

Exhibit No.:
Witness: Maurice Brubaker
Type of Exhibit: Surrebuttal Testimony
Issue: Fuel Costs
Sponsoring Party: Ag Processing, Inc.
Case No.: HR-2005-0450

**Before the Public Service Commission
of the State of Missouri**

In the Matter of the Tariff Filing of Aquila, Inc.,)
to Implement a General Rate Increase for)
Retail Steam Heat Service Provided to) Case No. HR-2005-0450
Customers in its L&P Missouri Service Area.)

Surrebuttal Testimony of

Maurice Brubaker

On behalf of

Ag Processing, Inc.

Project 8418
December 13, 2005

FILED²

FEB 24 2006

**Missouri Public
Service Commission**



BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

**PUBLIC
VERSION**

EXHIBIT NO. 1039
Case No(s) HR-2005-0450
Date 1-09-06 Rptr XF

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STATE OF MISSOURI)	
)	SS
COUNTY OF ST. LOUIS)	

Affidavit of Maurice Brubaker

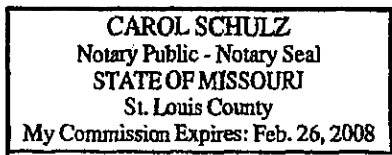
Maurice Brubaker, being first duly sworn, on his oath states:

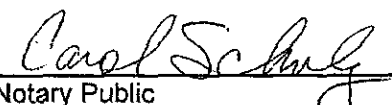
1. My name is Maurice Brubaker. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000. We have been retained by Ag Processing, Inc. in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. HR-2005-0450.
3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things they purport to show.



Maurice Brubaker

Subscribed and sworn to before this 12th day of December 2005.





Notary Public

My Commission Expires February 26, 2008.

**Before the Public Service Commission
of the State of Missouri**

<u>In the Matter of the Tariff Filing of Aquila, Inc.,</u>)	
<u>to Implement a General Rate Increase for</u>)	
<u>Retail Steam Heat Service Provided to</u>)	Case No. HR-2005-0450
<u>Customers in its L&P Missouri Service Area.</u>)	

Surrebuttal Testimony of Maurice Brubaker

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208,
3 St. Louis, Missouri 63141-2000.

4 **Q ARE YOU THE SAME MAURICE BRUBAKER THAT HAS PREVIOUSLY FILED**
5 **TESTIMONY IN THIS PROCEEDING?**

6 A Yes. I have previously filed direct testimony on revenue requirement issues.

7 **Q WHAT IS THE SUBJECT OF YOUR SURREBUTTAL TESTIMONY?**

8 A This surrebuttal testimony addresses fuel cost levels in rates and provides an update
9 of fuel price information, including NYMEX futures' prices and Aquila's hedging
10 program.

11 **Summary**

12 **Q PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY AND**
13 **RECOMMENDATIONS.**

14 A My testimony includes the following:

15 1. An update of NYMEX gas futures' prices.

**Maurice Brubaker
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- 1 2. An analysis of the "basis differential" between NYMEX prices and the market area
2 prices where Aquila typically acquires physical quantities of gas.
- 3 3. An analysis of Aquila's hedge program, showing the quantities and prices of its
4 NYMEX fixed for floating swaps and also its call option contracts.
- 5 4. I recommend including in rates gas costs at the level of \$5 per MMBtu.

6 **Fuel Cost Levels**

7 **Q HAVE YOU UPDATED THE NYMEX GAS FUTURES PRICES THAT YOU**
8 **INCLUDED WITH YOUR DIRECT TESTIMONY?**

9 A Yes. Schedule 1SR provides an update of the NYMEX futures prices through
10 November 30, 2005. While it continues to show high price levels throughout the
11 period reported, note that the trend is for declining prices, indicating that the market
12 participants view current prices to be abnormally high.

13 **Q WOULD AQUILA TYPICALLY ACQUIRE PHYSICAL GAS AT THE NYMEX PRICE**
14 **LEVEL, OR AT A LOWER PRICE?**

15 A Aquila typically would be able to purchase natural gas at a price less than the
16 NYMEX price. Aquila transports its gas on Southern Star Central Gas Pipeline
17 (Southern Star) and on Panhandle Eastern Pipeline Company (Panhandle). The
18 typical pricing point for gas that Aquila purchases for transport on these pipelines
19 runs at a discount to the Henry Hub/NYMEX prices. The magnitude of the negative
20 basis depends upon the overall level of gas prices and conditions in the market.

21 Schedule 2SR is a graphical presentation of this basis differential over the
22 period January 2004 through November 2005. Page 1 shows the gas price data, by
23 month, at each of the three pricing points. Page 2 of this Schedule shows the

1 differential over the same period of time. Note that during the early portion of this
2 time period, the basis was in the range of -\$0.50 per MMBtu to Henry Hub. More
3 recently, with the substantially elevated market gas prices, the basis has been
4 significantly more negative, ranging to over \$4.00 per MMBtu, below the Henry Hub
5 price.

6 **Q HAS AQUILA ALSO ENTERED INTO FINANCIAL TRANSACTIONS TO HEDGE**
7 **THE PRICE OF ITS NATURAL GAS AND PURCHASED POWER?**

8 A Yes. According to Aquila's response to SIEUA 234 (Revised), Aquila has entered
9 into NYMEX swaps (fixed for floating price transactions) for ***CONFIDENTIAL*** of
10 gas for the 12-month period ending March 2007 at an average price of
11 ***CONFIDENTIAL***, and for the 12-month period ending March 2008, a total
12 volume of ***CONFIDENTIAL*** at an average price of ***CONFIDENTIAL***. In
13 these transactions, Aquila is paid the actual NYMEX price by the financial counter-
14 party, and pays to the counter-party a fixed price per MMBtu.

