

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAY 15 2006

In the Matter of the:

PUBLIC SERVICE
COMMISSION

APPLICATION OF THE UNION LIGHT,)
HEAT AND POWER COMPANY)
IMPLEMENT A HEDGING PROGRAM) CASE NO. 2005-00191
TO MITIGATE PRICE VOLATILITY)
IN THE PROCUREMENT OF)
NATURAL GAS)

DUKE ENERGY KENTUCKY'S
FINAL REPORT ON HEDGING ACTIVITY FOR
APRIL 1, 2005 THROUGH MARCH 31, 2006
AND INTERIM REPORT ON ONGOING GAS HEDGING ACTIVITY

In an Order dated August 15, 2005 in Case No. 2005-00191, the Commission approved The Union Light Heat and Power Company d/b/a Duke Energy Kentucky's ("Duke Energy Kentucky") hedging program and required, among other things, periodic reports on the results of the hedging program. Attachment A is Duke Energy Kentucky's annual report on the final results of its hedging plan for April 1, 2005 through March 31, 2006, and interim report on hedging activity for future gas deliveries, as required by such order. As demonstrated in Duke Energy Kentucky's report, the hedging plan successfully mitigated price volatility for Duke Energy Kentucky's firm sales customers.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission accept for filing Duke Energy Kentucky's attached report of the final results of its hedging plan for April 1, 2005 through March 31, 2006, and interim

report on hedging activity for future gas deliveries.

Respectfully submitted,

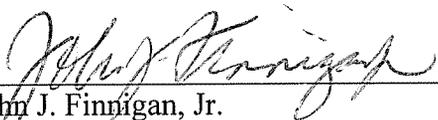
DUKE ENERGY KENTUCKY



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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Report on Hedging was served to the parties listed below by regular United States mail, postage prepaid, this 12th day of May, 2006.



John J. Finnigan, Jr.

Hon. Elizabeth E. Blackford
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COMMISSION

**BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

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PUBLIC SERVICE
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**Annual Report on Hedging Activity
For April 1, 2005 – March 31, 2006
And Report on Hedging Activity
For Future Gas Deliveries**

**By
Duke Energy Kentucky**

May, 2006

The Vice President of Gas Operations, Director of Gas Commercial Operations, the Lead of Gas Procurement and Analysis and other personnel (Natural Gas Hedging Committee) met on a regular basis to review current market conditions for natural gas, short and long-term weather forecasts, gas industry trade publications, and price estimates to determine whether to enter into any hedging transactions. These meetings were scheduled at least monthly, but can occur more frequently depending on the season and market conditions. A brief summary of the decision made at each of these meetings during the 12 months ended March 2006 is attached, along with the information reviewed during each meeting (see Attachment A).

A summary of the amounts hedged during the 12 months ended March 31, 2006 is shown below, followed by details of the factors influencing Duke Energy Kentucky's (Duke) decision to enter into a hedging agreement each time.

Strike Date	Supplier	Type	Price Per Dth	Delivery Point **	Volume Dth/day	Month(s)	Seasonal Volume
Summer 2005							
9/13/2004*	[REDACTED]	Cost Avg	[REDACTED]	CGT	[REDACTED]	Apr 05 – Oct 05	[REDACTED]
3/8/2005*	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Apr 05 – Oct 05	[REDACTED]
3/9/2005*	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Apr 05	[REDACTED]
4/8/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	May 05	[REDACTED]
5/10/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Jun 05	[REDACTED]
6/8/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Jul 05	[REDACTED]
7/8/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Aug 05	[REDACTED]
8/8/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Sep 05	[REDACTED]
Winter 2005/06							
12/7/2004*	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Nov 05 – Mar 06	[REDACTED]
1/28/2005*	[REDACTED]	Cost Avg	[REDACTED]	CGT	[REDACTED]	Nov 05 – Mar 06	[REDACTED]
3/8/2005*	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Nov 05 – Mar 06	[REDACTED]
3/29/2005	[REDACTED]	Cost Avg	[REDACTED]	CGT	[REDACTED]	Nov 05 – Mar 06	[REDACTED]
3/29/2005	[REDACTED]	Cost Avg	[REDACTED]	CGT	[REDACTED]	Nov 05 – Mar 06	[REDACTED]
6/22/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Nov 05 – Mar 06	[REDACTED]
11/2/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Dec 05 – Feb 06	[REDACTED]
11/8/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Dec 05	[REDACTED]
12/8/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Jan 06	[REDACTED]
1/10/2006	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Feb 06	[REDACTED]
1/25/2006	[REDACTED]	Fixed	[REDACTED]	Tenn	[REDACTED]	Mar 06	[REDACTED]
2/8/2006	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Mar 06	[REDACTED]
Summer 2006							
10/18/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Apr 06 – Mar 07	[REDACTED]
10/18/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Apr 06 – Mar 08	[REDACTED]
1/5/2006	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Apr 06 – Oct 06	[REDACTED]
1/6/2006	[REDACTED]	Cost Avg	[REDACTED]	CGT	[REDACTED]	Apr 06 – Oct 06	[REDACTED]
Winter 2006/07							
10/18/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Apr 06 – Mar 07	[REDACTED]
10/18/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Apr 06 – Mar 08	[REDACTED]
2/15/2006	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Nov 06 – Oct 08	[REDACTED]
Summer 2007							
10/18/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Apr 06 – Mar 08	[REDACTED]
2/15/2006	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Nov 06 – Oct 08	[REDACTED]
Winter 2007/08							
10/18/2005	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Apr 06 – Mar 08	[REDACTED]
2/15/2006	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Nov 06 – Oct 08	[REDACTED]
Summer 2008							
2/15/2006	[REDACTED]	Fixed	[REDACTED]	CGT	[REDACTED]	Nov 06 – Oct 08	[REDACTED]

* See Annual Report on Hedging Activity for April 1, 2004 – March 31, 2005

**Tenn = Tennessee Pipeline 500 Leg

CGT = Columbia Gulf South Louisiana Onshore

There were no transactional costs associated with any of these arrangements. When the natural gas is delivered, the suppliers simply invoice Duke based on the hedged price. The portions of "base" gas hedged for each season are listed in the table below:

Season	Total Base Supply	Total Hedged	% Hedged
Summer 2005	[REDACTED] dth	[REDACTED] dth	[REDACTED]
Winter 2005/06	[REDACTED] dth	[REDACTED] dth	[REDACTED]
Summer 2006 (as of 3/31/06)	[REDACTED] dth	[REDACTED] dth	[REDACTED]
Winter 2006/07 (as of 3/31/06)	[REDACTED] dth	[REDACTED] dth	[REDACTED]
Summer 2007 (as of 3/31/06)	[REDACTED] dth	[REDACTED] dth	[REDACTED]
Winter 2007/08 (as of 3/31/06)	[REDACTED] dth	[REDACTED] dth	[REDACTED]
Summer 2008 (as of 3/31/06)	[REDACTED] dth	[REDACTED] dth	[REDACTED]

Fixed Price Coinciding with EGC Calculation

Duke calculates the Expected Gas Cost (EGC) portion of the Gas Cost Adjustment (GCA) Clause based on the NYMEX closing price on the day prior to filing the monthly GCA. Any fixed prices as of that date are included in the calculation. To further reduce the magnitude of future adjustments, and also to increase the amount of hedged base volumes to a level closer to the maximum allowed per the approved strategy, Duke locked in a fixed price for each month based on the closing price for that month on the day that the EGC was calculated, provided that the hedged amount was not already near the maximum. Multiple suppliers were contacted based on any pre-arranged base supply contracts, and asked to quote a price based on the NYMEX close plus or minus the basis from Henry Hub to the point of delivery. The supplier who quoted the lowest basis was chosen.

The table below compares the futures price data for each month with the most recently available forecasts from CERA and EIA and the fixed price that Duke agreed to pay.

Month	Strike Date	Price Forecasts		NYMEX Futures Price			Supplier	Volume Dth/day	Fixed Price
		CERA	EIA	High	Low	Close			
May 05	4/8/2005	\$6.33	\$6.56	\$7.36	\$7.20	\$7.242	[REDACTED]	[REDACTED]	[REDACTED]
Jun 05	5/10/2005	\$6.65	\$6.64	\$6.84	\$6.67	\$6.694	[REDACTED]	[REDACTED]	[REDACTED]
Jul 05	6/8/2005	\$6.46	\$6.64	\$7.43	\$6.97	\$7.000	[REDACTED]	[REDACTED]	[REDACTED]
Aug 05	7/8/2005	\$6.38	\$6.71	\$7.77	\$7.42	\$7.472	[REDACTED]	[REDACTED]	[REDACTED]
Sep 05	8/8/2005	\$6.07	\$7.24	\$8.87	\$8.50	\$8.684	[REDACTED]	[REDACTED]	[REDACTED]
Dec 05	11/8/2005	\$14.31	\$11.94	\$11.98	\$11.50	\$11.793	[REDACTED]	[REDACTED]	[REDACTED]
Jan 06	12/8/2005	\$11.23	\$12.63	\$15.10	\$14.00	\$14.994	[REDACTED]	[REDACTED]	[REDACTED]
Feb 06	1/10/2006	\$11.21	\$11.50	\$9.55	\$9.28	\$9.336	[REDACTED]	[REDACTED]	[REDACTED]
Mar 06	2/8/2006	\$8.37	\$9.40	\$8.12	\$7.70	\$7.735	[REDACTED]	[REDACTED]	[REDACTED]

Winter 2005-06 Cost Averaging with Cinergy Marketing & Trade – March 29, 2005

During the hedging meeting on March 28, 2005, the Natural Gas Hedging Committee decided that since the purchasing period for the cost averaging started in January was ending on March 31st (see Annual Report on Hedging Activity for April 1, 2004 – March 31, 2005), a larger volume of cost averaging (25% of base) would be started. Duke informally sought bids from three suppliers for providing [REDACTED] dth per day from November 1, 2005 through March 31, 2006 at Columbia Gulf Onshore, at a price determined by averaging the NYMEX close from [REDACTED]. [REDACTED] were each contacted by phone.

Since the price would be determined based on the NYMEX close each day, the only difference between suppliers would be the basis to convert a Henry Hub futures price to physical delivery at Columbia Gulf Onshore. On March 29, 2005, Duke entered into the [REDACTED].

In order to remain within the limits set by the approved Hedging Plan in effect at that time, the cost averaging was split into two separate deals. The first accumulated a price for [REDACTED] dth per day from April 4th to May 31st, and the second accumulated a price for [REDACTED] dth per day from June 1st to July 29th. The basis stayed the same for both transactions. The end results were prices of [REDACTED] and [REDACTED] per dth (see Attachments B & C).

Winter 2005-06 Fixed prices with [REDACTED] – June 22, 2005

During the May 2005 Hedging Meeting, it was noted that prices seemed to be moving horizontally, with occasional periods of volatility. With this in mind it was decided to hold off on any additional hedging until the market made a significant move in either direction. If winter prices increased to the mid \$8.00 range or decreased to the low \$7.00 range then a small percent of base would be locked in with a fixed price. By mid June prices hit the mid \$8.00, and seemed to be staying in that range. Therefore, a [REDACTED] price of [REDACTED] was locked in with [REDACTED] for [REDACTED] dth/day to be delivered to Columbia Gulf Onshore from November 1, 2005 – March 31, 2006.

The EIA storage report released on June 16, 2005 indicated that as of June 10, 2005, total U.S. amount of gas in storage was 1,963 bcf (59% full), which was 216 bcf higher than the previous year and 294 bcf higher than the 5-year average. Duke's storage with Columbia Gas was approximately [REDACTED] ([REDACTED] full).

The table below compares the futures price data for June 22nd with the most recently available forecasts from CERA and EIA and the locked in price that Duke agreed to pay [REDACTED]

	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Average
Price Forecasts						
CERA (6/17/05)	\$6.340	\$6.450	\$6.290	\$6.070	\$5.670	\$6.164
EIA (6/7/05)	\$7.102	\$7.435	\$7.972	\$6.916	\$6.720	\$7.229
NYMEX (6/22/05)						
High	\$8.170	\$8.625	\$8.940	\$8.940	\$8.830	\$8.701
Low	\$8.060	\$8.530	\$8.810	\$8.840	\$8.740	\$8.596
Close	\$8.089	\$8.551	\$8.856	\$8.874	\$8.759	\$8.626
Fixed Prices (6/22/05)						
██████████ (██████████ dth/day 11/1/05-3/31/06)						██████████

1 & 2 Year Fixed prices with Conoco and CM&T – October 18, 2005

The revised hedging plan was approved August 15, 2005 and allows for hedging up to 36 months into the future. In order to meet minimum target levels for the summer 2006 through the winter 07/08, Duke sought bids for ██████████ dth per day to be delivered at Columbia Gulf Onshore from April 1, 2006 through March 31, 2007 and another ██████████ dth per day to be delivered April 1, 2006 through March 31, 2008 at the same point.

When locking in a fixed price for the next season, it is possible to see current NYMEX prices in real time, so it's possible to negotiate with a single supplier. However, trading is much more sporadic when going out beyond the next season, so it is harder for a supplier to quote a price that matches real time NYMEX pricing. Therefore, ██████████ suppliers were contacted and told to expect a call from Duke at a particular time (11:00 am on October 18, 2005) and that if their bid was the lowest they would receive a call back within 5 minutes. The bids received are summarized below:

	Apr 06 – Mar 07	Apr 06 – Mar 08
██████████	\$ ██████████	\$ ██████████
██████████	\$ ██████████	\$ ██████████
██████████	\$ ██████████	\$ ██████████

The lowest price for each term was selected, so the 1 year fixed price was locked in with ██████████ and the 2 year fixed price with ██████████

The EIA storage report released on October 18, 2005 indicated that as of October 13, 2005, total U.S. amount of gas in storage was 2,987 bcf (91% full), which was 162 bcf lower than the previous year and 34 bcf higher than the 5-year average. Duke's storage with Columbia Gas was approximately ██████████ (██████████ full).

The table below compares the futures price data for October 18th with the most recently available forecasts from CERA and EIA and the locked in prices that Duke agreed to pay ██████████ and ██████████. Please note that CERA and EIA's forecasts did not cover the entire term.

Month	Price Forecasts		NYMEX Futures Price			1 year	2 year
	CERA	EIA	High	Low	Close		
Apr 06	\$7.94	\$8.444	\$10.930	\$10.770	\$10.885		
May 06	\$7.99	\$7.294	\$10.540	\$10.400	\$10.485		
Jun 06	\$8.05	\$7.353	\$10.550	\$10.400	\$10.490		
Jul 06	\$7.35	\$7.394	\$10.570	\$10.420	\$10.522		
Aug 06	\$7.01	\$7.747	\$10.600	\$10.490	\$10.554		
Sep 06	\$6.56	\$7.830	\$10.560	\$10.470	\$10.527		
Oct 06	\$6.56	\$8.288	\$10.600	\$10.500	\$10.557		
Nov 06	\$6.58		\$11.030	\$10.920	\$10.977		
Dec 06	\$6.59		\$11.450	\$11.320	\$11.392		
Jan 07			\$11.740	\$11.650	\$11.702		
Feb 07			\$11.650	\$11.612	\$11.612		
Mar 07			\$11.330	\$11.297	\$11.297		
1 Year Average			\$10.963	\$10.854	\$10.917		
Apr 07			\$9.120	\$9.067	\$9.067		
May 07			\$8.740	\$8.687	\$8.687		
Jun 07			\$8.750	\$8.717	\$8.717		
Jul 07			\$8.800	\$8.710	\$8.743		
Aug 07			\$8.830	\$8.773	\$8.773		
Sep 07			\$8.810	\$8.753	\$8.753		
Oct 07			\$8.850	\$8.787	\$8.787		
Nov 07			\$9.252	\$9.220	\$9.252		
Dec 07			\$9.750	\$9.697	\$9.697		
Jan 08			\$10.037	\$9.990	\$10.037		
Feb 08			\$9.947	\$9.947	\$9.947		
Mar 08			\$9.667	\$9.667	\$9.667		
2 Year Average			\$10.088	\$10.011	\$10.047		

Winter 2005-06 Fixed price with [REDACTED] – November 2, 2005

From the time that Hurricane Rita struck in September to the end of October, prices for the winter of 2005-06 stayed well above \$13.00. As November began, forecasters were predicting a mild start to the winter, and prices dropped dramatically to the low \$12s. With the hurricane season remaining active, and various indicators for a bullish storage report to be issued November 3rd, additional fixed price gas for December 2005 – February 2006 was locked in with [REDACTED].

The EIA storage report released on October 27, 2005 indicated that as of October 21, 2005, total U.S. amount of gas in storage was 3,139 bcf (95% full), which was 106 bcf lower than the previous year and 85 bcf higher than the five-year average. Duke’s storage with Columbia Gas was approximately [REDACTED] ([REDACTED] full).

The table below compares the futures price data for November 2nd with the most recently available forecasts from CERA and EIA and the locked in price that Duke agreed to pay [REDACTED] for base gas to be delivered December 2005 through February 2006 at Columbia Gulf South Louisiana Onshore.

	Dec 05	Jan 06	Feb 06	Average
Price Forecasts				
CERA (10/19/05)	\$14.310	\$13.120	\$11.900	\$13.110
EIA (10/12/05)	\$11.938	\$10.689	\$10.338	\$10.988
NYMEX (11/2/05)				
High	\$11.980	\$12.460	\$12.400	\$12.280
Low	\$11.490	\$12.080	\$12.050	\$11.873
Close	\$11.604	\$12.161	\$12.111	\$11.959
Fixed Price (11/2/05)				
[REDACTED] ([REDACTED])th/day 12/1/05-2/28/06)				[REDACTED]

Summer 2006 Fixed prices with [REDACTED] – January 5, 2006

Since January 2006 began with extremely warm temperatures, Summer NYMEX prices dropped dramatically into the mid \$9 range, after being over \$10 since the hurricanes struck in the fall. Based on discussions between the Director of Gas Commercial Operations, the Lead of Gas Procurement & Analysis and the Administrator of Gas Transportation it was decided to lock in [REDACTED]th per day for April through October 2006 at Columbia Gulf Onshore.

The EIA storage report released on January 5, 2006 indicated that as of December 30, 2005, total U.S. amount of gas in storage was 2,641 bcf (80% full), which was 79 bcf lower than the previous year and 168 bcf higher than the 5-year average. Duke's storage with Columbia Gas was approximately [REDACTED] ([REDACTED] full).

The table below compares the futures price data for January 5th with the most recently available forecasts from CERA and EIA and the locked in price that Duke agreed to pay [REDACTED]

	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Average
Price Forecasts								
CERA (12/16/05)	\$10.29	\$9.930	\$9.420	\$8.600	\$7.760	\$7.150	\$7.160	\$8.616
EIA (12/6/05)	\$8.394	\$7.849	\$7.705	\$7.914	\$8.097	\$8.394	\$8.671	\$8.146
NYMEX (1/5/06)								
High	\$9.580	\$9.540	\$9.590	\$9.650	\$9.670	\$9.720	\$9.850	\$9.657
Low	\$9.250	\$9.250	\$9.250	\$9.370	\$9.400	\$9.430	\$9.500	\$9.350
Close	\$9.298	\$9.283	\$9.333	\$9.393	\$9.443	\$9.461	\$9.521	\$9.390
Fixed Prices (1/5/06)								
[REDACTED] ([REDACTED])th/day 4/1/06-10/31/06)								[REDACTED]

Summer 2006 Cost Averaging with [REDACTED] – January 6, 2006

During the hedging meeting on December 12, 2005, the Natural Gas Hedging Committee decided to begin the cost averaging to accumulate a price between January and March. Bids would be sought for a summer only price (April – October 2006) and an

annual price (April 2006 – March 2007), to see if there would be a price advantage to a longer term. [REDACTED] were each contacted by phone. [REDACTED] was the only supplier willing to provide a bid. For the summer, the price would be the average of the NYMEX closing price from January 9, 2006 through March 29, 2006 flat at Columbia Gulf Onshore, while the price for annual supply would be [REDACTED] per dth. Therefore, Duke entered into the cost averaging arrangement with [REDACTED] for the summer only. The end result was a price of [REDACTED] per dth for [REDACTED] dth per day, delivered to Columbia Gulf Onshore from April 1, 2006 through October 31, 2006. (See Attachment D.)

March 2006 Fixed price with Tenaska – January 25, 2006

Prices continued to decline throughout the much warmer than normal January. However, since there were substantial portions of Gulf capacity still off-line, the slightest hint of colder weather could send prices back up. Therefore, the Natural Gas Hedging Committee decided to lock in a small percent for March 2006, still leaving enough that could be hedged at the time of the EGC calculation (see above).

The EIA storage report released on January 19, 2006 indicated that as of January 13, 2006, total U.S. amount of gas in storage was 2,575 bcf ([REDACTED] full), which was 59 bcf higher than the previous year and 361 bcf higher than the five-year average. Duke’s storage with Columbia Gas was approximately [REDACTED] ([REDACTED] full).

The table below compares the futures price data for January 25th with the most recently available forecasts from CERA and EIA and the locked in price that Duke agreed to pay [REDACTED] for base gas to be delivered March 2006 at Tennessee 500 Leg.

	Mar 06
Price Forecasts	
CERA (1/17/06)	\$8.370
EIA (1/10/06)	\$10.998
NYMEX (1/25/06)	
High	\$8.760
Low	\$8.600
Close	\$8.637
Fixed Price (1/25/06)	
[REDACTED] ([REDACTED] dth/day March 2006)	[REDACTED]

2 Year Fixed price with CM&T – February 15, 2006

Forecasts were calling for a colder than normal February, which could cause prices to spike back up. Additional long term hedging was required prior to the end of March in order to stay within the bounds set by the Hedging Plan. Therefore, the Natural Gas Hedging Committee decided to seek bids for the long term fixed price in mid February rather than waiting until the end of March. Since the summer of 2006 was

already hedged near 50%, Duke sought bids for [redacted] dth per day to be delivered at Columbia Gulf Onshore from November 1, 2006 through October 31, 2008.

Duke used the same technique as in the previous long term fixed price. [redacted] suppliers were contacted and told to expect a call from Duke at 11:00 am on February 15, 2006. [redacted] was the lowest bidder at [redacted], with [redacted] bidding [redacted] and [redacted]. The fixed price with [redacted] was selected as the lowest bid.

The EIA storage report released on February 9, 2006 indicated that as of February 3, 2006, total U.S. amount of gas in storage was 2,368 bcf (72% full), which was 437 bcf higher than the previous year and 649 bcf higher than the 5-year average. Duke's storage with Columbia Gas was approximately [redacted] ([redacted] full).

The table below compares the futures price data for February 15th with the most recently available forecasts from CERA and EIA and the locked in prices that Duke agreed to pay [redacted]. Please note that CERA and EIA's forecasts did not cover the entire term.

Month	Price Forecasts		NYMEX Futures Price			[redacted]
	CERA	EIA	High	Low	Close	
Nov 06	\$7.23	\$9.781	\$9.000	\$8.700	\$8.729	[redacted]
Dec 06	\$7.31	\$11.071	\$9.800	\$9.520	\$9.554	[redacted]
Jan 07	\$7.36	\$11.260	\$10.280	\$10.030	\$10.089	[redacted]
Feb 07	\$7.37	\$9.569	\$10.280	\$10.060	\$10.109	[redacted]
Mar 07	\$7.32		\$10.090	\$9.910	\$9.939	[redacted]
Apr 07	\$7.25		\$8.540	\$8.334	\$8.334	[redacted]
May 07	\$6.78		\$8.169	\$8.169	\$8.169	[redacted]
Jun 07	\$6.82		\$8.350	\$8.200	\$8.229	[redacted]
Jul 07	\$6.33		\$8.400	\$8.299	\$8.299	[redacted]
Aug 07	\$6.35		\$8.440	\$8.364	\$8.364	[redacted]
Sep 07	\$6.38		\$8.450	\$8.384	\$8.384	[redacted]
Oct 07	\$6.40		\$8.520	\$8.450	\$8.459	[redacted]
Nov 07	\$6.47		\$9.050	\$9.049	\$9.049	[redacted]
Dec 07	\$6.51		\$9.730	\$9.600	\$9.609	[redacted]
Jan 08	\$6.78		\$10.100	\$10.029	\$10.029	[redacted]
Feb 08			\$10.230	\$10.039	\$10.039	[redacted]
Mar 08			\$9.960	\$9.879	\$9.879	[redacted]
Apr 08			\$8.030	\$8.029	\$8.029	[redacted]
May 08			\$7.950	\$7.869	\$7.869	[redacted]
Jun 08			\$7.921	\$7.921	\$7.921	[redacted]
Jul 08			\$7.986	\$7.986	\$7.986	[redacted]
Aug 08			\$8.046	\$8.046	\$8.046	[redacted]
Sep 08			\$8.069	\$8.069	\$8.069	[redacted]
Oct 08			\$8.129	\$8.129	\$8.129	[redacted]
2 Year Average			\$8.897	\$8.794	\$8.805	[redacted]

Effect of Hedging Program on Gas Costs

The effect of the hedging activity on gas cost can be determined by comparing the price paid for any hedged gas with the published Inside FERC First of Month Index

(FOMI) for the delivery point where physical delivery of the hedged gas was received (Columbia Gulf Onshore or Tennessee 500 Leg). The hedged price includes the basis from Henry Hub to the point of delivery. This analysis shows that for the 12 months ended March 31, 2006 gas costs were about \$3.4 million lower when comparing the hedged price with the FOMI at the time of physical delivery than they would have been if no hedging had taken place. The following tables list each package of hedged gas and the impact on the total gas cost resulting from that hedge.

Summer Season 2005

Supplier	Type	Dth/day	Total Dth	Receipt Point	Hedged Price \$/dth	Inside FERC FOMI \$/dth	Cost Increase/ (Savings)
April 2005							
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.29	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.29	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.29	[REDACTED]
May 2004							
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$6.72	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$6.72	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$6.72	[REDACTED]
June 2004							
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$6.15	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$6.15	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$6.15	[REDACTED]
July 2004							
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$6.94	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$6.94	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$6.94	[REDACTED]
August 2004							
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.62	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.62	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.62	[REDACTED]
September 2004							
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$10.81	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$10.81	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$10.81	[REDACTED]
October 2004							
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$12.81	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$12.81	[REDACTED]
Season Total							[REDACTED]

Winter Season 2005-06

Supplier	Type	Dth/day	Total Dth	Receipt Point	Hedged Price \$/dth	IFERC FOMI \$/dth	Cost Increase/ (Savings)
November							
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$13.97	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$13.97	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$13.97	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$13.97	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$13.97	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$13.97	[REDACTED]
December							
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.21	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.21	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.21	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.21	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.21	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.21	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.21	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.21	[REDACTED]
January							
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.46	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.46	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.46	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.46	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.46	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.46	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.46	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$11.46	[REDACTED]
February							
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$8.38	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$8.38	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$8.38	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$8.38	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$8.38	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$8.38	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$8.38	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$8.38	[REDACTED]
March							
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.08	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.08	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.08	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.08	[REDACTED]
[REDACTED]	Fixed (Cost Avg.)	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.08	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.08	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.08	[REDACTED]
[REDACTED]	Fixed	[REDACTED]	[REDACTED]	CGT	[REDACTED]	\$7.08	[REDACTED]
Season Total							

Due to the mechanics of the Gas Cost Adjustment (GCA) Clause, the effect of the hedging program on the gas cost portion of customer's bills will occur in stages. The Expected Gas Cost (EGC) component of each GCA included estimated gas costs based on a combination of hedged gas and gas at estimated market prices. Absent the hedging program, the EGC would have been calculated on market prices alone. The Actual Adjustment (AA) component of each GCA also includes the effect of the hedging program reflected in the actual gas costs, which are compared to GCA revenues to calculate the AA.

When the monthly EGCs were calculated, the forecasted natural gas requirements were priced out based on the weighted average of known hedged prices and the NYMEX futures price on the day that the calculation was performed. To determine the impact of the hedging program on the EGC, the hedging transactions were removed from the original calculations to determine what EGC would have been filed if no hedging had taken place. This effect may differ from the ultimate impact on the GCA once actual costs are known and flow through the AA.

The following table shows the effect that hedging had on each separate GCA rate for the 12 months ending March 31, 2005. The prior year's hedging program continues to affect the AA portion of the GCA through August 31, 2005. Likewise, gas costs during the 12 months ended March 31, 2006 will continue to affect the AA portion of the GCA through August 31, 2006. A negative sign means that the rate was decreased due to the hedging program, and a positive indicates that the rate was increased. Rates are in dollars per mcf.

Month	Impact on EGC	Impact on AA	Impact on GCA
April 2005	-\$0.016	-\$0.019*	-\$0.035
May 2005	-\$0.120	-\$0.019*	-\$0.139
June 2005	+\$0.039	-\$0.016*	+\$0.023
July 2005	-\$0.047	-\$0.016*	-\$0.063
August 2005	-\$0.185	-\$0.016*	-\$0.201
September 2005	-\$0.563	-\$0.005	-\$0.568
October 2005	-\$0.982	-\$0.005	-\$0.987
November 2005	-\$1.298	-\$0.005	-\$1.303
December 2005	-\$0.494	+\$0.005	-\$0.489
January 2006	-\$0.143	+\$0.005	-\$0.138
February 2006	-\$0.078	+\$0.005	-\$0.073
March 2006	+\$0.100	-\$0.152	-\$0.052

*Impact on AA from previous year's hedging activity.

To determine the ultimate effect on the price paid by customers subject to the GCA, the total difference in gas cost due to the hedging program was divided by the annual total Mcf used in the calculation of the EGC as part of the GCA filing effective March 1, 2006. Based on this calculation, GCA customers will pay approximately

\$0.31/Mcf less than they would have paid absent the hedging program for natural gas purchased between April 1, 2005 and March 31, 2006, as shown below:

[REDACTED] = [REDACTED]

Effect of Hedging Program on Volatility

The hedging programs increase costs when market prices are relatively low and decreased costs when market prices were high. This provides prima facie evidence that the hedging program meets its stated goal of reducing the volatility in gas prices and providing some protection against extremely high prices. Based on a more statistical definition of volatility, the hedging program reduced the standard deviation of the average commodity cost of gas by \$0.604/dth over the 12 months ended March 31, 2006.

	Actual Average Commodity Cost of Gas (Includes Hedging)			Cost/ (Savings)	Estimated Average Commodity Cost of Gas Without Hedging		
	Commodity Cost	Dth	Wgt. Avg.		Commodity Cost	Dth	Wgt. Avg.
Apr-05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
May-05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jun-05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jul-05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Aug-05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sep-05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Oct-05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Nov-05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dec-05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jan-06	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Feb-06	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mar-06	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Standard Deviation	[REDACTED]				[REDACTED]		
Reduction in Standard Deviation	[REDACTED]				[REDACTED]		

Weather Analysis

Due to extensive hurricane damage to natural gas infrastructure in the Gulf of Mexico, prices began winter at extremely high levels. Much of this was due to fear that there would be insufficient supply to make it through a colder than normal winter. The record setting warm January put those fears to rest and allowed prices to come back down. If January had been normal, let alone colder than normal, then prices would most likely have remained over \$10. The table below lists heating degree days for November 2005 through March 2006 compared to normal.

	Nov	Dec	Jan	Feb	Mar	Total
Normal Heating Degree Days*	621	907	1,069	855	662	4,114
2004/2005						
Heating Degree Days	574	1,066	738	854	698	3,930
%Colder (Warmer) than Normal	(8%)	17%	(31%)	---	5%	(4%)

* Based on 10-year average 1990-1999.

Summary

Prices during the 2005-06 winter season started out higher than the various fixed prices that Duke had locked in through its hedging strategy, but ended lower as the warmer than normal January caused prices to decline. Although the hedging plan decreased gas costs overall, the hedging strategy was in place to provide protection against extreme prices. The hedging program was successful in reducing the impact of volatility on the GCA. During the 12 months ended March 31, 2006, some months realized savings due to the hedging program, while others saw cost increases. No purchasing strategy or plan could guarantee savings every month, especially when weather, national storage levels, drilling activity and the economy are constantly applying pressure to natural gas prices. The hedging plan did achieve its stated goal of reducing volatility and insulating GCA customers from extreme price increases.

Attachment A
Information Reviewed at Hedging Meetings

**Gas Commercial Operations
Price Mitigation Program
Market Indicators Summary
April 14, 2005**

Weather	Price Pressure	Comments
Long Term Weather Forecast	↑ ↓	Earthsat: "Warmer for most of spring and summer. Only June leans to the cool side. " WSI: "...do not expect any significant warmth, relative to normal until June..."
Short Term Weather (30 days)	↓	Earthsat: May expected to be colder than normal in the north and warmer than normal in the south.
6-10 day forecast	↓	April continues to be mild
Tropical Storm Activity	↔	Hurricane season is June - November.
Storage Inventory		
EIA Weekly Storage Report	↔	Storage injections for the week ending April 8 were 44 BCF, which was within industry expectations. Storage levels are now 23% higher than last year at 1.3 TCF.
Industry Publications		
Cambridge Energy Research Associates <i>Summer 2005: \$5.903</i> <i>Winter 05-06: \$6.082</i>	↓	"CERA's assessment of the natural gas market fundamentals ...suggests that a jittery futures market has overreacted to a transitory, short-term event, yielding prices that are, in CERA's opinion, over the top."
Paribas	↓	"...it is likely that May weakens further to the 6800s."
CM&T	↓	"All intraday charts are way over sold. The Daily and weekly charts are very bearish."
Conoco Morning Briefing	↓	"I think we can easily see another 20+ cents to the downside if we break below \$7."
Government Agencies		
Energy Information Administration <i>Summer 2005: \$6.587</i> <i>Winter 05-06: \$7.684</i>	↔	"Thus, Henry Hub prices are expected to remain relatively high, averaging about \$6.95 per mcf this year and \$6.90 in 2006."
Technical Analysis		
Winter 2005-06 Strip Chart	↑	Head & Shoulders pattern. Prices will rise to \$8.40's before going back down. Psychological resistance at \$8.00.
Summer 2005 Strip Chart (May-Oct)	↑	Head & Shoulders pattern. Prices will rise to \$7.50's before going back down. Psychological resistance at \$7.00.
Rig Count	↓	Unchanged by remains high compared to last 5 years.
Economy		
Demand	↓	EIA: "Natural gas demand is projected to increase by 1.7 percent in 2005, down from 2.2 percent projected in last month's Outlook "
Supply	↑	EIA: "Domestic natural gas production in 2005 is expected to increase by only 0.7 percent...despite an expected 8-percent increase in gas directed drilling "
Oil Market	↑	EIA: "Several factors have contributed to the recent high crude oil prices and are likely to keep prices at or near present highs."

Meeting Minutes:

Attendees: Patty Walker, Jim Henning, Bill Tucker, Jeff Kern, Mike Brumback, Lavonna Foster

Weather, storage and industry experts are all indicating decreasing prices. The perception of tight supply is the driver for current high prices. No additional hedging will take place for the summer of 2005 at this time. Hedging for the winter of 2005-06 has already reached the maximum 100% that it can be for this point in the year, so no additional hedging will take place for next winter until June at the earliest.

The Union Light Heat & Power Company
Hedging Program - Current Position
As of 04/14/05

	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Daily Base											
Estimated Base (Gross)	[REDACTED]										
Amount Hedged	[REDACTED]										
Cost Averaging (1)	[REDACTED]										
Fixed Price	[REDACTED]										
Fixed Price	[REDACTED]										
Fixed Price	[REDACTED]										
Fixed Price	[REDACTED]										
Cost Averaging (2)	[REDACTED]										
Cost Averaging (3)	[REDACTED]										
Total Hedged	[REDACTED]										
Monthly Base											
Estimated Base (Gross)	[REDACTED]										
Hedged to date	[REDACTED]										
Cost Averaging (1)	[REDACTED]										
Fixed Price	[REDACTED]										
Fixed Price	[REDACTED]										
Fixed Price	[REDACTED]										
Fixed Price	[REDACTED]										
Cost Averaging (2)	[REDACTED]										
Cost Averaging (3)	[REDACTED]										
Total Hedged	[REDACTED]										
% of Base Supply	[REDACTED]										
Seasonal % of Base	[REDACTED]										
Normal Load (City Gate)											
Hedged (City Gate)	[REDACTED]										
Storage Withdrawal	[REDACTED]										
Market	[REDACTED]										
Total (incl. Injections)	[REDACTED]										
% Hedged & Storage	[REDACTED]										
Seasonal %	[REDACTED]										

(1) ULH&P will purchase [REDACTED] Mwh/day from [REDACTED] Columbia Gulf Onshore based on the average NYMEX closing price September 16, 2004 - March 29, 2005.
 (2) ULH&P will purchase [REDACTED] Mwh/day from [REDACTED] Columbia Gulf Onshore based on the average NYMEX closing price February 1, 2005 - March 31, 2005.
 (3) ULH&P will purchase [REDACTED] Mwh/day from [REDACTED] Columbia Gulf Onshore based on the average NYMEX closing price April 1, 2005 - July 29, 2005.

The Union Light Heat & Power Company
Hedging Program for Winter 2005-06
Cost Averaging [REDACTED]

	Total Amount	Closing Price					Winter Strip	Total Cost	Locked in To Date
		November	December	January	February	March			
4-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
5-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
6-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
7-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
8-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
11-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
12-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
13-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
14-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
15-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
18-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
19-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
20-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
21-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
22-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
25-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
26-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
27-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
28-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
29-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
2-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
3-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
4-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
5-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
6-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
9-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
10-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
11-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
12-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
13-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
16-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
17-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
18-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
19-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
20-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
23-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
24-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
25-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
26-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
27-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
31-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	

Basis to Columbia Gulf Onshore

Price to be paid for [REDACTED] delivered November 1, 2005 to March 31, 2005: [REDACTED]

GET EARTHSAT'S LATEST LONGLEAD OUTLOOK on Friday (4/8) WITH EARTHSAT LONGVIEW- AN UPGRADE TO THIS PRODUCT!

EarthSat Longcast Model Seasonal Outlook Discussion

March 15, 2004

Headlines: Tropical Pacific Analogs are Still Warmer for Most of Spring and Summer. Only June Leans to the Cool Side in Northeast.

This model output is a strict objective analog comparison based on the Tropical Pacific. These are not necessarily EarthSat's official seasonal forecasts, but a tool utilized in that effort

Latest Weekly Update of Longcast Tool:

According to the latest information, the NINO 3.4 is reporting a neutral situation with no El Nino present. Some may argue that since the NINO 4 region is still in the weak El Nino territory, that this still may be the case. Overall, the situation is either neutral or very, very weak El Nino. In these cases, the analogs do not typically perform as well (with less forcing from the Tropical Pacific). EarthSat's official forecasts for the spring/summer will continue to diverge from the straight ENSO analyses seen here in the Longcast.

Monthly Update Information:

Status

To see the latest NINO 3.4 SST Departures, please check out this link:

http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/enso_update/ssta_c.gif

-Matt Rogers

Any Questions? Comments? Please write to mrogers@earthsat.com

Graphic from Climate Prediction Center Web site

Another significant flooding rain event will be affecting much of the East Coast this weekend. The very wet ground, combined with our relatively strong seasonal forecast signals, has resulted in a cool April forecast for much of the East.

After this weekend’s storm, there are no strong medium-range cold signals for the next week, with near or slightly below-normal temperatures the rule in much of the East. The Madden-Julian Oscillation (MJO) is an important sub-seasonal phenomenon that often has significant effects on monthly temperature anomalies. Currently, a rather strong event is taking shape, with intense convection in the eastern Indian Ocean. The evolution and movement of the convection may play a significant role in determining April US temperature anomalies. Unfortunately, we do not currently have a skillful MJO prediction system in place, so the MJO is usually just “noise” which can either help or hurt our seasonal forecasts.

Our strongest seasonal signals for April are for warm temperatures from California to the northern Plains, and cool temperatures in the Southeast. **Soil moisture conditions and medium-range model solutions for early April show nothing that would warrant a change to the March 15 forecast.**

As for the remainder of the spring, most of the meteorological clues point towards a rather cold period in a large part of the country. This would stand in stark contrast to last year, which was a record warm spring in the US. Since many of the typical indices we use in our forecasting models are somewhat similar to last year, this seeming contradiction is a bit of a concern. Another uncertainty will arise if the next few weeks are extraordinarily dry, depleting soil moisture reserves.

In general, we do not expect any significant warmth, relative to normal until June, at which point we feel that much of the northern and central Plains will warm up considerably. We do not see any early heat in the East due to very wet ground and the fact that the other seasonal indices we use also indicate cool temperatures.

Please click on the “model graphics” link under the discussion header in the Seasonal section of our Web page for more details on the raw output from the various climate and statistical models.

Final model weighting used in WSI temperature forecast

	APR	MAY	JUN	AMJ	MJJ
Climate	25	15	15	15	20
Stat 1	10	20	25	20	20
Stat 2	15	20	15	20	15
Stat 3	25	20	25	25	25
Stat 4	25	25	20	20	20



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTHSAT

Wednesday

DAY

4/13/05

DATE

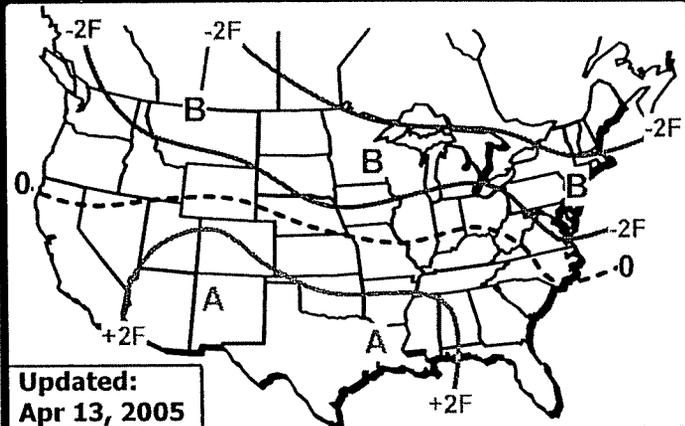
9:45 AM EDT

TIME

CH

FORECASTER

MAY 2005



Updated:
Apr 13, 2005

MAY 2005 PREVIOUS



No Changes to May 2005
Still South Focus on Warmth

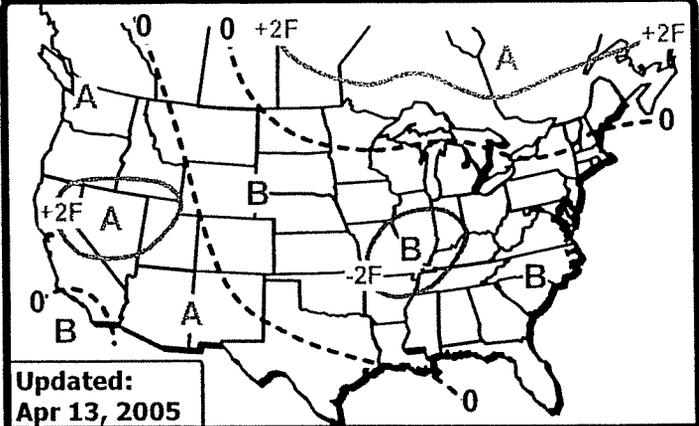
Updated:
Apr 6, 2005

Even with the weightings of the QBO analog years shifting slightly, the May outlook basically was unchanged. Do not be surprised, as the month evolves, that the warmth could be more pronounced with an area of +4F possible for parts of ERCOT. On the flipside, the cool temps could be more pronounced for the northern Rockies with an area of -4F possible for parts of Alberta. This will have to be re-evaluated during the early stages of May.

May CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	38.0	39.7	48.0	51.5
Philadelphia	59.0	71.5	70.0	180.0
Houston	375.0	392.8	328.0	370.0

JUNE 2005



Updated:
Apr 13, 2005

June 2005: Heat Centered in The Great Basin

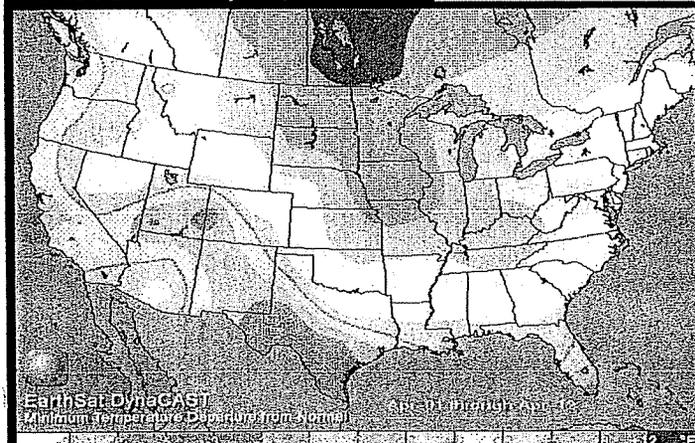
June 2005: Cool Pocket in Lower Ohio River Valley

The outlook above is for this upcoming June, or the early part of summer. For the most part it is showing primarily widespread seasonal conditions which would cause one to believe high amounts of volatility to be present. The center of the coolest anomalies will be found in the central Midwest. Ridging seems to be the rule in the West with the warmest anomalies forecast for the Great Basin. As May progresses, the precip. will likely lessen in the PacNW and the forecast for June is expected to be below normal here. Watch out for poss. early developments in the tropics. Sea surface temps will be monitored closely.

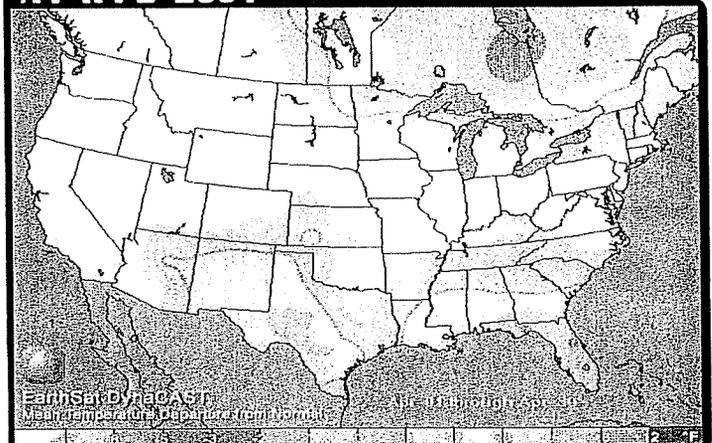
June CDD Forecasts

Coming Next Week!

APRIL 1 - 12, 2005



APRIL 2004



Maps above depict deviations of average temperatures from normal in Fahrenheit.

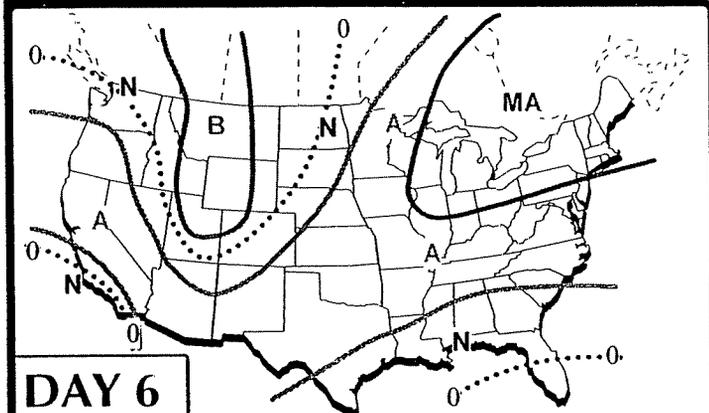


EarthSat's Energy Weather

The 6 to 10 Day Forecast - Detailed Version

EARTH SAT Thursday DAY 4/14/2005 DATE 6:30 A.M. TIME DS FORECASTER

FORECAST TEMP. DEVIATIONS

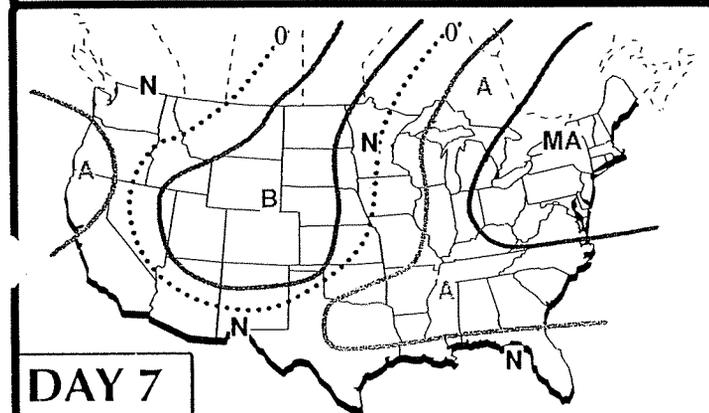


FORECAST VALID: Tuesday, 4/19 CONFIDENCE: 6

DISCUSSION

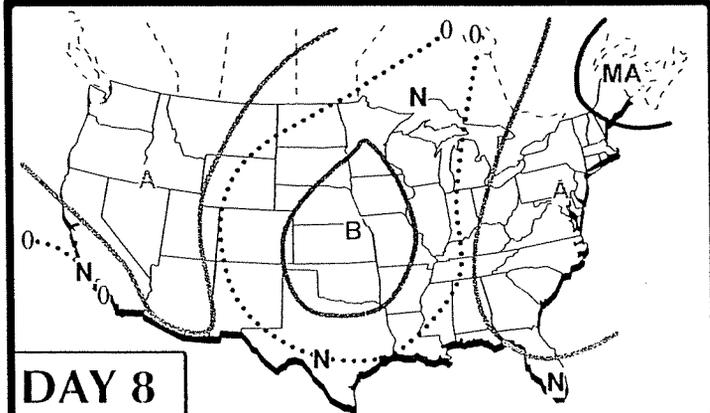
Today's Changes.
The Midwest is cooler and the Pacific Northwest is warmer.

Potential Problems with the Forecast:
The cooling in the Midwest is well supported by the models due to the incoming cold front. The only shift that would be possible is if the front were slightly faster, which would drop Chicago out of the above normal category. The slower European progression was the basis for our forecast. The ridge in the Pacific Northwest could still come under assault by Pacific storms which could hold down the above normal readings.

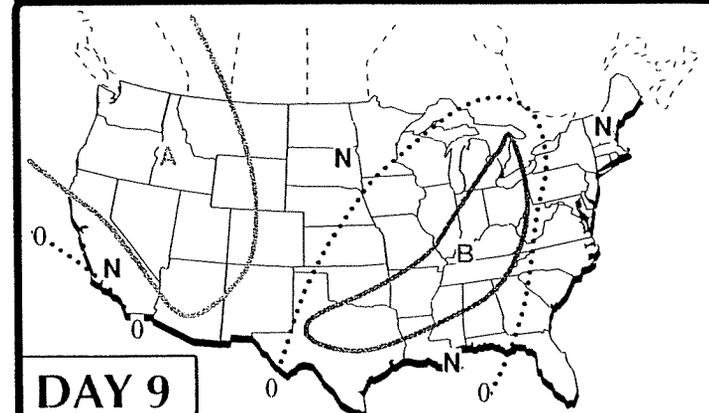


FORECAST VALID: Wednesday, 4/20 CONFIDENCE: 6

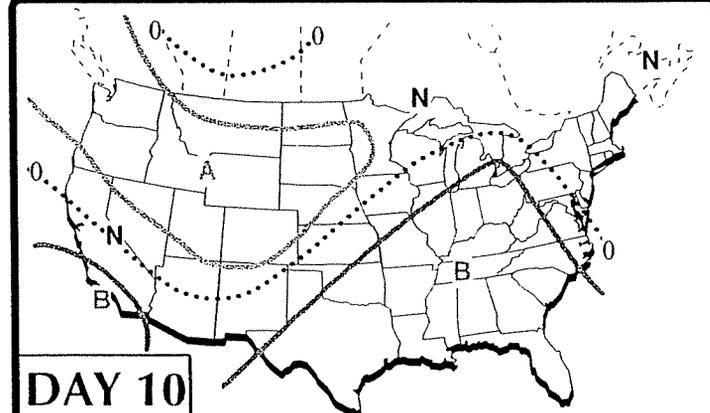
FORECAST TEMP. DEVIATIONS



FORECAST VALID: Thursday, 4/21 CONFIDENCE: 5



FORECAST VALID: Friday, 4/22 CONFIDENCE: 4



FORECAST VALID: Saturday, 4/23 CONFIDENCE: 2

LEGEND

MUCH ABOVE.. +8F OR UP	NORMAL	MUCH BELOW..... -8F OR DOWN
ABOVE..... +3F TO +7F	-2F TO +2F	BELOW..... -7F TO -3F

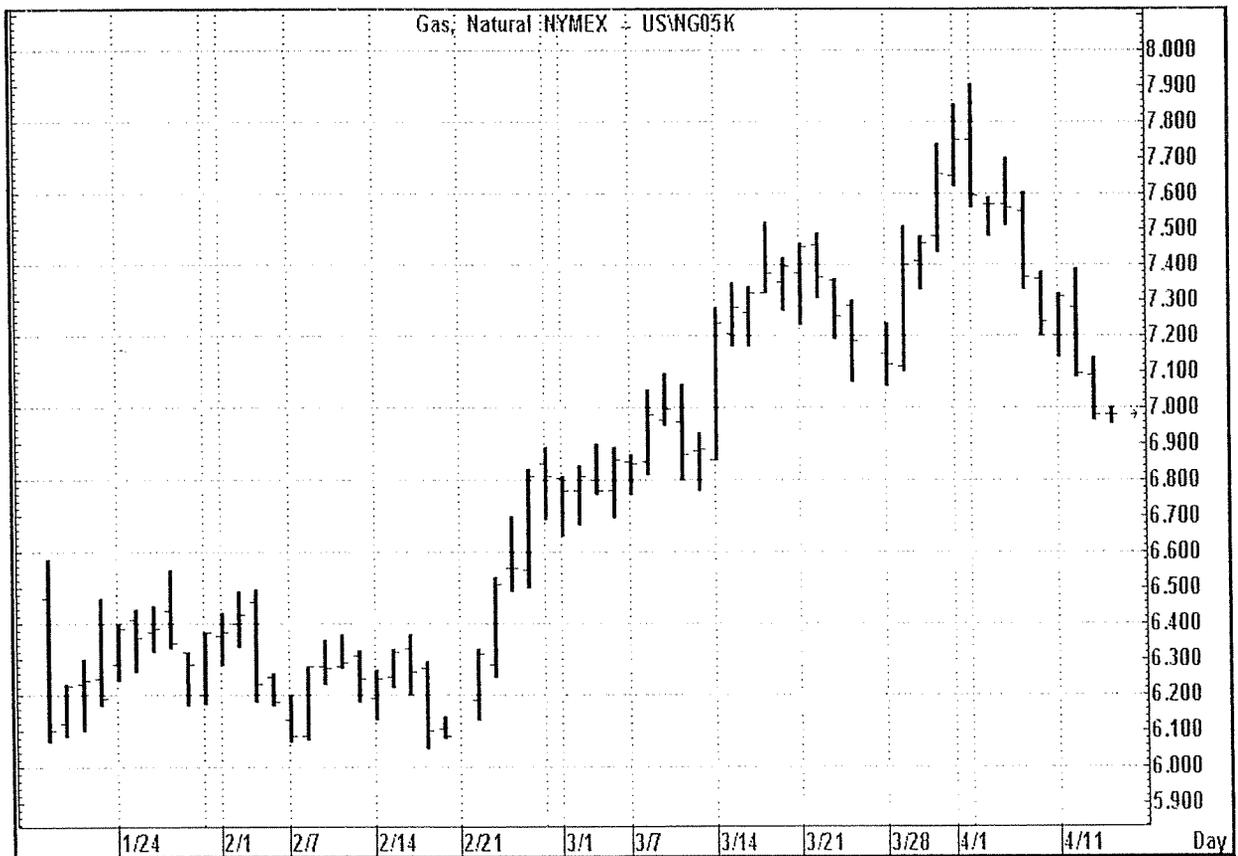
Confidence Level Boxes: 1=Low, 5=Moderate, 10=High



Commentary

Finally breaking through the 7000 level, May traded in a grinding, light volume choppy price action overall. Our survey showed that an injection of 43 bcf/wk is expected, which is quite a difference to the previous week's injection of 10 bcf/wk. If expectations come anywhere near reality once the storage report is released, it is likely that May weakens further to the 6800s. We still view May as a scale down buy ahead of the first forecasts for heat, which traditionally lead the spot month to rally explosively.

Scott Allen



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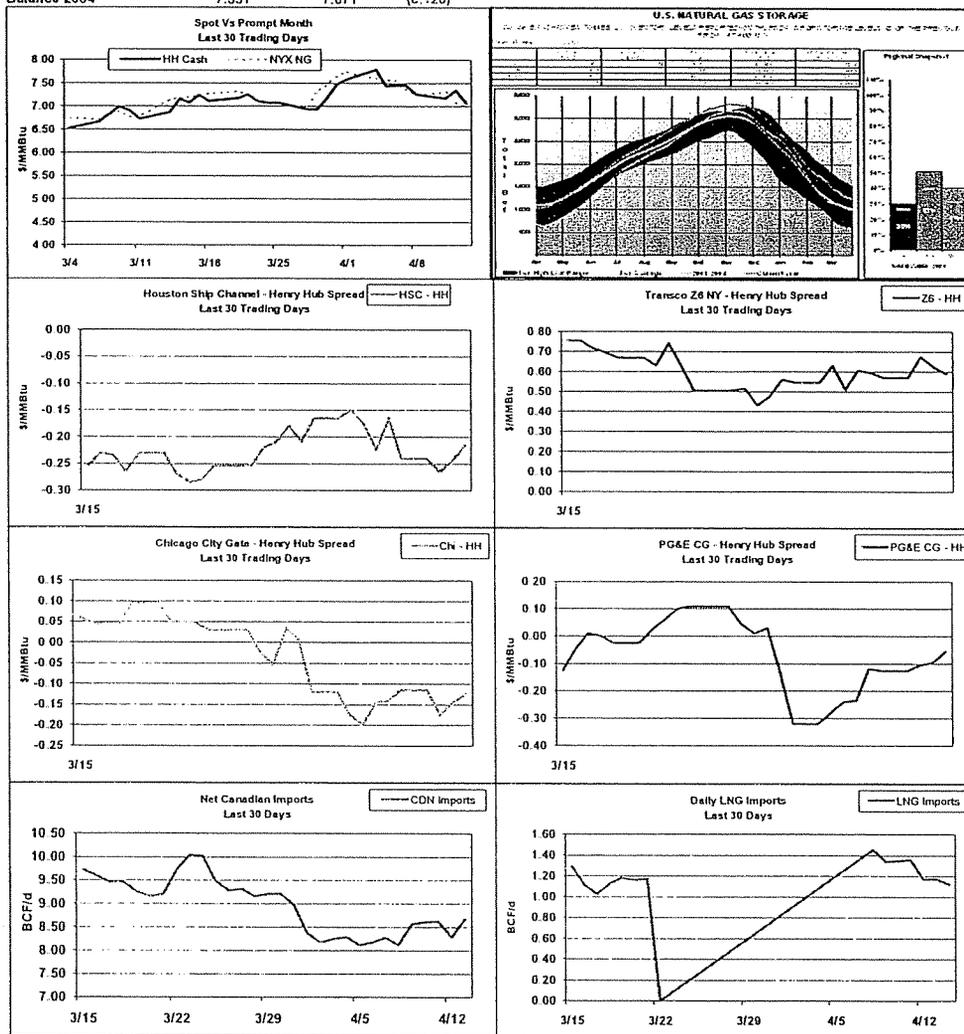


Natural Gas Stats

Market Outlook:

We are up this morning on cash and crude. Cash is trading 7.06 right now. EIA expectations are 45. With the market in such contango, I think the risk is to a higher injection. All intraday charts are way over sold. The Daily and weekly charts are very bearish. We closed below the 40day moving average on the daily chart yesterday for the first time in a long time. The weekly stokes are poised to cross down. Rallies still need to be sold in this market right now although with the short term charts so overdone, you probably need a short covering rally before we sell off too hard. The market has been down for 7 of the last 8 days. Except some short term selling on the EIA number, but then I expect the short covering rally. Support is 6.97, 6.925, and 6.85. Resistance is 7.07, 7.15 and 7.25.—Gregg Tyson

NYMEX Contracts	Settle		Change	Gas Daily Spreads	4/13/2005		Change
	4/13/2005	4/12/2005			4/14/2005	4/13/2005	
May 05	6.978	7.094	(0.116)	HSC	(0.215)	(0.245)	0.030
Jun 05	7.085	7.207	(0.122)	TETCO STX	(0.240)	(0.255)	0.015
Jul 05	7.182	7.307	(0.125)	Carthage	(0.310)	(0.330)	0.020
Aug 05	7.247	7.369	(0.122)	NGPL TXOK	(0.265)	(0.280)	(0.005)
Sep 05	7.282	7.403	(0.121)	Columbia Gas, App.	0.400	0.395	0.005
3-month	7.082	7.203	(0.121)	Traneco Z6 NY	0.590	0.625	(0.035)
6-month	7.183	7.304	(0.121)	Chicago City Gate	(0.125)	(0.145)	0.020
Summer 2005	7.417	7.538	(0.121)	PG&E City Gate	(0.055)	(0.095)	0.040
Winter 2005	7.751	7.872	(0.121)	Socal	(0.355)	(0.415)	0.050
Winter 05 - Summer 05	0.334	0.334	(0.000)				
Balance 2004	7.551	7.671	(0.120)				

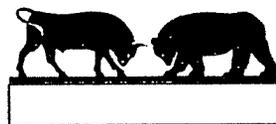


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Natural Gas, Gas Liquids and Power Market Update

Daily Market Indicator

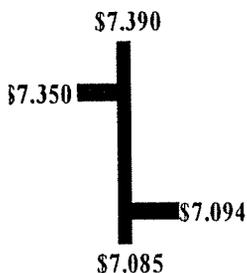


Jim Duncan, Market Analyst
(281) 293-1649

Email: James.W.Duncan@conocophillips.com

Wednesday, April 13, 2005

Energy Complex Seeing Red



Today: *Cub* *May Natural Gas Closed* *Down 21.5¢* *30-Day: Bearish*
Bottom Line – All the major energy commodities ended down on Tuesday. Crude fell \$1.85, Nat Gas lost 21.5 cents, Heating Oil dropped over 2 cents, and Gasoline shed 1.6 cents.

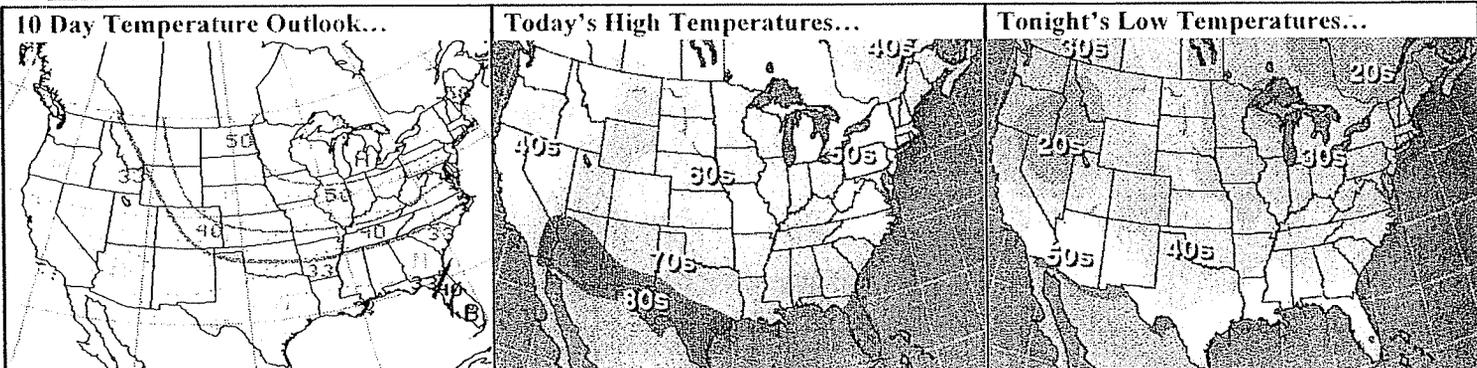
Yesterday's Market

- Nat Gas closed Tuesday's session at \$7.094, down 21.5 cents. The market played out almost exactly as I had anticipated. The May contract tried to test the \$7.40s, but it did not quite make it there – the contract had an intra-day high of \$7.39. Then it proceeded to break through several levels on the downside. Nat Gas did stop just short of the \$7.07 line (but it is just below it right now in morning trading, so watch out below!). Tuesday's decline was the largest since February 17, and this is the lowest price since March 28.

Today's Market

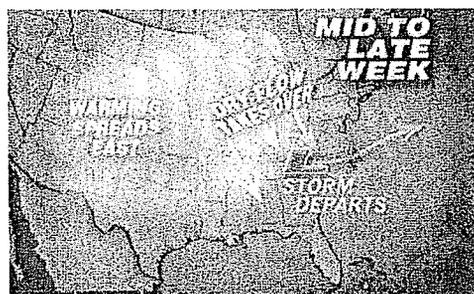
- Nat Gas is staring at some important levels. In electronic trading this morning, the May contract is trading at \$7.05, which is right below the \$7.07 line. If the contract can hold below the \$7.07 level, I would expect Nat Gas to test the \$7 line today. We may not see a 6 handle today, but it is coming. A bearish or neutral petroleum report this morning and a bearish Nat Gas report tomorrow should give the market plenty bearish ammo to work with. I think we can easily see another 20+ cents to the downside if we break below \$7.

Access Trading	4/13/2005	8:29 AM	Natural Gas	\$7.050	(4.4¢)
WTI Crude	\$51.250	(\$0.61)	IPE Brent	\$51.300	(\$0.75)



Weather Briefs – Warm Weather Spreads Into The Northeast By The Weekend – Storms Depart The Southeast – Cooler Temps Invade The Pacific Northwest

Sigmats... Look For Pleasant Weekend



According to its most recent 6 to 10-day forecast, the National Weather Service projects colder than normal temperatures in Florida, and warmer than normal temperatures across the Central and Northern Plains, Midwest, and Northeast.

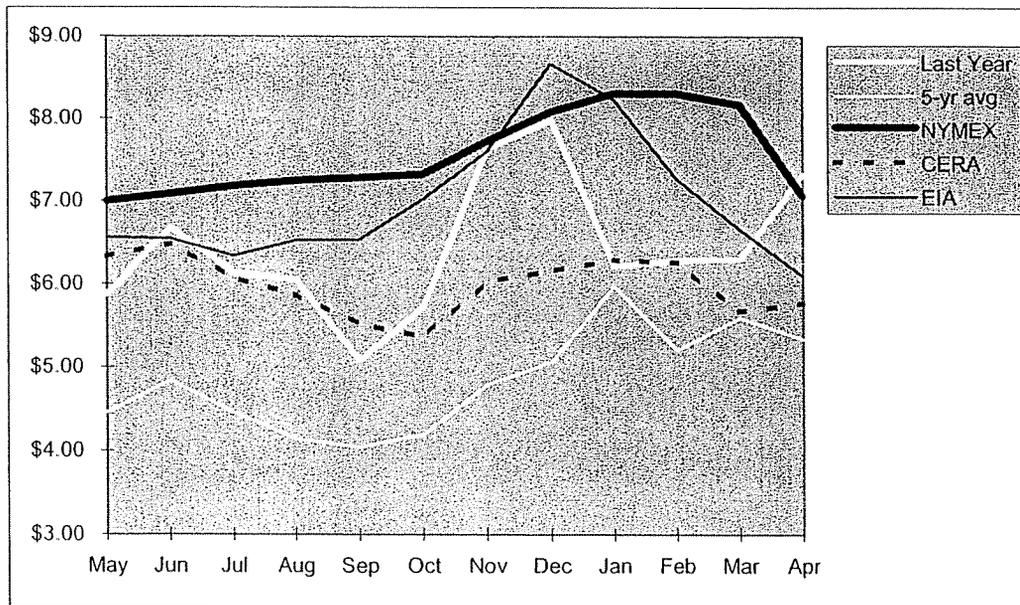
Storage...

I'm looking for a bearish 61 Bcf injection this week...

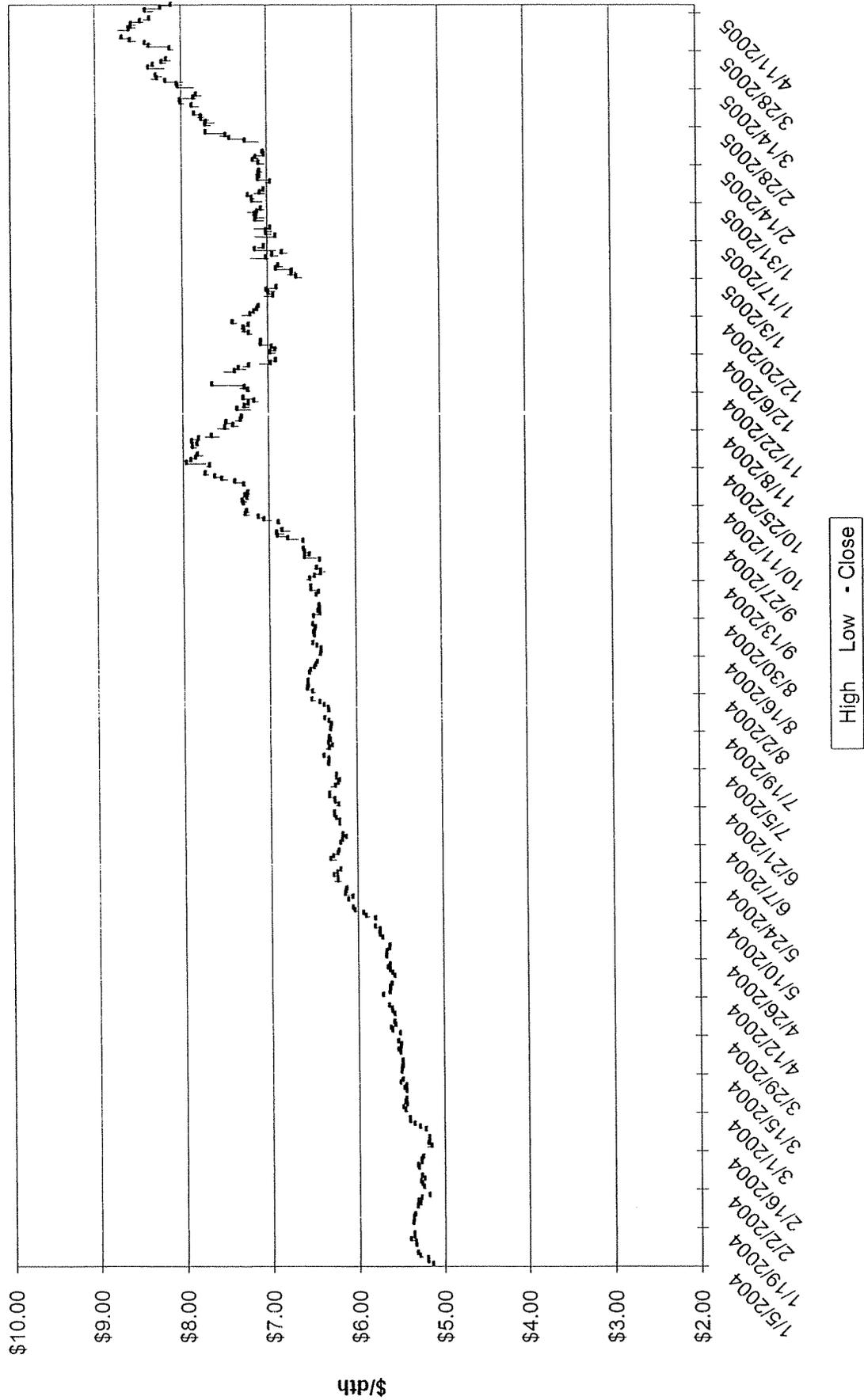
I am forecasting an injection of 61 Bcf this week; the average on Bloomberg is an injection of 45 Bcf with a range of 30-61 Bcf. This will compare to last year's build of 15 Bcf, the three year average of a 13 Bcf withdrawal, and the five year average of a 7 Bcf withdrawal. As of last week's storage report, we are 214 Bcf above year ago levels. I expect that our year on year surplus will continue to widen over the next couple of weeks.

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

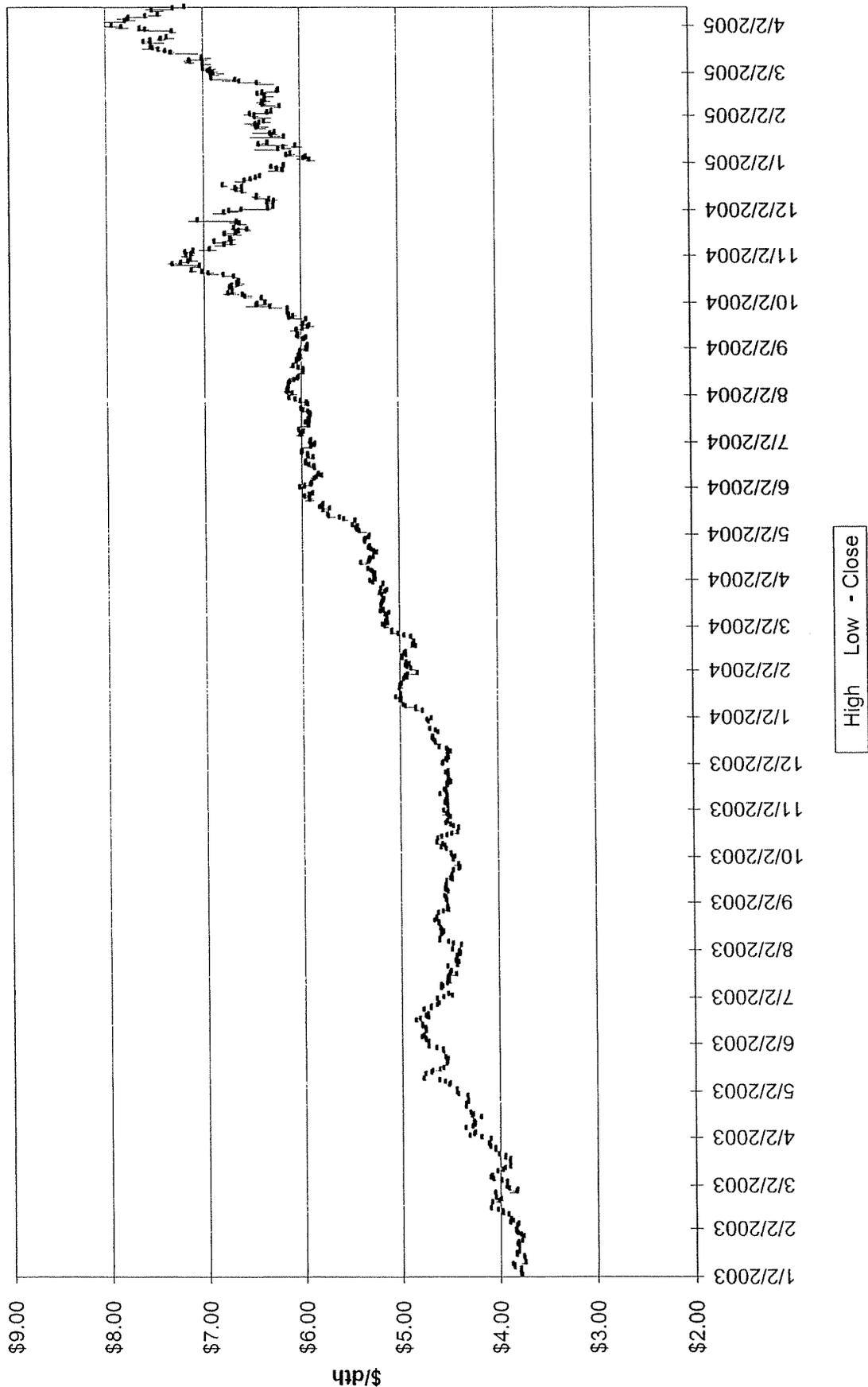
Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 17-Mar-05	EIA 8-Apr-05	NYMEX 14-Apr-05
May	\$4.46	\$5.87		\$6.330	\$6.557	\$7.000
Jun	\$4.84	\$6.68		\$6.480	\$6.545	\$7.085
Jul	\$4.45	\$6.14		\$6.070	\$6.337	\$7.182
Aug	\$4.14	\$6.05		\$5.870	\$6.524	\$7.247
Sep	\$4.04	\$5.08		\$5.520	\$6.534	\$7.282
Oct	\$4.20	\$5.72		\$5.360	\$7.023	\$7.324
Nov	\$4.79	\$7.63		\$6.030	\$7.594	\$7.722
Dec	\$5.06	\$7.98		\$6.160	\$8.665	\$8.080
Jan	\$5.98	\$6.21		\$6.290	\$8.228	\$8.307
Feb	\$5.20	\$6.29		\$6.260	\$7.272	\$8.302
Mar	\$5.59	\$6.30		\$5.670	\$6.659	\$8.167
Apr	\$5.34	\$7.32		\$5.770	\$6.098	\$7.062
12 Month Avg	\$4.84	\$6.44		\$5.984	\$7.003	\$7.563
Summer Average				\$5.914	\$6.517	\$7.169
Winter Average				\$6.082	\$7.684	\$8.116



Winter Strip Dec05 - Mar06



Summer Strip May - October 2005



**Gas Commercial Operations
Price Mitigation Program
Market Indicators Summary
May 31, 2005**

Weather	Price Pressure	Comments
Long Term Weather Forecast	↑	Earthsat: "The analog forecasts... favors a seasonal to above normal summer... Then, it favors a cold winter situation." WSI: "...below-normal only in the Pacific Northwest and parts of coastal New England, with warmer-than-normal temperatures elsewhere."
Short Term Weather (30 days)	↓	Earthsat: "...the current thinking (for June) is to still favor seasonal to cooler than normal conditions for much of the nation."
6-10 day forecast	↓	June expected to start out cooler than normal.
Tropical Storm Activity	↑	NOAA predicts active hurricane season. 7-9 Atlantic Hurricanes with 3-5 Category 3 or higher.
Storage Inventory		
EIA Weekly Storage Report	↔	Storage injections for the week ending May 20 were 93 BCF, which was slightly above industry expectations. Storage levels are now 16% higher than last year at 1.7 TCF.
Industry Publications		
Cambridge Energy Research Associates <i>Summer 2005: \$6.12</i> <i>Winter 05-06: \$6.20</i>	↔	"We feel that the market will continue to meander through this range and react to short-term demand and supply related events with price volatility."
Paribas	↔	"...there will be no other factors to influence gas prices besides from weather forecasts, therefore choppy range trading between 6280-6440 is anticipated in July."
Natural Gas Supply Assn.	↑	"Forecasts for an unusually hot summer in the South and West, a growing economy and relatively flat production rates should lead to higher natural gas prices..." <i>Gas Daily - 5/27/05</i>
Conoco Morning Briefing	↔	Resistance from current mild weather and storage. Support from crude market and forecasts for warmer weather in June.
Government Agencies		
Energy Information Administration <i>Remaining Summer 2005: \$6.73</i> <i>Winter 05-06: \$7.82</i>	↔	"... natural gas supply conditions are expected to remain tight... and spot prices are likely to remain in the range of \$6.50 to \$7.00 per mcf through the summer."
Technical Analysis		
Winter 2005-06 Strip Chart	↔	Downtrend leveling off. Gap from \$7.75 to \$7.81
Summer 2005 Strip Chart (Jul-Oct)	↓	Steep downtrend. Psychological support @ \$6.00
Rig Count	↓	Up 14 and remains high compared to last 5 years.
Economy		
Demand	↑	EIA: "Natural gas demand is projected to increase by 2.3 percent in 2005" up from 1.7 percent projected in last month's Outlook.
Supply	↑	EIA: "Domestic natural gas production in 2005 is expected to remain near the 2004 level, despite an expected 13-percent increase in gas-directed drilling"
Oil Market	↑	EIA: "... despite the recent downturn in crude oil prices, global oil markets remain tight."

Meeting Minutes: Conference Room 1002 - 2:00 pm
Attendees: Patty Walker, Jim Henning, Bill Tucker, Jeff Kern, Don Schierenbeck, Cathy Knecht
 Due to last minute changes in schedules, this meeting was postponed until June 2 at 1:00 pm. Most industry publications are predicting horizontal movement in prices, with occasional volatility. Proving this theory, prices increased \$0.10/wh on June 1st and have ranged from down \$0.10 to up \$0.10 so far today. Once prices settle down again, additional hedging may take place. If prices for the remainder of the summer drop into the mid \$6.00 range, supply for July-September will be locked in to bring the seasonal total hedged to the maximum 50%. Winter 05/06 will be watched and an additional 5% of base locked in if prices go up to mid \$7.00 or down to mid \$6.00.

The Union Light Heat & Power Company
Hedging Program - Current Position
As of 05/27/05

Jul-05 Aug-05 Sep-05 Oct-05 Nov-05 Dec-05 Jan-06 Feb-06 Mar-06

	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Daily Base									
Estimated Base (Gross)	[REDACTED]								
Amount Hedged	[REDACTED]								
Cost Averaging (1)	[REDACTED]								
Fixed Price	[REDACTED]								
Fixed Price	[REDACTED]								
Fixed Price	[REDACTED]								
Cost Averaging (2)	[REDACTED]								
Cost Averaging (3)	[REDACTED]								
Total Hedged	[REDACTED]								
Monthly Base									
Estimated Base (Gross)	[REDACTED]								
Hedged to date	[REDACTED]								
Cost:Averaging (1)	[REDACTED]								
Fixed Price	[REDACTED]								
Fixed Price	[REDACTED]								
Fixed Price	[REDACTED]								
Fixed Price	[REDACTED]								
Cost Averaging (2)	[REDACTED]								
Cost Averaging (3)	[REDACTED]								
Total Hedged	[REDACTED]								
% of Base Supply	[REDACTED]								
Seasonal % of Base	[REDACTED]								
Normal Load (City Gate)									
Hedged (City Gate)	[REDACTED]								
Storage Withdrawal	[REDACTED]								
Market	[REDACTED]								
Total (incl. Injections)	[REDACTED]								
% Hedged & Storage	[REDACTED]								
Seasonal %	[REDACTED]								

(1) ULH&P will purchase [REDACTED] dth/day from [REDACTED] at Columbia Gulf Onshore based on the average NYMEX closing price September 16, 2004 - March 29, 2005.
 (2) ULH&P will purchase [REDACTED] dth/day from [REDACTED] at Columbia Gulf Onshore based on the average NYMEX closing price February 1, 2005 - March 31, 2005.
 (3) ULH&P will purchase [REDACTED] dth/day from [REDACTED] at Columbia Gulf Onshore based on the average NYMEX closing price April 1, 2005 - May 31, 2005.

The Union Light Heat & Power Company
Hedging Program for Winter 2005-06
Cost Averaging [REDACTED]

	Total Amount	Closing Price					Winter Strip	Total Cost	Locked in To Date
		November	December	January	February	March			
4-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
5-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
6-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
7-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
8-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
11-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
12-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
13-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
14-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
15-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
18-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
19-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
20-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
21-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
22-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
25-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
26-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
27-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
28-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
29-Apr	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
2-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
3-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
4-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
5-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
6-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
9-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
10-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
11-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
12-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
13-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
16-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
17-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
18-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
19-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
20-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
23-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
24-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
25-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
26-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
27-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
31-May	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	

Basis to Columbia Gulf Onshore

Price to be paid for [REDACTED] delivered November 1, 2005 to March 31, 2005: [REDACTED]

GET EARTHSAT'S LATEST LONGLEAD OUTLOOK on Tuesday (5/10) WITH EARTHSAT LONGVIEW- AN UPGRADE TO THIS PRODUCT!

EarthSat Longcast Model Seasonal Outlook Discussion

April 28, 2004

Headlines: Tropical Pacific Analogs Favor Seasonal to Above Normal Summer...then Cold Winter.

This model output is a strict objective analog comparison based on the Tropical Pacific. These are not necessarily EarthSat's official seasonal forecasts, but a tool utilized in that effort

Latest Weekly Update of Longcast Tool:

The NINO 3.4 region continues to vary between the very low end of a weak El Nino and neutral conditions. The analog forecasts based on the current and forecast Tropical Pacific situation favors a seasonal to above normal summer situation in the Central to Eastern thirds of the nation. Then, it favors a cold winter situation. Most of the weighting (~40%) is based on one year...1977. There is concern that the ENSO analogs do not work as well during near-neutral or neutral periods. Historically, skill has been weaker during these periods. So, while this longcast model is favoring a bullish next year (warm to hot summer, cold winter), the EarthSat thinking is more conservative for both seasons based on other factors, like the QBO. Nevertheless, the ENSO trend will be watched closely.

Monthly Update Information:

Status

To see the latest NINO 3.4 SST Departures, please check out this link:

http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/enso_update/ssta_c.gif

-Matt Rogers

Any Questions? Comments? Please write to mrogers@earthsat.com



FOR IMMEDIATE RELEASE

WSI Energycast Outlook Calls for Warm Summer from Great Lakes to Southeast

WSI issues an update of special interest to energy traders

Andover, MA, May 24, 2005 — WSI Corporation today issued the seasonal outlook for the upcoming three-month period (June-August). WSI expects this period to average below-normal only in the Pacific Northwest and parts of coastal New England, with warmer-than-normal temperatures elsewhere. The WSI seasonal outlooks reference a standard 30-year normal (1971-2000).

The monthly breakdown follows:

In June:

- Northeast** – Warmer than normal, except for coastal New England
- Southeast** – Warmer than normal, except for Florida
- N Central** – Warmer than normal, especially ND/MN
- S Central** – Cooler than normal
- Northwest** – Warmer than normal
- Southwest** – Warmer than normal

Effects in the Marketplace (written by ESAI)

WSI's forecast for June indicates warmer-than-normal temperatures in the most market areas with the exception of New England and the South central region. Moderately warmer-than-normal temperature expectations during June should not have a significantly bullish impact on power prices, some increased price volatility may result due to the higher chance for an early season heat event. The



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTHSAT

Wednesday

DAY

5/25/05

DATE

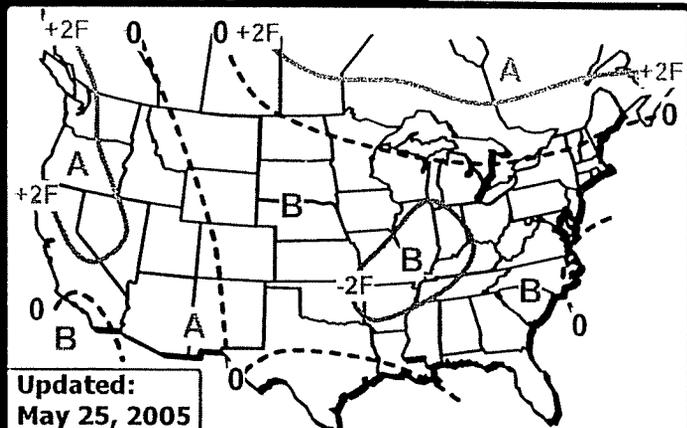
9:30 AM EDT

TIME

MR

FORECASTER

JUNE 2005



Updated:
May 25, 2005



June Outlook Unchanged
Warmth Favored In
Northwest

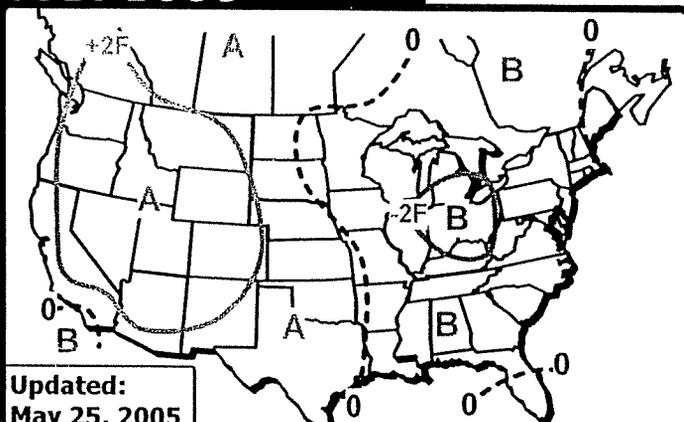
Updated:
May 25, 2005

While June is not forecast to be quite as cool as June 2004 overall, the current thinking is to still favor seasonal to cooler than normal conditions for much of the nation. Nevertheless, even this 'cool' outlook still requires that the pattern be warmer than what was seen in May for the eastern half of the nation. May anomalies are 3-6F below normal for the East Coast. The Pacific Northwest is most favored for frequent heat with variability in the Southwest.

June CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	115.0	164.9	159.0	114.0
Philadelphia	204.0	245.8	234.0	215.5
Houston	495.0	495.2	485.0	483.5

JULY 2005



Updated:
May 25, 2005



No July Changes
Seasonal to Cooler Than
Normal Range in East

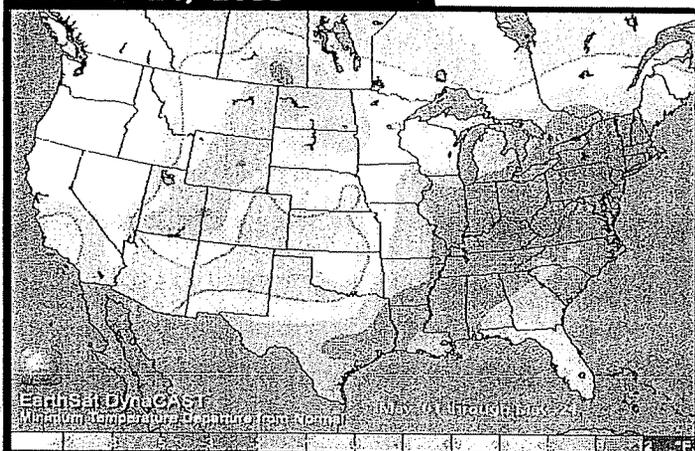
Updated:
May 25, 2005

The July outlook is unchanged at this time. The expected pattern is known as a positive PNA pattern with warm ridging in the West and seasonal to cool troughing in the East. The QBO-based analog years are the main rationale for this forecast. The last five negative QBO summers (2003, 2001, 2000, 1998, and 1996) were all primarily on the cool side in the East for July.

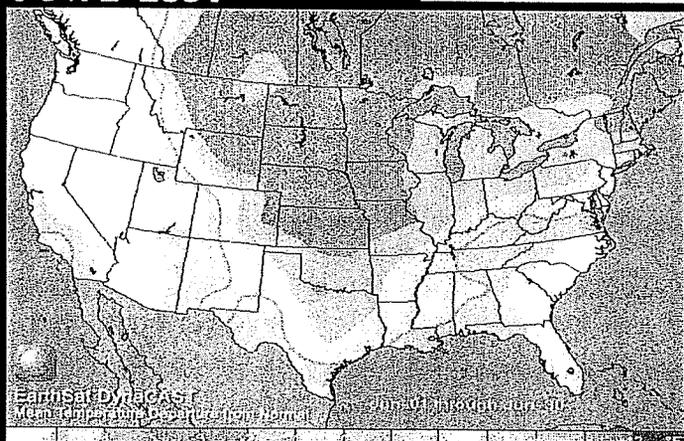
July CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	217.0	281.6	279.0	196.5
Philadelphia	356.5	391.0	395.0	350.5
Houston	581.0	596.4	573.0	608.5

MAY 1 - 24, 2005



JUNE 2004



Maps above depict deviations of average temperatures from normal in Fahrenheit.

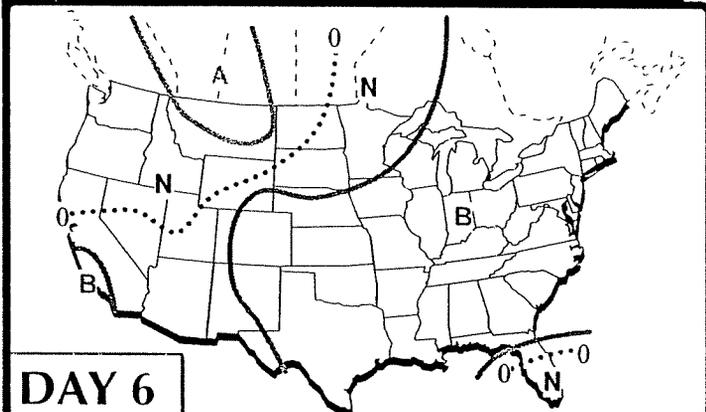


EarthSat's Energy Weather

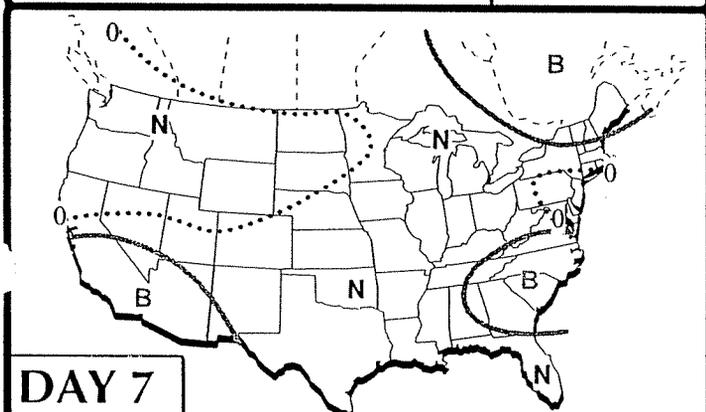
The 6 to 10 Day Forecast - Detailed Version

EARTH SAT Friday DAY 5/27/2005 DATE 6:30 A.M. TIME MR FORECASTER

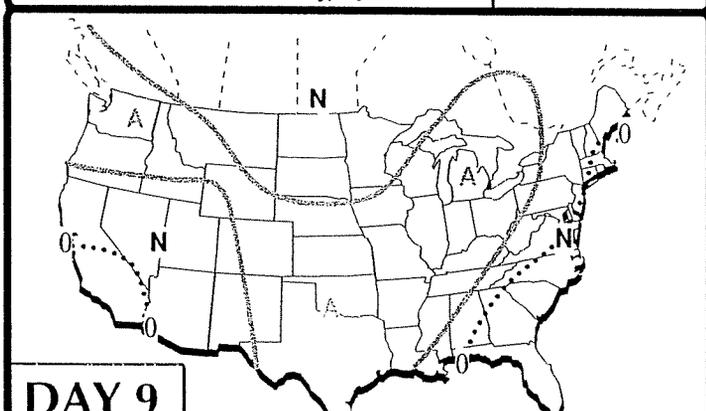
FORECAST TEMP. DEVIATIONS



FORECAST VALID: Wednesday, 6/01 CONFIDENCE: 5



FORECAST VALID: Thursday, 6/02 CONFIDENCE: 4



FORECAST VALID: Saturday, 6/04 CONFIDENCE: 2

LEGEND

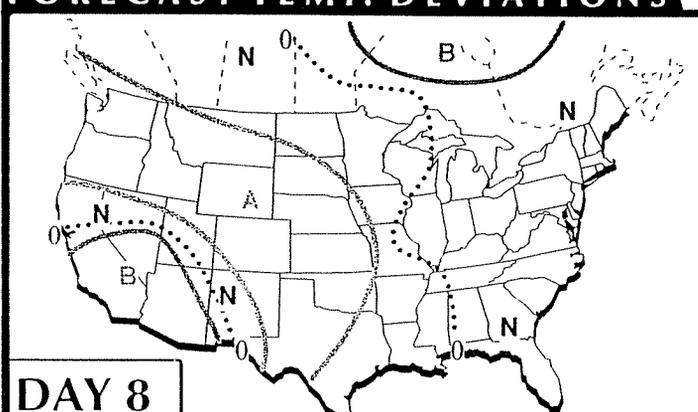
MUCH ABOVE.. +8F OR UP	NORMAL	MUCH BELOW..... -8F OR DOWN
ABOVE..... +3F TO +7F	-2F TO +2F	BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

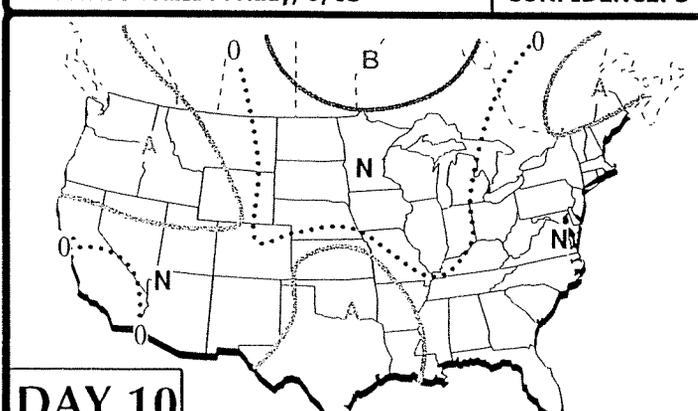
DISCUSSION

Today's Forecast.
Variable Weather in East in 6 to 10 Day Period.
 The lack of any stable jet stream configurations this period means that variability will create frequent challenges to the forecast. The current thinking is to favor seasonal to cool early period conditions in the East due to storminess and an associated cool trough. Warming trends are still favored during the course of the period and some above normals could even sneak into the Midwest toward next weekend. A big question is whether the East Coast also sees some above normals at that time. In the West, the Pacific Northwest looks slightly warmer than normal- but not as hot as now.

FORECAST TEMP. DEVIATIONS



FORECAST VALID: Friday, 6/03 CONFIDENCE: 3



FORECAST VALID: Sunday, 6/05 CONFIDENCE: 1

Gas Daily

Tuesday, May 17, 2005

NOAA predicts another active hurricane season

In another ominous sign for Gulf of Mexico producers still reeling from Hurricane Ivan, the National Oceanic and Atmospheric Administration on Monday predicted that the Atlantic Basin would be slammed with seven to nine hurricanes this year, three to five of which will be Category 3 or higher.

NOAA said warm sea surface temperatures, strong westerly winds, minimal vertical wind shear and the absence of an El Niño weather pattern have combined to create a 70% chance of an above-average tropical storm season, which runs from June 1 to Sept. 30. The agency also said it's likely that at least two storms will strike the U.S. coastline.

(continued on page 6)

NOAA predicts active hurricane season ... from page 1

"We've seen what a busy hurricane season can do to production in both temporary and long-term damage to platforms," said Mark Stultz, a spokesman for the Natural Gas Supply Assn. "We will be monitoring it closely and taking whatever steps necessary to assure the safety of people on the platforms and to anticipate as much as possible the potential effects on supply."

Last September, Ivan destroyed seven platforms and damaged 24 others in the Gulf as it blew through the region, damaging 13 undersea pipelines in its path. Through Feb. 14, 2005, Ivan resulted in cumulative gas shut-ins of 172.3 Bcf, or about 3.9% of annual production from the Gulf, according to the Minerals Management Service. Some volumes remain off-line.

According to NOAA, this year will continue a trend since 1995 of above-normal storm activity. Since then, only two years—1997 and 2002—experienced a below-average number of storms due to El Niño conditions that tend to dampen hurricane activity.

Last month, private forecaster William Gray of Colorado State University issued a similar 2005 forecast calling for 13 named storms, seven hurricanes and three intense hurricanes of category 3 or higher (GD 4/4). Gray will update his outlook on May 31.

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 6.310

Trans. date: 5/16
Flow date(s): 5/17

	Midpoint	Absolute	Common	Volume	Deals
Permian Basin Area					
El Paso, Permian Basin	5.805	5.65-5.88	5.75-5.86	640	102
Waha	5.805	5.74-5.86	5.77-5.84	380	52
Transwestern, Permian Basin	5.690	5.64-5.75	5.66-5.72	48	14
East Texas-North Louisiana Area					
Carthage Hub	6.170	6.14-6.20	6.15-6.19	69	12
NGPL, Texok zone	6.345	6.28-6.36	6.32-6.36	497	46

Industrial customers throughout the Midwest and Southeast," said ProLiance Energy President John Talley. Liberty Gas Storage will provide 17 Bcf of working gas capacity and is expected to be in service by mid-2006. The facility will allow maximum injections of 500,000 Mcf/day and withdrawals of 1 Bcf/day. MT

Marketer rankings notice

Gas Daily is collecting data for its first-quarter 2005 ranking of North American gas marketers by daily physical wholesale volumes sold. Gas Daily staff intends to compile the rankings from information in reports filed with the Securities and Exchange Commission.

For companies that are not publicly traded or do not provide such data to the SEC, staff will seek quarterly gas sales data reported in writing, and verified by executive personnel, no later than Tuesday, May 31. Please contact Stephanie Seay by phone at 865-690-4319, fax 865-690-0933, e-mail stephanie_seay@platts.com; or Mark Davidson at 202-383-2148, mark_davidson@platts.com, with any questions.

platts Gas Daily

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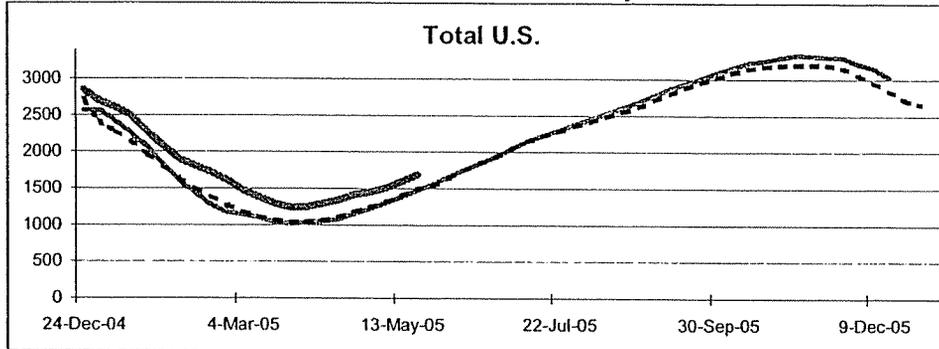
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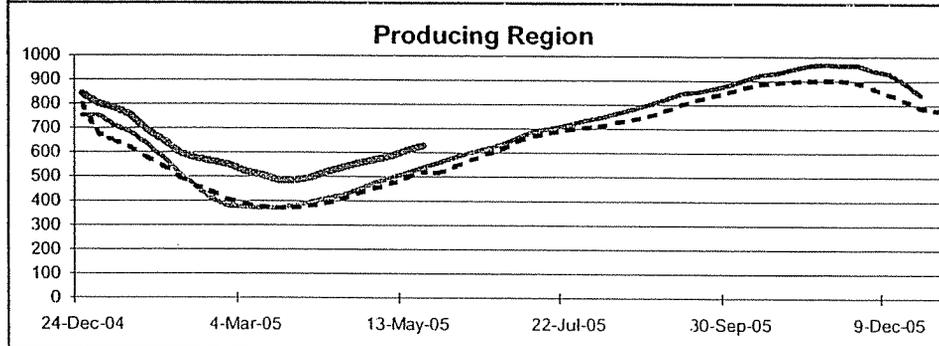
WEEKLY EIA NATURAL GAS STORAGEWATCH

for the week ended: 20-May-05



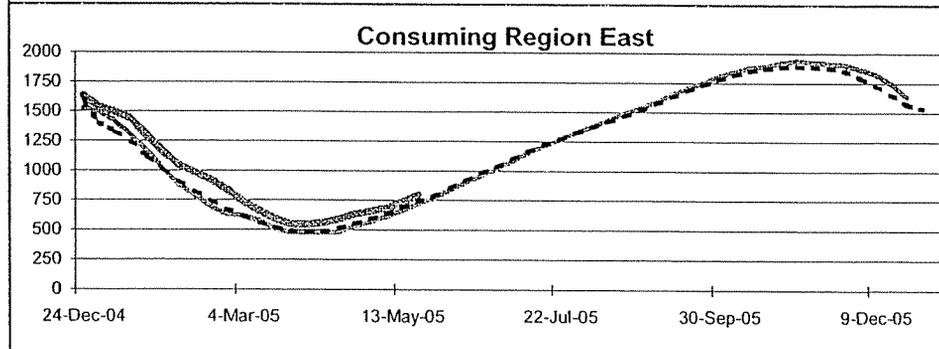
Change: + 93
% Full: 51%
'05 vs '04: + 228
'05 vs 5yr: + 303

Total Storage This Week
EIA 2005 1692
EIA 2004 1464
EIA 5yr Avg 1389



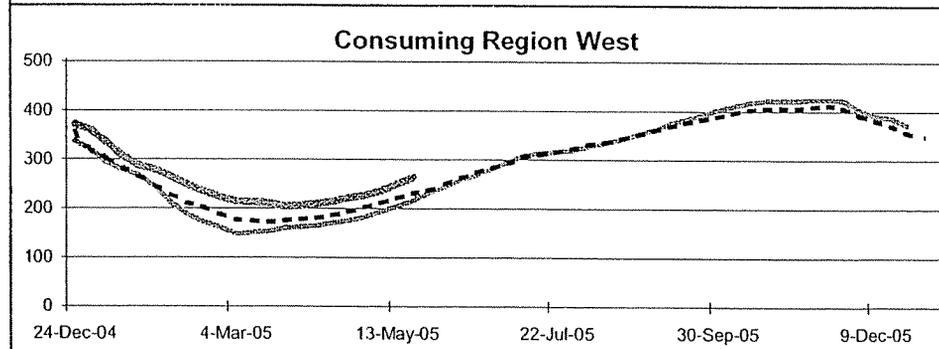
Change: + 19
% Full: 66%
'05 vs '04: + 93
'05 vs 5yr: + 162

Total Storage This Week
EIA 2005 629
EIA 2004 536
EIA 5yr Avg 467



Change: + 60
% Full: 44%
'05 vs '04: + 86
'05 vs 5yr: + 99

Total Storage This Week
EIA 2005 799
EIA 2004 713
EIA 5yr Avg 700



Change: + 14
% Full: 52%
'05 vs '04: + 49
'05 vs 5yr: + 41

Total Storage This Week
EIA 2005 264
EIA 2004 215
EIA 5yr Avg 223

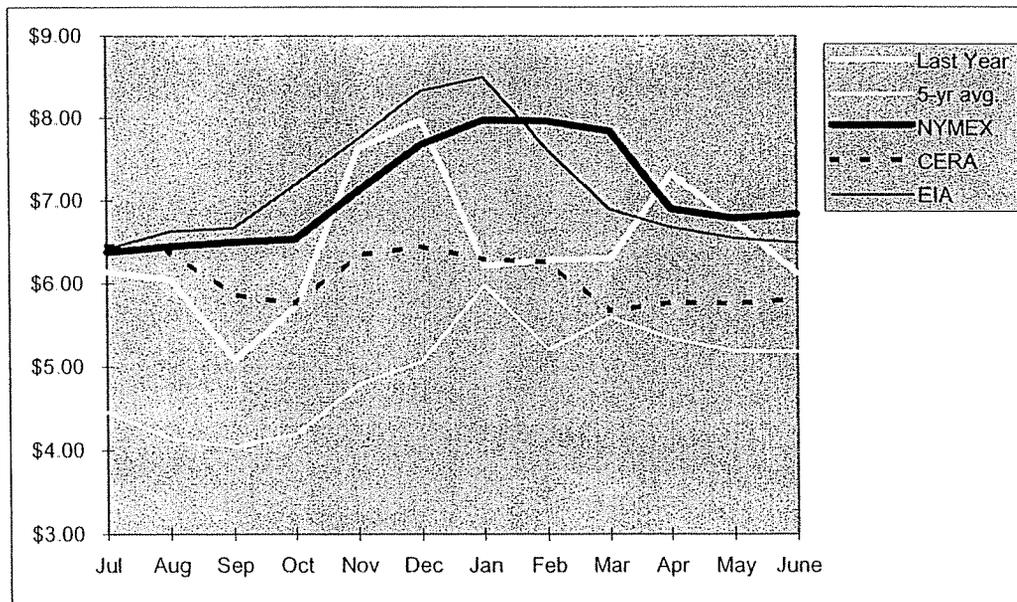
2005 ——— 2004 - - - 5 YR AVG

Full storage capacity is 3294 BCF.

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COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 18-May-05	EIA 10-May-05	NYMEX 27-May-05
Jul	\$4.45	\$6.14		\$6.460	\$6.420	\$6.380
Aug	\$4.14	\$6.05		\$6.380	\$6.627	\$6.445
Sep	\$4.04	\$5.08		\$5.870	\$6.669	\$6.500
Oct	\$4.20	\$5.72		\$5.760	\$7.188	\$6.535
Nov	\$4.79	\$7.63		\$6.340	\$7.739	\$7.115
Dec	\$5.06	\$7.98		\$6.450	\$8.331	\$7.680
Jan	\$5.98	\$6.21		\$6.290	\$8.498	\$7.975
Feb	\$5.20	\$6.29		\$6.260	\$7.614	\$7.960
Mar	\$5.59	\$6.30		\$5.670	\$6.897	\$7.840
Apr	\$5.34	\$7.32		\$5.770	\$6.679	\$6.900
May	\$5.19	\$6.75		\$5.760	\$6.545	\$6.785
June	\$5.18	\$6.12		\$5.810	\$6.494	\$6.840
12 Month Avg	\$4.93	\$6.47		\$6.068	\$7.142	\$7.080
Summer Average				\$5.973	\$6.660	\$6.626
Winter Average				\$6.202	\$7.816	\$7.714



CERA ADVISORY SERVICE
North American Natural Gas
North American Upstream

CERA Monthly Briefing[®]

NO SUMMER VACATION: POWER GENERATION DEMAND WILL LIMIT DOWNWARD PRICE MOVEMENT

STORAGE INVENTORIES WILL ALSO LIMIT SUSTAINED PRICE EXCURSIONS

DATE
May 18, 2005

North American gas prices have now settled into a more fundamentally driven price range, bracketed by high residual oil prices that provide fuel-switching demand resistance as gas prices fall and by rapidly filling storage inventories that will cushion weather-related price excursions this summer. CERA expects summer Henry Hub prices to fall gradually from an average of \$6.65 per million British thermal units (MMBtu) in June to \$6.38 per MMBtu in August as the larger storage cushion eases some of the competition for supply between storage injection and summer power generation (see Table 1). However, the natural gas market will tread a narrow path between the potential for supply disruption and the possibility of surging weather-related power generation demand. CERA continues to expect that bouts of warmer-than-normal weather will cause price volatility. The recent price excursion on the futures market has abated, but seasonal spreads remain strongly over \$1.00 per MMBtu, driving storage injections. The rapidly filling storage inventories were 22 percent above the five-year average at the end of April and are expected to be 264 billion cubic feet (Bcf) above the five-year average by the end of May. Assuming normal weather, inventory levels could cushion injection season gas demand by as much as 1.7 Bcf per day, or the additional gas could help to balance short-term demand-related events such as bouts of warmer-than-normal weather or temporary nuclear outages.

CERA expects that Henry Hub prices will average \$6.65 per MMBtu in June, slightly higher than our expectation for May of \$6.56 per MMBtu. The slightly higher June price will be driven by a 5.9 Bcf per day increase in seasonal power demand. The higher demand will be buffered by storage injections that will tail off to 8.5 Bcf per day, 4.5 Bcf per day below the five-year average. This decline in injections in June will free up additional supply to meet the increased cooling load without a large expansion in prices. Pressure for scarce supply will remain and keep prices high and volatile, particularly if summer-winter futures price

Note: All prices are in US dollars unless otherwise indicated.

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Table 1

**Spot Natural Gas Price Outlook:
Henry Hub Benchmark**
(nominal US dollars per MMBtu)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005*</u>	<u>2006*</u>
January	1.84	2.40	8.45	2.29	5.39	6.03	6.17	6.29
February	1.78	2.66	5.65	2.27	7.00	5.41	6.09	6.26
March	1.77	2.78	5.15	3.00	6.37	5.38	6.91	5.67
April	2.13	3.02	5.20	3.37	5.27	5.70	7.15	5.77
May	2.26	3.57	4.21	3.51	5.77	6.28	6.56	5.76
June	2.29	4.30	3.72	3.20	5.80	6.26	6.65	5.81
July	2.29	4.04	3.07	2.99	5.04	5.92	6.46	5.72
August	2.79	4.38	3.01	3.08	4.96	5.43	6.38	5.66
September	2.57	5.01	2.19	3.50	4.61	4.99	5.87	5.69
October	2.68	5.03	2.42	4.08	4.65	6.24	5.76	5.72
November	2.31	5.49	2.37	4.06	4.45	5.88	6.34	5.90
December	2.35	8.75	2.37	4.74	6.12	6.63	6.45	6.07
Year Average	2.26	4.29	3.98	3.34	5.45	5.85	6.40	5.86

Sources: Cambridge Energy Research Associates. Historical data derived from *Platt's Gas Daily*.

Note: Excel tables are available in the North American Gas Client Services area at www.cera.com.

*Estimate.

spreads remain above \$1.00 per MMBtu. Falling oil prices will have a moderating impact on this tension, as a decrease in residual fuel prices will take some pressure off of gas prices (see Figures 1 and 2).

Hence, CERA believes that we have settled into a new price range bracketed by residual fuel oil competition on the downside and large storage inventories that cushion upward price movements. We feel that the market will continue to meander through this range and react to short-term demand- and supply-related events with price volatility. But with very few hard fundamental breakpoints in the near term, we believe it will take some time for the larger storage inventories to translate into much lower prices. In the meantime we see a mild increase in prices for June, followed by a gradual softening of prices for the remainder of the injection season.*

STRONG SUMMER DEMAND GROWTH

US gas demand will increase to 50.9 Bcf per day in June, a 3 Bcf per day increase from May and a 2.3 Bcf per day, or 14 percent, increase from June 2004 levels (see Table 2). June 2004 was slightly cooler than normal, particularly in the heavily gas-fired generation state of Texas, which was 7 percent cooler than normal. Assuming normal June weather, gas demand for power will increase 5.9 Bcf per day from May levels. Normal weather should also result in a decrease in residential and commercial demand of 3.1 Bcf per day, which should offset some of the power demand increase. We expect the higher gas prices this spring and slightly slower gross domestic product growth in the United States to moderate industrial demand slightly (0.3 Bcf per day) from last June. Weather-related demand events,

*Unless otherwise indicated, all CERA price and basis outlooks predict the average daily spot price or basis for the month forecasted, assuming normal weather.

Commentary

Correcting from the previous session's weakness, July strengthened to a high of 6390 to settle near the high. This shows that ahead of the long holiday weekend the fear of a change in the weather forecast in the Northeast from mild to hot led to a lack of selling. With all storage reports for energy being issued on Thurs, there will be no other factors to influence gas prices besides from weather forecasts, therefore choppy range trading between 6280-6440 is anticipated in July.

Scott Allen



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NGSA expects higher gas prices this summer

Forecasts for an unusually hot summer in the South and West, a growing economy and relatively flat production rates should lead to higher natural gas prices this cooling season, according to a study released Thursday by the Natural Gas Supply Assn.

"Once again, we have a tight market out there," Joseph Blount, chairman of NGSA and president of Unocal Midstream & Trade, said at a briefing in Washington, D.C. "Due to local and state opposition to exploration, access restrictions and smaller, less economical finds, producers are struggling" to meet demand.

"As a result, we expect utility customers to continue to feel the

(continued on page 6)

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 6.180

Trans. date: 5/26
Flow date(s): 5/27

	Midpoint	Absolute	Common	Volume	Deals
Permian Basin Area					
El Paso, Permian Basin	5.765	5.73-5.80	5.75-5.78	568	74
Waha	5.775	5.73-5.83	5.75-5.80	213	37
Transwestern, Permian Basin	5.620	5.59-5.63	5.61-5.63	20	6
East Texas-North Louisiana Area					
Carthage Hub	5.845	5.80-5.95	5.81-5.88	80	17
NGPL, Texas zone	6.150	6.11-6.19	6.13-6.17	303	49

NGSA expects higher gas prices ... from page 1

effects of the tight market situation reflected in their bills this summer," Blount said.

NGSA projects that total gas consumption this summer will be roughly 4.5% higher than last summer—53.5 Bcf/day vs. 51.2 Bcf/day—with most of that growth coming from the power generation sector.

DOE EIS would provide any more information to regulators than what already was contained in the EA. BLM "required us to go the extra mile," he added.

Following the comment period, BLM will review the public comments received and issue a record of decision. "It won't be a lengthy process. It would be measured in days or weeks rather than months," Ogaard said.

JM

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The Washington-based producer trade group did not make specific price projections but noted that the United States is coming off a strong year of economic expansion and industrial productivity. "We still expect to see economic growth [this year], though it will be slightly softer" than last summer, Blount said. That, in turn, could result in "flat summer-to-summer price pressure" on wholesale gas markets.

NGSA expects that storage injections will average roughly 67.7 Bcf/week and reach a near-record 3.3 Tcf by start of the heating season on Nov. 1. While that should put some downward pressure on gas prices, it won't be enough to offset other fundamental forces such as climate and economic expansion, the report said.

But Blount identified a series of "wildcards" that could have a dramatic impact on NGSA's forecast—most notably weather. In addition to forecasts for sustained heat in the Southeast, Blount noted that low hydro levels in the West could contribute to increased gas consumption there to meet air-conditioning load this summer.

Meanwhile, the Atlantic tropical storm season this year is expected to be more active than normal, Blount noted, with the National Oceanic and Atmospheric Administration predicting seven to nine hurricanes this summer (GD 5/17). Should any of those storms have the impact on Gulf of Mexico gas production that Hurricane Ivan did last September, gas prices would get more support, he said.

Blount also said any shifts in the "very volatile world energy market" could have an impact on domestic gas markets, though he surmised that U.S. gas prices would remain strong even if crude oil prices drop.

"We've seen some correlation" between gas and oil prices over the last several months, "but I don't think it is as big as people are assuming," Blount said. Apart from some incremental fuel-switching, he sees gas prices remaining insulated from potentially weaker crude prices.

Blount again called on Congress to speed the comprehensive energy bill to President Bush's desk. "Energy policy in America remains stalled, and consumers and the economy will continue to be at risk," he said. "From a legislative standpoint, we've not had any movement" toward bringing more gas supplies on stream.

MT

Wood touts gas quality standards, renews call 'independent' data hub

With some technical issues "now out of the way, we now need to focus on whether we need national standards for gas quality," FERC Chairman Pat Wood III suggested Thursday.

"Granted, this is no easy task," he told the Natural Gas Roundtable's monthly meeting in Washington, D.C. "But it is something that we are going to need to do as our nation prepares to receive gas" from diverse international sources.

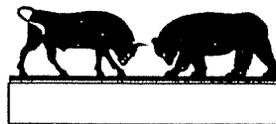
Wood said he recently sent a letter to Energy Secretary Samuel Bodman asking for the Dept. of Energy's support of research needed to craft efficient national standards for gas quality and interchangeability. "I believe that smart standards will provide an added measure of regulatory and commercial certainty, which in turn will support efficient investment in natural gas infrastructure which is necessary to meet our growing energy needs," he said.

The chairman also used the speech to again stump for an independent energy data hub. More effective practices by price reporters and publishers have produced greater transparency, Wood acknowledged. "But is daily ... polling really good enough to inspire real confidence in the price formation of this commodity?"

Asked which independent hub proposal makes the most sense, Wood responded that "the one that appears to be, from my reading, taking on the head of steam is the one that is being advocated by the Committee of Chief Risk Officers."

CCRO describes its approach as a neutral, independent data library aimed at improving data transparency and accessibility. It would offer "a single point to gather, standardize, validate, and render anonymous otherwise confidential data," with coverage of both gas and power data for all types of transactions—spot, forward, physical and financial.

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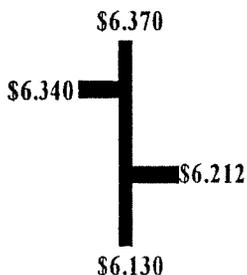
Jim Duncan, Market Analyst

(281) 293-1649

Email: James.W.Duncan@conocophillips.com

Friday, May 27, 2005

EIA Reports A Build Of 93 Bcf



Today: Calf **July Natural Gas Closed** **Down 16¢** **30-Day: Bearish**
Bottom Line – Another strong build to storage as well as mild weather across the country helped send the June contract out with a loss of 19.2 cents.

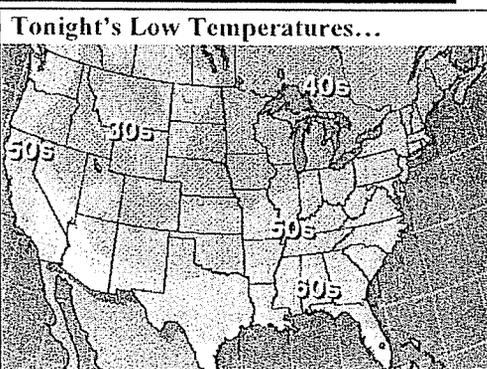
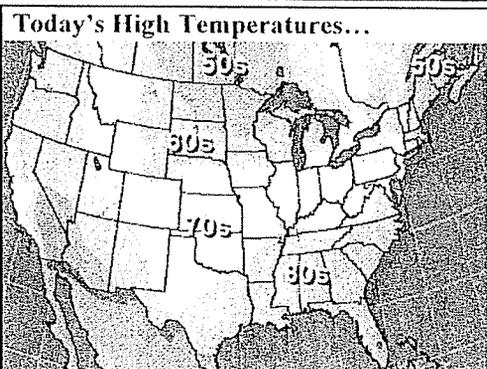
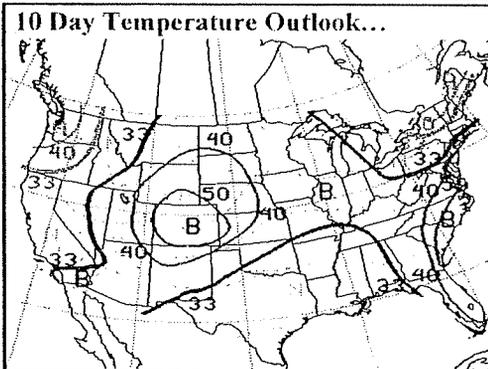
Yesterday's Market

- Nat Gas closed Thursday's session at \$6.123, down 19.2 cents. The June contract ended its life on the NYMEX yesterday with a big loss. The storage report came out slightly on the bearish side since most analysts looked for a build closer to 90 Bcf. The storage number did not have much of an influence on the price action yesterday. Most of the action took place in the last hour and a half of trading as traders had to close out their June positions before the contract went off the board.

Today's Market

- It seems as though the sell-off yesterday may have been a little overdone – so far in overnight trading the July contract has rebounded to \$6.29, which is almost 8 cents higher than where it finished trading yesterday. Looking ahead, we have a Holiday weekend with weather forecasts calling for fairly mild temperatures, and the next several storage reports look to come in fairly strong. My early look at next week's storage report shows a build in the low-90s, and the following week we could easily see a build in the 100s. But a strong Crude market and forecasts calling for warmer weather in June might support the Nat Gas market. As far as the forecasts go, I think the weather models are having trouble picking up the patterns right now, so I will have to wait and see what the models do next week before I really buy into any looming warmer forecasts for June.

Access Trading	5/27/2005	8:29 AM	Natural Gas	\$6.290	7.8¢
WTI Crude	\$51.470	\$0.46	IPE Brent	\$50.600	\$0.45



Weather Briefs – Hot Across Pacific Northwest – Storms Hit The South This Weekend – East Warms Up For The Holiday Weekend

Signats... Near Record Heat Across Pacific Northwest

Storage...

EIA reports build of 93 Bcf for week ending May 20...

The EIA reported a build of 93 Bcf for the week ending May 20, which puts our total inventory at 1.692 Tcf. The 93 Bcf build is greater than last year's build of 89 Bcf, the three year average build of 84 Bcf, and the five year average build of 82 Bcf. This is the second consecutive week with a build in the 90s, and I expect this trend to continue.



Short-Term Energy Outlook – May 2005

May 10th, 2005 Release (*Next Update: June 7th, 2005*)

2005 Summer Motor Gasoline Outlook Update (Figure 1)

A considerable break in the expected strength of near-term crude oil prices has resulted in a lower forecast for retail gasoline prices this spring. Gasoline prices may well have seen their peak for the year, barring sharp disruptions in crude oil supply or refinery operations. Pump prices for the summer (April-September) are now projected to average \$2.17 per gallon, still high by historical standards but well below the \$2.28 anticipated last month. Our projection has been revised downward from the last *Outlook* as crude oil prices fell from the high \$50s per barrel to the low \$50s. However, oil prices remain high enough to keep expected monthly average gasoline prices above \$2.00 per gallon through 2006. Summer diesel fuel oil prices are expected to average \$2.09 per gallon, down 15 cents per gallon from the last *Outlook*.

Crude Oil and Petroleum Products (Figures 2 to 7)

The West Texas Intermediate (WTI) crude oil price for the second quarter of 2005 is now expected to average \$51 per barrel, approximately \$6 per barrel lower than projected in the previous *Outlook* (although \$13 per barrel above the year-ago level). While crude oil prices are now lower than previously projected, prices are expected to remain high by historical standards. Still, the reasons for the recent easing in crude oil (and gasoline) prices are worth noting. Because of the improving U.S. crude oil inventory situation, due in part to increased Organization of Petroleum Exporting Countries (OPEC) production, and the shift in focus towards gasoline, the price of WTI crude oil (the benchmark crude oil in the United States) dropped significantly in April and is expected to remain near present levels for the month of May. With the end of winter, oil markets turned their attention away from heating oil and towards gasoline. As a result, rather than focusing on low distillate fuel inventories, the focus shifted to gasoline inventories, which have been near or above the upper end of the average range in recent weeks. Some apparent softening in gasoline demand and high gasoline production levels (especially considering ongoing refinery maintenance) bolstered gasoline stock levels in April, easing support for both gasoline and crude oil prices.

However, despite the recent downturn in crude oil prices, global oil markets remain tight. Monthly average WTI prices are projected to remain above \$50 per barrel for the rest of 2005 and 2006. Oil prices remain sensitive to any incremental oil market tightness. Imbalances (real or perceived) in light product markets could cause light crude oil prices to increase to levels above the \$51 to \$53 per barrel range.

Several factors have contributed to the generally high crude oil prices and are likely to keep them at or near present levels. First, worldwide petroleum demand growth is projected to remain robust, despite high oil prices. Projections for 2005 and 2006 call for worldwide oil demand growth averaging 2.1 million barrels per day, or 2.5 percent per year, down from the 3.3 percent growth in 2004. Chinese demand growth, which exceeded 1 million barrels per day in 2004, is projected to decline to an annual average of 650,000 barrels per day in 2005 and 2006. Second, expected growth in non-OPEC supplies is not expected to accommodate worldwide demand growth. Non-OPEC supply is projected to grow by

an average of 0.8 million barrels per day during 2005 and 2006, compared with non-OPEC supply growth averaging 1.1 million barrels per day from 2002 through 2004. Third, worldwide spare crude oil production capacity has recently diminished; in practice, only Saudi Arabia has any meaningful available spare production capacity. Despite additions in Saudi Arabia and other Persian Gulf countries expected in 2005-2006, spare capacity is not projected to grow significantly over the next 2 years. Fourth, downstream sectors such as refining and shipping are expected to remain tight as well. Finally, geo-political risks, such as the continued insurgency in Iraq and political unrest in Nigeria and Venezuela, are expected to keep the level of uncertainty in world oil markets high.

High levels of production from OPEC members contributed to inventory builds in the Organization for Economic Cooperation and Development (OECD) countries from February through November 2004. Since then, OECD oil stocks have moved toward the upper end of the 5-year historical range. However, OECD stocks have not grown in terms of days-of-supply (the number of days that inventories would satisfy demand) because demand has grown rapidly as well. EIA's forecast includes little growth in OECD commercial oil inventories over the next 2 years. U.S. crude oil inventories, now near the middle of the historical range, are much improved compared to this time last year. Some of this improvement is expected to dissipate over the forecast period.

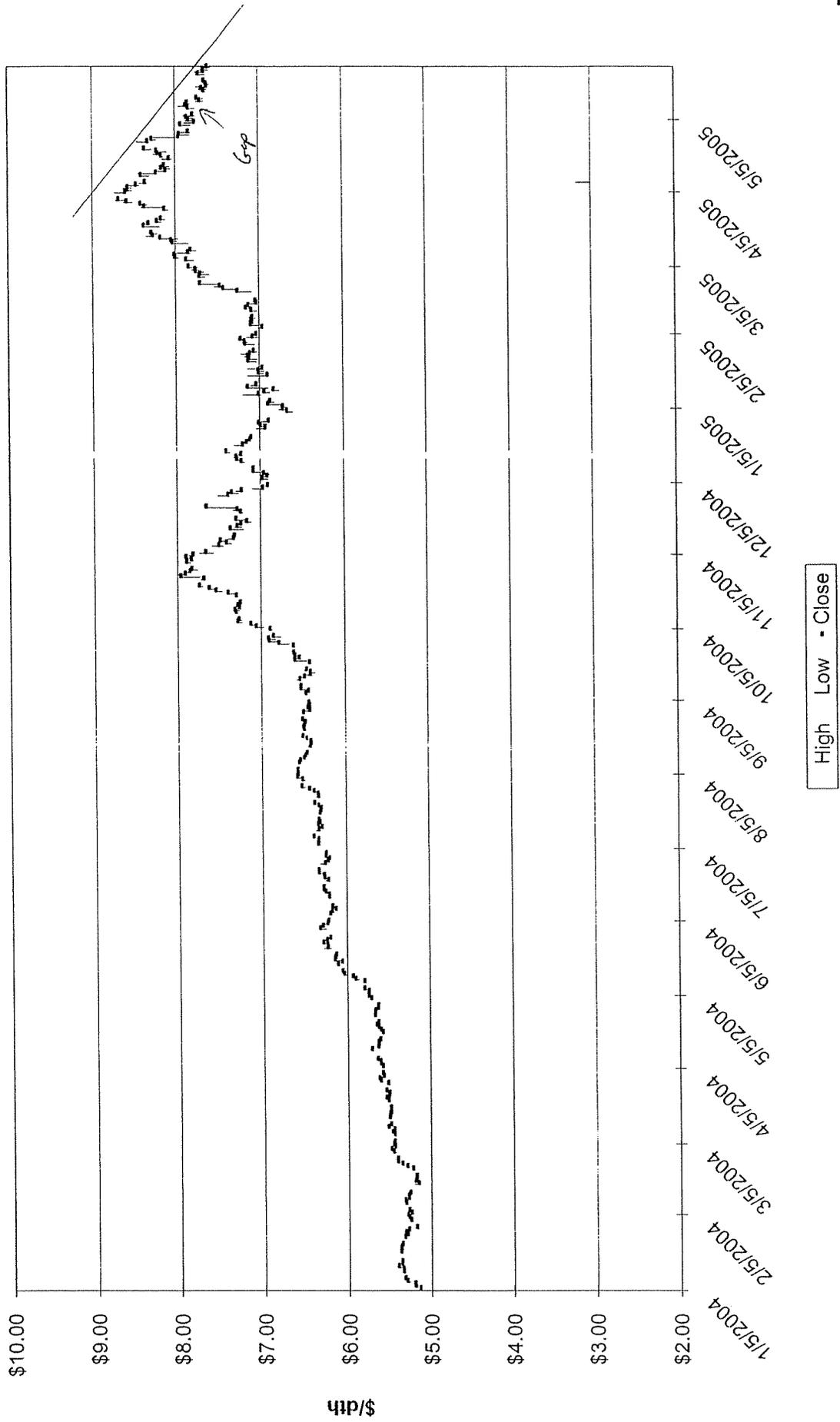
U.S. petroleum demand growth in 2005 and 2006 is projected to average 1.8 percent per year, somewhat less than the 2.4-percent growth recorded in 2004. Motor gasoline demand growth is also projected to average 1.8 percent. Jet fuel demand growth, however, is expected to average 3.0 percent, and distillate demand is projected to climb by an average of 2.1 percent. On the supply side, U.S. domestic crude oil supply is projected to increase by 400,000 barrels per day, cumulatively, between 2004 and 2006. This reverses a trend of declining annual production, which has taken place since 1985, with the exception of a slight increase in 1991. This production rise is due to increased production from offshore locations and higher prices.

Natural Gas (Figures 8 to 9)

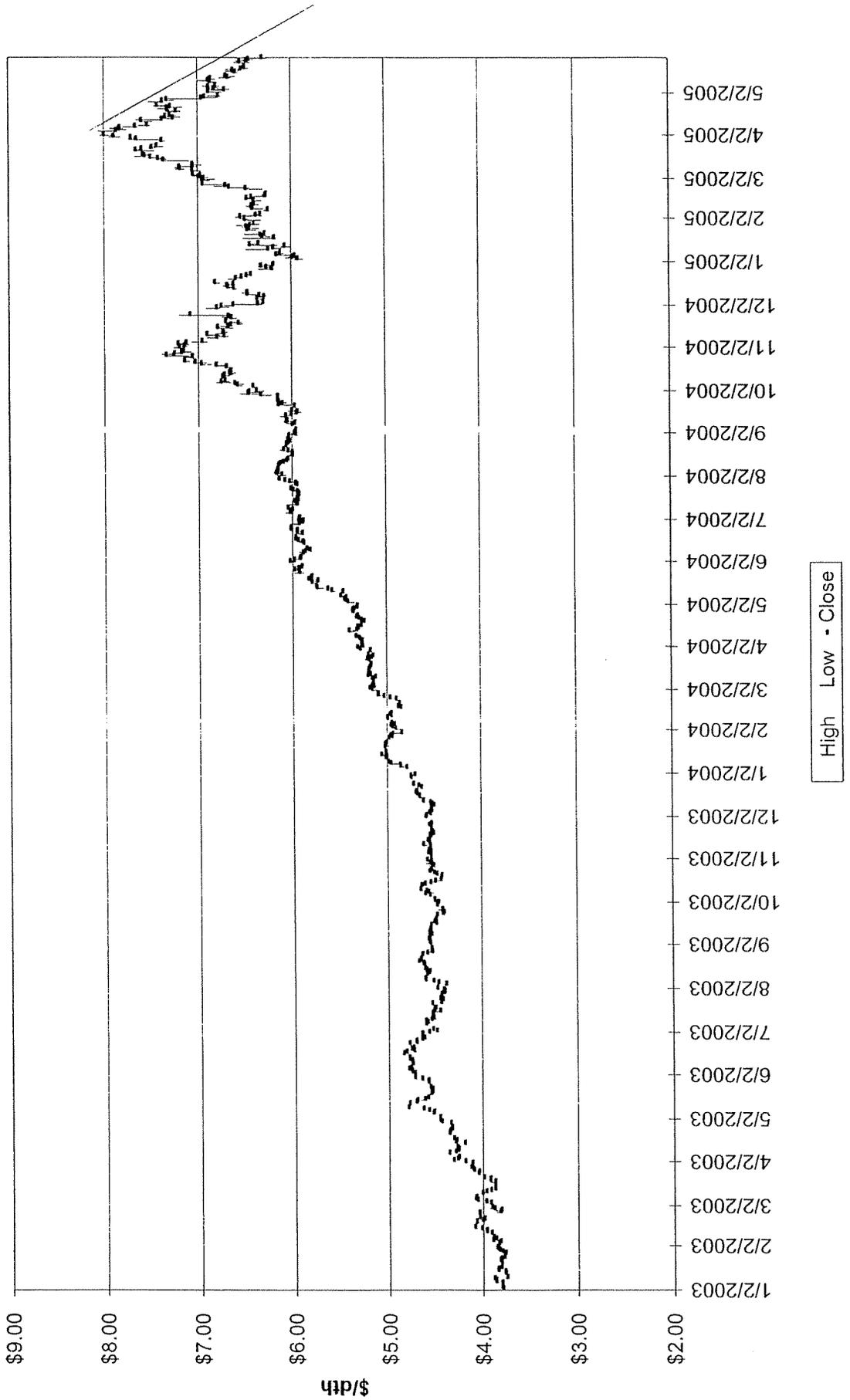
The Henry Hub natural gas spot price averaged over \$7.30 per thousand cubic feet (mcf) in April 2005 compared to \$5.88 per mcf in April 2004. High crude oil prices, combined with the unusually cold March weather for much of the Nation, boosted spot prices for natural gas to levels above \$7.00 per mcf. Spot prices for natural gas have generally been falling in recent days in response to generally mild weather and declining crude oil prices. These prices may continue to ease somewhat during the spring and summer. Still, natural gas supply conditions are expected to remain tight over the same period and spot prices are likely to remain in the range of \$6.50 to \$7.00 per mcf through the summer. Although natural gas storage remains above the 5-year average, high world oil prices, continued strength in the economy, the expectation that Pacific Northwest hydroelectric resources will be well below normal through mid-summer, and limited prospects for growth in domestic natural gas production all support the natural gas price projections. Henry Hub prices are expected to post averages of over \$7.00 per mcf in 2005 and 2006.

Working gas in storage is estimated at 1,463 billion cubic feet at the end of April, a level 17 percent higher than 1 year ago and 22 percent above the 5-year average. Natural gas demand is projected to increase by 2.1 percent in 2005. Domestic natural gas production in 2005 is expected to remain near the 2004 level, despite an expected 13-percent increase in gas-directed drilling. In 2006, natural gas demand is projected to rise by 2.3 percent due largely to weather-related factors and continued strength in gas-intensive industrial production.

Winter Strip Dec05 - Mar06



Summer Strip July - October 2005





Commodity Futures Brokerage | 27 May, 2005

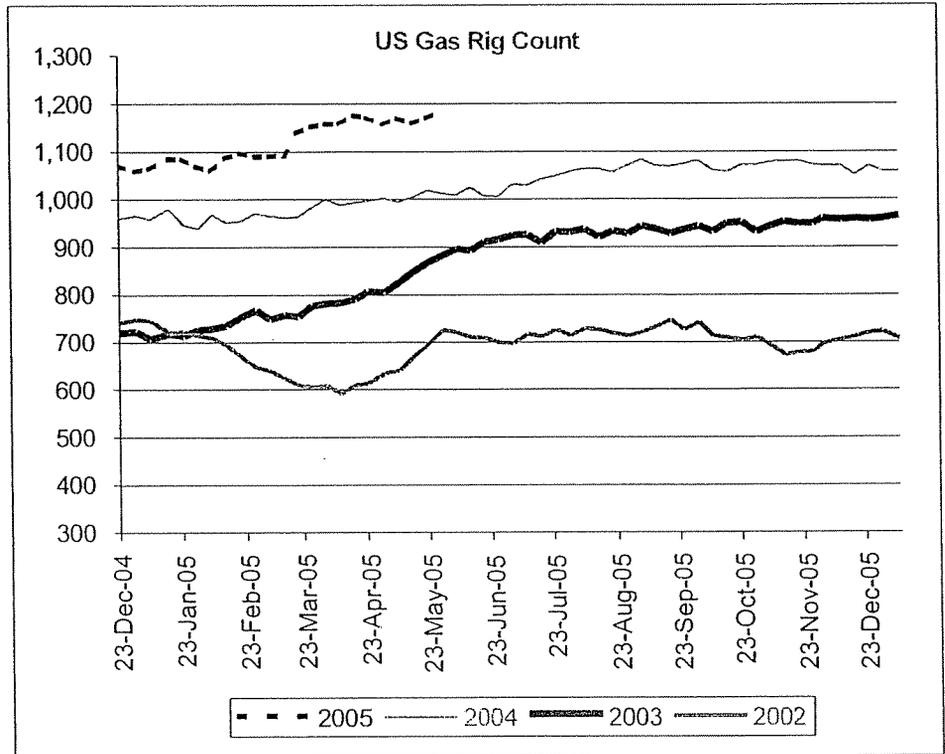
Commodity Futures Inc.

Rig Count

212-841-3347

Topics:

- US Gas Rig Count
- US Oil Rig Count



SOURCE: BAKER HUGHES US OIL & GAS DIRECTED RIG COUNT WWW.BAKERHUGHES.COM

2002	725
2003	882
2004	1012
2005	1183
+/- Week Ago	14
05 vs 04	171
05 vs 4yr AVG	310

New York
(212) 841-3347

Misc. Rigs 0

London
(207) 595-6000

www.cfi.bnpparibas.com

Please refer to important disclosures at the end of this report.

Gas Commercial Operations
Price Mitigation Program
Market Indicators Summary
June 30, 2005

Weather	Price Pressure	Comments
Long Term Weather Forecast	↓ ↑	WSI (Summer): "... the worst of the summer heat will be confined to the south-central and Southeast states ..." WSI (Winter): "By September, a quick end to summer is expected as automated guidance suggests a quick transition into a cool fall."
Mid Term Weather (30-60 days)	↓	Earthsat: "Eastern Midwest and Mid-Atlantic Cooled slightly in August"
6-10 day forecast	↓	Earthsat: "... some heat will translate eastward, but not nearly as much as seen this week ..."
Tropical Storm Activity	↑	Tropical Storm Bret making landfall in Mexico. It's unusual to have two named storms in June.
Storage Inventory		
EIA Weekly Storage Report	↔	Storage injections for the week ending June 17 were 75 BCF, which was within industry expectations. Storage levels are now 11% higher than last year at 2.0 TCF.
Industry Publications		
Cambridge Energy Research Associates <i>Remaining Summer 2005: \$5.89</i> <i>Winter 05-06: \$6.16</i>	↓	"...rapidly filling storage inventories will continue to cushion weather-related price excursions this summer and provide a strong signal for lower prices early this fall"
Paribas	↓	"Perhaps the entire energy complex is in reversal and the absolute tops have been seen"
Cinergy Marketing & Trade	↓	"...this market may cross the 100 day average of 6.85 again."
Conoco Morning Briefing	↔	"I lean bearish this morning in my head, but..."
Government Agencies		
Energy Information Administration <i>Remaining Summer 2005: \$6.80</i> <i>Winter 05-06: \$7.23</i>	↔	"The natural gas market is likely to tighten over the next few months as summer cooling demand picks up."
Technical Analysis		
Winter 2005-06 Strip Chart	↔	Long term trend supporting gas prices over \$8.00
Summer 2005 Strip Chart (Jul-Oct)	↑	50% retracement of recent increase has been reached.
Rig Count	↓	Up 9 and remains high compared to last 5 years.
Economy		
Demand	↑	EIA: "Natural gas demand is projected to increase by 2.0 percent in 2005" down from 2.3 percent projected in last month's Outlook
Supply	↑	EIA: "Domestic natural gas production in 2005 is expected to remain near the 2004 level, despite an expected 12-percent increase in gas-directed drilling"
Oil Market	↑	EIA: "WTI crude oil price for the third quarter of 2005 is now expected to average \$53 per barrel... \$9 per barrel above the year-ago level."

Meeting Minutes: 10th Floor North Conference Room - 10:00 am
Attendees: Patty Walker, Jim Henning, Bill Tucker, Jeff Kern, Bob Bandenburg, Phyllis Baker
 Fundamentals indicate that prices should be going down. Both CERA and EIA are predicting much lower prices than what is currently trading on NYMEX. Unless there is an extreme price move in either direction, there will be no additional hedging at this time. Any further hedging for the Winter of 2005-2006 will exclude November, since the majority of base for this month has already been hedged.

The Union Light Heat & Power Company
Hedging Program - Current Position
As of 06/29/05

	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Daily Base								
Estimated Base (Gross)	[REDACTED]							
Amount Hedged	[REDACTED]							
Cost Averaging	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Cost Averaging	[REDACTED]							
Cost Averaging	[REDACTED]							
Cost Averaging (1)	[REDACTED]							
Fixed Price	[REDACTED]							
Total Hedged	[REDACTED]							
Monthly Base								
Estimated Base (Gross)	[REDACTED]							
Hedged to date	[REDACTED]							
Cost Averaging	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Cost Averaging	[REDACTED]							
Cost Averaging	[REDACTED]							
Cost Averaging (1)	[REDACTED]							
Fixed Price	[REDACTED]							
Total Hedged	[REDACTED]							
% of Base Supply	[REDACTED]							
Seasonal % of Base	[REDACTED]							
Normal Load (City Gate)								
Hedged (City Gate)	[REDACTED]							
Storage Withdrawal	[REDACTED]							
Market	[REDACTED]							
Total (incl. Injections)	[REDACTED]							
% Hedged & Storage	[REDACTED]							
Seasonal %	[REDACTED]							

(1) ULH&P will purchase [REDACTED] from [REDACTED] at Columbia Gulf Onshore based on the average NYMEX closing price June 1, 2005 - July 29, 2005.

The Union Light Heat & Power Company
 Hedging Program for Winter 2005-06
 Cost Averaging with [REDACTED]

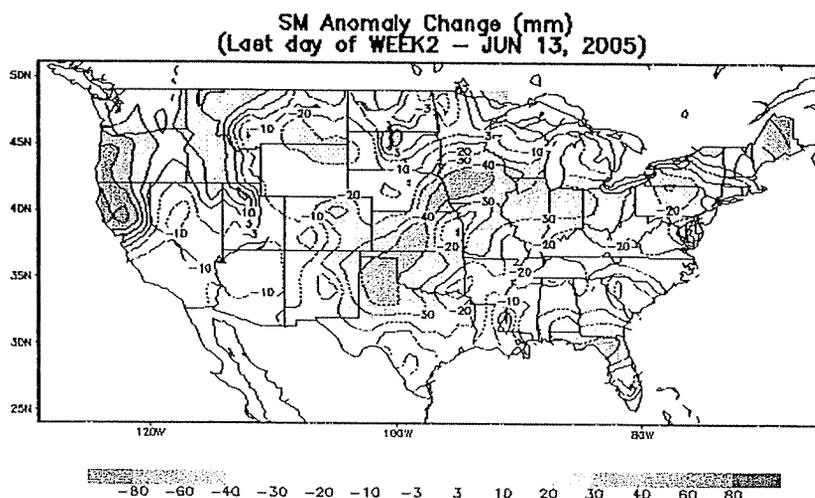
	Total Amount	Closing Price					Winter Strip	Total Cost	Locked in To Date
		November	December	January	February	March			
1-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
2-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
3-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
6-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
7-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
8-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
9-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
10-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
13-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
14-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
15-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
16-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
17-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
20-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
21-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
22-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
23-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
24-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
27-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
28-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
29-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
30-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
1-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
5-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
6-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
7-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
8-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
11-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
12-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
13-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
14-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
15-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
18-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
19-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
20-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
21-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
22-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
25-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
26-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
27-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
28-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
29-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	

Basis to Columbia Gulf Onshore

Price to be paid for [REDACTED] delivered November 1, 2005 to March 31, 2005: [REDACTED]

Graphic from Climate Prediction Center Web site

Mississippi Valley states. This would suggest a relative lack of widespread heat this summer in the US, if current patterns persist. The GFS, however, suggests that a significant drying will take place over much of the US during the next couple of weeks (below), with the exception of the northern tier of states. This drying is common in late June during strong positive PDO events and supports our hot July forecast in much of the South.



GFS-predicted change in soil moisture anomaly during the next 2 weeks

As summer progresses into fall, our model output is now strongly suggesting a return to the seemingly never-ending pattern of warm temperatures in the West and cool temperatures in the East. This pattern has been dominant since a return to positive PDO conditions in late 2002, and there is no reason to think it will disappear anytime soon. The positive PDO, combined with the persistence of the positive Atlantic SST tripole, would suggest that the odds favor another cold eastern winter again this year.

The main driving factors in this seasonal forecast suggest that the worst of the summer heat will be confined to the south-central and Southeast states, although in August more widespread heat is expected. The “Atlanta problem,” described above, is our greatest uncertainty for July, as it counteracts the otherwise reasonably strong warm signal in the Southeast.

In the Northeast, signals are relatively weak in July, as the cool signal from the QBO is counteracted by warm signals from various other seasonal forecast predictors. Both the PDO and QBO suggest that any excessive warmth this summer should have a hard time spreading all the way northward into New England. Our

forecast for the Northeast is slightly warmer than normal in July and August, however, due to the impact of other seasonal drivers, including the very warm Atlantic Ocean. We do not expect persistent heat waves in the Northeast this summer, however, just a relative lack of strong cold fronts like in the summers of 2003/04. By September, a quick end to summer is expected as automated guidance suggests a quick transition into a cool fall.

Please click on the "model graphics" link under the discussion header in the Seasonal section of our Web page for more details on the raw output from the various climate and statistical models.

Final model weighting used in WSI temperature forecast

	JUL	AUG	SEP	JAS	ASO
Climate	20	25	30	25	25
Stat 1	5	5	5	5	5
Stat 2	30	30	30	25	25
Stat 3	30	15	15	20	20
Stat 4	15	25	20	25	25



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTHSAT

Wednesday

DAY

6/29/05

DATE

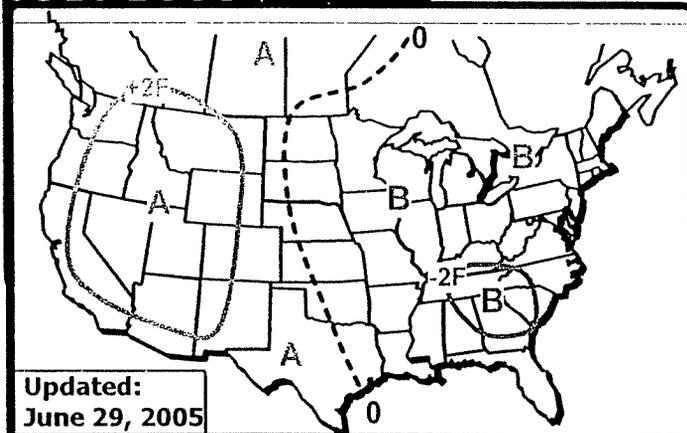
9:45 AM EDT

TIME

MR

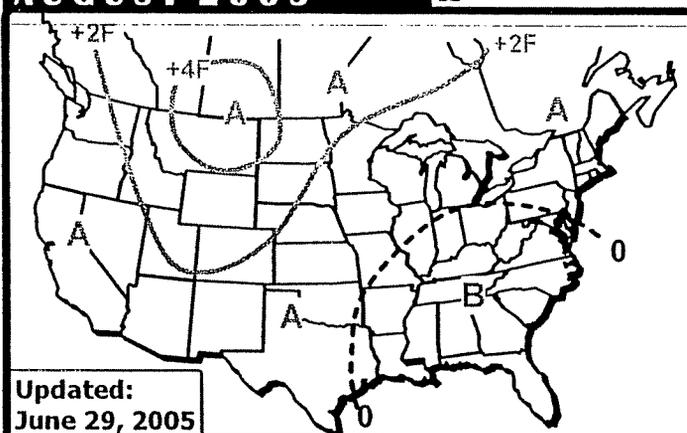
FORECASTER

JULY 2005



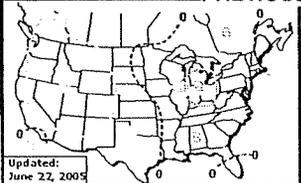
Updated:
June 29, 2005

AUGUST 2005



Updated:
June 29, 2005

JULY 2005 PREVIOUS



Cooling Shifted South
and East For July

West Still Favored to
be on Hotter Side

Updated:
June 22, 2005

AUGUST 2005 PREVIOUS



Eastern Midwest and
Mid-Atlantic Cooled
Slightly in August

Northern Rockies Warm

Updated:
June 22, 2005

The outlook for July is generally close to last week's versions, however, an eastward shift was made to the -2F contour given recent trends and new findings from an expanded set of analog years. Expectations continue for warm to hot ridging to gradually shift more and more to the West during the next few weeks with the potential for more impressive coolings at times in the East.

The expanded set of analog years favored a slight leaning to the cool side in more of the Midwest and East for the 6-10 day period. Since June came in warmer than expected, the negative QBO correlation that favors a 2:1 ratio of cool to warm months in the East might put pressure on August to be cooler. Also, patterns tend to be more stable from July to Aug than from June to July.

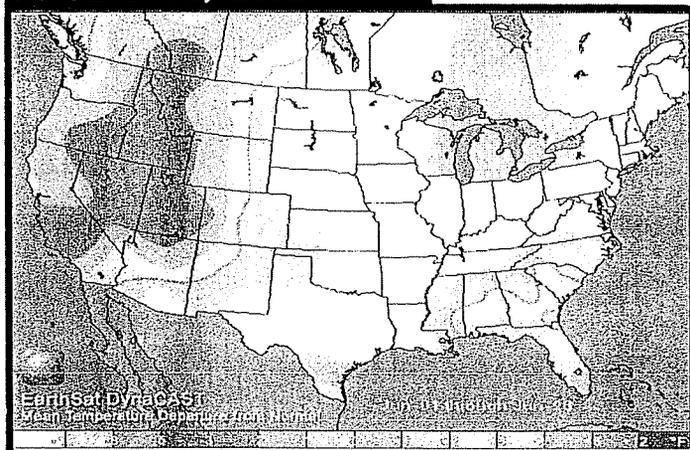
July CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	256.0	281.6	279.0	196.5
Philadelphia	356.5	391.0	395.0	350.5
Houston	576.0	596.4	573.0	608.5

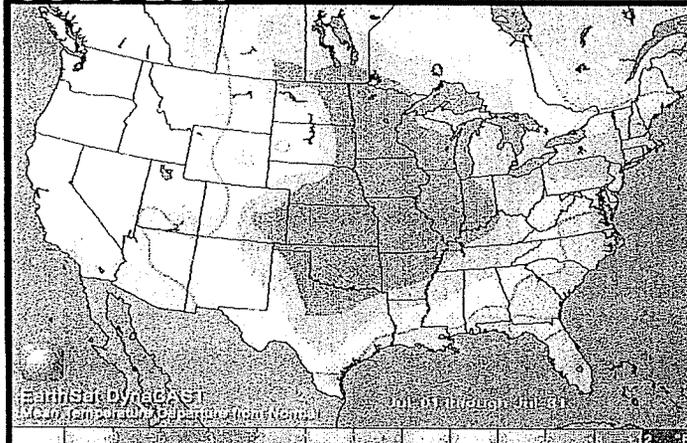
August CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	241.0	235.8	233.0	118.0
Philadelphia	359.0	372.5	351.0	309.0
Houston	555.0	593.3	563.0	561.0

JUNE 1 - 28, 2005



JULY 2004



Maps above depict deviations of average temperatures from normal in Fahrenheit.

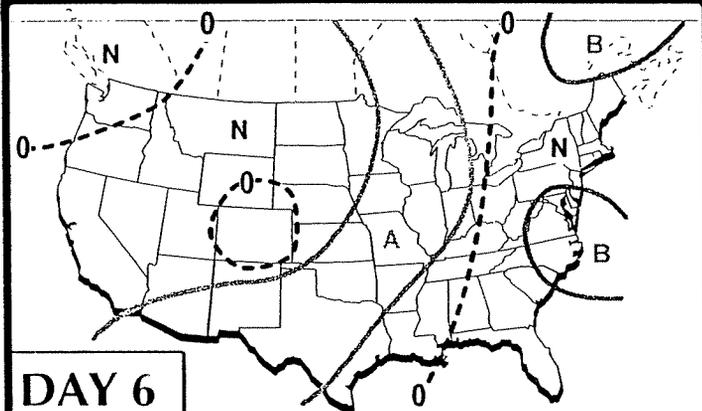


EarthSat's Energy Weather

The 6 to 10 Day Forecast - Detailed Version

EARTH SAT Wednesday **DAY** 6/29/2005 **DATE** 6:30 A.M. **TIME** MR/JS **FORECASTER**

FORECAST TEMP. DEVIATIONS



FORECAST VALID: Monday, 7/4

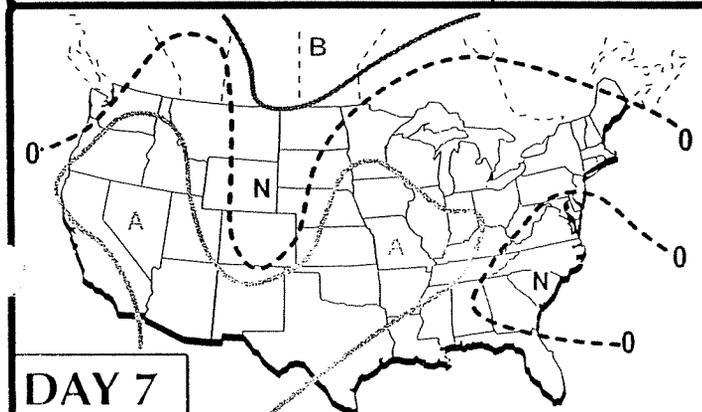
CONFIDENCE: 6

DISCUSSION

Today's Forecast.

Variable Weather In Midwest and East.

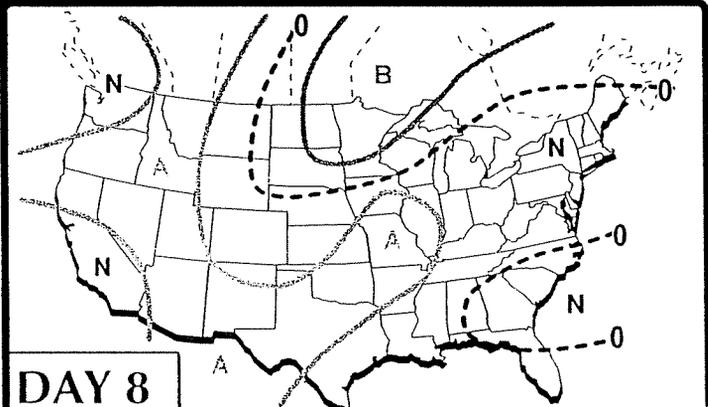
The forecast models appear to be having difficulty handling how much warmth will track eastward through the Midwest and East in the early half of next week. The thinking is that some heat will translate eastward, but not nearly as much as seen this week (particularly in the Midwest). With stronger ridging expected in the West next week, the eastern hot ridge potential is more limited. By late period, most models show a weaker jet stream pattern in the East with more potential for unsettled weather at times as well. The Northwest and Calgary are forecast to see more warming this period.



FORECAST VALID: Tuesday, 7/5

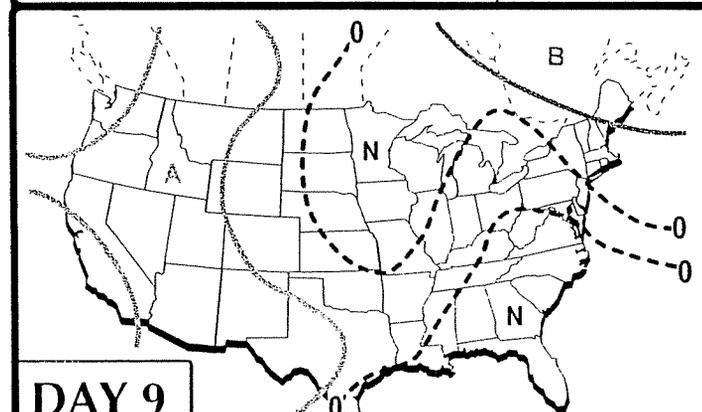
CONFIDENCE: 5

FORECAST TEMP. DEVIATIONS



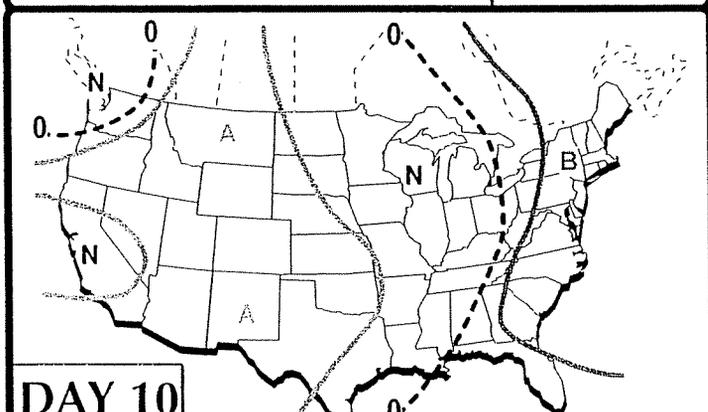
FORECAST VALID: Wednesday, 7/6

CONFIDENCE: 5



FORECAST VALID: Thursday, 7/7

CONFIDENCE: 4



FORECAST VALID: Friday, 7/8

CONFIDENCE: 3

LEGEND

MUCH ABOVE.. +8F OR UP
ABOVE..... +3F TO +7F

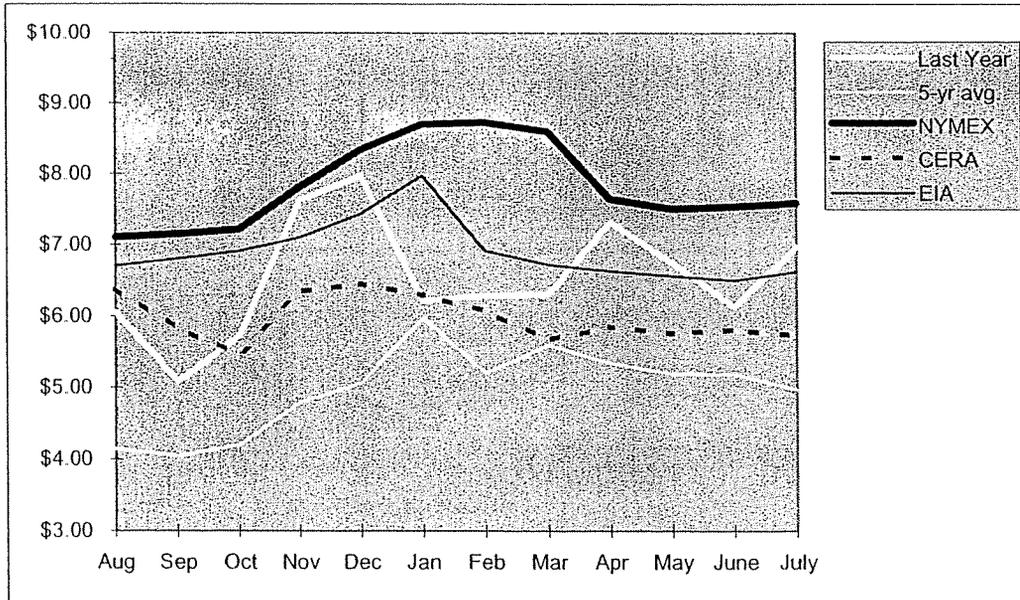
NORMAL
-2F TO +2F

MUCH BELOW..... -8F OR DOWN
BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 17-Jun-05	EIA 7-Jun-05	NYMEX 29-Jun-05
Aug	\$4.14	\$6.05		\$6.380	\$6.705	\$7.105
Sep	\$4.04	\$5.08		\$5.820	\$6.804	\$7.150
Oct	\$4.20	\$5.72		\$5.460	\$6.910	\$7.220
Nov	\$4.79	\$7.63		\$6.340	\$7.102	\$7.810
Dec	\$5.06	\$7.98		\$6.450	\$7.435	\$8.340
Jan	\$5.98	\$6.21		\$6.290	\$7.972	\$8.700
Feb	\$5.20	\$6.29		\$6.070	\$6.916	\$8.730
Mar	\$5.59	\$6.30		\$5.670	\$6.720	\$8.600
Apr	\$5.34	\$7.32		\$5.850	\$6.631	\$7.650
May	\$5.19	\$6.75		\$5.760	\$6.565	\$7.510
June	\$5.18	\$6.12		\$5.810	\$6.501	\$7.540
July	\$4.97	\$6.98		\$5.720	\$6.624	\$7.590
12 Month Avg	\$4.97	\$6.54		\$5.968	\$6.907	\$7.829
Summer Average				\$5.829	\$6.677	\$7.395
Winter Average				\$6.164	\$7.229	\$8.436

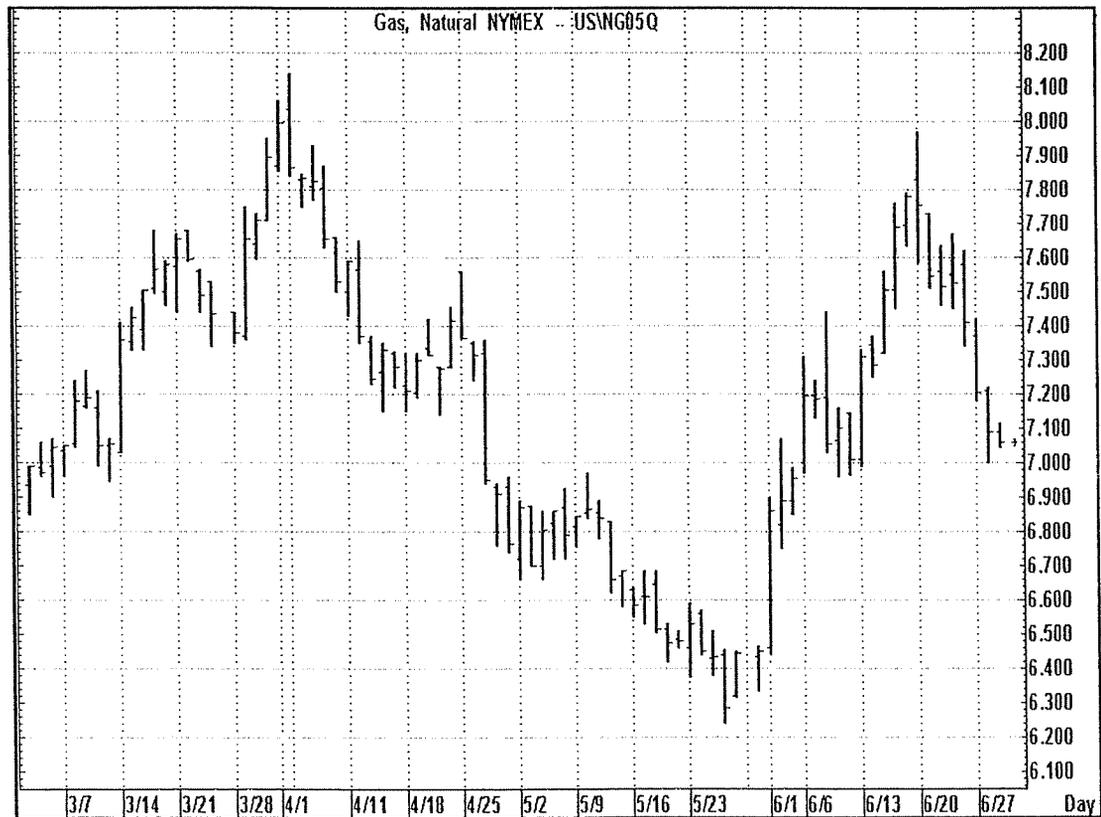




Commentary

On expiry of July, gas weakened significantly to 6900 before rebounding slightly to settle just below 7000, the only month to settle below 7000 until April 2008. This is a very significant factor. Perhaps the entire energy complex is in a reversal and the absolute tops have been seen. If this is the case it is likely that the August contract retraces to at least the 6800s. However, in front of the long holiday weekend with a tropical disturbance in the Bay of Campeche selling aggressively near 7000 while the rest of the board is above this level may not be prudent. Therefore, range trading between 6970-7220 may be seen until the early close on Friday.

Scott Allen



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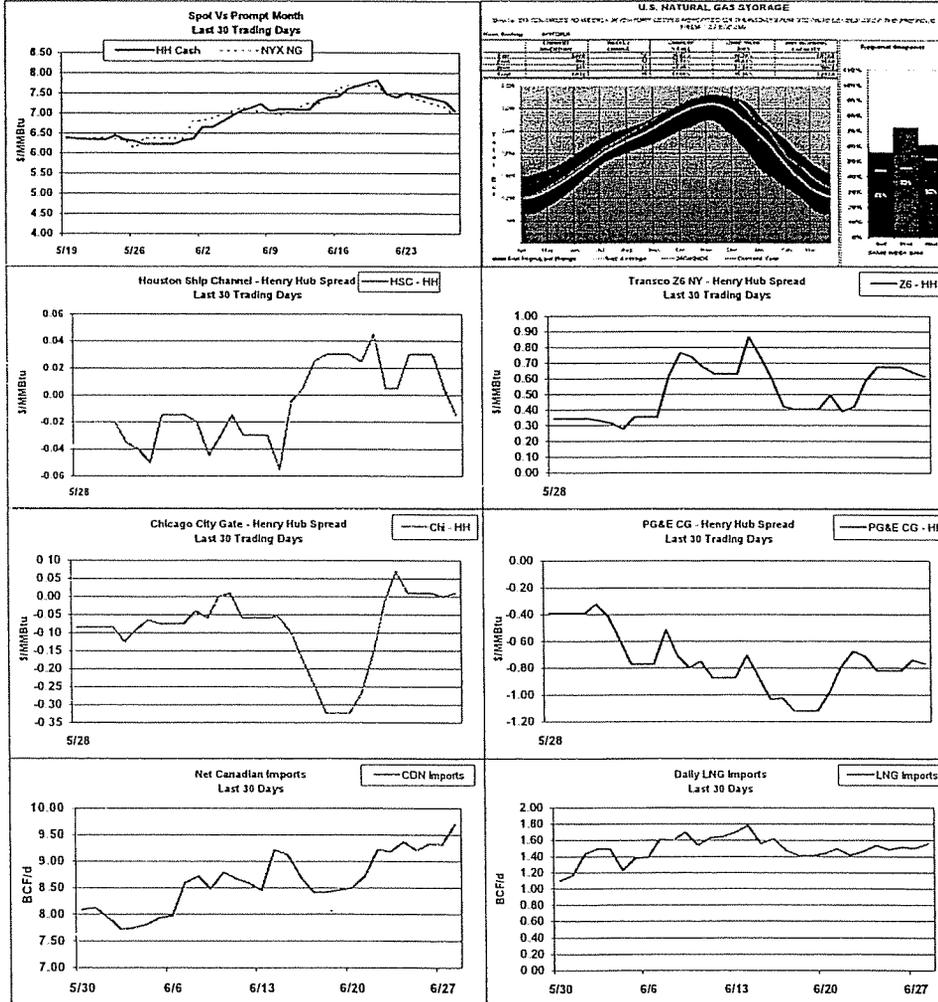


Natural Gas Stats

Market Outlook:

Complete meltdown in Crude finally brought the spreads back in to reasonable levels. (It was the widest since gulf war I this week.) After the obligatory dead cat bounce, look for fundamentals to take a leading hand over the next two days. A likely build in NG over the 90 BCF level coming into a holiday weekend which will cause still greater builds and this this market may cross the 100 day average of 6.85 again. -- Tom Aleman

NYMEX Contracts	6/28/2005 Settle	6/29/2005 Settle	Change	Gas Daily Spreads	6/29/2005	6/28/2005	Change
Aug 05	7.073	7.203	(0.130)	HSC	(0.015)	0.005	(0.020)
Sep 05	7.113	7.241	(0.128)	TETCO STX	(0.170)	(0.205)	0.035
Oct 05	7.175	7.301	(0.126)	Carthage	(0.225)	(0.175)	(0.050)
Nov 05	7.745	7.876	(0.131)	NGPL TXOK	(0.150)	(0.145)	(0.005)
Dec 05	8.275	8.411	(0.136)	Columbia Gas, App.	0.230	0.250	(0.020)
3-month	7.120	7.248	(0.128)	Transco Z6 NY	0.615	0.645	(0.030)
6-month	7.668	7.800	(0.132)	Chicago City Gate	0.010	0.000	0.010
Summer 2005	7.277	7.405	(0.128)	PG&E City Gate	(0.765)	(0.740)	(0.025)
Winter 2005	8.325	8.466	(0.142)	Socal	(1.050)	(0.830)	(0.230)
Winter 05 - Summer 05	1.048	1.061	(0.013)				
Balance 2005	7.668	7.800	(0.132)				



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Jim Duncan, Market Analyst
(281) 293-1649

Email: James.W.Duncan@conocophillips.com

Wednesday, June 29, 2005

July Spends Last Day Giving Back 16¢ In A Wave Of Selling



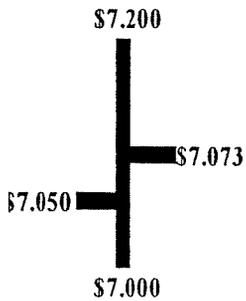
Today: Bearish **August Natural Gas Closed** **Down 13¢** **30-Day: Cub**
Bottom Line – I lean bearish this morning in my head, but my lower alimentary system has multiple seismic anomalies with regard to a mini rally either late today or tomorrow.

Yesterday's Market

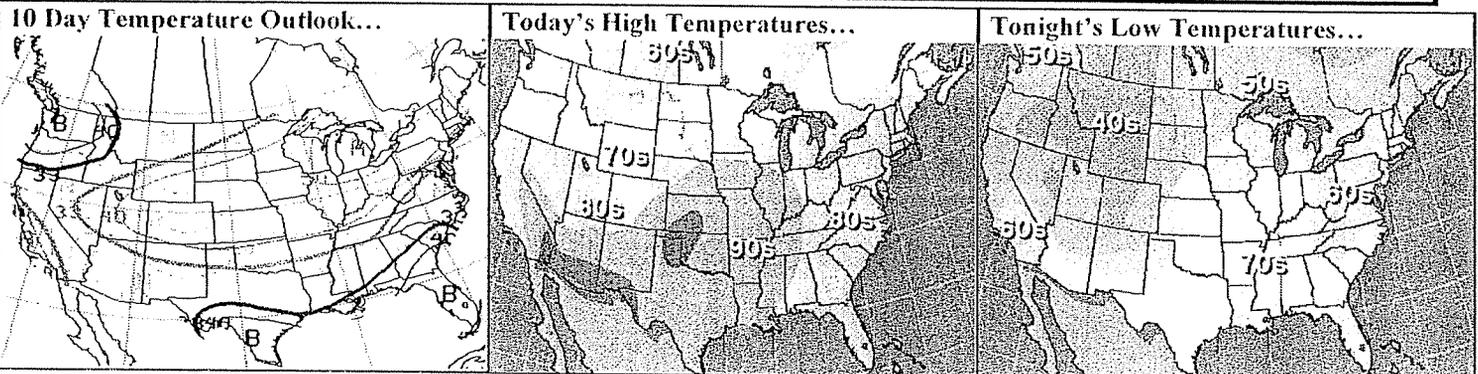
- Facing milder temperatures, a sinking crude oil market, and bearish technicals, July dropped 16.2¢ in its final sessions as the front month contract. With little reason to be bullish at this point, July gas dipped as low as \$6.90, and settled just above that at \$6.976. Meanwhile, the August contract closed out the day at \$7.08, off 13¢ on the day, while August crude dumped a whopping \$2.34 to close at \$58.20.

Today's Market

- Once again, crude is chasing technical, not fundamental factors. In this type of market, backing and filling should be expected as institutional traders use price pullbacks to add length in the process of building another large holding. That said, I'd be looking for crude to continue to drift lower into the weekend, which will knock at least one support out from under NatGas.
- Looking forward, we have moderate temperatures for much of the major demand regions this week, coupled with anticipated lower industrial demand due to the 4th of July weekend. Combine this with total stocks surplus of almost 300 Bcf over the five-year running average, and you've lost near-term support for mid-summer \$7.00 gas. On the other hand, long range weather forecasts are calling for an entrenched upper level omega blocking pattern that will build over the Midcontinent through July. This heat will limit the ability to maintain that surplus supply in storage with YoY injections comparing to last year's two-week period of 100+ injections. If I overlay technical analysis on top of this information, I see short-term weakness that will establish lower lows and provide a bearish longer-term head and shoulders pattern with a declinative neckline (See Tech Page). After the neckline verifies we'll see more hot weather, which will trigger the next rally to the 62% Fib retracement level completing the head and shoulders pattern, which will lead to further declines into the end of the season. I am now tired. Remember, I don't believe many will go into this weekend holding short positions; not this side of forecast heat and tropical storms. That fact alone will support the entire market.



