accounts, which would be reflected in reduced rate levels for all customers, Laclede argued.

The utility said it hoped the PSC would at least implement the program on an experimental basis. "At this point, we will thoroughly evaluate the commission's order explaining its decision and determine what else can be done to get this unique and valuable program operating in Missouri." RAW

Gas production fell again in Q4 ... *(from page 1)*

reported production will end up being much lower than the production guidance presented here," Raymond James said.

The 29 firms surveyed "as a whole expect fourth-quarter U.S. natural gas production to decline by 0.6% relative to the third quarter and 4.6% on a year-to-year basis. That said, our guess is that actual results will be skewed to the downside of these estimates, based on the high probability that actual reported results will come in below [predictions]."

The analyst said it is "still hearing rumblings about weather-related production declines from a number of the companies in our survey." For that reason, Raymond James said the actual decline could be 6% to 7% below year-earlier levels.

The 29 companies surveyed expect total output for the fourth quarter to be between 21.935 Bcf/day and 22.2 Bcf/day, according to Raymond James. Even on the high end, those numbers are at or below Q3 2002 and Q4 2001 levels.

The supply crunch has worsened to the point where new infrastructure projects and increased rig activity "cannot save us now," Raymond James warned. "Although several projects, including the Canyon Express system, have recently come online, the anemic rig count leads us to believe that production will continue to fall at a rate of approximately 1% to 1.5%/quarter for the foreseeable future."

The report noted that while rig activity bottomed out in early April 2002, exploration-and-production cash flow and spending have remained relatively flat until the last few months.

FERC judge sets hearing in Enron/PGE investigation

A FERC administrative law judge will hold oral arguments in an investigation into whether Enron and its utility affiliate Portland General Electric worked together to manipulate power prices during the 2000-01 energy crisis in the West.

In a ruling issued late Friday, ALJ Jeffie Massey said the oral testimony, scheduled for Feb. 24, would give Enron and its accusers one last chance to prove their case. However, Massey also noted in her order that staff evidence presented during the hearing revealed that "Portland General Electric has admitted that it engaged in most of the manipulative transactions and posting violations identified in staff's direct case."

In addition, "I saw no real evidence that Enron Power Marketing has vigorously contested the truth of the staff's allegations," the ALJ said.

Under the trial schedule, Massey is expected to issue hear initial decision in the case by July 17. FERC initiated the probe last August, after a staff report concluded that Enron and PGE may have violated its affiliate relationships rules in an effort to drive up Western power prices between January 2000 and June 2001.

KM files storage project

Kinder Morgan Interstate Gas Transmission has asked the FERC to approve compression upgrades needed to allow 6 million Dt of new storage at the facility in Cheyenne County, Neb.

The move will help prevent weather-related pricing volatility and the limits on takeaway capacity from the Rocky Mountain region, KMIGT said in a filing last week that and disclosed by FERC on Tuesday.

A total of 38,400 Dt/day of injection and 62,400 Dt/day of withdrawal capacity would be created.

Four hurt in gas explosion

Four people were injured last week by a gas explosion in a three-story Pittsburgh apartment house, Pittsburgh Fire Chief Peter Micheli said Monday. The explosion blew off the flat, pitch-covered roof at about 10:30 p.m. Friday. Two Equitable Gas employees were hospitalized with inhalation burns and two firemen received minor injuries, Micheli said.

The building was heavily damaged by the explosion and the local Red Cross was helping the 20 displaced occupants find other housing. The cause of the blast remains under investigation, Micheli said. An Equitable Gas spokeswoman said the company had sent a crew over to the property earlier Friday to investigate reports of a gas leak.

"While the gas rig count remains well above historical averages of the last decade, it is down from the peak of 1,068 rigs in 2001. More importantly it is still far short of the number of rigs required to increase production," the report said.

"Furthermore, even if activity levels were to resume the feverish pitch seen in 2001, it would take at least three to six months before the new production can even begin to slow down the natural declines in existing wells." RW

Court vacates FERC decision ... *(from page 1)*

But FERC declared that such an approach would discriminate against maximum-rate short-haul shippers because long-haul shippers would always prevail even though both would be bidding the same per-mile rate. The commission invited the pipeline to submit another proposal to replace the queue system, and it subsequently approved a simple pro-rata allocation approach that remains in effect today.

But PG&E-Northwest took the matter to the D.C. Circuit Court, which agreed with the pipeline that the value-based proposal would not unduly discriminate against short-haul shippers.

Discrimination is undue, and thus impermissible, only if a pipeline's rate schedule creates a preference "without a reasonable basis," said the court, suggesting that higher revenues qualify as a reasonable basis for a pipeline to prefer one bid over another.

FERC "failed to adequately address" its own precedent, established in several orders allowing pipelines to consider distance when allocating transportation capacity, the court said. It directed FERC to reconsider the case "in light of this decision and commission precedent." CN

KM eyes three pipeline projects ... *(from page 1)*

the company, which said it plans to have the line in service by mid-2006.

"This project would serve one of the fastest-growing regions in the country, which has a need for additional pipeline infrastructure to meet the rising demand for natural gas," said Deb Macdonald, president of KM's gas pipeline group. "In addition to much-needed capacity, the Silver Canyon Pipeline would offer new and flexible services at competitive rates to meet the ongoing needs of shippers."

Silver Canyon would link up with a proposed expansion of KM's TransColorado gas pipeline, for which the company launched a separate open season that began Tuesday and ends March 14. KM is seeking shipper interest in expanding TransColorado between the Rocky Mountain supply basins and the Southwest.

The TransColorado project would include additional compression and line-looping infrastructure to increase capacity on the existing 300,000 Dt/day mainline by as much as 150,000 Dt/day. The mainline system runs 300 miles from the Greasewood hub in Rio Blanco County, Colo., to the Blanco hub area in San Juan County, N.M. It interconnects with several interstate systems along the way.

"Along with making additional capacity available, we are also considering installing new supply facilities that would provide shippers with improved access to growing natural gas production in new and developing areas, including the Piceance and Paradox basins," Macdonald said.

Separately, KM on Tuesday said it began an open season for up to 100,000 Dt/day of additional firm transportation capacity on its Trailblazer pipeline, which runs 436 miles from Colorado to Nebraska. That open season ends Feb. 11.

Three different expansion capacity sizes are being offered for Trailblazer, which give shippers an opportunity to bid on capacity of 50,000 Dt/day, 75,000 Dt/day or 100,000 Dt/day, KM explained. If completed, the expansion is slated to start service by the summer of 2004.

In 2002, Trailblazer underwent a 60% increase in capacity to 846,000 Dt/day, all of which was sold under long-term contracts. "We believe there is still a strong need for additional expansion, as evidenced by our expansion project completed last year," said Scott Parker, KM's vice president of business development.

To accommodate the proposed expansion volumes, Trailblazer would construct 36-inch pipeline loops at various locations along the existing right of way and re-rate the horsepower of existing compressor units, KM said.

For information on all three KM projects announced Tuesday, including contact numbers, visit the company's Web site at www.kindermorgan.com. MD