15 **Q DO THESE FINANCIAL TRANSACTIONS PROVIDE AQUILA WITH PHYSICAL**
16 **GAS?**

17 A They alter the net cost of gas to Aquila, but Aquila still must acquire the gas.

18 **Q PLEASE EXPLAIN THESE ARRANGEMENTS AND RELATIONSHIPS.**

19 A For example, suppose that Aquila had entered into physical transactions to acquire
20 gas from a producer or marketer of natural gas at a price equal to the NYMEX price
21 minus a basis adjustment. Aquila would pay the fixed price to the financial counter-
22 party, receive the NYMEX index from the financial counter-party, and pay to the

1 producer or marketer the NYMEX price minus the basis differential. On net, Aquila's
2 cost of gas would be equal to the fixed price minus the basis differential. Thus, if
3 Aquila were counter-party to a swap transaction that provided it with a fixed gas price
4 of \$9.00 per MMBtu, but was purchasing gas from a marketer at NYMEX minus \$2.00
5 per MMBtu, its net cost would be \$7.00 per MMBtu. Thus, both physical and financial
6 transactions must be taken into account in estimating what Aquila's cost of acquired
7 natural gas will be.

8 **Q IF AQUILA WERE ACQUIRING ITS PHYSICAL GAS IN THE MARKET AREA AT A**
9 **PRICE THAT WAS NOT EXPLICITLY TIED TO THE NYMEX PRICE, WOULD THE**
10 **RELATIONSHIPS AND ARRANGEMENTS BE SIMILAR?**

11 **A** Yes. If Aquila were buying gas in a market area at a price that was below the Henry
12 Hub price, then that would naturally be reflected in the price that it paid to the
13 producer or marketer, and the net result of the transactions would be exactly the
14 same.

15 **Q HAS AQUILA PROVIDED ITS ESTIMATED PHYSICAL NATURAL GAS**
16 **REQUIREMENTS FOR ELECTRIC GENERATION, DISCLOSED TRANSACTIONS**
17 **INTO WHICH IT MAY ALREADY HAVE ENTERED WITH RESPECT TO SUCH**
18 **VOLUMES, OR THE ANTICIPATED BASIS FOR SUCH PHYSICAL CONTRACTS?**

19 **A** No. This has been requested of Aquila, but it has not provided any information with
20 regard to the specific physical transactions (quantity, delivery point, price) into which it
21 has already entered, or into which it anticipates entering.

1 **Q HAS AQUILA ALSO ENTERED INTO CALL OPTION CONTRACTS?**

2 A Yes. For the 12-month period ending March 2007, Aquila reports having entered into
3 call option contracts for ***CONFIDENTIAL*** of natural gas at a weighted average
4 cost of ***CONFIDENTIAL*** (of which ***CONFIDENTIAL*** at an average price of
5 ***CONFIDENTIAL*** are currently profitable); and for the 12-month period ending
6 March 2008, a quantity equal to ***CONFIDENTIAL*** at an average cost of
7 ***CONFIDENTIAL*** (all of which currently are profitable). These call options
8 provide Aquila with the opportunity to secure gas at the specified strike price, at
9 Aquila's option. Thus, the call option contracts provide a protection from upside
10 movements in natural gas prices by allowing Aquila to exercise the option if prices
11 move above the strike price, while giving it the flexibility not to exercise the option and
12 instead buy in the market, if actual prices are below the strike price.

13 **Q WHAT PERCENTAGE OF THE HEDGE VOLUMES ARE ASSIGNED TO GAS**
14 **GENERATION AND WHAT PERCENT ARE ASSIGNED TO PURCHASED POWER**
15 **EQUIVALENCE?**