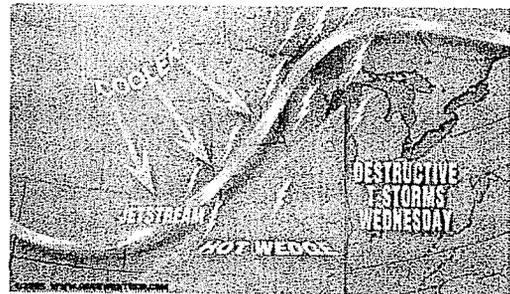
Access Trading	6/29/2005	8:29 AM	Natural Gas	\$7.100	2.7¢
WTI Crude	\$57.650	(\$0.55)	IPE Brent	\$56.600	(\$0.60)



Weather Briefs – Summertime Heat Persisting in the Central U.S. - Summertime Conditions Continue in the East This Week - High Heat Continuing in the Southwest

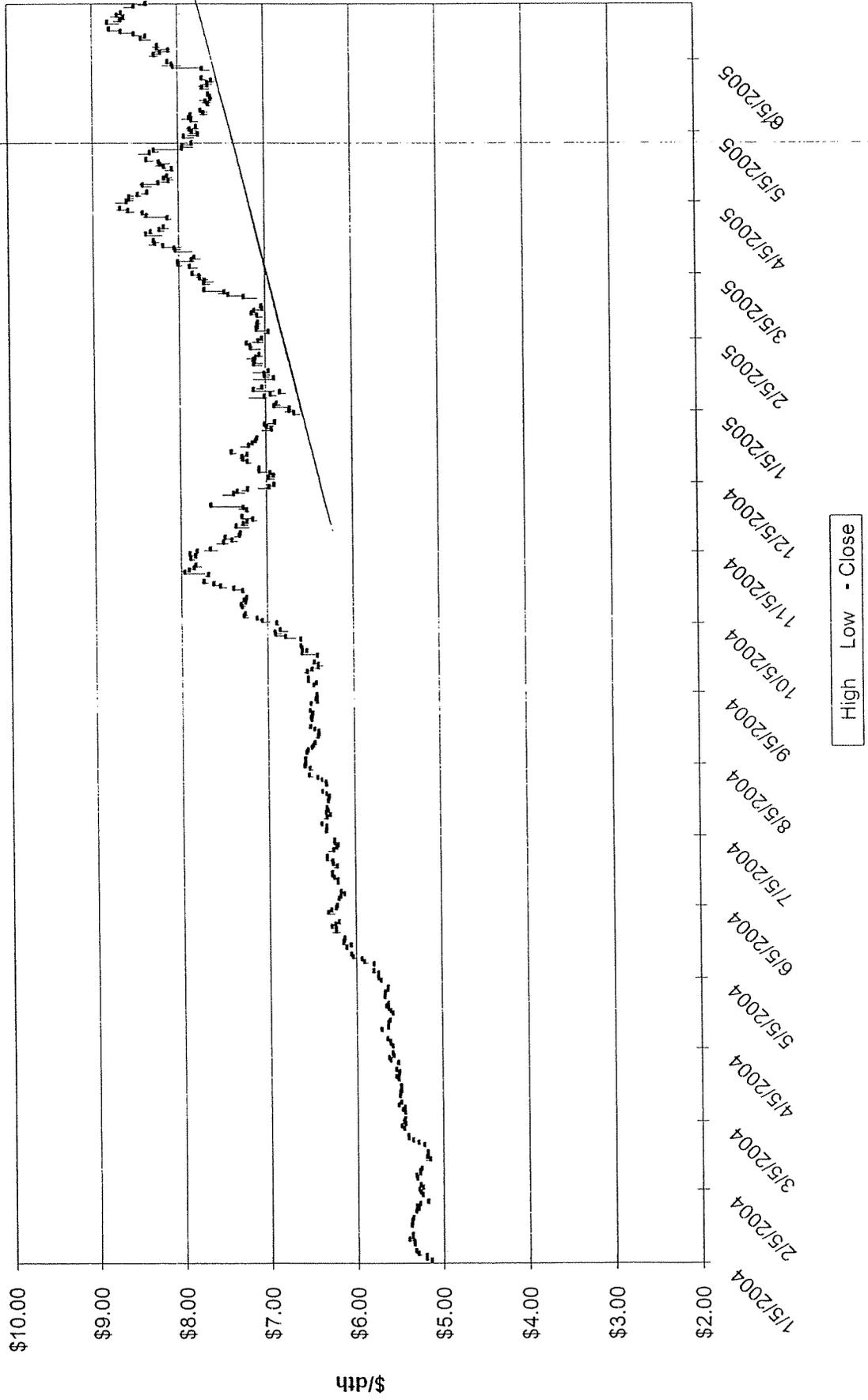
Storage...
 I'm looking for a build of 90 Bcf this week...
 For the week ending June 24, my forecast shows a build of 90 Bcf, which will come in slightly lower than last year's build of 93 Bcf, the three year average build of 95 Bcf, and the five year average build of 91 Bcf. The average analyst forecast on Bloomberg is a build of 85 Bcf. The current inventory level is ..031 Tcf, and we are 198 Bcf ahead of last year, and 271 Bcf above the five year average.

Signats... Summer Like Warmth And Humidity Dominate Central And East... TS Bret

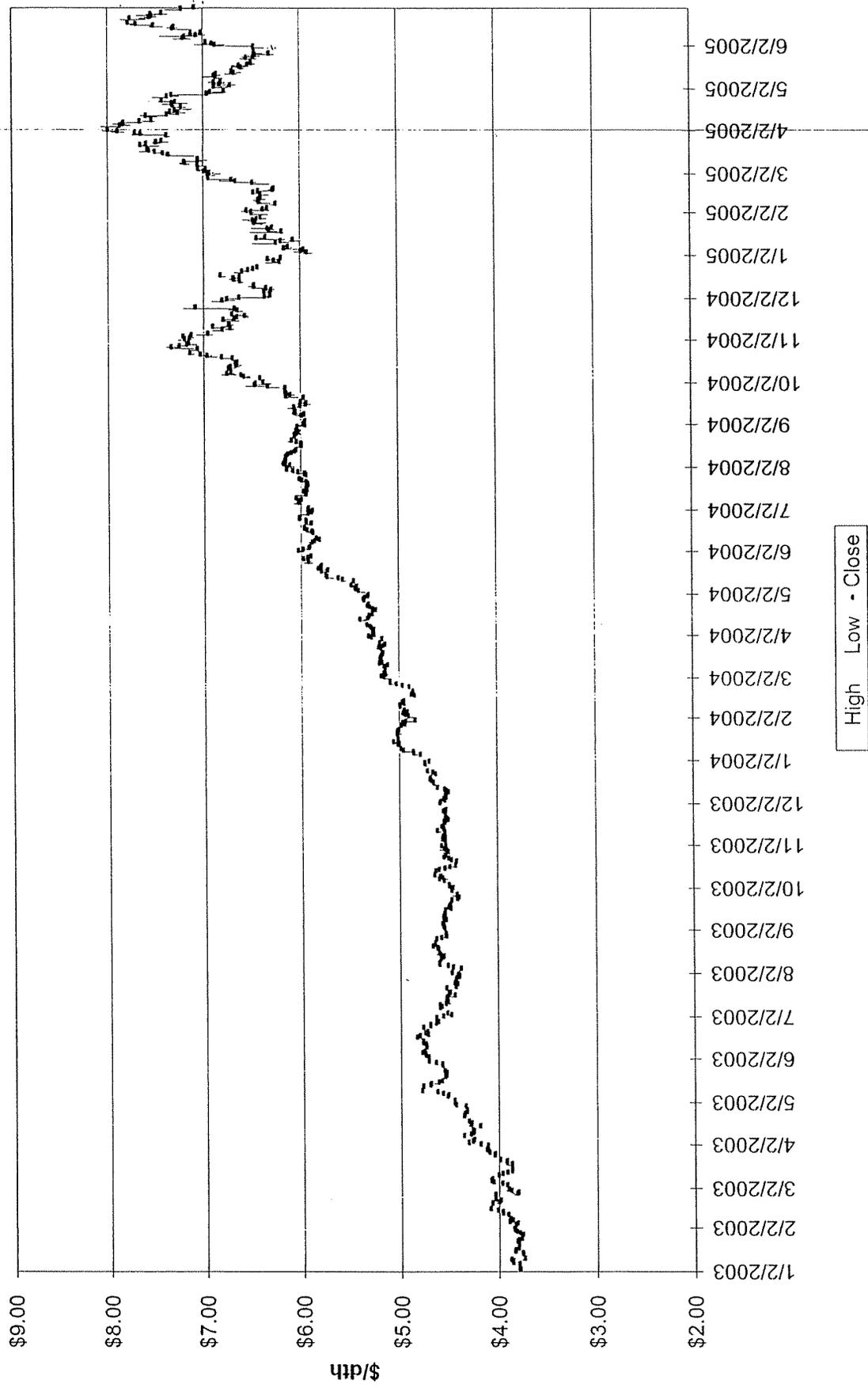


TS Bret is located 75 miles ESE of Tuxpan, Mexico and will move onshore in the next few hours...in Mexico...no threat. Chicago battled through its sixth consecutive day above 90° yesterday. Summertime conditions will continue across most of the Central and Eastern U.S. this week, and should even last into early next week in some places.

Winter Strip Dec05 - Mar06



Summer Strip July - October 2005



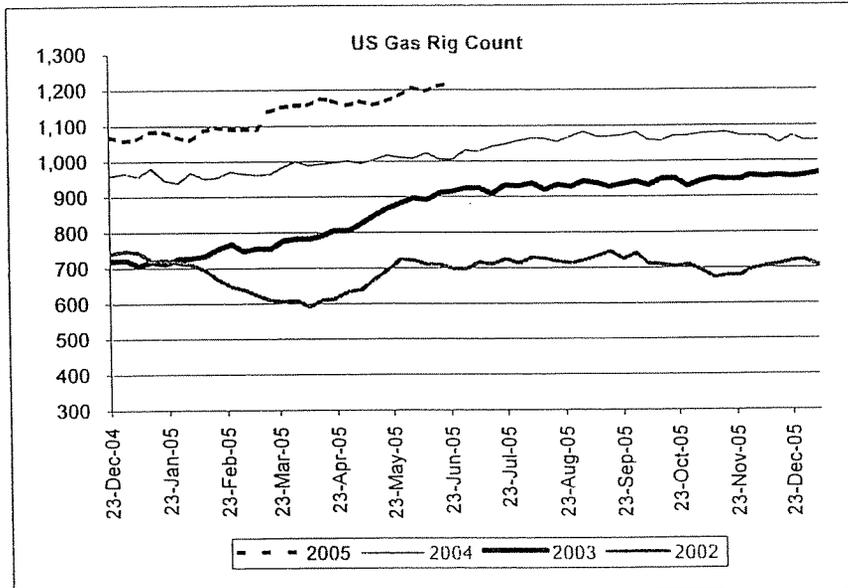
London
(207) 595-8800



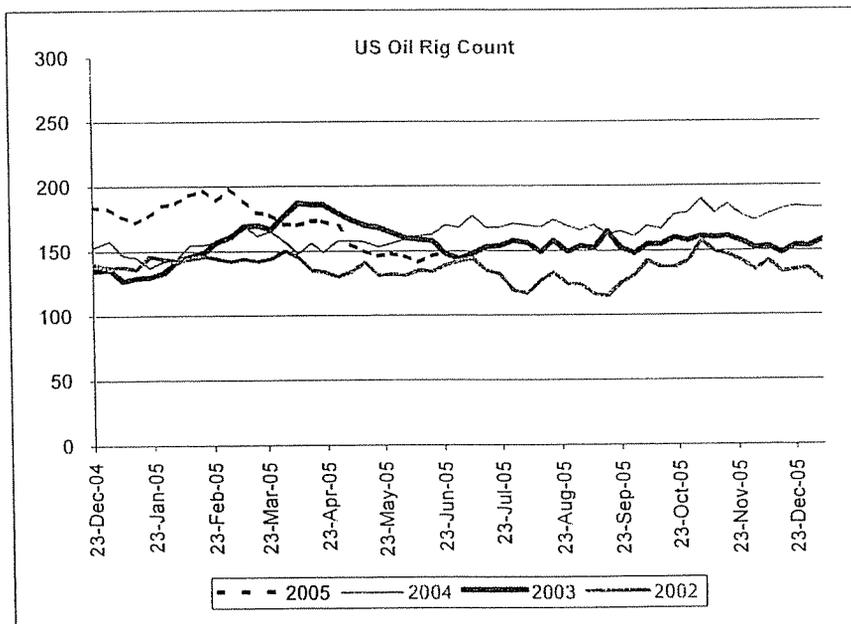
New York
(212) 841-3347

Commodity Futures WEEKLY RIG WATCH

for the week ended: 24-Jun-05



Misc. Rigs	2
2002	698
2003	915
2004	1005
2005	1219
+/- Week Ago	9
05 vs 04	214
05 vs 4yr AVG	346



2002	139
2003	148
2004	170
2005	149
+/- Week Ago	3
05 vs 04	-21
05 vs 4yr AVG	-3

SOURCE: BAKER HUGHES US OIL & GAS DIRECTED RIG COUNT WWW.BAKERHUGHES.COM

Although the information in this report has been obtained from sources which BNP Paribas believes to be reliable, we do not represent or warrant its accuracy, and such information may be incomplete or condensed. All estimates and opinions included in this report constitute our judgment as of the date of the report and may be subject to change without notice. BNP Paribas or its affiliates may, from time to time, have a position or make a market in the financial products mentioned in this report, or in derivative instruments based thereon. BNP Paribas shall not be responsible for the consequences of reliance upon any opinion or statement contained herein or for any omission or error of fact. This report is confidential and is being submitted to selected recipients only. This report may not be reproduced (in whole or in part) to any other person without the prior written permission of BNP Paribas. Copyright © BNP Paribas (2005). All rights reserved.

Gas Commercial Operations
Price Mitigation Program
Market Indicators Summary
July 15, 2005

Weather	Price Pressure	Comments
Long Term Weather Forecast	↓ ↑	WSI (Summer): "... the worst of the summer heat will be confined to the south-central and Southeast states. ..." WSI (Winter): "By September, a quick end to summer is expected as automated guidance suggests a quick transition into a cool fall."
Mid Term Weather (30-60 days)	↓	Earthstat: "... seasonal to cool anomalies favored for parts of the eastern Midwest, Mid-Atlantic, and South "
6-10 day forecast	↑	Earthstat: "Hot Temperatures Engulf the Midwest and Rockies"
Tropical Storm Activity	↑	Although Emily is not expected to hit production areas, there is still a chance she'll turn north. Even if she doesn't the unusually active hurricane season is keeping prices high. 1 BCF/day is still shut in from Dennis.
Storage Inventory		
EIA Weekly Storage Report	↓	Storage injections for the week ending July 8 were 94 BCF, which was above industry expectations. Storage levels are now 6% higher than last year at 2.3 TCF.
Industry Publications		
Cambridge Energy Research Associates <i>Winter 05-06: \$6.16</i> <i>Summer 2006: \$5.72</i>	↓	"...rapidly filling storage inventories will continue to cushion weather-related price excursions this summer and provide a strong signal for lower prices early this fall."
Paribas	↑	"The 2005 summer strip is still backwarddated to the summer strip of 2006 and this is very bullish."
Cinergy Marketing & Trade	↑	"8.05, then 8.16 resistance next level is 10.20!"
Conoco Morning Briefing	↑	"So much information remains 'in the air' for the market that I doubt we'll see any significant bear move till the end of the month...maybe."
Government Agencies		
Energy Information Administration <i>Winter 05-06: \$7.61</i> <i>Summer 2006: \$7.00</i>	↔	"The natural gas market is likely to stay tight over the next few months when summer cooling demand is at its height. Prices are then projected to rise even further as the winter heating season boosts natural gas demand."
Technical Analysis		
Winter 2005-06 Strip Chart	↓	Gap: 8.56 - 8.61
Summer 2006 Strip Chart	↓	Resistance at 8.00
Rig Count	↓	Up 24 and remains high compared to last 5 years
Economy		
Demand	↓	EIA: "Natural gas demand is projected to increase by 1.7 percent in 2005" down from 2.0 percent projected in last month's Outlook
Supply	↑	EIA: "Domestic natural gas production in 2005 is expected to remain near the 2004 level, despite an expected 12-percent increase in gas-directed drilling
Oil Market	↑	EIA: "WTI crude oil price... is now expected to average \$59 per barrel for the third quarter of 2005, approximately \$6 per barrel higher than projected in the previous Outlook..."

Meeting Minutes: 1002 Conference Room - 11:00 am

Attendees: Patty Walker, Jim Henning, Bill Tucker, Jeff Kern, Mike Brumback, Al Hartkemeyer

Due to Hurricane Emily, prices are much higher than they should be, based on other fundamentals. Therefore, no hedging will take place at this time. However, if prices remain in the \$9 range for Dec-Feb even after the hurricane threat has passed, then additional fixed price gas may be locked in.

The Union Light Heat & Power Company
Hedging Program - Current Position
As of 07/14/05

Aug-05 Sep-05 Oct-05 Nov-05 Dec-05 Jan-06 Feb-06 Mar-06

Daily Base

Estimated Base (Gross) [REDACTED]
 Amount Hedged [REDACTED]
 Cost Averaging [REDACTED]
 Fixed Price [REDACTED]
 Fixed Price [REDACTED]
 Fixed Price [REDACTED]
 Fixed Price [REDACTED]
 Cost Averaging [REDACTED]
 Cost Averaging [REDACTED]
 Cost Averaging (1) [REDACTED]
 Fixed Price [REDACTED]
 Total Hedged [REDACTED]

Monthly Base

Estimated Base (Gross) [REDACTED]
 Hedged to date [REDACTED]
 Cost Averaging [REDACTED]
 Fixed Price [REDACTED]
 Fixed Price [REDACTED]
 Fixed Price [REDACTED]
 Fixed Price [REDACTED]
 Cost Averaging [REDACTED]
 Cost Averaging [REDACTED]
 Cost Averaging (1) [REDACTED]
 Fixed Price [REDACTED]
 Total Hedged [REDACTED]
 % of Base Supply [REDACTED]
 Seasonal % of Base [REDACTED]

Normal Load (City Gate)

Hedged (City Gate) [REDACTED]
 Storage Withdrawal [REDACTED]
 Market [REDACTED]
 Total (incl. Injections) [REDACTED]
 % Hedged & Storage [REDACTED]
 Seasonal % [REDACTED]

(1) ULH&P will purchase 3,700 dth/day from CM&T at Columbia Gulf Onshore based on the average NYMEX closing price June 1, 2005 - July 29, 2005.

The Union Light Heat & Power Company
Hedging Program for Winter 2005-06
Cost Averaging with [REDACTED]

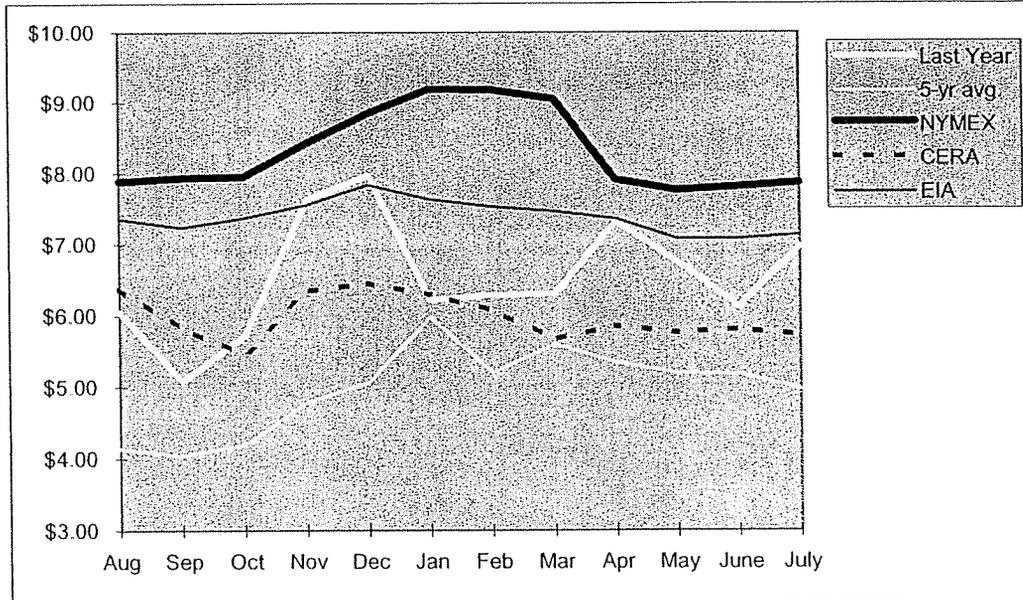
	Total Amount	Closing Price					Winter Strip	Total Cost	Locked in To Date
		November	December	January	February	March			
1-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
2-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
3-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
6-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
7-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
8-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
9-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
10-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
13-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
14-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
15-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
16-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
17-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
20-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
21-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
22-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
23-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
24-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
27-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
28-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
29-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
30-Jun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
1-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
5-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
6-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
7-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
8-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
11-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
12-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
13-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
14-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
15-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
18-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
19-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
20-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
21-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
22-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
25-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
26-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
27-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
28-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
29-Jul	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	

Basis to Columbia Gulf Onshore

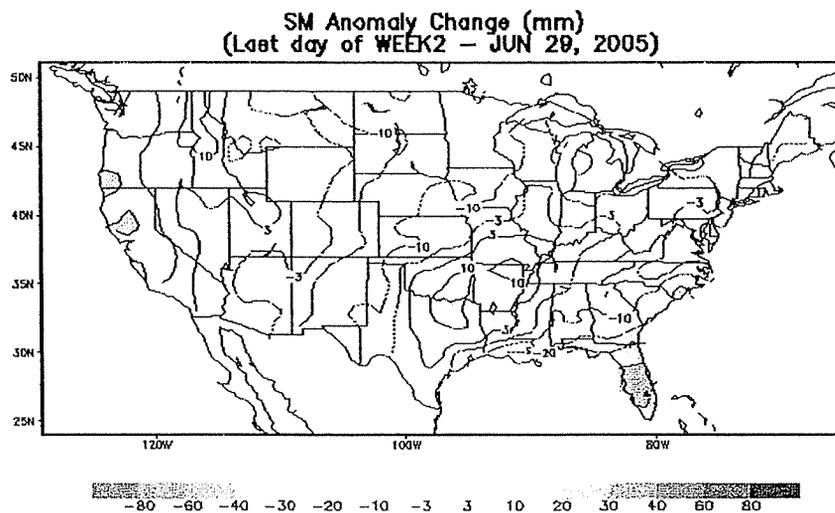
Price to be paid for [REDACTED] delivered November 1, 2005 to March 31, 2005: [REDACTED]

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 17-Jun-05	EIA 12-Jul-05	NYMEX 14-Jul-05
Aug	\$4.14	\$6.05		\$6.380	\$7.360	\$7.890
Sep	\$4.04	\$5.08		\$5.820	\$7.235	\$7.940
Oct	\$4.20	\$5.72		\$5.460	\$7.373	\$7.955
Nov	\$4.79	\$7.63		\$6.340	\$7.554	\$8.420
Dec	\$5.06	\$7.98		\$6.450	\$7.839	\$8.845
Jan	\$5.98	\$6.21		\$6.290	\$7.633	\$9.190
Feb	\$5.20	\$6.29		\$6.070	\$7.533	\$9.180
Mar	\$5.59	\$6.30		\$5.670	\$7.464	\$9.050
Apr	\$5.34	\$7.32		\$5.850	\$7.361	\$7.910
May	\$5.19	\$6.75		\$5.760	\$7.079	\$7.760
June	\$5.18	\$6.12		\$5.810	\$7.079	\$7.810
July	\$4.97	\$6.98		\$5.720	\$7.131	\$7.870
12 Month Avg	\$4.97	\$6.54		\$5.968	\$7.387	\$8.318
Summer Average				\$5.829	\$7.231	\$7.876
Winter Average				\$6.164	\$7.605	\$8.937



Mississippi Valley states and parts of the mid-Atlantic and Northeast. This would suggest a relative lack of widespread heat for the remainder of the summer in the US, if current patterns persist. The GFS, however, suggests that a significant drying will take place over much of the US during the next couple of weeks (below), with the exception of the Pacific Coast and parts of the southern Plains.



GFS-predicted change in soil moisture anomaly during the next 2 weeks

As summer progresses into fall, our model output is now strongly suggesting a return to the seemingly never-ending pattern of warm temperatures in the West and cool temperatures in the East. This pattern has been dominant since a return to positive PDO conditions in late 2002, and there is no reason to think it will disappear anytime soon. The positive PDO, combined with the persistence of the positive Atlantic SST tripole, would suggest that the odds favor another cold eastern winter again this year.

The main driving factors in this seasonal forecast suggest that the worst of the summer heat will be confined to the south-central states in July, although in August more widespread heat is expected. The “Atlanta problem,” described above, is our greatest uncertainty for July, as it counteracts the otherwise reasonably strong warm signal in the Southeast.

In the Northeast, signals are relatively weak in July, as the cool signal from the QBO is counteracted by warm signals from various other seasonal forecast predictors. Both the PDO and QBO suggest that any excessive warmth this summer should have a hard time spreading all the way eastward and/or northward into New England. Our forecast for the Northeast is slightly warmer than normal in July and August, however, due to the impact of other seasonal drivers, including the very warm Atlantic Ocean and persistence of the June heat. We do not expect persistent heat waves in the Northeast for the remainder of the summer, however, just a

relative lack of strong cold fronts as we had in the summers of 2003/04. By September, a quick end to summer is expected as automated guidance suggests a quick transition into a cool fall.

Please click on the "model graphics" link under the discussion header in the Seasonal section of our Web page for more details on the raw output from the various climate and statistical models.

Final model weighting used in WSI temperature forecast

	JUL	AUG	SEP	JAS	ASO
Climate	25	25	30	25	25
Stat 1	5	5	5	5	5
Stat 2	30	30	30	25	25
Stat 3	30	15	15	20	20
Stat 4	10	25	20	25	25



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTHSAT

Wednesday DAY 7/13/05

DATE

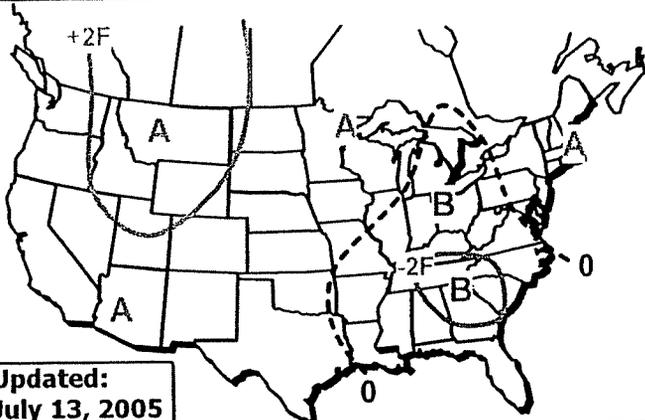
9:45 AM EDT

TIME

MR

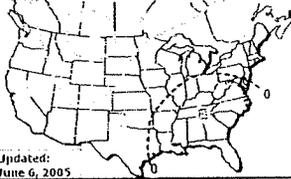
FORECASTER

AUGUST 2005



Updated:
July 13, 2005

AUGUST 2005 PREVIOUS



No Major Changes to
Big Picture Themes

Seasonal to Cool
Continues in Southeast

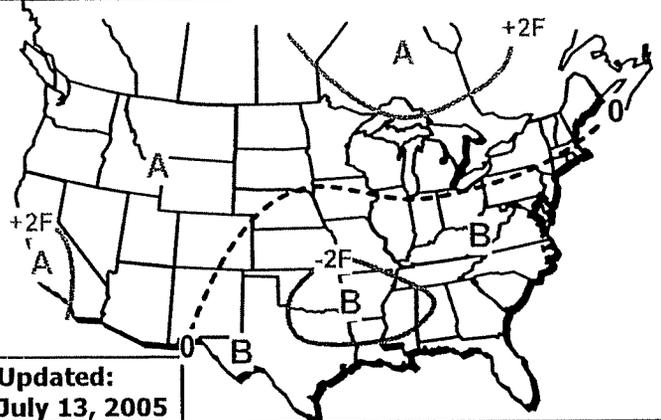
Updated:
June 6, 2005

The overall outlook is approximately similar to last week's update with seasonal to cool anomalies favored for parts for the eastern Midwest, Mid-Atlantic, and South. The warmest anomalies are favored toward the top of the ridge expectation- still in the upper Rockies to maybe Northern Plains. The cool pocket in the Southeast has been somewhat of a fixture this summer season.

August CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	238.0	235.8	233.0	118.0
Philadelphia	359.0	372.5	351.0	309.0
Houston	560.0	593.3	563.0	561.0

SEPTEMBER 2005



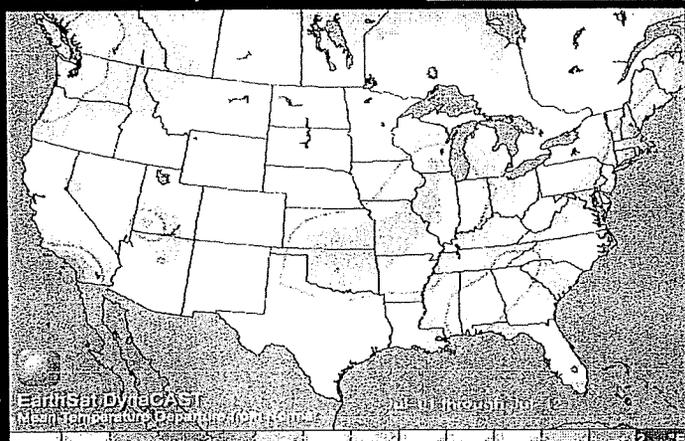
Updated:
July 13, 2005

Best Chance for Warming in North and West
Best Cooling Opportunities in South

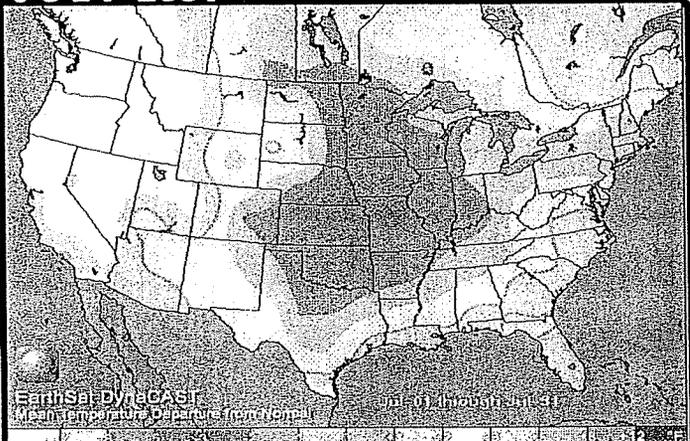
The new September outlook offers some similar themes to recent patterns with warming more favored in the West, Northern Plains, and across the southern tier of Canada. The analog years are warmer in SoCal than seen in previous months and this could be an issue since Sep-Oct rolls into more of the Santa Ana season there. Stronger downslope flow events could trigger stronger heat events there. Otherwise, given recent patterns, rain will likely be needed to push Texas away from its otherwise hot and dry summer.

September CDDs Forecast Coming Next Week!

JULY 1 - 12, 2005



JULY 2004



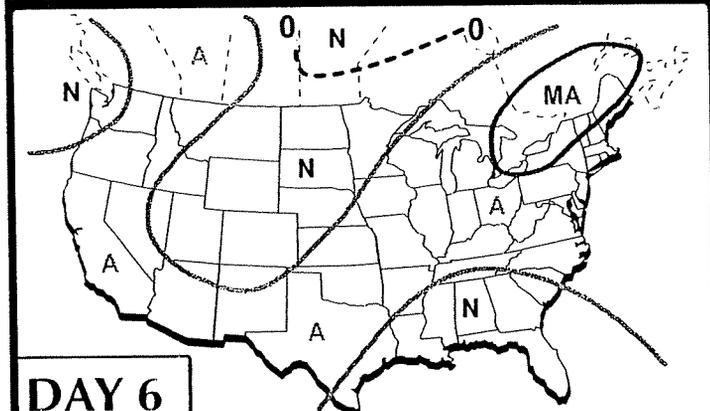
Maps above depict deviations of average temperatures from normal in Fahrenheit.



EarthSat's Energy Weather The 6 to 10 Day Forecast - Detailed Version

EARTHSAT Thursday **DAY** 7/14/2005 **DATE** 6:30 A.M. **TIME** MR/JS **FORECASTER**

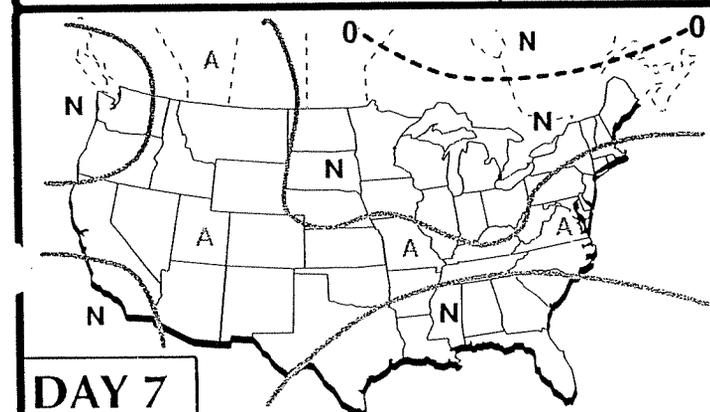
FORECAST TEMP. DEVIATIONS



DAY 6

FORECAST VALID: Tuesday, 7/19

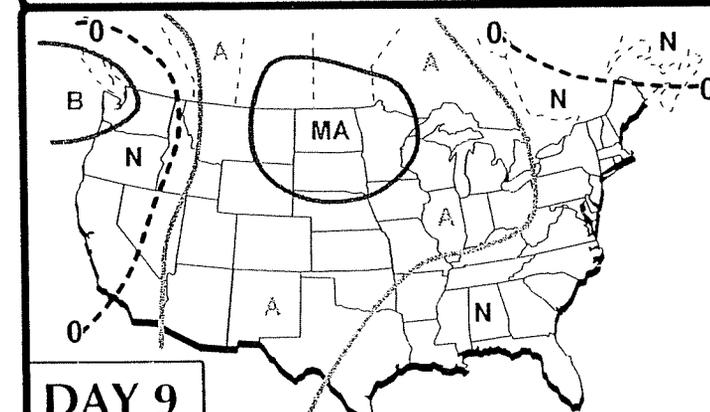
CONFIDENCE: 6



DAY 7

FORECAST VALID: Wednesday, 7/20

CONFIDENCE: 5



DAY 9

FORECAST VALID: Friday, 7/22

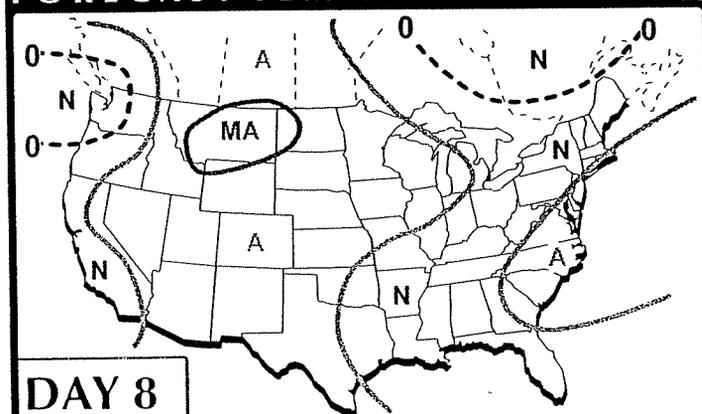
CONFIDENCE: 3

DISCUSSION

Today's Forecast.

Hot Temperatures Engulf The Midwest And Rockies
The models have backed off on the strength of the cool trough since yesterday, allowing for warmer temperatures in the Midwest and Rockies throughout the period. In the wake of the trough around day 8, much aboves can be found spanning from Montana all the way to Indiana. Upon heading east, the trough cools the Eastern states back to normal, after an especially warm start in Southeastern Canada. Another cool trough pokes its way into the Pacific Northwest by day 8, cooling down the West Coast regions at the end of the period. The Southeast still remains around normal.

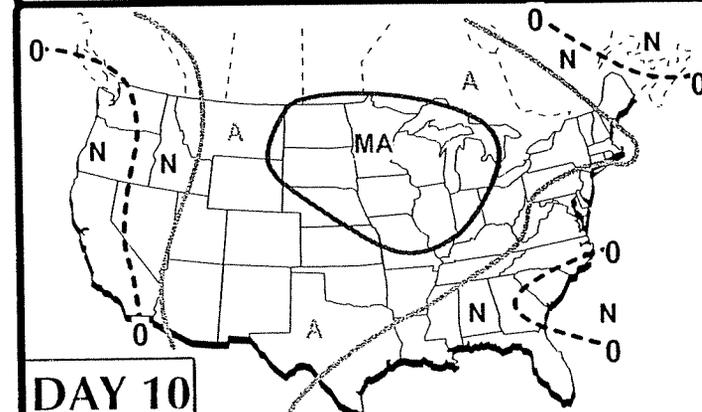
FORECAST TEMP. DEVIATIONS



DAY 8

FORECAST VALID: Thursday, 7/21

CONFIDENCE: 4



DAY 10

FORECAST VALID: Saturday, 7/23

CONFIDENCE: 2

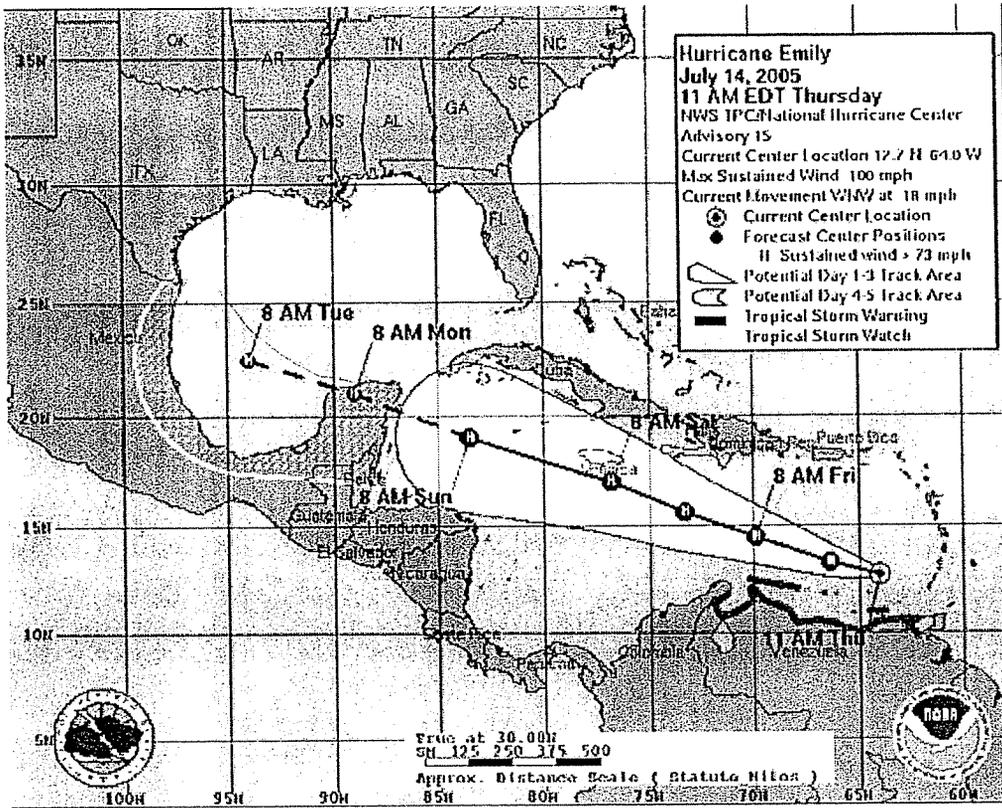
LEGEND

MUCH ABOVE.. +8F OR UP
ABOVE..... +3F TO +7F

NORMAL
-2F TO +2F

MUCH BELOW..... -8F OR DOWN
BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High





Commentary

Rallying above 8000 August strengthened gradually and remained strong throughout the session. The 2005 summer strip is still backwardated to the summer strip of 2006 and this is very bullish. Although our storage survey showed that an injection of 81 bcf/wk is expected, looking ahead to the following two weeks it is likely that shut ins during Cindy and Dennis will have an effect on injection rates. It is also conceivable that with low injection rates two weeks consecutively, fears of the surplus of overall gas in storage vs. last year at this time and the average amount for 5 years getting near to flat might be justified. This could lead to a scale down buying mentality in August after the storage report is released. Today's price action demonstrated that more sensitivity is to rallies than weakness, and at this time we view dips as buy opportunities.

Scott Allen



Although the information in this report has been obtained from sources which BNP Paribas believes to be reliable, we do not represent or warrant its accuracy, and such information may be incomplete or condensed. All estimates and opinions included in this report constitute our judgement as of the date of the report and may be subject to change without notice. BNP Paribas or its affiliates may, from time to time, have a position or make a market in the financial products mentioned in this report, or in derivative instruments based thereon. BNP Paribas shall not be responsible for the consequences of reliance upon any opinion or statement contained herein or for any omission or error of fact. This report is confidential and is being submitted to selected recipients only. This report may not be reproduced (in whole or in part) to any other person without the prior written permission of BNP Paribas. Copyright © BNP Paribas (2005). All rights reserved.



Kern, Jeff L.

From: Quezada, Daniel on behalf of Smith, Brian
Sent: Thursday, July 14, 2005 10:23 AM
To: Quezada, Daniel
Subject: CIN Market Outlook 07.14.05
Attachments: Cinergy Marketing Report 07-14-05.pdf

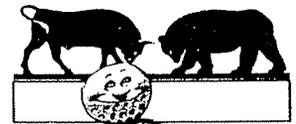
Market Outlook: Prices are again strong as Emily was upgraded to a hurricane, and landfall now looks to be Cancun on Monday. This is a more bullish threat to gulf, with better chances of it continuing on to hit between Corpus Christi and Tampico. Stats for crude were bullish with a draw of 2MM more than expectations. Canadian imports are high...above 10BCF. EIA is expected at 84, bias toward coming in lower. Next week estimates are between 40 and 55, incorporating the hurricane shut-ins. 8.05, then 8.16 resistance...next level is 10.20! Crude still flirting with 60 as the critical level, but pressure for lower heating oil prices are constraining a move upward.

Brian Smith

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AOL IM - bsmithcinergy
Yahoo IM - smitty_cinergy

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7/14/2005



Jim Duncan, Market Analyst
(281) 293-1649

Email: James.W.Duncan@conocophillips.com

Thursday, July 14, 2005

No Decision Day...Wide Range...Much Pain...Wait & See Emily Yields Sideways



Today: Bullish **August Natural Gas Closed** **Up 1.5¢** **30-Day: Bearish**

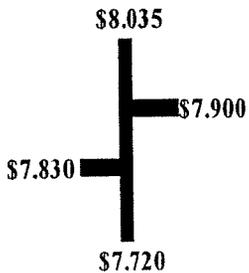
Bottom Line – The downgrading then subsequent upgrading of Emily to hurricane will surprise much of the market. Also storage day is likely to be a surprise to the downside, which would also be bullish.

Yesterday's Market

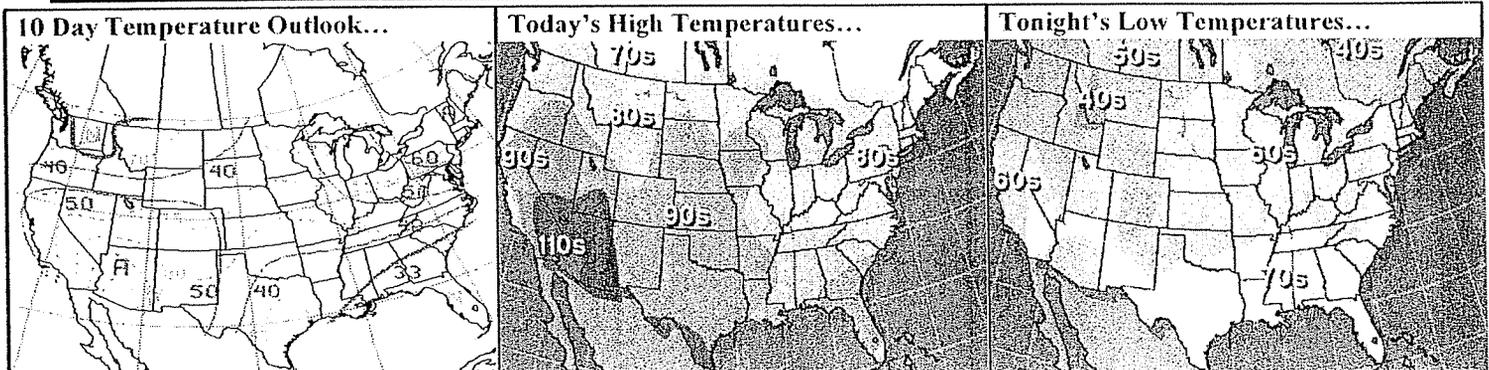
- August natural gas posted a yo-yo session yesterday exploring both positive and negative territory, ultimately choosing neither definitively. The result was a net-neutral day with the front month contract settling up a marginal 1.5¢ at \$7.90. The front month began the session at \$7.83, slipped as low as \$7.72, and then managed to walk back up to \$8.035 before pulling back to "unchd."
- One major question mark yesterday was then Tropical Storm Emily, the fifth named storm of this overly active season. Though the system was maintaining winds near 60 mph in reports released during the day session, late in the afternoon the NHC said that the storm had ceased strengthening and was likely not achieve hurricane status by the time it reached the Windward Islands.

Today's Market

- Hurricane Emily looked like it made a "torque" move to the northwest last night. Additionally, Emily spooled up nicely while we slept and developed explosive convection in a totally symmetric pattern, which increased its health and triggered the overnight upgrade. Right now, Emily looks to me like she will stay far enough south not affecting GOM production. However, with the torque move we can't rest, and the market won't rest, until the storm dissipates. Of more immediate concern, however, is today's inventory report, which will include the production lost late last week due to Hurricane Dennis, some mixed weather data, and the inclusion of the low-load Independence Day holiday. It should be interesting.
- Hurricane Dennis has the market "expecting lackluster injection figures," and a narrowing of the year-on-five-year storage surplus of 242 Bcf. Current expectations are for a build of between 58 and 92 Bcf, with prognostications averaging out near 80 Bcf. This would be significantly less than the 98 Bcf five-year average as well as last year's 109 Bcf figure. Looking further out, damage from Hurricane Dennis has lowered expectations for next week's report even lower. Early forecasts are for a build between 40-50 Bcf, well below the 77 Bcf five-year average build. According to the Minerals Management Service's latest update, 10.3% of daily natural gas production remains offline in the Gulf of Mexico. To date, some 23 Bcf have been lost due to Hurricane Dennis. So much information remains "in the air" for the market that I doubt we'll see any significant bear move till the end of the month...maybe.



Access Trading	7/14/2005	8:29 AM	Natural Gas	\$8.000	10.0¢
WTI Crude	\$59.920	(\$0.09)	IPE Brent	\$57.940	(\$0.41)



Weather Briefs – TS Emily Upgraded To Hurricane - Summertime Heat/Humidity to Redevelop East - Summertime Heat for Portions of the Midcon - Hot Across Much of the West

Signatts... Emily Moving Away from the Windwards



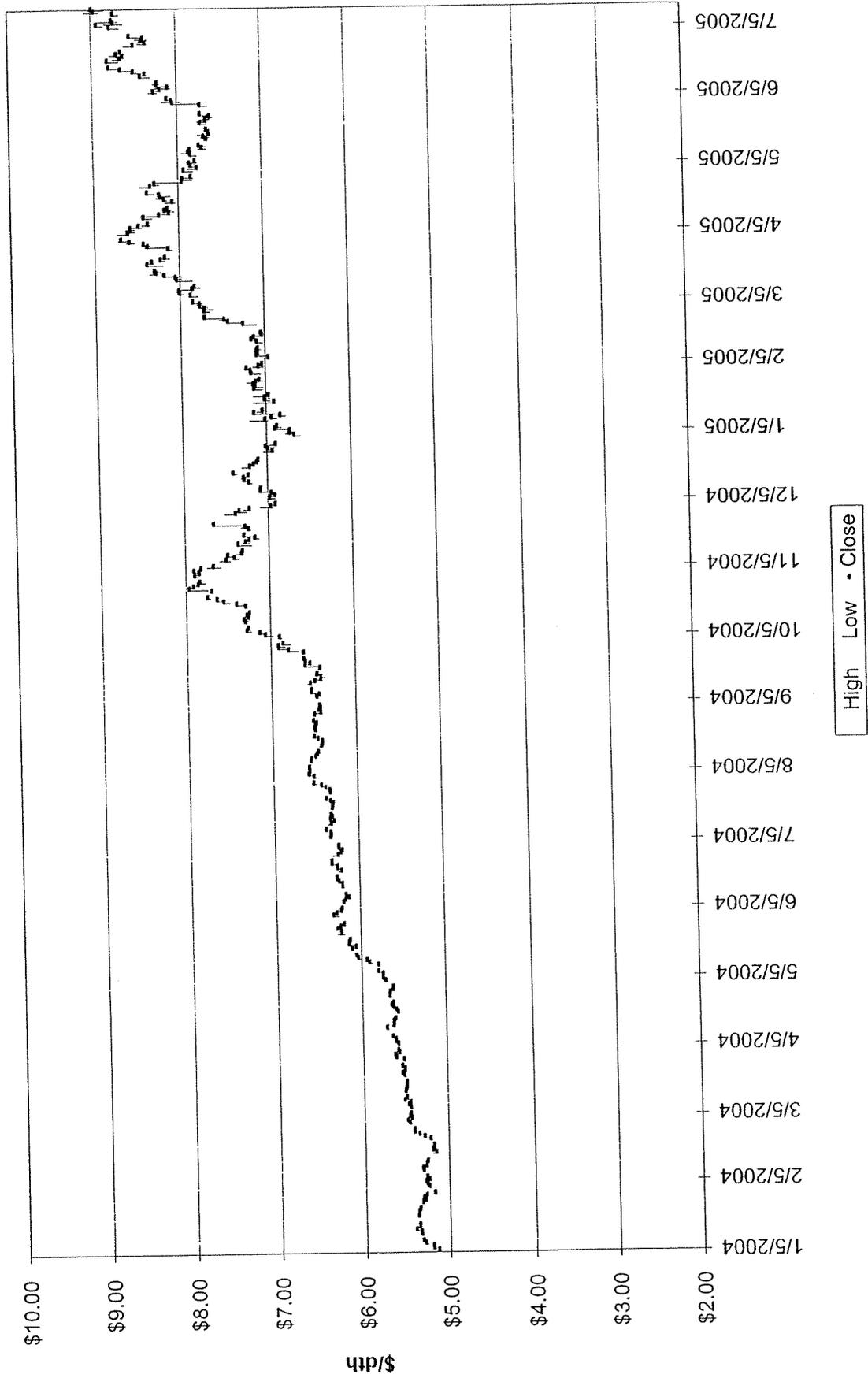
As of 5am this morning, now **Hurricane** Emily was located about 45 miles WNW of Grenada, and tracking WNW at 18mph. This motion is expected to continue into the weekend, with the center reaching Puerto Rico Saturday and the southern GOM/Yucatan by Monday of next week. Top sustained winds are near 90mph, with some gusts to near 115mph just NE of the center. My hurricane sense tells me this storm ultimately moves into Old Mexico, but the market will assume the risk making this bullish.

Storage...

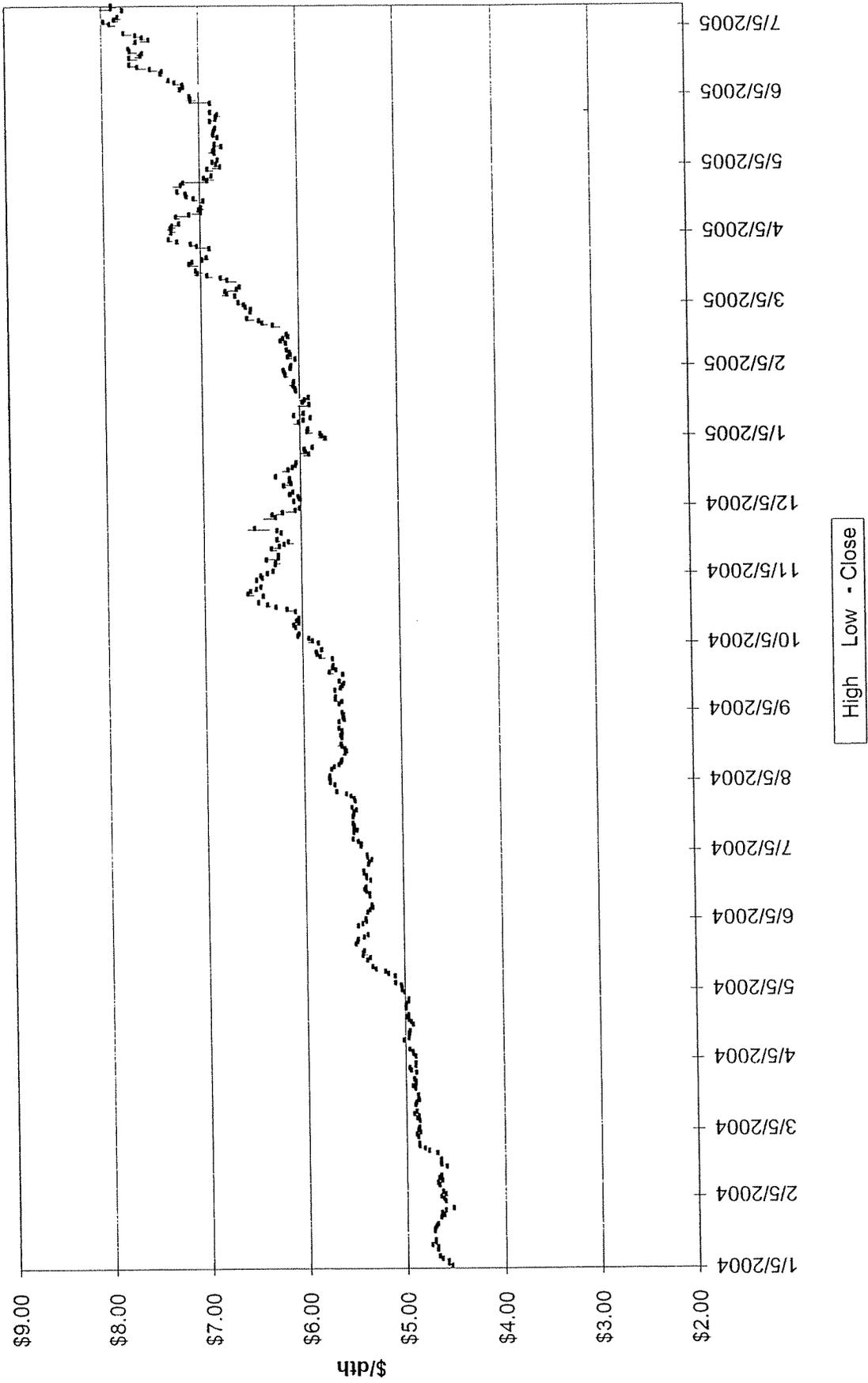
I'm looking for a build of 73 Bcf this week...

For the week ending July 8, my forecast calls for a build of 73 Bcf, which is off significantly from last year's build of 108 Bcf, the three year average build of 91 Bcf, and the five year average build of 87 Bcf. The average forecast on Bloomberg came in at 81 Bcf, with a high forecast of 93 Bcf and a low forecast of 58 Bcf – with the July 4th holiday weekend, and Cindy and Dennis, there is much variance in this week's forecasts. The current inventory level is 2.186 Tcf, and we are 155 Bcf ahead of last year, and 242 Bcf above the five year average.

Winter Strip Dec05 - Mar06



Summer Strip 2006



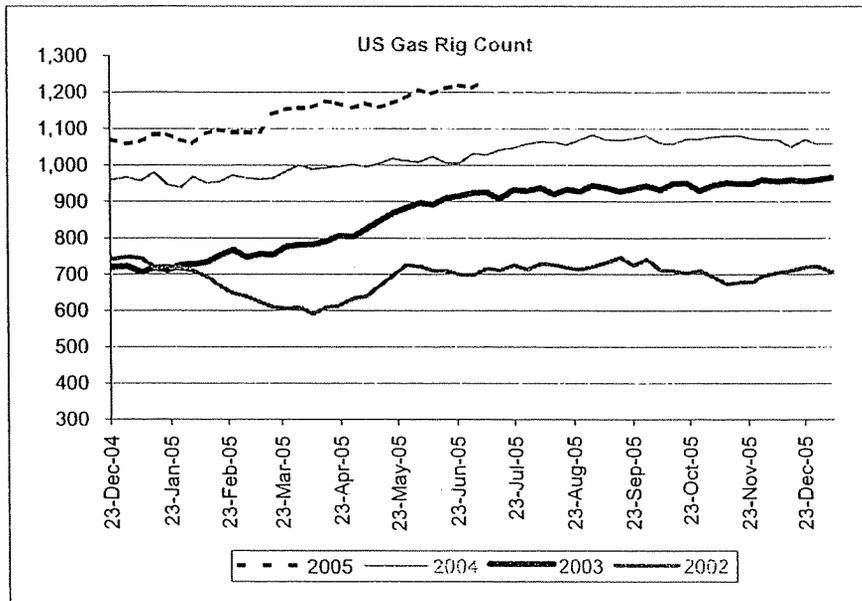
London
(207) 595-8800



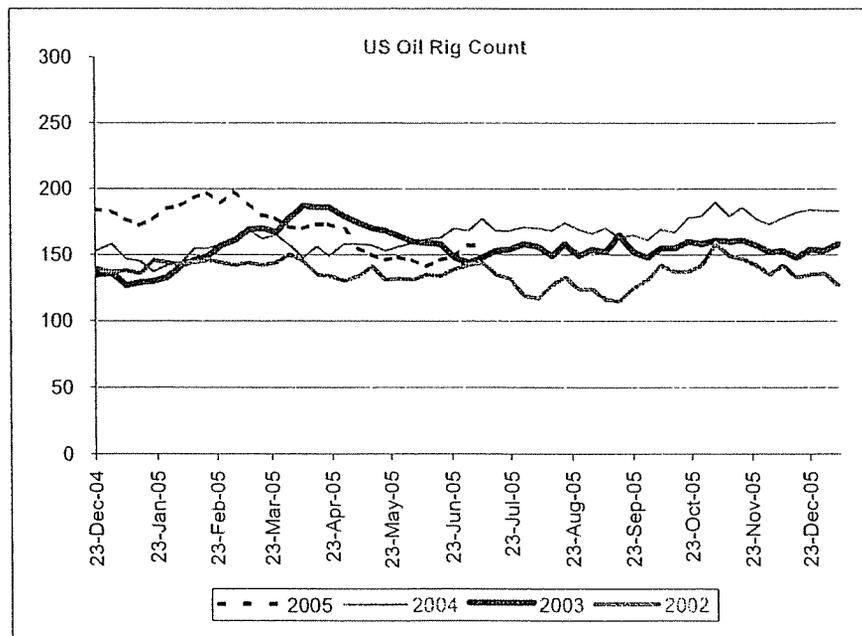
New York
(212) 841-3347

Commodity Futures WEEKLY RIGWATCH

for the week ended: 8-Jul-05



Misc. Rigs	Count
Misc. Rigs	2
2002	716
2003	925
2004	1028
2005	1235
+/- Week Ago	24
05 vs 04	207
05 vs 4yr AVG	345



2002	144
2003	148
2004	177
2005	157
+/- Week Ago	0
05 vs 04	-20
05 vs 4yr AVG	1

SOURCE: BAKER HUGHES US OIL & GAS DIRECTED RIG COUNT WWW.BAKERHUGHES.COM

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Gas Commercial Operations
Price Mitigation Program
Market Indicators Summary
August 30, 2005

Weather	Price Pressure	Comments
Long Term Weather Forecast	↔	WSI (Summer): "This forecast process has been particularly difficult, since the climate model signal (warm) is so diametrically opposed to the statistical model signals (cold) "
Mid Term Weather (30-60 days)	↑	Earthsat: "Most of the recent hottest summers have tended to be cooler than normal. during the autumn period."
6-10 day forecast	↔	No extreme heat expected cause gas fired electric generation, and too early for heating load.
Tropical Storm Activity	↑	Estimated that 6 BCF/day has been shut in due to Katrina. Tropical Depression 13 is expected to break up without forming a Tropical Storm.
Storage Inventory		
EIA Weekly Storage Report	↓	Storage injections for the week ending August 19th were 60 BCF, which was above industry expectations. Storage levels are now 1% lower than last year at 2.6 TCF.
Industry Publications		
Cambridge Energy Research Associates Winter 05-06: \$7.09 Summer 2006: \$6.87	↑	...the market could move from concern over injection season inventories to concern over tight winter supply and carry the market and higher prices along with it."
Paribas	↑	High prices have already slowed injection rates...now with shut ins the injection rate will most likely be even slower..."
Gas Daily	↑	"Two analysts raise their 2005 price forecasts"
Conoco Morning Briefing	↑	"... where prices go from here will be dictated by news of damage to infrastructure ...as it dribbles in."
Government Agencies		
Energy Information Administration Winter 05-06: \$7.79 Summer 2006: \$7.00	↑	"... several factors are expected to continue to support high natural gas prices, including: high world oil prices; continued strength in the economy;...and concerns about the potential effects of hurricanes "
Technical Analysis		
Winter 2005-06 Strip Chart	↑	Trending up since 2004
Rig Count	↓	Down 1 and remains high compared to last 5 years.
Economy		
Demand	↑	See EIA above: "...continued strength in the economy ..."
Supply	↑	EIA: "Domestic natural gas production in 2005 and 2006 is expected to remain near the 2004 level, despite a 16-percent annual average increase expected in natural gas-directed well completion."
Oil Market	↑	EIA: "Crude oil and petroleum product prices remain high in the United States as world oil market fundamental stay tight and conditions for continued economic growth ..."

Meeting Minutes: 10th Floor North Conference Room - 3:00 pm
Attendees: Patty Walker, Jim Henning, Bill Tucker, Jeff Kern, Don Schierenbeck, Laura Schmidt
 In keeping with the revised hedging strategy, two packages of 10,000 dth/day (8,000 CG&E and 2,000 ULH&P) will be priced out. One from April 2006 - March 2007 and the other from April 2006 - March 2008. However, due to the volatility caused by Hurricane Katrina, we will wait a few weeks for the damage assessments to be complete. (Since the price already seems to include an assumption of extensive damage, prices will drop if actual damage is less than expected.) In addition, the term gas for the coming winter with [REDACTED] must be hedged prior to October 31, 2005.

The Union Light Heat & Power Company
Hedging Program - Current Position
As of 08/29/05

	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Daily Base												
Estimated Base (Gross)	[REDACTED]											
Amount Hedged	[REDACTED]											
Cost Averaging	[REDACTED]											
Fixed Price	[REDACTED]											
Fixed Price	[REDACTED]											
Fixed Price	[REDACTED]											
Cost Averaging	[REDACTED]											
Cost Averaging	[REDACTED]											
Fixed Price	[REDACTED]											
Total Hedged	[REDACTED]											
Monthly Base												
Estimated Base (Gross)	[REDACTED]											
Hedged to date	[REDACTED]											
Cost Averaging	[REDACTED]											
Fixed Price	[REDACTED]											
Fixed Price	[REDACTED]											
Fixed Price	[REDACTED]											
Cost Averaging	[REDACTED]											
Cost Averaging	[REDACTED]											
Fixed Price	[REDACTED]											
Total Hedged	[REDACTED]											
% of Base Supply	[REDACTED]											
Seasonal % of Base	[REDACTED]											
Normal Load (City Gate)												
Hedged (City Gate)	[REDACTED]											
Storage Withdrawal	[REDACTED]											
Market	[REDACTED]											
Total (incl. Injections)	[REDACTED]											
% Hedged & Storage	[REDACTED]											
Seasonal %	[REDACTED]											

(1) ULH&P will purchase [REDACTED] from [REDACTED] at Columbia Gulf Onshore based on the average NYMEX closing price June 1, 2005 - July 29, 2005.

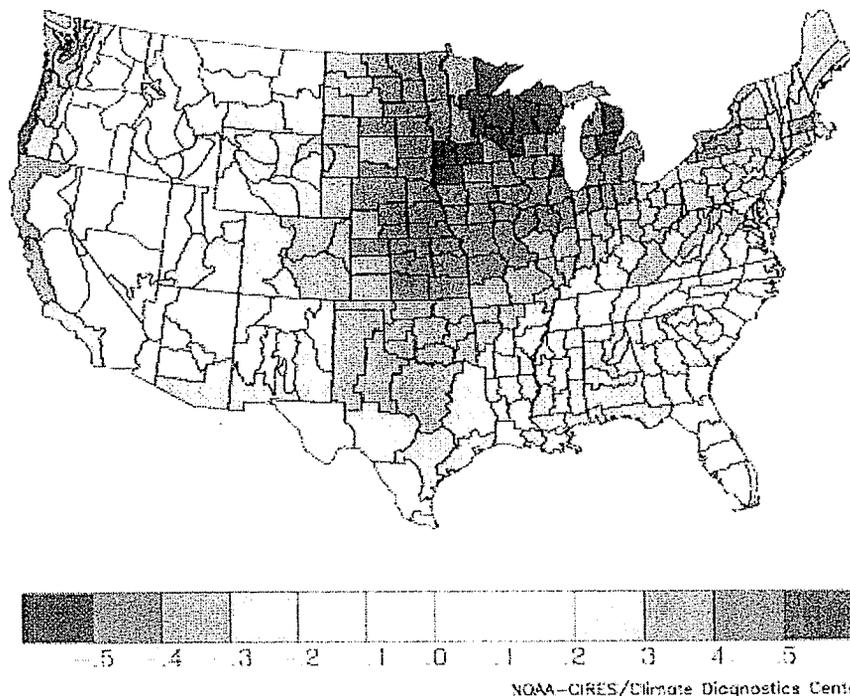
The Union Light Heat & Power Company
Hedging Program for Winter 2005-06
Cost Averaging with [REDACTED]

Total Amount	Closing Price					Winter Strip	Total Cost	Locked in To Date
	November	December	January	February	March			
1-Jun								
2-Jun								
3-Jun								
6-Jun								
7-Jun								
8-Jun								
9-Jun								
10-Jun								
13-Jun								
14-Jun								
15-Jun								
16-Jun								
17-Jun								
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18-Jul								
19-Jul								
20-Jul								
21-Jul								
22-Jul								
25-Jul								
26-Jul								
27-Jul								
28-Jul								
29-Jul								
Total								

Basis to Columbia Gulf Onshore

Price to be paid for [REDACTED] delivered November 1, 2005 to March 31, 2005:

Correlation Temperature Oct
With Oct PDO
1948 to 2004



The most significant change in this month's forecast packages has been to move the bulk of the cold from the East to the Plains. The statistical models have trended warmer in the East, especially the Southeast, this month. This is likely due to the record low values of Arctic snow cover this summer. Specifically, the June value of Northern Hemispheric snow cover was the lowest since 2001, while the July value was the lowest on record. While summer snow cover in the Arctic may not seem to be particularly important, there are indications that low snow cover values may result in warm temperatures in the eastern US in the fall and winter.

This forecast process has been particularly difficult, since the climate model signal (warm) is so diametrically opposed to the statistical model signals (cold). For now, we have favored the statistical models and have gone with the colder solution for the fall season (below), based primarily upon the strength of the PDO signal in the fall and the fact that the statistical models have trended even colder this month. If the PDO weakens significantly during the next 4-6 weeks, we will likely warm up our forecast in our September package. On the other hand, if the climate model is colder next month and matches the cold statistical model signal, we will have particular high confidence of a cold fall, especially in the central US.



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTHSAT

Wednesday

DAY

8/24/05

DATE

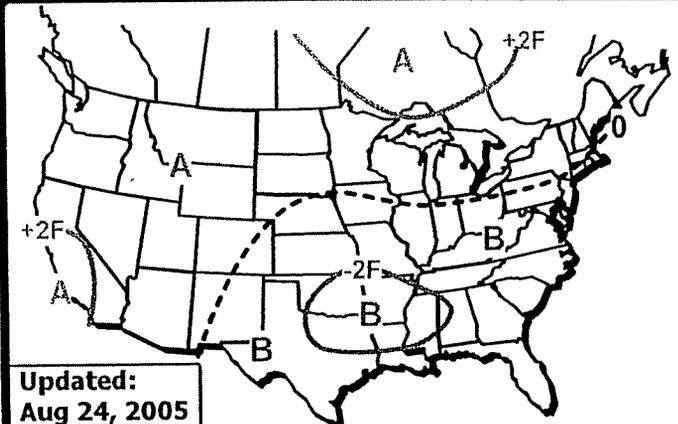
9:45 AM EDT

TIME

MR

FORECASTER

SEPTEMBER 2005



Updated:
Aug 24, 2005

SEPTEMBER 2005 PREVIOUS



No Changes

Warm Start and Cool
Finish Favored in East

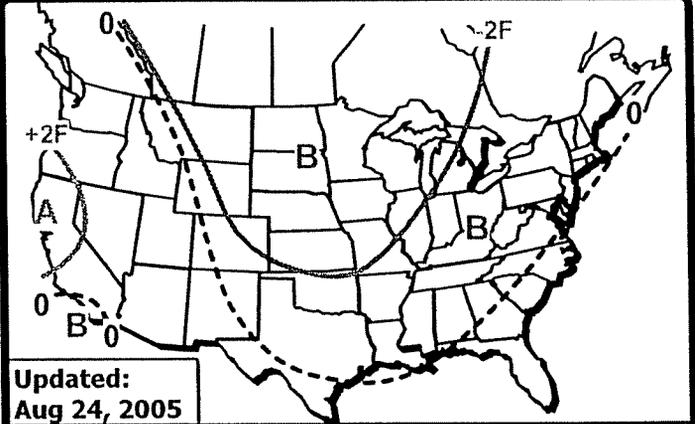
Updated:
Aug 17, 2005

No changes are being made to the September outlook. The similar hot summer analog cases suggest that the month could be quite uncertain/variable. The current thinking favors continued seasonal to above normal temperatures in the Midwest and East early in the month with trends toward seasonal to cooler than normal weather by late month toward an October transition.

September CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	100.0	84.5	91.0	94.5
Philadelphia	165.0	165.4	152.0	173.0
Houston	387.0	430.2	412.0	485.0

OCTOBER 2005



Updated:
Aug 24, 2005

OCTOBER 2005 PREVIOUS



Mid-Continent Cooling
Still Favored for October

West Coast Mostly
Seasonal to Warm

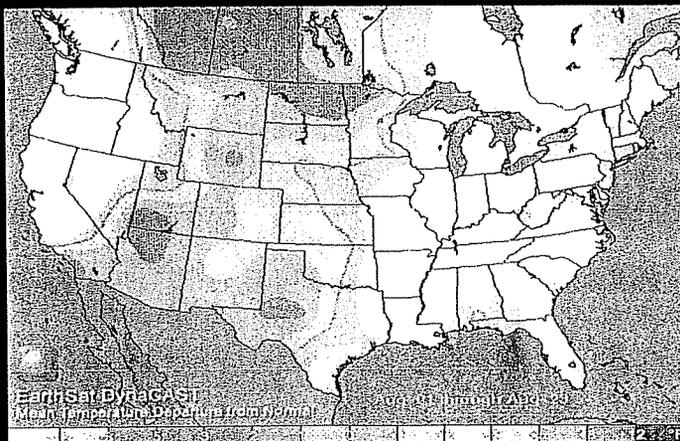
Updated:
Aug 17, 2005

The October thinking continues to be about the same. Analysis of other consistently hot summers as well as the ENSO analogs both suggest a better chance in October vs. September for seasonal to below normal temperatures in the central to eastern thirds of the nation. Most of the recent hottest summers have tended to be cooler than normal more frequently during the autumn period.

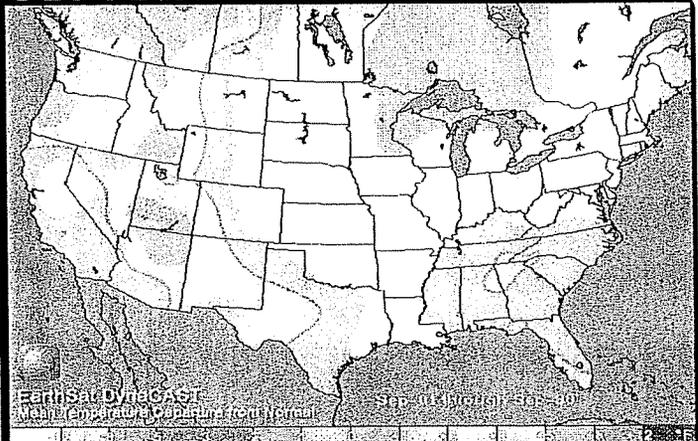
October HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	461.0	379.1	401.0	348.0
Philadelphia	277.0	251.9	269.0	276.0
Houston	39.0	31.0	37.0	4.0

AUGUST 1 - 23, 2005



SEPTEMBER 2004



Maps above depict deviations of average temperatures from normal in Fahrenheit.

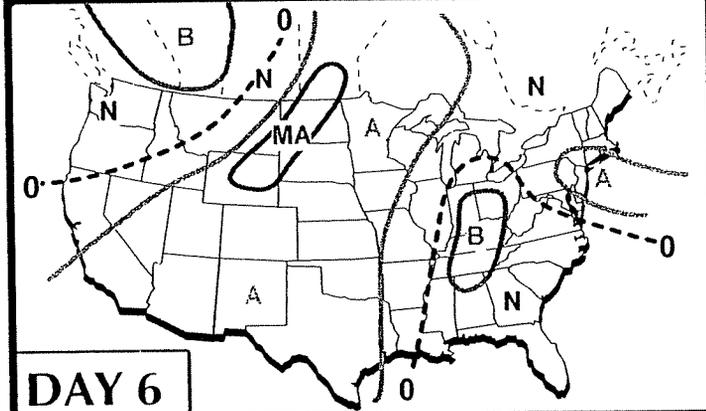


EarthSat's Energy Weather

The 6 to 10 Day Forecast - Detailed Version

EARTHSAT Monday **DAY** 8/29/2005 **DATE** 6:30 A.M. **TIME** MR/JS **FORECASTER**

FORECAST TEMP. DEVIATIONS



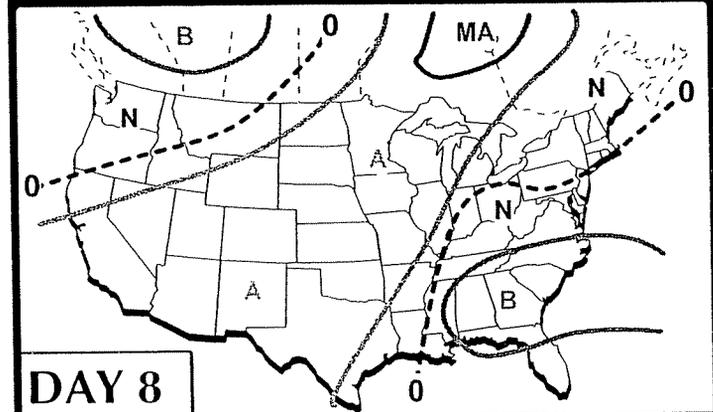
FORECAST VALID: Saturday, 9/3 **CONFIDENCE:** 6

DISCUSSION

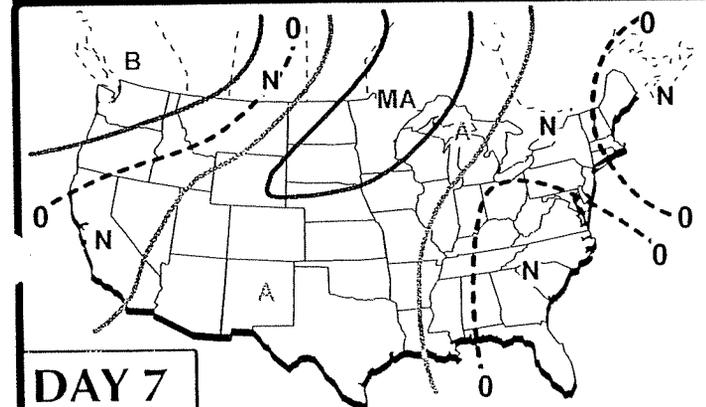
Today's Forecast.

Aboves In The Plains; Early Belows In Pacific N.W.
Similar to last week, aboves are found across the Plains, reaching down to the Desert Southwest and lasting the entire period. However, the area of much aboves in this ridge is smaller than last week's forecast heat wave, only having a wide span on day 7. In the Pacific Northwest, a cool trough moves in off the ocean at the beginning of the period, bringing belows to the area. This trough will not have as strong a cooling effect in the Rockies though, as they only fall to normal. A short spurt of belows also is found in the Southeast, as onshore flow is forecast to continue at times.

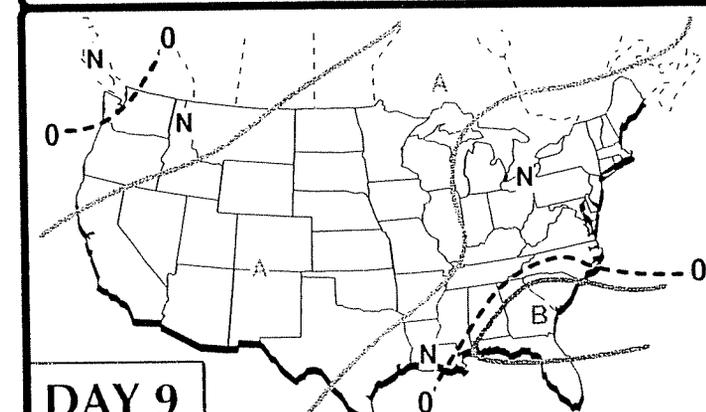
FORECAST TEMP. DEVIATIONS



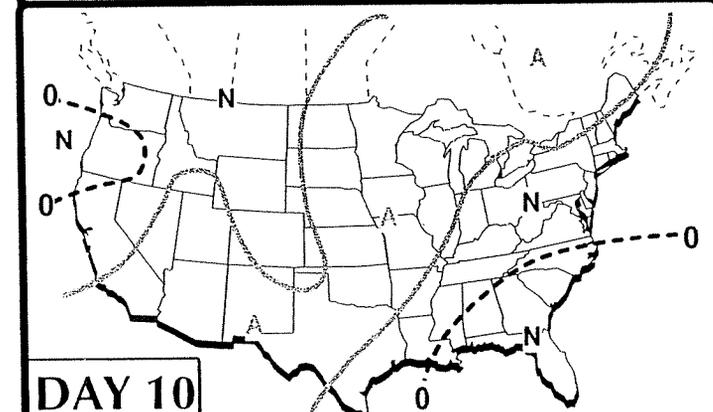
FORECAST VALID: Monday, 9/5 **CONFIDENCE:** 4



FORECAST VALID: Sunday, 9/4 **CONFIDENCE:** 5



FORECAST VALID: Tuesday, 9/6 **CONFIDENCE:** 3

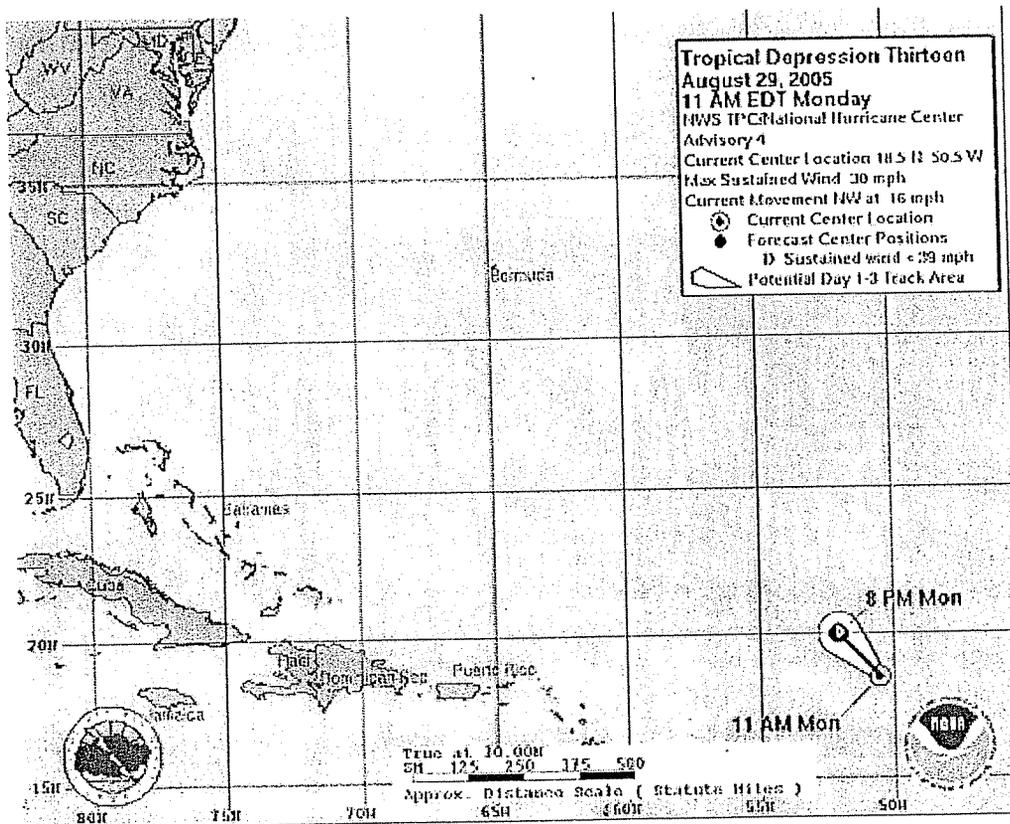
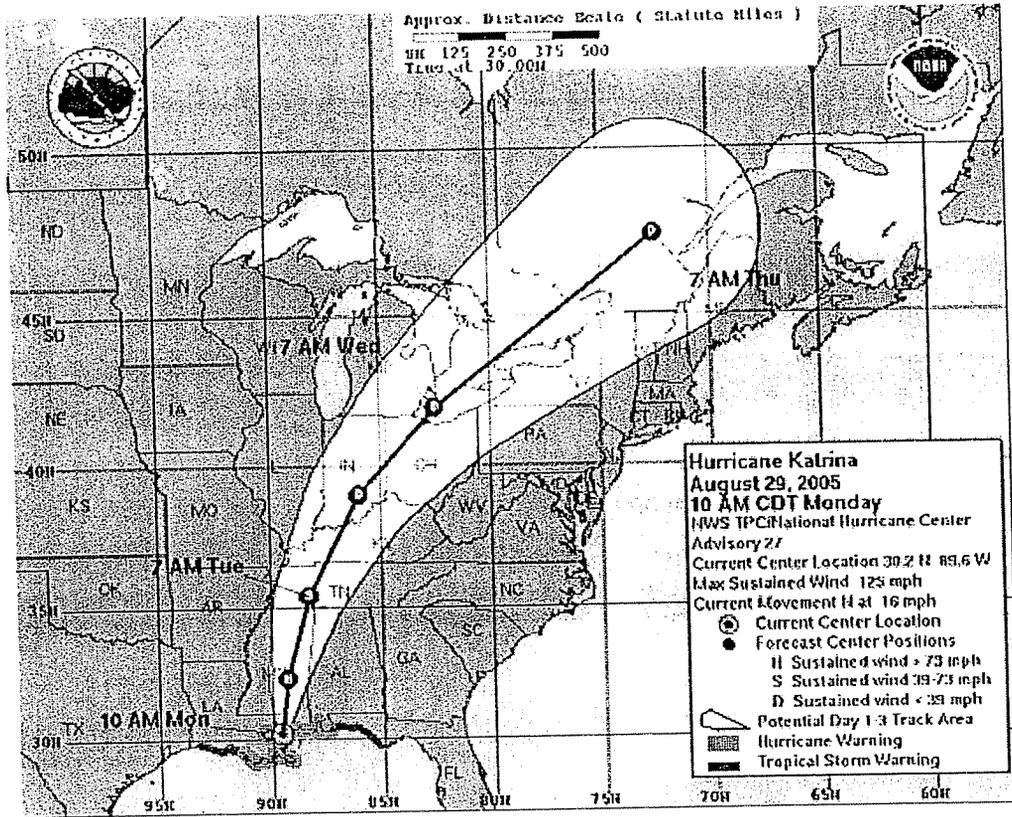


FORECAST VALID: Wednesday, 9/7 **CONFIDENCE:** 2

LEGEND

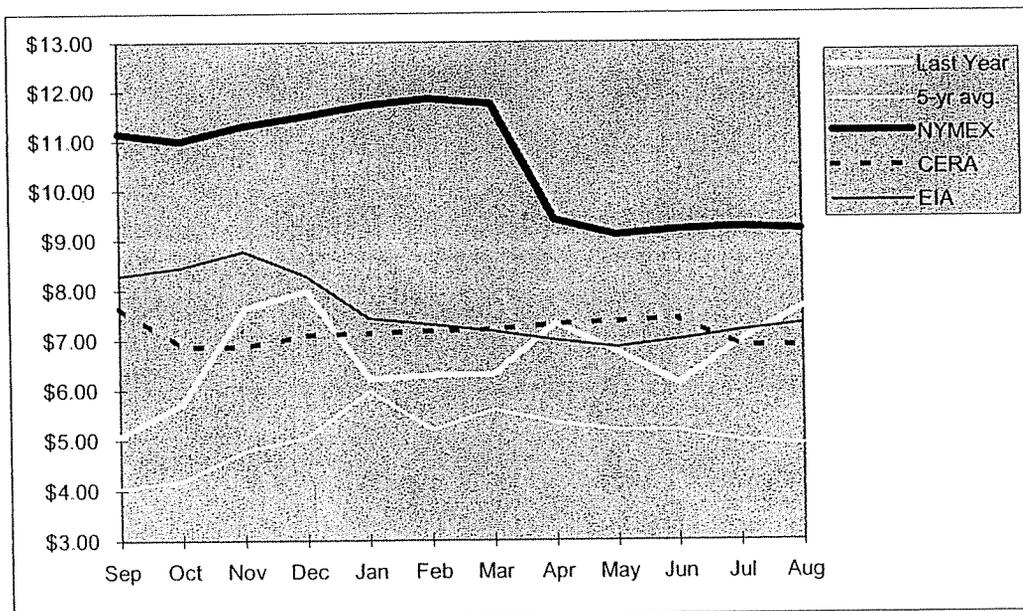
MUCH ABOVE.. +8F OR UP **NORMAL** **MUCH BELOW..... -8F OR DOWN**
ABOVE..... +3F TO +7F **-2F TO +2F** **BELOW..... -7F TO -3F**

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High



COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 19-Aug-05	EIA 9-Aug-05	NYMEX 29-Aug-05
Sep	\$4.04	\$5.08		\$7.650	\$8.289	\$11.150
Oct	\$4.20	\$5.72		\$6.860	\$8.451	\$11.000
Nov	\$4.79	\$7.63		\$6.860	\$8.777	\$11.300
Dec	\$5.06	\$7.98		\$7.090	\$8.279	\$11.500
Jan	\$5.98	\$6.21		\$7.130	\$7.432	\$11.720
Feb	\$5.20	\$6.29		\$7.170	\$7.301	\$11.850
Mar	\$5.59	\$6.30		\$7.200	\$7.165	\$11.750
Apr	\$5.34	\$7.32		\$7.310	\$6.987	\$9.400
May	\$5.19	\$6.75		\$7.360	\$6.846	\$9.100
Jun	\$5.18	\$6.12		\$7.420	\$6.995	\$9.200
Jul	\$4.97	\$6.98		\$6.870	\$7.167	\$9.250
Aug	\$4.91	\$7.65		\$6.860	\$7.306	\$9.200
12 Month Avg	\$5.04	\$6.67		\$7.148	\$7.583	\$10.535
Summer Average				\$7.190	\$7.434	\$9.757
Winter Average				\$7.090	\$7.791	\$11.624



CERA ADVISORY SERVICE
North American Natural Gas

CERA Monthly Briefing®

WALL OF WORRY

NORTH AMERICAN GAS MARKETS ON EDGE WITH NO FUNDAMENTAL BREAKPOINT AHEAD

DATE
August 19, 2005

North American gas prices are balanced precariously on top of a wall of worry, a wall rushed to completion and propelled by competition for supply between above-normal summer power demand and storage injections for the winter. Surging world oil markets have also added fuel to the fire, as futures traders trading on bullish conditions in the entire energy complex have pushed gas futures to dizzying levels. Prices and volatility will remain elevated until relief arrives in the form of lower demand or a spell of bearish news that calms the risk premium embedded in summer prices over \$9.00 per million British thermal units (MMBtu).

CERA's view throughout the summer thus far has been that prices would be high early in the injection season, as concerns about the tight market drive storage injections. However, CERA expected that, as in 2004, storage inventories would reach a point at which operational constraints on further injections would throw a bucket of cold water on a hot market. A market surging on psychological factors would be corrected upon reaching this hard fundamental breakpoint. However, several weeks of hotter-than-normal weather have lent fundamentals support to what heretofore had been a primarily psychologically driven market. Equally important, the heat has eroded the storage cushion, to the point where operational constraints on injections now appear unlikely. Hence, price relief will not happen quickly because North American storage inventories now are unlikely to exceed 2004 levels, which would have provided a fundamental break on prices. Without this fundamental breakpoint, the market could move from concern over injection season inventories to concern over tight winter supply and carry the market and higher prices along with it.

In spite of this risk, the market fundamentals do not support Henry Hub \$9.00 per MMBtu prices in the shoulder month of September with lower demand and still-healthy North American storage inventories. The regional markets in the United States and Canada confirm this, with healthy supplies and a growing price

Note: All prices are in US dollars unless otherwise indicated.

