

97.7% 2.3% less 6.46 Apr 2005/2006

GAS DAILY

FRIDAY, DECEMBER 3, 2004

Exh. 113

S&P touts utility-backed LNG projects ... from page 1

BBG and Saguntom, that "enjoy returns guaranteed by regulators."

But Venkataraman and other observers agreed that in the United States, utilities are among the least likely LNG developers in the near term.

Massachusetts Dept. of Telecommunications and Energy Commissioner Robert Keating—whose state is home to one of the nation's oldest and largest LNG terminals—said he's not confident that a utility company will sponsor such a project anytime soon given the capital investment required and the stiff opposition they're likely to encounter.

"It's a tough nut for them to pick up," Keating said. "Maybe they could become partners with a developer, but I wouldn't see any utility doing this on their own."

He noted that Brooklyn, N.Y.-based KeySpan is trying to expand its Providence, R.I., LNG terminal to accept cargo ships, but "even though it's an existing site it generated quite a bit of controversy."

Atlanta-based AGL Resources is considering building a company-owned LNG terminal, and the S&P report merely confirms what the company already knew: terminals get "a pretty good return on their money," said Kevin Madden, AGL's executive vice president for distribution and pipelines.

But Madden acknowledged that even with good credit and cheap financing, "the investment is substantial in a terminal—\$600 million-plus."

Another obstacle to utility-backed LNG projects is the reluctance of state regulators to approve long-term supply contracts, which S&P called essential for any project's credit rating. "Commodity price exposure is perhaps the greatest single credit risk that a receiving terminal may face," the report noted.

S&P said proposed LNG terminals in Baja California and the Gulf of Mexico by San Diego-based Sempra Energy and Houston-based Cheniere Energy, respectively, could enjoy investment-grade ratings. That is because both companies have entered into fixed-capacity tolling contracts with large LNG sellers and downstream buyers.

S&P went on to say that LNG projects are relatively low-risk ventures relative to other energy infrastructure because the technology involved is unlikely to lead to construction delays. The biggest obstacle, the report said, will be lawsuits filed after permits are granted.

BH

Doubts re-emerge about EIA storage data ... from page 1

futures rally that added more than \$1/MMBtu to the expiring December contract, which rolled off the board \$7.976/MMBtu—the highest settlement ever for a December contract. Likely intensifying the impact was the fact that the data's release came the day before the Thanksgiving holiday weekend, when many traders typically engage in short-covering to hedge against any unexpected cold weather.

"That was a significant revision," Paul Cicio, executive director of the Industrial Energy Consumers of America, said Thursday of EIA's latest report. "Unfortunately, as a result of this erroneous report, consumers will pay as much as \$1 billion in increased natural gas prices."

Cicio said his group ultimately might call on federal authorities to investigate the EIA's report. Moreover, he said some of IECA's members might seek to renegotiate monthly contracts with their suppliers due to the resulting "artificial price" of the December contract's settlement.

Cicio said greater market transparency and efficiency could be achieved through the implementation of daily storage reporting, which is under consideration at FERC. He suggested that FERC "needs to take immediate action to implement daily reporting and to overhaul [EIA's current] reporting system to make it more fail-proof."

FERC spokeswoman Tamara Young-Allen said the issue of daily storage reporting is still under review (GD 10/4). "Staff has been charged with investigating and coming up with recommendations," Young-Allen said Thursday, adding that she expects the commission to take up the topic again early next year.

"If it really turns out that there was a 20-Bcf error, you should ask the

NYMEX Henry Hub gas futures contract, Dec 2

	Settlement	High	Low	+/-	Volume*
Jan 2005	6.811	7.400	6.690	-60.2	32354
Feb 2005	6.876	7.470	6.770	-61.7	11202
Mar 2005	6.821	7.370	6.700	-57.2	5494
Apr 2005	6.343	6.670	6.300	-33.5	3299
May 2005	6.265	6.540	6.250	-28.8	1350
Jun 2005	6.308	6.570	6.300	-28.0	494
Jul 2005	6.351	6.620	6.200	-27.2	364
Aug 2005	6.371	6.635	6.390	-27.2	253
Sep 2005	6.348	6.600	6.320	-27.0	171
Oct 2005	6.371	6.630	6.350	-27.0	1005
Nov 2005	6.656	6.800	6.630	-26.5	371
Dec 2005	6.941	7.170	6.920	-26.0	603
Jan 2006	7.155	7.200	7.170	-25.6	356
Feb 2006	7.150	7.250	7.160	-25.1	184
Mar 2006	6.945	7.080	6.920	-24.6	108
Apr 2006	6.130	6.280	6.280	-15.1	66
May 2006	6.010	6.120	6.040	-13.1	46
Jun 2006	6.025	6.140	6.140	-13.1	83
Jul 2006	6.050	6.160	6.160	-13.1	24
Aug 2006	6.075	6.180	6.110	-13.1	3
Sep 2006	6.050	6.110	6.110	-13.1	17
Oct 2006	6.070	6.150	6.110	-13.1	6
Nov 2006	6.350	6.480	6.480	-13.6	2
Dec 2006	6.625	6.625	6.625	-14.1	2
Jan 2007	6.830	6.930	6.930	-14.6	30
Feb 2007	6.815	6.970	6.870	-15.6	30
Mar 2007	6.600	6.670	6.670	-16.6	40
Apr 2007	—	—	—	—	—
May 2007	5.620	5.700	5.610	-8.1	30
Jun 2007	5.640	5.640	5.640	-8.1	30
Jul 2007	5.660	5.740	5.740	-8.1	47
Aug 2007	—	—	—	—	—
Sep 2007	—	—	—	—	—
Oct 2007	—	—	—	—	—
Nov 2007	—	5.640	5.640	—	—
Dec 2007	—	—	—	—	—

Volume of contracts (official)

58,685

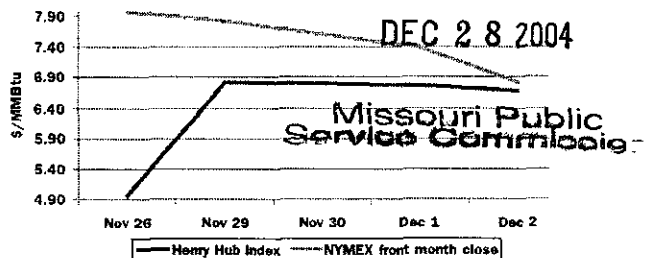
Front-months open interest* Wednesday:

Jan, 61,692; Feb, 30,441; Mar, 30,387

Total open interest* Wednesday: 366,225

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Henry Hub/NYMEX spread



Platts oil prices, Dec 2

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid	26.25-26.50	4.20
3% Resid	17.10-17.40	2.74
Crude spot		
WTI (Jan)	43.27-43.29	6.88
New York spot		
No. 2	51.74-51.85	8.89
0.3% Resid HP	33.50-33.75	5.35
0.3% Resid LP	37.00-37.25	5.91
0.7% Resid	26.60-26.90	4.25
1% Resid HP	22.85-23.15	3.66

Exhibit No. 113

Case No(s). ER-2004-05705

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