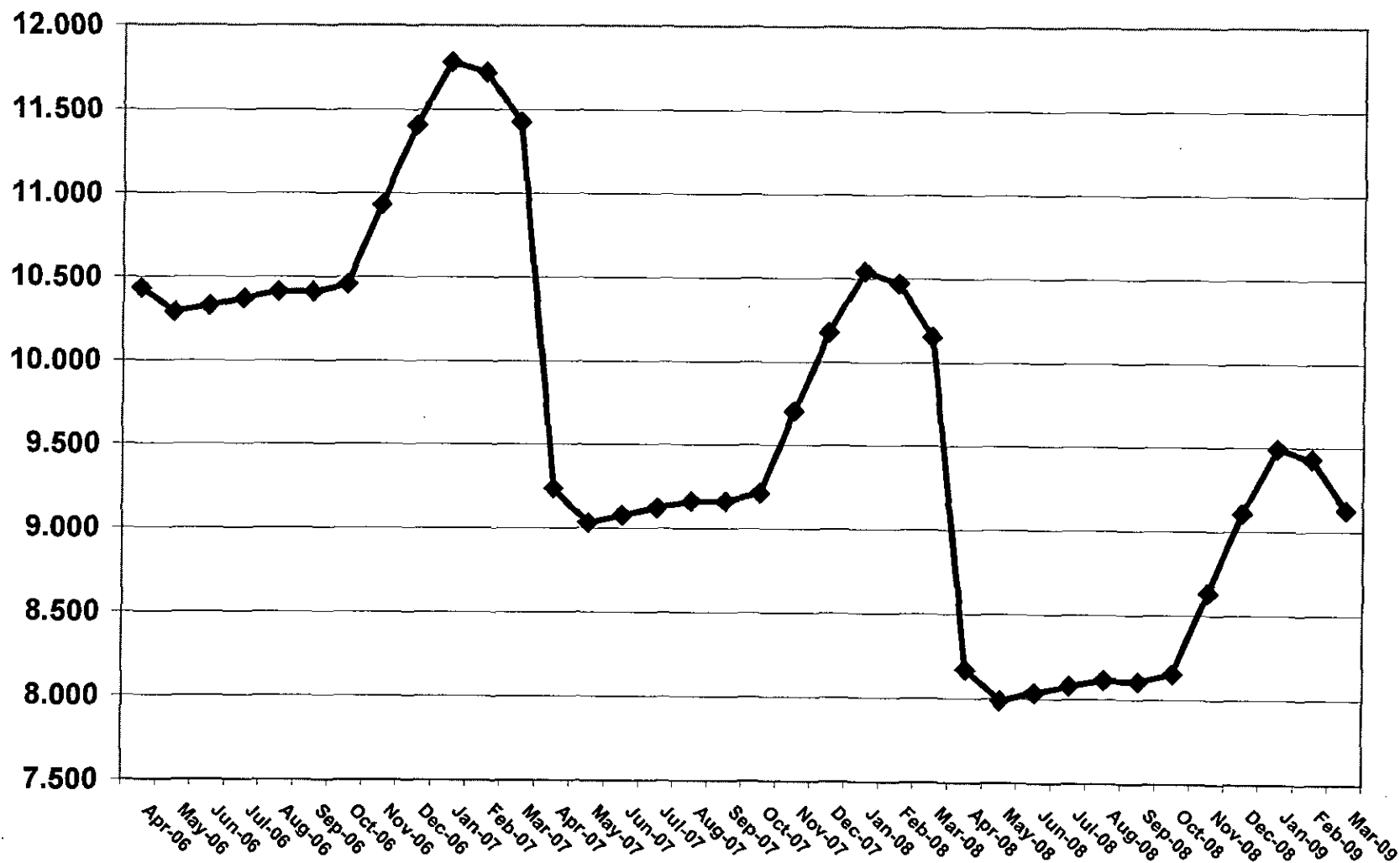
16 A According to information provided by Aquila, approximately 34% of both the swaps
17 and the call options are related to gas to be acquired for electric generation, and the
18 balance is related to purchase power.

19 **Q WHAT DO YOU RECOMMEND BE USED FOR NATURAL GAS PRICES?**

20 A I believe it would be appropriate to use natural gas prices equal to the swap prices
21 under Aquila's hedges, which is about ***CONFIDENTIAL*** for the period April 2006
22 through March 2008, minus the basis differential to the market area where natural
23 gas is purchased. In the absence of explicit information from Aquila, I would

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NYMEX NATURAL GAS FUTURES SETTLEMENT PRICES ON 11-30-2005
APRIL 2006 - MARCH 2009 (\$/MMBtu)



NYMEX NATURAL GAS FUTURES PRICES (\$/MMBTU)
(APRIL 2006 - MARCH 2009)

<u>Line</u>	<u>Contract</u> <u>Month</u>	<u>1/14/2005</u> <u>Futures</u> <u>Prices</u>	<u>2/15/2005</u> <u>Futures</u> <u>Prices</u>	<u>3/15/2005</u> <u>Futures</u> <u>Prices</u>	<u>4/15/2005</u> <u>Futures</u> <u>Prices</u>	<u>5/16/2005</u> <u>Futures</u> <u>Prices</u>	<u>6/15/2005</u> <u>Futures</u> <u>Prices</u>	<u>7/15/2005</u> <u>Futures</u> <u>Prices</u>	<u>8/15/2005</u> <u>Futures</u> <u>Prices</u>	<u>9/15/2005</u> <u>Futures</u> <u>Prices</u>
1	Apr-06	6.049	6.264	6.878	7.063	6.829	7.559	7.870	8.772	10.007
2	May-06	5.914	6.129	6.733	6.913	6.714	7.411	7.710	8.547	9.627
3	Jun-06	5.924	6.154	6.758	6.950	6.758	7.451	7.752	8.578	9.652
4	Jul-06	5.944	6.184	6.783	6.985	6.804	7.498	7.802	8.623	9.693
5	Aug-06	5.964	6.209	6.808	7.005	6.840	7.533	7.847	8.662	9.736
6	Sep-06	5.959	6.194	6.787	6.985	6.837	7.522	7.835	8.640	9.712
7	Oct-06	5.989	6.219	6.812	7.018	6.877	7.554	7.870	8.667	9.741
8	Nov-06	6.299	6.514	7.107	7.338	7.202	7.909	8.215	9.027	10.131
9	Dec-06	6.574	6.794	7.392	7.648	7.502	8.224	8.545	9.362	10.511
10	Jan-07	6.779	7.019	7.603	7.858	7.712	8.451	8.780	9.607	10.796
11	Feb-07	6.759	6.984	7.568	7.838	7.697	8.441	8.770	9.592	10.771
12	Mar-07	6.564	6.784	7.387	7.693	7.552	8.281	8.620	9.407	10.536
13	Apr-07	5.674	5.899	6.357	6.573	6.512	7.116	7.465	8.082	8.826
14	May-07	5.534	5.759	6.222	6.418	6.389	6.986	7.300	7.912	8.551
15	Jun-07	5.556	5.789	6.232	6.438	6.427	7.026	7.348	7.947	8.586
16	Jul-07	5.579	5.809	6.242	6.463	6.464	7.058	7.389	7.982	8.616
17	Aug-07	5.594	5.829	6.257	6.498	6.494	7.830	7.426	8.022	8.649
18	Sep-07	5.569	5.814	6.237	6.473	6.480	7.068	7.420	8.012	8.634
19	Oct-07	5.579	5.827	6.257	6.508	6.500	7.101	7.455	8.047	8.666
20	Nov-07	5.869	6.112	6.544	6.823	6.830	7.421	7.795	8.407	9.051
21	Dec-07	6.159	6.377	6.832	7.118	7.150	7.731	8.115	8.742	9.436
22	Jan-08	6.394	6.612	7.062	7.343	7.370	7.946	8.320	8.972	9.726
23	Feb-08	6.374	6.592	7.032	7.323	7.355	7.931	8.310	8.957	9.701
24	Mar-08	6.167	6.392	6.832	7.153	7.205	7.779	8.165	8.777	9.466
25	Apr-08	5.337	5.552	5.912	6.143	6.185	6.679	7.065	7.557	8.031
26	May-08	5.217	5.432	5.792	5.998	6.050	6.564	6.920	7.387	7.811
27	Jun-08	5.242	5.457	5.812	6.028	6.080	6.594	6.955	7.422	7.856
28	Jul-08	5.272	5.482	5.832	6.058	6.110	6.624	6.990	7.462	7.896
29	Aug-08	5.297	5.507	5.852	6.093	6.145	6.659	7.020	7.502	7.941
30	Sep-08	5.277	5.487	5.837	6.073	6.130	6.639	7.010	7.497	7.931
31	Oct-08	5.292	5.497	5.852	6.093	6.150	6.669	7.045	7.537	7.961
32	Nov-08	5.567	5.772	6.127	6.378	6.465	6.999	7.395	7.892	8.356
33	Dec-08	5.842	6.047	6.387	6.653	6.760	7.304	7.715	8.227	8.741
34	Jan-09	6.067	6.287	6.622	6.893	6.980	7.524	7.940	8.447	9.031
35	Feb-09	6.067	6.272	6.592	6.873	6.965	7.512	7.935	8.432	9.006
36	Mar-09	5.897	6.077	6.387	6.683	6.815	7.372	7.795	8.258	8.776
37	1st Year Avg ¹	6.227	6.454	7.051	7.275	7.110	7.820	8.135	8.957	10.076
38	2nd Year Avg ²	5.837	6.068	6.509	6.761	6.765	7.416	7.709	8.322	8.992
39	3rd Year Avg ³	5.531	5.739	6.084	6.331	6.403	6.928	7.315	7.802	8.278
40	Total 3-Year Avg	5.865	6.087	6.548	6.789	6.759	7.388	7.720	8.360	9.116