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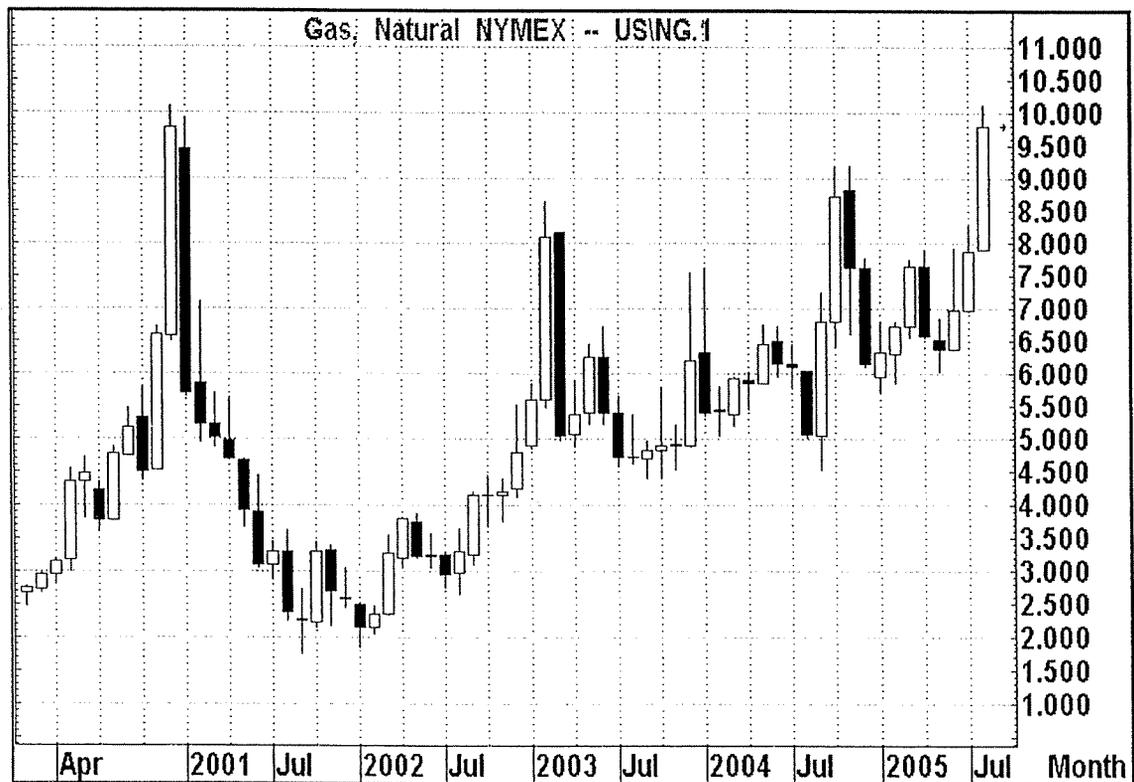
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Commentary

Options expiry saw a late session push to test near 10000 however Sept was unable to pin this strike price. Overall volume was high which should be expected on options expiry. With Katrina in the Gulf and headed to at least very near production areas, it is certain that shut ins will occur. High prices have already slowed injection rates, erasing the year on year storage surplus that had been enjoyed for the majority of the season. Now with shut ins the injection rate will most likely be even slower coupled with high prices. Expiration of Sept futures on Monday only adds to the volatility.

Scott Allen



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Gas Daily

Monday, August 29, 2005

Two analysts raise their 2005 price forecasts

With the gas storage surplus whittled away by the demands of an unusually hot summer, two industry analysts on Friday raised their 2005 price estimates to \$7.65 and \$7.30/MMBtu, respectively, as the market warily awaits the impact of an already active hurricane season.

"Nervousness about the adequacy of storage to last the winter is simply occurring four months earlier than normal," analyst Stephen Smith said in his latest Monthly Energy Outlook released Friday. "Why? The extreme summer heat has effectively eliminated the gas storage surplus just as we are approaching the peak of hurricane season. This increases the odds of beginning winter with below-

(continued on page 6)

Analysts raise their gas price forecasts ... from page 1

normal gas in storage."

Smith, the president of Natchez, Miss.-based Stephen Smith Energy Associates, upped his 2005 price projection to \$7.65/MMBtu at Henry Hub from his month-earlier forecast of \$7.20/MMBtu.

But for 2006, Smith expects moderating crude oil prices and increased liquefied natural gas terminal capacity at Lake Charles, La., and Elba Island, Ga., to result in a somewhat lower average price of \$7.25/MMBtu.

Smith noted that LNG import growth appears to have slowed over the past six months due to seasonal effects, cargo availability and terminal scheduling factors that tend to trim some 20% off annual "nameplate" capacity at U.S. terminals.

On the demand side, Smith now projects a 7% increase in gas-fired power generation during 2005, up from his earlier estimate of 5.8%, as this summer "ranks at least the hottest in a decade, and some weather forecasters are calling it among the hottest summers ever." Residential gas demand is expected to rise by 1.6% this year as degree-days and the number of homes using gas have both risen.

Total gas consumption was 61.3 Bcf/day in 2004 and is expected to rise 2.2% this year to 62.8 Bcf/day, Smith noted.

Separately, analysts at Energy and Environmental Analysis raised their 2005 price estimate Friday by nearly \$1/MMBtu due to higher-than-normal summer temperatures.

EEA now expects 2005 Henry Hub prices to average near \$7.30/MMBtu and 2006 prices to average \$7.60/MMBtu assuming normal weather, up from month-ago estimates of \$6.40/MMBtu and \$7.50/MMBtu, respectively.

EEA pegged power-sector usage due to hot weather at 20.3 Bcf/day from June through August of this year, more than 4 Bcf/day higher than the previous summer. Meanwhile, production in the Lower-48 states will grow just a little over 1%/year, while flat LNG imports this year will increase beginning in 2006 and grow to 3.4 Bcf/day by 2007, the firm said.

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 9.350

Trans. date: 8/26
Flow date(s): 8/27-29

	Midpoint	Absolute	Common	Volume	Deals
Permian Basin Area					
El Paso, Permian Basin	8.800	8.54-9.10	8.66-8.94	1254	158
Waha	8.945	8.80-9.10	8.87-9.02	797	101
Transwestern, Permian Basin	8.130	8.11-8.20	8.11-8.15	44	8
East Texas-North Louisiana Area					
Carthage Hub	8.965	8.90-9.03	8.93-9.00	134	20
NGPL, Texok zone	9.285	9.20-9.40	9.23-9.34	327	59

Munis want hearings, legislation on gas price, supply issues

Calling the U.S. gas supply/demand imbalance a "crisis," the trade group representing municipally owned utilities last week urged two prominent members of Congress to tackle the issue as soon as the House and Senate return in September.

Saying gas costs have tripled over the past five years and have led to the loss of 2.5 million manufacturing jobs, American Public Gas Assn. CEO Bert Kalisch said Congress needs to pass a stand-alone bill focused strictly on natural gas.

In a letter to Sen. Pete Domenici, who chairs the Senate Energy and Natural Resources Committee, and Rep. Richard Pombo, chairman of the House Resources Committee, Kalisch said the legislation should open access to more domestic gas supplies, accommodate liquefied natural gas import terminals and accelerate development of methane hydrate extraction technologies.

Kalisch predicted a voter backlash if lawmakers do not act immediately to bring soaring energy costs under control.

"When the bills reflecting these current gas prices are received this winter by homeowners across America, I expect the fallout will extend far beyond the local communities we serve," he said.

Representatives of Domenici, R-N.M., and Pombo, R-Calif., did not return calls for comment by press time Friday.

Domenici already has scheduled hearings before his committee on the high price of gasoline, but APGA Vice President for Congressional Affairs David Schryver said the muni group believes natural gas-related topics warrant a separate forum.

"There's a separate set of circumstances around each issue," Schryver said. "Both issues deserve their own hearing."

BH

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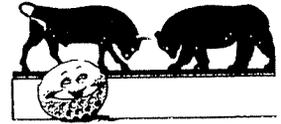
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Monday, August 29, 2005

Katrina Takes Center Stage And Performs Rollercoaster Act

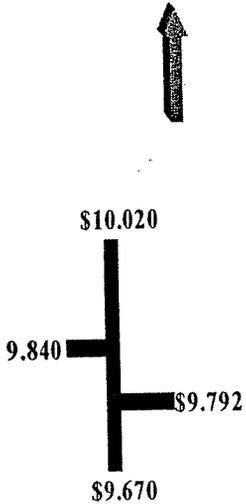
Today: Bullish **September Natural Gas Closed** **Up 2.2¢** **30-Day: Bearish**
Bottom Line – I'd like to have some serious insight into today's market, but all the activity happened last night.

Yesterday's Market

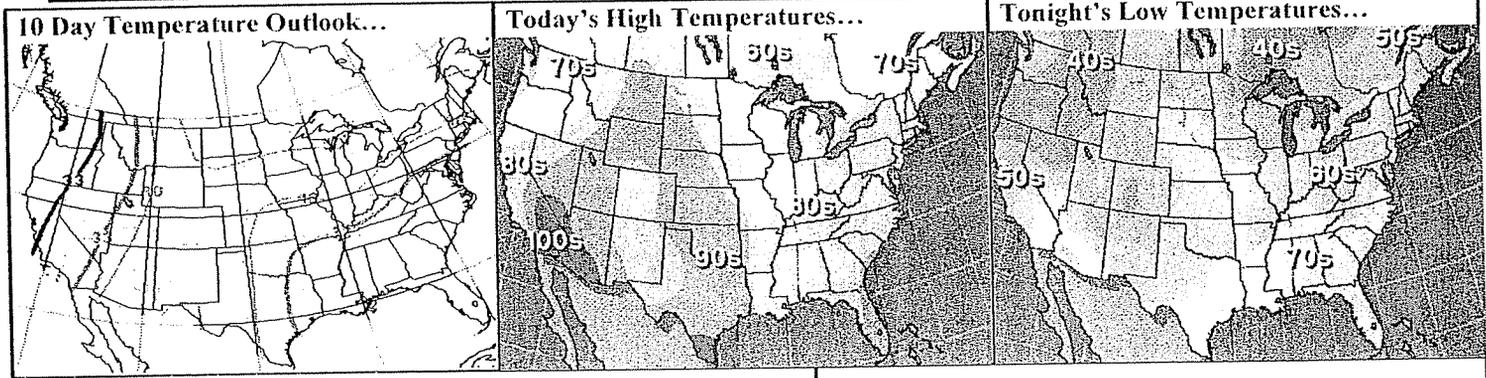
- On an extremely volatile Friday, September natural gas swung through positive and negative territory as market players attempted to hedge themselves ahead of Hurricane Katrina as it strengthened in the Gulf of Mexico. Ultimately, however, the bulls won marginally as September gas closed its second to last session 2.2¢ higher at \$9.792. Earlier in the morning, traders sold the contract down as low as \$9.67 with the expectation that Katrina would end up having a marginal influence on Gulf energy production. By the end of the session, easing worries and a slumping crude oil market allowed the front month to sink back to the \$9.70s.

Today's Market

- After today September will give way to October as the front month and where prices go from here will be dictated by news of damage to infrastructure...as it dribbles in. I've already gotten fresh stories of supplies that are offline and the storm isn't fully onshore, yet. With storm related shut-ins yet to be determined and several refineries offline, too, the coming days could turn into the "Perfect Storm".



Access Trading	8/29/2005	8:26 AM	Natural Gas	\$11.547	175.5¢
WTI Crude	\$69.140	\$3.01	IPE Brent	\$64.870	(\$1.38)



Weather Briefs – Katrina Moves Onshore – Cuban Air Mass Moves In Behind Katrina For Sultry South - High Heat to Persist in Texas and Southwest All Week

Storage...

I'm looking for a build of 65 Bcf this week...

For the week ending August 26, my forecast calls for a build of 65 Bcf. This week's build will be off from last year's build of 81 Bcf and the three year average build of 69 Bcf, but will be in-line with the five year average build of 65 Bcf. The current inventory level is 2.575 Tcf, and we are 39 Bcf behind last year, and 136 Bcf above the five year average.

Sigsats... Cat 4 Katrina Making Landfall



At 4am CDT, Hurricane Katrina was located about 90 miles SSE of New Orleans and about 120 miles SSW of Biloxi and was moving to the north at 15 mph. There was some slight weakening overnight and sustained winds are down to 150 mph, making it a strong Category 4 hurricane.

grew by an average of about 100,000 barrels per day compared to year-ago levels, with similar growth appearing in the gasoline market and even more robust growth (about 180,000 barrels per day) in distillate fuel oil. For the second half of 2005, a 370,000 barrels-per-day increase in total U.S. oil demand above the second half of 2004 average is expected. Increased growth is likely to be driven by a continuation (and even acceleration) of the strength in motor gasoline demand seen since May, continued increases in jet fuel demand resulting from higher air travel, and weather-related increases in heating oil in the fourth quarter.

Natural Gas (Figures 10 to 11)

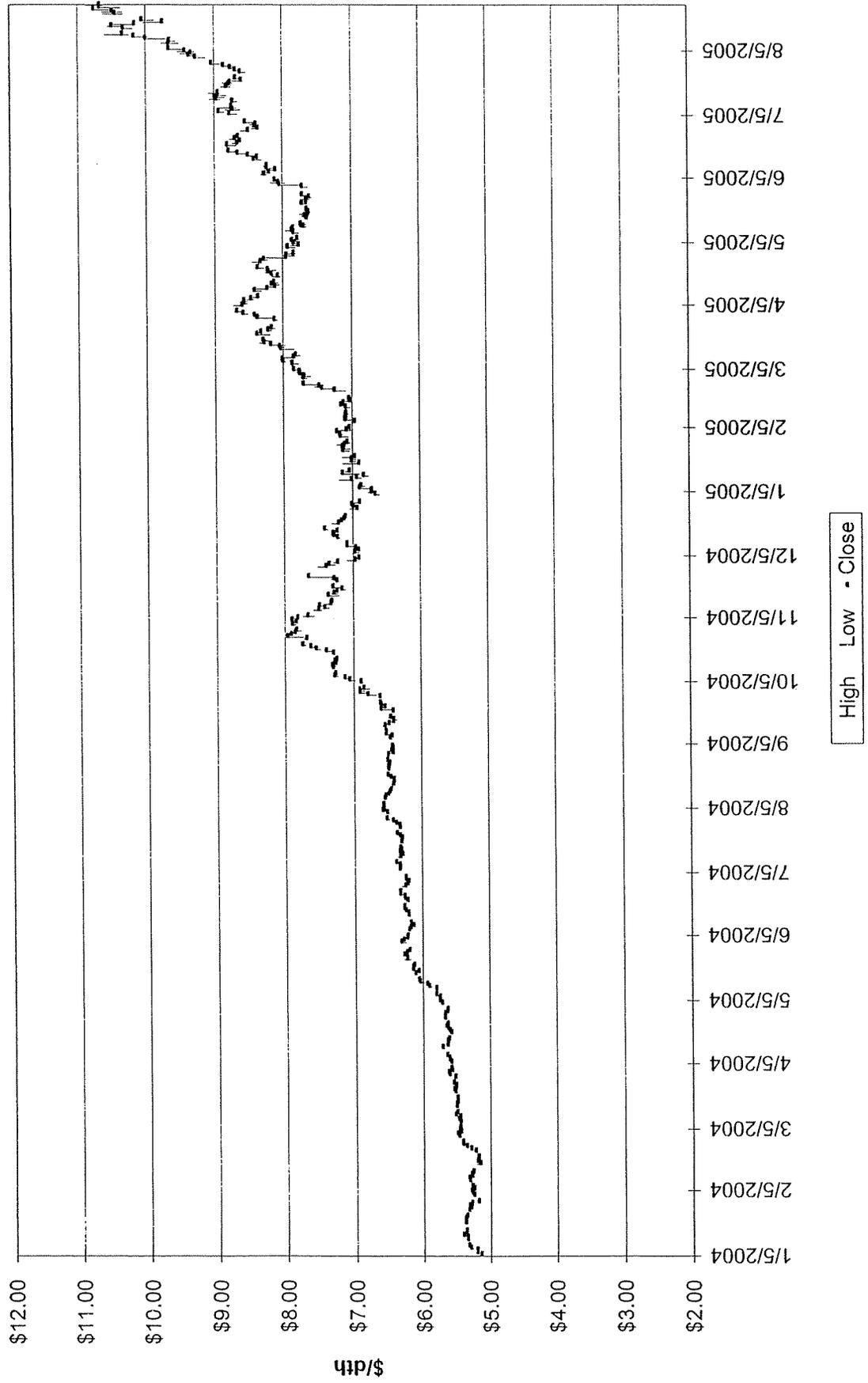
The Henry Hub natural gas spot price is expected to average \$7.63 per thousand cubic feet (mcf) in 2005 and \$7.34 per mcf in 2006. In July, the Henry Hub natural gas spot price averaged \$7.86 per mcf as hot weather in the East and Southwest increased natural gas-fired electricity generation for cooling demand and crude oil prices increased. The natural gas market is likely to stay tight over the next couple of months, with prices projected to rise further as the winter heating season increases demand. The Henry Hub spot price is expected to average \$8.50 per mcf in the fourth quarter. Although natural gas storage remains above the 5-year average, several factors are expected to continue to support high natural gas prices, including: high world oil prices; continued strength in the economy; the expectation that Pacific Northwest hydroelectric resources will be below normal through the rest of the year; limited prospects for growth in domestic natural gas production; and concerns about the potential effects of hurricanes.

Depending on the region of the country, overall increases for 2005 in natural gas spot prices are expected to range between 18 and 25 percent from the 2004 averages. Citygate prices (prices that natural gas utilities pay at the point where they take delivery) and end-use prices (prices charged by utilities for natural gas delivered to end-use customers, including distribution or other charges not included in the utilities' natural gas costs) are expected to exhibit double-digit percent increases for the second year in a row in most regions. For the upcoming winter, pressure on delivered natural gas prices may be sharpest in regions where heating demands are likely to increase the most, such as in the central portion of the United States. The Northeast is likely to see less severe increases in delivered natural gas prices during the winter since, on average, significant increases in heating demand are not expected there. Even so, general increases in natural gas costs are expected to push up heating expenditures for Northeast households this winter.

Working gas in storage was estimated at 2,420 billion cubic feet (bcf) as of July 29, a level 2.2 percent higher than 1 year ago and 7.6 percent above the 5-year average. Above-average storage levels are expected to persist through 2005, assuming that strong injection levels resume following the recent cooling-related surge in demand in the power sector. However, a normal winter for 2005-2006 would probably eliminate any storage surplus. Natural gas demand is projected to increase by 1.8 percent in 2005 and another 2.4 percent in 2006, due to an assumed return to normal weather and continued strength in consumption for electric power production.

Domestic natural gas production in 2005 and 2006 is expected to remain near the 2004 level, despite a 16-percent annual average increase expected in natural gas-directed well

Winter Strip Dec05 - Mar06



London
(207) 595-8800

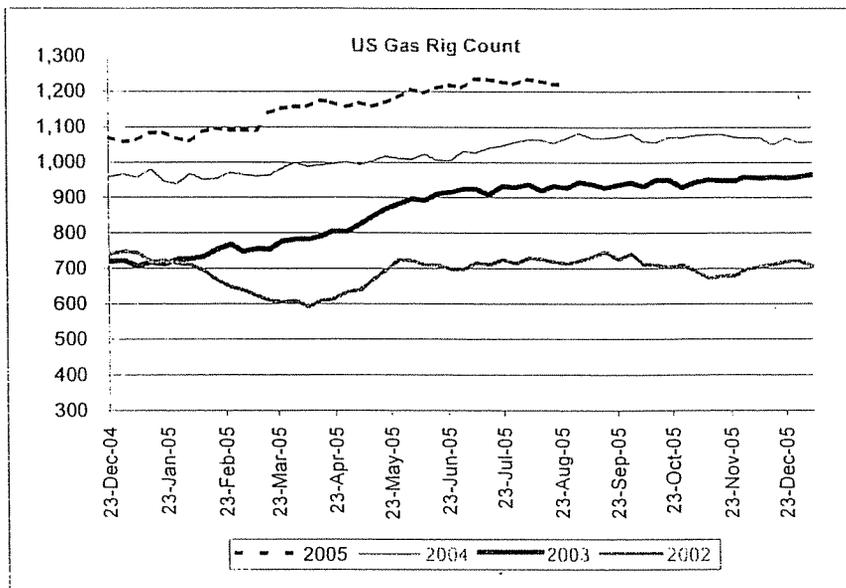


New York
(212) 841-3347

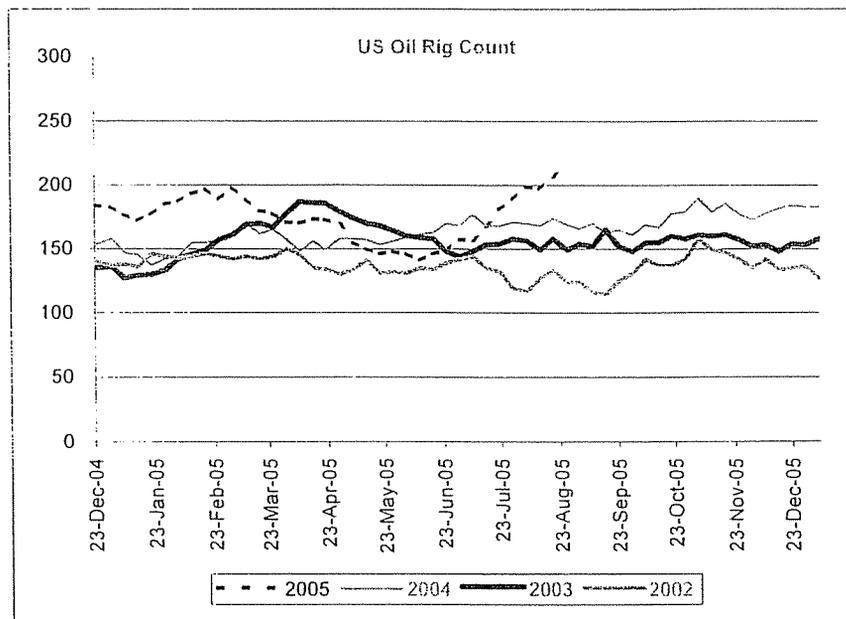
Commodity Futures

WEEKLY RIG WATCH

for the week ended: 26-Aug-05



Misc. Rigs	4
2002	713
2003	928
2004	1069
2005	1220
+/- Week Ago	-1
05 vs 04	151
05 vs 4yr AVG	317



2002	124
2003	149
2004	169
2005	220
+/- Week Ago	13
05 vs 04	51
05 vs 4yr AVG	73

SOURCE: BAKER HUGHES US OIL & GAS DIRECTED RIG COUNT WWW.BAKERHUGHES.COM

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The Union Light Heat & Power Company
Hedging Program
Current Position

Delivery Month	Base Supply		Hedged to Date		Next Target (10/31/05)	
	Dth/day	Dth/mo	Total Dth/day	Dth/mo	Required dth/day	Allowed dth/day
Nov-05	[REDACTED]					
Dec-05	[REDACTED]					
Jan-06	[REDACTED]					
Feb-06	[REDACTED]					
Mar-06	[REDACTED]					
Winter 05/06	[REDACTED]					
Apr-06	[REDACTED]					
May-06	[REDACTED]					
Jun-06	[REDACTED]					
Jul-06	[REDACTED]					
Aug-06	[REDACTED]					
Sep-06	[REDACTED]					
Oct-06	[REDACTED]					
Summer 2006	[REDACTED]					
Nov-06	[REDACTED]					
Dec-06	[REDACTED]					
Jan-07	[REDACTED]					
Feb-07	[REDACTED]					
Mar-07	[REDACTED]					
Winter 06/07	[REDACTED]					
Apr-07	[REDACTED]					
May-07	[REDACTED]					
Jun-07	[REDACTED]					
Jul-07	[REDACTED]					
Aug-07	[REDACTED]					
Sep-07	[REDACTED]					
Oct-07	[REDACTED]					
Summer 2007	[REDACTED]					
Nov-07	[REDACTED]					
Dec-07	[REDACTED]					
Jan-08	[REDACTED]					
Feb-08	[REDACTED]					
Mar-08	[REDACTED]					
Winter 07/08	[REDACTED]					

**Gas Commercial Operations
Price Mitigation Program
Market Indicators Summary
September 27, 2005**

Weather	Price Pressure	Comments
Long Term Weather Forecast	↓	WSI: "...warmer temperatures now expected in the major population centers of the East and Midwest."
Mid Term Weather (30-60 days)	↔	Earthsat: Above normal in East, below in the Midwest
6-10 day forecast	↔	Does not look like there'll be an early start to the heating season.
Tropical Storm Activity	↑	Damage from Rita is still being evaluated. 7.2 BCF/day of Gulf supply shut in (approx 3.4 left over from Katrina)
Storage Inventory		
EIA Weekly Storage Report	↓	Storage injections for the week ending September 16th were 74 BCF, which was above industry expectations, especially after Katrina. Storage levels are 3% lower than last year at 2.8 TCF.
Industry Publications		
Cambridge Energy Research Associates <i>Winter 05-06: \$8.14</i> <i>Summer 2006: \$7.35</i>	↑	Headline: "North American Gas Prices Will Remain at Record Levels for the Fall and Winter"
Paribas	↑	"...damage to production from Katrina has still not been assessed, let alone damage from Rita."
Conoco Morning Briefing	↓	"In fact if this best case scenario happens, hopefully, prices should retrench further and likely move down to pre-Rita levels "
Government Agencies		
Energy Information Administration <i>Winter 05-06: \$10.50</i> <i>Summer 2006: \$7.17</i>	↑	"...prices at the Henry Hub are likely to remain above \$10 per mcf until peak winter demand is over."
Technical Analysis		
Winter 2005-06 Strip Chart	↓	Katrina Gap: 10.88 - 11.27 & Rita Gap: 12.52 - 13.11
Rig Count	↓	Up 9 and remains high compared to last 5 years.
Economy		
Demand	↑	"Natural gas demand is projected to fall slightly by 0.7 percent in 2005, but recover by 2.4 percent in 2006 ..."
Supply	↑	"Domestic natural gas production in 2005 is expected to drop by 1.5 percent due mainly to the major disruptions to infrastructure...from both Ivan and Katrina." (Rita hadn't happened yet.)
Oil Market	↑	Oil infrastructure in the Gulf took the same hits from Katrina and Rita as the natural gas industry.

Meeting Minutes: 10th Floor North Conference Room - 2:00 pm

Attendees: Patty Walker, Jim Henning, Bill Tucker, Jeff Kern, Bob Bandenburg, Lavonna Foster

In November, our models are in unusually strong agreement in suggesting a strong negative PNA pattern, with cool temperatures in the Northwest and warm temperatures in the Southeast. This is a significant change from last month's forecast for November, and is a direct manifestation of the PDO drop in August. Is this PDO drop transient? In examining historical PDO data, a large PDO drop is rarely followed by a "snapback" move in the opposite direction. This implies that a return to a positive PDO, if it occurs, will not occur for at least a couple of months. We feel fairly confident that the impacts typically associated with a negative PDO should be dominant for at least the first part of the heating season.

In December, our model signals are weaker than in November, but it is notable that there is little consensus for cold temperatures in any region of the US. The impacts of the negative PDO, would suggest that the eastern US has a better chance of being warmer than normal again.

The three major sources of uncertainty in the monthly forecasts are (1) the MJO, (2) the NAO, and (3) possible stratospheric warming events. The MJO is typically rather active by early fall, and the timing of these events and their associated impacts often masks the general seasonal signal for a given month. This is one of the reasons why skill of monthly forecasts is less than that of seasonal forecasts (three-month averages). The NAO does have some predictability on seasonal time scales, and the warm Atlantic Ocean continues to suggest that a negative NAO will be favored going into the winter season. Any negative NAO events that do occur will act to temper the expected warmth in the Southeast. Negative NAO events are much less impactful when the PNA is negative, as we expect it to be for much of the period. Finally, stratospheric warming events are much more common in easterly QBO regimes, as we will have this winter. These events, when they occur, typically result in extended periods (4-6 weeks) of very strong negative AO/NAO and widespread below-normal temperatures in the US. While these events are not predictable on monthly or seasonal time scales, they can be detected a couple of weeks ahead of time by examining daily stratospheric data. When these events occur, the seasonal signal is generally useless for a month or so.

The most significant change in this forecast package has been to move the bulk of the cold from the Plains to the Northwest starting in November, with warmer temperatures now expected in the major population centers of the East and Midwest. The models have all moved in this direction during the past month, likely due to the big PDO drop. For you analog fans, a similar transition in Pacific SSTs occurred in late summer 2003. The strong negative QBO we are currently experiencing is also similar to late summer 2003. While we don't expect an exact duplicate of fall 2003, our objective model output does suggest a rather strong similarity, especially in November.

We will be following changes in Pacific SSTs during the next 4-6 weeks do determine whether the recent trend towards negative PDO and La Nina will persist. These SST changes will play an important role in the second half of the eagerly anticipated heating season of 2005-2006.



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTHSAT

Wednesday

DAY

9/21/05

DATE

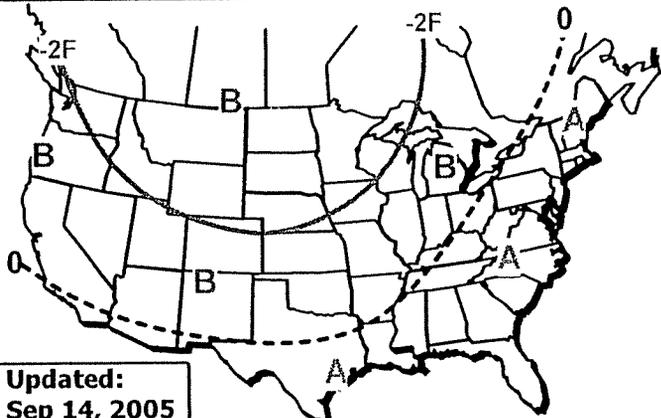
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TIME

MR

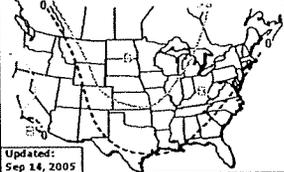
FORECASTER

OCTOBER 2005



Updated:
Sep 14, 2005

OCTOBER 2005 PREVIOUS



West Cooled for October
East Slightly Warmer

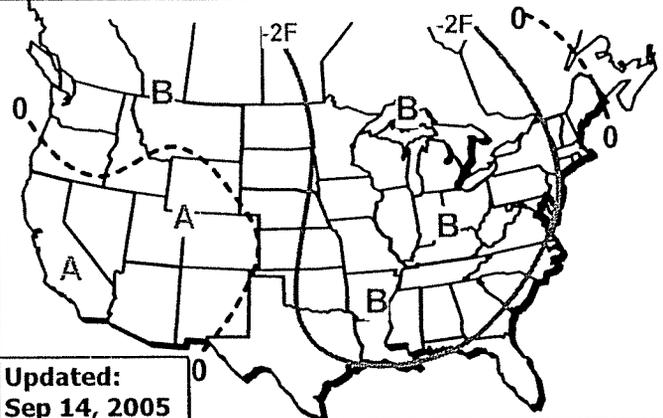
Updated:
Sep 14, 2005

Check the new page 2 of the 30/60 day outlook for more information on the various inputs to this 30 Day outlook. Today's changes favored less warming toward the West Coast and slight warming toward the Eastern Seaboard. There are increasing signs in the medium range models of lowering jet stream heights in Western Canada which would lead to more frequent cool events in the Pacific Northwest, Calgary, and the Mid-Continent Plains/Prairies.

October HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	461.0	379.1	401.0	348.0
Philadelphia	255.0	251.9	269.0	276.0
Houston	45.0	31.0	37.0	4.0

NOVEMBER 2005



Updated:
Sep 14, 2005

NOVEMBER 2005 PREVIOUS



Nov Cooler in Midwest
Western Canada Cooled

Updated:
Sep 14, 2005

Based on close hot summer fits as well as recent pattern fits to the last four weeks, the closest analog fits lean toward a cooler than normal November in the eastern two-thirds of the nation. The latest ENSO (Tropical Pacific) based analyses also favor a seasonal to cool November for much of the nation actually. Much will depend on the new mid-continent troughing expected in October.

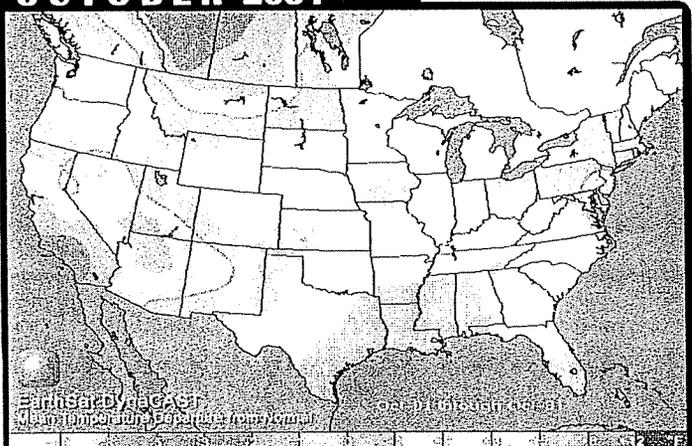
November HDD Forecasts

Sorry for the Delay...

SEPTEMBER 1 - 20, 2005



OCTOBER 2004



Maps above depict deviations of average temperatures from normal in Fahrenheit.



EarthSat's Energy Weather The 6 to 10 Day Forecast - Detailed Version

EARTH SAT

Monday

DAY

9/26/2005

DATE

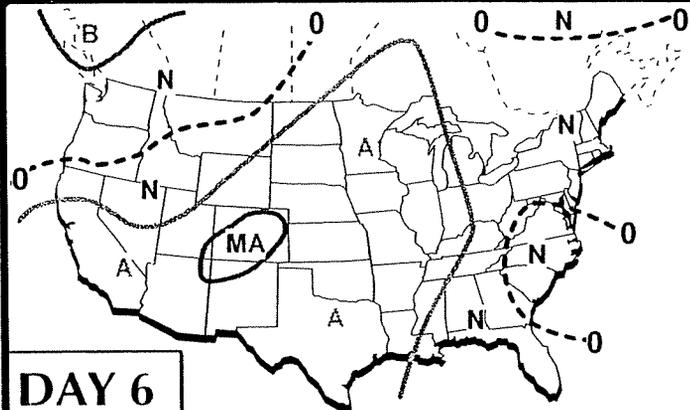
6:30 A.M.

TIME

MR/JS

FORECASTER

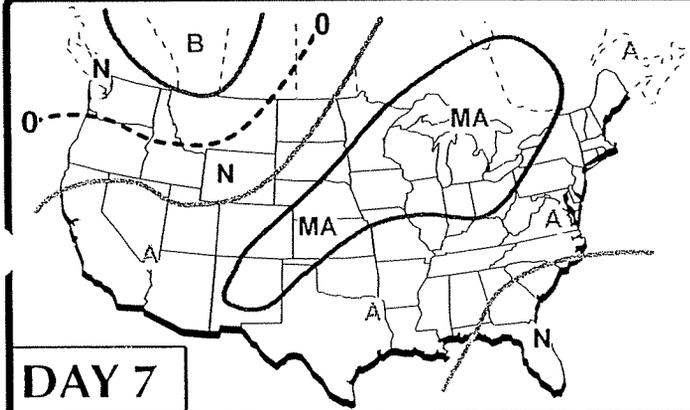
FORECAST TEMP. DEVIATIONS



DAY 6

FORECAST VALID: Saturday, 10/1

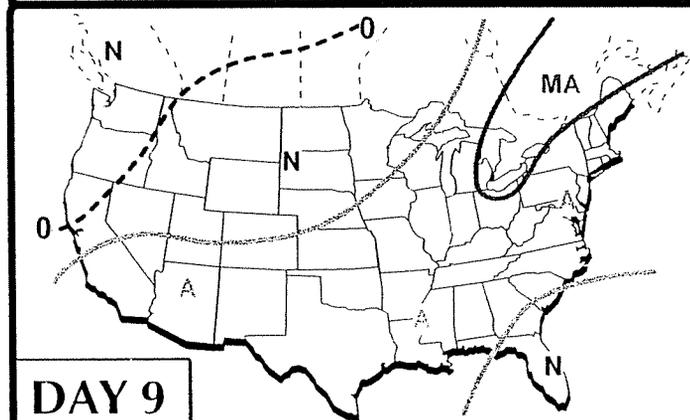
CONFIDENCE: 6



DAY 7

FORECAST VALID: Sunday, 10/2

CONFIDENCE: 6



DAY 9

FORECAST VALID: Tuesday, 10/4

CONFIDENCE: 4

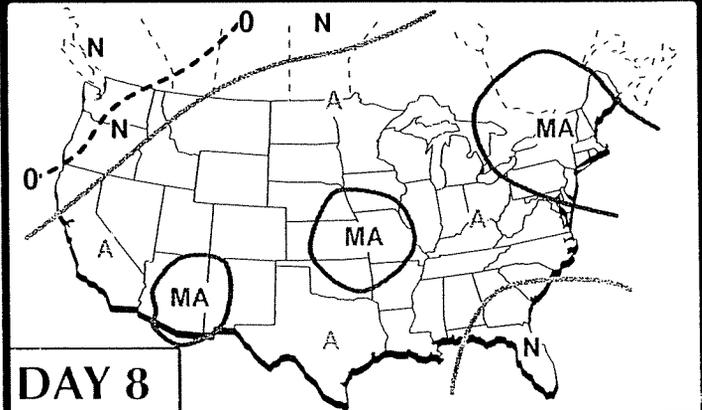
DISCUSSION

Today's Forecast

Trough Cools Out West As Heat Builds In East

The beginning of the period finds a trough cooling the Southern Canadian Plains into the belows while also keeping the Pacific Northwest in the normals. This trough lifts mid period, however, moving eastward but losing its cooling influence. Heat is found in the Midwest early on, with a ridge building and eventually covering the entire Eastern U.S., minus Florida, with aboves by the end of the period. Much aboves are scattered throughout as well, most notably covering the Great Lakes on day 7 and the Northeast and Southeasten Canada days 8 and 9.

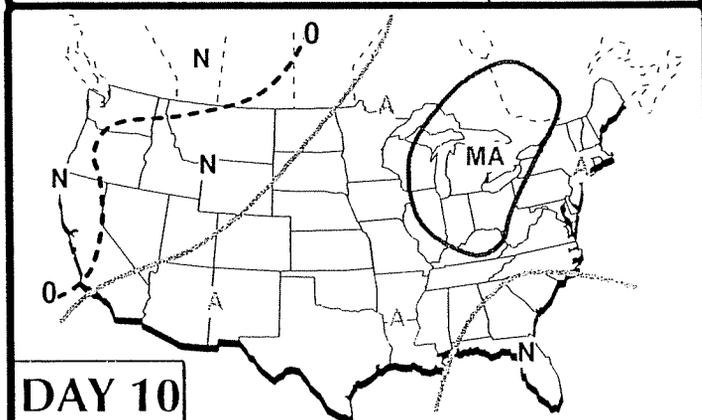
FORECAST TEMP. DEVIATIONS



DAY 8

FORECAST VALID: Monday, 10/3

CONFIDENCE: 5



DAY 10

FORECAST VALID: Wednesday, 10/5

CONFIDENCE: 3

LEGEND

MUCH ABOVE.. +8F OR UP
ABOVE..... +3F TO +7F

NORMAL
-2F TO +2F

MUCH BELOW..... -8F OR DOWN
BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

on that occurred after the National Hurricane Center downgraded Hurricane Rita to a Category 3 system.

"Every time they've downgraded the storm, they've downgraded the price," an analyst said, noting that a concurrent plunge in the petroleum complex put further downward pressure on gas prices.

The October contract started the day at \$12.66 and traded as high as

(continued on page 2)

72% of Gulf gas off-line as Rita nears landfall

Hurricane Rita took aim at the industrial corridor along the Texas and Louisiana border Friday, with gas production curtailments in the Gulf of Mexico topping 7.2 Bcf/day and onshore processing, storage and pipeline facilities shutting down ahead of a Saturday morning landfall.

Rita weakened Friday from a Category 4 to a Category 3 storm, packing 125 mph winds as she moved closer to shore near Port Arthur and Beaumont, Texas, some 75 miles northeast of Houston. And with forecasters expecting Rita to slow down significantly after landfall, the National Hurricane Center was warning that eastern

(continued on page 5)

	Midpoint	Absolute	Common	Volume	Deals
Permian Basin Area					
El Paso, Permian Basin	11.925	11.60-12.25	11.76-12.09	226	34
Waha	12.165	11.40-12.65	11.85-12.48	561	53
Transwestern, Permian Basin	—	—	—	—	0
East Texas-North Louisiana Area					
Carthage Hub	—	—	—	—	0
NGPL, Texok zone	12.135	11.50-12.50	11.88-12.39	119	19
Texas Eastern, ETX	—	—	—	—	0
Texas Gas, zone 1	14.665	14.20-14.99	14.47-14.86	47	6
East-Houston-Katy					
Houston Ship Channel	12.785	12.00-13.10	12.51-13.06	99	10
Katy	11.700	11.70-11.70	11.70-11.70	20	1
South-Corpus Christi					
Agua Dulce Hub	—	—	—	—	0
NGPL, STX	11.185	11.15-11.30	11.15-11.22	24	4
Tennessee, zone 0	13.360	12.00-14.01	12.86-13.86	26	5
Texas Eastern, STX	—	—	—	—	0
Transco, zone 1	15.025	15.00-15.05	15.01-15.04	0	2
Louisiana-Onshore South					
ANR, La.	15.750	15.75-15.75	15.75-15.75	23	4

GAS DAILY

MONDAY, SEPTEMBER 26, 2005

Most Gulf gas shut in as Rita arrives ... from page 1

Texas and western Louisiana could see up to 25 inches of rain over several days, potentially flooding onshore gas infrastructure.

In its Friday afternoon report, the Minerals Management Service said 7.204 Bcf/day of the Gulf's normal output of 10 Bcf/day was shut in, up from 6.595 Bcf on Thursday. Cumulative gas shut-ins since Hurricane Katrina threatened the Gulf Aug. 26 stood at 140.5 Bcf, or about 3.5% of yearly Gulf output.

Although MMS did not break out Rita- and Katrina-related supply cuts, 3.39 Bcf/day of Friday's shut-ins were in the easternmost New Orleans District and much of that was presumably left over from Katrina.

At the state level, the Louisiana Dept. of Natural Resources on Friday said 830 of the 2,641 onshore and shallow-water gas and oil wells in an eight-parish region centered on New Orleans shut in by Katrina had returned to production. The agency said 1,661 wells, or 62.9%, remained shut in, while the status of 150 wells, or 5.7%, had not been reported by their operators.

ExxonMobil Friday said that it had shut in about 1.1 Bcf/day of gas output in the Gulf, with 800,000 Mcf/day of that attributable to Rita and the rest composed of production yet to be restored after being knocked off-stream by Katrina.

The Jefferson Island Storage & Hub facility was shut in at 9 a.m. CDT Friday due to a mandatory evacuation of the area near Henry Hub in Louisiana, said Nick Gold, a spokesman for parent company AGL Resources. The facility was closed and personnel evacuated until the storm passes, he said. Jefferson Island consists of two salt-dome storage caverns with a total working capacity of 7.3 million Dt.

The company will be managing nominations and the commercial aspect of the hub from temporary operations near Dallas, according to a posting on the firm's Web site. Toward the end of the week, several AGL Resources employees and their computer equipment from Houston were evacuated to a hotel near Dallas, where they were ensuring critical operations.

Williams' Transcontinental Gas Pipe Line Friday said supply cuts increased to 1.5 Bcf/day because of producer shut-ins ahead of Rita, most of them in southeastern Louisiana.

Southern Union's Trunkline Gas, which can move up to 1.5 Bcf/day, on Friday limited nominations through the Kountz segment in Texas to 260,000 Mcf/day because compression at the Kountz Compressor Station would not be available because of the hurricane.

Kinder Morgan's Natural Gas Pipeline Co. of America Friday said it was experiencing both market and supply losses on its system due to the storm. The pipeline advised customers that their deals across the system must stay in balance.

Natural remained under *force majeure* as Compressor Station 342 in Cameron Parish, La., and Compressor Station 343 in Liberty County, Texas,

NYMEX Henry Hub gas futures contract, Sep 23

	Settlement	High	Low	+/-	Volume
Oct 2005	12.324	12.700	12.200	-46.6	29256
Nov 2005	12.687	13.040	12.550	-38.8	16360
Dec 2005	13.167	13.450	13.050	-34.8	7167
Jan 2006	13.472	13.780	13.350	-33.3	4874
Feb 2006	13.352	13.620	13.360	-33.3	2961
Mar 2006	12.977	13.200	12.900	-28.8	5389
Apr 2006	10.502	10.650	10.480	-14.3	3462
May 2006	10.047	10.220	10.000	-12.8	1517
Jun 2006	10.074	10.240	10.110	-12.6	276
Jul 2006	10.117	10.280	10.170	-12.6	190
Aug 2006	10.164	10.260	10.220	-12.4	187
Sep 2006	10.144	10.235	10.180	-12.2	80
Oct 2006	10.176	10.270	10.240	-12.2	422
Nov 2006	10.606	10.700	10.700	-11.7	220
Dec 2006	11.021	11.120	11.120	-11.7	157
Jan 2007	11.326	11.460	11.300	-11.7	35
Feb 2007	11.291	11.420	11.310	-11.2	25
Mar 2007	11.046	11.160	11.060	-10.2	410
Apr 2007	9.166	9.230	9.230	-4.2	418
May 2007	8.866	8.950	8.920	-4.2	67
Jun 2007	8.914	9.000	8.970	-4.2	17
Jul 2007	8.959	9.050	9.020	-4.2	55
Aug 2007	9.004	9.100	9.065	-4.2	17
Sep 2007	8.987	9.080	9.050	-4.2	17
Oct 2007	9.024	9.140	9.140	-4.2	267
Nov 2007	9.437	9.550	9.449	-4.2	17
Dec 2007	9.850	9.970	9.970	-4.2	37
Jan 2008	10.175	10.290	10.290	-3.2	10
Feb 2008	10.130	10.250	10.250	-3.2	15
Mar 2008	9.880	10.000	9.872	-2.2	260
Apr 2008	8.300	8.420	8.420	-0.2	10
May 2008	8.055	8.180	8.180	-0.2	47
Jun 2008	8.100	8.220	8.220	-0.2	10
Jul 2008	8.140	8.270	8.270	-0.2	10
Aug 2008	8.185	10.000	9.872	-0.2	10
Sep 2008	8.175	8.300	8.300	-0.2	10

Contract data for Thursday

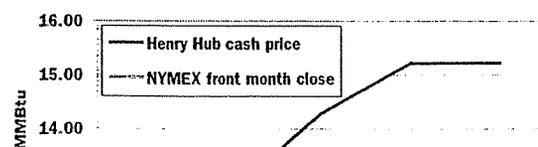
Volume of contracts traded: 75,074

Front-months open interest:

OCT: 56,000 ; NOV: 79,600 ; DEC: 42,408

Total open interest: 564,866

Henry Hub/NYMEX spread



remained shut in due to mandatory personnel evacuations. While Compressor Station 302 in Montgomery County, Texas, and Compressor Station 346 in Vermilion Parish, La., remained operational Friday, they could be affected by future evacuation orders.

Columbia Gulf Transmission also said it was experiencing a "significant loss of supply" due to Rita and, as a result, all gas sellers including pool operators were instructed to make corresponding reductions in deliveries to match supply losses.

Duke Energy Gas Transmission's 5.7 Bcf/day Texas Eastern Transmission system could sustain overtake at delivery points or under-deliveries by receipt points due to forced evacuations of compressor station sites ahead of Rita. Texas Eastern also was requiring that shippers and point operators manage their physical flows to avoid delivery point imbalances. If imbalances affect system reliability, Texas Eastern said it could issue a delivery point operational flow order or schedule receipt points to match physical flows if necessary to protect system integrity.

The Mississippi Canyon Gas Pipeline corridor remained shut-in due to ongoing outages at Dynegy's Venice gas processing plant.

Public Service Co. of New Mexico warned that it may have to curtail gas sales to large customers because of Rita, the company said Friday, as PNM facility at Mont Belvieu, Texas, sits in Rita's projected path. The plant removes natural gas liquids, such as butane and propane, from gas shipped to it on a dedicated pipeline from producers in New Mexico.

"We are confident we will have no impact on our natural gas supply through Friday," said Tommy Sanders, PNM director of natural gas supply. "After landfall of the hurricane, conditions on the system could change. We will be monitoring and updating our customers once we know the impact from the damage."

In the meantime, PNM was injecting gas into storage facilities and securing alternate supplies. SGS/VJ/RAW

Pombo drafts measure opening ANWR to gas, oil development

The chairman of the House Resources Committee has drafted a plan to authorize gas and oil drilling in Alaska's Arctic National Wildlife Refuge and on areas of the Outer Continental Shelf now off-limits to energy development.

The measure sponsored by Rep. Richard Pombo, R-Calif., also would close 15 national parks and sell them for "energy or commercial development."

The draft was prepared as part of a budget reconciliation bill the House may consider this fall and was leaked last week to the National Parks Conservation Assn., which criticized the proposed sale of parks.

Congressional Republicans have targeted the budget reconciliation bill as an appropriate measure for authorizing ANWR development because it is normally easier to pass than other legislation—particularly in the Senate, where opposition to ANWR drilling is formidable. Using the budget measure to open more of the OCS has come up increasingly since Hurricane Katrina knocked off-line much of the gas and oil production in the Gulf of Mexico.

The Sierra Club accused Pombo and other Republicans of using Katrina-related damage as an excuse for opening pristine areas to drilling. "Even after the damage wreaked by Katrina on offshore oil and gas infrastructure in the Gulf showed how dangerous our dependence on oil is and how vulnerable offshore drilling infrastructure is, some in Congress are, incredibly, proposing increasing drilling off America's coasts," the group said Friday. "Congress should not use the budget process to allow drilling in one of our nation's last great wilderness areas and on our sensitive coastlines." BL

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Weekly Natural Gas Storage Report

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[Methodology](#)

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Working Gas in Underground Storage Data Released September 22, 2005 at 10:30 A.M., For the Week Ending September 16, 2005

Region	Stocks (Bcf) for September 16, 2005	Stocks (Bcf) for September 9, 2005	Implied Net Change (Bcf)	Year Ago Stocks (Bcf)
East	1,651	1,601	50	1,697
West	398	390	8	382
Producing	783	767	16	854
Total Lower 48	2,832	2,758	74	2,932

Region	5-Year (2000-2004) Average Stocks (Bcf)	Difference from 5-Year Average (Percent)
East	1,623	1.7
West	357	11.5
Producing	759	3.2
Total Lower 48	2,740	3.4

Notes and Definitions

Note: This report tracks U.S. natural gas inventories held in underground storage facilities. The weekly stocks generally are the volumes of working gas as of the report date. Changes in reported stock levels reflect all events affecting working gas in storage, including injections, withdrawals, and reclassifications between base and working gas.

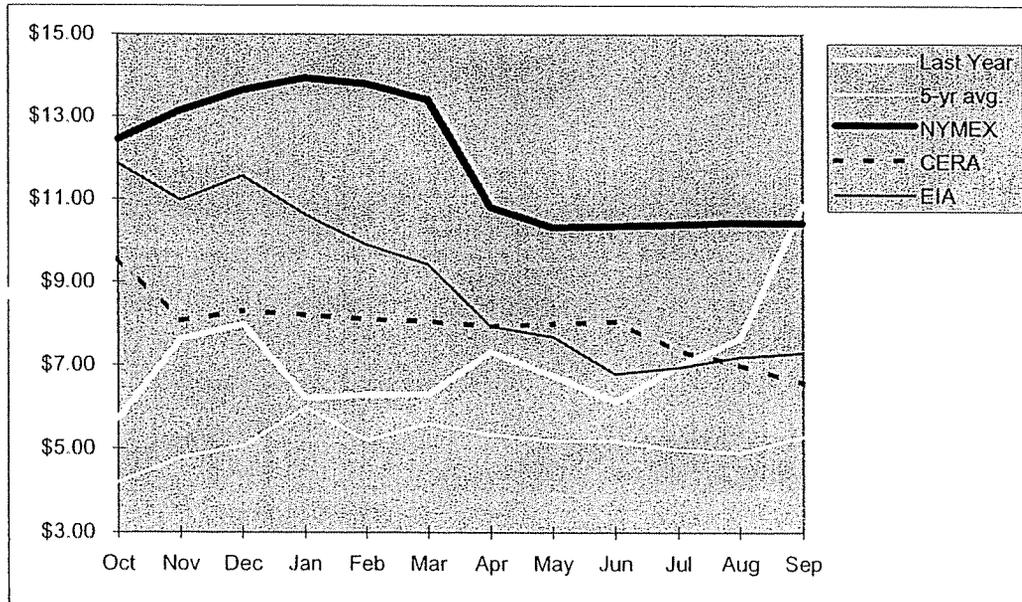
Note: The weekly storage estimates are based on a survey sample that does not include all companies that operate underground storage facilities. The sample was selected from the list of storage operators to achieve a target standard error of the estimate of working gas in storage which was no greater than 5 percent for each region. Based on a comparison of weekly estimates and monthly data from May 2002 through June 2005 estimated total working gas stocks have exhibited an average absolute error of 21 billion cubic feet, or 1.0 percent. For an expanded discussion of the relationship between the current and prior estimates, please see Differences Between Monthly and Weekly Working Gas in Storage.

Storage Highlights:

Working gas in storage was 2,832 Bcf as of Friday, September 16, 2005, according to EIA estimates. This represents a net increase of 74 Bcf from the previous week. Stocks were 100 Bcf less than last year at this time and 92 Bcf above the 5-year average of 2,740 Bcf. In the East

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 20-Sep-05	EIA 7-Sep-05	NYMEX 26-Sep-05
Oct	\$4.20	\$5.72		\$9.560	\$11.863	\$12.440
Nov	\$4.79	\$7.63		\$8.060	\$10.968	\$13.137
Dec	\$5.06	\$7.98		\$8.300	\$11.562	\$13.637
Jan	\$5.98	\$6.21		\$8.200	\$10.617	\$13.932
Feb	\$5.20	\$6.29		\$8.110	\$9.901	\$13.789
Mar	\$5.59	\$6.30		\$8.050	\$9.430	\$13.409
Apr	\$5.34	\$7.32		\$7.940	\$7.928	\$10.809
May	\$5.19	\$6.75		\$7.990	\$7.679	\$10.319
Jun	\$5.18	\$6.12		\$8.050	\$6.793	\$10.346
Jul	\$4.97	\$6.98		\$7.350	\$6.943	\$10.389
Aug	\$4.91	\$7.65		\$7.010	\$7.197	\$10.436
Sep	\$5.29	\$10.85		\$6.560	\$7.291	\$10.416
12 Month Avg	\$5.14	\$7.15		\$7.932	\$9.014	\$11.922
Summer Average				\$7.780	\$7.956	\$10.736
Winter Average				\$8.144	\$10.496	\$13.581



CERA ADVISORY SERVICE
North American Natural Gas

CERA Monthly Briefing®

A BAND OF UNCERTAINTY

NORTH AMERICAN GAS PRICES WILL REMAIN AT RECORD LEVELS FOR THE FALL AND WINTER

DATE
September 19, 2005

The North American gas market is struggling to find equilibrium as production losses and long-term damage is assessed and repaired in the aftermath of Hurricane Katrina. The market was already balanced precariously on top of a wall of worry as hurricane fears drove the futures market higher, above-normal summer power demand limited storage injections, and surging world oil markets allowed little relief in the form of fuel switching. The market now finds itself in uncharted territory as supply shut-ins, through September 15, were still over 3 billion cubic feet (Bcf) per day in the Gulf region from damage to onshore wells, producing platforms, pipelines, and most importantly onshore gas processing facilities. The result has been a surge in prices as market forces ration remaining supply among storage injections, industrial consumption, and September power demand. The majority of the shut-in supply in the Gulf of Mexico has now returned to service. However, higher prices and volatility will continue for the foreseeable future as the market transitions from angst over lost production to anxiety over winter supply availability.

Hurricane Katrina will have a lasting impact on the North American gas market. It could hardly have come at a more challenging moment, with US gas production in decline, lower (though still above-average) storage balances than a year ago, higher summer gas demand for power, and the potential for large sources of new liquefied natural gas (LNG) supply more than two years away. The immediate concerns are whether enough supply will be available to meet winter demand and what the impact on natural gas prices will be.

CERA has prepared an analysis based upon three potential supply loss cases. This analysis has demonstrated that the market will achieve balance at high price levels, and that as prices ration supply sufficient gas should be available this winter. However, more than one note of caution is in order, as the potential

Note: All prices are in US dollars unless otherwise indicated.

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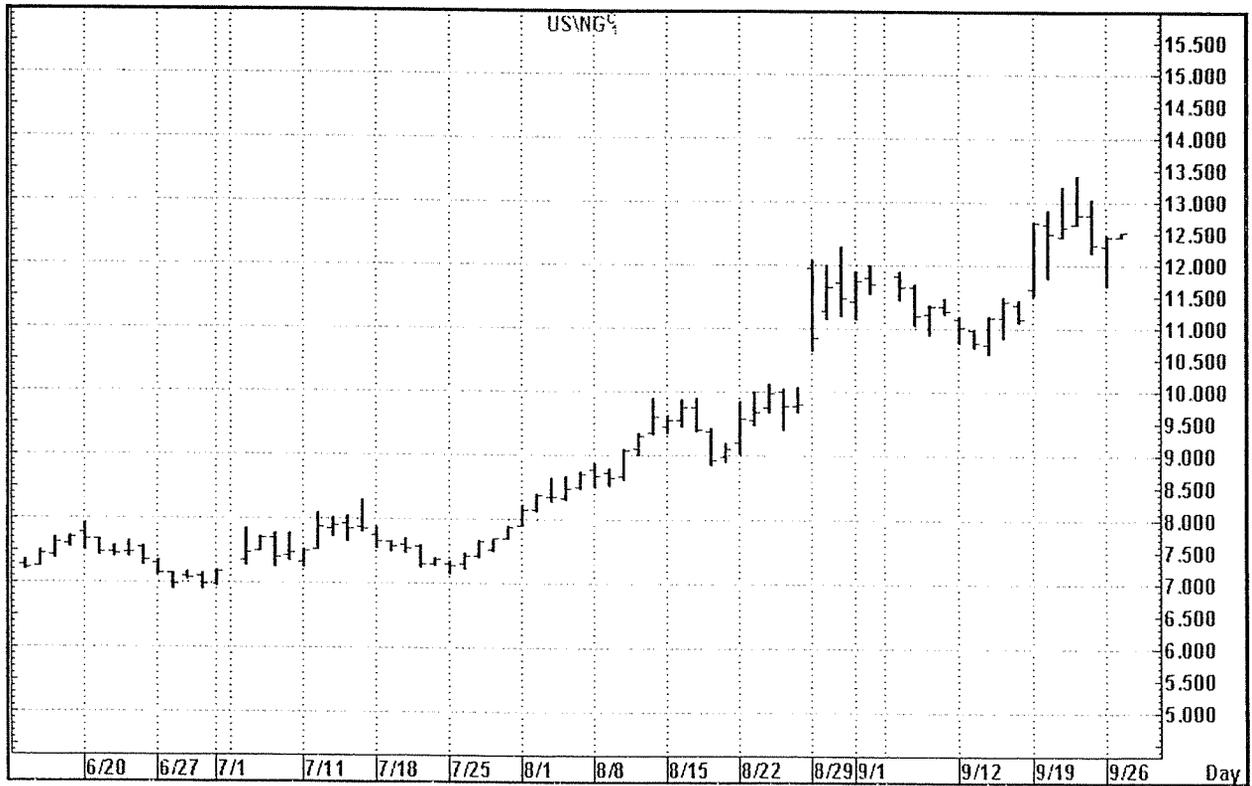
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Commentary

Weakening to almost 50 cents lower early in the session, October actually rallied back to over unchanged at the end of the session on average volume overall. The strength of the winter contracts was much more than October and perhaps this was because the damage to production from Katrina has still not been assessed, let alone damage from Rita. There just does not seem to be any solid reason to recommend selling winter months at this time.

Scott Allen



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Natural Gas, Gas Liquids and Power Market Update

Daily Market Indicator



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Monday, September 26, 2005

Hurricane Rita Fears Subside And October Slides Over 40¢

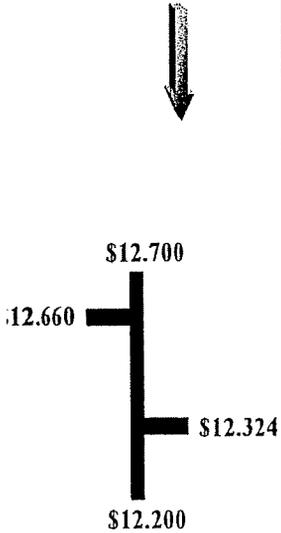
Today: Bearish October Natural Gas Closed Down 46.6¢ 30-Day: Bullish
Bottom Line - The traumatic and tumultuous end of Hurricane Rita did not happen as was once feared. Prices across the energy complex should decline until the next shock...whatever it is...

Yesterday's Market

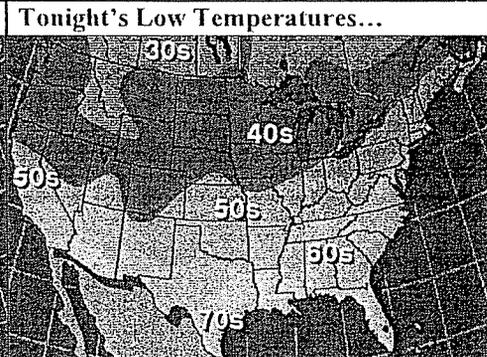
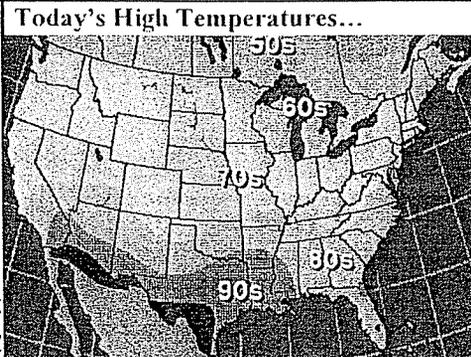
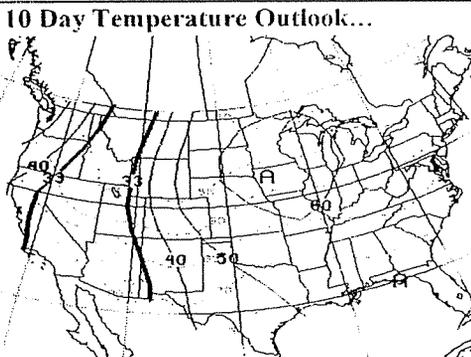
- As Hurricane Rita slid off to the east on Friday, prices fell off hard mainly due to easing fears that the storm would further damage an already "limping" energy infrastructure. Eventually the October contract dipped 46.6¢ to settle at \$12.324. The front month contract only managed to track as high as \$12.70 following a soft opening; from there it dropped as low as \$12.22, partially led by the softening petroleum complex, which also breathed its own sigh of relief. The front month crude oil contract returned over two dollars as market players' fear were somewhat alleviated with Rita apparently avoiding the refineries near Houston. NYMEX November crude oil dropped by \$2.31 to close at \$64.19.

What To Do And Look For Today

- There are reports this morning that there's no serious damage to the energy complex along the Gulf Coast. That fact alone should pressure futures prices today. If electricity comes back quickly so that those refineries can actually start up, there should only be a minimal upward impact to prices from current levels in the coming days. In fact if this best case scenario happens, hopefully, prices should retrench further and likely move down to pre-Rita levels.
- Remember that we're not out of the woods, yet. Hurricane season doesn't officially end until the end of November, and two years ago we had TWO named tropical storms in December. The market remains skittish, as you know. My new "worst case scenario" is another named storm anywhere inside the Gulf of Mexico production area. Today, however, look for selling.



Access Trading	9/26/2005	8:29 AM	Natural Gas	\$11.885	(43.9¢)
WTI Crude	\$63.640	(\$0.55)	IPE Brent	\$62.170	(\$0.22)



Weather Briefs – Warm In The Southeast The Next Few Days – Remnants Of Hurricane Rita Bring Rain To Northeast And Cool Region Off – West Starts To See Wet Weather

Storage...
I'm looking for a build of 71 Bcf this week...

For the week ending September 23, my forecast calls for a build of 71 Bcf, which incorporates production and demand losses from Katrina, as well as Rita. This week's build should be on par with last year's build of 69 Bcf, the three year average build of 73 Bcf and the five year average build of 72 Bcf. The current inventory level is 2.832 Tcf, and we are 110 Bcf behind last year, and 48 Bcf above the five year average.

Signets... Summer Heat Across South



Summer-like warmth and humidity will continue across much of the southeast early this week as a strong subtropical ridge remains the primary weather influence. Look for maxes to reach well into the 80s each day across the region, with a few 90° readings possible. These temperatures support anomalies as warm as 8°-15° above normal on the warmest days.

prices rose by about 48 cents per gallon (34 percent) in the first half of 2005 over the same period in 2004, reflecting not only high crude oil prices, but also strong demand in the international market for distillate fuels. EIA projects that average heating oil prices will be about 31 percent higher this winter compared to the 2004-2005 winter under the Medium Recovery case. Under the Fast Recovery case, heating oil prices would be nearly 29 percent higher than last winter. However, under the Slow Recovery case, heating oil prices would be about 33 percent higher. Weather conditions also play an important role in heating oil prices and expenditures.

In the Medium Recovery case, total petroleum demand growth in the U.S. in 2005 is projected to average 100,000 barrels per day, or 0.5 percent. This growth is 60,000 barrels per day less than that projected in the previous *Outlook*, largely due to sharply higher prices. Average demand for the first half of 2005 was at about the same level as during the first half of 2004: rapidly rising prices constrained motor gasoline demand growth, weather factors depressed heating oil demand, and relative price factors lowered residual fuel oil and propane demand. Despite hurricane-related disruptions, fourth quarter demand is projected to increase by about 330,000 barrels per day, or 1.6 percent. A faster recovery would boost fourth-quarter demand by 15,000 barrels per day; a slower recovery would reduce demand growth by a similar amount.

Oil demand growth in 2006 is expected to average 330,000 barrels per day, or 1.6 percent. But 2006 average demand, at 21.16 million barrels per day, is 100,000 barrels per day (0.5 percent) less than that projected in the previous *Outlook* as a result of the substantial upward shift in energy price paths.

Natural Gas (Figures 7 to 8)

The Henry Hub natural gas spot price is expected to average \$8.82 per thousand cubic feet (mcf) in 2005 and \$8.42 per mcf in 2006 in the Medium Recovery case. Depending on the speed of recovery from the supply losses in the Gulf of Mexico due to Katrina, the average price across the recovery cases for the fourth quarter of 2005 ranges from \$11 to \$13 per mcf. On an annual basis, the range is around \$8.75 per mcf to \$9.14 per mcf in 2005. In August, the Henry Hub natural gas spot price averaged over \$9 per mcf, as hot weather in the East and Southwest increased natural gas-fired electricity generation for cooling demand and crude oil prices increased. The natural gas market is likely to stay tight over the next couple of months, particularly in light of the supply impacts from Katrina. Spot prices are expected to ease going into 2006 as the effects of Katrina fade. However, prices at the Henry Hub are likely to remain above \$10 per mcf until peak winter demand is over.

Depending on the region of the country, increases for 2005 natural gas spot prices are expected to range between 37 and 50 percent above the 2004 averages under the Medium Recovery case. Citygate prices (prices that natural gas utilities pay at the point where they take delivery) and end-use prices (prices charged by utilities for natural gas delivered to end-use customers, including distribution or other charges not included in the utilities' natural gas costs) are expected to exhibit double-digit percent increases for the second year in a row in most regions. For the upcoming winter, pressure on delivered natural gas prices may be sharpest in regions where heating demands are likely to increase the most, such as in the central portion of the United States.

Working gas in storage was estimated at 2,633 billion cubic feet (bcf) as of August 26, a level 1.9 percent lower than 1 year ago but still 5.2 percent above the 5-year average. Natural gas demand is projected to fall slightly by 0.7 percent in 2005, but recover by 2.4 percent in 2006 due to an assumed return to normal weather and continued strength in consumption for electric power production. Natural gas storage remains above the 5-year average, but Katrina is likely to reduce the peak storage achievable over the remainder of the injection season from what was expected previously. As it is, end-August storage was about 120 bcf below last month's projection. Expected storage at the end of October is expected to be about 270 bcf below the year-ago level and about 50 bcf below the 5-year average.

Domestic natural gas production in 2005 is expected to drop by 1.5 percent due mainly to the major disruptions to infrastructure in the Gulf of Mexico from both Ivan and Katrina. Preliminary EIA data through June yield an apparent decrease in output of 1.5 percent for the first half of 2005 compared to the same period in 2004, as recovery from the disruption caused by Hurricane Ivan in 2004 was not yet complete. Meanwhile, imports of liquefied natural gas (LNG) into the United States appear to have exhibited minimal year-over-year increases (on average) through the first half of 2005. Currently, total LNG imports for 2005 are expected to be approximately 710 bcf compared to 650 bcf in 2004.

Electricity and Coal Outlook (Figures 9 to 11)

Electricity demand is expected to increase by 2.5 percent in 2005 and 1.9 percent in 2006 due largely to weather conditions as well as continuing economic growth. Very hot weather conditions generated a large increase in demand in the third quarter of 2005. Thus, third and fourth quarter 2005 year-over-year electricity demand growth rates are expected to be particularly strong, as cooling and heating demands are likely to be higher than in the mild third and fourth quarters of 2004. Seven out of the ten regions are expected to show substantial increases in residential demand for electricity in 2005 compared with 2004. Hydroelectric power availability, which fell somewhat in 2004, is expected to increase by 3 percent in 2005 nationally, and by 10 percent in 2006.

The Department of Energy's Office of Energy Assurance reports that, as of September 6, less than 1 million customers remain without electric power due to Hurricane Katrina in Alabama, Louisiana, and Mississippi. This is down from a peak of 2.7 million. Inaccessibility, as well as extensive damage from flooding and saltwater, continues to be a major issue impacting electricity restoration.

Coal demand in the electric power sector is expected to increase by 3.1 percent in 2005 and 0.4 percent in 2006. Power sector demand for coal continues to increase, as oil and natural gas prices continue to rise. U.S. coal production is expected to grow by 1.9 percent in 2005 and by an additional 2.0 percent in 2006.

Energy Expenditures: Summer Recap/Winter Preview (Figure 12)

Dramatic increases in domestic energy costs, assisted by everything from tight world oil markets, to blistering summer heat, to the ravages of Hurricane Katrina, have made for an exasperating summer for many consumers and have set the stage for a potentially expensive winter heating season beginning a month or two from now. Taking into account current data

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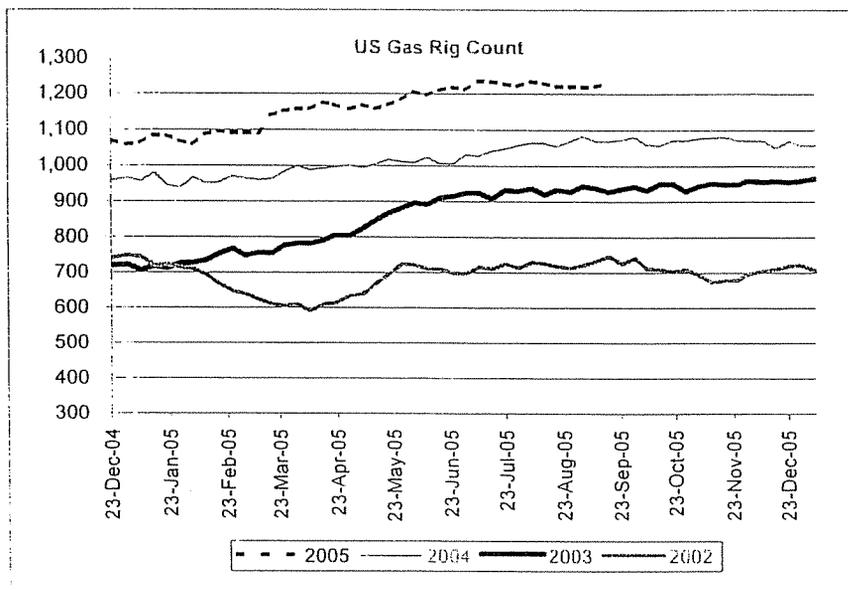
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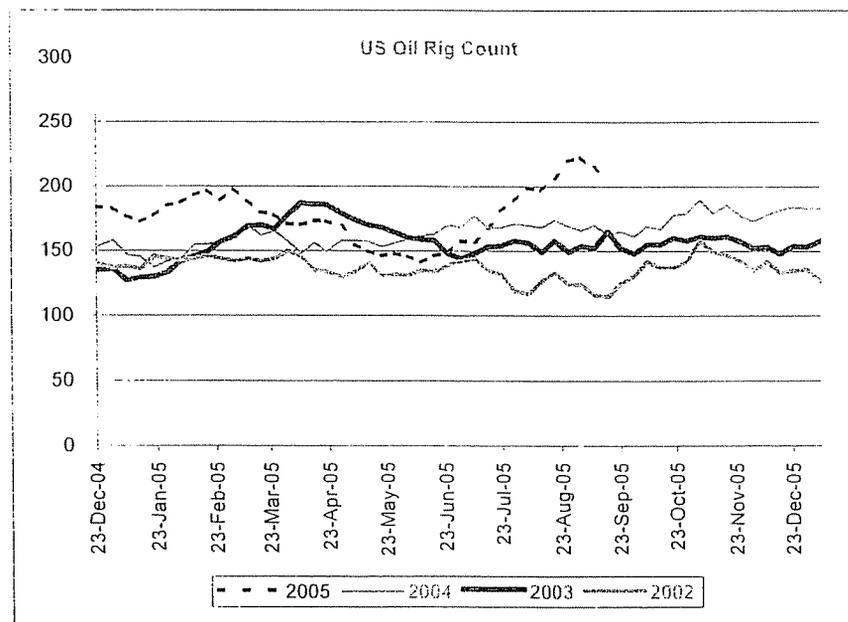
Commodity Futures

WEEKLY RIG WATCH

for the week ended 16-Sep-05



Misc. Rigs	5
2002	746
2003	928
2004	1068
2005	1230
+/- Week Ago	9
05 vs 04	162
05 vs 4yr AVG	316

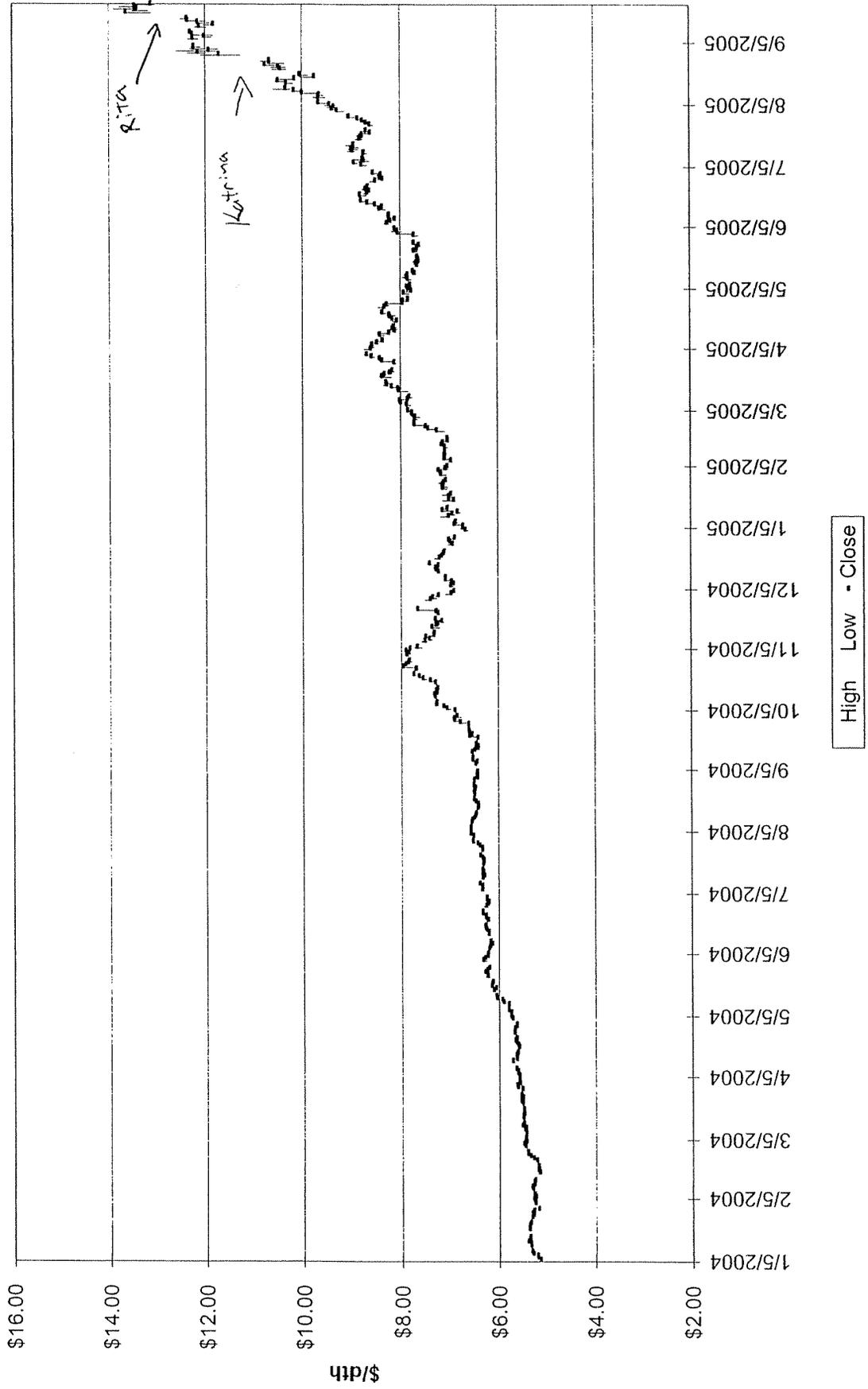


2002	115
2003	165
2004	163
2005	202
+/- Week Ago	-13
05 vs 04	39
05 vs 4yr AVG	54

SOURCE: BAKER HUGHES US OIL & GAS DIRECTED RIG COUNT WWW.BAKERHUGHES.COM

Although the information in this report has been obtained from sources which BNP Paribas believes to be reliable, we do not represent or warrant its accuracy, and such information may be incomplete or condensed. All estimates and opinions included in this report constitute our judgement as of the date of the report and may be subject to change without notice. BNP Paribas or its affiliates may, from time to time, have a position or make a market in the financial products mentioned in this report, or in derivative instruments based thereon. BNP Paribas shall not be responsible for the consequences of reliance upon any opinion or statement contained herein or for any omission or error of fact. This report is confidential and is being submitted to selected recipients only. This report may not be reproduced (in whole or in part) to any other person without the prior written permission of BNP Paribas. Copyright © BNP Paribas (2005). All rights reserved.

Winter Strip Dec05 - Mar06



Gas Commercial Operations
Hedging Program
Market Indicators Summary
October 17, 2005

Weather	Price Pressure	Comments
Long Term Weather Forecast	↓	NWS: Warmer than normal winter WSI: Mild November & December Similar to 2003.
Mid Term Weather (30-60 days)	↑	Earthsat: Colder than normal November in Eastern half of country.
6-10 day forecast	↓	Above average temperature through October 23rd No early start to the heating season.
Tropical Storm Activity	↑	56% of Gulf production still shut in No current tropical storm activity
Storage Inventory		
EIA Weekly Storage Report	↓	Storage injections for the week ending October 7th were 58 BCF, which was above industry expectations, especially after Rita Storage levels are 5% lower than last year at 3.0 TCF.
Industry Publications		
Cambridge Energy Research Associates <i>Winter 05-06: \$8.14</i> <i>Summer 2006: \$7.35</i>	↑	Headline: "North American Gas Prices Will Remain at Record Levels for the Fall and Winter" (Not updated since 9/20, prior to Hurricane Rita.)
Paribas	↔	"The range of 12.80 - 13.60 seems likely to hold ..."
Conoco Morning Briefing	↓	"That could mean more reasonable prices in the near term or at least until cold air shows up"
Government Agencies		
Energy Information Administration <i>Winter 05-06: \$10.92</i> <i>Summer 2006: \$7.76</i>	↑	"The natural gas market is likely to stay tight over the next couple of months, particularly in light of the supply impacts from Katrina and Rita"
Technical Analysis		
Winter 2005-06 Strip Chart	↓	Katrina Gap: 10.88 - 11.27. Rita Gap of 12.52 - 13.11 was partially filled on 9/27. Now 12.52 - 12.69.
Rig Count	↔	Down 2 and remains high compared to last 5 years. According to FERC Staff Report (10/12), supply down 1% over the last 2 years although rig count up 30%
Economy		
Demand	↓	CM&T Industrial Demand Study: Implied level of demand destruction = 2.1 bcf/day
Supply	↑	Domestic natural gas production in 2005 is expected to drop by 3 percent due mainly to the major disruptions to infrastructure... from both Katrina and Rita.
Oil Market	↑	Oil infrastructure in the Gulf took the same hits from Katrina and Rita as the natural gas industry

Meeting Minutes: 10th Floor North Conference Room - 9:00 am

Attendees: Patty Walker, Jim Henning, Bill Tucker, Jeff Kern, Mike Brumback, Kathy Knecht

On Monday morning, after the market information was distributed to the meeting attendees, a new tropical storm (Wilma) formed in the Caribbean. It is currently forecasted to move into the Gulf and strengthen to a hurricane. Although prices immediately reacted, they could go up even higher if yet another hurricane causes damage to natural gas infrastructure off the coast of Louisiana.

Based on the hedging plan, long term fixed prices need to be in place prior to October 31. In the interest of getting these in prior to additional price increases that could result from Wilma, three suppliers [REDACTED] will be contacted on Tuesday at 11:00 a.m. to quote prices for 1 and 2 year fixed prices beginning April 1, 2006. [REDACTED] dth/day for CG&E and [REDACTED] dth/day for ULH&P for each term will be locked in with the lowest bidder.

In addition, the firm supply agreement with Tennaska calls for 10,000 dth/day from December - March to be locked in with a fixed price by October 31st for CG&E. ULH&P's contract with [REDACTED] is for delivery on Tennessee 500 Leg, which will most likely not be operational this winter. Therefore, ULH&P will lock in an additional fixed price with [REDACTED] at Columbia Onshore for similar volumes.

The Union Light Heat & Power Company
Hedging Program - Current Position
As of 10/14/05

Nov-05 Dec-05 Jan-06 Feb-06 Mar-06

<u>Daily Base</u>	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Estimated Base (Gross)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amount Hedged	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost Averaging	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost Averaging	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost Averaging	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost Averaging	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Hedged	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

<u>Monthly Base</u>	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Estimated Base (Gross)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hedged to date	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost Averaging	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost Averaging	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost Averaging	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost Averaging	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Hedged	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
% of Base Supply	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Seasonal % of Base	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

<u>Normal Load (City Gate)</u>	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Hedged (City Gate)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Storage Withdrawal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Market	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total (incl. Injections)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
% Hedged & Storage	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Seasonal %	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(1) ULH&P will purchase [REDACTED] from [REDACTED] at Columbia Gulf Onshore based on the average NYMEX closing price June 1, 2005 - July 29, 2005.

**DEA LEGAL BULLETS
Commercial Operations
May 12, 2006**

I. Commercial Operations

A. Asset-related Transactions

1. *Bridgeport Energy - IA amendment (GS)* -- IA amendment has been executed. UI filed IA amendment with FERC on April 28. We notified counsel for LS Power that intervention will be due on or around May 19. RMR proceeding – Given closing of LS Power deal, providing transition services upon request for the following: (i) Settlement discussions at FERC regarding cost-of-service issues are continuing. In connection with cost-of-service settlement discussions, Bridgeport is still working on responding to data responses. Settlement conference at FERC will be deferred until early June while parties continue to provide and review data; and (ii) Partial settlement agreement that settles all issues other than cost-of-service was filed with FERC on April 19. Parties to settlement and parties to proceeding now have the opportunity to file comments on the settlement agreement. Comments are likely due by May 9 (20 days after the settlement was filed).
2. *Midwest LLCs transfer (GS)* – EWG filings – COMPLETED; MBR cancellation and notice of succession filings – All filings have been made and are pending at FERC. Other open action items noted on checklist (i) Will be working with credit to determine if some of the Duke Capital guarantees that were provided under an LLC agreement can be eliminated – once John Gatto has had a chance to review the guaranties and underlying agreements, he and I will touch base on next steps; and (ii) Interlocking officer resignations – described below.
3. *Decertification of DEVI control area by June 1* – In progress. (GS)
4. *Todhunter Propane Cavern Sale* – Working through issues related to first leg of transaction – ORVP transfer to CG&E. Expected closing May 31, 2006. Working TEPPCO Storage and Service Agreement edits from TEPPCO draft – distributed internally for review. Awaiting TEPPCO's turn on asset purchase agreement. (MJP)

B. CAM PORT OPS

1. *Assignment of DEMA/DETM confirms* – Working with Michael and Kim on the project. Skadden's view is that we probably need to obtain 203

authorization prior to assigning or novating these confirms. Need to review draft of 203 application that Skadden sent earlier this week. (GS)

Credit approval received, novation packages sent to counterparties. Good work Kim Twele! (MJP)

2. *Back-Up Supply Issue* – Working on CG&E supplying back-up supply to ULH&P in progress. (GS)
3. *CG&E/Brookfield Energy Marketing Inc. EEI Amendment* – Execution, internal systems, Contract Administration and notification procedures completed. (KDT)
4. *Prepare FERC Form 203 Exhibit A* – Summarizing transactions to be novated; contact eleven counterparties re initiation of novation process; transmittal letters, novation agreements and confirmations prepared and forwarded to counterparties. (KDT)
5. *DP&L Cross RTO Guidelines and Protocols.* – DE Ohio-DP&L Cross RTO documents fully executed. DE Kentucky-DP&L documents executed by DE Kentucky, will send to DP&L today for execution. (MJP)
6. *Emergency Service Agreements* – Continue to try to press counterparties on Emergency Service Agreements. Communications resumed with NIPSCO, IP&L, AEP, LG&E. Working with Skadden on 205 filing for affiliate agreements. Have determined that in-person meeting with D. Hill of Skadden is necessary to explain ins and outs of reserve-sharing, reserve sharing group, Reliability First, etc. Meeting tentatively scheduled for May 22. (MJP)
7. *Williamson Coal* – This heavily-negotiated coal purchase transaction has been executed. (MJP)
8. *Gas Transaction* – Continue to review NAESB's and Gas Transmission agreements related to DENA assets. Getting concerned about meeting clients' target date of June 1. Meeting scheduled with clients on May 12 to review status, work contingency plan. (MJP)
9. *Penncara* – Meeting with clients to discuss Duke's position has been rescheduled to next week. I expect our failure to provide our position to Penncara will cause them to resume litigation route. (MJP)
10. *American Coal Powhatan Mine Dispute* – Clients have failed to resolve this dispute over American Coal's failure to deliver, and have asked that we explore litigation. Looping A. Johnson into this over the next few weeks. (MJP)

11. *Lime* – DE Ohio Lime purchase agreement with Carmeuse has been finalized. Coordinating this with DE Kentucky agreement, as this is essentially splitting an old CG&E agreement for lime deliveries for Zimmer and East Bend between DE Ohio and DE Kentucky. Expect to have DE Kentucky side completed in near future. (MJP)

C. CG&E Generation

1. *Argillon* – Have received Argillon’s documents supporting their assertions regarding unearned discounts. Have scheduled meeting with clients to review and develop our position. (MJP)

D. DEGS

1. Complete and route subsidiary entity creation form for internal approval for Duke Energy Industrial Sales, LLC; (KDT)
2. Research KGen Operation and Maintenance Agreements with respect to timing of increase to Monthly Management Fee; (KDT)
3. Research St. Paul Cogeneration, LLC agreements for Operator default/quality standards; (KDT)
4. Work with Beth Fritsch on transition matters; (KDT)
5. Draft Action by Written Consent of Board of Managers of Trigen-Cinergy Solutions of Orlando LLC due to amendment to Project Termination Agreement; responsive amendment draft from SUEZ Energy Generation NA, Inc. under internal review; (KDT)
6. *Exxon Mobile Coal Sales* – Reviewed edits to this coal purchase agreement. Primary issue is Exxon’s desire to rely heavily on UCC rather than our standard assurance/event of default/termination language. Awaiting counterparty reply. (MJP)
7. *Norfolk Southern* – NS has resumed its eradic deliver of cars for DEGS’ Narrows operation. However, transportation agreement we have with them is very one-sided. Have sent letter to NS explaining problems, claiming force majeure to avoid penalty for not meeting minimum shipping requirement. (MJP)

8. *Section 45 projects* – Have been asked by A. Sears to replicate the International Paper docs for Newpage, just to keep Newpage moving along to some extent. Will work on these over next couple of days. (MJP)

E. Miscellaneous

1. *PUHCA 2005 holding company filing* – Will need to work with Jeff Trepel, Skadden, others on holding company filing for new company. Filing not due until later of 30 days after merger or 14 days after FERC issues rehearing order on PUHCA 2005 rulemaking. Final PUHCA 2005 order on rehearing was issued earlier this week. Jeff to check on whether Mary Margaret is continuing work on this filing. Haven't heard anything yet despite repeated requests to Jeff for an update. (GS)
2. *QF/FUCO/EWG project* – Have finalized list of DEI companies that would require FUCO/EWG self-certification filings. Working with Skadden to seek rehearing on FERC's state certification requirements for EWGs and FUCOs. Waiting for draft of rehearing request. (GS)
3. *EQRs (GS)* - Working with Danny Milford to file EQRs for all DENA plant LLCs and DEMA and DETM for Q1 2006. EQRs due by May 1, 2006 (since April 30 is a Sunday). All EQRs were timely filed. Will also need to work with Danny to prepare EQR filings for Q2 2006 for all DENA plant LLCs up until date that a particular LLC either merges into CG&E or is sold to LS Power so that someone at CG&E can file them after Danny leaves company in May. Will need to coordinate with CG&E EQR team.
4. *Interlocking resignation filings* – With respect to filings required for officers resigning due to (i) the DENA Midwest LLCs merging into CG&E, (ii) LS Power deal closing, or (iii) retirement or severance, as of May 11, all filings but two have been made. All filings regarding resignations from DENA Midwest LLCs were filed by May 8. Only two filings left for LS Power company resignations, the deadline for which is June 4. (GS)
5. *Standard of conduct issues (GS)* – Working with Michael and Diego on generation/plant personnel being shard by reg and non-reg. Diego sent out email summarizing where we ended up on this. Will discuss with Diego and Jeff Trepel request by Regulated Portfolio Optimization to have DEA personnel develop Commercial Business Model for Regulated Portfolio Optimization. Call was held. Waiting to hear back from Jared Lawrence from Port Ops on what they want to do next. Standards of conduct “training” at Curtis Davis expanded staff meeting scheduled for May 9 – COMPLETED.

6. *Section 204 issue* – Have call into Mike Naeve to authorize him to discuss issued with FERC staff. (GS)
7. Working with J. Williams in Houston Credit on NRG Texas collateral trust issues, expecting to amend the CG&E EEI to address new NRG collateral trust – conference call with counterparty scheduled for the May 12. Alternative approach might be to put C&T EEI in place, novate CG&E trades to CM&T. (MJP)
8. Continue to work officer appointment lists for the former Cinergy DEA companies. Awaiting DEGS officer list from S. Harkness. Meeting with Houston paralegals, D. Gomez, Cincinnati Corporate Secretarial to ensure coordinated effort. Will require a few more passes to finalize list. (MJP)

The Union Light Heat & Power Company
Hedging Program
Current Position

Delivery Month	Base Supply		Hedged to Date		Next Target (10/31/05)	
	Dth/day	Dth/mo	Dth/day	Dth/mo	Required dth/day	Allowed dth/day
Nov-05						
Dec-05						
Jan-06						
Feb-06						
Mar-06						
Winter 05/06						
Apr-06						
May-06						
Jun-06						
Jul-06						
Aug-06						
Sep-06						
Oct-06						
Summer 2006						
Nov-06						
Dec-06						
Jan-07						
Feb-07						
Mar-07						
Winter 06/07						
Apr-07						
May-07						
Jun-07						
Jul-07						
Aug-07						
Sep-07						
Oct-07						
Summer 2007						
Nov-07						
Dec-07						
Jan-08						
Feb-08						
Mar-08						
Winter 07/08						

WASHINGTON (AP) — Government forecasters on Wednesday predicted a warmer than normal winter, offering hope to much of the Midwest and West as concern grows about the rising costs of heating during the winter-weather.

The National Weather Service said there is a 60 percent chance of warmer than normal weather in the Dakotas, Nebraska, Iowa, Kansas, Missouri, Oklahoma, north Texas, northern New Mexico and southern and eastern Colorado.

States adjoining that area, plus Washington, Oregon, Alaska and Hawaii also have a chance of being warmer than usual.

Other regions could be warmer or cooler than usual but no area was singled out to be especially cold.

"Even though the average temperature over the three-month winter season is forecast to be above normal in much of the country, there will still be bouts of winter weather with cold temperatures and frozen precipitation," said NOAA Administrator Conrad C. Lautenbacher, Jr.

The rain and snowfall outlook calls for wetter-than-normal conditions across most of Arkansas, Louisiana, Oklahoma, and northeastern Texas. Drier-than-normal conditions are expected across the Southwest from Arizona to New Mexico.

The forecasters noted that for the sixth year in a row, drought remains a concern for parts of the Northwest and northern Rockies. Wet or dry conditions during the winter typically have a significant impact on drought conditions.

One factor in this winter's weather is the North Atlantic oscillation, which can shift the jet stream that helps drive the movement of winter storms, the forecasters said.

In one phase, the jet stream shifts to the north of its usual location and the winter weather features relatively warm days over much of the contiguous U.S. In contrast, during the negative phase the jet stream shifts to the south, bringing in Nor'easters and more frequent cold air outbreaks and snowstorms, especially along the East Coast.

The phase of the oscillation is difficult to anticipate more than one to two weeks in advance.

On the Net:

NOAA: <http://www.noaa.gov>

National Weather Service: <http://www.nws.noaa.gov>

[PROFILE

[COUNTRY:United States; ISOCOUNTRY3:USA; UNTOP:021; APGROUP:NorthAmerica;]

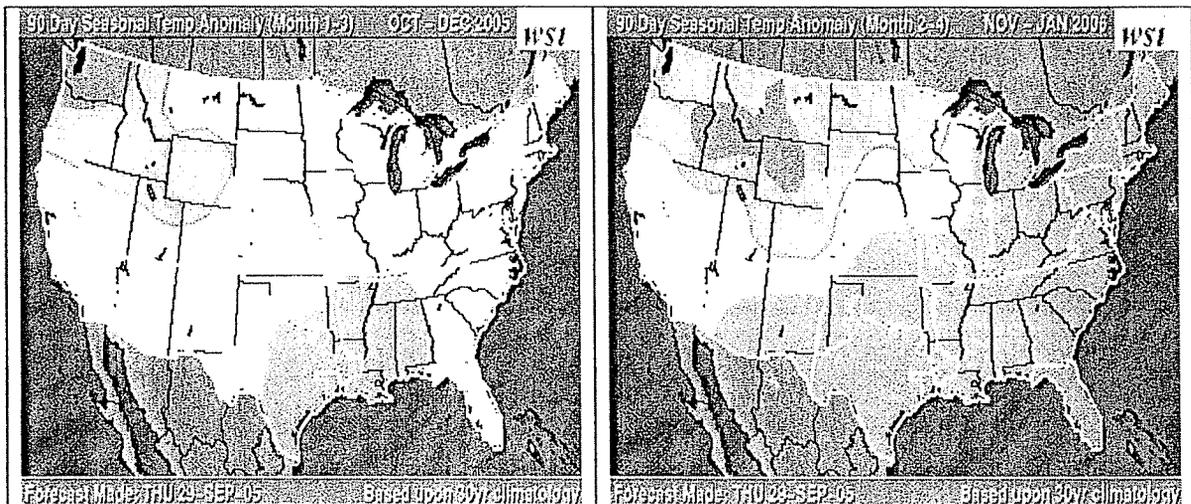
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[06000272]

These events, when they occur, typically result in extended periods (4-6 weeks) of very strong negative AO/NAO and widespread below-normal temperatures in the US. While these events are not predictable on monthly or seasonal time scales, they can be detected a couple of weeks ahead of time by examining daily stratospheric data. When these events occur, the seasonal signal is generally useless for a month or so.

The only change in this forecast update has been to the October forecast, with significantly warmer temperatures now expected in the Plains and slightly cooler temperatures expected along the Eastern seaboard. There are no changes to the November or December forecasts, and our seasonal signals still indicate a relatively mild two months. For you analog fans, a similar transition in Pacific SSTs occurred in late summer 2003. The strong negative QBO we are currently experiencing is also similar to late summer 2003. While we don't expect an exact duplicate of fall 2003, our objective model output does suggest a rather strong similarity, especially in October and November.

We will be following changes in Pacific SSTs during the next 4-6 weeks do determine whether the recent trend towards a cooler PDO will persist. These SST changes will play an important role in the second half of the eagerly anticipated heating season of 2005-2006.



WSI forecast for the October-December (left) and the November-January (right) periods

Please click on the "model graphics" link under the discussion header in the Seasonal section of our Web page for more details on the raw output from the various climate and statistical models.

Final model weighting used in WSI temperature forecast

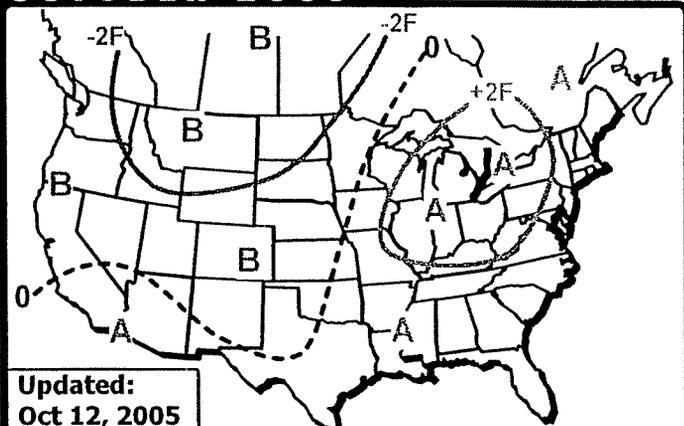
	OCT	NOV	DEC	OND	NDJ
Climate	25	15	20	20	20



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

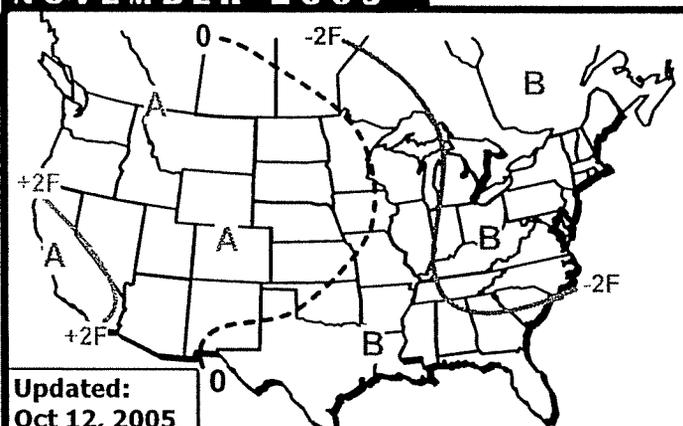
EARTHSAT Wednesday **DAY** 10/12/05 **DATE** 10AM EDT **TIME** MR **FORECASTER**

OCTOBER 2005



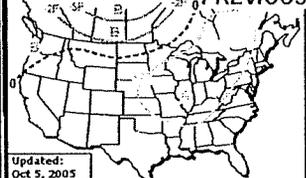
Updated:
Oct 12, 2005

NOVEMBER 2005



Updated:
Oct 12, 2005

OCTOBER 2005 PREVIOUS



Cooler Northern Rockies
into Upper Midwest

Warmer Southwest

Updated:
Oct 5, 2005

NOVEMBER 2005 PREVIOUS



Carolina's Cooler

Upper Midwest/Plains
Slightly Warmer

Updated:
Oct 5, 2005

With respect to what October is verifying so far across the N. Rockies, temps are cooler here for Oct. There are even some signs of the cooler anomalies flirting with the far western fringes of the Midwest into the Tenn. Valley. The forecast has been warmed across the Southwest, primarily dealing with the warmer anomalies verifying here and the ridge forecast in this region as well. The East Coast should average around normal.

The analog year study has changed November a bit. The Carolina's could be cooler as indications of a deeper trough evolve. The Upper Midwest into the Plains could be warmer as some indices indicate more of a warmer westerly flow. Most other regions seem to be on track with mainly ridging in the West and seasonal anomalies forecast across the southern tier of states.

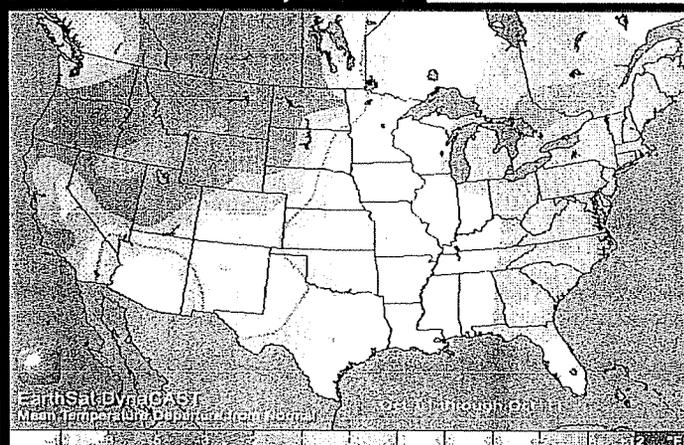
October HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	342.5	379.1	401.0	348.0
Philadelphia	204.0	251.9	269.0	276.0
Houston	25.0	31.0	37.0	4.0

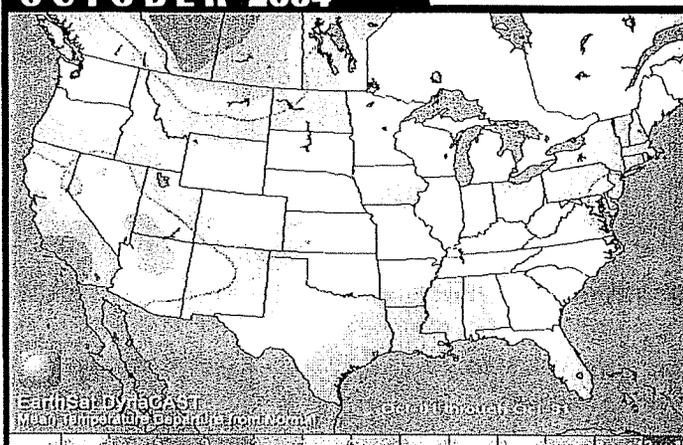
November HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	790.0	748.1	759.0	639.0
Philadelphia	599.0	539.4	545.0	513.5
Houston	205.0	164.2	189.0	126.0

OCTOBER 1 - 11, 2005



OCTOBER 2004



Maps above depict deviations of average temperatures from normal in Fahrenheit.



EarthSat's Energy Weather

The 6 to 10 Day Forecast - Detailed Version

EARTH SAT

Friday

DAY

10/14/2005

DATE

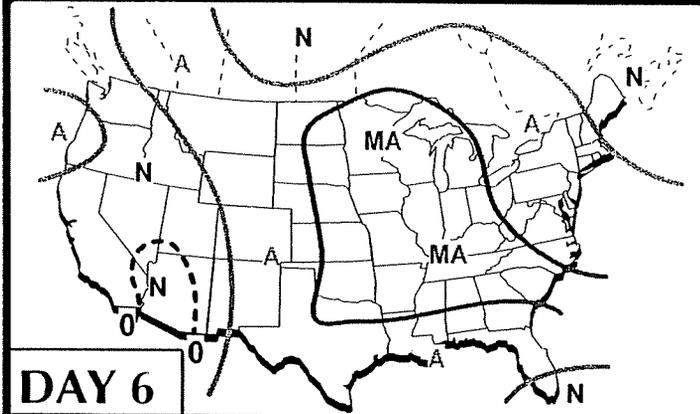
6:30 A.M.

TIME

MR/JS

FORECASTER

FORECAST TEMP. DEVIATIONS



FORECAST VALID: Wednesday, 10/19

CONFIDENCE: 5

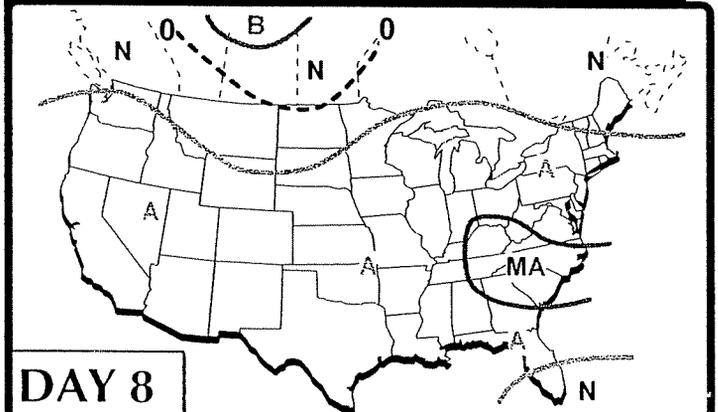
DISCUSSION

Today's Forecast

Aboves Cover Most Areas Across Country

Above normal temperatures are found throughout most of the country today, except for the Northern States, which experience a trough moving eastward throughout the period. The Southern Midwest and Southeast experience much above normal heat early in the period before the trough makes its way to the East Coast, while the Western Plains are also much above in the trough's wake late in the period. Unlike yesterday, belows are associated with this trough in Southeastern Canada late in the period, creating a strong temperature gradient in the Northeast.

FORECAST TEMP. DEVIATIONS



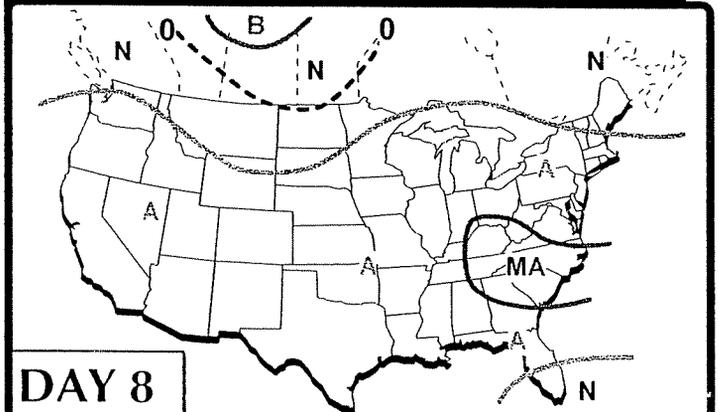
FORECAST VALID: Thursday, 10/20

CONFIDENCE: 4

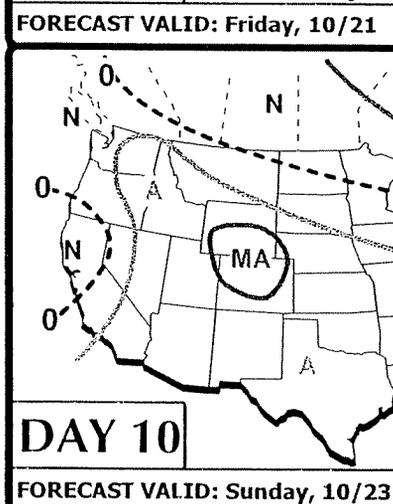
DAY 8

FORECAST VALID: Friday, 10/21

CONFIDENCE: 3



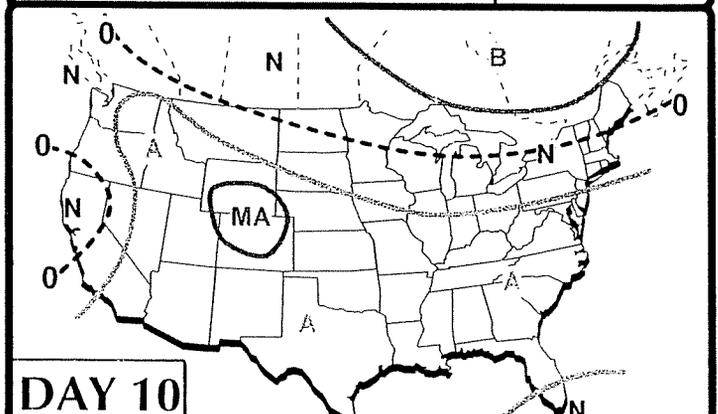
DAY 9



DAY 10

FORECAST VALID: Saturday, 10/22

CONFIDENCE: 2



DAY 10

FORECAST VALID: Sunday, 10/23

CONFIDENCE: 2

LEGEND

MUCH ABOVE.. +8F OR UP
ABOVE..... +3F TO +7F

NORMAL
-2F TO +2F

MUCH BELOW..... -8F OR DOWN
BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

The NewsRoom
 Release: #3379
 Date: October 14, 2005

Hurricane Katrina/Hurricane Rita Evacuation and Production Shut-in Statistics Report as of Friday, October 14, 2005

Next Report will be issued on Monday, October 17, 2005 at 1:00 PM CDT
 For information concerning the storm click on www.mms.gov

This survey reflects 68 companies' reports as of 11:30 a.m. Central Daylight Time.

Districts	Lake Jackson	Lake Charles	Lafayette	Houma	New Orleans	Total
Platforms Evacuated	30	85	43	11	63	232
Rigs Evacuated	0	1	1	0	0	2
Oil, BOPD Shut-in	26,731	47,725	138,570	89,036	706,847	1,008,909
Gas, MMCF/D Shut-In	811.52	1,138.47	986.15	631.37	2,079.74	5,647.25

These statistics reflect evacuations and shut-in production from Hurricanes Katrina (remaining) and Rita

These evacuations are equivalent to 28.33% of 819 manned platforms and 1.49% of 134 rigs currently operating in the Gulf of Mexico (GOM).

Today's shut-in oil production is 1,008,909 BOPD. This shut-in oil production is equivalent to 67.26% of the daily oil production in the GOM, which is currently approximately 1.5 million BOPD.

Today's shut-in gas production is 5,647 BCFPD. This shut-in gas production is equivalent to 56.47% of the daily gas production in the GOM, which is currently approximately 10 BCFPD.

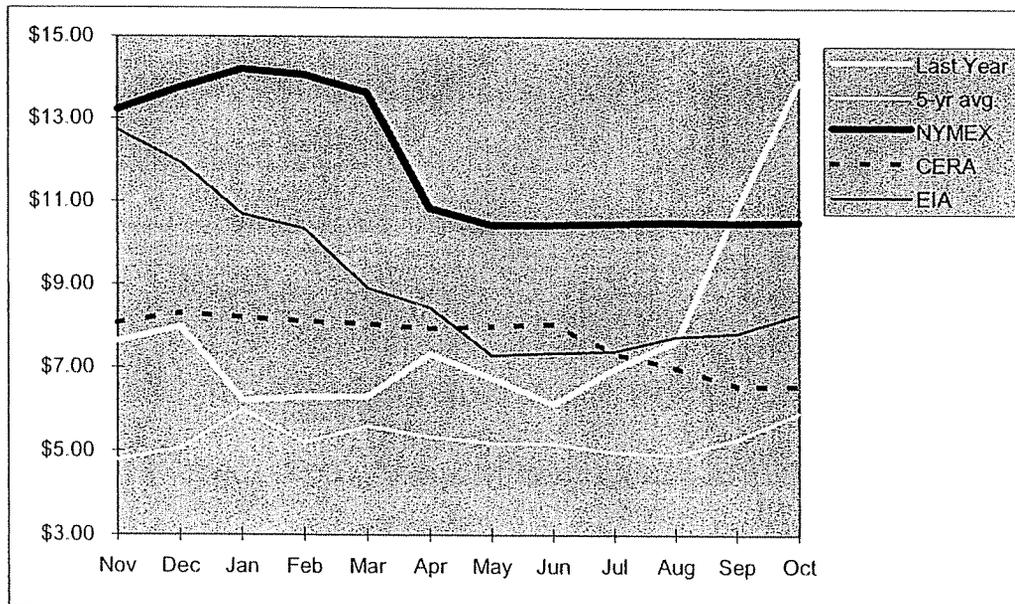
The cumulative shut-in oil production for the period 8/26/05-10/14/05 is 57,642,292 bbls, which is equivalent to 10.528% of the yearly production of oil in the GOM (approximately 547.5 million barrels).

The cumulative shut-in gas production 8/26/05-10/14/05 is 288.874 BCF, which is equivalent to 7.914 % of the yearly production of gas in the GOM (approximately 3.65 TCF).

These cumulative numbers reflect updated production numbers from all previous reports. The reports only represent input received by 11:30 a.m. CDT. If a company does not report by 11:30 a.m. it is not included in the special information release, but it is included in the next report.

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 20-Sep-05	EIA 12-Oct-05	NYMEX 14-Oct-05
Nov	\$4.79	\$7.63		\$8.060	\$12.731	\$13.219
Dec	\$5.06	\$7.98		\$8.300	\$11.938	\$13.749
Jan	\$5.98	\$6.21		\$8.200	\$10.689	\$14.204
Feb	\$5.20	\$6.29		\$8.110	\$10.338	\$14.059
Mar	\$5.59	\$6.30		\$8.050	\$8.913	\$13.639
Apr	\$5.34	\$7.32		\$7.940	\$8.444	\$10.839
May	\$5.19	\$6.75		\$7.990	\$7.294	\$10.434
Jun	\$5.18	\$6.12		\$8.050	\$7.353	\$10.439
Jul	\$4.97	\$6.98		\$7.350	\$7.394	\$10.469
Aug	\$4.91	\$7.65		\$7.010	\$7.747	\$10.504
Sep	\$5.29	\$10.85		\$6.560	\$7.830	\$10.479
Oct	\$5.92	\$13.91		\$6.560	\$8.288	\$10.509
12 Month Avg	\$5.29	\$7.83		\$7.682	\$9.080	\$11.879
Summer Average				\$7.351	\$7.764	\$10.525
Winter Average				\$8.144	\$10.922	\$13.774



Commentary

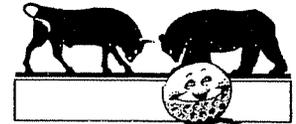
Although prices weakened early in the session, a late rally led to a much higher settlement compared to the previous session. Worries over a weather system forming in the Carribean may have sparked the rally, but clearly the momentum to the upside demonstrates just how sensitive prices are to rallies. The range of 12800-13600 seems likely to hold, however if a breakout does occur it seems more likely that a break through of 12800 to 12500 will be seen.

Scott Allen



Although the information in this report has been obtained from sources which BNP Paribas believes to be reliable, we do not represent or warrant its accuracy, and such information may be incomplete or condensed. All estimates and opinions included in this report constitute our judgement as of the date of the report and may be subject to change without notice. BNP Paribas or its affiliates may, from time to time, have a position or make a market in the financial products mentioned in this report, or in derivative instruments based thereon. BNP Paribas shall not be responsible for the consequences of reliance upon any opinion or statement contained herein or for any omission or error of fact. This report is confidential and is being submitted to selected recipients only. This report may not be reproduced (in whole or in part) to any other person without the prior written permission of BNP Paribas. Copyright © BNP Paribas (2005). All rights reserved.





(1-Day Indicator)

Jim Duncan, Market Analyst
(281) 293-1649

Email: James.W.Duncan@conocophillips.com

Friday, October 14, 2005

Bearish Inventory Data Pressures November NatGas



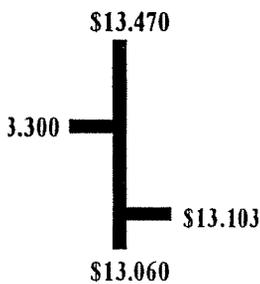
Today: Bearish **November Natural Gas Closed** **Down 42.1¢** **30-Day: Bullish**
Bottom Line - Supply concerns wane and warm/mild weather continues across the northeast quadrant of CONUS, which translates into weaker demand and much lower prices.

Yesterday's Market

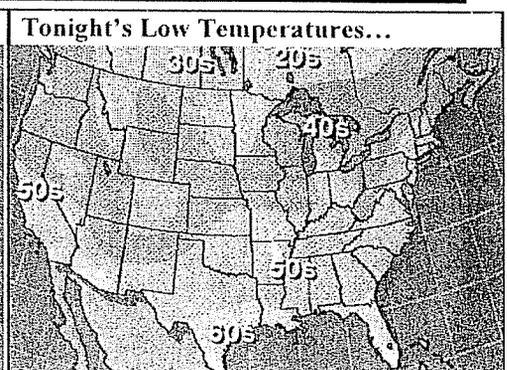
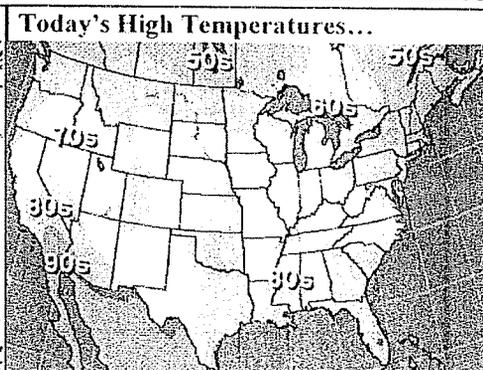
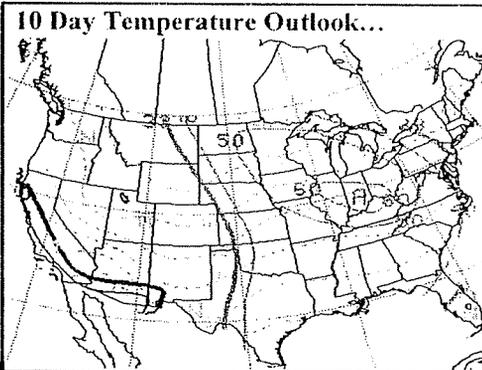
• Yesterday, November natural gas descended to a low of \$13.06, but could not generate enough momentum to take a stab below \$13.00. The front month contract closed the day at 13.103, 42.1¢ under Wednesday's settlement. Though the front month was already leaning lower following a soft opening at \$13.30, additional selling was sparked by yesterday's EIA storage report storage which came in at the upper end of expectations. The EIA reported that 58 Bcf of gas was injected into stocks last week, bringing the total to 2,987 Bcf – 162 Bcf under last year at this time, but 34 Bcf above the five-year average. Most people had come into the day generally expecting something near 53-55 Bcf.

What To Do And Look For Today

• The only creation of a mechanistic derivation you can derive from yesterday's storage number is that there's rising output from other regions and demand destruction, whether directly due to the storms or because of price, which is just what happened following Hurricane Ivan last year. Last year we lost a lot of production due to the storm and at that time it failed to translate into a storage surplus...or a short supply induced rally. That could mean more reasonable prices in the near term...or at least until cold air shows up. In addition to supply concerns from the recent storms, there are continuing machinations and ruminations concerning the kind of winter Mother Nature may have in store. Currently most medium term forecasts see warmer than normal conditions in the West and Midcontinent, however the Northeast – a major gas consuming region – remains a question mark. After all, it does translate as a race against Mother Nature. Does more supply return before the first big cold blast or not? According to the MMS production in the Gulf received another boost as an additional 0.22 Bcf/d came back online DoD. As of yesterday's report, 5.67 Bcf/d of production remains offline - a modest improvement – which brings the cumulative lost gas to 283.226 Bcf. MMS also said the cumulative oil production shut in since Aug 26th ahead of Katrina is now 56,633,383 bbl, equivalent to 10.344% of yearly US Gulf output of roughly 547.5 mil bbl. Cumulative gas shut-ins of 283.226 Bcf is equivalent to about 7.760% of yearly Gulf output of some 3.65 Tcf.



Access Trading	10/14/2005	8:29 AM	Natural Gas	\$12.780	(32.3¢)
WTI Crude	\$61.930	(\$1.15)	IPE Brent	\$60.250	\$0.10



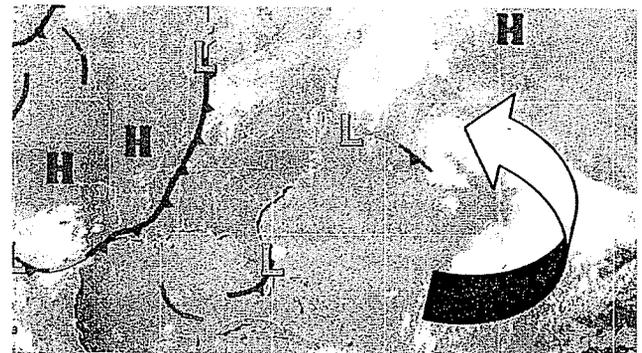
Weather Briefs – 1-2 More Warm Days in the Southwest – Not That They Need It, But More Rain In Northeast – West Still Sees Hotter Weather

Storage...

EIA reported build of 58 Bcf for week ending Oct 7...

For the week ending October 7, the EIA reported a build of 58 Bcf, which was higher than my forecast of 42 Bcf. This week's build is lower than last year's build of 67 Bcf, the three year average build of 64 Bcf, but in-line with the five year average build of 58 Bcf. The current inventory level is 2.987 Tcf, and we are 172 Bcf behind last year, and 5 Bcf above the five year average.

Signets... More And More Rain For Northeast



The low pressure system centered over Florida and the secondary low just off the east coast near southern New Jersey has created a tropical "water pump" that will continue to draw water out of the Caribbean, carry it around Bermuda, and then dump it all over New York and surrounding areas. This pattern has been dominant for several days and looks like it will continue.

oil and natural gas markets is expected to keep crude oil and wellhead natural gas prices elevated, resulting in increased residential propane prices for the upcoming winter season. They are projected to average \$2.05 per gallon compared to \$1.64 per gallon last winter. The average U.S. residential propane price (including State taxes) is projected to be \$1.80 per gallon for 2005, 29 cents above the 2004 average. Prices are expected to average \$2.07 cents per gallon in 2006. Regional residential prices for the upcoming season range from \$2.18 per gallon in the Midwest to \$2.27 per gallon in the Northeast.



U.S. Natural Gas Markets

Demand. Total natural gas demand is projected to fall by 1.2 percent from 2004 to 2005 due mainly to higher prices, but recover by 3.0 percent in 2006 due to an assumed return to normal weather and a recovery in consumption by the industrial sector, which is projected to increase by about 6 percent over 2005 levels. Residential demand is projected to decline slightly from 2004 to 2005 mostly because of relatively weak heating-related demand during the first quarter, while industrial demand is estimated to decline by nearly 8 percent over the same period due to the much higher prices for natural gas as a fuel or feedstock. By 2006, both end-use sectors recover somewhat with residential demand estimated to increase 2.6 percent from 2005 levels and industrial demand increasing by 6 percent. The industrial rebound in 2006 is partly because of assumed reactivation of damaged industrial plants in the Gulf of Mexico region but also reflects renewed fuel demand growth as domestic industrial plants adjust to higher prices. Power sector demand growth continues through the forecast period along with electricity demand growth. The pace is slower than the 5.7 percent rate projected for 2005 because an unusually hot summer and high cooling demand boosted 2005 growth significantly.

Production. Domestic dry natural gas production in 2005 is expected to decline by 3.0 percent (due in large part to the major disruptions to infrastructure in the Gulf of Mexico from both Hurricanes Katrina and Rita), but increase by 4.2 percent in 2006. Net imports of natural gas (pipeline and liquefied natural gas (LNG)) are expected to increase only slightly in 2005 (0.1 percent over 2004) but increase by 10.4 percent between 2005 and 2006. Imports of LNG appear to have exhibited little change through the first half of 2005 compared to year-ago levels. High natural gas prices in other world markets during the first three quarters of 2005 have served to attract available supplies of LNG that might otherwise have been directed to the United States, although fourth quarter imports are estimated to increase in response to high U.S. prices. Currently, total LNG imports for 2005 are expected to be approximately 680 bcf compared to 650 bcf in 2004; LNG imports are projected to be just over 1,000 bcf in 2006.

Prices. The Henry Hub natural gas price is expected to average about \$9.00 per mcf in 2005 and \$8.70 per mcf in 2006. In September, the Henry Hub natural gas spot price averaged \$12.40 per mcf, as hot weather in the East and Southwest increased natural gas-fired electricity generation for cooling demand, crude oil prices increased, and Katrina hit. The natural gas market is likely to stay tight over the next couple of months, particularly in light of the supply impacts from Katrina and Rita. Henry Hub prices are likely to remain above \$12 per mcf until peak winter demand is over.

Depending on the region of the country, residential natural gas price increases from 2004 to 2005, on an annual average basis, are expected to range from 14 percent (New England region) to 27 percent (East South Central). Similarly, for industrial users, the natural gas price increases are expected to range from 16 percent (Mountain region) and 40 percent (Pacific and West North Central) between 2004 and 2005. Pressure on delivered natural gas prices may be exacerbated in regions where heating demands are likely to increase the most, particularly during the heating season.

Given that the opportunity to offset the market impact of a weather-related increase in demand through an increase in imports is far more limited for natural gas than for oil products (net natural gas imports are estimated to account for about 15 percent of total U.S. demand in 2005 and 16 percent in 2006), weather conditions in the United States have an even larger impact on U.S. natural gas markets than on petroleum product markets. Consequently, retail natural gas prices are expected to be significantly higher should winter weather be 10 percent colder than predicted.

Storage. Working gas in storage as of September 30 was estimated at 2.93 trillion cubic feet (tcf), a level 151 bcf below a year-ago but still 1.4 percent above the 5-year average, and about 122 bcf above last month's projection. Although natural gas storage remains above the 5-year average, the double blows of Hurricanes Katrina and Rita reduced the peak storage achievable over the remainder of the injection season from what was expected previously. Expected working gas in storage at the end of the fourth quarter is expected to be about 2.5 tcf, 200 bcf below year-ago levels and about 50 bcf above the 5-year average.

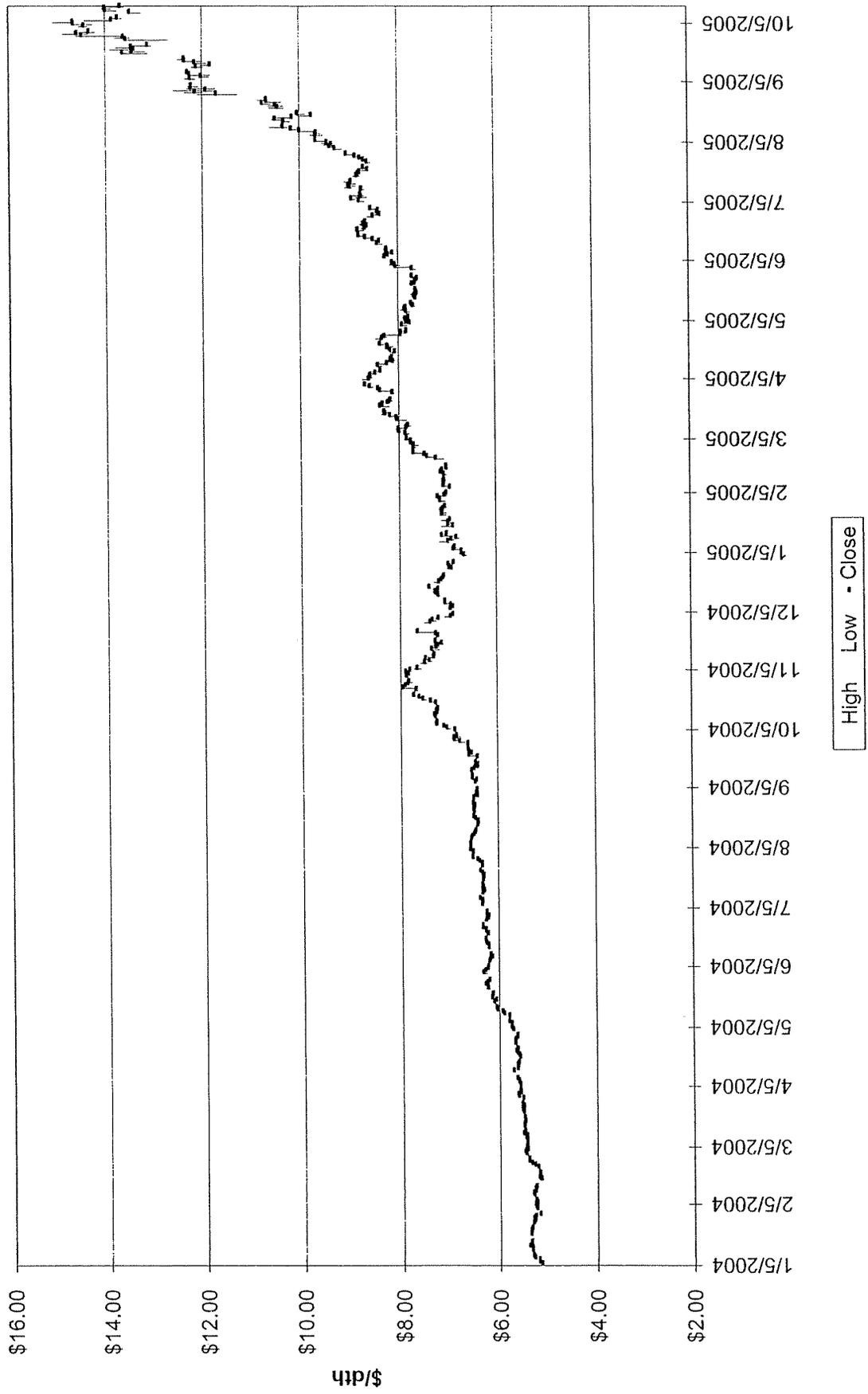
End-of-year storage levels are expected to decline 7.3 percent between 2004 and 2005 but increase about 5.2 percent in 2006 over 2005 levels. However, storage levels will be very sensitive to weather and the return of domestic natural gas production following the recent hurricanes. For example, each 3.3 bcf of daily supply reduction sustained over the course of a month translates into a supply loss of roughly 100 bcf. Recovery profiles that differ from the scenario used for this month's baseline forecast would significantly affect the storage forecast.

Electricity

Demand. Electricity demand is expected to increase by 3.5 percent in 2005 and about 1.0 percent in 2006 due largely to weather conditions as well as continuing economic growth. Very hot weather conditions generated a large increase in demand in the third quarter of 2005. Thus, year-over-year electricity demand growth rates are expected to be particularly strong, as cooling and heating demands are likely to be higher than in the mild third and fourth quarters of 2004. Regional demand exhibits increases for nine out of the ten regions (Alaska and Hawaii, treated as one region, are the exception) in 2005 compared with 2004. Commercial and industrial demand also increases across most regions, but the rate of growth tends to be smaller compared with residential demand.

Prices. Estimated 2005 prices for delivered electricity across all end uses range from 6.4 cents per kwh in the West North Central region to nearly 12 cents per kwh in New England. Due primarily to increased utility fuel prices, average electricity prices for all end uses are estimated to increase by 8.9 percent in New England and 8.2 percent in West South Central,

Winter Strip Dec05 - Mar06



London
(207) 595-8800

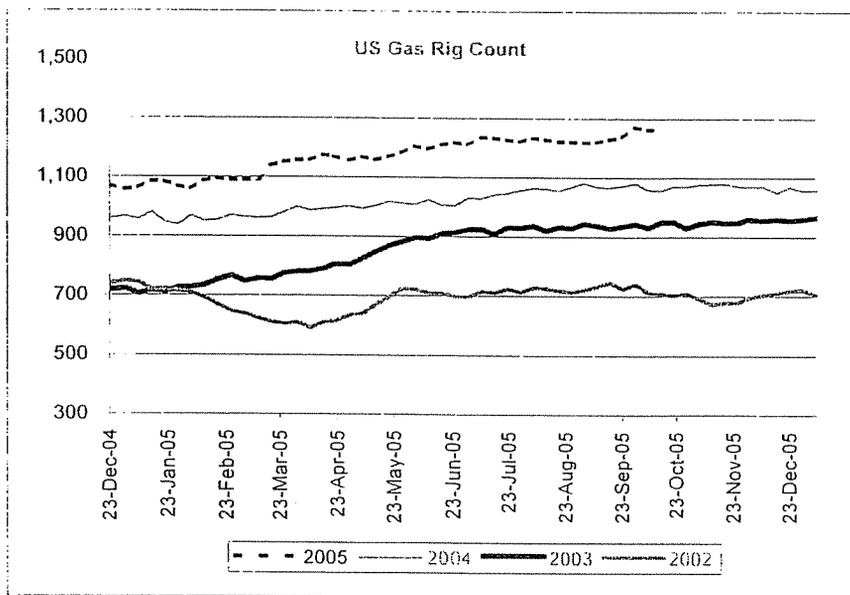


New York
(212) 841-3347

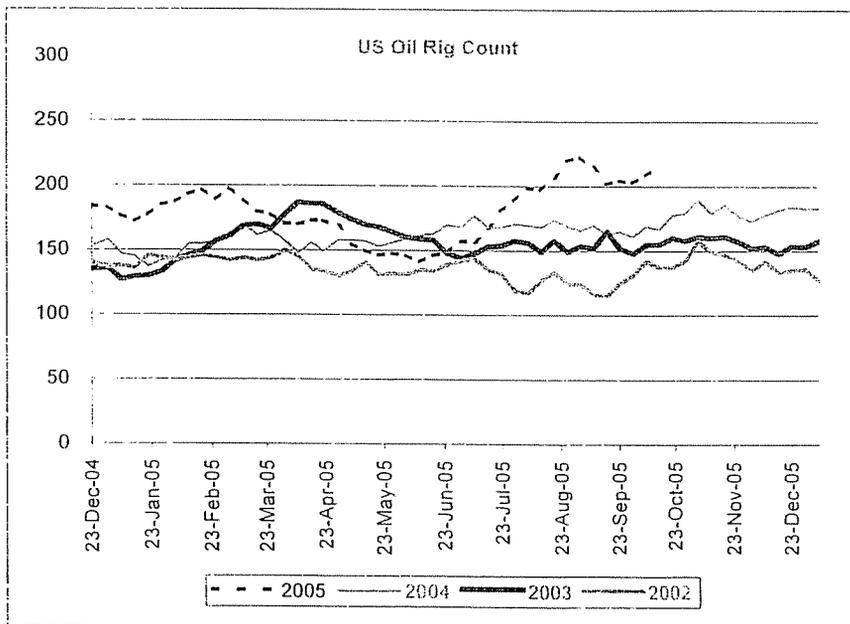
Commodity Futures

WEEKLY RIG WATCH

for the week ended: 14-Oct-05



Misc. Rigs	5
2002	709
2003	950
2004	1057
2005	1262
+/- Week Ago	-2
05 vs 04	205
05 vs 4yr AVG	357



2002	137
2003	155
2004	167
2005	215
+/- Week Ago	6
05 vs 04	48
05 vs 4yr AVG	62

SOURCE: BAKER HUGHES US OIL & GAS DIRECTED RIG COUNT WWW.BAKERHUGHES.COM

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Implications and Study Data

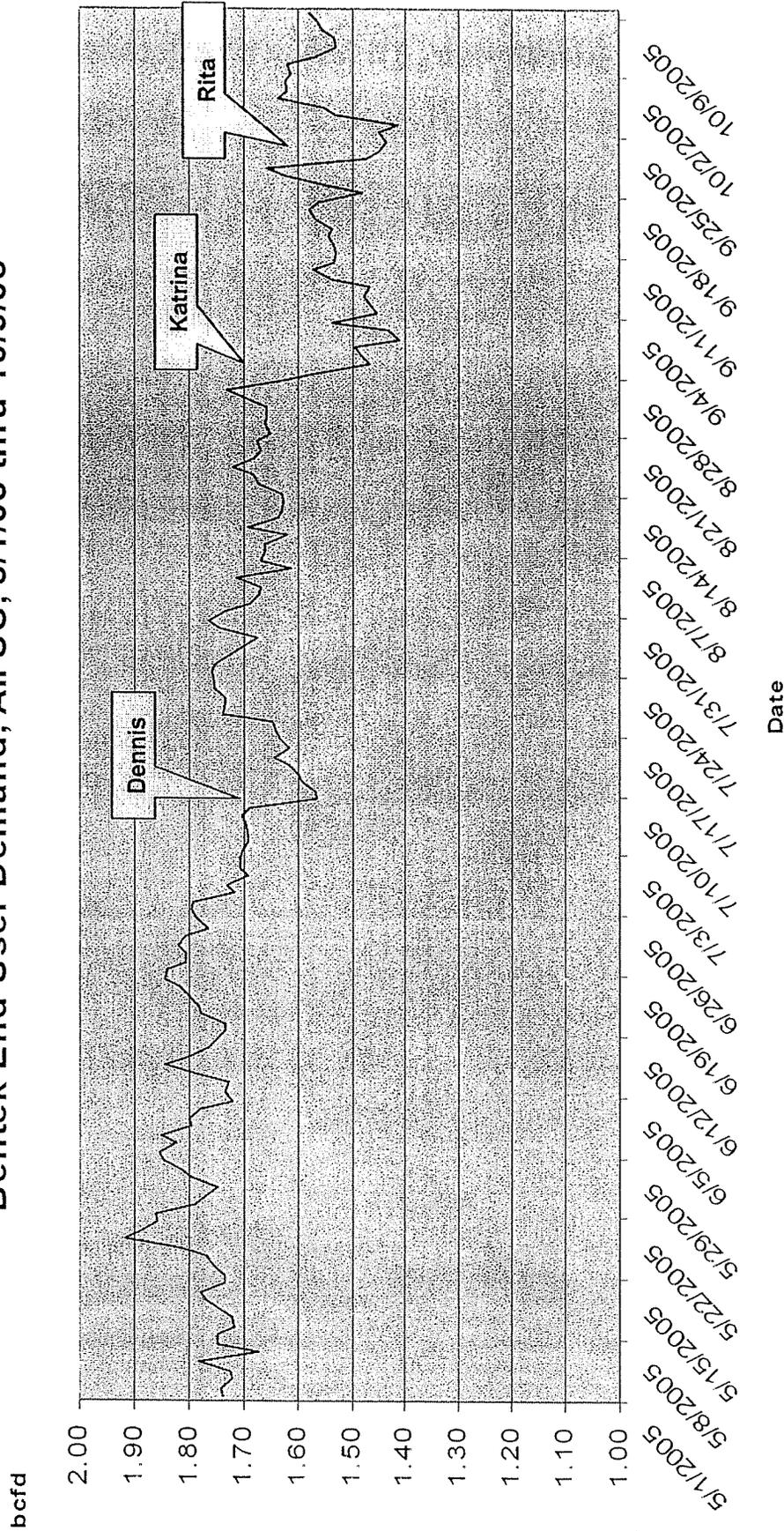
- Industrial demand appears to have fallen approximately 11% during the July-Oct period versus the May-June average
- A decline of 11% translates to roughly 2.1 bcfd
- Industrial demand in the areas directly impacted by Dennis, Katrina, and Rita appears to be in recovery
- Total US industrial demand appears to be trending slowly lower
- The record price indexes of September and October appear to be impacting industrial demand but on a similar pace as witnessed during July and August

Key Considerations:

- The absence of dramatic decrease in demand during the most recent price shock attests to a more inelastic demand curve
- Implied level of demand destruction, 2.1 bcfd, likely to fall short of balancing the natural gas market given supply outages of 3.0-4.0 bcfd as of November 1st
- Will industrial demand recover as prices are passed through the production chain or will industrials eventually yield to high prices resulting in much larger demand losses?

Bentek Observed Demand (mcf), Monthly Averages				
Month	LA-FL	Other	Total	
5/31/05	451,000	1,330,000	1,781,000	
6/30/05	453,265	1,314,921	1,768,187	
7/31/05	412,659	1,272,861	1,685,520	
8/31/05	431,525	1,219,659	1,651,184	
9/30/05	307,209	1,212,810	1,520,018	
10/31/05	402,238	1,172,697	1,574,935	
Operating Rates				
May/June Average	452,133	1,322,461	1,774,593	
Operating Rates - July-Oct (prelim), as a percentage of May/June Avg				
July	91.27%	96.25%	94.98%	
Aug	95.44%	92.23%	93.05%	
Sep	67.95%	91.71%	85.65%	
Oct	88.96%	88.68%	88.75%	
Industrial Demand Loss Projections				
Total Industrial Demand	LA-FL	Other	Total	
	3.3	15.7	19	
Monthly Demand Loss Estimates (bcfd)				
	LA+FL	Other	Total	
july	0.29	0.59	0.88	
aug	0.15	1.22	1.37	
sep	1.06	1.30	2.36	
oct	0.36	1.78	2.14	

Bentek End User Demand, All US, 5/1/05 thru 10/9/05



Key Observations:

- Demand falls most sharply during storm impact, slowly recovering thereafter
 - Demand has generally trended lower during the period from May to October
 - Currently October industrial loads are running 11% below the May-June period, yet only 4-6% below July-August average
- From this data a demand “shock” in response to higher prices cannot be observed, though demand is “trending” lower, intermittently driven lower by three major hurricanes**

**Gas Commercial Operations
Hedging Program
Market Indicators Summary
November 2, 2005**

Weather	Price Pressure	Comments
Long Term Weather Forecast	↓	NWS: Warmer than normal winter. WSI: Mild November & December. Similar to 2003.
Mid Term Weather (30-60 days)	↓	Earthstat: Warmer than normal November & December
6-10 day forecast	↓	Warm start to heating season
Tropical Storm Activity	↑	56% of Gulf production still shut in. No current tropical storm activity.
Storage Inventory		
EIA Weekly Storage Report	↓	Storage injections for the week ending October 7th were 58 BCF, which was above industry expectations, especially after Rita. Storage levels are 5% lower than last year at 3.0 TCF.
Industry Publications		
Cambridge Energy Research Associates <i>Winter 05-06: \$8.14</i> <i>Summer 2006: \$7.35</i>	↑	Headline: "North American Gas Prices Will Remain at Record Levels for the Fall and Winter" (Not updated since 9/20, prior to Hurricane Rita.)
CM&T	↑	"Tomorrow's EIA is setting up to be bullish versus expectations "
Conoco Morning Briefing	↓	"... bearish into the close ahead of what will likely be a very bearish storage number tomorrow "
Government Agencies		
Energy Information Administration <i>Winter 05-06: \$10.92</i> <i>Summer 2006: \$7.76</i>	↑	"The natural gas market is likely to stay tight over the next couple of months, particularly in light of the supply impacts from Katrina and Rita "
Technical Analysis		
Winter 2005-06 Strip Chart	↓	Katrina Gap: 10.88 - 11.27. Rita Gap of 12.52 - 13.11 was partially filled on 9/27. Now 12.52 - 12.69
Rig Count	↔	Down 2 and remains high compared to last 5 years. According to FERC Staff Report (10/12), supply down 1% over the last 2 years although rig count up 30%
Economy		
Demand	↓	CM&T Industrial Demand Study: Implied level of demand destruction = 2.1 bcf/day
Supply	↑	Domestic natural gas production in 2005 is expected to drop by 3 percent due mainly to the major disruptions to infrastructure from both Katrina and Rita.
Oil Market	↑	Oil infrastructure in the Gulf took the same hits from Katrina and Rita as the natural gas industry.

Meeting Minutes:

NYMEX prices have fallen dramatically over the past two days. On open the morning of November 2nd, prices stayed around the previous close, indicating that prices may start rising again. The average NYMEX for Dec-Feb is currently lower than CERA's estimate, although higher than EIA's. Since a bullish storage report on the 3rd, or revised weather forecasts for cooler temperatures could cause prices to rise again, informal discussions between the Director of Gas Commercial Operations, the Lead of Gas Procurement and Analysis, and the Administrator of Gas Transportation resulted in a decision to lock in another package of fixed price gas. [REDACTED] was contacted to convert [REDACTED] dth/day to a fixed price for CG&E and [REDACTED] dth/day for ULH&P.



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTH SAT

Wednesday

DAY

11/2/05

DATE

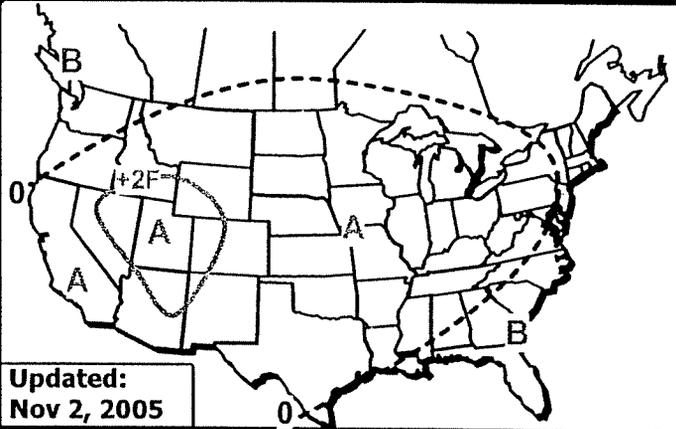
10AM EDT

TIME

MR

FORECASTER

NOVEMBER 2005



Updated:
Nov 2, 2005



November Warmed Due to Warmer Start

Changes Still Expected Later in Month

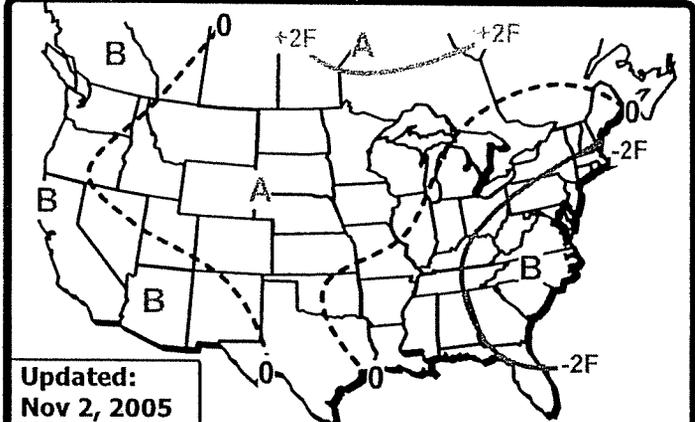
Updated:
Oct 26, 2005

Given the reluctance of the Gulf of Alaska low to break down or retrograde, the early half of November is coming in warmer than expected. The updated outlook reflects these changes combined with still the expectation for more variability in the 2nd half of the month. The transitional nature of the last two weeks (both cool and warm) suggest that November will likely see more volatility.

November HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	712.5	748.1	759.0	639.0
Philadelphia	539.0	539.4	545.0	513.5
Houston	185.0	164.2	189.0	126.0

DECEMBER 2005



Updated:
Nov 2, 2005



Better Confidence for December Outlook

Highest Cool Probability in the Southeast

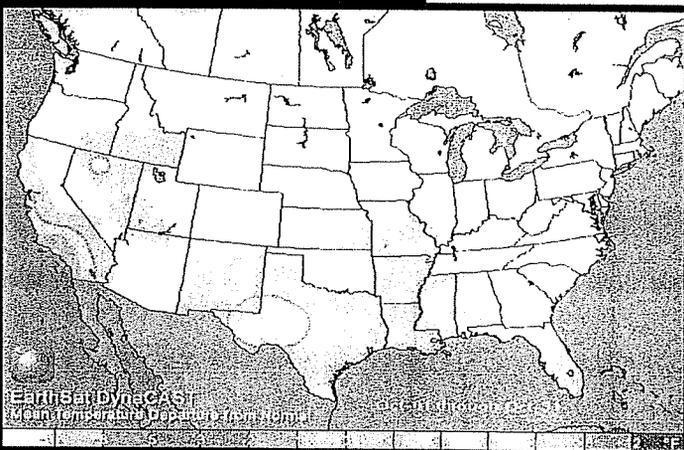
Updated:
Oct 26, 2005

The page 2 of this update shows the analog and climate tool forecasts for December now and unlike the widely varied November guidance, there is an unusual degree of agreement among the various methods utilized. Even the 5 and 10Y running averages support seasonal to below normal temperatures in the Mid-Atlantic and Southeast for the month of December (Southeast is most favored).

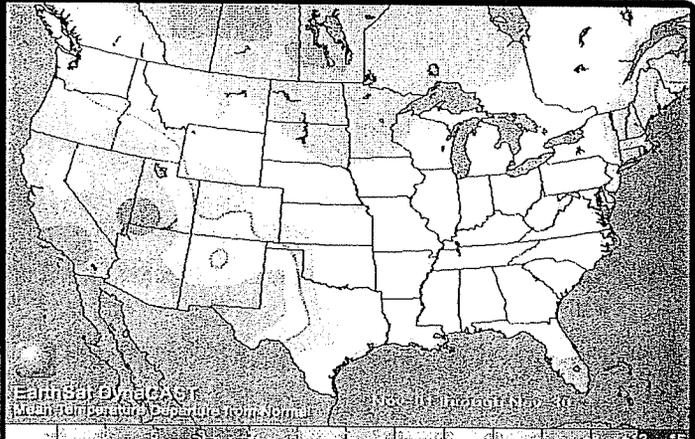
December HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	1149.0	1116.3	1151.0	1121.0
Philadelphia	919.0	846.4	857.0	846.0
Houston	368.0	367.5	367.0	358.0

OCTOBER 2005



NOVEMBER 2004



Maps above depict deviations of average temperatures from normal in Fahrenheit.



EarthSat's Energy Weather

The 6 to 10 Day Forecast - Detailed Version

EARTH SAT

Wednesday

DAY

11/2/2005

DATE

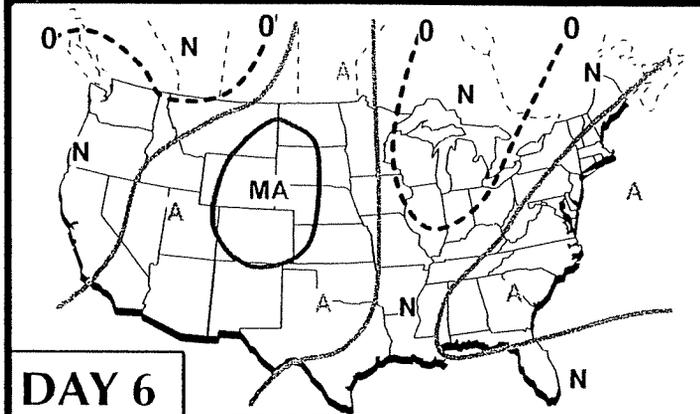
6:30 A.M.

TIME

MR/JS

FORECASTER

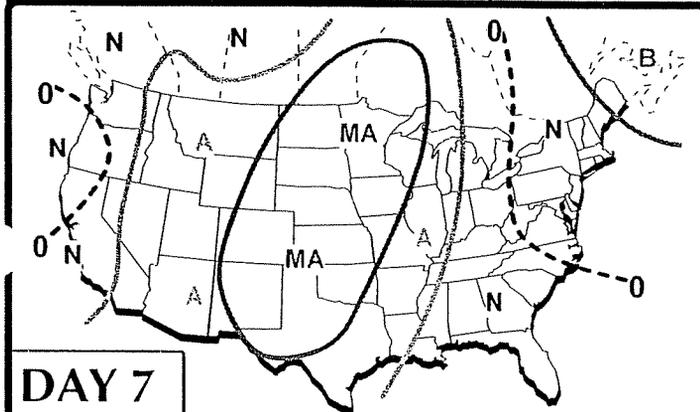
FORECAST TEMP. DEVIATIONS



DAY 6

FORECAST VALID: Monday, 11/7

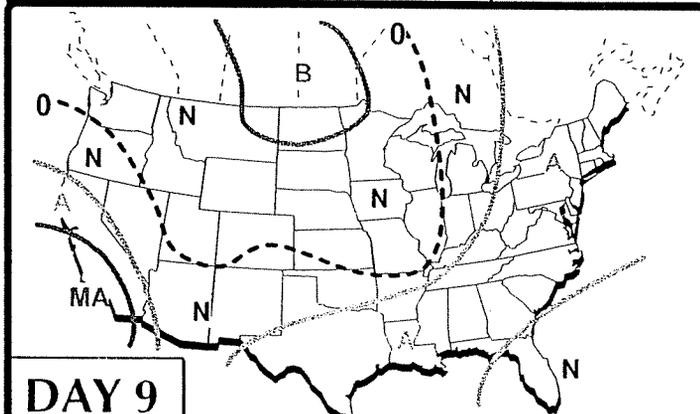
CONFIDENCE: 5



DAY 7

FORECAST VALID: Tuesday, 11/8

CONFIDENCE: 5



DAY 9

FORECAST VALID: Thursday, 11/10

CONFIDENCE: 3

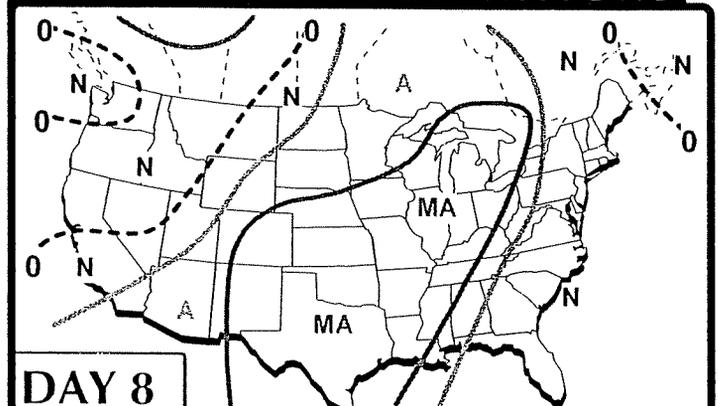
DISCUSSION

Today's Forecast

Series of Cool Troughs Leads To Fluctuations

A series of weak cool troughs will traverse the country throughout the period, causing fluctuations between aboves and normals for many locations. Strong heat once again is found in the Midwest/Plains early in the period, while aboves at the beginning and end of the period sandwich the passage of a cool trough on the East Coast. The models disagree on the intensity of the cool trough sweeping across the Western U.S. late in the period. The risk with our forecast would be if the models consistently strengthen the trough bringing more belows late.

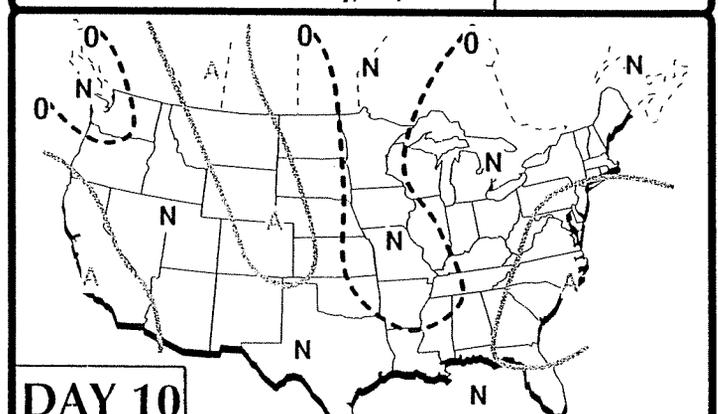
FORECAST TEMP. DEVIATIONS



DAY 8

FORECAST VALID: Wednesday, 11/9

CONFIDENCE: 4



DAY 10

FORECAST VALID: Friday, 11/11

CONFIDENCE: 2

LEGEND

MUCH ABOVE.. +8F OR UP
ABOVE..... +3F TO +7F

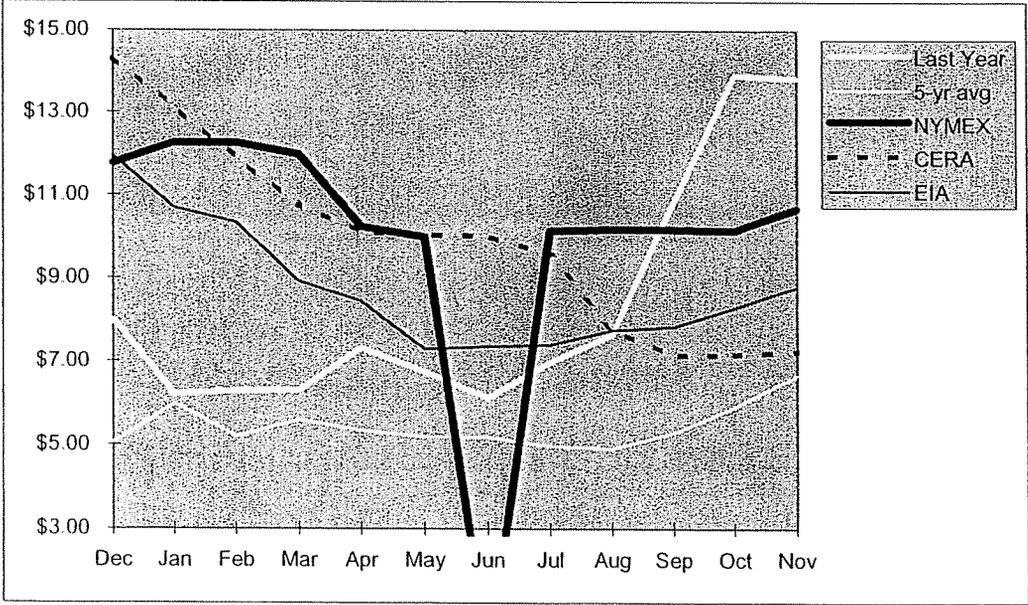
NORMAL
-2F TO +2F

MUCH BELOW..... -8F OR DOWN
BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

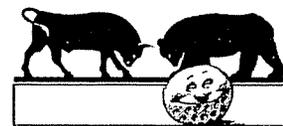
Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 19-Oct-05	EIA 12-Oct-05	NYMEX 2-Nov-05
Dec	\$5.06	\$7.98	<i>\$13.11</i> 	\$14.310	\$11.938	\$11.770
Jan	\$5.98	\$6.21		\$13.120	\$10.689	\$12.260
Feb	\$5.20	\$6.29		\$11.900	\$10.338	\$12.260
Mar	\$5.59	\$6.30		\$10.760	\$8.913	\$11.980
Apr	\$5.34	\$7.32		\$10.100	\$8.444	\$10.240
May	\$5.19	\$6.75		\$10.040	\$7.294	\$9.990
Jun	\$5.18	\$6.12		\$10.010	\$7.353	---
Jul	\$4.97	\$6.98		\$9.570	\$7.394	\$10.137
Aug	\$4.91	\$7.65		\$7.760	\$7.747	\$10.182
Sep	\$5.29	\$10.85		\$7.150	\$7.830	\$10.167
Oct	\$5.92	\$13.91		\$7.160	\$8.288	\$10.145
Nov	\$6.65	\$13.83		\$7.230	\$8.780	\$10.672
12 Month Avg	\$5.44	\$8.35		\$9.926	\$8.751	\$10.891
Summer Average				\$8.827	\$7.764	\$8.694
Winter Average				\$11.464	\$10.132	\$11.788





Natural Gas, Gas Liquids and Power Market Update

Daily Market Indicator



(1-Day Indicator)

Jim Duncan, Market Analyst

(281) 293-1649

Email: James.W.Duncan@conocophillips.com

Wednesday, November 2, 2005

December Continues Lower Amid Bearish Short-Term Weather



Today: Bearish December Natural Gas Closed Down 34.5¢ 30-Day: Calf

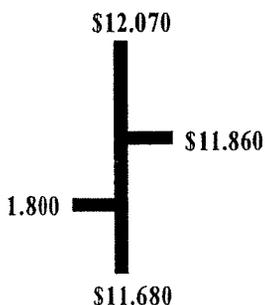
Bottom Line – Today is hard to forecast. The weather fundamentals say lower, the technicals say oversold, and the competing fuels suggest downside pressure. Therefore, I think we see lower prices early, then a rally attempt after DOE/API data gets digested, then bearish into the close ahead of what will likely be a very bearish storage number tomorrow. Confused?

Yesterday's Market

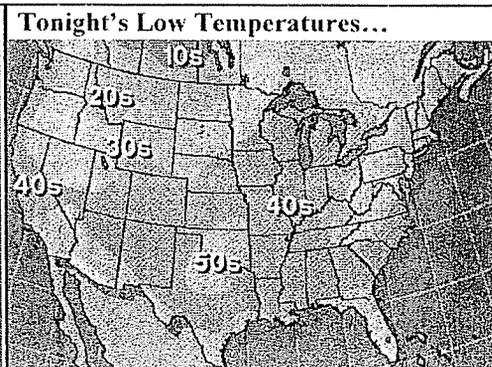
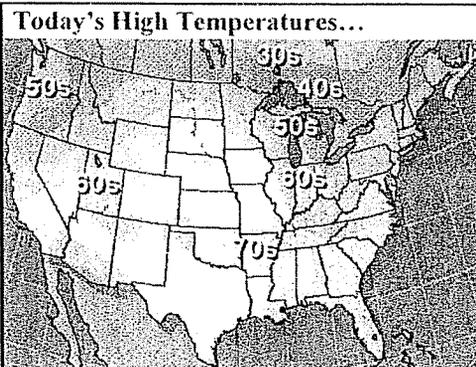
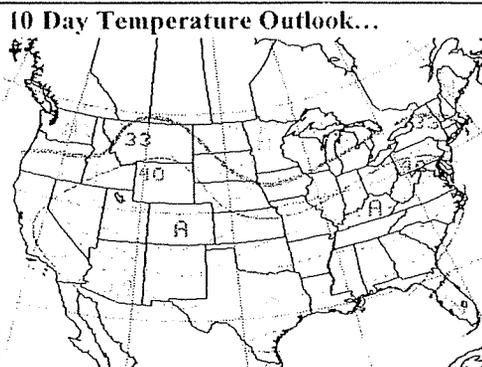
The market looked toward mild weather and falling demand combined with healthy stock levels to move lower yesterday. NYMEX December natural gas spent the morning in negative territory, slumping to a low of \$11.68. Although still unable to replicate its \$11.55 low, the contract settled down 34.5¢ at a \$11.86. As it was more of the recent storm premium came out of the market. Crude and products ended mixed yesterday with contracts moving in narrow ranges amid a lack of fresh driving news. Heating oil was pressured lower amid expectations of crumbling demand on mild weather, even as stocks are expected to take another fall when the EIA releases its latest inventory report today at 10:30 AM ET. Meanwhile gasoline futures gained on the day as retail prices slipped and the demand decline forecast by the EIA, IEA and OPEC is expected to recover at a more rapid pace than originally anticipated. Crude ultimately ended the session up a modest 9¢ at \$59.85.

What To Do And Look For Today

You just have to expect the front month to press even lower over the next few days as weather forecasts continue to suggest mild temperatures engulfing much of the U.S. through the first half of November and with winter forecasts indicating a colder winter compared to last year, but milder one compared to historical averages. There's no tropical activity. There's no cold weather – in fact the weather has warmed. It's the first of the month and a lot of people have already made the switch to residual fuel. Without any significant weather, I think we can test down to \$10.65 and get back to pre-Katrina levels.



Access Trading	11/2/2005	8:29 AM	Natural Gas	\$11.855	(0.5¢)
WTI Crude	\$59.640	(\$0.21)	IPE Brent	\$58.080	(\$0.29)



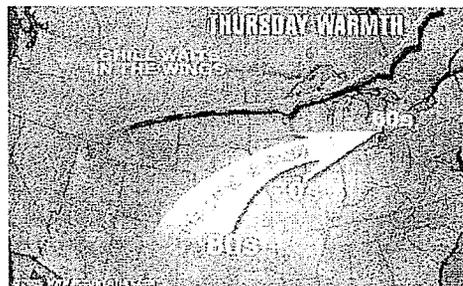
Weather Briefs – Very Mild Temperatures Over Most Of The East This Weekend – Warm Across Southwest Today – Mild Weather Prevails Across Midwest

Storage...

I'm looking for a build of 25 Bcf this week...

For the week ending October 28, my forecast calls for a build of 25 Bcf, which incorporates production and demand losses from Katrina, as well as Rita. This week's build will be lower than last year's build of 44 Bcf, but slightly higher than the three year average build of 17 Bcf, and the five year average build of 21 Bcf. The current inventory level is 3.139 Tcf, and we are 110 Bcf behind last year, and 62 Bcf above the five year average.

Sigmets: Confusing Weather Forecasts Continue



Temperatures are verifying colder than forecast so the potential for a sharp change to winter is likely. Remember two weeks ago...before the first big cold snap...nobody saw anything but warm weather in the forecast, and temperatures verified warmer than forecast. Then within two days it all changed. Look for that to happen again, but not before the end of the week.

Kern, Jeff L.

From: Quezada, Daniel on behalf of Smith, Brian
Sent: Wednesday, November 02, 2005 10:14 AM
To: Quezada, Daniel
Subject: CiN Market Outlook 11.02.05
Attachments: CMO 110205.pdf

Good Morning.

Market Outlook: Well the weather is warmer again and cash prices are not likely to be any stronger today than y/d. In fact some additional weakness could be on order from some of the Gulf points. That being said prices should continue to take the brunt of losses along the very front of the curve. Dec/Jan is likely to continue to widen, especially considering the weather forecast. However, the natty market is getting exceedingly devoid of length at this point and one has to wonder how much more bearish the near term outlook can be considering it is November 2nd. Tomorrow's EIA is setting up to be bullish versus expectations and we have petrol stats today amid a market that is trying to bottom out. Y/d it was interesting that the Jan-Mar spread held up very well. It would not be surprising to see the next rally transpire into more strength in that spread as opposed to the Mar-Apr. As far as the weather goes there is a large difference now in the forecasts from the Euro and American models, with the former much colder. As usual expect significant volatility around the weather updates. MMS reported modest improvement in shut-in's yesterday (.160 bcf/d).

Support: 11.680, 11.550, 11.340

Resistance: 12.000, 12.070, 12.340

Regards,

Brian Smith

Director, Marketing
Cinergy Marketing & Trading, LP
1100 Louisiana St., Ste 4900
Houston, TX 77002
Work - 713.393.6952
Cell - 713.724.2361
AOL IM - bsmithcinergy
Yahoo IM - smitty_cinergy

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11/2/2005



MAIN MENU | LINKING PRICES | CHANGE PASSWORD | LOGOFF

Long term and historical pricing is available through Amerex. Please contact Mike Prokop at 281-340-5290 for more information.

AMEREX NATURAL GAS
PRICE REPORT

November 1, 2005
4:00 PM (CST)

Canadian Market	TYPE	BID	OFFER	TERM
Northeast				
IROQUOIS, WADDINGTON	PB	0.1500	0.2500	DEC 2005-DEC 2005
IROQUOIS, WADDINGTON	PB	2.9000	3.0000	DEC 2005-MAR 2006
IROQUOIS, WADDINGTON	PB	0.0000	0.0600	APR 2006-OCT 2006
NIAGARA	PB	-0.9500	-0.9000	DEC 2005-DEC 2005
NIAGARA	PB	-0.4200	-0.3700	DEC 2005-MAR 2006
NIAGARA	PB	0.0000	0.0500	APR 2006-OCT 2006
West				
AECO	BS	-2.9600	-2.9400	DEC 2005-DEC 2005
AECO	BS	-2.6450	-2.5800	DEC 2005-MAR 2006
AECO	BS	-1.4200	-1.4000	APR 2006-OCT 2006
Domestic Market	TYPE	BID	OFFER	TERM
Gulf Coast				
ANR, LA	BS	-0.0850	-0.0700	DEC 2005-DEC 2005
ANR, LA	BS	-0.0800	-0.0700	DEC 2005-MAR 2006
ANR, LA	BS	-0.0850	-0.0700	APR 2006-OCT 2006
COLUMBIA GULF, LA	BS	0.0000	0.0300	DEC 2005-DEC 2005
COLUMBIA GULF, LA	BS	-0.0100	0.0100	DEC 2005-MAR 2006
COLUMBIA GULF, LA	BS	-0.0450	-0.0350	APR 2006-OCT 2006
FGT Zone 2	BS	0.0000	0.0200	DEC 2005-DEC 2005
FGT Zone 2	BS	0.0100	0.0200	DEC 2005-MAR 2006
FGT Zone 2	BS	0.0100	0.0400	APR 2006-OCT 2006
FGT Zone 3	BS	0.1400	0.1800	DEC 2005-MAR 2006
FGT Zone 3	BS	0.2400	0.2900	APR 2006-OCT 2006
HENRY HUB	BS	0.0000	0.0100	DEC 2005-DEC 2005
HENRY HUB	BS	0.0000	0.0100	DEC 2005-MAR 2006
HENRY HUB	BS	0.0000	0.0075	APR 2006-OCT 2006
HOUSTON SHIP CHANNEL	BS	-2.5500	-2.4500	DEC 2005-DEC 2005
HOUSTON SHIP CHANNEL	BS	-2.0700	-1.9700	DEC 2005-MAR 2006
HOUSTON SHIP CHANNEL	BS	-0.4200	-0.3900	APR 2006-OCT 2006
NGPL, LA	BS	-0.1300	-0.1000	DEC 2005-DEC 2005
NGPL, LA	BS	-0.1300	-0.1050	DEC 2005-MAR 2006
NGPL, LA	BS	-0.1200	-0.0900	APR 2006-OCT 2006
SONAT	BS	0.0000	0.0200	DEC 2005-DEC 2005
SONAT	BS	0.0100	0.0300	DEC 2005-MAR 2006
SONAT	BS	-0.0100	0.0100	APR 2006-OCT 2006
TENN-ZONE 0	BS	-2.4500	-2.3000	DEC 2005-DEC 2005
TENN-ZONE 0	BS	-1.9350	-1.8350	DEC 2005-MAR 2006
TENN-ZONE 0	BS	-0.4400	-0.4000	APR 2006-OCT 2006
TENNESSEE, LA 500	BS	-0.0200	0.0200	DEC 2005-DEC 2005
TENNESSEE, LA 500	BS	-0.0200	0.0200	DEC 2005-MAR 2006
TENNESSEE, LA 500	BS	-0.0700	-0.0400	APR 2006-OCT 2006
TEXAS EASTERN, E. LA	BS	0.0000	0.0500	DEC 2005-DEC 2005

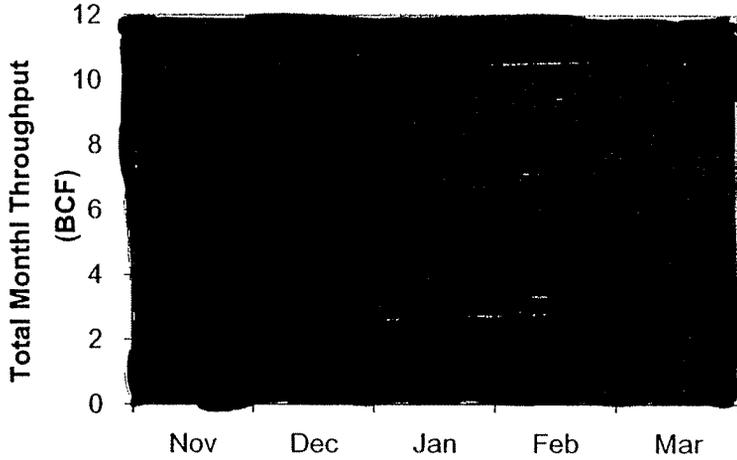
Gas Commercial Operations
Hedging Program
Market Indicators Summary
November 18, 2005

Weather	Price Pressure	Comments
Long Term Weather Forecast	↓	WSI. "This evidence confirms our suspicion that this will be a late-developing winter season."
Mid Term Weather (30-60 days)	↔	December - colder than normal on both coasts. January - colder than normal in New England
6-10 day forecast	↑	After a very warm first half of November, the second half is tending towards colder than normal east of the Mississippi
Tropical Storm Activity	↔	There is still 3.7 BCF of gas shut in in the Gulf, but the tropical storm season appears to be over.
Storage Inventory		
EIA Weekly Storage Report	↓	Storage injections for the week ending November 11th were 53 BCF, continuing injections two weeks into the "withdraw" season. Storage levels are 1% lower than last year at 3.3 TCF.
Industry Publications		
Cambridge Energy Research Associates <i>Remaining Winter 05-06: \$12.52</i> <i>Summer 2006: \$8.83</i>	↔	... gas prices remaining high as local distribution companies minimize storage withdrawals for the first couple of winter months to protect against colder than normal winter ..."
Paribas	↓	"Dec may weaken... if the injection rate is near our survey's estimate of 48 bcf" - See above
Gas Daily	↓	Several energy analysts predicted... spot prices will return to \$7/Mcf or less by end of the heating season as industrial and residential customers reduce their consumption and Gulf of Mexico supplies come back on stream " 11/15/05
Conoco Morning Briefing	↑	"The cold front is colder than expected. Cash should overcome the expected bearish EIA storage report..."
Government Agencies		
Energy Information Administration <i>Remaining Winter 05-06: \$10.97</i> <i>Summer 2006: \$8.11</i>	↑	"Recovery... expected to continue, but it now appears unlikely that anything close to complete recovery will occur before the end of the second quarter of 2006."
Technical Analysis		
Winter 2005-06 Strip Chart	↓	Gap on 10/31 (12.66 - 13.01) created island reversal. Gap mostly filled on 11/16 (High of 12.95). Head & Shoulder?
Summer 2006 Strip Chart	↓	Summer has not experienced the same volatility as winter. Recently broken trend line will offer resistance at \$11.00
Rig Count	↔	Down 28 and remains high compared to last 5 years. According to FERC Staff Report (10/12), supply down 1% over the last 2 years although rig count up 30%
Economy		
Demand	↓	EIA: "In response to higher prices, total natural gas demand is projected to fall by 0.8 percent in 2005..."
Supply	↑	EIA: "Domestic natural gas production in 2005 is expected to decline by 4.2 percent due mainly to the major disruptions to infrastructure."
Oil Market	↑	Oil infrastructure in the Gulf took the same hits from Katrina and Rita as the natural gas industry.

Meeting Minutes: 10th Floor North Conference Room - 2:00 pm
Attendees: Patty Walker, Bill Tucker, Jeff Kern, Don Schierenbeck, Phyllis Baker
 Prices are up now due to current cold weather. Long term forecasts are calling for warmer than normal December and January, so prices may drop significantly. Some industry experts are forecasting a return to \$4 prices, and spot prices have fallen to \$3.50-\$3.75 over recent weeks. Therefore, no additional hedging will take place at this time.

Hedging Strategy
Current Position - November 17, 2005

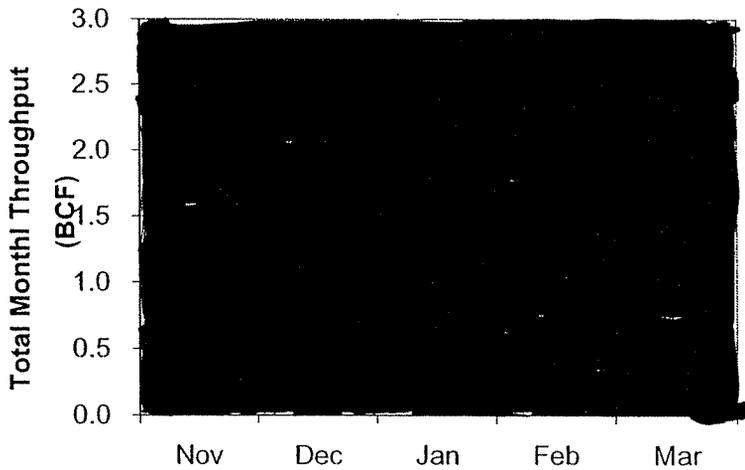
The Cincinnati Gas & Electric Company



Total Winter Season

BCF	%	Estimated \$/Dth
[Redacted]	[Redacted]	[Redacted]

The Union Light Heat & Power Company



Total Winter Season

BCF	%	Estimated \$/Dth
[Redacted]	[Redacted]	[Redacted]

- (1) Weighted Average based on NYMEX price at 03:22 PM on November 17, 2005
- (2) Weighted Average of current fixed prices.
- (3) Weighted Average of current cost of gas in inventory ([Redacted]) and estimated pay back ([Redacted])

The Union Light Heat & Power Company
 Hedging Program - Current Position
 As of 11/17/05

Dec-05 Jan-06 Feb-06 Mar-06 Apr-06 May-06 Jun-06 Jul-06 Aug-06 Sep-06 Oct-06

Daily Base
 Estimated Base (Gross)
 Amount Hedged
 Fixed Price
 Fixed Price
 Cost Averaging
 Cost Averaging
 Cost Averaging
 Fixed Price
 Fixed Price
 Fixed Price
 Fixed Price
 Fixed Price
 Total Hedged

Monthly Base
 Estimated Base (Gross)
 Hedged to date
 Fixed Price
 Fixed Price
 Cost Averaging
 Cost Averaging
 Cost Averaging
 Fixed Price
 Fixed Price
 Fixed Price
 Fixed Price
 Fixed Price
 Total Hedged
 % of Base Supply
 Seasonal % of Base

Normal Load (City Gate)
 Hedged (City Gate)
 Storage Withdrawal
 Market
 Total (incl. Injections)
 % Hedged & Storage
 Seasonal %

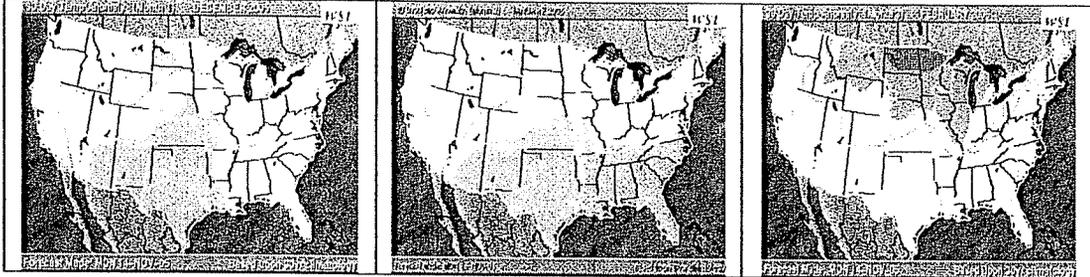
(1) ULH&P will purchase [redacted] from [redacted] at Columbia Gulf Onshore based on the average NYMEX closing price June 1, 2005 - July 29, 2005.