Notes:

¹ 1st year time frame is from April 2006 through March 2007

² 2nd year time frame is from April 2007 through March 2008

³ 3rd year time frame is from April 2008 through March 2009

NYMEX NATURAL GAS FUTURES PRICES (\$/MMBTU)
(APRIL 2006 - MARCH 2009)

		10/5/2005	10/6/2005	10/7/2005	10/10/2005	10/11/2005	10/12/2005	10/13/2005	10/14/2005	10/17/2005	10/18/2005
Line	Contract Month	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices
1	Apr-06	10.981	10.695	10.671	10.517	10.719	10.800	10.704	10.839	11.005	10.885
2	May-06	10.441	10.205	10.216	10.097	10.274	10.350	10.299	10.434	10.575	10.485
3	Jun-06	10.436	10.200	10.216	10.102	10.269	10.345	10.306	10.439	10.580	10.490
4	Jul-06	10.461	10.225	10.246	10.132	10.299	10.375	10.336	10.469	10.610	10.522
5	Aug-06	10.486	10.255	10.276	10.167	10.334	10.410	10.371	10.504	10.640	10.554
6	Sep-06	10.456	10.230	10.251	10.142	10.309	10.385	10.346	10.479	10.610	10.527
7	Oct-06	10.481	10.260	10.281	10.177	10.339	10.415	10.376	10.509	10.640	10.557
8	Nov-06	10.906	10.695	10.706	10.602	10.754	10.830	10.791	10.924	11.055	10.977
9	Dec-06	11.306	11.100	11.111	11.012	11.164	11.240	11.206	11.339	11.470	11.392
10	Jan-07	11.616	11.420	11.431	11.332	11.474	11.550	11.516	11.649	11.780	11.702
11	Feb-07	11.511	11.325	11.331	11.242	11.379	11.455	11.426	11.559	11.685	11.612
12	Mar-07	11.211	11.025	11.031	10.942	11.074	11.145	11.116	11.249	11.370	11.297
13	Apr-07	9.051	8.885	8.891	8.832	8.894	8.965	8.956	9.059	9.140	9.067
14	May-07	8.661	8.495	8.491	8.447	8.494	8.565	8.561	8.659	8.740	8.687
15	Jun-07	8.697	8.531	8.527	8.483	8.530	8.601	8.594	8.689	8.770	8.717
16	Jul-07	8.732	8.566	8.562	8.518	8.565	8.636	8.627	8.722	8.796	8.743
17	Aug-07	8.767	8.601	8.597	8.553	8.600	8.671	8.660	8.755	8.826	8.773
18	Sep-07	8.747	8.581	8.577	8.533	8.580	8.651	8.640	8.735	8.806	8.753
19	Oct-07	8.781	8.615	8.611	8.567	8.614	8.685	8.674	8.769	8.840	8.787
20	Nov-07	9.241	9.075	9.071	9.027	9.074	9.150	9.139	9.234	9.305	9.252
21	Dec-07	9.691	9.525	9.521	9.477	9.524	9.605	9.594	9.679	9.750	9.697
22	Jan-08	10.036	9.865	9.861	9.817	9.864	9.950	9.939	10.019	10.090	10.037
23	Feb-08	9.966	9.795	9.791	9.747	9.784	9.870	9.859	9.934	10.000	9.947
24	Mar-08	9.706	9.545	9.541	9.497	9.524	9.610	9.599	9.669	9.720	9.667
25	Apr-08	7.981	7.825	7.821	7.807	7.814	7.900	7.889	7.949	7.980	7.927
26	May-08	7.671	7.515	7.511	7.497	7.494	7.580	7.569	7.619	7.630	7.577
27	Jun-08	7.716	7.560	7.556	7.542	7.534	7.620	7.609	7.654	7.665	7.612
28	Jul-08	7.756	7.600	7.596	7.582	7.574	7.660	7.649	7.689	7.700	7.647
29	Aug-08	7.801	7.645	7.641	7.627	7.614	7.700	7.689	7.724	7.735	7.682
30	Sep-08	7.791	7.635	7.631	7.617	7.604	7.690	7.679	7.709	7.720	7.667
31	Oct-08	7.821	7.665	7.666	7.652	7.639	7.725	7.714	7.744	7.755	7.702
32	Nov-08	8.271	8.125	8.126	8.112	8.099	8.139	8.179	8.209	8.220	8.167
33	Dec-08	8.721	8.575	8.576	8.562	8.549	8.592	8.634	8.664	8.675	8.622
34	Jan-09	9.051	8.915	8.916	8.902	8.884	8.934	8.984	9.014	9.025	8.982
35	Feb-09	8.996	8.860	8.861	8.847	8.824	8.874	8.924	8.954	8.965	8.922
36	Mar-09	8.731	8.595	8.596	8.582	8.554	8.604	8.654	8.684	8.695	8.652
37	1st Year Avg ¹	10.858	10.636	10.647	10.539	10.699	10.775	10.733	10.866	11.002	10.917
38	2nd Year Avg ²	9.173	9.007	9.003	8.958	9.004	9.080	9.070	9.160	9.232	9.177
39	3rd Year Avg ³	8.192	8.043	8.041	8.027	8.015	8.085	8.098	8.134	8.147	8.097
40	Total 3-Year Avg	9.408	9.229	9.231	9.175	9.239	9.313	9.300	9.387	9.460	9.397

Notes:

¹ 1st year time frame is from April 2006 through March 2007

² 2nd year time frame is from April 2007 through March 2008

³ 3rd year time frame is from April 2008 through March 2009

NYMEX NATURAL GAS FUTURES PRICES (\$/MMBTU)
(APRIL 2006 - MARCH 2009)

		10/19/2005	10/20/2005	10/21/2005	10/24/2005	10/25/2005	10/26/2005	10/27/2005	10/28/2005	10/31/2005	11/1/2005
Line	Contract Month	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices
1	Apr-06	10.893	10.584	10.619	10.620	11.159	10.890	10.854	10.737	10.466	10.302
2	May-06	10.503	10.234	10.304	10.320	10.829	10.580	10.559	10.465	10.226	10.059
3	Jun-06	10.510	10.249	10.319	10.337	10.839	10.590	10.577	10.487	10.256	10.089
4	Jul-06	10.544	10.286	10.359	10.377	10.879	10.630	10.619	10.532	10.304	10.137
5	Aug-06	10.578	10.323	10.399	10.417	10.919	10.670	10.664	10.577	10.349	10.182
6	Sep-06	10.553	10.299	10.375	10.395	10.892	10.645	10.639	10.557	10.331	10.167
7	Oct-06	10.583	10.329	10.405	10.427	10.924	10.680	10.674	10.597	10.376	10.212
8	Nov-06	11.003	10.764	10.845	10.872	11.364	11.125	11.124	11.052	10.836	10.672
9	Dec-06	11.423	11.189	11.280	11.307	11.794	11.560	11.559	11.487	11.276	11.112
10	Jan-07	11.733	11.504	11.600	11.627	12.114	11.880	11.884	11.817	11.616	11.457
11	Feb-07	11.643	11.424	11.520	11.547	12.024	11.790	11.794	11.727	11.531	11.372
12	Mar-07	11.328	11.119	11.220	11.247	11.704	11.470	11.484	11.417	11.221	11.062
13	Apr-07	9.078	8.899	9.000	9.027	9.404	9.190	9.204	9.177	9.051	8.902
14	May-07	8.698	8.529	8.660	8.692	9.059	8.865	8.894	8.902	8.796	8.652
15	Jun-07	8.723	8.554	8.690	8.722	9.089	8.895	8.924	8.932	8.831	8.687
16	Jul-07	8.749	8.580	8.716	8.752	9.119	8.930	8.959	8.967	8.871	8.727
17	Aug-07	8.779	8.610	8.746	8.782	9.149	8.960	8.989	8.997	8.906	8.762
18	Sep-07	8.759	8.590	8.726	8.762	9.129	8.940	8.969	8.977	8.889	8.745
19	Oct-07	8.793	8.624	8.760	8.796	9.163	8.974	9.003	9.011	8.926	8.782
20	Nov-07	9.253	9.084	9.220	9.254	9.621	9.432	9.461	9.469	9.386	9.242
21	Dec-07	9.693	9.524	9.660	9.687	10.054	9.867	9.896	9.904	9.821	9.677
22	Jan-08	10.033	9.864	10.000	10.025	10.392	10.205	10.234	10.249	10.166	10.022
23	Feb-08	9.943	9.774	9.900	9.935	10.292	10.105	10.134	10.149	10.071	9.927
24	Mar-08	9.653	9.484	9.600	9.627	9.972	9.785	9.814	9.829	9.766	9.622
25	Apr-08	7.903	7.764	7.875	7.897	8.162	7.985	8.014	8.039	8.016	7.872
26	May-08	7.553	7.414	7.535	7.557	7.822	7.645	7.674	7.729	7.726	7.582
27	Jun-08	7.588	7.454	7.575	7.597	7.862	7.685	7.714	7.769	7.766	7.623
28	Jul-08	7.623	7.491	7.612	7.634	7.899	7.722	7.751	7.806	7.803	7.661
29	Aug-08	7.658	7.529	7.650	7.672	7.937	7.760	7.789	7.844	7.841	7.699
30	Sep-08	7.643	7.514	7.630	7.652	7.917	7.740	7.769	7.824	7.821	7.679
31	Oct-08	7.678	7.549	7.665	7.687	7.952	7.775	7.804	7.859	7.856	7.714
32	Nov-08	8.143	8.014	8.125	8.147	8.412	8.235	8.259	8.324	8.316	8.184
33	Dec-08	8.598	8.469	8.580	8.602	8.867	8.690	8.709	8.784	8.768	8.649
34	Jan-09	8.963	8.839	8.950	8.972	9.237	9.050	9.069	9.157	9.136	9.024
35	Feb-09	8.903	8.779	8.890	8.912	9.157	8.970	8.989	9.077	9.056	8.944
36	Mar-09	8.633	8.509	8.620	8.642	8.857	8.670	8.689	8.777	8.756	8.644
37	1st Year Avg ¹	10.941	10.892	10.770	10.791	11.287	11.043	11.036	10.954	10.732	10.569
38	2nd Year Avg ²	9.180	9.010	9.140	9.172	9.537	9.346	9.373	9.380	9.290	9.146
39	3rd Year Avg ³	8.074	7.944	8.059	8.081	8.340	8.161	8.186	8.249	8.238	8.106
40	Total 3-Year Avg	9.398	9.215	9.323	9.348	9.721	9.516	9.532	9.528	9.420	9.273