The Union Light Heat & Power Company
Hedging Program
Current Position

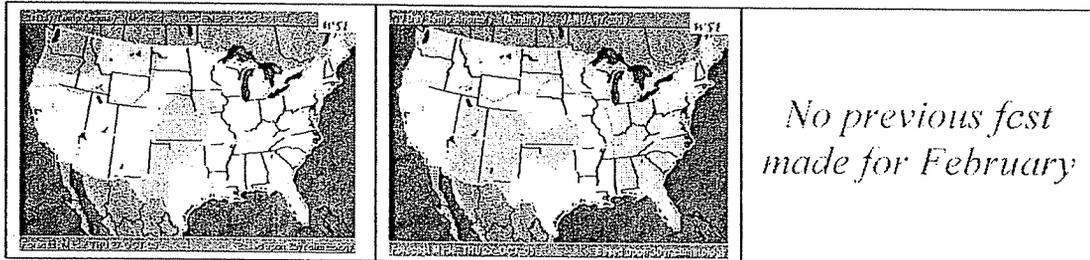
Delivery Month	Base Supply		Hedged to Date		Next Target (3/31/06)	
	Dth/day	Dth/mo	Dth/day	Dth/mo	Required dth/day	Allowed dth/day
Nov-05						
Dec-05						
Jan-06						
Feb-06						
Mar-06						
Winter 05/06						
Apr-06						
May-06						
Jun-06						
Jul-06						
Aug-06						
Sep-06						
Oct-06						
Summer 2006						
Nov-06						
Dec-06						
Jan-07						
Feb-07						
Mar-07						
Winter 06/07						
Apr-07						
May-07						
Jun-07						
Jul-07						
Aug-07						
Sep-07						
Oct-07						
Summer 2007						
Nov-07						
Dec-07						
Jan-08						
Feb-08						
Mar-08						
Winter 07/08						
Apr-08						
May-08						
Jun-08						
Jul-08						
Aug-08						
Sep-08						
Oct-08						
Summer 2008						

*WSI Energycast Trader December-March Seasonal Forecast
Issued November 15, 2005*

CURRENT FORECAST:



PREVIOUS FORECAST:



Forecast Summary for December-February period

Northeast

- Low confidence, warmer than normal
- No change from October 27 forecast

Southeast

- Moderate/high confidence, warmer than normal
- Warmer than October 27 forecast

North Central

- Low confidence, cooler than normal
- Slightly colder than October 27 forecast

South Central

- Moderate/high confidence, warmer than normal
- No change from October 27 forecast

Northwest

- Moderate confidence, cooler than normal
- No change from October 27 forecast

Southwest

- Moderate/high confidence, warmer than normal
- Slightly colder than October 27 forecast

Graphics from Satellite Services Division Web site

In December, our model consensus is relatively weak, with the strongest signal being for warmth in northern New England. We have made relatively minor alterations to our December forecast made in October, with below-normal temperatures confined to parts of the northern tier of states and along the Pacific Coast.

In January, the strongest model signals are now for warmth in the Northeast, and we have altered our forecast accordingly. We feel that any cold weather in January will remain either up in Canada or in parts of the western states. Of course, if a stratospheric warming event occurs our seasonal signals become moot.

In February, our models indicate the strongest cold signal of the winter, especially in the northern Plains and northern Rockies. This evidence confirms our suspicion that this will be a late-developing winter season.

We have made no significant changes to our winter forecast as a whole. Due to strong model signals, however, we have warmed up the East in January. The strongest model signals are now in February, when we feel the bulk of the cold weather will impact the northern US. The wild card continues to be the behavior of the NAO. Typically, a warm Atlantic is associated with a negative winter NAO, but the warmth is relatively muted this fall, with the smallest positive anomalies since 2000. This, and the fact, that snow cover is relatively anemic, leads us to believe that the NAO may in fact be more positive than negative this winter.

Certainly, we expect this winter to be much different than recent winters due to the sharp change in the PDO. A weaker subtropical jet and a stronger polar jet can be expected, with fewer blocking events and shorter periods of Arctic weather confined to mainly the northern tier of states. However, since we expect the Bering Sea ridge to dominate this winter, there will be plenty of cold air in the Western Hemisphere, just mainly confined to northern latitudes.

Since the QBO is easterly and quite strong, we do feel that a stratospheric warming event is likely this winter, probably occurring after the new year. This event, if it occurs, will temper the general warmth we feel will dominate this winter in the eastern US. If this event does not occur, or if it has more of a Eurasian impact, then the winter will likely be very mild, probably above-normal nationwide.

The toughest part of the forecast is predicting the northern extent of the expected southeastern warmth, or where to draw the "normal" line. Unlike the Southeast, there is no correlation between strong negative PDOs and northeastern winters. Typically a very strong negative QBO is associated with warm northeastern winters, so in the final analysis we've drawn the normal line just north of the major population centers. As much as it may seem like a cop-out, we feel that temperatures will average relatively close to normal in the major northeastern markets, when averaged over the entire period.



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTHSAT

Wednesday

DAY

11/16/05

DATE

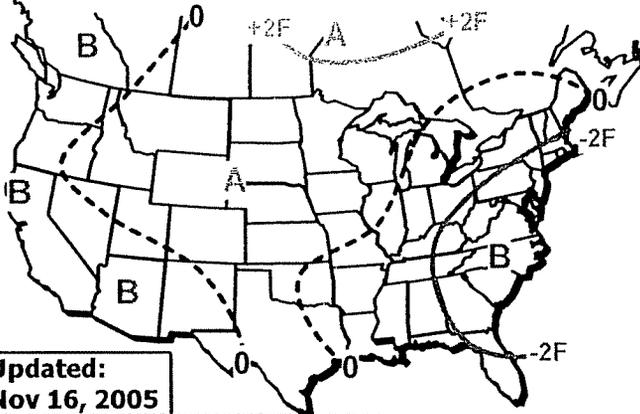
10AM EDT

TIME

MR/CH

FORECASTER

DECEMBER 2005



Updated:
Nov 16, 2005



Still... No Changes to
December

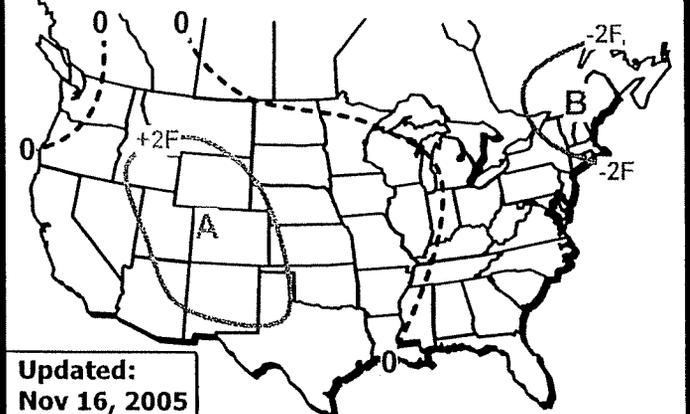
Will Current Pattern Spill
Into December?

There continues to be no reason to change the December outlook based on current trends here in the second half of November. However, a few models indicate some questions toward the very late stages of the 11-15 day period (start of December). Last winter's cool patterns only lasted 2 weeks or so whereas the typical pattern lasts 4 to 6 weeks. The ENSO & NAO analogs have better agreement vs. November for a cool East Coast in Dec.

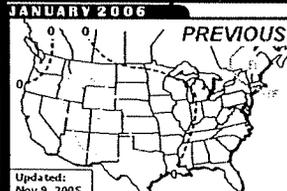
December HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	1149.0	1116.3	1151.0	1121.0
Philadelphia	919.0	846.4	857.0	846.0
Houston	368.0	367.5	367.0	358.0

JANUARY 2006



Updated:
Nov 16, 2005



No Changes to January

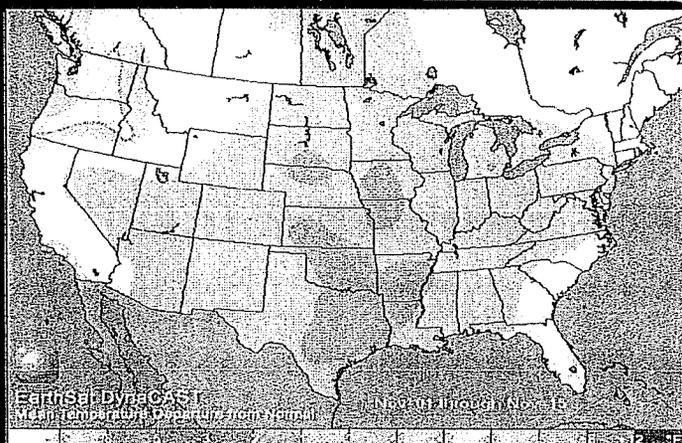
Coldest Anomalies Over
New England

The January 2006 forecast is unchanged as well. HDD forecasts for selected cities have been added below. It seems as if the seasonal forecast indices favor the coolest anomalies further north and eastward. There are some analogs that spread the cold temperatures further down the E. Coast into the South and further west into the OH Valley. Snowpack as well as the possibility of a developing weak La Nina are a few things to monitor.

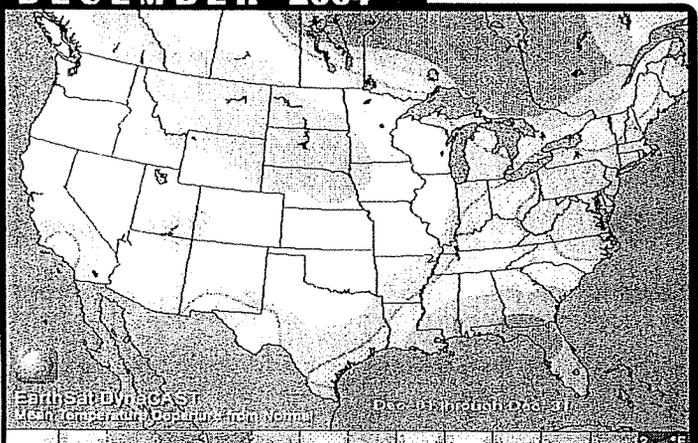
January HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	1301.0	1261.3	1333.0	1256.0
Philadelphia	1051.0	995.8	1020.0	1029.0
Houston	399.0	367.4	427.0	309.0

NOVEMBER 1 - 15, 2005



DECEMBER 2004



Maps above depict deviations of average temperatures from normal in Fahrenheit.



EarthSat's Energy Weather

The 6 to 10 Day Forecast - Detailed Version

EARTHSAT

Thursday

DAY

11/17/2005

DATE

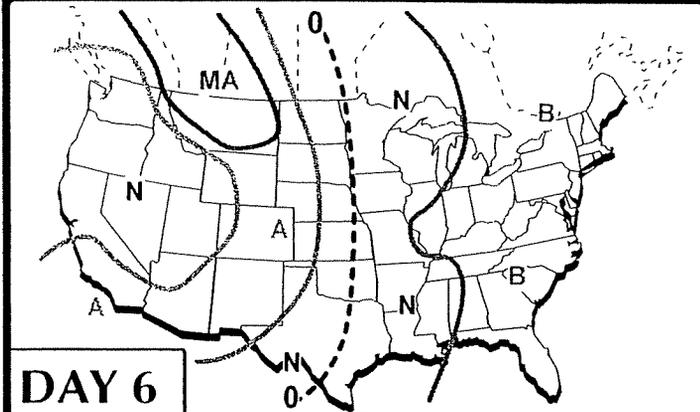
6:30 A.M.

TIME

DS/JS

FORECASTER

FORECAST TEMP. DEVIATIONS



FORECAST VALID: Tuesday, 11/22

CONFIDENCE: 6

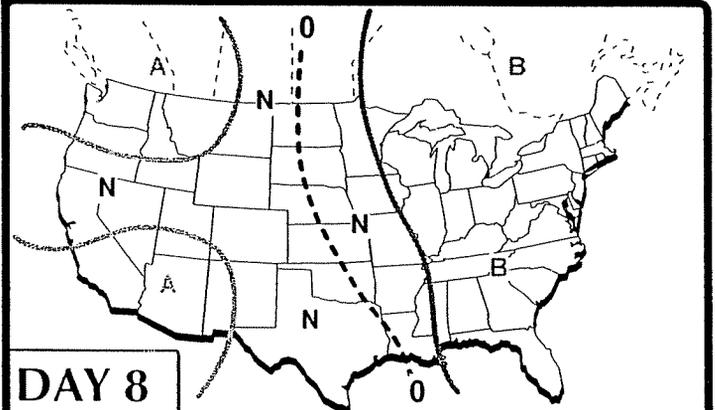
DISCUSSION

Today's Forecast

Stagnant Belows Swamp East Coast

Much like the previous forecast, belows continue to be found throughout the Eastern States, as a cool trough finds a home over the region. Out West a change is evident today, as the strong heat seen yesterday now has a gap of normals across Utah and Nevada throughout the period. Although much aboves are found in the Southern Canadian Plains on day 6, this pattern of aboves in the Pacific Northwest and Desert Southwest coupled with the belows on the East Coast, look to sit in place for the length of the period.

FORECAST TEMP. DEVIATIONS



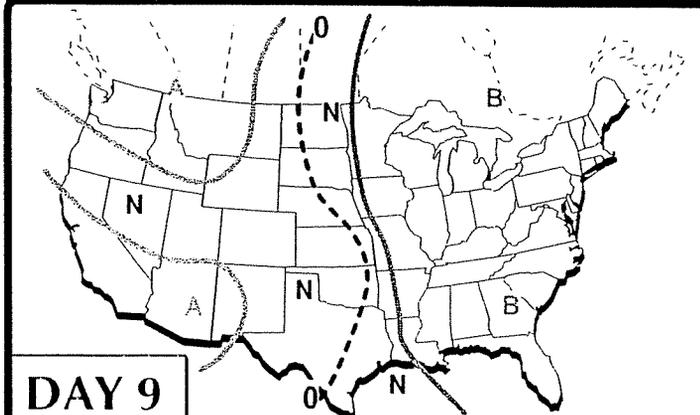
FORECAST VALID: Wednesday, 11/23

CONFIDENCE: 6

DAY 8

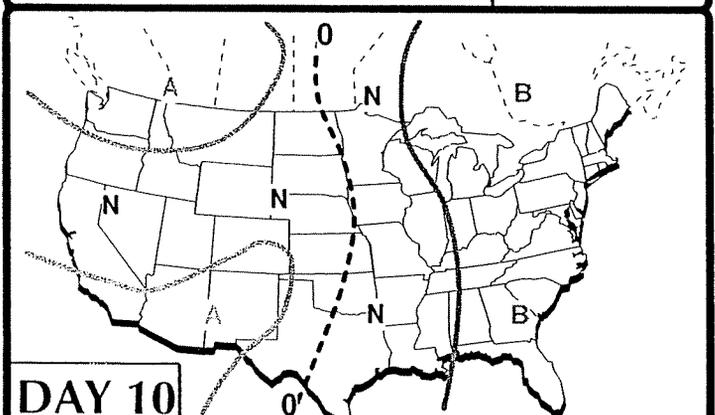
FORECAST VALID: Thursday, 11/24

CONFIDENCE: 6



FORECAST VALID: Friday, 11/25

CONFIDENCE: 5



FORECAST VALID: Saturday, 11/26

CONFIDENCE: 5

LEGEND

MUCH ABOVE.. +8F OR UP
ABOVE..... +3F TO +7F

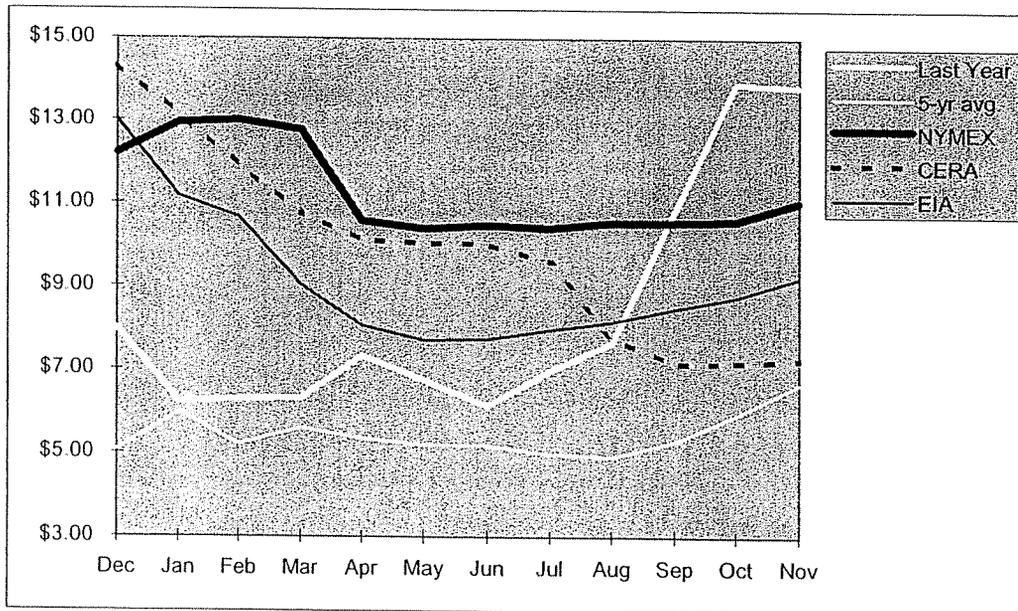
NORMAL
-2F TO +2F

MUCH BELOW..... -8F OR DOWN
BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 11-Nov-05	EIA 8-Nov-05	NYMEX 17-Nov-05
Dec	\$5.06	\$7.98		\$14.310	\$13.019	\$12.200
Jan	\$5.98	\$6.21		\$13.120	\$11.162	\$12.940
Feb	\$5.20	\$6.29		\$11.900	\$10.657	\$13.000
Mar	\$5.59	\$6.30		\$10.760	\$9.027	\$12.770
Apr	\$5.34	\$7.32		\$10.100	\$8.051	\$10.570
May	\$5.19	\$6.75		\$10.040	\$7.704	\$10.390
Jun	\$5.18	\$6.12		\$10.010	\$7.729	\$10.470
Jul	\$4.97	\$6.98		\$9.570	\$7.952	\$10.400
Aug	\$4.91	\$7.65		\$7.760	\$8.144	\$10.540
Sep	\$5.29	\$10.85		\$7.150	\$8.466	\$10.540
Oct	\$5.92	\$13.91		\$7.160	\$8.743	\$10.580
Nov	\$6.65	\$13.83		\$7.230	\$9.212	\$11.040
12 Month Avg	\$5.44	\$8.35		\$9.926	\$9.156	\$11.287
Summer Average				\$8.827	\$8.113	\$10.499
Winter Average				\$11.464	\$10.616	\$12.390



CERA ADVISORY SERVICE
Eastern North America Energy

CERA Monthly Briefing®

WINTER OF DISCONTENT

EASTERN NORTH AMERICAN MARKET OVERVIEW

The eastern North American gas and electricity markets are in a state of nervous anticipation given a record summer for electricity demand followed by the tremendous gas supply shock from Hurricanes Katrina and Rita. The brief respite of the fall shoulder months appears to be inadequate to compensate for the gas supply shortfalls, setting the stage for what could be a winter of discontent. The main contributors to this situation are as follows:

- Hurricanes Katrina and Rita are expected to cause a 432 billion cubic feet (Bcf) reduction in gas supply from August through October and an additional loss of 279 Bcf for November through March, causing the Henry Hub gas price for winter 2005/06 to average \$12.67 per million British thermal units (MMBtu).
- Power prices over the December–January time frame are expected to rise in tandem with gas prices for the whole of the Eastern Interconnection, but most acutely in New England. CERA forecasts that power prices in both the Midwest and the South, particularly Florida, will be affected substantially by the rise in gas prices and continuing constraints on the delivery of Powder River Basin (PRB) coal.*
- If there is extreme cold weather, New England may have inadequate gas supplies to generate electricity to meet peak demand, consequently threatening system reliability.** Such a situation could lead to extreme electricity price volatility attributable to the immediate availability of gas and fuel oil in the market and the dynamics of the operation of electricity markets.
- In the extremely cold weather scenario, the regulatory and political ramifications of the resulting consumer discontent could have repercussions for the recovery of revenues from utility ratepayers, with a possible rise in uncollectibles and a deferral of the pass-through of gas and fuel costs.

Note: Prices are in US dollars unless otherwise indicated.

*See the CERA Monthly Briefing *Summer 2005 Heat Wave: Gas and Power Prices Pushed Higher Through Next Summer*.

**See the CERA Alert *New England: Left Out in the Cold?*

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MONTHLY BRIEFING

- To balance this winter's market under normal weather, CERA expects gas prices to be above not only residual fuel oil prices but also distillate prices through January. This will have a negative impact on spark spreads in the Northeast and Florida.
- The scramble to replace gas supply from the West significantly widened the "continental divide," not only increasing the disconnect to Henry Hub for western points, reflecting a premium for west-to-east pipeline capacity, but also causing upper Midwest points and Dawn to move to a discount to Henry Hub.
- Under a colder-than-normal winter scenario, the Henry Hub gas price could average \$18.80 per MMBtu, with a high in December of \$25.00 per MMBtu. Such extremely high gas prices will be required to price 2 Bcf per day out of the market for the entire winter if curtailments are to be avoided.
- If the winter discontent prevails, then it is likely to provoke debates about market structures, regulation and deregulation, resource adequacy and inadequacy, fuel diversity, and eventually, but inevitably, re-regulation.
- Ultimately, the weather could cause a climate of uncertainty for consumers, marketers, and utilities alike, and for generators and producers that are not well positioned for the market dynamics that a severe winter may bring.

Winter Gas Prices to Nearly Double under Normal Weather

Hurricanes Katrina and Rita significantly damaged the extensive and interrelated energy infrastructure along the Gulf Coast, causing significant shut-ins in Gulf Coast gas production (see Figure 1).

Immediately following both hurricanes, about 15 percent of North American gas supply was shut in. The sudden loss of that much supply caused a nearly twofold increase in the Henry Hub gas price. With the recovery now expected to take several months, CERA expects the Henry Hub gas price for November to average \$13.25 per MMBtu and for winter 2005/06 (November–March) to average \$12.67 per MMBtu.

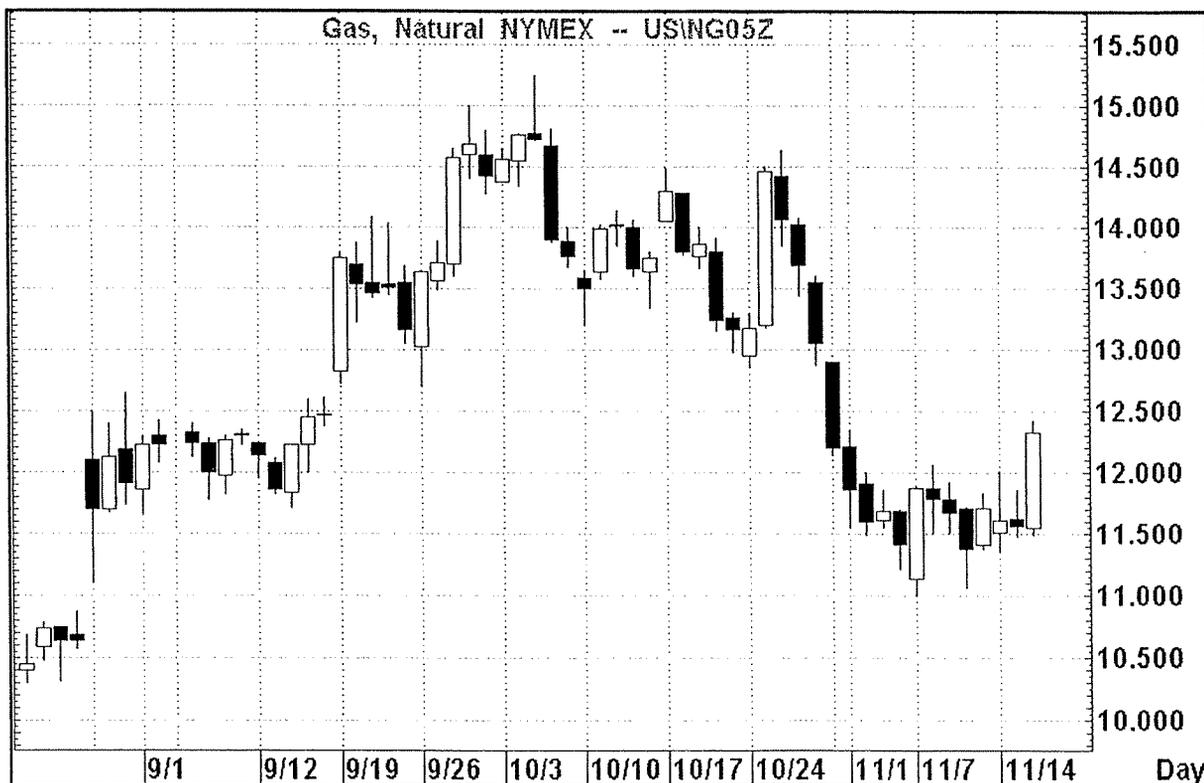
CERA's Henry Hub projection is predicated on gas prices remaining high as local distribution companies (LDCs) minimize storage withdrawals for the first couple of winter months to protect against a colder-than-normal winter or a slower-than-expected recovery from the hurricanes. Eastern North American storage inventories at October 21, 2005, were 2,952 Bcf, 30 Bcf above the 2000–04 five-year average but 121 Bcf below October 22, 2004.** Most storage capacity is owned or controlled by contract by LDCs. LDCs are concerned about reliability first and price second. For example, the New York State Public Service Commission recently took the extraordinary actions of asking other New York gas companies to provide gas supply to Corning Natural Gas Corp. to help it fill storage and issuing a show cause order to determine why a temporary operator should not be appointed for the utility. Reliability can be enhanced by higher storage inventory levels. The cost of acquiring storage inventories is usually passed through to the LDCs' customers by purchase gas adjustment clauses. Given reliability concerns heightened by the expected slow recovery from hurricane damage to gas supply facilities and by storage inventory levels that are 121 Bcf below year-ago levels, CERA expects that gas prices will have to be quite high to reduce demand to allow for the husbanding of gas storage inventories well into the winter. CERA expects the husbanding of gas storage inventories to continue until the market feels comfortable with the level of storage inventories—which might not occur until January.

**Eastern North American storage is the sum of the US Energy Information Administration's Consuming East Region and Producing Region (which includes Texas) and Canadian Enerdata's East Region.

Commentary

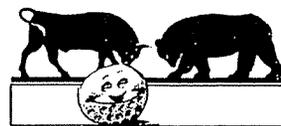
With the cold forecast to blanket the Northeast for the next 6-10 day period prices rallied more than 75 cents. However with the next two weeks expected to be injections in the storage report it is likely that this rally cannot sustain itself. Rather, Dec may weaken to 12100 and possibly 11800s after storage report if the injection rate is near our survey's estimate of 48 bcf/wk.

Scott Allen



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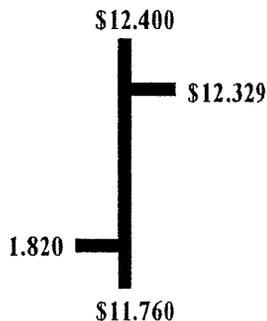
Jim Duncan, Market Analyst

(281) 293-1649

Email: James.W.Duncan@conocophillips.com

Thursday, November 17, 2005

First Major Cold Of Winter Season Triggers Massive Rally



Today: **Bullish** **December Natural Gas Closed** **Up 76.6¢** **30-Day: Calf**

Bottom Line – The cold front is colder than expected. Cash should overcome the expected bearish EIA storage report and come back to gains on the day... especially if crude continues to post higher.

Yesterday's Market

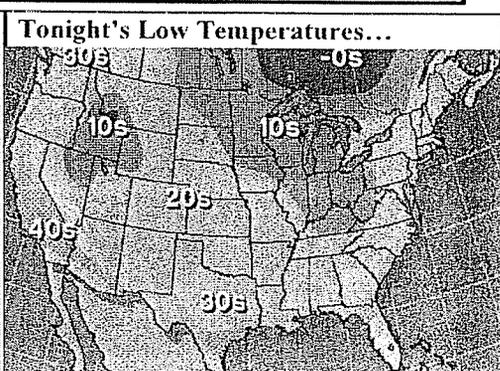
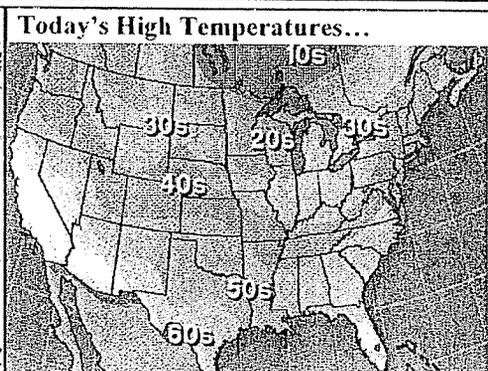
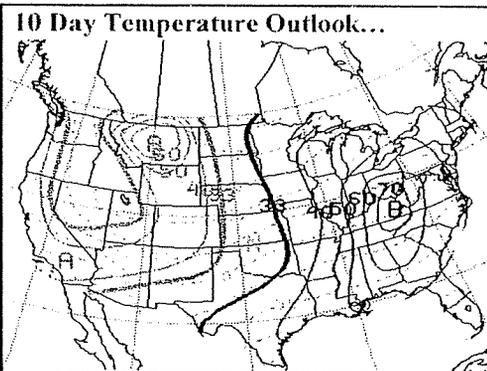
- Cold weather in November...who'd have thought it? Boosted by the anticipation of cold weather in the Midwest and Northeast, as well as by the rallying petroleum market, December broke through key resistance at \$12.06, and then rode a technical follow-through all the way to \$12.42. The front month eventually came to rest at \$12.329, a 76.6¢ gain over Tuesday's settle. Notice I used the word "anticipation." The rally had little follow-through in the cash market, although cash prices were higher on the day, too. The best narrative portrayal of the rally would be that the screen lead cash, which is characteristic of an anticipated strength in prices...not the fact. The rest of the energy complex also helped the rally by responding to what was considered a bullish DOE/API report. NYMEX crude oil tacked on 90¢ to close at \$57.87.

Today's Market

- Today's market and its sentiment has to center on cold weather outside and a well expected bearish EIA storage report on the inside...so to speak. Due to overall mild conditions last week, this week's storage report should deliver an atypically bearish figure. Expectations for today's report are for a build of between 35 and 65 billion cubic feet, with most calling for a 52 Bcf injection. This will compare very bearishly to last year's null build and the five-year average draw of 3 Bcf. My number falls at the high end of the range.
- The breakout over the \$12.01-\$12.06 highs of the past two weeks successfully converted all of the price action since November 2nd into a base of support for a tilt at higher levels. A successful leap beyond the 20-day moving average now at \$12.34 would allow a test of failed support at the \$12.868 low of October 24

range, which reasserts market will likely continue to keep a symmetric approach from diving to these ne...

Access Trading	11/17/2005	8:30 AM	Natural Gas	\$12.495	16.6¢
WTI Crude	\$58.480	\$0.60	IPE Brent	\$56.030	\$0.05



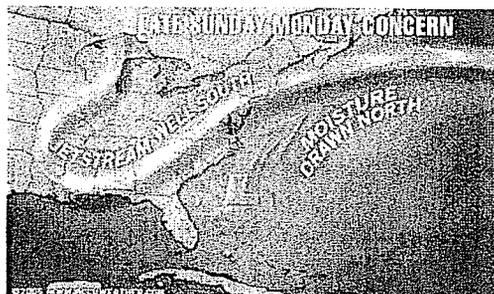
Weather Briefs – Extreme Cold Widens Across Eastern Third of Nation – Santa Ana Winds Continue To Warm West Coast – Next Major Cold Wave Due Next Wednesday

Storage...

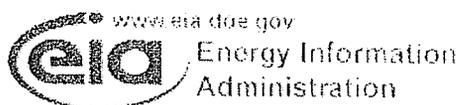
I'm looking for a build of 65 Bcf this week...

For the week ending November 11, my forecast calls for a build of 65 Bcf; the average forecast on Bloomberg is for a build of 51 Bcf and the ICAP auction went out at a build of 55 Bcf. This week's build will compare to last year's draw of 6 Bcf, the three year average draw of 13 Bcf, and the five year average draw of 19 Bcf. The current inventory level is 3.229 Tcf, and we are 98 Bcf behind last year, and 121 Bcf above the five year average.

Sigmets: Cold Across the East for the Next 2-3 Days



A cold air mass will continue to drop temperatures over the eastern U.S. the next 2-3 days. High temperatures will only reach the upper 20s and 30s across the Great Lakes and Ohio Valley regions today and tomorrow, which includes the cities of Chicago and Cincinnati. The really serious news is the next major cold front is due in six days.



November 2005

Short-Term Energy Outlook

November 8, 2005 Release

Overview

Hurricanes Katrina and Rita damaged, set adrift, or sunk 192 oil and natural gas drilling rigs and producing platforms, the most significant blow to the U.S. petroleum and natural gas industries in recent memory. At the beginning of November almost 53 percent of normal daily Federal Gulf of Mexico oil production and 47 percent of Federal Gulf of Mexico natural gas production remains shut in. Moreover, in Louisiana 1.0 billion cubic feet (bcf) per day of onshore natural gas production remains offline and 0.8 million barrels per day (bbl/d) of crude oil refining capacity remains shut down. Some wells were temporarily shut in as a precaution to Hurricane Wilma. While no damage was reported from that storm, hurricane recovery remains a key factor in this *Outlook*. Indeed, recent information on damaged and destroyed platforms and shut-in production suggests that the recovery path will be slower than predicted in the October *Outlook*.

This short-term forecast projects that total energy demand is likely to respond to higher prices and hurricane-related destruction by showing relatively flat growth between 2004 and 2005, compared with 1.5-percent growth between 2003 and 2004. However, energy demand is expected to recover in 2006 at a rate of about 2 percent. Prices for crude oil, petroleum products, and natural gas are projected to remain high during the remainder of 2005 and through 2006 because of tight international supplies and hurricane-induced supply losses. The price of West Texas Intermediate (WTI) crude oil is expected to average \$57 per barrel in 2005 and \$64-\$65 per barrel in 2006 ([Figure 1. West Texas Intermediate Crude Oil Price](#)). Retail regular gasoline prices are expected to average \$2.29 per gallon in 2005 and \$2.43 in 2006 ([Figure 2. Gasoline and Crude Oil Prices](#)). Henry Hub natural gas prices are expected to average \$9.15 per thousand cubic feet (mcf) in 2005 and \$9.00 per mcf in 2006 ([Figure 3. U.S. Natural Gas Spot Prices](#)).

Hurricane Recovery Path is Revised from October Outlook

Recovery of production facilities and other infrastructure in the Gulf region is expected to continue, but it now appears unlikely that anything close to complete recovery will occur before the end of the second quarter of 2006. This extends the recovery period by about 3 months beyond what was assumed in the previous *Outlook*. The changes to our production path are driven by more detailed information on damage to production wells, pipelines, and natural gas processing plants from the hurricanes. The Minerals Management Service (MMS) reports that more than 150 offshore platforms have been heavily damaged or destroyed and are not expected to be fully operational for several months.

In this *Outlook*, shut-in Federal Gulf of Mexico production is projected to gradually decline through March 2006, when shut-in Gulf crude oil falls to 353 thousand bbl/d (22.6 percent of its pre-hurricane production level), and shut-in natural gas falls to 2.1 bcf per day (20.6 percent of its pre-hurricane level). Refinery capacity improves more rapidly; by the end of February, refinery capacity is fully restored to pre-Katrina levels. (Figure 4. Shut-In Federal Offshore Gulf Crude Oil Production, Figure 5. Shut-In Federal Offshore Gulf Natural Gas Production, Figure 6. Shut-In Gulf Crude Oil Refinery Capacity). Also, on-shore oil and natural gas production in Louisiana was less than 50 percent of capacity at the end of October, but are expected to be fully restored by the end of March. Although our recovery projections are based on more detailed information than previously available, damage assessments are still underway, and estimates of impacts to oil and natural gas production remain uncertain.

Winter Heating Expenditures

Our current projections for winter residential heating oil and natural gas expenditures reflect slight revisions downward from our last *Outlook*. In the case of the petroleum market, this change reflects the return to more normal wholesale and retail price margins as refineries have come back on line supported by an increase in imports. For the natural gas market, the adjustment reflects our reassessment of the markup between wellhead and end-use markets in our new regional natural gas model. However, residential space-heating expenditures are still projected to significantly increase for all fuel types compared to year-ago levels.

On average, households heating primarily with natural gas likely will spend \$306 (41 percent) more for fuel this winter than last winter. Households heating primarily with heating oil can expect to pay, on average, \$325 (27 percent) more this winter than last. Households heating primarily with propane can expect to pay, on average, \$230 (21 percent) more this winter than last. Households heating primarily with electricity can expect to pay, on average, \$33 (5 percent) more. Should colder weather prevail, expenditures could be significantly higher. These averages provide a broad guide to changes from last winter, but fuel expenditures for individual households are highly dependent on local weather conditions, the size and efficiency of individual homes and their heating equipment, and thermostat settings (Table WF01. Selected U.S. Average Consumer Prices and Expenditures for Heating Fuels for the Winter).

Global Petroleum Markets Remain Tight through 2006

Many of the same factors that drove world oil markets in 2005, such as low Organization of Petroleum Exporting Countries (OPEC) spare oil production capacity and rapid world oil demand growth, will continue to affect markets in 2006. Other factors are less certain, such as the frequency and intensity of hurricanes, other extreme weather, and geopolitical instability.

OPEC spare production capacity reached historic low levels in 2005, at around 1.0-1.5 million bbl/d. For 2006, EIA forecasts a slight increase in OPEC spare oil production capacity, to 2.0-2.5 million bbl/d (Figure 7. World Oil Spare Production Capacity), which should allow for some easing of tight oil market conditions in 2006. Crude oil output from OPEC is expected to remain flat in 2006, at about 30 million bbl/d. Non-OPEC supply

outside of the United States is expected to grow by about 700,000 bbl/d in 2006, with around 400,000 bbl/d coming online from the Caspian region (Azerbaijan and Kazakhstan), roughly 450,000 bbl/d from the Western Hemisphere (particularly Canada and Brazil), and about 150,000 bbl/d from West Africa. Natural production declines at mature fields in the North Sea, Mexico, and the Middle East will dampen this supply growth.

Worldwide petroleum demand growth is projected to slow from 2004 levels, but remain strong during 2005 and 2006, averaging 1.8 percent per year during the 2-year period, compared with 3.2 percent in 2004. EIA expects continued strong growth in world oil demand in 2006, driven in large part by increases in China and other non-OECD Asia. Overall, EIA projects world oil demand to increase by about 1.8 million bbl/d in 2006, up from growth of 1.1 million bbl/d in 2005 (Figure 8. World Oil Demand Growth).

U.S. Petroleum Demand Responds to Increased Prices and Hurricane-Related Losses

Total U.S. petroleum demand in 2005 is projected to average 20.6 million bbl/d or 0.8 percent less than 2004 levels (Figure 9. U.S. Petroleum Products Demand Growth). Hurricane-related disruptions combined with increased prices result in lower projected demand for petroleum products. Petroleum demand in 2006 is expected to average 21.0 million bbl/d, or 2.2 percent over 2005.

U.S. Product Output and Inventories Likely Adequate but Tight

Total U.S. refinery output this year is projected to decline by about 0.3 percent compared with 2004 because of hurricane outages. A relatively warm October and an increase in product imports are helping to keep total product inventories at levels close to the average of the last few years. However, inventories of gasoline, distillate fuel, and jet fuel are significantly below normal levels and our projections are for a slow recovery from now through early summer (Figure 10. U.S. Gasoline Inventories).

U.S. Natural Gas Markets Remain Tight Despite Slower Demand Growth

In response to higher prices, total natural gas demand is projected to fall by 0.8 percent in 2005 compared with 2004 levels, then recover by 2.8 percent in 2006, assuming a return to normal weather and a recovery in consumption by the industrial sector (Figure 11. Total U.S. Natural Gas Demand Growth). Residential demand is projected to decline by about 1 percent from 2004 to 2005 mostly in response to relatively weak heating-related demand during the latter part of last winter, while industrial demand is estimated to decline by over 8 percent during the same period due to the much higher prices for natural gas as a fuel or feedstock. By 2006, both end-use sectors are expected to recover somewhat, with residential demand estimated to increase 3.2 percent from 2005 levels and industrial demand to increase by 6.8 percent. The projected industrial demand rebound in 2006 rests in part on the assumed reactivation of damaged industrial plants in the Gulf of Mexico region. Power sector demand growth likely will track electricity demand growth through the forecast period.

Domestic dry natural gas production in 2005 is expected to decline by 4.2 percent, due in large part to the major disruptions to infrastructure in the Gulf of Mexico from the hurricanes, then increase by 4.7 percent in 2006. Total liquefied natural gas (LNG) net

imports for 2005 are expected to remain at about 650 bcf as they were in 2004, but are projected to average slightly above 1,000 bcf in 2006.

On October 28, working gas in storage stood at an estimated 3,168 bcf, a level 119 bcf below 1 year ago but 2.6 percent above the 5-year average and about 28 bcf above last month's *Outlook*. End-of-year storage levels are expected to be 7.9 percent lower at end-2005 than they were at end-2004. Natural gas storage levels at the end of 2006 are expected to be about even with the 2005 level (Figure 12. U.S. Working Natural Gas in Storage). Hurricane-related natural gas production losses have cut down on the amount of natural gas available for the market, which increases the projected requirement for withdrawals of gas from underground storage this winter.

The Henry Hub natural gas spot price is expected to average \$9.15 per mcf in 2005 and \$9.00 per mcf in 2006. In October 2005, the Henry Hub natural gas spot price averaged \$13.82 per mcf and the monthly average spot price is likely to remain above \$10 per mcf until peak winter demand is over (Figure 3. U.S. Natural Gas Spot Prices).

Strong Electricity Demand Forecasted

Weather conditions and continuing economic growth are expected to move electricity demand 3.3 percent higher in 2005 and an additional 1.3 percent higher in 2006 (Figure 13. Total U.S. Electricity Demand Growth Patterns). Year-over-year electricity demand growth rates are expected to be particularly strong, as cooling and heating demands are likely to be higher than in the mild third and fourth quarters of 2004. When compared to 2004 figures, regional residential demand in 2005 rose in nine of the ten regions (Alaska and Hawaii, treated as one region, is the exception). Commercial demands increased across all ten regions, but industrial demands fell in the four regions along the East Coast and Midwest. Estimated 2005 prices for delivered electricity across all end uses range from 6.0 cents per kilowatt hour (kwh) in the East South Central region to nearly 12 cents per kwh in New England. In response to higher utility fuel prices, average electricity prices for all end uses are projected to rise by 9.5 percent in New England and 7.8 percent in West South Central, but by 6 percent or less in all other regions in 2005 compared with 2004.

Power Sector Demand for Coal Continues to Increase

Electric power sector demand for coal is expected to increase by 3.2 percent in 2005 and by 1.2 percent in 2006 (Figure 14. U.S. Coal Demand). Power sector demand for coal continues to rise in response to higher oil and particularly natural gas prices. U.S. coal production is expected to grow by 1.2 percent in 2005 and by an additional 3.3 percent in 2006 (Figure 15. U.S. Coal Production). Coal prices to the electric power sector increased significantly in the first half of this year, growing by 15.3 percent compared with the first half of 2004. The large coal price increase was the result of low coal inventories because of the increase in demand and also because of higher transportation costs. The price of coal to the power sector is expected to increase through the forecast period, although at a lower rate than in the first half of 2005. Coal prices are projected to increase by an average 14.2 percent in 2005 and by an additional 3.9 percent in 2006, rising from \$1.35 per million Btu in 2004 to \$1.60 per million Btu in 2006.

Gas Daily

Tuesday, November 15, 2005

Several analysts forecast price retreat in 2006

Several energy analysts predicted Monday that Henry Hub spot prices will return to \$7/Mcf or less by the end of the heating season as industrial and residential customers reduce their consumption and Gulf of Mexico supplies come back on stream.

Fitch Ratings analyst Adam Miller said his firm "continues to view the high natural gas prices as a temporary market condition and expects prices to return to more modest levels over the next few years." He forecast that Henry Hub spot prices will average \$7/Mcf for all of 2006, down from \$9.15/Mcf in 2005.

(continued on page 5)

Analysts forecast 2006 price retreat ... from page 1

According to Miller, Gulf Coast price spikes caused by Hurricanes Katrina and Rita have eliminated more industrial demand than the market has recognized thus far. "Fitch anticipates demand response from the hurricanes will ... alleviate a significant percentage of the production declines resulting from the storms," he said.

Longer term, Miller thinks prices between \$5/Mcf and \$8/Mcf will be the norm until enough liquefied natural gas is imported to offset declining domestic production. In fact, he believes average prices could fall as low as \$3.50/Mcf once LNG becomes a more substantial ingredient in the U.S. gas supply mix.

John Gerdes of Houston-based Gerdes Group said in a report Monday that current \$10/Mcf-plus prices are unsupportable under a variety of scenarios involving weather, demand destruction and conservation.

Gerdes said he expects consumers to cut their gas consumption by 2% this winter in response to record-high gas bills and that, combined with normal weather, would send gas prices to an average of about \$7/Mcf in 2006.

Even assuming a winter that is 10 degrees colder than normal and no conservation by consumers, Gerdes sees average prices moderating to around \$8.50/Mcf. On the other end of the spectrum, significant conservation combined with a 10-degree warmer-than-normal winter would send prices down to \$5.50/Mcf, he predicted.

Merrill Lynch analyst John Herrlin reiterated his 2006 Henry Hub average price forecast of \$6.75/Mcf, citing storage inventories that are now above 3.2 Tcf thanks in part to a mild start to the heating season.

With a cumulative 442 Bcf curtailed in the Gulf, "storage is still full," he said

Gas Daily basis forwards assessments, Nov 14

	Dec 2005	Winter* 2005-06	Summer 2006	Winter 2006-07	Summer 2007
	Midpoint	Midpoint	Midpoint	Midpoint	Midpoint
Transco zone 6-N.Y.	262.500	520.000	84.000	337.500	74.000
Columbia Gas, Appalachia	56.250	60.000	39.000	43.500	33.000
Transco, zone 3	15.000	16.250	11.500	12.000	12.000
Chicago city-gates	-114.000	-81.000	-28.000	-28.000	-20.000
MichCon city-gate	-83.000	-65.500	-4.000	-5.500	5.000
Panhandle, Tx.-Okla.	-272.500	-234.000	-90.500	-100.000	-87.000
Houston Ship Channel	-270.000	-218.750	-41.500	-86.500	-32.000
Waha	-290.000	-247.000	-96.000	-120.000	-80.000
Northwest Pipe, Rockies	-316.000	-282.500	-177.500	-175.500	-179.000
SoCal Gas	-273.000	-231.250	-97.000	-107.000	-81.000
El Paso, San Juan Basin	-317.500	-280.000	-154.500	-172.500	-154.500

Prices in cents/MMBtu. Summer season is April-October. Winter is November-March.
*Balance of the season.

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 7.640

Trans. date: 11/14
Flow date(s): 11/15

	Midpoint	Absolute	Common	Volume	Deals
Permian Basin Area					
El Paso, Permian Basin	6.340	5.99-6.75	6.15-6.53	207	44
Waha	6.245	5.79-6.85	5.98-6.51	454	56
Transwestern, Permian Basin	6.300	6.30-6.30	6.30-6.30	1	1
East Texas-North Louisiana Area					
Carthage Hub	6.675	6.50-6.94	6.56-6.79	80	22
NGPL, Texok zone	6.780	6.60-7.15	6.64-6.92	505	89
Texas Eastern, ETX	6.945	6.35-7.20	6.73-7.16	37	9
May 2007	8.677	8.500	8.500	+18.9	1227
Jun 2007	8.712	8.712	8.712	+18.9	9
Jul 2007	8.747	8.747	8.747	+18.9	5
Aug 2007	8.787	8.787	8.787	+18.9	5
Sep 2007	8.772	8.772	8.772	+19.4	5
Oct 2007	8.812	8.812	8.812	+19.4	6
Nov 2007	9.282	9.282	9.282	+18.9	6
Dec 2007	9.752	9.752	9.752	+18.9	30
Jan 2008	10.122	10.122	10.122	+18.9	7
Feb 2008	10.057	10.057	10.057	+19.4	5
Mar 2008	9.742	9.742	9.742	+19.4	5
Apr 2008	7.892	7.892	7.892	+18.4	583
May 2008	7.682	7.650	7.650	+17.9	1183
Jun 2008	7.732	7.732	7.732	+17.9	6
Jul 2008	7.777	7.777	7.777	+17.9	5
Aug 2008	7.817	7.630	7.630	+17.9	6
Sep 2008	7.797	7.620	7.620	+17.9	5
Oct 2008	7.837	7.650	7.650	+17.9	6
Nov 2008	8.327	8.327	8.327	+17.9	5

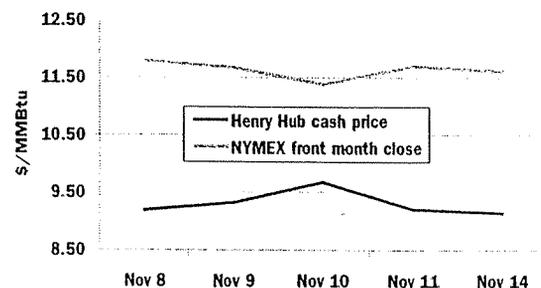
Contract data for Friday

Volume of contracts traded: 67,042

Front-months open interest:

DEC, 49,348 ; JAN, 89,967 ; FEB, 30,693

Henry Hub/NYMEX spread



Platts oil prices, Nov 14

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid	53.25-54.25	8.55
3% Resid	37.00-37.75	5.94
Crude spot		
WTI (Nov)	57.66-57.68	9.17
New York spot		
No.2	70.58-70.69	12.13
0.3% Resid HP	52.00-52.25	8.29
0.3% Resid LP	55.00-55.25	8.77
0.7% Resid	47.25-47.50	7.54
1% Resid HP	45.25-45.50	7.22

in a report Monday. "Weather can work both way, folks."

Jefferies & Co. analyst Frank Bracken said Monday that although winter weather remains a wild card, his reading of market dynamics indicates a considerable market stabilization, with prices falling to an average of \$7/Mcf by mid-2006.

More Gulf production restored; shut-in volumes at 3.74 Bcf/day

Operators returned another 274,000 Mcf/day of Gulf of Mexico gas to production over the holiday weekend, leaving the total amount of shut in by Hurricanes Katrina, Rita and Wilma at 3.74 Bcf/day, the Minerals Management Service reported Monday.

Slightly less than 20% of the Gulf's production platforms remain evacuated, MMS said, as cumulative storm-related curtailments reached 442 Bcf, or 12% of the Gulf's normal average production.

Meanwhile, operators of onshore and shallow-water wells in a 38-parish region of southern Louisiana hit by Katrina and Rita have now restored 1.23 Bcf/day, or 55% of pre-storm output of 2.235 Bcf/day. That marked a slight increase from Thursday's levels, the state Dept. of Natural Resources said.

"We are sure that Gulf of Mexico gas production will be higher and strongly believe onshore gas output will be higher," Bracken said. "Bottom line—supplies will be up. We also think demand will be down after an incredibly hot summer. Our message—normalization is likely."

Bucking the trend was reliably bullish Raymond James and Associates analyst Marshall Adkins. "We see no significant near-term catalysts to alter the declining supply picture," he said in a report. "This means that outside of seasonally mild weather demand, price rationing

remains the only viable option to balance gas markets."

Much like in the 1970s, when oil production continued to fall "regardless of how many rigs were drilling we think we are nearing (if not at) a similar crossroads in the U.S. gas supply picture," Adkins said, noting that gas production has failed to rise over the past year despite a 25% increase in the number of rigs deployed.

Predicting that crude oil and gas prices would maintain a 6-to-1 ratio, he projected that prices at Henry Hub will average \$9.25/Mcf in 2006. BH

Wyo. governor seeks money to help localities cope with gas development

Wyoming Gov. Dave Freudenthal said Monday he will ask the state legislature to earmark \$100 million to assist counties that are affected by gas development in the state.

"The surge in natural gas production has strained some local budgets in Wyoming to the breaking point as towns and counties try to meet dramatically increased needs for infrastructure," Freudenthal said. "Right now, the state gets the revenue, and the local governments get the bill."

The "special impact aid" is part of the governor's total 2007-08 budget request of \$319 million in local community assistance.

Last summer, Freudenthal, a Democrat, asked the Local Government Coordinating Council—created by executive order in May 2003 to give more voice to local governments in state policymaking—to analyze the costs associated with gas and oil development and to propose a plan to help localities deal with it.

"We can't expect to enjoy the revenues from the increased natural gas production without paying the price of supporting the communities where it has impact," Freudenthal said. "We began to address that last biennium. But as the development, and its impacts, continue, so should our aid for local governments."

The money would go toward such projects as road repair and dust mitigation necessitated by increased truck traffic, and to repairing water and sewer systems, the governor's office said. JM

platts Gas Daily

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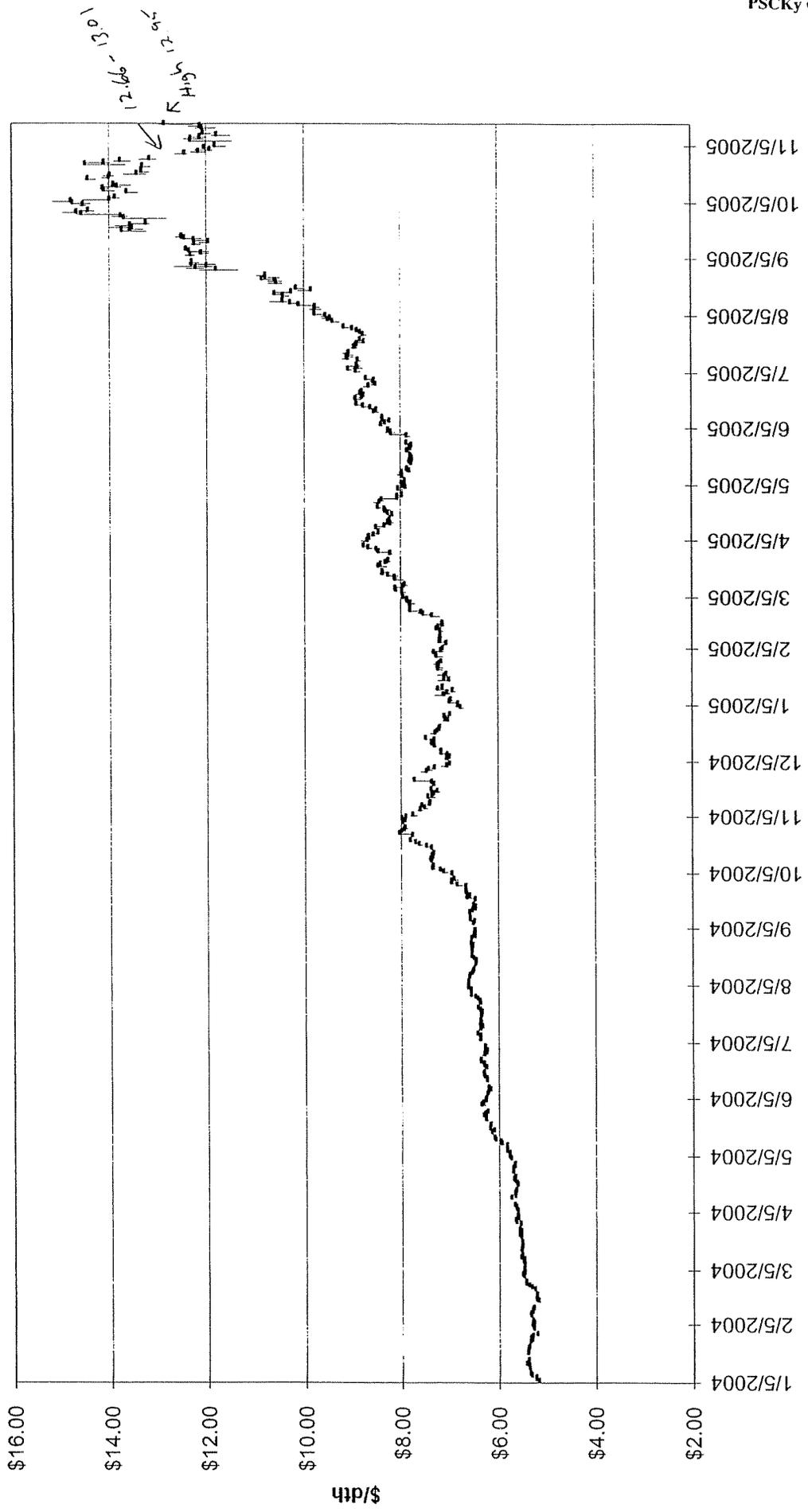
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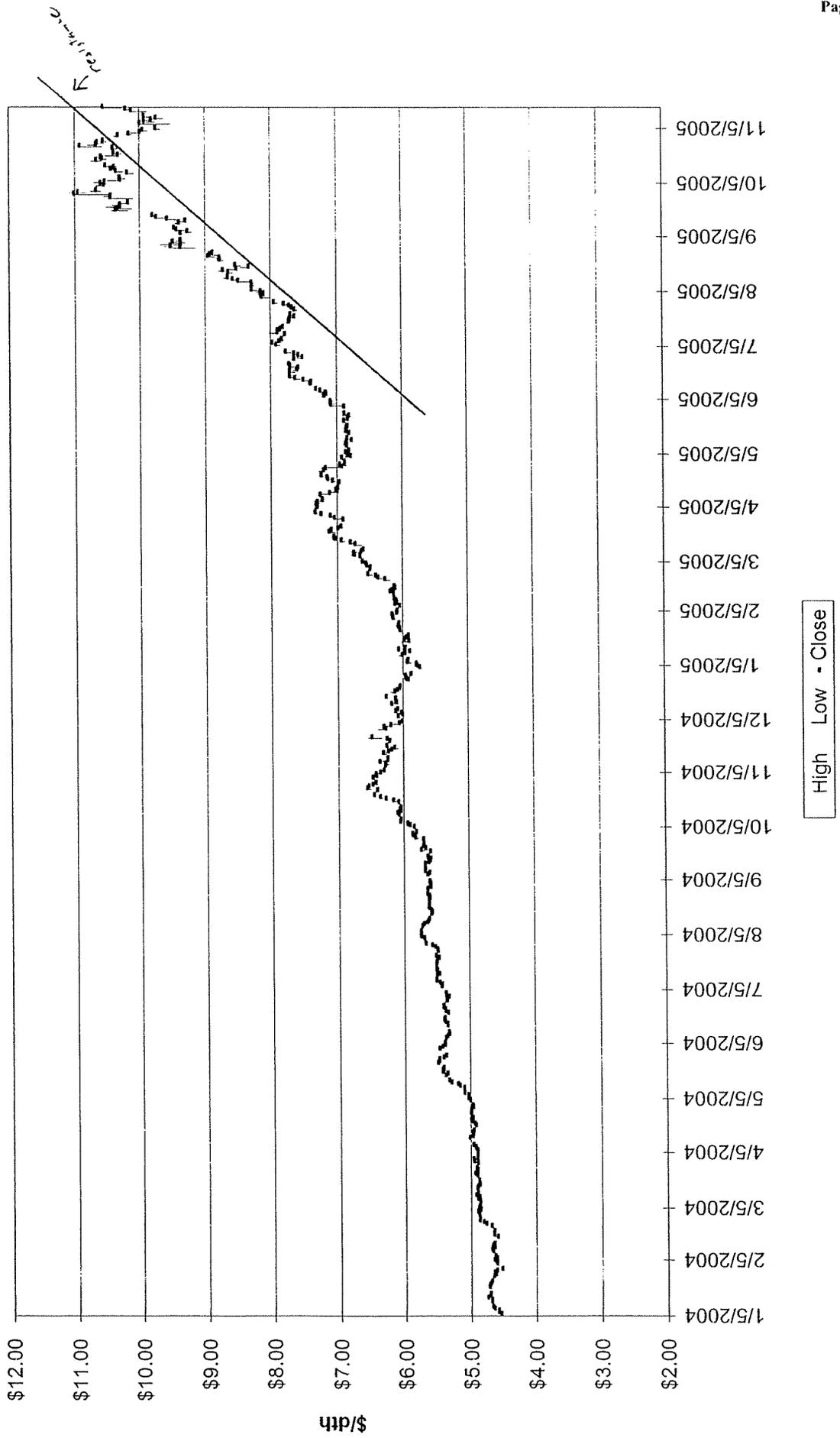
The McGraw-Hill Companies

Winter Strip Dec05 - Mar06



High Low - Close

Summer Strip 2006



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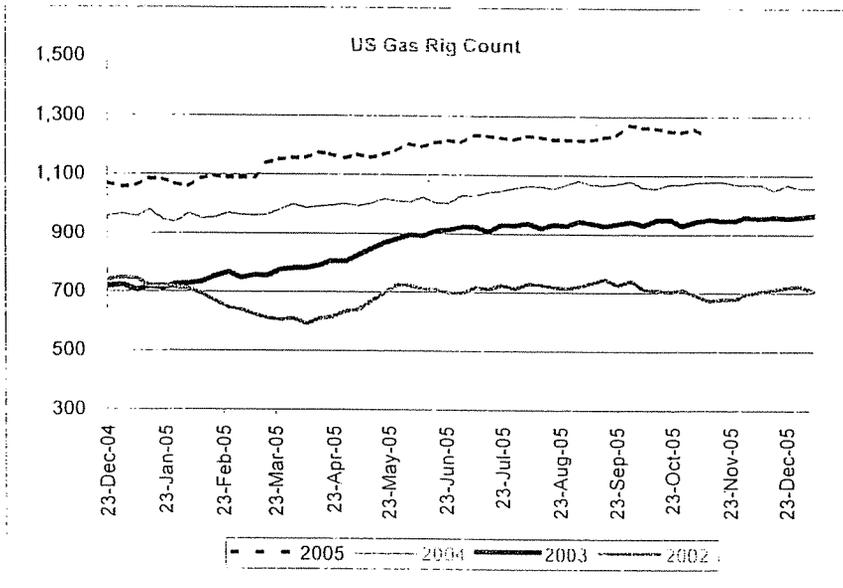


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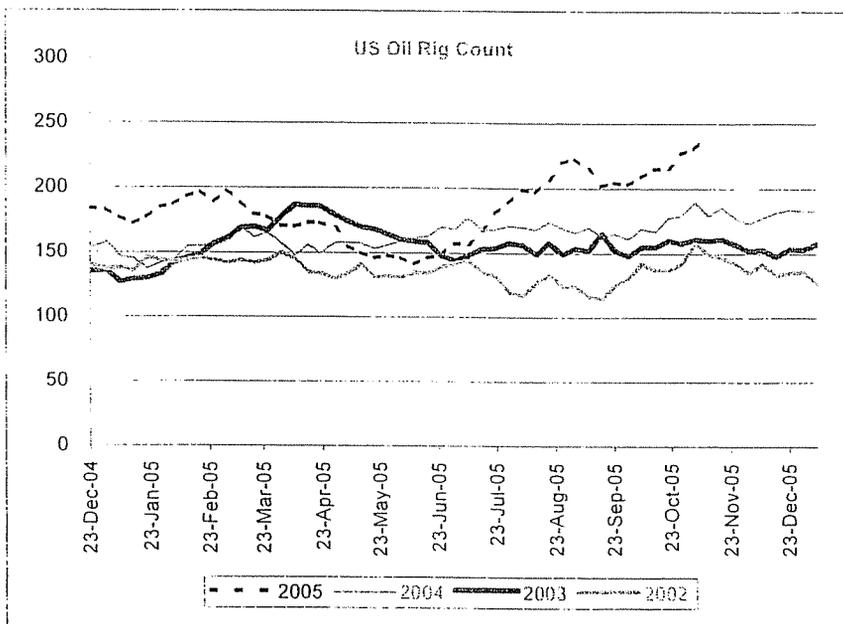
Commodity Futures

WEEKLY RIG WATCH

for the week ended: 11-Nov-05



Misc. Rigs	6
2002	673
2003	952
2004	1079
2005	1232
+/- Week Ago	-28
05 vs 04	153
05 vs 4yr AVG	331



2002	149
2003	160
2004	179
2005	241
+/- Week Ago	10
05 vs 04	62
05 vs 4yr AVG	78

SOURCE: BAKER HUGHES US OIL & GAS DIRECTED RIG COUNT WWW.BAKERHUGHES.COM

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Gas Commercial Operations
Hedging Program
Market Indicators Summary
December 12, 2005

Weather	Price Pressure	Comments
Long Term Weather Forecast	↔	WSI forecasting warmer than normal for most of the country for Dec-Feb. However, this forecast is from late November and acknowledges the possibility of a cold December.
Mid Term Weather (30-60 days)	↔	Earthsat: "... closer to seasonal averages in most the East for January as the strong December cold pattern ebbs somewhat"
6-10 day forecast	↑	Nothing but Below and Much Below through day 10
Tropical Storm Activity	↑	Dr Gray predicting another above average year for 2006.
Storage Inventory		
EIA Weekly Storage Report	↓	Storage withdraws for the week ending December 8th were 59 BCF. Storage levels are 1% lower than last year at 3.2 TCF
Industry Publications		
Cambridge Energy Research Associates <i>Remaining Winter 05-06: \$10.44</i> <i>Summer 2006: \$8.37</i>	↔	"North American gas prices will continue to experience downward price pressure until sustained colder winter weather arrives." - November 18, 2005
Paribas	↑	"... over 20% still remains shut-in and with winter temperatures having been lower... than last year at this time... if winter continues to be below normal, a supply issue may be faced."
Conoco Morning Briefing	↑↓	"If they (NYMEX traders) trudge through the snow to get to work with what feels like North Pole winds blowing in off the Hudson River, I think they might lean to the bull side today."
Government Agencies		
Energy Information Administration <i>Remaining Winter 05-06: \$11.51</i> <i>Summer 2006: \$8.14</i>	↓	EIA's forecasted prices are much below current NYMEX prices.
Technical Analysis		
Winter 2005-06 Strip Chart	↓	Resistance at \$15.17.
Summer 2006 Strip Chart	↔	Uptrend will keep prices over \$10.00
Rig Count	↔	Up 30 and remains high compared to last 5 years
Economy		
Demand	↔	EIA: "Because prices remain high, 2005 total natural gas demand will likely remain at about 2004 levels..."
Supply	↑	EIA: "Domestic natural gas production in 2005 is expected to decline by 3.8 percent due mainly to the hurricane induced infrastructure disruptions..."
Oil Market	↑	Oil infrastructure in the Gulf took the same hits from Katrina and Rita as the natural gas industry

Meeting Minutes: 10th Floor North Conference Room - 3:00 pm
Attendees: Jim Henning, Bill Tucker, Jeff Kern, Bob Bandenburg, Al Hartkemeyer

Cost averaging for the 12 month period April 2006 - March 2007 will be priced out with three suppliers to run during January - March. Approximately 25% of summer supply will be locked in with cost averaging. Since current cold weather is having a bullish influence on prices, no additional fixed prices will be locked in at this time. However, prices will be monitored for an opportunity to lock in additional volumes for January if prices fall into the low \$8 range.

During the first week of January 2006 bids were requested for the cost averaging for both the summer strip (Apr06-Oct06) and the 12 month strip (Apr06-Mar07). Bids were requested from [REDACTED]. [REDACTED] was the only supplier willing to provide a cost averaging based fixed price. Although [REDACTED] has provided this in the past, there are new traders at their NYMEX desk who are unwilling to provide it. [REDACTED] bid flat for the summer strip or \$4.50 for the 12 months. Therefore, a cost averaging deal was locked in with [REDACTED] for the summer strip to average the prices of the NYMEX closing from January 9th through March 29th. ([REDACTED] dth/day for CG&E and [REDACTED] dth/day for ULH&P)

Since January 2006 began with extremely warm temperatures, NYMEX prices dropped dramatically. Based on informal discussions between the Director of Gas Commercial Operations, Lead of Gas Procurement & Analysis, and the Administrator of Gas Transportation, [REDACTED] dth/day for CG&E and [REDACTED] dth/day for ULH&P was locked in for April 2006 - October 2006 at [REDACTED] dth with [REDACTED]

The Union Light Heat & Power Company
Hedging Program - Current Position
As of 12/09/05

Jan-06 Feb-06 Mar-06 Apr-06 May-06 Jun-06 Jul-06 Aug-06 Sep-06 Oct-06

Daily Base

Estimated Base (Gross)

Amount Hedged

Fixed Price

Fixed Price

Cost Averaging

Cost Averaging

Cost Averaging

Fixed Price

Fixed Price

Fixed Price

Fixed Price

Fixed Price

Total Hedged

Monthly Base

Estimated Base (Gross)

Hedged to date

Fixed Price

Fixed Price

Cost Averaging

Cost Averaging

Cost Averaging

Fixed Price

Fixed Price

Fixed Price

Fixed Price

Fixed Price

Total Hedged

% of Base Supply

Seasonal % of Base

Normal Load (City Gate)

Hedged (City Gate)

Storage Withdrawal

Market

Total (incl. Injections)

% Hedged & Storage

Seasonal %

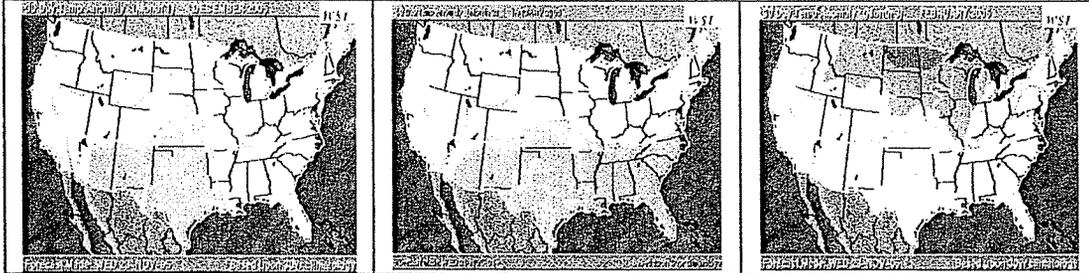
(1) ULH&P will purchase [redacted] from [redacted] at Columbia Gulf Onshore based on the average NYMEX closing price June 1, 2005 - July 29, 2005.

The Union Light Heat & Power Company
Hedging Program
Current Position

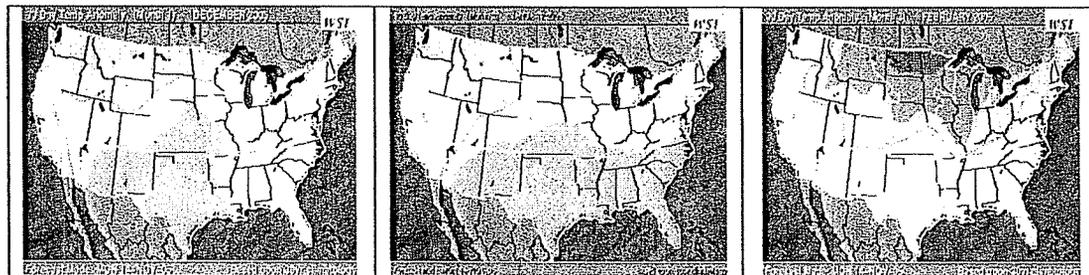
Delivery Month	Base Supply		Hedged to Date		Next Target (3/31/06)	
	Dth/day	Dth/mo	Dth/day	Dth/mo	Required dth/day	Allowed dth/day
Nov-05						
Dec-05						
Jan-06						
Feb-06						
Mar-06						
Winter 05/06						
Apr-06						
May-06						
Jun-06						
Jul-06						
Aug-06						
Sep-06						
Oct-06						
Summer 2006						
Nov-06						
Dec-06						
Jan-07						
Feb-07						
Mar-07						
Winter 06/07						
Apr-07						
May-07						
Jun-07						
Jul-07						
Aug-07						
Sep-07						
Oct-07						
Summer 2007						
Nov-07						
Dec-07						
Jan-08						
Feb-08						
Mar-08						
Winter 07/08						
Apr-08						
May-08						
Jun-08						
Jul-08						
Aug-08						
Sep-08						
Oct-08						
Summer 2008						

*WSI Energycast Trader December-March Seasonal Forecast UPDATE
Issued November 23, 2005*

CURRENT FORECAST:



PREVIOUS FORECAST:



Forecast Summary for December-February period

Northeast

- Low confidence, warmer than normal
- No change from November 15 forecast

Southeast

- Moderate/high confidence, warmer than normal
- No change from November 15 forecast

North Central

- Low confidence, cooler than normal
- No change from November 15 forecast

South Central

- Moderate/high confidence, warmer than normal
- No change from November 15 forecast

Northwest

- Moderate confidence, cooler than normal
- No change from November 15 forecast

Southwest

- Moderate/high confidence, warmer than normal
- No change from November 15 forecast



Forecast Update

We have made no changes to our forecast. Medium-range models indicate that the Bering Sea ridge will re-develop by the first of December, which is characteristic of a negative PDO/negative PNA pattern. This will allow for Arctic air to flow directly southward from the North Pole into western Canada as it did in early November. Although the Pacific pattern is reverting to what it “should be”, the Atlantic pattern has completely reversed during the couple of weeks, with blocking developing in the northwestern Atlantic. Because of this, the Arctic air will not be contained in western Canada, but will have an easy path into the north-central US. If this pattern persists, December will likely end up much colder than our forecast indicates, especially in the northern Plains and Great Lakes states. Since it is still eight days away from the start of the month, however, we have not made any changes to our monthly forecast based on these medium-range signals. Please continue to consult our 6-10 and 11-15 day forecasts to monitor trends in expected December temperatures.

Detailed Forecast Discussion

Overview

The strongest temperature signals so far in November (below, right) are in the northern Plains, where mild temperatures have been the rule, and in the Pacific Northwest, where cool and wet weather has dominated. Our October forecast for November (below, left) has underestimated the westward extent of the warm temperatures so far, but has performed well otherwise. It had appeared that the warm forecast in the East may be in jeopardy, but the latest medium-range models now suggest a significant warm-up during the last few days of the month that may “save” the forecast after all.



EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTHSAT

Wednesday

DAY

12/7/05

DATE

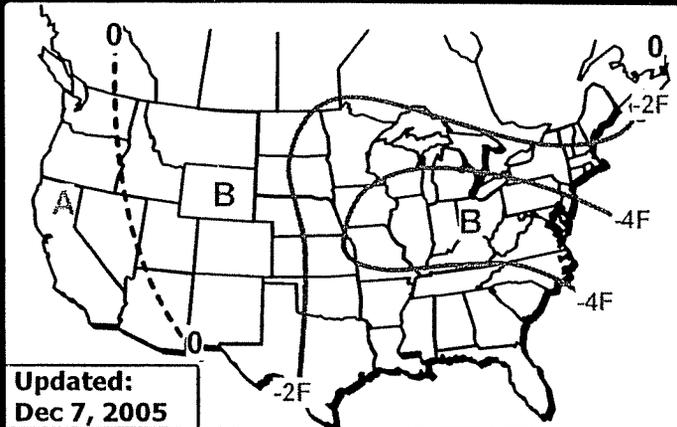
10AM EDT

TIME

MR

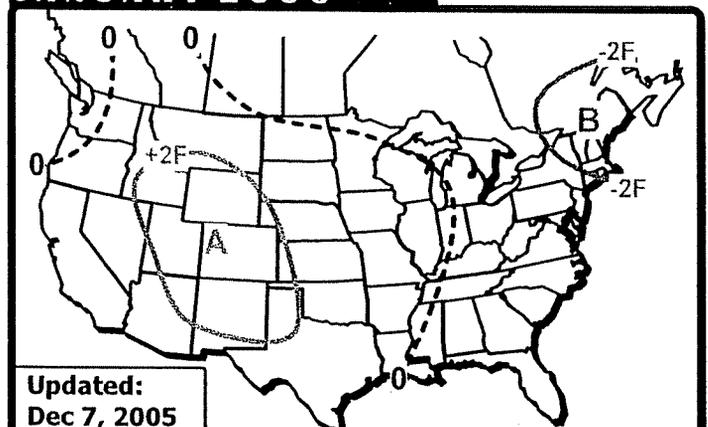
FORECASTER

DECEMBER 2005



Updated:
Dec 7, 2005

JANUARY 2006

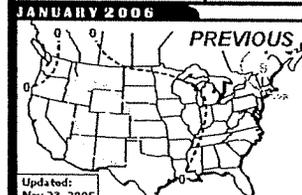


Updated:
Dec 7, 2005



Cooling Expanded Again
Closer to Seasonal in West

Updated:
Nov 23, 2005



No Changes to January
Big Risk is Extension
of Current Cold Pattern

Updated:
Nov 23, 2005

Given the very strong start to December here, the forecast needed to be revised colder. The Deep South, Midwest, and Mid-Atlantic are all seeing colder changes with this update. Much will depend on the final 1-2 weeks of the month, but it appears that the very strong nature of the pattern right now should at least guarantee a below normal month for these aforementioned key areas. Slightly above normal temperatures are still favored on the West Coast.

The current thinking continues to favor closer to seasonal averages in most of the East for January as the strong December cold pattern ebbs somewhat. This is similar to what happened in Dec-Jan 2000-2001 (although the Midwest was warmer that year). One big concern is that this pattern continues more strongly into January as seen in other analog years (like 1985-86 and 1969-70). Either way, a major warm month is not expected right now.

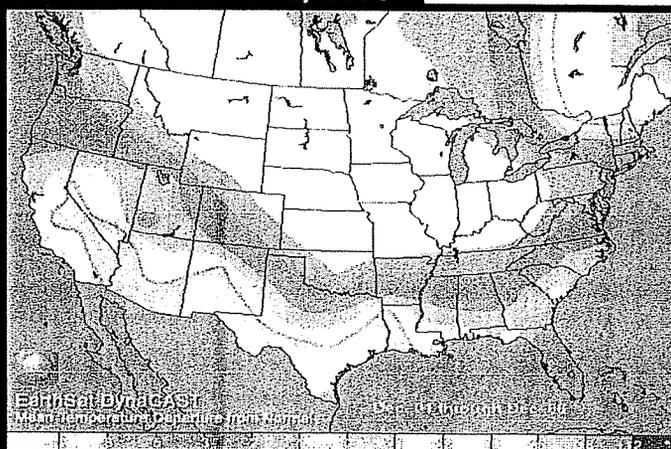
December HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	1310.0	1116.3	1151.0	1121.0
Philadelphia	981.5	846.4	857.0	846.0
Houston	445.0	367.5	367.0	358.0

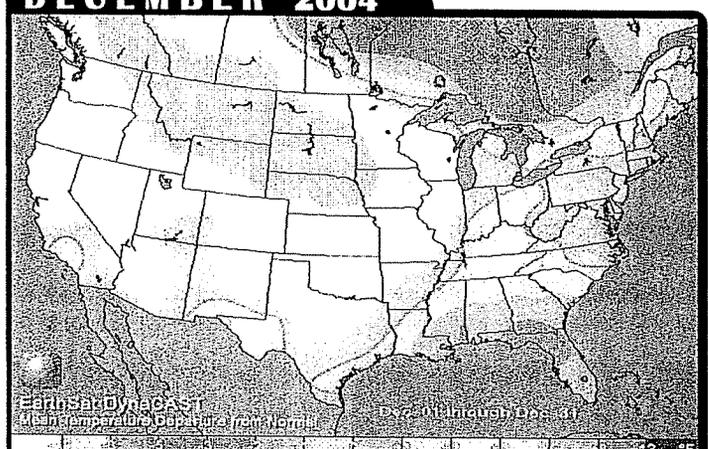
January HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	1301.0	1261.3	1333.0	1256.0
Philadelphia	1051.0	995.8	1020.0	1029.0
Houston	399.0	367.4	427.0	309.0

DECEMBER 1 - 6, 2005



DECEMBER 2004



Maps above depict deviations of average temperatures from normal in Fahrenheit.

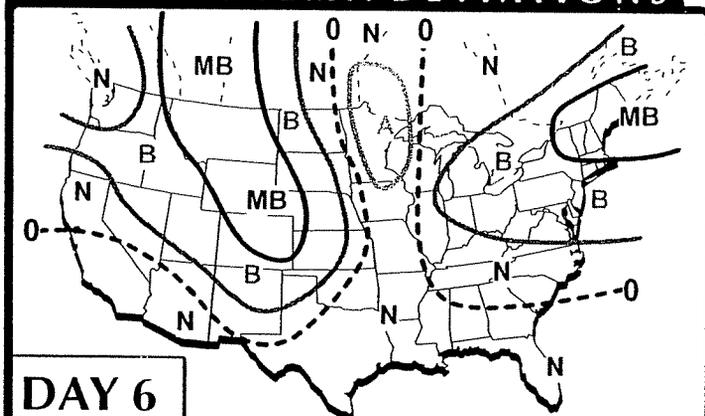


EarthSat's Energy Weather

The 6 to 10 Day Forecast - Detailed Version

EARTHSAT Friday DAY 12/9/2005 DATE 6:30 A.M. TIME MR/JS FORECASTER

FORECAST TEMP. DEVIATIONS



DAY 6

FORECAST VALID: Wednesday, 12/14 CONFIDENCE: 8

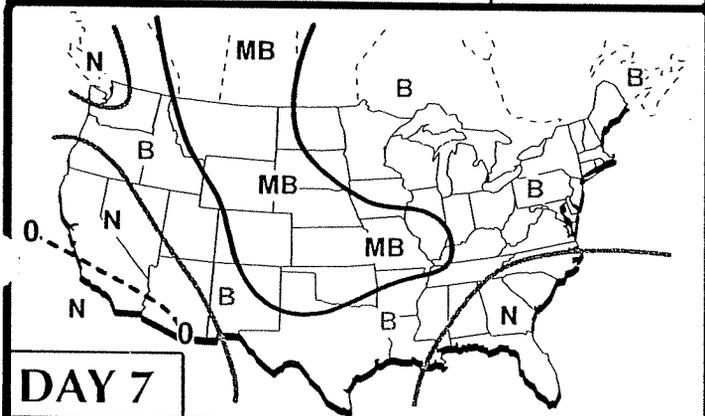
DISCUSSION

Today's Forecast

Much Below Farther To The West

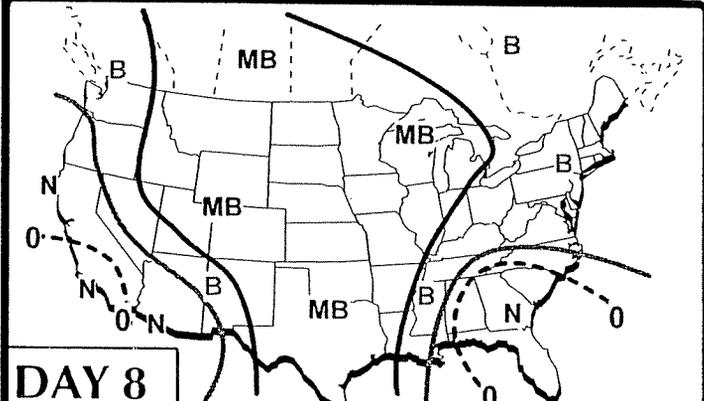
The main shift in today's forecast is the movement of the much belows away from the East Coast towards the Midwest and Plains. This is mainly due to a strong high pressure taking hold of the Central U.S., likely bringing brisk Canadian air southward. Some model uncertainty has arrived today, as the European output has changed and varies with the American model. Both models, however, agree upon a warm ridge keeping the West Coast in the normals throughout, even though the cold temperatures reach farther West across the Rockies.

FORECAST TEMP. DEVIATIONS



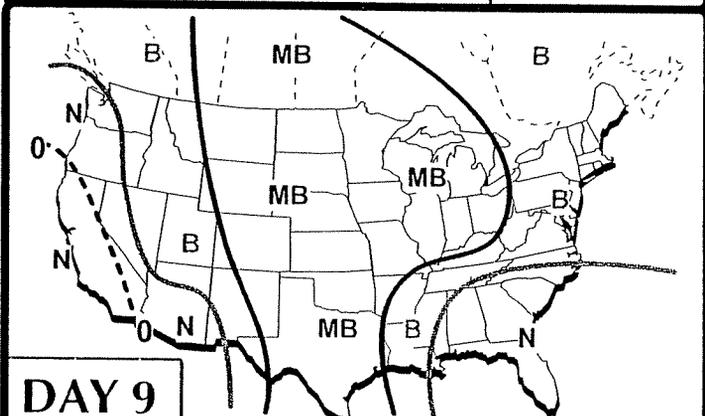
DAY 7

FORECAST VALID: Thursday, 12/15 CONFIDENCE: 7



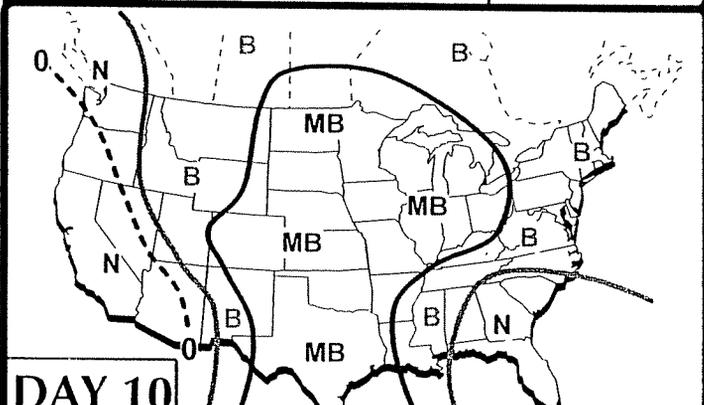
DAY 8

FORECAST VALID: Friday, 12/16 CONFIDENCE: 7



DAY 9

FORECAST VALID: Saturday, 12/17 CONFIDENCE: 6



DAY 10

FORECAST VALID: Sunday, 12/18 CONFIDENCE: 6

LEGEND

MUCH ABOVE.. +8F OR UP
ABOVE..... +3F TO +7F

NORMAL
-2F TO +2F

MUCH BELOW..... -8F OR DOWN
BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

"I have so many utilities seeking supplies, spreads don't even matter," another Rockies trader remarked.

Spot prices across the Pacific Northwest and western Canada climbed between 50 cents and nearly \$1.20 as wintry weather lent support. In addition, "scarce production out of British Columbia is busting prices" at Westcoast Energy's station 2, a trader said.

West Coast prices posted gains of between 65 cents and nearly \$1 due to weather-related demand and long-term weather forecasts for more of the same, California and Texas-based traders reported.

"Cash is above the January NYMEX contract. It seems that a lot of people are trying to take advantage of the high prices by taking a lot of gas out of storage," one Western trader surmised.

Although inventories remained low on the Pacific Gas and Electric system, prices at the PG&E city-gate jumped nearly 70 cents from Tuesday to average in the upper \$12.70s. Malin, Ore., also climbed about 70 cents from Tuesday to average in the mid-\$12.60s.

In the producing basins, El Paso Natural Gas issued a strained operating condition for the second day in a row Wednesday with a 5% tolerance after withdrawals from the Washington Ranch storage facility remained at maximum capacity and linepack steadily declined.

"I saw very high prices at the producing basins. Spreads to the West didn't work though, so they are either holding on to their supplies or flowing east," a California trader said.

In the Northeast, price gains of 80 cents or more were common as temperatures 10 to 15 degrees below normal and forecasts for a winter storm today and Friday kept sellers busy.

But one trader said supply holders might want to cash in soon. "I think prices have peaked—they're near the ceiling. It's probably a good time to start selling the heck out of cash," he said, adding that "everyone who can has already switched over to other fuel sources."

Heating demand also lit a fire under Gulf Coast prices, which ran up between nearly 40 cents and 60 cents. Henry Hub prices finished the day near the \$14 mark.