Notes:

¹ 1st year time frame is from April 2006 through March 2007

² 2nd year time frame is from April 2007 through March 2008

³ 3rd year time frame is from April 2008 through March 2009

**NYMEX NATURAL GAS FUTURES PRICES (\$/MMBTU)
(APRIL 2006 - MARCH 2009)**

		11/2/2005	11/3/2005	11/4/2005	11/7/2005	11/8/2005	11/9/2005	11/10/2005	11/11/2005	11/14/2005	11/15/2005
Line	Contract Month	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices
1	Apr-06	10.116	10.079	9.859	10.118	10.041	9.915	9.819	9.991	10.187	10.279
2	May-06	9.881	9.839	9.639	9.888	9.821	9.710	9.639	9.831	10.027	10.119
3	Jun-06	9.911	9.869	9.669	9.918	9.854	9.740	9.672	9.861	10.057	10.149
4	Jul-06	9.961	9.919	9.719	9.968	9.901	9.790	9.722	9.908	10.104	10.194
5	Aug-06	10.006	9.964	9.764	10.013	9.946	9.835	9.762	9.948	10.144	10.232
6	Sep-06	9.991	9.947	9.747	9.996	9.931	9.823	9.752	9.938	10.139	10.232
7	Oct-06	10.041	9.994	9.794	10.041	9.976	9.870	9.802	9.986	10.187	10.279
8	Nov-06	10.506	10.459	10.264	10.511	10.446	10.335	10.267	10.451	10.652	10.744
9	Dec-06	10.956	10.909	10.719	10.966	10.906	10.800	10.732	10.916	11.117	11.209
10	Jan-07	11.311	11.264	11.079	11.326	11.271	11.170	11.112	11.296	11.497	11.579
11	Feb-07	11.231	11.184	11.004	11.251	11.196	11.110	11.052	11.231	11.432	11.519
12	Mar-07	10.926	10.874	10.699	10.946	10.886	10.815	10.757	10.926	11.127	11.209
13	Apr-07	8.776	8.719	8.599	8.776	8.656	8.595	8.567	8.701	8.887	8.954
14	May-07	8.536	8.484	8.379	8.546	8.426	8.365	8.352	8.488	8.677	8.749
15	Jun-07	8.571	8.494	8.409	8.576	8.456	8.400	8.387	8.523	8.712	8.784
16	Jul-07	8.611	8.524	8.439	8.606	8.496	8.440	8.427	8.558	8.747	8.824
17	Aug-07	8.651	8.564	8.479	8.646	8.536	8.475	8.467	8.598	8.787	8.864
18	Sep-07	8.636	8.549	8.464	8.631	8.521	8.455	8.447	8.578	8.772	8.849
19	Oct-07	8.676	8.589	8.504	8.671	8.563	8.495	8.487	8.618	8.812	8.889
20	Nov-07	9.136	9.049	8.984	9.146	9.038	8.970	8.962	9.093	9.282	9.364
21	Dec-07	9.571	9.489	9.439	9.611	9.508	9.440	9.432	9.563	9.752	9.834
22	Jan-08	9.916	9.833	9.783	9.986	9.878	9.810	9.802	9.933	10.122	10.209
23	Feb-08	9.826	9.717	9.678	9.886	9.803	9.735	9.737	9.863	10.057	10.144
24	Mar-08	9.526	9.401	9.373	9.586	9.503	9.435	9.427	9.548	9.742	9.839
25	Apr-08	7.786	7.651	7.603	7.796	7.683	7.615	7.607	7.708	7.892	7.959
26	May-08	7.526	7.381	7.323	7.531	7.448	7.390	7.392	7.503	7.682	7.739
27	Jun-08	7.571	7.431	7.373	7.581	7.498	7.440	7.442	7.553	7.732	7.789
28	Jul-08	7.611	7.476	7.418	7.626	7.543	7.485	7.487	7.598	7.777	7.834
29	Aug-08	7.651	7.521	7.463	7.671	7.583	7.525	7.527	7.638	7.817	7.874
30	Sep-08	7.636	7.506	7.448	7.656	7.563	7.505	7.507	7.618	7.797	7.854
31	Oct-08	7.676	7.546	7.488	7.696	7.603	7.545	7.547	7.658	7.837	7.894
32	Nov-08	8.156	8.036	7.988	8.196	8.093	8.035	8.037	8.148	8.327	8.384
33	Dec-08	8.631	8.521	8.483	8.691	8.578	8.520	8.522	8.633	8.812	8.869
34	Jan-09	9.016	8.921	8.888	9.096	8.983	8.925	8.927	9.038	9.202	9.259
35	Feb-09	8.936	8.841	8.808	9.016	8.903	8.845	8.847	8.958	9.122	9.179
36	Mar-09	8.636	8.541	8.508	8.716	8.603	8.545	8.547	8.658	8.822	8.879
37	1st Year Avg ¹	10.403	10.358	10.163	10.412	10.348	10.243	10.174	10.357	10.556	10.645
38	2nd Year Avg ²	9.036	8.949	8.878	9.056	8.949	8.885	8.875	9.005	9.196	9.275
39	3rd Year Avg ³	8.069	7.948	7.899	8.106	8.007	7.948	7.949	8.059	8.235	8.293
40	Total 3-Year Avg	9.169	9.085	8.980	9.191	9.101	9.025	8.999	9.141	9.329	9.404

Notes:

¹ 1st year time frame is from April 2006 through March 2007

² 2nd year time frame is from April 2007 through March 2008

³ 3rd year time frame is from April 2008 through March 2009

**NYMEX NATURAL GAS FUTURES PRICES (\$/MMBTU)
(APRIL 2006 - MARCH 2009)**

		11/16/2005	11/17/2005	11/18/2005	11/21/2005	11/22/2005	11/23/2005	11/28/2005	11/29/2005	11/30/2005
Line	Contract Month	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices	Futures Prices
1	Apr-06	10.653	10.440	10.161	10.100	10.249	10.220	10.004	10.017	10.431
2	May-06	10.473	10.260	10.001	9.960	10.109	10.080	9.889	9.902	10.291
3	Jun-06	10.500	10.287	10.031	9.993	10.144	10.115	9.924	9.937	10.326
4	Jul-06	10.543	10.332	10.076	10.038	10.189	10.160	9.969	9.984	10.371
5	Aug-06	10.580	10.372	10.119	10.081	10.229	10.200	10.009	10.025	10.411
6	Sep-06	10.573	10.365	10.119	10.081	10.229	10.197	10.009	10.027	10.408
7	Oct-06	10.618	10.410	10.167	10.129	10.277	10.245	10.057	10.075	10.456
8	Nov-06	11.083	10.885	10.642	10.604	10.752	10.720	10.537	10.555	10.931
9	Dec-06	11.548	11.360	11.117	11.079	11.227	11.195	11.017	11.035	11.406
10	Jan-07	11.918	11.740	11.497	11.459	11.607	11.575	11.402	11.420	11.781
11	Feb-07	11.853	11.680	11.437	11.404	11.547	11.515	11.352	11.368	11.721
12	Mar-07	11.538	11.370	11.132	11.099	11.242	11.210	11.052	11.068	11.426
13	Apr-07	9.218	9.050	8.872	8.869	9.012	9.000	8.942	8.938	9.236
14	May-07	9.008	8.840	8.672	8.674	8.812	8.800	8.762	8.758	9.031
15	Jun-07	9.043	8.885	8.717	8.719	8.854	8.842	8.807	8.803	9.076
16	Jul-07	9.083	8.925	8.757	8.759	8.896	8.884	8.852	8.848	9.121
17	Aug-07	9.123	8.965	8.797	8.799	8.936	8.924	8.892	8.888	9.161
18	Sep-07	9.108	8.955	8.792	8.794	8.931	8.919	8.892	8.888	9.161
19	Oct-07	9.148	9.000	8.837	8.839	8.976	8.964	8.942	8.938	9.211
20	Nov-07	9.633	9.490	9.332	9.334	9.466	9.454	9.437	9.433	9.701
21	Dec-07	10.103	9.965	9.817	9.819	9.946	9.929	9.917	9.913	10.176
22	Jan-08	10.479	10.341	10.197	10.199	10.321	10.304	10.292	10.288	10.541
23	Feb-08	10.409	10.271	10.127	10.139	10.256	10.239	10.237	10.228	10.471
24	Mar-08	10.099	9.961	9.822	9.834	9.946	9.929	9.942	9.923	10.151
25	Apr-08	8.179	8.041	7.922	7.954	8.036	8.019	8.052	8.013	8.171
26	May-08	7.959	7.821	7.702	7.754	7.831	7.814	7.877	7.838	7.986
27	Jun-08	8.009	7.871	7.752	7.804	7.881	7.864	7.927	7.886	8.034
28	Jul-08	8.054	7.916	7.797	7.849	7.926	7.909	7.972	7.929	8.077
29	Aug-08	8.094	7.956	7.837	7.889	7.966	7.949	8.012	7.964	8.112
30	Sep-08	8.074	7.936	7.817	7.874	7.951	7.934	8.007	7.956	8.104
31	Oct-08	8.114	7.976	7.857	7.924	8.001	7.984	8.057	8.003	8.151
32	Nov-08	8.599	8.466	8.344	8.411	8.488	8.467	8.542	8.488	8.631
33	Dec-08	9.079	8.955	8.830	8.897	8.974	8.949	9.027	8.973	9.106
34	Jan-09	9.469	9.343	9.217	9.284	9.361	9.334	9.417	9.363	9.491
35	Feb-09	9.389	9.268	9.147	9.224	9.301	9.269	9.362	9.303	9.431
36	Mar-09	9.089	8.968	8.847	8.924	9.001	8.959	9.067	8.998	9.126
37	1st Year Avg ¹	10.990	10.792	10.542	10.502	10.650	10.619	10.435	10.451	10.830
38	2nd Year Avg ²	9.538	9.387	9.228	9.232	9.363	9.349	9.326	9.321	9.586
39	3rd Year Avg ³	8.509	8.376	8.256	8.316	8.393	8.371	8.443	8.393	8.535
40	Total 3-Year Avg	9.679	9.518	9.342	9.350	9.469	9.446	9.402	9.388	9.650