—Market Staff Reports

One Duke official cleared; jury still out on another

A Houston jury on Tuesday cleared a Duke Energy gas and power trading executive of charges that he falsified the company's books in 2001 and 2002 in order to boost the company's profits and enhance his bonus. The jury will reconvene this morning to consider the remaining 12 charges against another Duke official facing similar allegations.

Natural executes capacity contracts for expansion of its system in Texas

Natural Gas Pipeline Co. of America on Wednesday said it had executed long-term contracts with shippers that fully support an expansion of a portion of its Amarillo-to-Gulf Coast line.

Natural, a Kinder Morgan subsidiary, said the \$16 million project will add 139,000 Dt/day of capacity by adding approximately 9,500 horsepower at a new compressor site in Morris County, Texas.

The portion of the so-called "A/G line" being expanded is located downstream of Compressor Station 802 in Lamar County, Texas, and extends 95 miles east, terminating at the Gulf Coast mainline. Current capacity on that segment is 662,000 Dt/day.

"The incremental capacity made available by this expansion will provide producers in the growing Barnett Shale supply basin with greater access to attractive markets via the [Natural] system," said Scott Parker, president of Kinder Morgan's gas pipelines group. Parker added that capacity on the A/G line was currently sold out.

Assuming regulatory approvals are obtained, the company expects to complete the expansion by Oct. 31, 2006.

Gray: Nine hurricanes, five major, expected in Atlantic Basin in 2006

The Atlantic Basin can expect nine hurricanes and a total of 17 named storms in 2006 in what is likely to be another above-average year for tropical storm activity, according to an early-season forecast by a team of meteorologists at Colorado State University led by William Gray.

Five of those hurricanes are expected to be intense—Category 3 or higher—but Gray predicts fewer storms will make landfall next year.

Gray said there is an 81% chance that one major hurricane will strike the U.S. coastline in 2006, which is about 55% above the long-term average. In addition, there is a 47% chance that a storm will make landfall along the energy-intensive Gulf Coast region, from the Florida Panhandle westward to Brownsville, Texas.

However, it's unlikely that the same broad-scale Atlantic steering currents that caused so many major storms to come ashore in the past two years will still be present through 2006, the CSU team added.

The forecast is based on historical averages, ocean surface temperatures and atmospheric trends, Gray noted.

SGS

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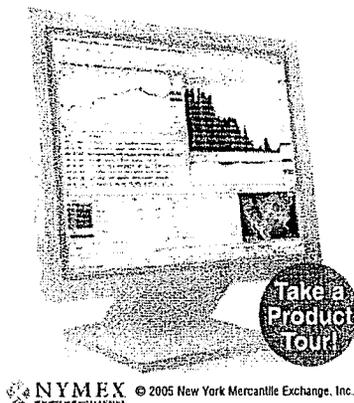
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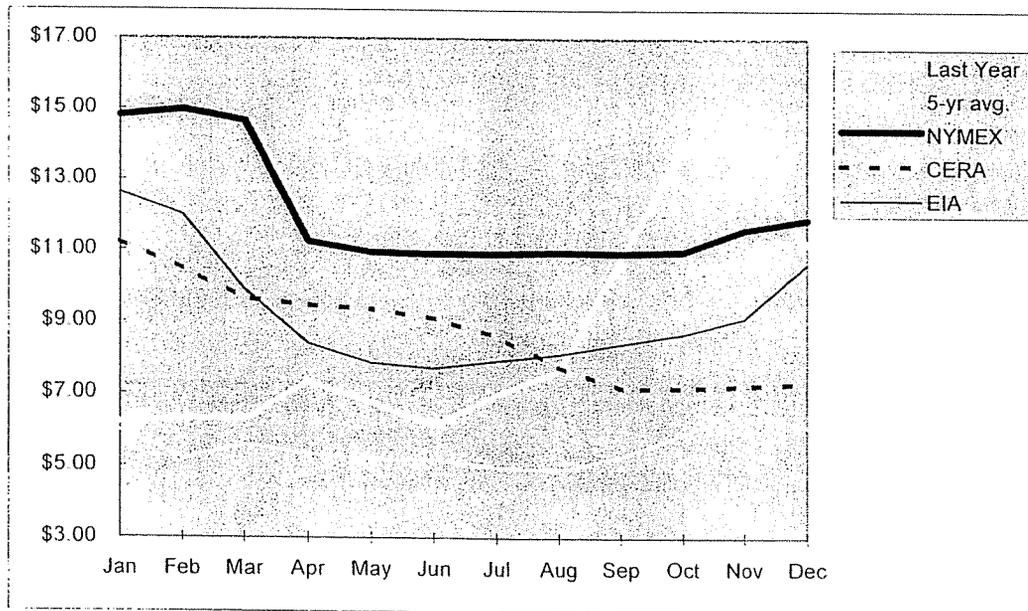
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COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 18-Nov-05	EIA 6-Dec-05	NYMEX 9-Dec-05
Jan	\$5.98	\$6.21		\$11.230	\$12.628	\$14.800
Feb	\$5.20	\$6.29		\$10.460	\$12.007	\$14.970
Mar	\$5.59	\$6.30		\$9.640	\$9.895	\$14.660
Apr	\$5.34	\$7.32		\$9.460	\$8.394	\$11.250
May	\$5.19	\$6.75		\$9.360	\$7.849	\$10.950
Jun	\$5.18	\$6.12		\$9.100	\$7.705	\$10.900
Jul	\$4.97	\$6.98		\$8.600	\$7.914	\$10.910
Aug	\$4.91	\$7.65		\$7.760	\$8.097	\$10.960
Sep	\$5.29	\$10.85		\$7.150	\$8.394	\$10.920
Oct	\$5.92	\$13.91		\$7.160	\$8.671	\$10.980
Nov	\$6.65	\$13.83		\$7.230	\$9.113	\$11.600
Dec	\$6.09	\$11.18		\$7.310	\$10.630	\$11.900
12 Month Avg	\$5.53	\$8.62		\$8.705	\$9.275	\$12.067
Summer Average				\$8.370	\$8.146	\$10.981
Winter Average				\$9.174	\$10.855	\$13.586



CERA ADVISORY SERVICE
North American Natural Gas

CERA *Monthly Briefing*[®]

THE BELT LOOSENS A NOTCH

NORTH AMERICAN GAS PRICES TO RISE ON COLDER DECEMBER WEATHER

Faced with its most difficult test, the North American gas market has responded smartly—and gotten a little lucky as well. Fuel switching and a milder-than-normal start to the winter have dampened gas demand. These developments have allowed North American gas storage inventory to grow more strongly than expected, exceeding last month's outlook by an additional 78 billion cubic feet (Bcf) as of the end of October. The additional supply available has reduced Henry Hub spot prices from an average \$13.39 per million British thermal units (MMBtu) for October to \$9.87 for the month of November through November 14. Regional prices are even lower, demonstrating a continued disconnect between Henry Hub and most other points, including nearby points in Louisiana. North American gas prices will continue to experience downward price pressure until sustained colder winter weather arrives. When the colder weather does arrive in December, we expect Henry Hub gas prices to bounce back from November levels and average \$11.41 per MMBtu for the month (see Table 1).

The large swings in price are due to the nature of this gas market with its very tight supply-demand balance. In this market, both supply and demand are highly price inelastic. Rebalancing the market in response to a demand event thus requires a much larger movement in prices than was the case in the supply-flush 1990s. Although the effects of high prices on consumers are unpleasant, the high prices we have seen this fall have served a purpose. Higher prices provided the economic incentive for additional exports from Canada and higher utilization of the limited fuel-switching capability still available. Higher prices have also had the effect of forcing resilient industrial demand out of the market. This is the nature of inelastic demand, and it is what we should expect for the remainder of this winter—that is, small supply or demand changes will have a large impact on prices (see Figure 1).

Note: All prices are in US dollars unless otherwise indicated.

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Commentary

Rallying to achieve a new all time high for a spot month, Jan exploded higher to trade 15100 at the end of the session. The fact that a withdrawal of 59 bcf/wk was seen in the storage report was not responsible for this strength. Although a high percentage of shut-in gas from the hurricane damages has been restored, over 20% still remains shut-in and with winter temperatures having been lower in the Northeast than last year at this time there are concerns that if winter continues to be below normal a supply issue may be faced. Therefore it is likely that at this time any pullbacks will be viewed as buys.

Scott Allen



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Natural Gas, Gas Liquids and Power Market Update

Daily Market Indicator



Jim Duncan, Market Analyst
(281) 293-1649

Email: James.W.Duncan@conocophillips.com

Friday, December 9, 2005
Cold December Weather Triggers January Rally To New Contract Highs



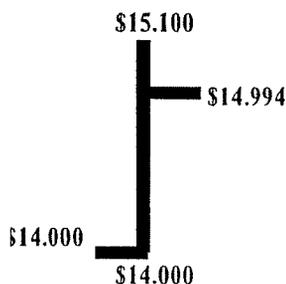
Today Supported to Calf... Then Bearish January Natural Gas Closed *Up 129.4¢* 30-Day: *Cub*
Bottom Line – The cold weather remains the key fundamental in today's marketplace, but some of the long-look weather models came back after their overnight runs with much warmer temperatures in the 8 to 15 day timeframe. If that gets into the market good, you could see long liquidation into the settle today. I still like that idea anyway since there's a lot of long positions in the market that can only turn to liquid. through liquidation. does that make sense? Regardless, something like that wouldn't happen till late in the session and only if the rest of the complex is showing signs of weakness

Yesterday's Market

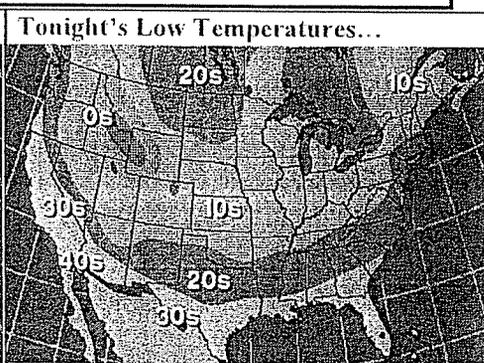
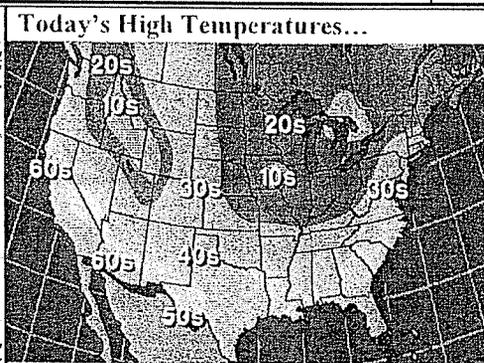
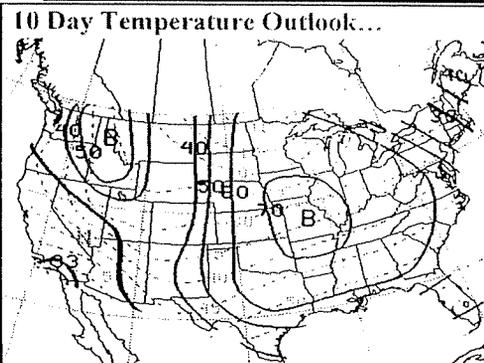
- An extremely cold arctic front moved through the Upper Midwest and South Central U.S. yesterday dropping temperatures precipitously in its wake. As if on cue, NYMEX January prices responded directly and inversely proportionate to the direction and magnitude to the latent thermal energy decline. That means prices went up as temps went down. In a flurry of short covering and technical buying, January stampeded to an all-time high of \$15.10, en route to its most expensive settlement ever at \$14.994 - a full \$1.294 over Wednesday. Among other things, a lot of buy stops got tripped. Other than the slightly higher than expected storage number released earlier in the day, there was no new news of note out there - it was all technical. If you wanted to find something fundamental to explain the price movement, you could have pointed to the prospect of a winter storm hitting the East Coast and chilly early winter temperatures sticking around for at least possibly through the end of the month. The strength natural gas market leaked over to the rest of the energy complex as well. NYMEX crude oil jumped \$1.45 higher to close at \$60.66.

Today's Market

- The winter storm that's bearing down on the Northeast is arriving as you read this... that is, if you read this when I send it. That means morning rush hour in New York could be fraught with wicked wind and frigid temperatures. That will "temper" the resolve of NYMEX traders at the least. If they trudge through the snow to get to work with what feels like North Pole winds blowing in off the Hudson River, I think they might lean to the bull side today.
- It is rarely a bearish sign when a market rallies to new all time highs. However we see two reasons to avoid adding to NatGas length up here. The first two reasons are seasonal factors. There is a tradition of Q4 to Q1 dumps, and the 15 year average pre-season rally added to the 7.140 summer low targeted the 15.280 area. NatGas is there.



Access Trading	12/9/2005	8:29 AM	Natural Gas	\$14.860	(13.4¢)
WTI Crude	\$60.610	(\$0.05)	IPE Brent	\$59.000	\$0.30



Weather Briefs – Cold To Continue In The East Through Next Week – Upper Midwest And Midcontinent Continue To See Well Below Normal Temperatures – West Dry And Cold

Sigmets: Pernicious Winter Weather Up North



Storage...

Next Week's Storage Withdrawal Expected At 150 to 170 Bcf

Yesterday morning's inventory report was little more than an afterthought despite its mildly bearish figures. The EIA reported that 59 Bcf of gas was withdrawn from stocks last week bringing the total to 3,166 Bcf - 58 Bcf under last year at this time but 205 Bcf above the five-year average. Market players had come into the day generally expecting a draw near 65 Bcf.

The much below normal temperatures will continue over the East into next week as a reinforcement shot of cold air arrives this weekend. Overnight lows will average well below normal, with widespread teens and 20s forecast throughout the Midwest, Ohio Valley, and Northeast. The cold weather will persist in the Southeast as well.

U.S. Petroleum Markets

Total U.S. petroleum demand in 2005 is projected to average 20.6 million bbl/d (0.5 percent less than the 2004 level) because of hurricane-related disruptions and higher prices. Petroleum demand in 2006 is estimated to average 21.1 million bbl/d, 2.3 percent more than in 2005 (Figure 9. U.S. Petroleum Products Demand Growth).

Total U.S. refinery output this year is projected to decline by about 0.3 percent compared with 2004 because of hurricane outages. A warmer-than-normal October and an increase in product imports continue to keep total product inventories at levels close to the average of the last few years. Current distillate fuel and jet fuel inventories remain above last year's levels, but motor gasoline and residual fuel oil inventories continue to lag behind (Figure 10. U.S. Gasoline Inventories).

U.S. Natural Gas Markets

Because prices remain high, 2005 total natural gas demand will likely remain at about 2004 levels, then increase by 1.0 percent in 2006, assuming a return to normal weather and expected reactivation of damaged industrial plants in the Gulf of Mexico region (Figure 11. Total U.S. Natural Gas Demand Growth). Residential demand is projected to decline by about 1.7 percent in 2005 mostly in response to relatively weak heating-related demand during the latter part of last winter, while industrial demand is estimated to decline by 7.5 percent in 2005 due to the much higher prices for natural gas as a fuel or feedstock. By 2006, both end-use sectors are expected to recover somewhat, with residential demand projected to increase 2.4 percent from 2005 levels and industrial demand to increase by 4.6 percent.

Domestic dry natural gas production in 2005 is estimated to decline by 3.8 percent, due mainly to the hurricane-induced infrastructure disruptions in the Gulf of Mexico, then increase by 4.8 percent in 2006. Total liquefied natural gas (LNG) net imports for 2005 are estimated to remain at their 2004 level of approximately 650 bcf, then increase in 2006 to an average of about 1,000 bcf.

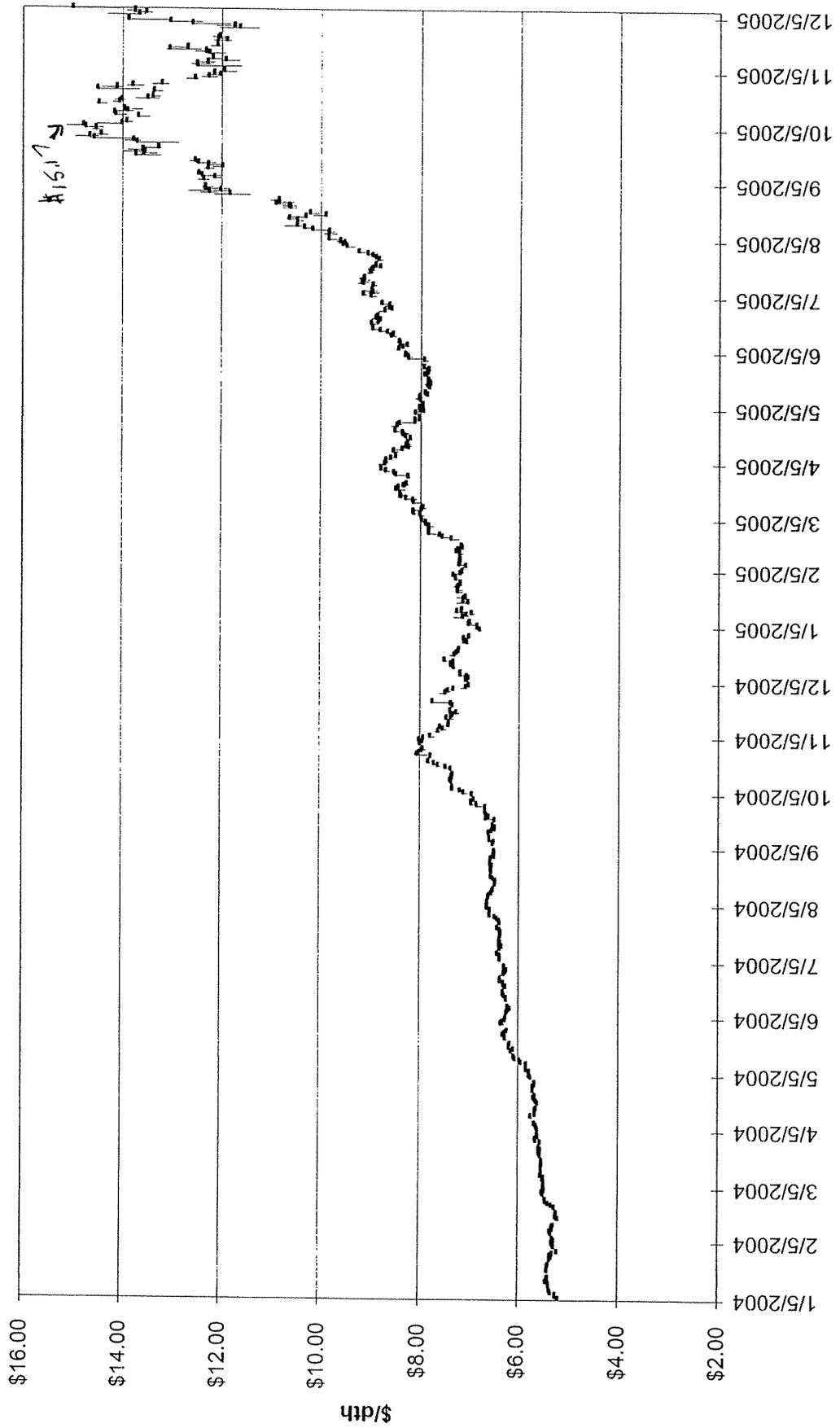
On November 30, working gas in storage stood at an estimated 3,170 bcf, a level 74 bcf below 1 year ago but 6.3 percent above the 5-year average and about 150 bcf above the level projected in last month's *Outlook*. End-of-year storage levels are estimated to be 8.9 percent lower at end-2005 than they were at end-2004. Natural gas storage levels at the end of 2006 will likely match the 2005 level (Figure 12. U.S. Working Natural Gas in Storage). Hurricane-related natural gas production losses have reduced the amount of natural gas available for the market, which increases

the projected requirement for withdrawals of gas from underground storage this winter.

Electricity Demand

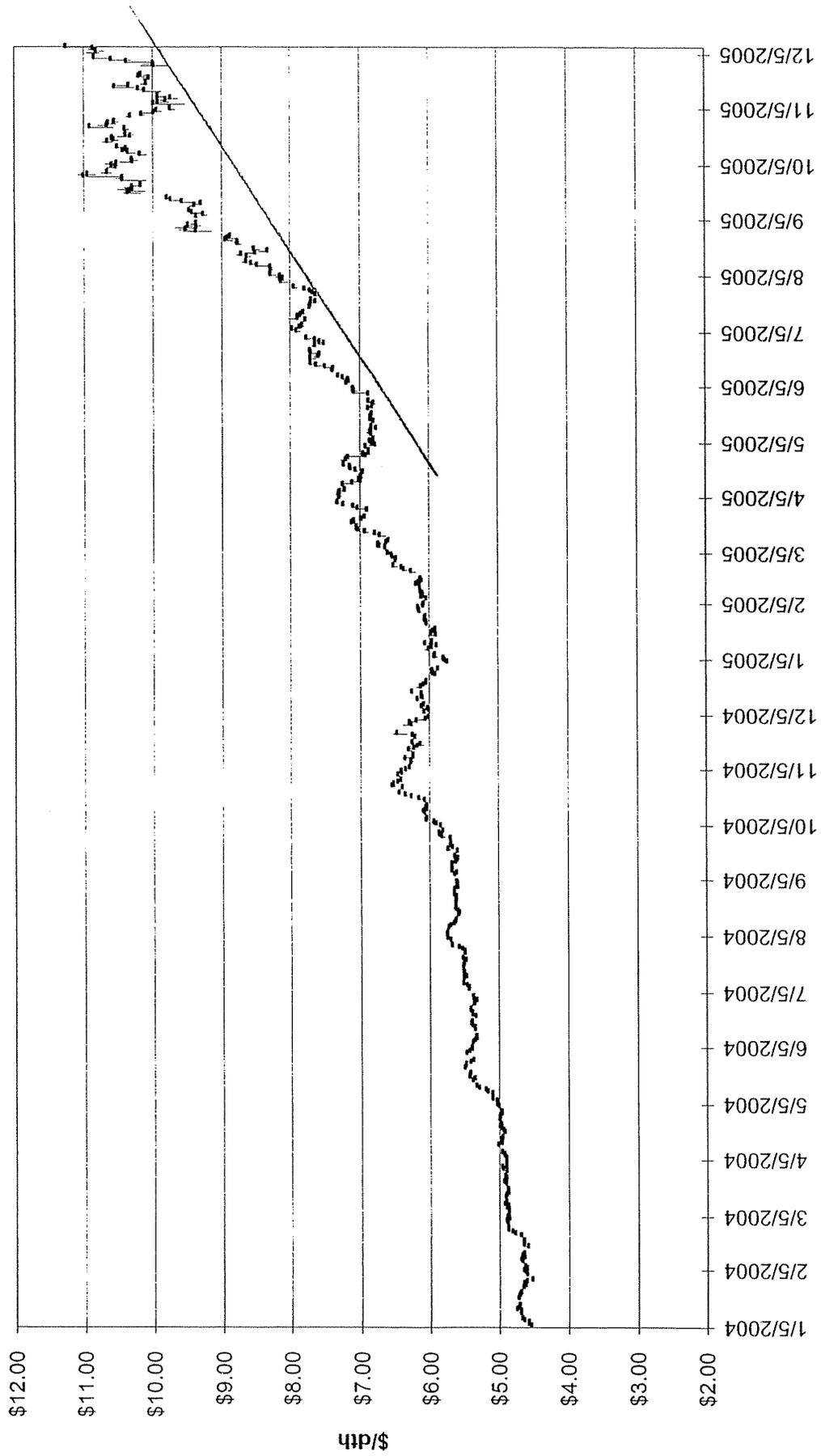
Weather conditions and continuing economic growth are estimated to increase

Jan 06
Winter Strip Dec05 - Mar06



High Low - Close

Summer Strip 2006



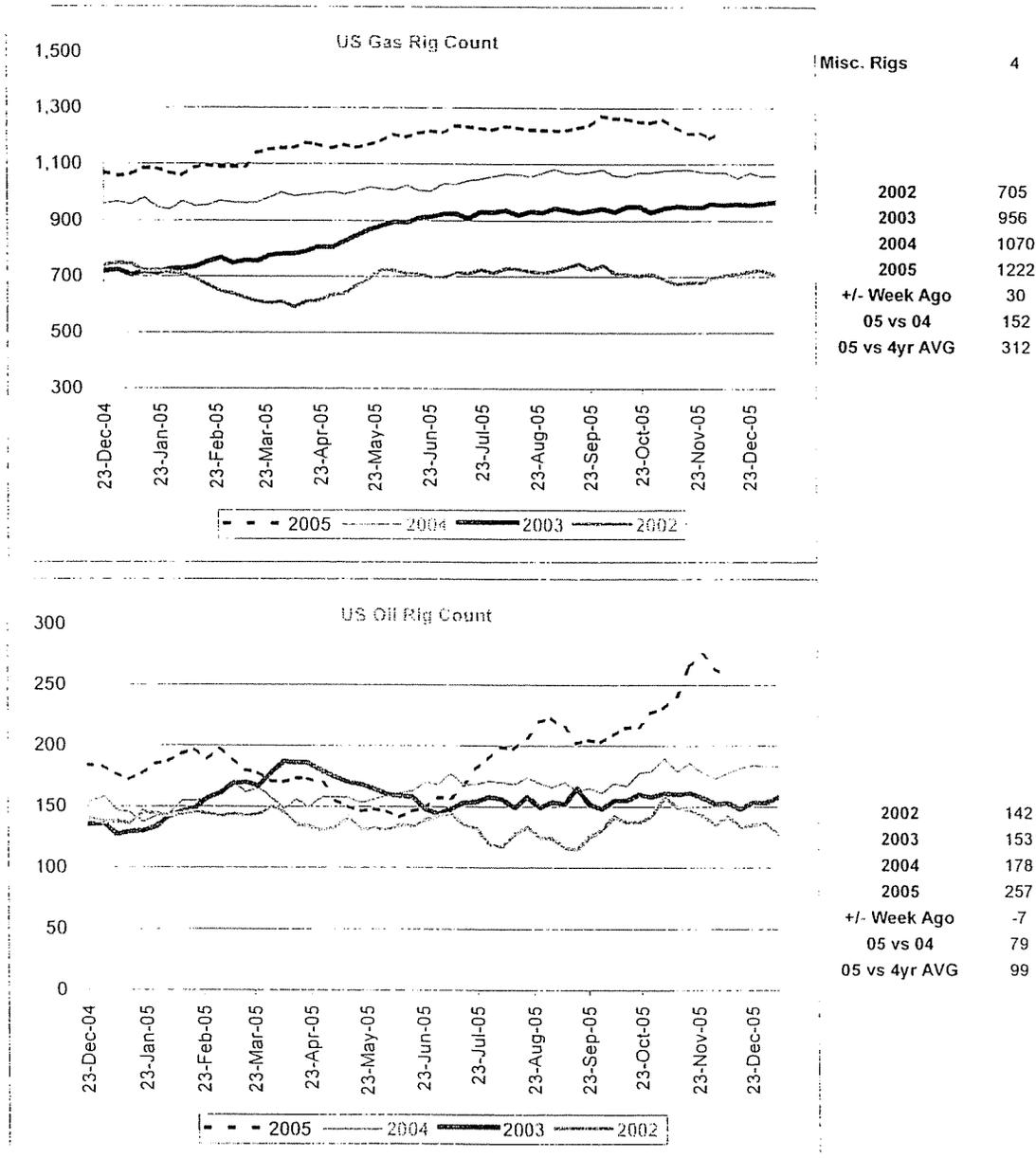
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Commodity Futures WEEKLY RIG WATCH

for the week ended. 9-Dec-05



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Gas Commercial Operations
Hedging Program
Market Indicators Summary
January 24, 2006

Weather	Price Pressure	Comments
Long Term Weather Forecast	↑	WSI: "...we do feel that the odds of a rather cold February, especially in the eastern US, have now gone up considerably."
Mid Term Weather (30-60 days)	↑	Earthsat: "... February has a chance to see colder weather more in line with December rather than this incredibly warm month of January."
6-10 day forecast	↓	Nothing but Above and Much Above through day 10.
Tropical Storm Activity	↑	Dr Gray predicting another above average year for 2006.
Storage Inventory		
EIA Weekly Storage Report	↓	Storage withdraws for the week ending January 19th were 46 BCF. Storage levels are 2% higher than last year at 2.6 TCF.
Industry Publications		
Cambridge Energy Research Associates Summer 2006: \$8.19 Winter 2006/07: \$7.32	↑ ↓	"Unseasonable strong February demand could send price skyward once again." "Assuming normal weather, prices should stabilize somewhat in February..."
Paribas	↑	"Despite weather forecasts not impressive enough to warrant such strength, it is likely that prices have seen a bottom due to the strength of the rest of the energy complex."
Conoco Morning Briefing	↑ ↓	Short term: Bearish Long term: Bullish
Government Agencies		
Energy Information Administration Summer 2006: \$8.91 Winter 2006/07: \$10.08	↔	EIA's forecasted prices are higher than NYMEX in the short term and lower in the summer. (partially due to EIA's report being a few weeks old)
Technical Analysis		
Winter 2006-07 Strip Chart	↔	Range bound between \$10 - 12.
Summer 2006 Strip Chart	↓	Still has room to move down without breaking long term trend.
Rig Count	↔	Down 2 but remains high compared to last 5 years
Economy		
Demand	↔	EIA: "Because natural gas prices remain high and summer weather in 2006 is expected to be cooler than in summer 2005, total natural gas demand in 2006 will likely remain at about 2005 levels..."
Supply	↓	EIA: "Dry gas production is projected to increase by 3.8 percent in 2006 and 1.1 percent in 2007"
Oil Market	↑	Oil prices up due to "fear premium" stemming from political turmoil in oil-rich nations

Meeting Minutes: 10th Floor North Conference Room - 2:00 pm
Attendees: Jim Henning, Bill Tucker, Jeff Kern, Laura Schmidt
 Since the market could turn around at the first sign of a colder than normal forecast, another 6% will be locked in for March, still leaving a small amount that can be locked in on the day that the EGC is calculated. In addition, preparations for receiving bids for April 2006 through October 2008 will begin to take place in early February. Since forecasts are calling for a colder than normal February, the price is likely to be lower than waiting until the end of March.
 Due to revised base supply quantities for the summer of 2006, the percentage hedged is already near 6%. Therefore, bids for the long term fixed price were sought for November 2006 through October 2008. Three suppliers were contacted, [redacted] bid the lowest price at \$ [redacted]/dth so [redacted] dth/day for CG&E and [redacted] dth/day for ULH&P were locked in at Columbia Gulf Onshore. ([redacted] and [redacted] bid \$ [redacted] and [redacted] respectively)

The Union Light Heat & Power Company
Hedging Program - Current Position
As of 01/23/06

Mar-06 Apr-06 May-06 Jun-06 Jul-06 Aug-06 Sep-06 Oct-06

Daily Base	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Estimated Base (Gross)	[REDACTED]							
Amount Hedged	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Cost Averaging	[REDACTED]							
Cost Averaging	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Cost Averaging	[REDACTED]							
Total Hedged	[REDACTED]							

Monthly Base	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Estimated Base (Gross)	[REDACTED]							
Hedged to date	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Cost Averaging	[REDACTED]							
Cost Averaging	[REDACTED]							
Cost Averaging	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Fixed Price	[REDACTED]							
Cost Averaging	[REDACTED]							
Total Hedged	[REDACTED]							
% of Base Supply	[REDACTED]							
Seasonal % of Base	[REDACTED]							

Normal Load (City Gate)	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
Hedged (City Gate)	[REDACTED]							
Storage Withdrawal	[REDACTED]							
Market	[REDACTED]							
Total (incl. Injections)	[REDACTED]							
% Hedged & Storage	[REDACTED]							
Seasonal %	[REDACTED]							

* ULH&P will purchase [REDACTED] from [REDACTED] at Columbia Gulf Onshore based on the average NYMEX closing price January 9, 2006 - March 29, 2006.

The Union Light Heat & Power Company
Hedging Program
Current Position

Delivery Month	Base Supply		Hedged to Date		Next Target (3/31/06)	
	Dth/day	Dth/mo	Dth/day	Dth/mo	Required dth/day	Allowed dth/day
Nov-05						
Dec-05						
Jan-06						
Feb-06						
Mar-06						
Winter 05/06						
Apr-06						
May-06						
Jun-06						
Jul-06						
Aug-06						
Sep-06						
Oct-06						
Summer 2006						
Nov-06						
Dec-06						
Jan-07						
Feb-07						
Mar-07						
Winter 06/07						
Apr-07						
May-07						
Jun-07						
Jul-07						
Aug-07						
Sep-07						
Oct-07						
Summer 2007						
Nov-07						
Dec-07						
Jan-08						
Feb-08						
Mar-08						
Winter 07/08						
Apr-08						
May-08						
Jun-08						
Jul-08						
Aug-08						
Sep-08						
Oct-08						
Summer 2008						

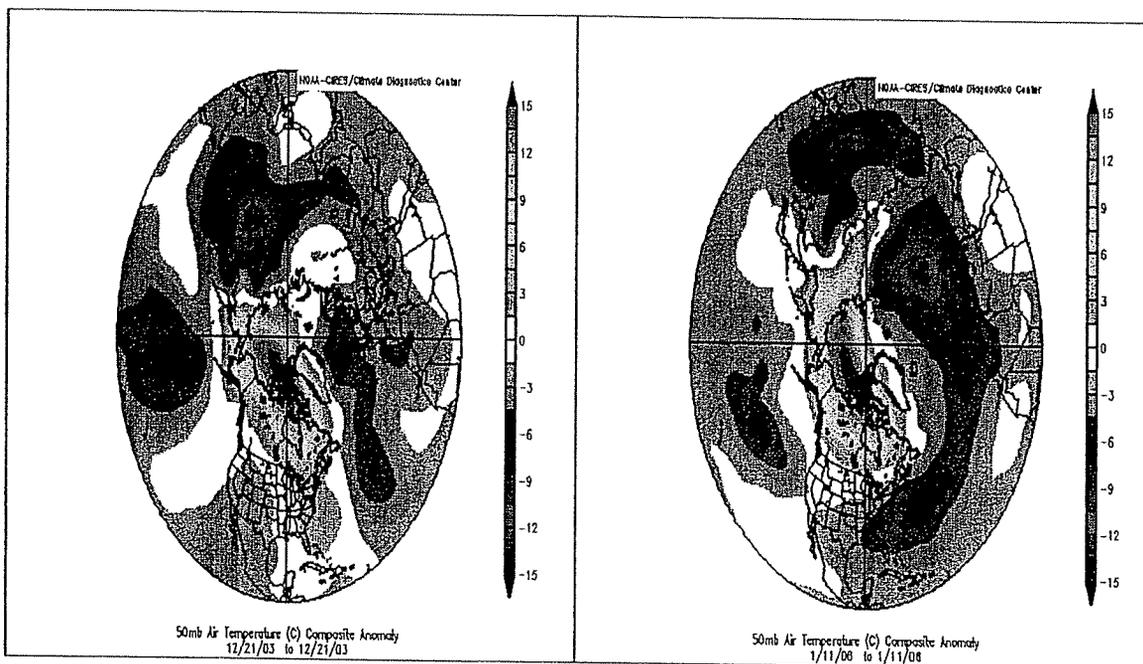
The Union Light Heat & Power Company
Hedging Program for Summer 2006
Cost Averaging with [REDACTED]

Total Amount	Closing Price							12 Month Strip	Total Cost	Locked in To Date
	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06			
9-Jan	[REDACTED]									
10-Jan	[REDACTED]									
11-Jan	[REDACTED]									
12-Jan	[REDACTED]									
13-Jan	[REDACTED]									
17-Jan	[REDACTED]									
18-Jan	[REDACTED]									
19-Jan	[REDACTED]									
20-Jan	[REDACTED]									
23-Jan	[REDACTED]									
24-Jan	[REDACTED]									
25-Jan	[REDACTED]									
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27-Jan	[REDACTED]									
30-Jan	[REDACTED]									
31-Jan	[REDACTED]									
1-Feb	[REDACTED]									
2-Feb	[REDACTED]									
3-Feb	[REDACTED]									
6-Feb	[REDACTED]									
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1-Mar	[REDACTED]									
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13-Mar	[REDACTED]									
14-Mar	[REDACTED]									
15-Mar	[REDACTED]									
16-Mar	[REDACTED]									
17-Mar	[REDACTED]									
20-Mar	[REDACTED]									
21-Mar	[REDACTED]									
22-Mar	[REDACTED]									
23-Mar	[REDACTED]									
24-Mar	[REDACTED]									
27-Mar	[REDACTED]									
28-Mar	[REDACTED]									
29-Mar	[REDACTED]									
Total	[REDACTED]								[REDACTED]	[REDACTED]

Basis to Columbia Gulf Onshore

Price to be paid for [REDACTED] delivered April 1, 2006 to October 31, 2006: [REDACTED]

Typically the warming proceeds downward towards the surface over a period of 2-4 weeks, resulting in significant and widespread high-latitude blocking and a strong negative AO event. The last warming event started in mid-December 2003 and impacted the US in early January 2004. The figure below emphasizes the similarity between these two times by showing the similar locations and magnitudes of the stratospheric warming in extreme northern Canada. You may remember January 2004 as one of the coldest months on record in many parts of the Northeast.



Temperature anomalies at 50 mb on December 21, 2003 and January 11, 2006

We are not saying that this particular event will evolve in exactly the same way as the January 2004 event, but we do feel that the odds of a rather cold February, especially in the eastern US, have now gone up considerably.

Further support for a cold February in the East comes from an analysis of analog years. Our analog technique has found a very strong match, particularly the winter of 1962-63. Similar to this winter, 1962-63 had a negative PDO, a negative Multivariate ENSO Index (MEI), a warm Atlantic, and a relatively large and negative QBO. The graphics below detail that brutally cold winter. Of course, one can correctly argue that the PDO is no longer negative and that the analog technique failed horribly in January. While this is true, our technique (which has been tested over more than 50 winter seasons) still suggests that the 1962-63 analog is a good match. The 1962-63 winter was one of those rare occasions where a negative PDO did not result in a warm winter in the southeastern US. **This analog technique, along with moderate support from our other models as well as the potential impending stratospheric warming event, has led us to enhance the magnitude and confidence of our cold February forecast in the East.**



MDA EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTH SAT

Wednesday

DAY

1/18/06

DATE

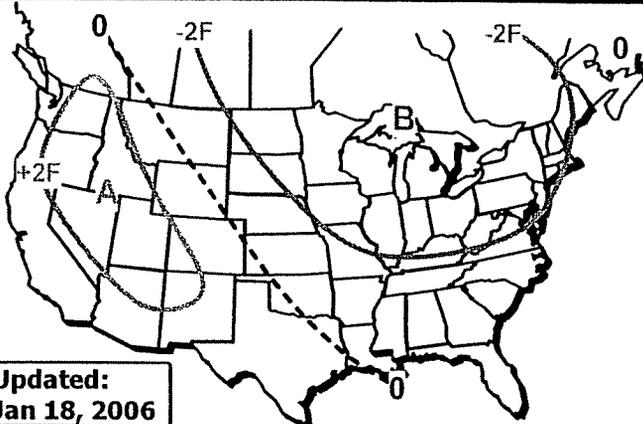
9:45AM EDT

TIME

MR

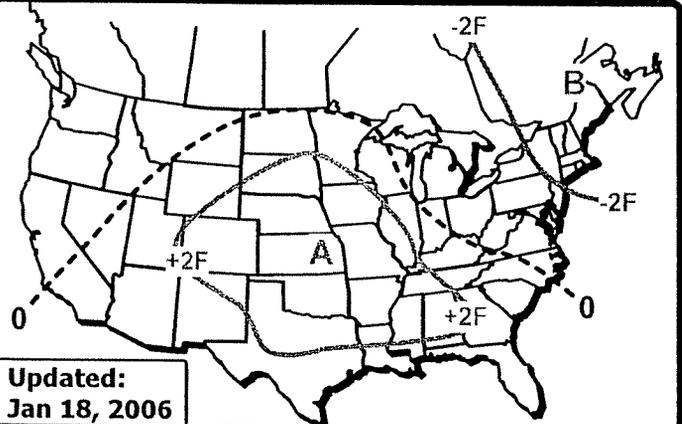
FORECASTER

FEBRUARY 2006



Updated:
Jan 18, 2006

MARCH 2006



Updated:
Jan 18, 2006

FEBRUARY 2006



Updated:
Jan 11, 2006

No Changes to February
Cooler Themes Still Favored
to Return After Major Hiatus
in January

The February outlook will remain unchanged with this update. There are plenty of big questions here, but the recent and consistent model trends toward pattern re-adjustment in the coming weeks suggest that even the dynamical models believe that February has a chance to see colder weather more in line with December rather than this incredibly warm month of January. Hopefully, there will be increased forecast confidence by next week here.

MARCH 2006



Updated:
Jan 11, 2006

Mid-Continent Warmth
Expanded
No Changes to Northeast

The new March update offers an expansion of the above normals in the Midwest and Deep South. If the cycle of this winter continues and February indeed verifies colder again, then March might see a stronger rotation around to the warm side. This is a sharp contrast to last year's very cold March verification. The ENSO analogs still suggest some continued cooling potential in the Northeast, where the North Atlantic Oscillation will need to be monitored.

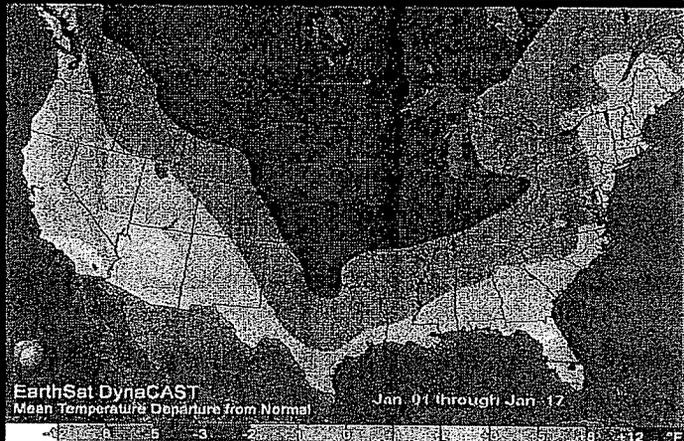
February HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	1140.0	973.7	1075.0	912.0
Philadelphia	920.0	783.5	858.0	810.0
Houston	270.0	261.6	298.0	214.0

March HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	855.0	872.8	858.0	930.0
Philadelphia	705.0	669.6	681.0	789.5
Houston	121.0	152.7	156.0	150.5

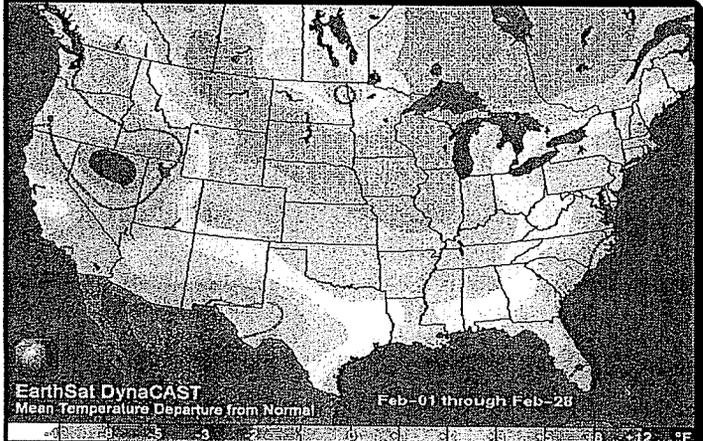
JANUARY 1-17, 2006



EarthSat DynaCAST
Mean Temperature Departure from Normal

Jan-01 through Jan-17

FEBRUARY 2005



EarthSat DynaCAST
Mean Temperature Departure from Normal

Feb-01 through Feb-28

Maps above depict deviations of average temperatures from normal in Fahrenheit.



MDA EarthSat's Energy Weather The 6 to 10 Day Forecast - Detailed Version

ARTHSAT

Monday

DAY

1/23/2006

DATE

6:30 A.M.

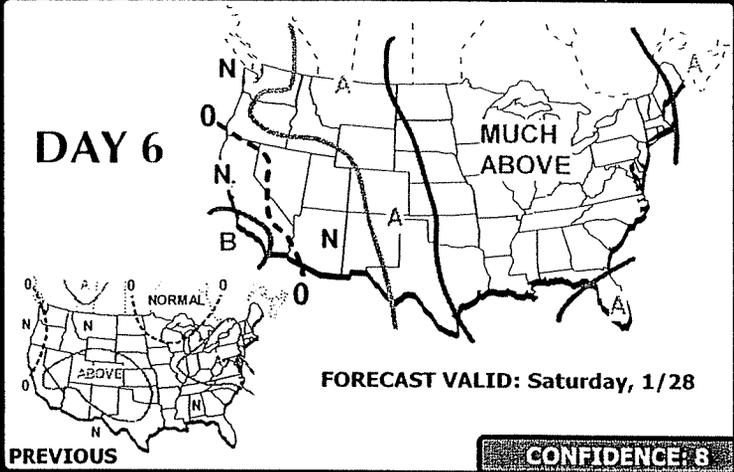
TIME

MRJS

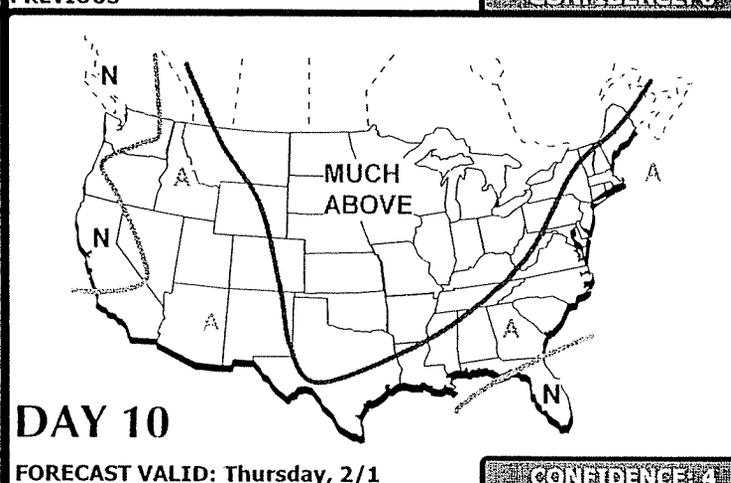
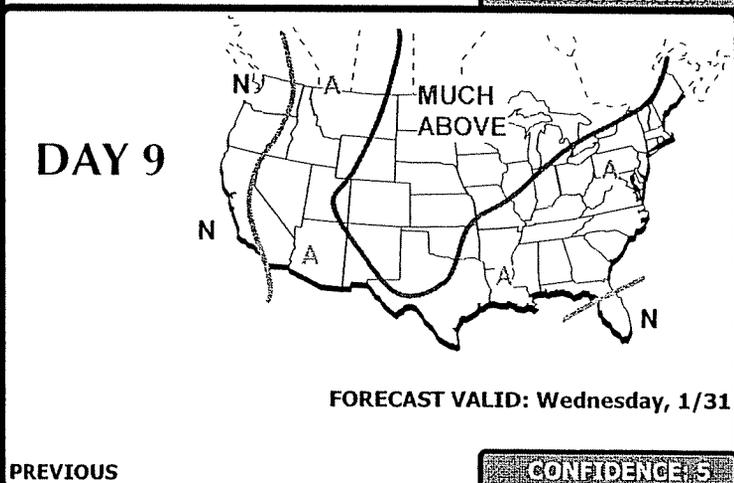
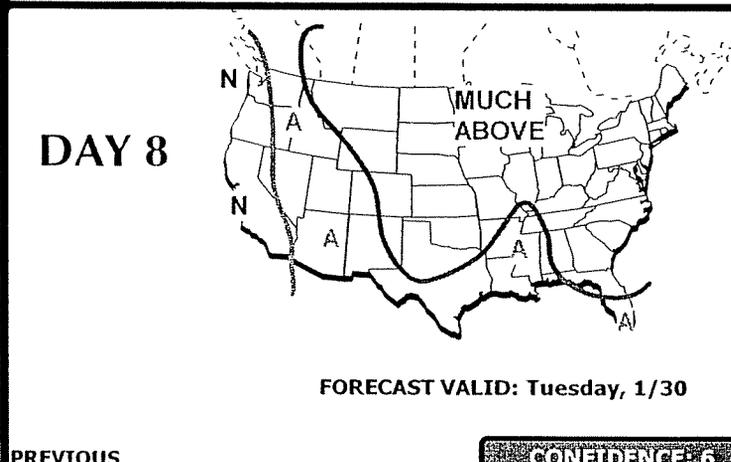
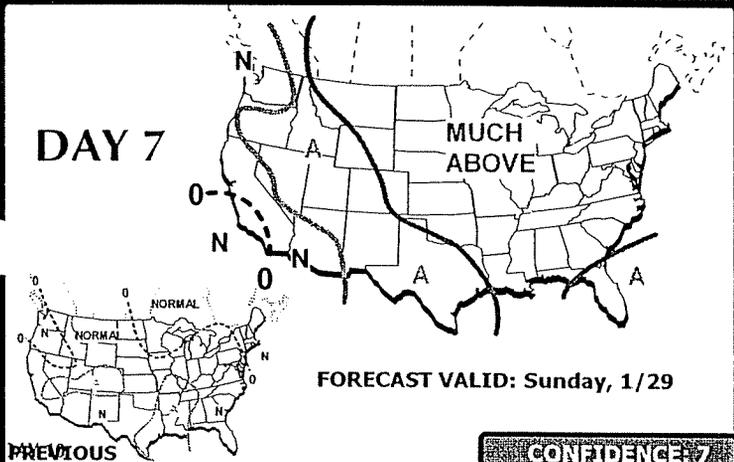
FORECASTER

FORECAST TEMP. DEVIATIONS

DISCUSSION



Today's Forecast
Warm Outlook Everywhere East Of The Rockies
 The trend of warm temperatures continues throughout the 6-10 day period, this time with the swath of much aboves extending from the Rockies all the way to the East Coast most of the period. The connection between the cool troughs moving across the country and the cold Arctic air that created the cold temperatures earlier this winter still has not been made in the models. The West Coast deviates from the warm trend of the East Coast yet again, staying near normal while the Desert Southwest and Western Rockies are above normal throughout.



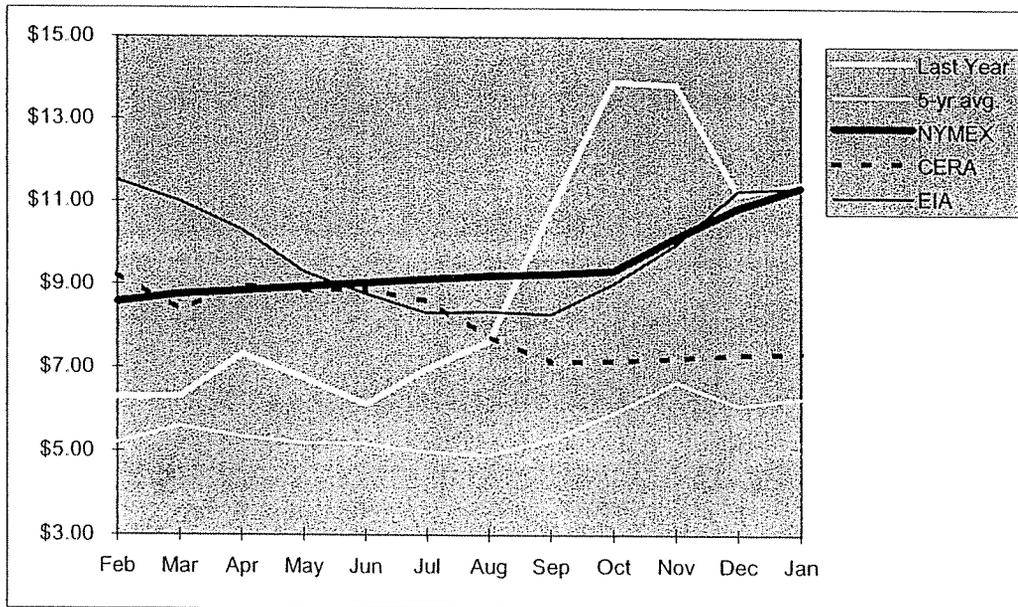
LEGEND

MUCH ABOVE.. +8F OR UP **NORMAL** **MUCH BELOW..... -8F OR DOWN**
3OVE..... +3F TO +7F **-2F TO +2F** **BELOW..... -7F TO -3F**

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)		CERA 17-Jan-06	EIA 10-Jan-06	NYMEX 23-Jan-06
Feb	\$5.20	\$6.29		\$9.230	\$11.500	\$8.574
Mar	\$5.59	\$6.30		\$8.370	\$10.998	\$8.757
Apr	\$5.34	\$7.32		\$8.960	\$10.310	\$8.847
May	\$5.19	\$6.75		\$8.850	\$9.303	\$8.947
Jun	\$5.18	\$6.12		\$8.880	\$8.777	\$9.042
Jul	\$4.97	\$6.98		\$8.600	\$8.315	\$9.132
Aug	\$4.91	\$7.65		\$7.760	\$8.348	\$9.212
Sep	\$5.29	\$10.85		\$7.150	\$8.287	\$9.257
Oct	\$5.92	\$13.91		\$7.160	\$9.026	\$9.337
Nov	\$6.65	\$13.83		\$7.230	\$9.970	\$10.142
Dec	\$6.09	\$11.18		\$7.310	\$11.265	\$10.852
Jan	\$6.27	\$11.43		\$7.360	\$11.344	\$11.347
12 Month Avg	\$5.55	\$9.05		\$8.072	\$9.787	\$9.454
Summer Average				\$8.194	\$8.909	\$9.111
Winter Average				\$7.900	\$11.015	\$9.934



CERA ADVISORY SERVICE
North American Natural Gas

CERA Monthly Briefing®

DOWNWARD TRAJECTORY

NORTH AMERICAN GAS PRICES FALL ON MILD WEATHER; FEBRUARY PRICE SURPRISE POSSIBLE

DATE

January 17, 2006

The winter weather roller coaster continues into 2006, with Henry Hub gas prices declining 43 percent in 31 days to \$8.54 per million British thermal units (MMBtu) on January 11 after reaching \$15.01 per MMBtu on December 11. CERA expects weather-induced price volatility to continue for the remainder of the winter because in a tight market such as this one, small amounts of incremental demand will cause prices to rise precipitously, just as small amounts of incremental supply can tumble prices suddenly. The market has experienced this in November, December, and now January. More of the same should be expected in February. Of one issue we are certain: absent a major supply disruption, remaining storage inventories combined with North American flowing production will be sufficient to meet the remaining winter demand without widespread curtailments even if weather is colder than normal through the end of winter. Unseasonably strong February demand could send prices skyward once again. However, the combination of mild weather early in January and the market's psychological response to adequate storage inventories has allowed for bearish market sentiment to take hold, leading to rapidly declining prices. If weather is colder than normal in February, demand will increase sharply, and prices will follow. Assuming normal weather, prices should stabilize somewhat in February and average \$9.23 per MMBtu at Henry Hub (see Table 1).

Three key pillars of price support have been removed since last month. Therefore, CERA expects that prices will continue on a downward trajectory until spring. One of these pillars was fear of a supply shortage. As we discussed last month, CERA believed that fear, translated into a risk premium by the forward gas market, was keeping prices at elevated levels. The warming trend of late December and early January limited demand and brought storage inventory to more comfortable levels. The easing of anxiety about the possibility of curtailments has allowed for prices to fall dramatically. Even if weather returns to colder than normal for the remainder of the winter, CERA estimates that US storage inventories would

Note: All prices are in US dollars unless otherwise indicated.

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MONTHLY BRIEFING

Table 1

Spot Natural Gas Price Outlook: Henry Hub Benchmark

(nominal US dollars per MMBtu)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
January	2.40	8.45	2.29	5.39	6.03	6.17	9.70	7.36
February	2.66	5.65	2.27	7.00	5.41	6.09	9.23	7.37
March	2.78	5.15	3.00	6.37	5.38	6.91	8.37	7.32
April	3.02	5.20	3.37	5.27	5.70	7.19	8.96	7.25
May	3.57	4.21	3.51	5.77	6.28	6.47	8.85	6.78
June	4.30	3.72	3.20	5.80	6.26	7.17	8.88	6.82
July	4.04	3.07	2.99	5.04	5.92	7.57	8.60	6.33
August	4.38	3.01	3.08	4.96	5.43	9.29	7.76	6.35
September	5.01	2.19	3.50	4.61	4.99	12.11	7.15	6.38
October	5.03	2.42	4.08	4.65	6.24	13.36	7.16	6.40
November	5.49	2.37	4.06	4.45	5.88	10.30	7.23	6.47
December	8.75	2.37	4.74	6.12	6.63	12.98	7.31	6.51
Year Average	4.29	3.98	3.34	5.45	5.85	8.80	8.27	6.78

Source: Cambridge Energy Research Associates. Historical data derived from Platts Gas Daily. Excel tables are available in the North American Natural Gas client services area at www.cera.com.

end March with no less than 830 billion cubic feet (Bcf), 100 Bcf above the historical low for March. The milder weather and lower prices have also allowed local distribution companies to tap into storage inventories with confidence. Many storage fields require minimum withdrawals before the beginning of the injection period. Some holders of storage will have a financial incentive to monetize a portion of their inventories before the spring, freeing up supply. The final pillar of price support has been the hurricane-related supply outages in the Gulf of Mexico. In February we expect 600 million cubic feet (MMcf) per day more supply to return to production, reducing average February outages to 1.6 Bcf per day. These three main pillars of price support have been removed, and therefore CERA expects that prices will continue on a downward path until April.

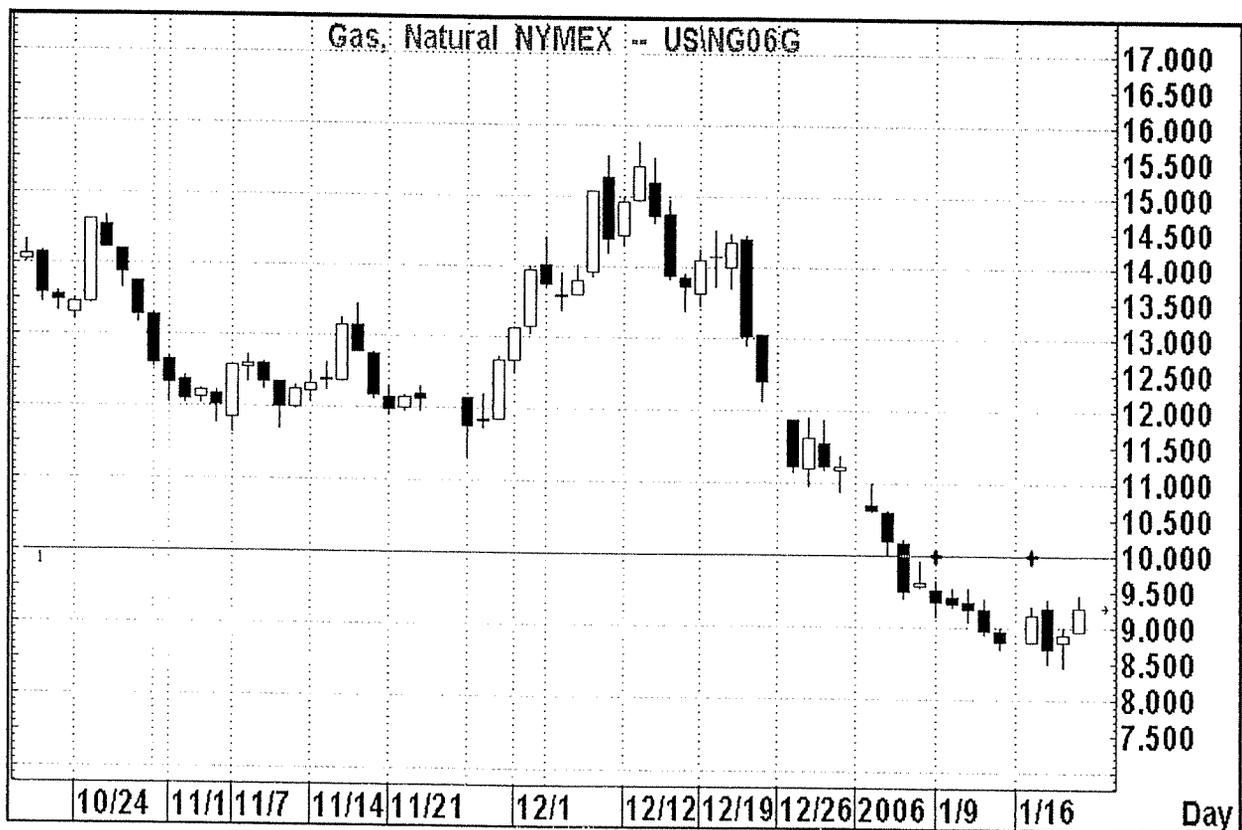
The market has been so fixated on the price decline in January that it could be caught off guard if weather returns to historical norms. Prudence dictates that market participants should be mindful of the potential

for a February price surprise. February is the second highest demand month in North America, with normal-weather demand averaging over 90 Bcf per day. Higher oil prices will contribute to increased gas demand in February (see Figures 1 and 2). CERA expects gas to price below both distillate fuel oil and 140 percent of residual fuel oil prices in the US Gulf Coast and in the Northeast markets in February. This will limit the amount of distillate fuel and residual fuel oil displacement of gas-fired power generation and increase gas demand in the power sector. The impact of increased demand from the power generation sector will be augmented by a continuation of supply constraints on the Gulf Coast, where 1.6 Bcf per day of supply will remain offline in February in the wake of last fall's hurricanes. Moreover, although liquefied natural gas imports are expected to increase in February, North America will not fill its regasification terminal capacity because of the pull of winter demand in Europe. As a result, storage will make up the slack, with North American withdrawals of over 23 Bcf per day (see Figure 3). The tight balance should also raise prices slightly

Commentary

With the rest of the complex so strong overall, Feb continued the rally from the previous session although moderate volume traded. Despite weather forecasts not impressive enough to warrant such strength, it is likely that prices have seen a bottom due to the strength of the rest of the energy complex. Although a breakthrough of 10000 is possible, unless the weather turns much colder it is unlikely that prices will be able to be sustained above 10000.

Scott Allen



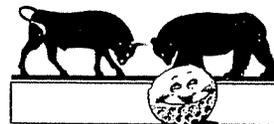
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Natural Gas, Gas Liquids and Power Market Update

Daily Market Indicator



(1-Day Indicator)

Jim Duncan, Market Analyst

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Email: James.W.Duncan@conocophillips.com

Monday, January 23, 2006

Colder Weather Forecasts And Higher Crude Lifts February 37.5¢ Higher

Today: Bearish **February Natural Gas Closed** **Up 37.5¢** **30-Day: Calf**

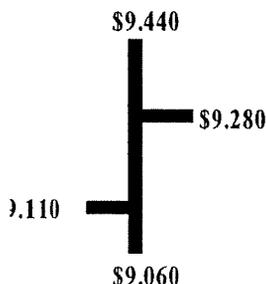
Bottom Line – Weather forecasts have become as volatile as prices. The bearish-leaning forecasts and weaker overnight crude oil prices will hold prices in check today as meteorologists try to interpret their math. The geophysics hasn't changed from Friday, but the interpretation of that data is bearish... today.

Yesterday's Market

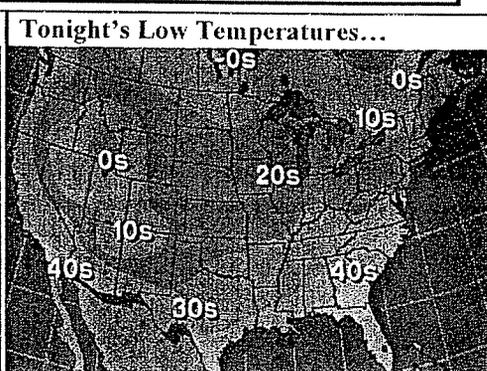
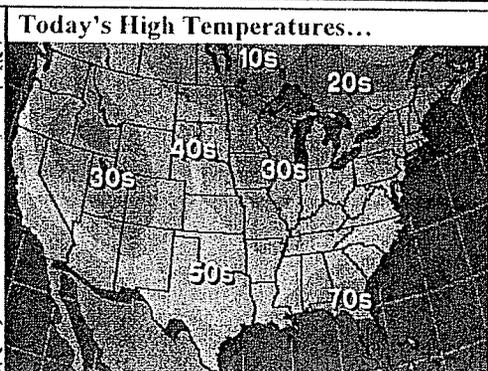
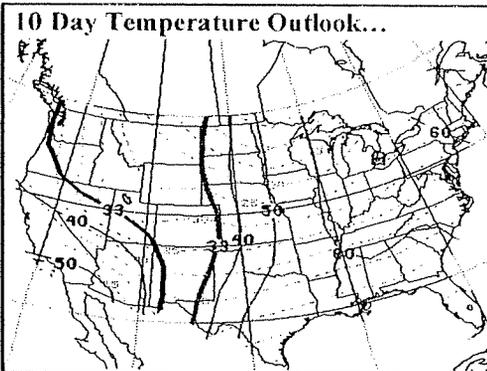
- A rallying crude oil market and pre-weekend technical buying caused February to shoot up the charts on Friday, finding a high of \$9.44. The front month contract came to rest at \$9.28, 37.5¢ higher on the day. February crude oil rocketed better than a dollar and half higher to settle at \$68.35 as tension remains over production from Nigeria and Iran.

Today's Market

- The funds increased long and short positions in gas futures contracts last week. Noncommercial traders were 67.4% short as of Jan 17th, compared with 67.42% short a week earlier. That's not the significant part, however. The funds overall holdings increased by 10,950 lots to 145,663 contracts, compared with a total of 134,713 contracts as of Jan 10th. I think that WILL be significant if we get a bullish weather forecast that sticks around this week or next. The funds were net short by 50,677 lots as of Jan 17th, compared with 46,947 a week earlier. They held 98,170 short positions as of Jan 17th, up from 90,830 a week earlier, while their long positions increased to 47,493 from 43,883 contracts as of Jan 10th.
- Natural gas continues to be underpinned by mild weather and technical weakness. Season to date, national heating degree-day temperatures are averaging 8.1% warmer than normal and 0.6% colder than last year. I still say there's a bearish end to this winter waiting for us, but the fireworks between now and then will remain; up on cold air, down on warm forecasts, up on geopolitical chaos and bullish crude oil, down on relative peace. Anyway, the past three weeks has left the market in a grossly oversold technical condition and very vulnerable to a sharp bullish reversal, especially if the weather on the outer fringe of the forecast in early February shifts back to even more seasonably cold weather. I think that day is coming, and it will likely show up during bidweek, which starts this week.



Access Trading	1/23/2006	8:04 AM	Natural Gas	\$8.615	(66.5¢)
WTI Crude	\$68.060	(\$0.42)	IPE Brent	\$66.250	(\$0.21)



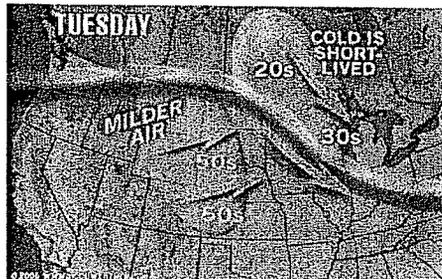
Weather Briefs – Wintry Weather Undates Northeast This Morning – Thunderstorms Across South...With Cooler Temps – Fair and Mild Across Midwest – Strong Santa Ana's West

Storage...

I'm looking for a draw of 68 Bcf this week...

For the week ending January 20, my forecast calls for a draw of 68 Bcf. Like the past three weeks, this week's draw will likely be the smallest draw ever for this week and will be much lower than last year's draw of 230 Bcf, the three year average draw of 224 Bcf, and the five year average draw of 181 Bcf. The current inventory level is 2.575 Tcf, and we are now 75 Bcf above last year, and 433 Bcf above the five year average.

Sigmets: Forecasting the Forecasters

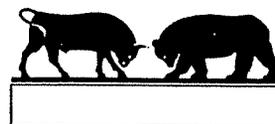


The geophysics of the northern hemisphere hasn't changed from the Friday dynamics I relayed to you. What has changed is the way in which the forecasters interpret their data. At this stage of the winter...with more recent warm weather days than cold...it's "safer" to forecast above normal temperatures than take a chance and call for a return to winter conditions. I do see colder temps coming, but an extended winter is doubtful.



Natural Gas, Gas Liquids and Power Market Update

Daily Market Indicator



Jim Duncan, Market Analyst
(281) 293-1649
Email: James.W.Duncan@conocophillips.com

NatGas Technicals...



Resistance Levels: **8.650 8.880 8.970**

Support Levels: **8.460 8.330 8.150**

NatGas: February was lower overnight hinting that a two-day bounce has come to an end. At the same time, stochastics and the RSI have turned bullish hinting that a short-term low might be in or is near. Multiple closes above the 10-day moving average crossing at 9.059 are needed to signal that a low has been posted. If February extends this winter's decline, the reaction low crossing at 8.30 is the next downside target.

Crude: March was lower overnight due to profit taking as it consolidates above the 75% retracement level of the August-November decline crossing at 67.57. Stochastics and the RSI are overbought, but are neutral to bullish signaling that higher prices are possible near-term. If March extends the rally off November's low, the August high crossing at 71.11 is the next upside target. Closes below the 10-day moving average crossing at 65.86 would signal that a short-term top has been posted.

Crude Oil Market...

Crude Oil Market

OPEC Basket Price: **Unch @ \$57.71** OPEC Weekly Average: **Unch @ \$57.13**

NYMEX

Crude

Closes

@ \$68.48/BBL

\$1.29

Support levels

67.50 67.10 66.80

Resistance levels

68.50 69.20 69.90

NYMEX Petroleum Products

Close Chg/cts

Heating Oil 1 867 0 070

Unleaded G: 1 817 0 041

No Crude Commentary Today.

API/DOE News...

API Quick Summary*				DOE QUICK SUMMARY*			
Week Released 1/19/2006	End 1/13/06	End 1/06/06	CHANGE	Week Released 1/19/2006	End 1/13/06	End 1/06/06	CHANGE
Crude Oil Stocks	320,115	316,228	3,887	Crude Oil Stocks	321,434	318,693	2,741
Mogas Stocks	213,585	210,673	2,912	Mogas Stocks	211,635	208,778	2,857
Dist Fuel Stocks	138,542	139,515	-973	Dist Fuel Stocks	134,677	133,766	911
Resid Fuel Stocks	37,827	38,291	-464	Resid Fuel Stocks	39,676	39,304	372
Crude Oil Imports	9,405	9,827	-422	Crude Oil Imports	9,846	9,870	-24
Product Imports	3,839	3,727	112	Product Imports	4,232	10,058	-5,826

*Figures are in thousands of barrels

Competing Fuels...

Reported on an MMBtu Equivalent Basis

Heating Oil	\$/mmBtu	Residual Fuel \$/bbl	New York	Change	Gulf Coast	Change	US Avg.	Change
	\$13.46		\$48.75	\$1.13	\$49.00	\$1.25	\$48.88	\$1.19
		\$/mmBtu	\$7.738	\$0.179	\$7.778	\$0.198	\$7.758	\$0.188

also *This Week in Petroleum*, January 5, 2006). The transition to ultra-low-sulfur diesel fuel begins in the third quarter of 2006 with about 80 percent of the on-highway diesel fuel market expected to meet the new 15 parts per million (ppm) maximum sulfur limit this year, down from 500 ppm. The estimated extra cost for producing and distributing ultra-low-sulfur diesel fuel ranges from about 4 to 6 cents per gallon (Environmental Protection Agency, *Regulatory Impact Analysis*, Chapter V. *Economic Impact*, Jan. 18, 2001). These costs are included in our modeling framework.

Phase-in of the Tier 2 low-sulfur gasoline program began in 2004, but the final stage and largest change began on January 1, 2006, as the sulfur level in gasoline is lowered from an average 300 ppm to a maximum average 30 ppm. Most motor gasoline produced outside of the Petroleum Administration for Defense District 4 (PADD 4, Rocky Mountain) region is affected. All motor gasoline must be in compliance by 2008. The estimated cost increase for producing and distributing Tier 2 gasoline in 2006 and 2007 is about 1 to 2 cents per gallon.

Removal of MTBE as a blending component from motor gasoline, another pending change, will likely increase gasoline prices and possibly lead to greater price volatility. State concerns about potential water contamination and possible increased liability exposure due to the elimination of the oxygen content requirement for reformulated gasoline included in the Energy Policy Act of 2005 (EPACT 2005) are driving efforts to eliminate of MTBE as a gasoline additive. Some MTBE removed from the gasoline pool may be replaced by ethanol, which continues to grow in supply.

While major supply disruptions are not expected, these new regulatory constraints and uncertainties may contribute to price volatility in some regions of the country.

Natural Gas Markets

Because natural gas prices remain high and summer weather in 2006 is expected to be cooler than in summer 2005, total natural gas demand in 2006 will likely remain near 2005 levels, then increase by 1.3 percent in 2007 (Figure 12. Total U.S. Natural Gas Demand Growth). Residential demand is projected to increase by about 0.8 percent in both 2006 and 2007. Industrial demand is estimated to grow by 3.5 percent in 2006 and 1.3 percent in 2007. Demand for natural gas for production of electricity is expected to fall by 4.7 percent in 2006 because of the assumed return to normal summer weather, then increase by 2.4 percent in 2007.

Domestic dry natural gas production in 2005 is estimated to have declined by 3.1 percent, due mainly to the hurricane-induced infrastructure disruptions in the Gulf of Mexico. Dry gas production is projected to increase by 3.8 percent in 2006 and 1.1 percent in 2007. Total liquefied natural gas (LNG) imports for 2006 are projected to increase from their 2005 level of 650 billion cubic feet (bcf) to 950 bcf in 2006. LNG imports in 2007 are expected to reach 1,200 bcf.

On December 30, working gas in storage stood at an estimated 2,641 bcf, a level 79 bcf below 1 year ago but still 168 bcf above the 5-year average. Natural gas storage levels at the end of 2006 and 2007 will likely match the 5-year average (Figure 13. U.S. Working Natural Gas in Storage).

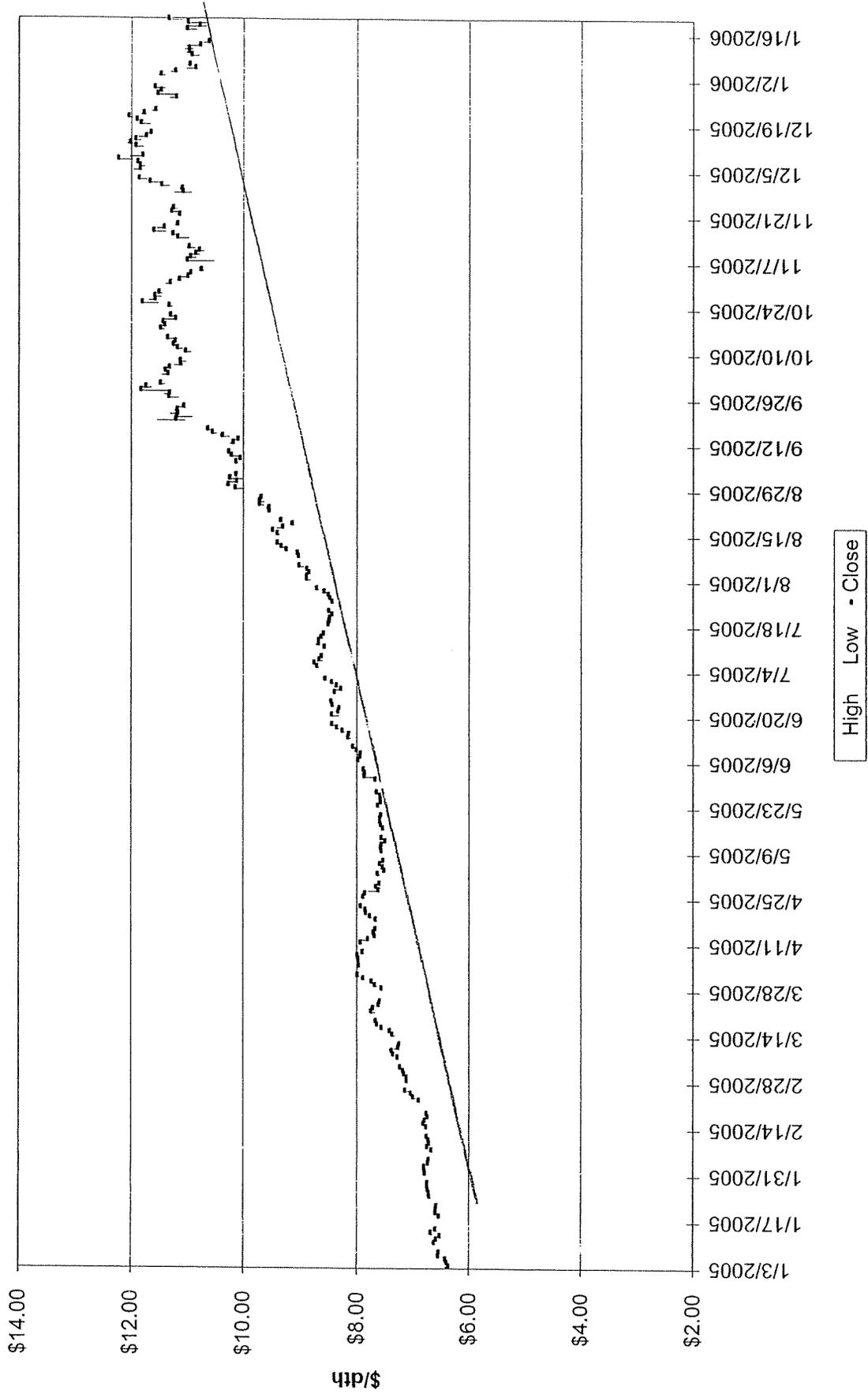
Electricity Markets

Weather conditions and continuing economic growth are expected to increase electricity demand by 1.3 percent in 2006 and an additional 1.6 percent in 2007 (Figure 14. Total U.S. Electricity Demand Growth). Projected 2006 electricity prices to the residential sector range from 8.0 cents per kilowatt-hour (kwh) in the West North Central region to 13.8 cents per kwh in New England. Residential electricity prices in 2007 are expected to remain near 2006 levels.

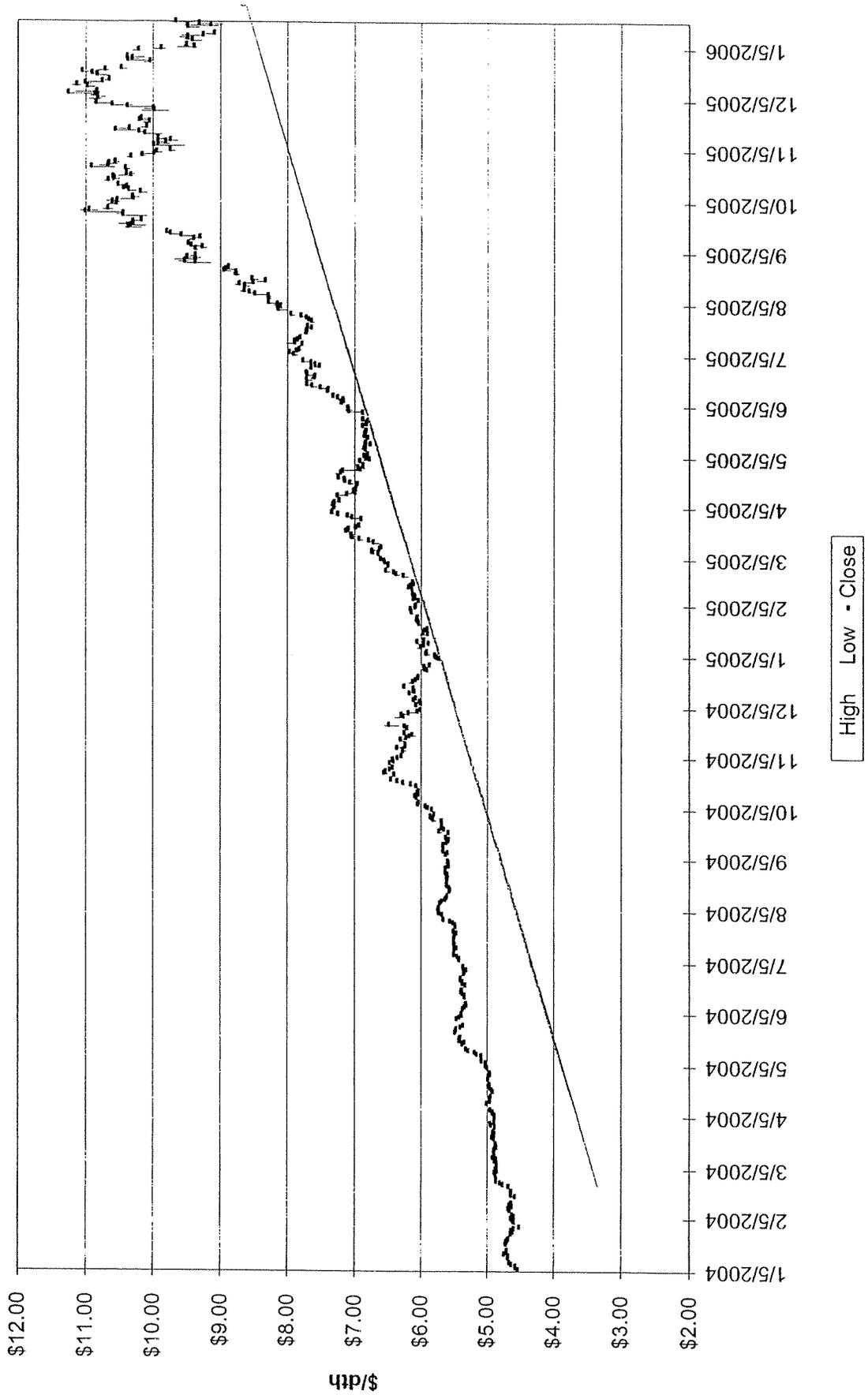
Coal Markets

In 2006, electric power sector demand for coal is projected to increase by 2.2 percent and by another 1.2 percent in 2007 (Figure 15. U.S. Coal Demand). Power sector demand for coal continues to increase in response to higher oil and, more specifically, to higher natural gas prices. U.S. coal production is projected to grow by 3.9 percent in 2006 and remain at about the 2006 level in 2007 (Figure 16. U.S. Coal Production). The price of coal to the power sector is projected to rise throughout the forecast period, although at a slower rate than in the first half of 2005. In the electric power sector, coal prices are projected to rise by an average 5.5 percent in 2006 and by an additional 2.6 percent in 2007, increasing from \$1.54 per million Btu in 2005 to \$1.66 per million Btu in 2007.

Winter Strip Nov06 - Mar07



Summer Strip 2006



London
(207) 595-8800

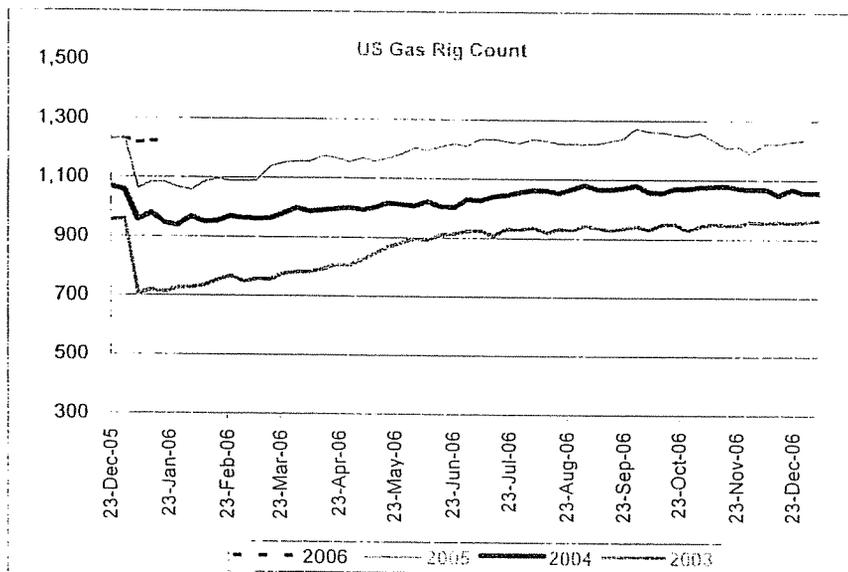


New York
(212) 841-3347

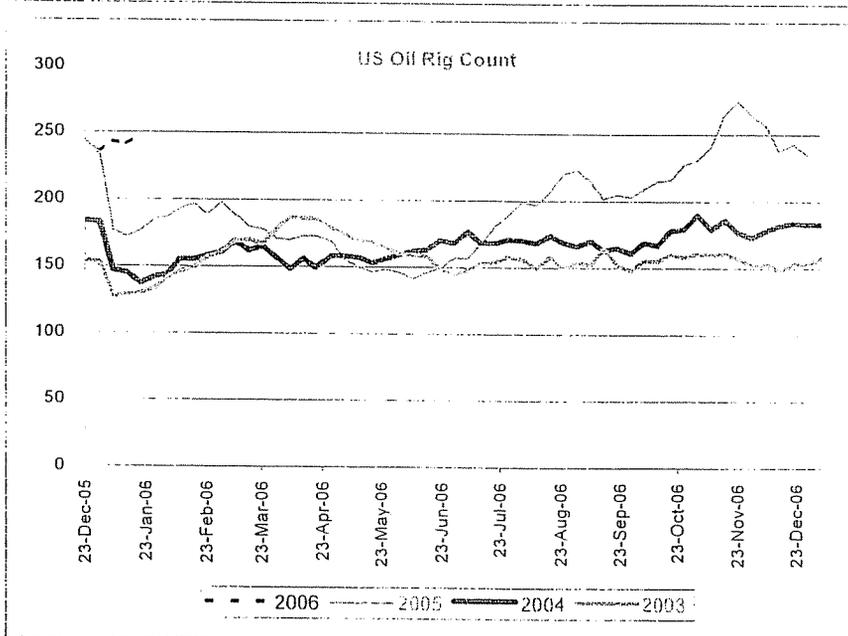
Commodity Futures

WEEKLY RIG WATCH

for the week ended 20-Jan-06



Misc. Rigs	3
2003	712
2004	946
2005	1084
2006	1222
+/- Week Ago	-2
06 vs 05	138
06 vs 3yr AVG	308



2003	130
2004	137
2005	177
2006	247
+/- Week Ago	6
06 vs 05	70
06 vs 3yr AVG	99

SOURCE: BAKER HUGHES US OIL & GAS DIRECTED RIG COUNT WWW.BAKERHUGHES.COM

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Gas Daily

Wednesday, January 18, 2006

NYMEX rebounds past \$9; cash markets mixed

THE MARKET

The February NYMEX futures contract shot back above the \$9/MMBtu mark Tuesday to settle at \$9.168, a gain of 37.7 cents from Friday as the contract moved in sympathy with a soaring crude oil contract. Cash prices were a mixed bag as they tracked regional weather patterns.

"The last couple of weeks we've seen [gas] going in the complete opposite direction from crude," a Houston-based NYMEX analyst said, noting that gas could no longer deny crude's more than \$2/barrel "fear

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 8.340

Trans. date: 1/17
Flow date(s): 1/18

	Mldpoint	Absolute	Common	Volume	Deals
Permian Basin Area					
El Paso, Permian Basin	7.650	7.53-7.80	7.58-7.72	700	91
Waha	7.630	7.53-7.72	7.58-7.68	435	61
Transwestern, Permian Basin	7.355	7.20-7.40	7.30-7.40	6	2
East Texas-North Louisiana Area					

GAS DAILY

WEDNESDAY, JANUARY 18, 2006

NYMEX contract gains 37.7 cents ... from page 1

premium" stemming from political turmoil in oil-rich nations. "The two are related and we're not going to see them go completely out of whack."

The February contract, which had slid below \$9 last week for the first time since August, opened Tuesday at its intraday low of \$9.03 and moved as high as \$9.29. The prompt-month NYMEX crude oil contract settled \$2.39/barrel higher at \$66.31/barrel.

A New York-based analyst stressed that, despite the rally, many traders remain hesitant about entering the market if temperatures stay above normal and the gas storage surplus increases.

In the spot market, with snow falling after a weekend of unseasonably low temperatures, Northeast prices climbed as much as 30 cents.

"We are seeing a lot of the same, although gas started to rally from the oversold condition of the marketplace," one Northeast marketer said. Another trader said he believes prices across the region will weaken in the coming days due to "retreating industrial and consumer loads" as the weather warms up again.