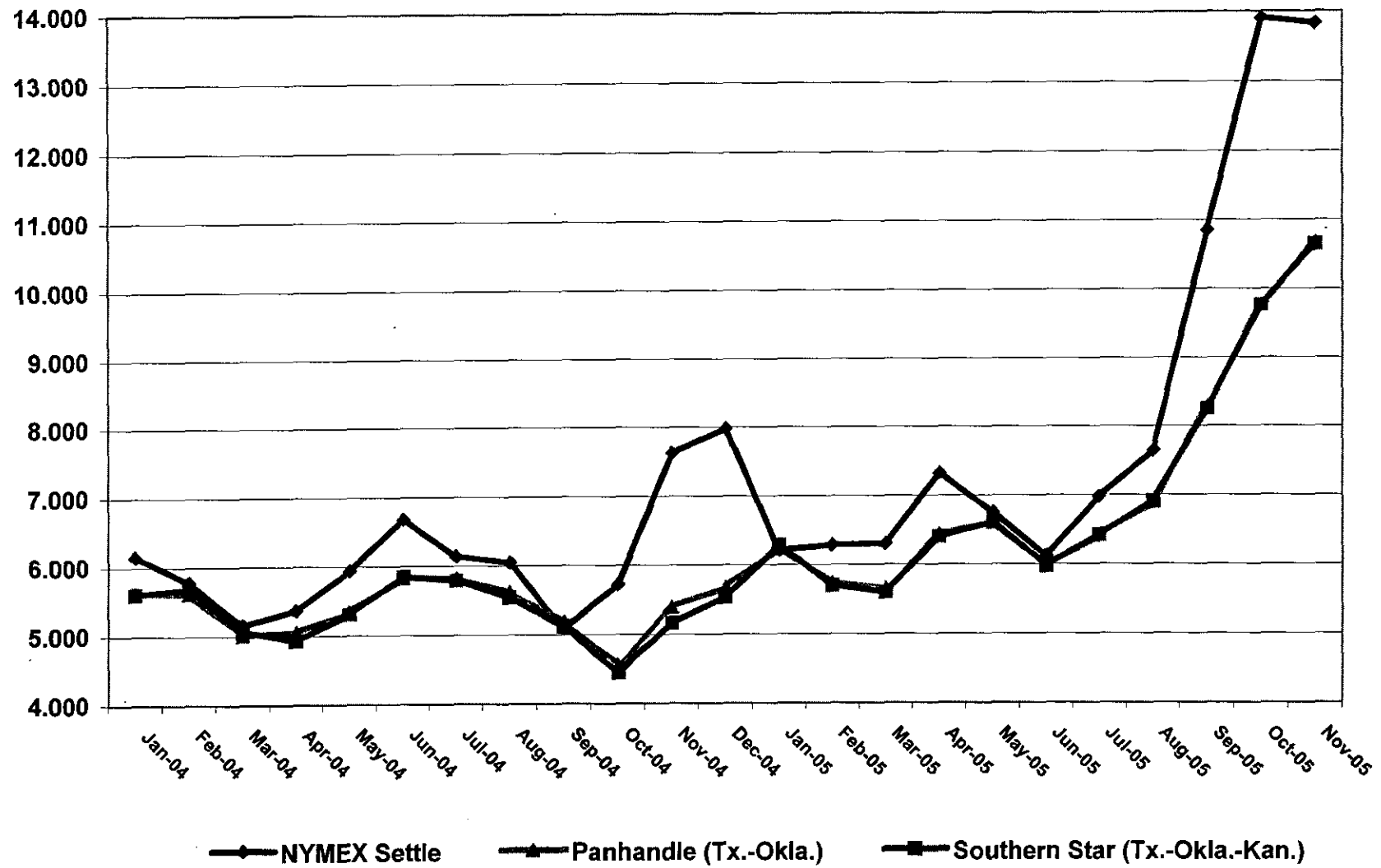
Notes:

¹ 1st year time frame is from April 2006 through March 2007

² 2nd year time frame is from April 2007 through March 2008

³ 3rd year time frame is from April 2008 through March 2009

**NYMEX SETTLEMENT, PANHANDLE (TX.-OKLA.) & SOUTHERN STAR (TX.-OKLA.-KAN.)
MONTHLY INDEX & SETTLEMENT PRICES - JANUARY 2004 - NOVEMBER 2005 - (\$/MMBtu)**



**NYMEX SETTLEMENT, PANHANDLE (TX.-OKLA.) & SOUTHERN STAR (TX.-OKLA.-KAN.)
MONTHLY BASIS DIFFERENTIAL JANUARY 2004 - NOVEMBER 2005 - (\$/MMBtu)**