Transcontinental Gas Pipe Line zone 6-New York climbed more than 30 cents from Friday to average in the low to mid-\$9.50s. Dracut, Mass., fell well below other regional points to average in the mid-\$9.20s, a loss of a few pennies.

Gulf Coast spot prices posted gains between 15 cents and 30 cents at most points, but with regional temperatures expected to climb throughout the week, some traders expect the bullish tenor to be fleeting.

Henry Hub cash averaged in the low \$8.80s, a gain of more than 30 cents, while the return of industrial and consumer loads in the Northeast pulled gas northward from the Gulf and sent spot prices at Transco zone 3 up more than a quarter to average in the upper \$8.80s.

Florida prices also rallied despite a shortage of buyers at some points, sources said, with Florida Gas zone 3 rising about 30 cents.

'There's too much gas in the ground'

Showcasing the only weakness along the Gulf Coast, Texas prices continued to decline Tuesday, losing between a nickel and a dime at Katy and the Houston Ship Channel. "A brief spate of cool weather can't carry demand or prices," one trader said. "With the market as

Daily price survey (\$/MMBtu)

Trans. date: 1/17
Flow date(s): 1/18

	Mldpoint	Absolute	Common	Volume	Deals
Rockies					
CIG, Rocky Mountains	7.430	7.38-7.55	7.39-7.47	20	8
Kern River, Opal plant	7.560	7.37-7.65	7.49-7.63	217	26
Stanfield, Ore.	7.730	7.70-7.78	7.71-7.75	74	9
Questar, Rocky Mountains	7.255	7.25-7.30	7.25-7.27	7	2
Cheyenne Hub	7.660	7.55-7.79	7.60-7.72	18	4
Northwest, Wyo. Pool	7.470	7.45-7.50	7.46-7.48	13	3
Northwest, s. of Green River	7.360	7.29-7.43	7.32-7.40	31	5
Canadian Gas					
Iroquois, receipts	9.160	9.10-9.25	9.12-9.20	448	46
Niagara	9.010	8.93-9.10	8.97-9.05	97	10
Northwest, Can. bdr. (Sumas)	7.715	7.68-7.80	7.68-7.75	364	43
TCPL Alberta, AECC-C*	8.310	8.17-8.43	8.24-8.38	831	78
Emerson, Viking GL	8.095	8.00-8.17	8.05-8.14	260	26
Dawn, Ontario	8.865	8.70-9.00	8.79-8.94	551	59
GTN, Kingsgate	7.650	7.65-7.65	7.65-7.65	7	2
Westcoast, station 2*	8.825	8.78-8.87	8.78-8.84	160	31
Appalachia					
Dominion, North Point	8.990	8.96-9.00	8.98-9.00	8	3
Dominion, South Point	8.960	8.90-9.00	8.93-8.99	116	22
Ledy Hub	9.320	9.32-9.32	9.32-9.32	5	1
Columbia Gas, Appalachia	9.075	9.00-9.17	9.03-9.12	438	81
Mississippi-Alabama					
Florida Gas, Mobile Bay	8.845	8.80-8.85	8.83-8.85	25	3
Texas Eastern, M-1 (Kosi)	8.755	8.70-8.80	8.73-8.78	41	16
Transco, zone 4	9.065	8.86-9.19	8.98-9.15	95	21
Others					
Algonquin, receipts	9.470	9.40-9.58	9.42-9.52	70	12
SoCal Gas	7.945	7.76-8.16	7.84-8.05	936	113
PG&E, South	7.825	7.77-7.90	7.79-7.86	144	17
PG&E, Malin	7.815	7.74-7.94	7.76-7.87	424	51
Alliance, into Interstates	8.540	8.45-8.75	8.46-8.62	251	31
ANR, ML 7	8.810	8.67-8.90	8.75-8.87	54	5
NGPL, Amarillo receipt	7.695	7.59-7.75	7.65-7.74	30	4
Northern, Ventura	8.010	7.95-8.20	7.95-8.07	41	7
Northern, demarc	7.985	7.93-8.05	7.95-8.02	168	19
Dracut, Mass.	9.250	9.25-9.25	9.25-9.25	5	1
Citygates					
Chicago citygates	8.500	8.33-8.77	8.20-8.61	1272	168

Gas Commercial Operations
Hedging Program
Market Indicators Summary
February 15, 2006

Weather	Price Pressure	Comments
Long Term Weather Forecast	↑	WSI: "...there may be a 4-6 week period in February and early March with widespread Arctic air in the US..."
Mid Term Weather (30-60 days)	↓	Earthsat: "... March is being directed warmer by the La Nina indications..."
6-10 day forecast	↑	Much Below from Sunday through Wednesday.
Tropical Storm Activity	↑	Dr Gray predicting another above average year for 2006.
Storage Inventory		
EIA Weekly Storage Report	↓	Storage withdraws for the week ending February 3rd were 38 BCF. Storage levels are 22% higher than last year at 2.4 TCF.
Industry Publications		
Cambridge Energy Research Associates Summer 2006: \$8.19 Winter 2006/07: \$7.32	↑ ↓	"Unseasonable strong February demand could send price skyward once again." "Assuming normal weather, prices should stabilize somewhat in February..."
Paribas	↓	"As for March, it seems futile to attempt to pick a bottom and therefore we will only recommend to sell rallies."
Conoco Morning Briefing	↓	"The market is oversupplied and it is pushing aside everything else."
Government Agencies		
Energy Information Administration Summer 2006: \$8.19 Winter 2006/07: \$9.76	↑	EIA's forecasted prices are higher than NYMEX. "According to Minerals Management Service, approximately... 400 million cubic feet per day of natural gas production are expected to remain offline prior to the start of the next hurricane season..."
Technical Analysis		
Winter 2006-07 Strip Chart	?	The LIM data base was unavailable, so the strip charts could not be updated.
Summer 2006 Strip Chart	?	The LIM data base was unavailable, so the strip charts could not be updated.
Rig Count	↔	Up 10 and remains high compared to last 5 years.
Economy		
Demand	↔	EIA: "Total natural gas demand in 2006 is projected to remain near 2005 levels..."
Supply	↓	EIA: "Dry gas production is projected to increase by 3.0 percent in 2006..." LNG imports are also expected to increase.
Oil Market	↑	EIA: "... cold weather in parts of Asia and Europe combined with uncertainties regarding oil supplies from Nigeria, Iran and Iraq help keep crude oil prices high "

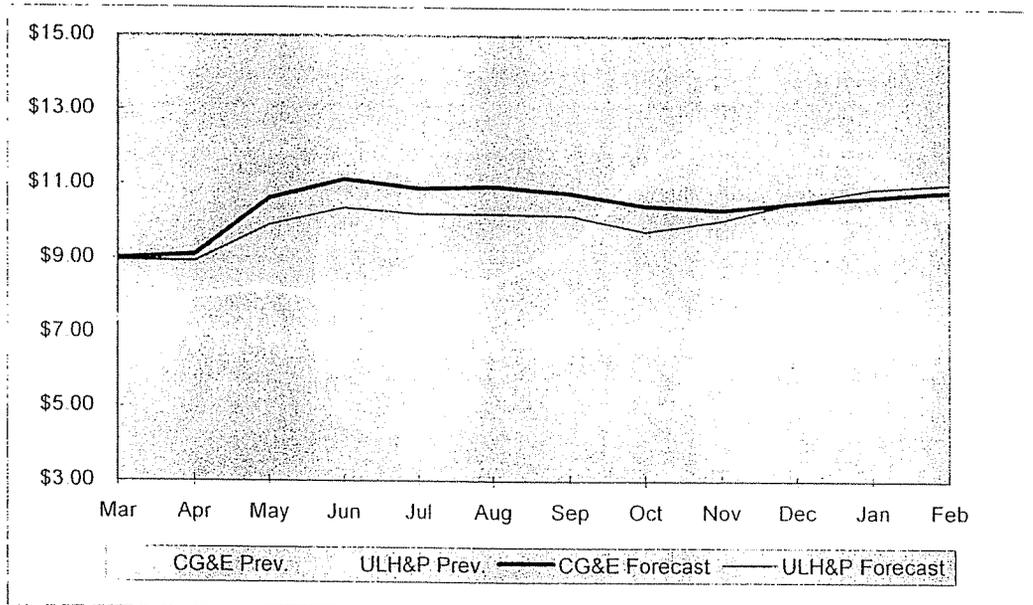
Meeting Minutes: 10th Floor North Conference Room - 2:00 pm

Attendees: Patty Walker, Jim Henning, Bill Tucker, Jeff Kern, Lavonna Foster

Since we have achieved the minimum hedged amounts through October 2008, and the market continues to be bearish, no additional hedging will take place at this time.

COMPARISON OF HISTORIC EGC TO CURRENT PROJECTED EGC

	Historic EGC		Projected EGC	
	CG&E	ULH&P	CG&E	ULH&P
Mar	\$7.38	\$7.31	\$8.995	\$8.948
Apr	\$7.99	\$7.94	\$9.100	\$8.921
May	\$8.21	\$8.19	\$10.615	\$9.897
Jun	\$7.82	\$7.76	\$11.126	\$10.351
Jul	\$8.07	\$8.02	\$10.878	\$10.192
Aug	\$8.41	\$8.39	\$10.943	\$10.198
Sep	\$9.32	\$9.34	\$10.762	\$10.156
Oct	\$11.38	\$11.59	\$10.422	\$9.733
Nov	\$12.16	\$13.01	\$10.307	\$10.030
Dec	\$11.71	\$12.22	\$10.519	\$10.538
Jan	\$11.64	\$12.14	\$10.663	\$10.888
Feb	\$10.08	\$10.31	\$10.819	\$11.022
12 Month Avg	\$9.51	\$9.68	\$10.429	\$10.073



The Union Light Heat & Power Company
 Hedging Program - Current Position
 November 2005 - October 2006
 As of 02/14/06

Nov-05 Dec-05 Jan-06 Feb-06 Mar-06 Apr-06 May-06 Jun-06 Jul-06 Aug-06 Sep-06 Oct-06

Daily Base
 Estimated Base (Gross) [Redacted]
 Amount Hedged [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 Cost Averaging [Redacted]
 Cost Averaging [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 EGC Hedging [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 Cost Averaging [Redacted]
 Total Hedged [Redacted]

Monthly Base
 Estimated Base (Gross) [Redacted]
 Hedged to date [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 Cost Averaging [Redacted]
 Cost Averaging [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 EGC Hedging [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 Cost Averaging [Redacted]
 Total Hedged [Redacted]
 % of Base Supply [Redacted]
 Seasonal % of Base [Redacted]

Normal Load (City Gate)
 Hedged (City Gate) [Redacted]
 Storage Withdrawal [Redacted]
 Market [Redacted]
 Total (incl. Injections) [Redacted]
 % Hedged & Storage [Redacted]
 Seasonal % [Redacted]

* ULH&P will purchase [Redacted] from [Redacted] at Columbia Gulf Onshore based on the average NYMEX closing price January 9, 2006 - March 29, 2006.

The Union Light Heat & Power Company
 Hedging Program - Current Position
 November 2006 - October 2007
 As of 02/14/06

Nov-06 Dec-06 Jan-07 Feb-07 Mar-07 Apr-07 May-07 Jun-07 Jul-07 Aug-07 Sep-07 Oct-07

Daily Base
 Estimated Base (Gross) [Redacted]
 Amount Hedged [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 TBD @11:00 on 2/15/06
 Total Hedged

Monthly Base
 Estimated Base (Gross) [Redacted]
 Hedged to date [Redacted]
 Fixed Price [Redacted]
 Fixed Price [Redacted]
 TBD @11:00 on 2/15/06
 Total Hedged
 % of Base Supply
 Seasonal % of Base

Normal Load (City Gate)
 Hedged (City Gate)
 Storage Withdrawal
 Market
 Total (incl. Injections)
 % Hedged & Storage
 Seasonal %

The Union Light Heat & Power Company
 Hedging Program - Current Position
 November 2007 - October 2008
 As of 02/14/06

Nov-06 Dec-06 Jan-07 Feb-07 Mar-07 Apr-07 May-07 Jun-07 Jul-07 Aug-07 Sep-07 Oct-07

Daily Base
 Estimated Base (Gross) [Redacted]
 Amount Hedged [Redacted]
 Fixed Price [Redacted]
 TBD @ 11:00 on 2/15/06
 Total Hedged [Redacted]

Monthly Base
 Estimated Base (Gross) [Redacted]
 Hedged to date [Redacted]
 Fixed Price [Redacted]
 TBD @ 11:00 on 2/15/06
 Total Hedged [Redacted]
 % of Base Supply [Redacted]
 Seasonal % of Base [Redacted]

Normal Load (City Gate)
 Hedged (City Gate) [Redacted]
 Storage Withdrawal [Redacted]
 Market [Redacted]
 Total (incl. Injections) [Redacted]
 % Hedged & Storage [Redacted]
 Seasonal % [Redacted]

The Union Light Heat & Power Company
Hedging Program
Current Position

Delivery Month	Base Supply		Hedged to Date		Next Target (3/31/06)	
	Dth/day	Dth/mo	Dth/day	Dth/mo	Required dth/day	Allowed dth/day
Nov-05						
Dec-05						
Jan-06						
Feb-06						
Mar-06						
Winter 05/06						
Apr-06						
May-06						
Jun-06						
Jul-06						
Aug-06						
Sep-06						
Oct-06						
Summer 2006						
Nov-06						
Dec-06						
Jan-07						
Feb-07						
Mar-07						
Winter 06/07						
Apr-07						
May-07						
Jun-07						
Jul-07						
Aug-07						
Sep-07						
Oct-07						
Summer 2007						
Nov-07						
Dec-07						
Jan-08						
Feb-08						
Mar-08						
Winter 07/08						
Apr-08						
May-08						
Jun-08						
Jul-08						
Aug-08						
Sep-08						
Oct-08						
Summer 2008						

The Union Light Heat & Power Company
 Hedging Program for Summer 2006
 Cost Averaging with ConocoPhillips

7

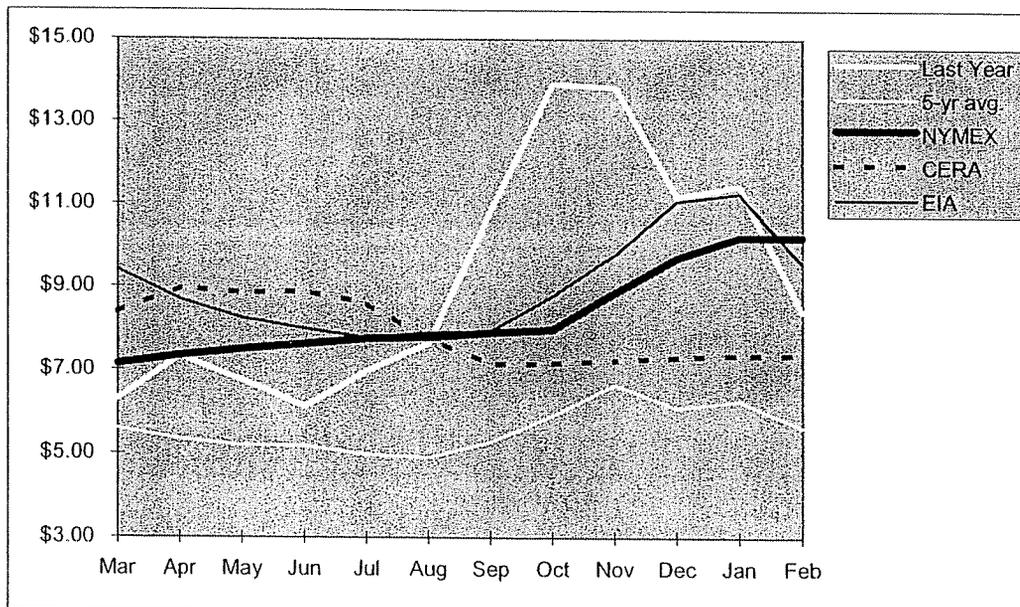
Total Amount	Closing Price							12 Month Strip	Total Cost	Locked in To Date
	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06			
9-Jan										
10-Jan										
11-Jan										
12-Jan										
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29-Mar										
Total										

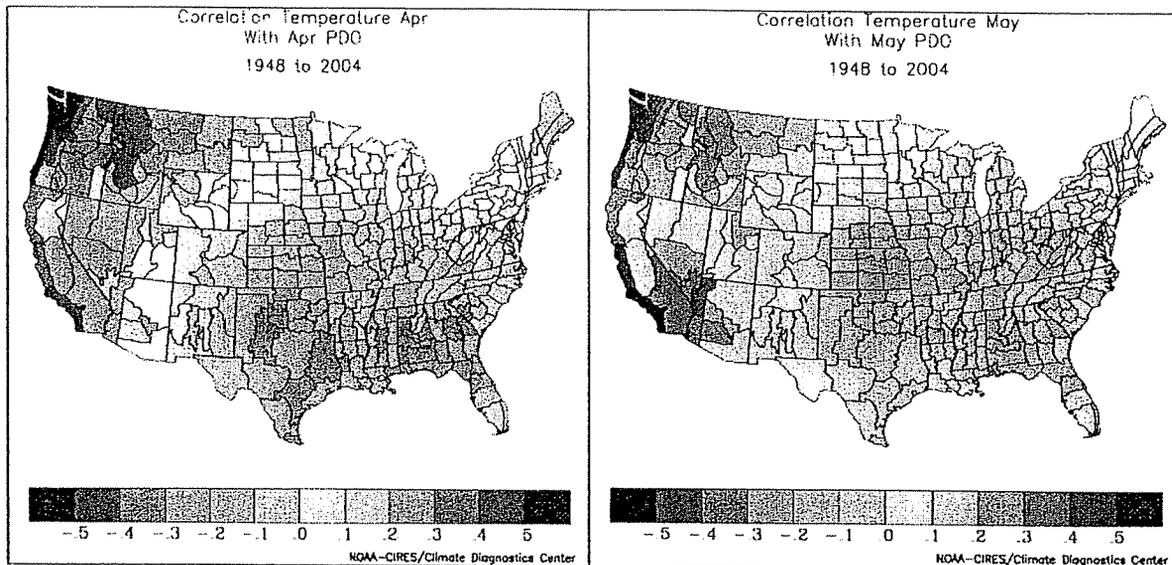
Based on Basis for Africa Gulf Onshore

Price to be paid for [redacted] delivered April 1, 2006 to October 31, 2006:

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (00/01-04/05)	Last Year (2004-2005)		CERA 17-Jan-06	EIA 7-Feb-06	NYMEX 14-Feb-06
Mar	\$5.59	\$6.30		\$8.370	\$9.402	\$7.140
Apr	\$5.34	\$7.32		\$8.960	\$8.693	\$7.340
May	\$5.19	\$6.75		\$8.850	\$8.242	\$7.500
Jun	\$5.18	\$6.12		\$8.880	\$7.991	\$7.620
Jul	\$4.97	\$6.98		\$8.600	\$7.776	\$7.750
Aug	\$4.91	\$7.65		\$7.760	\$7.901	\$7.790
Sep	\$5.29	\$10.85		\$7.150	\$7.935	\$7.900
Oct	\$5.92	\$13.91		\$7.160	\$8.781	\$7.980
Nov	\$6.65	\$13.83		\$7.230	\$9.781	\$8.870
Dec	\$6.09	\$11.18		\$7.310	\$11.071	\$9.700
Jan	\$6.27	\$11.43		\$7.360	\$11.260	\$10.200
Feb	\$5.63	\$8.40		\$7.370	\$9.569	\$10.200
12 Month Avg	\$5.59	\$9.23		\$7.917	\$9.033	\$8.333
Summer Average				\$8.194	\$8.188	\$7.697
Winter Average				\$7.528	\$10.217	\$9.222





Summary

We have made no changes to the forecast relative to our January 17 forecast package. **Trends in medium-range model solutions, the strong western tropical Pacific convection, and the ongoing stratospheric warming event have increased our confidence further in the idea of winter returning to the East sometime in early February.** If the stratospheric warming event evolves like we think it will, there may be a 4-6 week period in February and early March with widespread Arctic air in the US, similar to what occurred during the first half of December. If not, the current mild pattern may continue well into February in the East.

In February, the strongest model signals are still for warmth in the Pacific Northwest, and for cold temperatures in the Great Lakes and the Northeast. **We continue to have relatively high forecast confidence based on the stratospheric warming event, and trends in the MJO and medium-range models.**

In March, the strongest model signals are for warmth in the lower Mississippi valley and Southeast, with moderate cold signals in the Southwest. This is, to a great extent, a manifestation of the La Nina/negative PDO signal

In April, the strongest model signals are for warmth in the Southeast, with moderate cold signals in the Northeast.

For hydrological interests, our models indicate that the very wet first half of winter in the Pacific Northwest will not persist into February and March. We have increased levels of confidence in this forecast now, based on medium-range models and our idea that a strong positive PNA event will develop by early February, resulting a significant northward displacement of the Pacific jet stream. If another negative AO event occurs, as our models and the potential stratospheric warming



MDA EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTH SAT

Wednesday

DAY

2/8/06

DATE

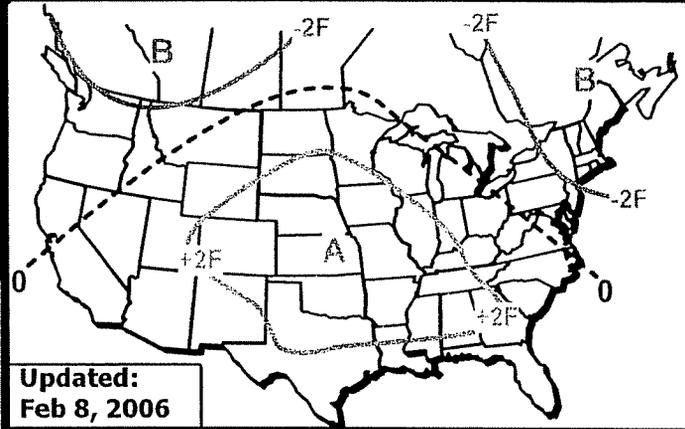
9:35AM EDT

TIME

MR

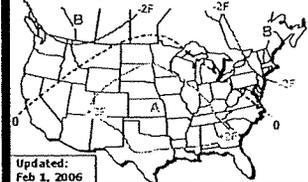
FORECASTER

MARCH 2006



Updated:
Feb 8, 2006

MARCH 2006



No March Changes

La Nina Favors Warmer
Mid-Continent, but Current
Pattern Trends Favor Colder

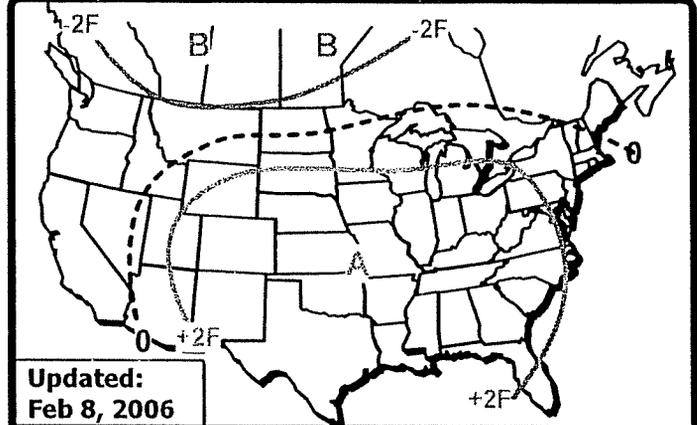
Updated:
Feb 1, 2006

As mentioned in the headline, March is being directed warmer by the La Nina indications, particularly in the mid-continent, but the more slowly-evolving cold pattern here in February could very easily extend into the first part of March. Similar colder-changing Feb periods with similar La Nina transitions have shown a cold pattern lasting into at least the first week of March. Either way, March should be warmer than the very strong cold pattern from last year.

March HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	827.0	872.8	858.0	930.0
Philadelphia	705.0	669.6	681.0	789.5
Houston	121.0	152.7	156.0	150.5

APRIL 2006



Updated:
Feb 8, 2006

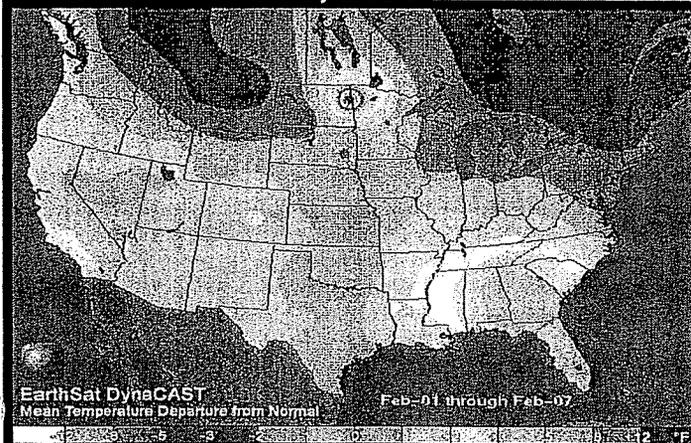
April Pattern Also Warmer in the Central to South

Variable Along Northern Tier of Nation

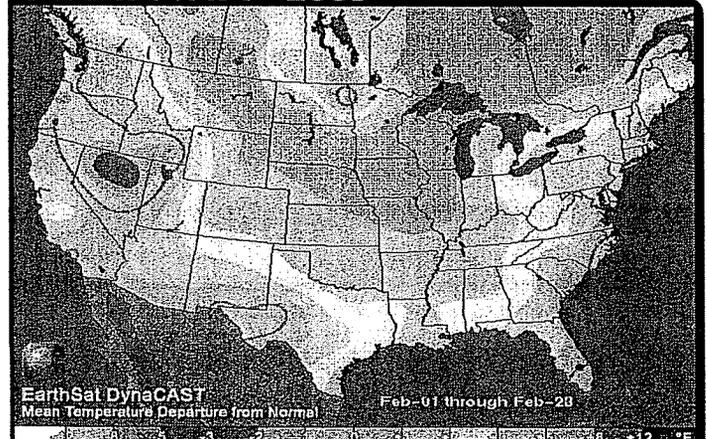
The April forecast- despite being a fairly unimportant month for energy demand- is concerning from a few different angles. First, the idea of a pattern holding together for two months in a row is foreign to the nature of the patterns this winter (the pattern has switched nearly every month). This could mean that the prevailing March pattern may not commence until the 2nd half of the month and then continue into April. More concerning are the warm/dry indications for an already dry Southeast Texas area, since this could translate to hotter summer weather.

April HDD Forecasts Coming Next Week!

FEBRUARY 1 - 7, 2006



FEBRUARY 2005



Maps above depict deviations of average temperatures from normal in Fahrenheit.



MDA EarthSat's Energy Weather The 6 to 10 Day Forecast - Detailed Version

ARTHSAT

Tuesday

DAY

2/14/2006

DATE

6:30 A.M.

TIME

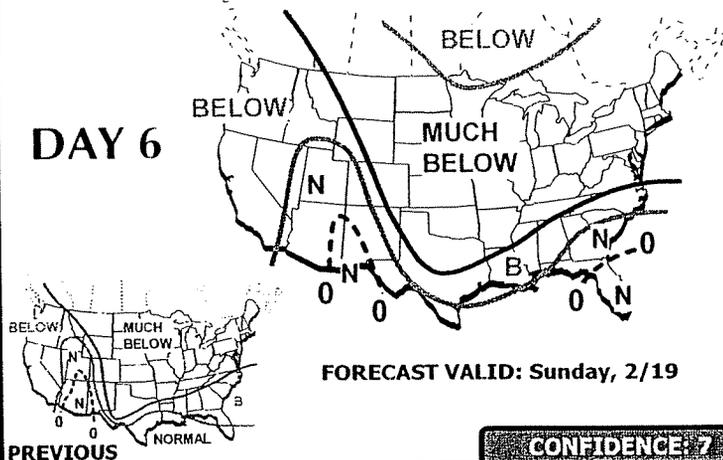
MR/AC

FORECASTER

FORECAST TEMP. DEVIATIONS

DISCUSSION

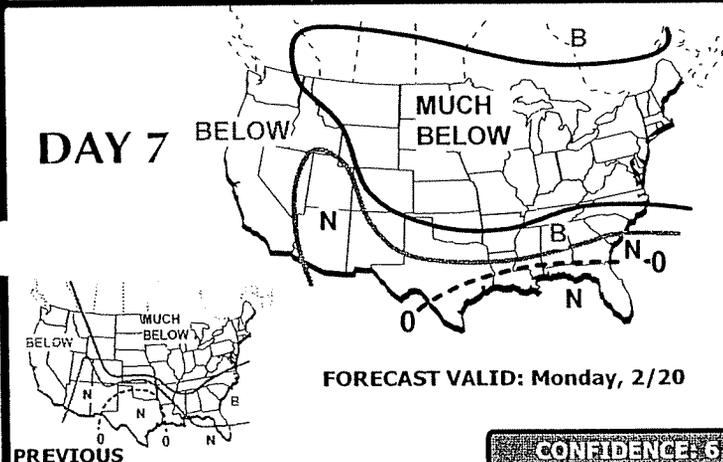
DAY 6



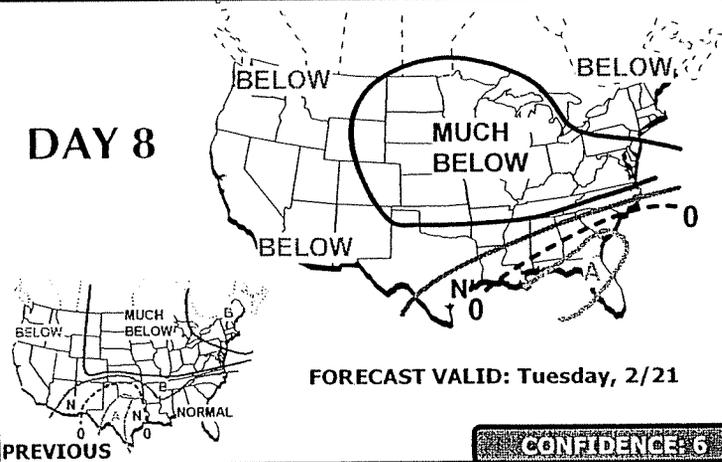
Today's Forecast

Cold Continues to Push into Northern U.S.
High pressure coming from the Arctic should continue to move towards the northern part of the country and keep the majority of the country quite cold throughout the period. As high pressure crosses the Plains for the middle of the period, much belows will reach the Southern Plains. A low pressure system may affect the East Coast toward Tue-Wed and this may keep much belows in its wake. By very late in the period, there are indications that the cold pattern may begin to fade with widespread diminishing of the much below normal temperature anomalies.

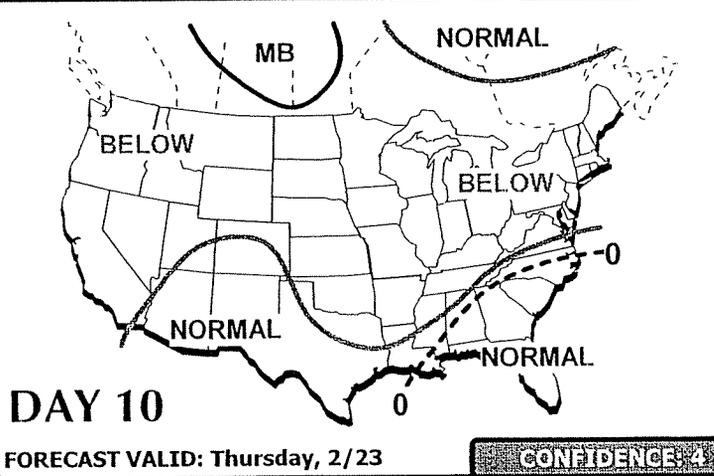
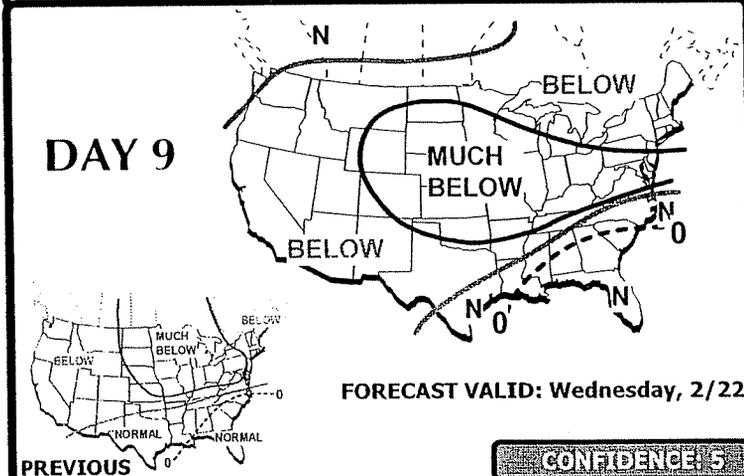
DAY 7



DAY 8



DAY 9



LEGEND

MUCH ABOVE.. +8F OR UP
BOVE..... +3F TO +7F

NORMAL
-2F TO +2F

MUCH BELOW..... -8F OR DOWN
BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

CERA ADVISORY SERVICE
North American Natural Gas

CERA Monthly Briefing®

DOWNWARD TRAJECTORY

NORTH AMERICAN GAS PRICES FALL ON MILD WEATHER; FEBRUARY PRICE SURPRISE POSSIBLE

DATE
January 17, 2006

The winter weather roller coaster continues into 2006, with Henry Hub gas prices declining 43 percent in 31 days to \$8.54 per million British thermal units (MMBtu) on January 11 after reaching \$15.01 per MMBtu on December 11. CERA expects weather-induced price volatility to continue for the remainder of the winter because in a tight market such as this one, small amounts of incremental demand will cause prices to rise precipitously, just as small amounts of incremental supply can tumble prices suddenly. The market has experienced this in November, December, and now January. More of the same should be expected in February. Of one issue we are certain: absent a major supply disruption, remaining storage inventories combined with North American flowing production will be sufficient to meet the remaining winter demand without widespread curtailments even if weather is colder than normal through the end of winter. Unseasonably strong February demand could send prices skyward once again. However, the combination of mild weather early in January and the market's psychological response to adequate storage inventories has allowed for bearish market sentiment to take hold, leading to rapidly declining prices. If weather is colder than normal in February, demand will increase sharply, and prices will follow. Assuming normal weather, prices should stabilize somewhat in February and average \$9.23 per MMBtu at Henry Hub (see Table 1).

Three key pillars of price support have been removed since last month. Therefore, CERA expects that prices will continue on a downward trajectory until spring. One of these pillars was fear of a supply shortage. As we discussed last month, CERA believed that fear, translated into a risk premium by the forward gas market, was keeping prices at elevated levels. The warming trend of late December and early January limited demand and brought storage inventory to more comfortable levels. The easing of anxiety about the possibility of curtailments has allowed for prices to fall dramatically. Even if weather returns to colder than normal for the remainder of the winter, CERA estimates that US storage inventories would

Note: All prices are in US dollars unless otherwise indicated.

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Table 1

Spot Natural Gas Price Outlook: Henry Hub Benchmark

(nominal US dollars per MMBtu)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
January	2.40	8.45	2.29	5.39	6.03	6.17	9.70	7.36
February	2.66	5.65	2.27	7.00	5.41	6.09	9.23	7.37
March	2.78	5.15	3.00	6.37	5.38	6.91	8.37	7.32
April	3.02	5.20	3.37	5.27	5.70	7.19	8.96	7.25
May	3.57	4.21	3.51	5.77	6.28	6.47	8.85	6.78
June	4.30	3.72	3.20	5.80	6.26	7.17	8.88	6.82
July	4.04	3.07	2.99	5.04	5.92	7.57	8.60	6.33
August	4.38	3.01	3.08	4.96	5.43	9.29	7.76	6.35
September	5.01	2.19	3.50	4.61	4.99	12.11	7.15	6.38
October	5.03	2.42	4.08	4.65	6.24	13.36	7.16	6.40
November	5.49	2.37	4.06	4.45	5.88	10.30	7.23	6.47
December	8.75	2.37	4.74	6.12	6.63	12.98	7.31	6.51
Year Average	4.29	3.98	3.34	5.45	5.85	8.80	8.27	6.78

Source: Cambridge Energy Research Associates. Historical data derived from Platts Gas Daily. Excel tables are available in the North American Natural Gas client services area at www.cera.com

end March with no less than 830 billion cubic feet (Bcf), 100 Bcf above the historical low for March. The milder weather and lower prices have also allowed local distribution companies to tap into storage inventories with confidence. Many storage fields require minimum withdrawals before the beginning of the injection period. Some holders of storage will have a financial incentive to monetize a portion of their inventories before the spring, freeing up supply. The final pillar of price support has been the hurricane-related supply outages in the Gulf of Mexico. In February we expect 600 million cubic feet (MMcf) per day more supply to return to production, reducing average February outages to 1.6 Bcf per day. These three main pillars of price support have been removed, and therefore CERA expects that prices will continue on a downward path until April.

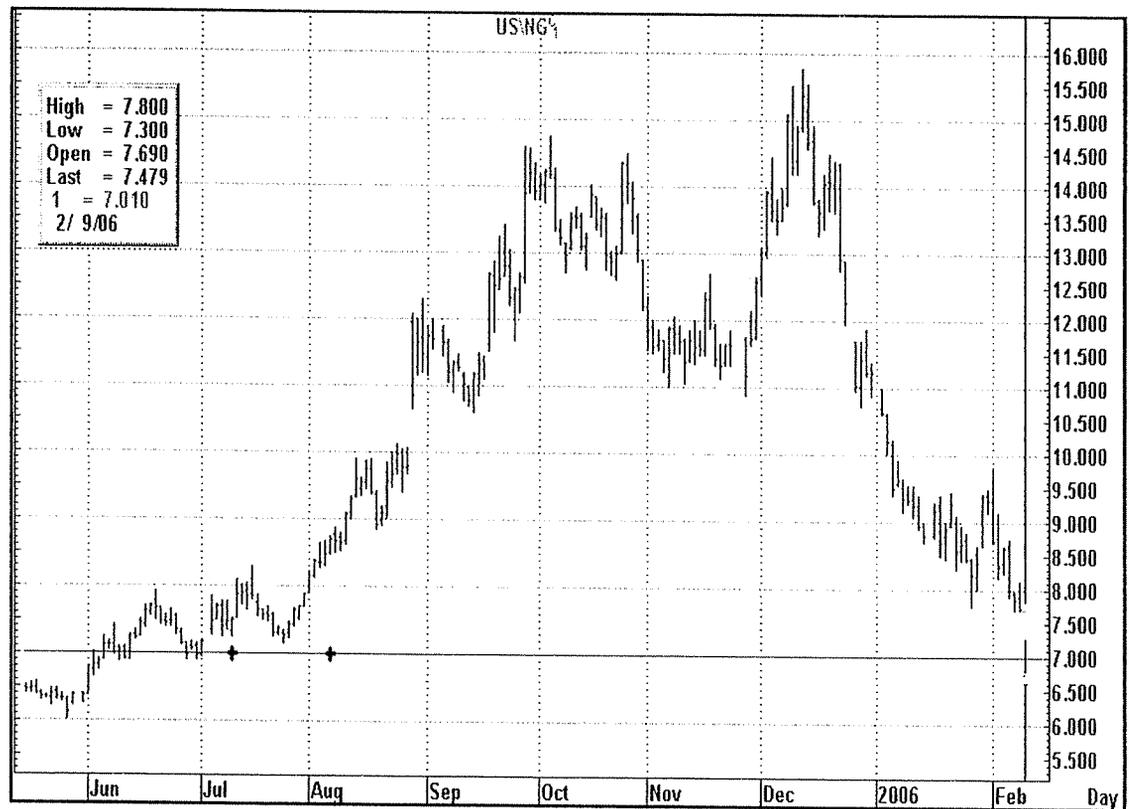
The market has been so fixated on the price decline in January that it could be caught off guard if weather returns to historical norms. Prudence dictates that market participants should be mindful of the potential

for a February price surprise. February is the second highest demand month in North America, with normal-weather demand averaging over 90 Bcf per day. Higher oil prices will contribute to increased gas demand in February (see Figures 1 and 2). CERA expects gas to price below both distillate fuel oil and 140 percent of residual fuel oil prices in the US Gulf Coast and in the Northeast markets in February. This will limit the amount of distillate fuel and residual fuel oil displacement of gas-fired power generation and increase gas demand in the power sector. The impact of increased demand from the power generation sector will be augmented by a continuation of supply constraints on the Gulf Coast, where 1.6 Bcf per day of supply will remain offline in February in the wake of last fall's hurricanes. Moreover, although liquefied natural gas imports are expected to increase in February, North America will not fill its regasification terminal capacity because of the pull of winter demand in Europe. As a result, storage will make up the slack, with North American withdrawals of over 23 Bcf per day (see Figure 3). The tight balance should also raise prices slightly

Commentary

Upon the release of the storage report which showed a much less than expected withdrawal rate of 38 bcf/wk, March weakened to below 7500 achieving a new low for the winter of 7300. This is very significant and perhaps even more significant is that throughout the session the summer months were precipitously weaker than March. It is very important to consider the spread between March and the next winter now, which is extremely wide. As for March, it seems futile to attempt to pick a bottom and therefore we will only recommend to sell rallies.

Scott Allen



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Natural Gas, Gas Liquids and Power Market Update

Daily Market Indicator



Jim Duncan, Market Analyst
(281) 293-1649

Email: James.W.Duncan@conocophillips.com

Tuesday, February 14, 2006

March Ignores Weekend Blizzards...Traders Dig Out of Snow To Sell Off 7.3¢



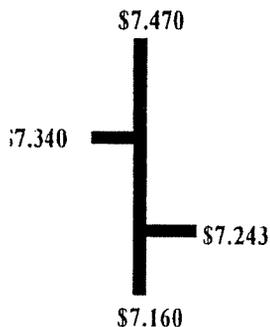
Today: Bearish **March Natural Gas Closed** **Down 7.3¢** **30-Day: Bearish**
Bottom Line – Short-term warm-up in high consumption regions spells bearish market movement.

Yesterday's Market

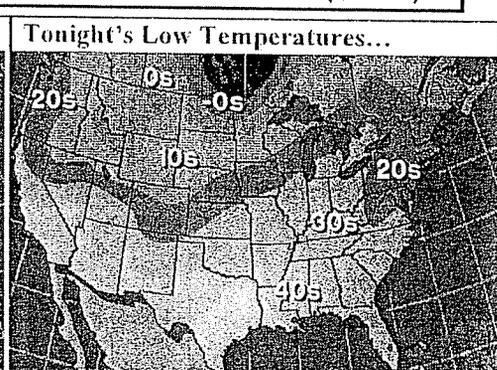
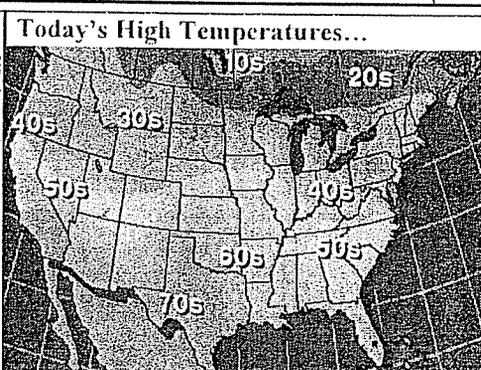
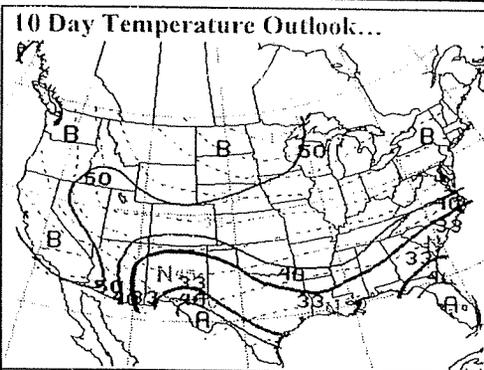
- The selling continued on Monday in the midst of a very choppy trading session. Prices tried several times to rally only to be hit with more selling at each attempt as March natural gas futures seems to be aimed at early summer 2005 price levels. Market makers continued to shy away from buying ahead of what may be a frigid cold wave due by this coming weekend. Weighing on the market... storage. Storage is more than ample to deal with coming cold, about 37% above the five-year average of gas in storage at this time of season. March finished at \$7.243, down 7.3¢. March crude fell 60¢ to \$61.24, near last year's low.

Today's Market

- The market is oversupplied and it is pushing aside everything else. In spite of the current bout of cold weather the overall winter season so far (October 1st through February 12th) remains noticeably warmer than normal. Compared to last year (a normal winter season) the season so far in the heating oil parts of the U.S. (Phil, NY, Bos) is warmer by 12% to 18% depending on the location. In the natural gas areas (Chi, Cin, Minn) it is warmer than last year by 6% to 10%. With about six weeks left to the winter season and only 34 days left to the first day of spring it is highly unlikely that supply of heating fuels will be an issue. In fact it is amazing that HO in particular remains so overvalued. Natural gas is chasing its fair value, wherever that is. Next stop in this round, anyway? Maybe \$7 - and below. I'll get my \$6 handle I talked about in January...but way earlier than I thought. The only bullish remark I can make is that everyone is bearish, which is diametrically opposed to a week ago. Remember? Everyone sat poised to sell the blizzard-induced rally that never materialized. Now everyone is on the bearish side...a good indicator of a coming rally...but not for another two weeks, or so. Tomorrow we get another snapshot of inventories with the industry projecting another overall bearish report. So far the estimates are for builds in crude and gasoline of 1 MMbbl and 1.5 MMbbl, respectively, and a draw in distillate of 500 kbbl. No doubt the sentiment gets even more bearish as a result.



Access Trading	2/14/2006	7:48 AM	Natural Gas	\$7.055	(18.8¢)
WTI Crude	\$60.570	(\$0.67)	IPE Brent	\$60.420	(\$0.20)



Weather Briefs – Warming Trend In Northeast and Midwest – Mostly Sunny Skies Over The South – Light Precip Across Northwest – Warm And Sunny In Southwest

Storage...

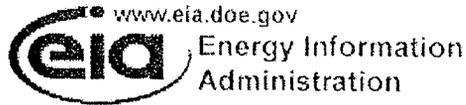
I'm looking for a draw of 110 Bcf this week...

For the week ending February 10, my forecast calls for a draw of 110 Bcf. This week's draw will likely be slightly higher than last year's draw of 98 Bcf, but below the three year average draw of 158 Bcf, and the five year average draw of 162 Bcf. The current inventory level is 2.368 Tcf, and we are now 462 Bcf above last year, and 730 Bcf above the five year average.

Sigmets: Cold Returns To Northeast Quadrant



After a warming trend the next few days, expect widespread below and much below normal temperatures to develop over the north-Central, Midwest, and Northeast late this week and this weekend. By the end of this weekend, daytime high temperatures will struggle to climb out of the single numbers and teens.



February 2006

Short-Term Energy Outlook

February 7, 2006 Release

Overview

In 2006 and 2007, total domestic energy demand is projected to increase at an average annual rate of about 1.4 percent each year. In the United States, January was 27 percent warmer than normal, pushing prices for natural gas lower than predicted in the previous *Outlook*. But cold weather in parts of Asia and Europe combined with uncertainties regarding oil supplies from Nigeria, Iran and Iraq help keep crude oil prices high. Prices for crude oil and petroleum products are projected to remain high through 2006 before starting to weaken in 2007. The price of West Texas Intermediate (WTI) crude oil, which averaged \$56 per barrel in 2005, is projected to average \$65 per barrel in 2006 and \$61 in 2007 ([Figure 1. West Texas Intermediate Crude Oil Price](#)). Retail regular gasoline prices, which averaged \$2.27 per gallon in 2005, are projected to average \$2.45 in 2006 and \$2.34 in 2007 ([Figure 2. Gasoline and Crude Oil Prices](#)). Henry Hub natural gas prices, which averaged \$9.00 per thousand cubic feet (mcf) in 2005, are projected to average \$8.87 in 2006 and \$8.70 in 2007 ([Figure 3. Natural Gas Henry Hub Spot Prices](#)).

Hurricane Recovery

Recovery of natural gas and crude oil production from Hurricanes Katrina and Rita continues. According to the [Minerals Management Service](#), approximately 255,000 barrels per day (bbl/d) of oil production and 400 million cubic feet per day (mcf/d) of natural gas production are expected to remain offline prior to the start of the next hurricane season, June 1, 2006 ([Figure 4. Shut-In Federal Offshore Gulf Crude Oil Production](#), [Figure 5. Shut-In Federal Offshore Gulf Natural Gas Production](#)).

Winter Heating Expenditures

The warmer than expected January has provided U.S. households some relief from this year's expected increase in heating fuel expenditures. However, 2005-2006 winter residential space-heating expenditures are still projected to be higher relative to the winter of 2004-2005 owing to higher energy prices. On average, households heating primarily with natural gas can expect to spend \$178 (24 percent) more for fuel this winter than last winter. Households heating primarily with heating oil can

expect to pay, on average, \$195 (16 percent) more this winter than last. Households heating primarily with propane can expect to pay, on average, \$150 (14 percent) more this winter than last. Households heating primarily with electricity can expect to pay, on average, \$36 (5 percent) more than last winter. Should colder-than-normal weather occur for the remainder of the heating season, expenditures could be significantly higher than currently projected. These averages provide a broad guide to changes from last winter, but fuel expenditures for individual households are highly dependent on local weather conditions, the size and efficiency of individual homes, their heating equipment, and thermostat settings (Table WF01. Selected U.S. Average Consumer Prices and Expenditures for Heating Fuels for the Winter).

Global Petroleum Markets

Many of the same factors that drove world oil markets in 2005, such as low world spare oil production capacity and rapid world oil demand growth, will continue to affect markets in 2006 and 2007. Other factors are less certain, such as the frequency and intensity of hurricanes, other extreme weather, and geopolitical instability.

World spare oil production capacity is projected to increase modestly during 2006 and 2007 despite new supplies from both non-OPEC and OPEC countries (Figure 6. World Oil Spare Production Capacity). The primary reason is that many mature fields, such as those in the North Sea, Mexico, and the Middle East, are showing declines. Non-OPEC supply, which grew by an annual average of 800,000 bbl/d between 1995-2005, is projected to grow by 800,000 bbl/d in 2006 and by 1.6 million bbl/d in 2007.

Outside of the United States, net production increases in 2006 of 100,000-200,000 bbl/d are expected in the Caspian, Canada, Angola, Russia, Brazil, and Mexico areas. Large new projects in 2007 are projected to lead to increases of almost 500,000 bbl/d in Angola, almost 400,000 bbl/d in the Caspian, over 200,000 bbl/d in Brazil, and over 200,000 bbl/d in Canada.

World oil demand growth (Figure 7. World Oil Demand Growth) is expected to increase from 1.2 million bbl/d in 2005 to 1.6 million bbl/d in 2006, largely because U.S. demand is projected to recover from a net decline in 2005 to show growth of 350,000 bbl/d in 2006. OECD demand growth outside of the United States is expected to remain low (Figs. 8a-8f, International Oil Supply Charts). World demand growth is projected to increase further to 1.9 million bbl/d in 2007 because of economic growth in developing Asian countries (excluding China). Chinese demand

growth is projected to stay on its overall annual trend of about 500,000 bbl/d per year.

U.S. Petroleum Markets

Record high prices, hurricane-related disruptions, airline consolidations and a mild winter contributed to a 0.3-percent contraction in petroleum demand in 2005, the first decline since 2001. Demand for jet fuel shrank by 0.4 percent, while demand for liquefied petroleum gases and other oils also slipped in 2005. Residual fuel oil consumption, however, registered a 6.8-percent increase, brought about by price-induced switching from natural gas and a hot summer. A recovery in petroleum demand is expected in 2006 and 2007, averaging 2 percent per year, under assumptions of continued economic growth (Figure 9. U.S. Petroleum Products Demand Growth). Motor gasoline demand, accounting for almost half of total petroleum consumption, is projected to increase an average 1.7 percent per year. Residual fuel oil demand is expected to decline in 2006 under the assumption of a normal summer, and a projected recovery in natural gas demand in price-sensitive sectors.

On February 6, 2006, retail regular motor gasoline prices averaged \$2.34 per gallon, up 1.5 cents from January 9 (or, up 10.4 cents from January 2) and 43 cents from last year. The retail regular motor gasoline price is projected to average \$2.45 per gallon in 2006, up 7.3 percent from the previous year, before declining slowly to \$2.34 per gallon in 2007. Retail diesel prices are expected to follow a similar pattern, averaging \$2.51 per gallon in 2006, up 4.1 percent from last year, before gradually retreating to \$2.42 per gallon in 2007.

The recent increase in product imports has boosted inventories levels. Total motor gasoline stocks have recovered from their lows immediately following the hurricanes to a level very close to this time last year (Figure 10. U.S. Gasoline Inventories). Distillate stocks, currently at the high end of the previous 5-year range, are projected to decline slightly to the middle of that range for much of the forecast interval.

Natural Gas Markets

Total natural gas demand in 2006 is projected to remain near 2005 levels, then increase by 2.3 percent in 2007 (Figure 11. Total U.S. Natural Gas Demand Growth). Residential demand, in particular, is projected to slip somewhat from 2005 levels in 2006 and then increase by 3.3 percent in 2007. Demand for natural gas for generation of electricity is expected to fall by 2.1 percent in 2006 because of the

warm January and the assumed return to normal summer weather, then increase by 2.2 percent in 2007. However, strong growth in natural gas-intensive industrial output is expected both this year (3.1 percent) and next (2.2 percent).

Domestic dry natural gas production in 2005 is estimated to have declined by 2.7 percent, owing mainly to the hurricane-induced infrastructure disruptions in the Gulf of Mexico. Dry gas production is projected to increase by 3.0 percent in 2006 and 1.3 percent in 2007. Total liquefied natural gas (LNG) imports are projected to increase from their 2005 level of 630 billion cubic feet (bcf) to 840 bcf in 2006. LNG imports in 2007 are expected to reach 1,070 bcf.

On January 27, 2006, working gas in storage stood at an estimated 2,406 bcf, which is the highest level for this time of year since 1989. Stocks are 296 bcf above 1 year ago and 529 bcf above the 5-year average ([Figure 12. U.S. Working Natural Gas in Storage](#)). Much of the current excess in storage is accounted for by unexpectedly warm winter weather, particularly in January. While concerns about potential future supply tightness and pressure from high oil market prices are keeping current and futures prices for natural gas high (at about \$8 to \$9 per mcf at the Henry Hub), any further weakening of natural gas demand (from weather or other factors) could cause a sharp downward correction in prices during 2006.

Electricity Markets

Electricity demand is expected to increase by 0.5 percent in 2006 and by an additional 2.0 percent in 2007 due mainly to weather conditions and continuing economic growth ([Figure 13. Total U.S. Electricity Demand Growth](#)). Projected regional 2006 electricity prices to the residential sector range from 7.9 cents per kilowatt-hour (kwh) in the East South Central region to 13.9 cents per kwh in New England. On average, residential electricity prices in 2007 are expected to remain near 2006 levels.

Coal Markets

Electric power sector demand for coal is projected to increase by 1.2 percent in 2006 and by another 1.4 percent in 2007 ([Figure 14. U.S. Coal Demand Growth](#)). Power sector demand for coal continues to increase in response to higher natural gas prices as well as higher oil prices. U.S. coal production is projected to grow by 2.7 percent in 2006 and by 1.2 percent in 2007 ([Figure 15. U.S. Coal Production](#)). The price of coal to the power sector is projected to rise throughout the forecast period, although at a slower rate than in 2005. In the electric power sector, coal prices are projected to

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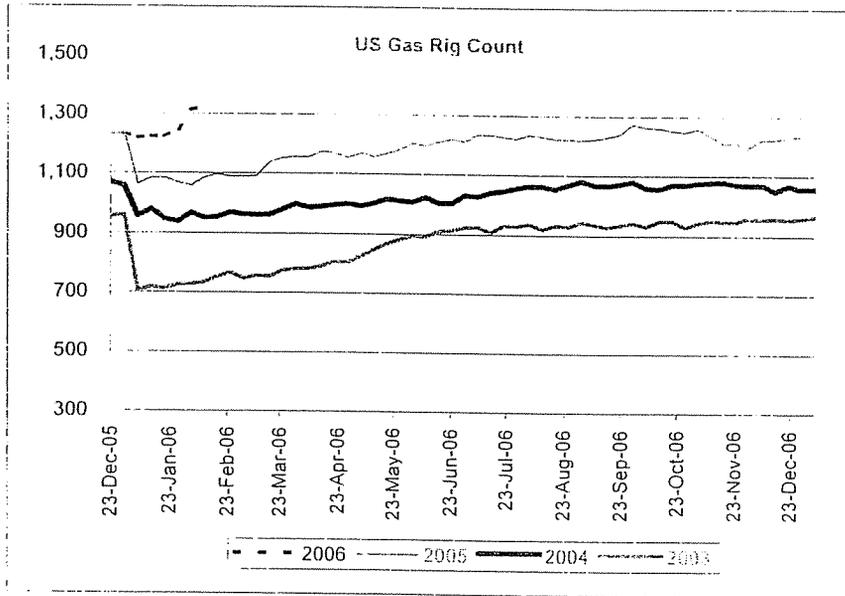
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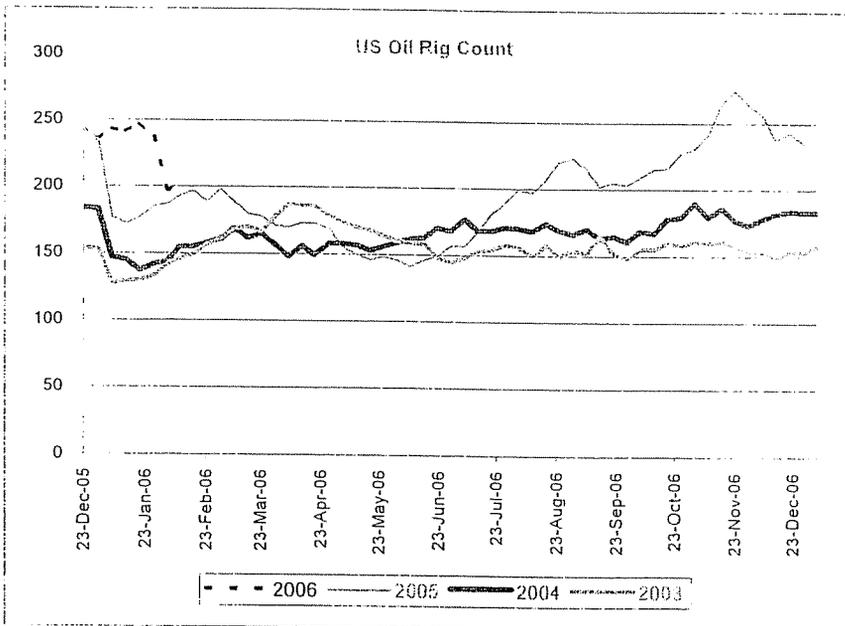
Commodity Futures

WEEKLY RIG WATCH

for the week ended: 10-Feb-06



Misc. Rigs	3
2003	734
2004	951
2005	1086
2006	1323
+/- Week Ago	10
06 vs 05	237
06 vs 3yr AVG	399

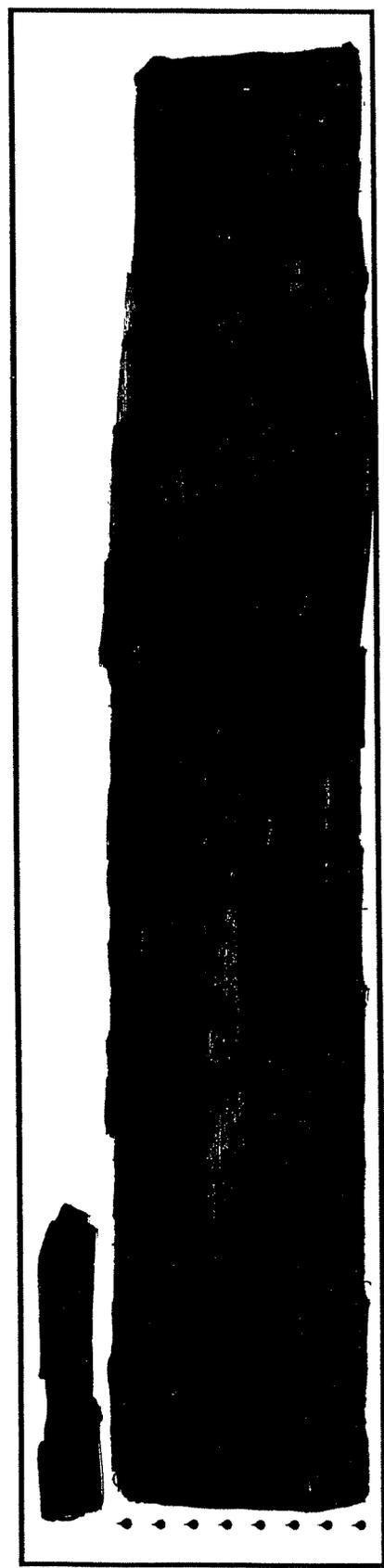
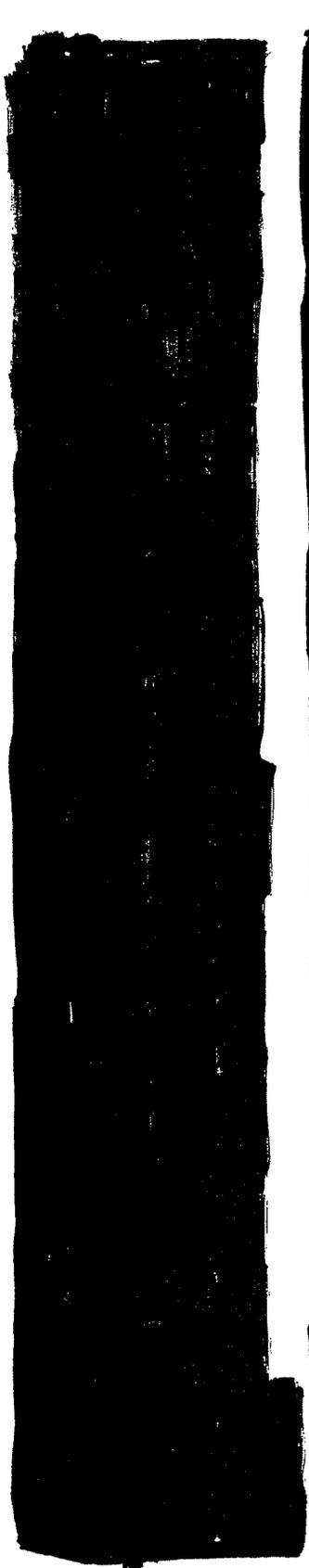


2003	146
2004	155
2005	193
2006	206
+/- Week Ago	9
06 vs 05	13
06 vs 3yr AVG	41

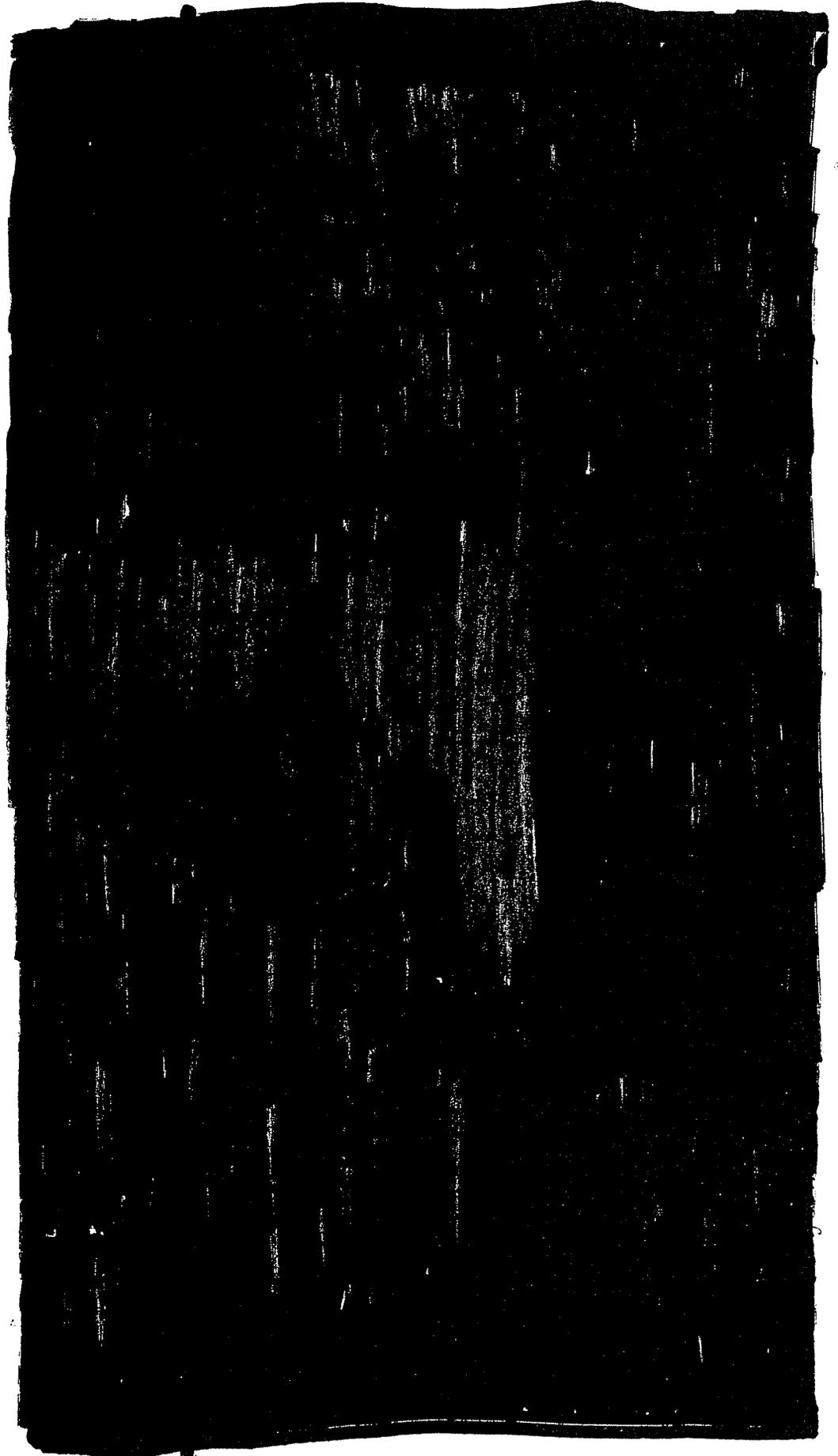
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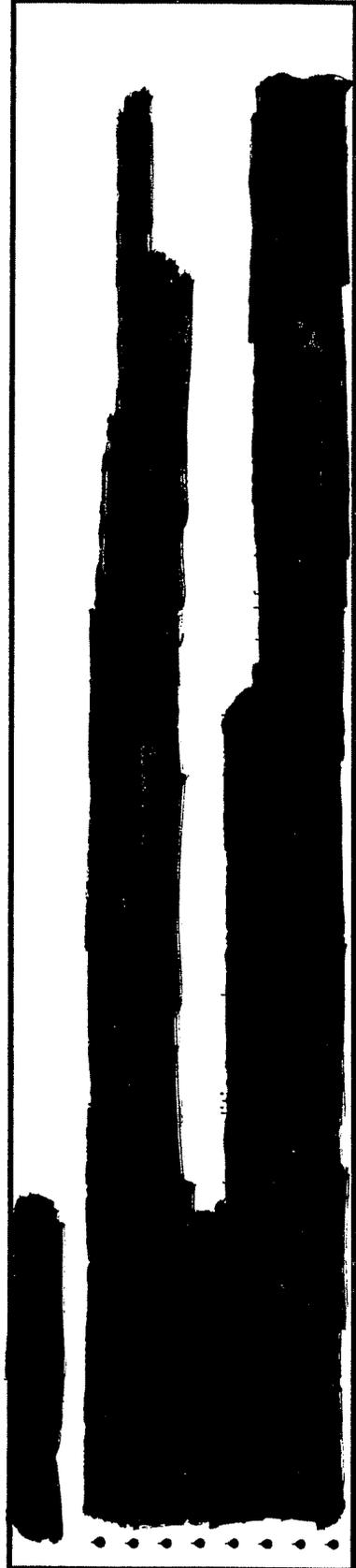
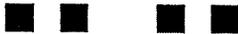
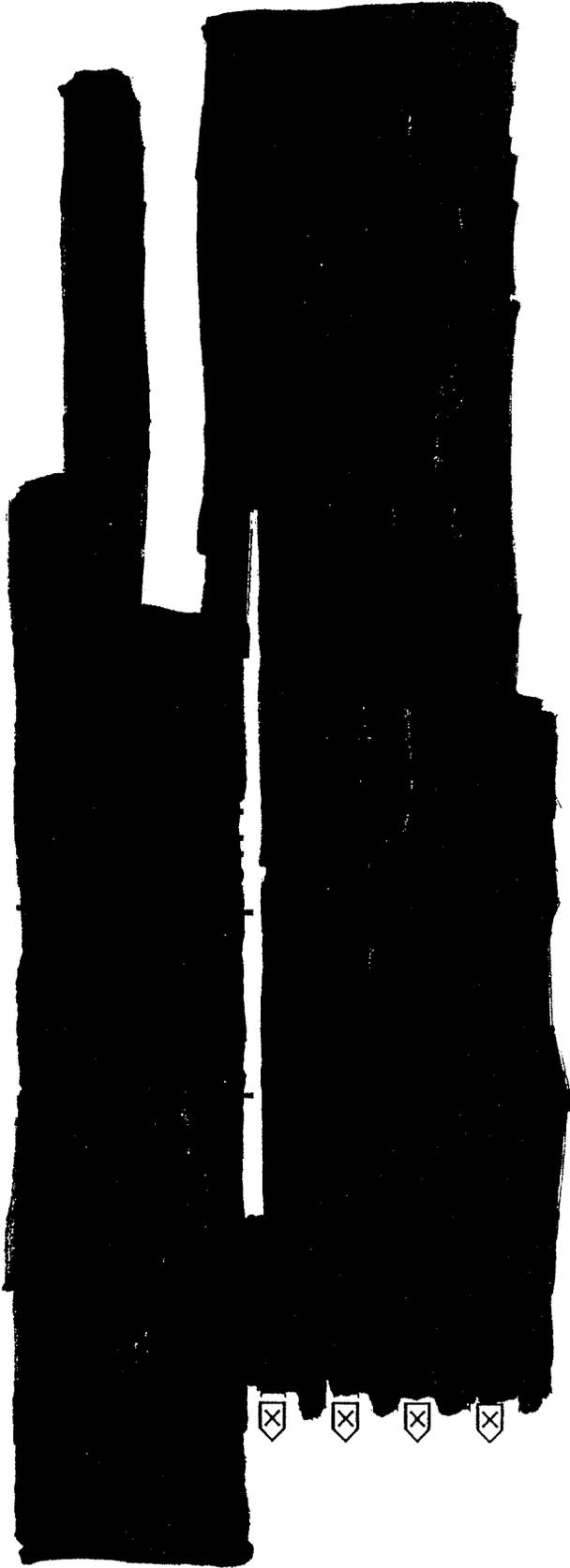
Modified Trigger Cap Winter 2006-07



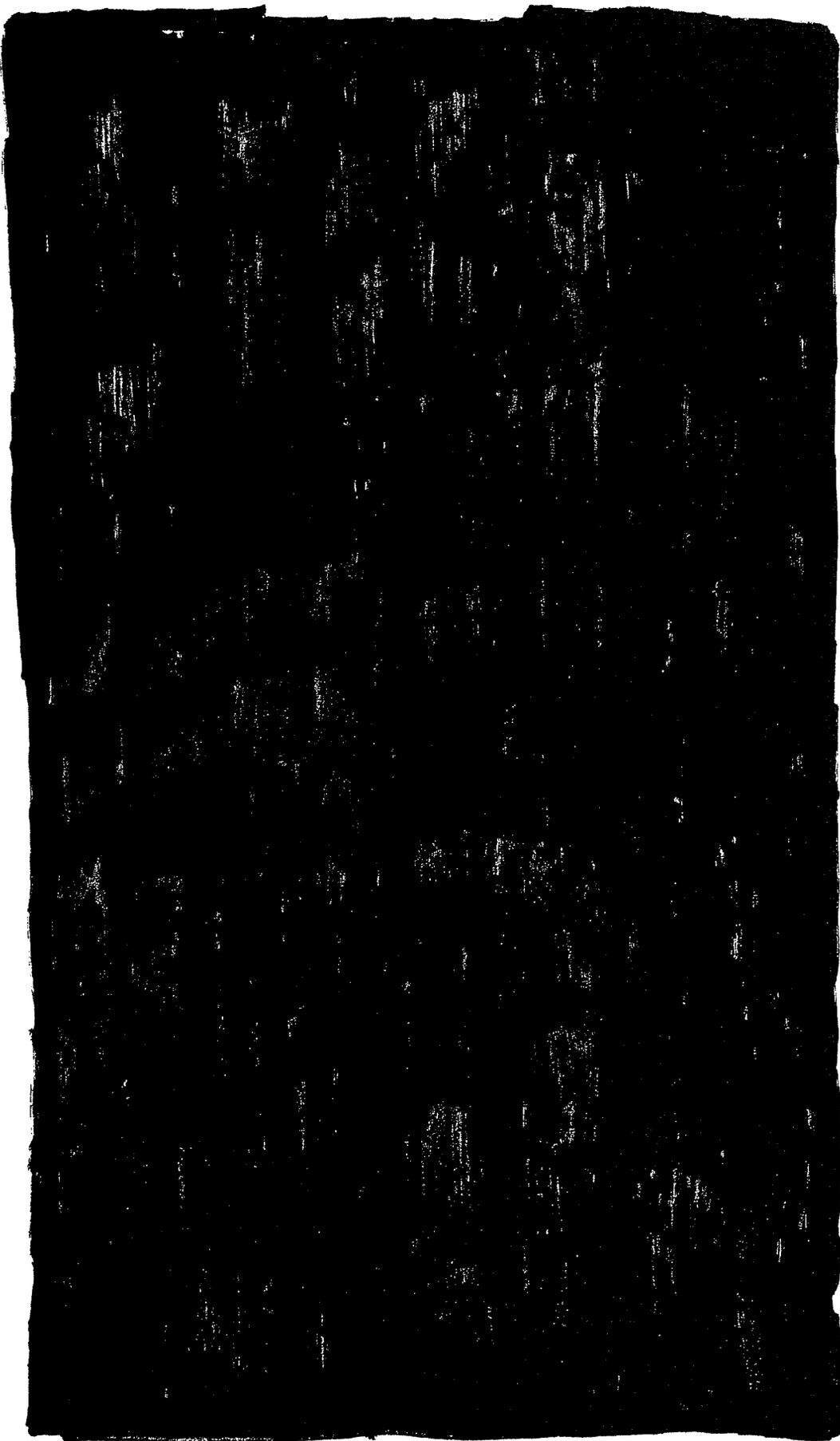
Modified Trigger Cap for Winter 2006-07



Limited Trigger Cap Winter 2006-07



Limited Trigger Cap for Winter 2006-07



Gas Commercial Operations
Hedging Program
Market Indicators Summary
March 17, 2006

Weather	Price Pressure	Comments
Long Term Weather Forecast	↑	WSI: "While still too early to have a lot of confidence... another hot summer may be in store for much of the central US."
Mid Term Weather (30-60 days)	↔	April predicted to be warmer than normal, but since it is a shoulder month, there most likely will not be any cooling load yet.
6-10 day forecast	↑	A lot of Below and Much Below
Tropical Storm Activity	↑	Dr Gray predicting another above average year for 2006
Storage Inventory		
EIA Weekly Storage Report	↓	Storage withdraws for the week ending March 10th were 55 BCF. Storage levels are 32% higher than last year at 1.8 TCF.
Industry Publications		
Cambridge Energy Research Associates <i>Summer 2006: \$7.42</i> <i>Winter 2006/07: \$7.32</i>	↑	"As the market seeks to establish a floor price, March could provide one of the best gas-buying opportunities this year."
Paribas	↔	Support: 7.00, 6.50 and 6.00. Resistance: 7.25 and 7.50
Conoco Morning Briefing	↓?	"The fundamentals remain bearish even though the weather seems supportive..."
Government Agencies		
Energy Information Administration <i>Summer 2006: \$7.61</i> <i>Winter 2006/07: \$9.78</i>	↓	"...barring extreme weather conditions for the rest of the year, 2006 should bring a noticeable easing in spot natural gas prices..."
Technical Analysis		
Winter 2006-07 Strip Chart	↔	Gaps and "island reversals" centered around \$10.00
Summer 2006 Strip Chart	↔	Between \$7.00 - \$8.00
Rig Count	↔	Down 12 but remains high compared to last 5 years.
Economy		
Demand	↔	EIA: "Total natural gas demand in 2006 is projected to remain near 2005 levels..."
Supply	↓	EIA: "Dry gas production is projected to increase by 2.2 percent in 2006..." LNG imports are also expected to increase.
Oil Market	↑	EIA: "Many of the same factors that drove world oil markets in 2005, such as low world spare production capacity and rapid world demand growth, will continue to affect markets in 2006 and 2007..."

Meeting Minutes: 10th Floor North Conference Room - 2:00 pm

Attendees: Patty Walker, Jim Henning, Bill Tucker, Jeff Kern, Cathy Knecht, Don Schierenbeck

Occidental has offered an "Accumulating Swap" which would lock in a fixed price under market, with a chance that the full volume would not be realized if prices rose sharply. Additional hedging for next winter will take place either with no-cost collars or an "accumulating swap" (based on further analysis).

The Union Light Heat & Power Company
 Hedging Program - Current Position
 November 2005 - October 2006
 As of 03/16/06

Nov-05 Dec-05 Jan-06 Feb-06 Mar-06 Apr-06 May-06 Jun-06 Jul-06 Aug-06 Sep-06 Oct-06

Daily Base
 Estimated Base (Gross)
 Amount Hedged
 Fixed Price ()
 Fixed Price ()
 Cost Averaging
 Cost Averaging
 Cost Averaging
 Fixed Price ()
 Fixed Price ()
 EGC Hedging
 Fixed Price ()
 Fixed Price ()
 Fixed Price ()
 Fixed Price ()
 Cost Averaging
 Total Hedged

Monthly Base
 Estimated Base (Gross)
 Hedged to date
 Fixed Price ()
 Fixed Price ()
 Cost Averaging
 Cost Averaging
 Cost Averaging
 Fixed Price ()
 Fixed Price ()
 EGC Hedging
 Fixed Price ()
 Fixed Price ()
 Fixed Price ()
 Fixed Price ()
 Cost Averaging
 Total Hedged
 % of Base Supply
 Seasonal % of Base

Normal Load (City Gate)
 Hedged (City Gate)
 Storage Withdrawal
 Market
 Total (incl. Injections)
 % Hedged & Storage
 Seasonal %

• UH&P will purchase [redacted] from [redacted] at Columbia Gulf Onshore based on the average NYMEX closing price January 9, 2006 - March 29, 2006.

The Union Light Heat & Power Company
Hedging Program - Current Position
November 2006 - October 2007
As of 03/16/06

Nov-06 Dec-06 Jan-07 Feb-07 Mar-07 Apr-07 May-07 Jun-07 Jul-07 Aug-07 Sep-07 Oct-07

Daily Base

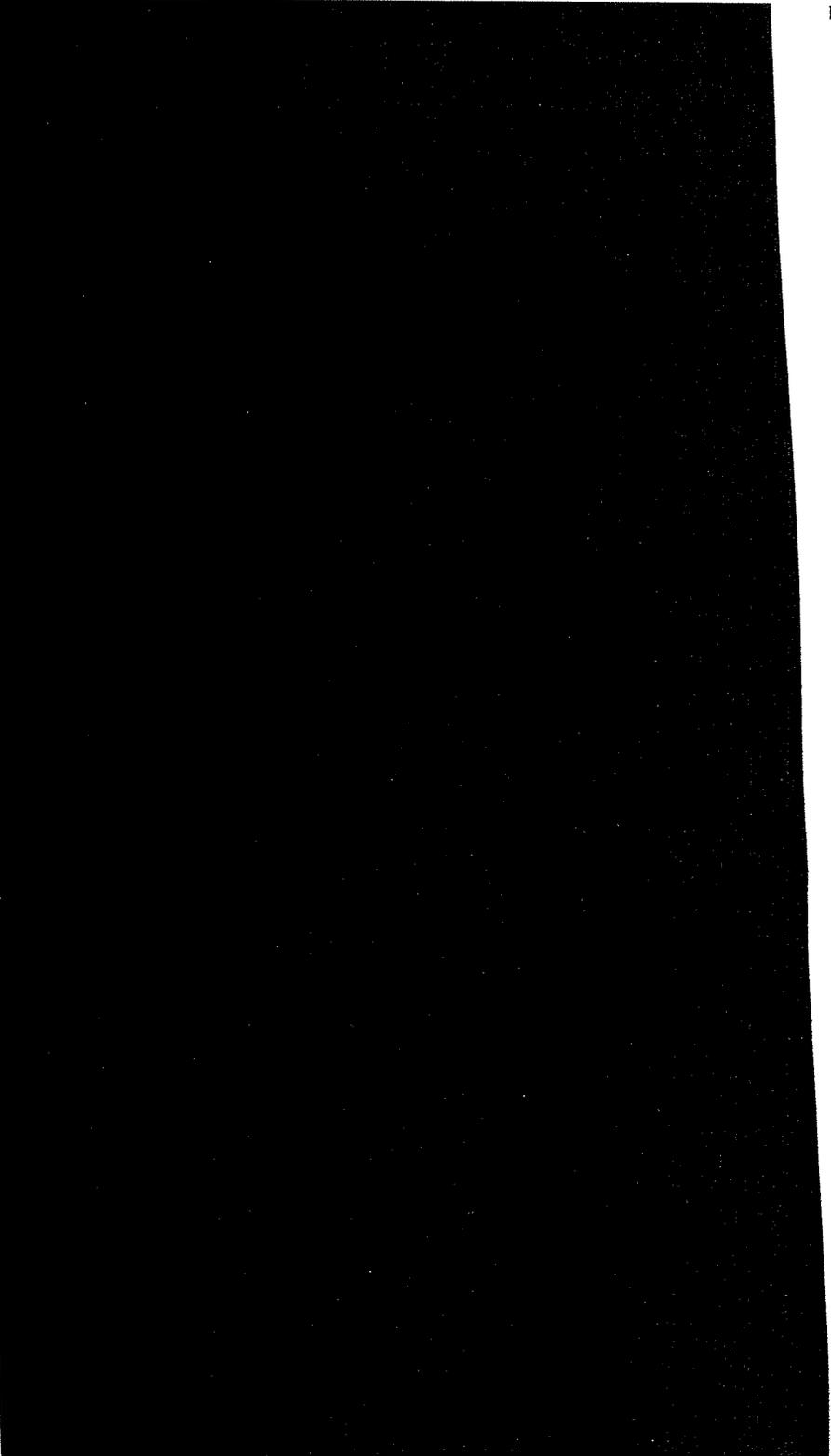
Estimated Base (Gross)
Amount Hedged
Fixed Price
Fixed Price
Fixed Price
Total Hedged

Monthly Base

Estimated Base (Gross)
Hedged to date
Fixed Price
Fixed Price
Fixed Price
Total Hedged
% of Base Supply
Seasonal % of Base

Normal Load (City Gate)

Hedged (City Gate)
Storage Withdrawal
Market
Total (incl. Injections)
% Hedged & Storage
Seasonal %



The Union Light Heat & Power Company
Hedging Program - Current Position
November 2007 - October 2008
As of 03/16/06

Nov-06 Dec-06 Jan-07 Feb-07 Mar-07 Apr-07 May-07 Jun-07 Jul-07 Aug-07 Sep-07 Oct-07

Daily Base
Estimated Base (Gross) [Redacted]
Amount Hedged [Redacted]
Fixed Price [Redacted]
Fixed Price [Redacted]
Total Hedged [Redacted]

Monthly Base
Estimated Base (Gross) [Redacted]
Hedged to date [Redacted]
Fixed Price [Redacted]
Fixed Price [Redacted]
Total Hedged [Redacted]
% of Base Supply [Redacted]
Seasonal % of Base [Redacted]

Normal Load (City Gate)
Hedged (City Gate) [Redacted]
Storage Withdrawal [Redacted]
Market [Redacted]
Total (incl. Injections) [Redacted]
% Hedged & Storage [Redacted]
Seasonal % [Redacted]

The Union Light Heat & Power Company
Hedging Program
Current Position

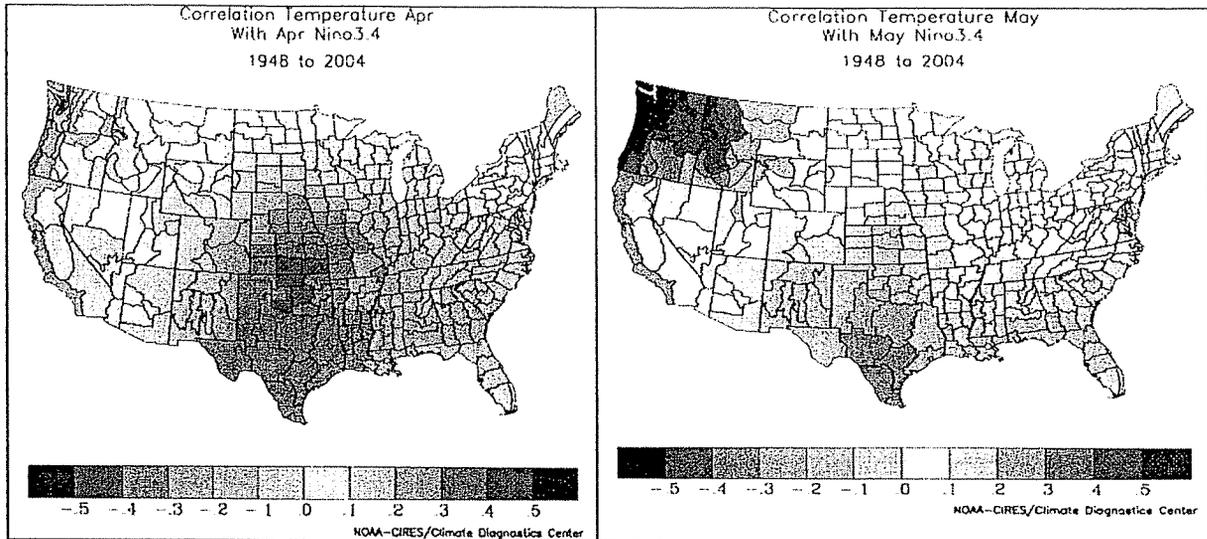
Delivery Month	Base Supply		Hedged to Date		Next Target (3/31/06)	
	Dth/day	Dth/mo	Dth/day	Dth/mo	Required dth/day	Allowed dth/day
Nov-05						
Dec-05						
Jan-06						
Feb-06						
Mar-06						
Winter 05/06						
Apr-06						
May-06						
Jun-06						
Jul-06						
Aug-06						
Sep-06						
Oct-06						
Summer 2006						
Nov-06						
Dec-06						
Jan-07						
Feb-07						
Mar-07						
Winter 06/07						
Apr-07						
May-07						
Jun-07						
Jul-07						
Aug-07						
Sep-07						
Oct-07						
Summer 2007						
Nov-07						
Dec-07						
Jan-08						
Feb-08						
Mar-08						
Winter 07/08						
Apr-08						
May-08						
Jun-08						
Jul-08						
Aug-08						
Sep-08						
Oct-08						
Summer 2008						

The Union Light Heat & Power Company
Hedging Program for Summer 2006
Cost Averaging with ConocoPhillips

Total Amount	Closing Price							7 Month Strip	Total Cost	Locked in To Date
	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06			
9-Jan	7.642									
10-Jan										
11-Jan										
12-Jan										
13-Jan										
17-Jan										
18-Jan										
19-Jan										
20-Jan										
23-Jan										
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sis to Columbia Gulf Onshore
ce to be paid for delivered April 1, 2006 to October 31, 2006:



Correlations between Nino 3.4 SSTs and monthly temperatures in the US. Since Nino 3.4 SSTs are currently negative, reverse the colors to get the expected temperature patterns. For example, blues represent negative correlations and warmer-than-normal temperatures during a La Nina event.

The current drought in the Southwest and southern Plains (below) continues to deepen and expand northward and eastward. Although a rather significant overrunning event will dump widespread heavy rainfall over parts of the southern Plains and Southeast this weekend into next week, this may only provide false hope to a region that will likely suffer through a dry spring. **While is still too early to have a lot of confidence in the summer forecast, the fact that the drought already exists going into a La Nina spring (which is typically dry in these regions) would suggest another hot summer may be in store for much of the central US.**



MDA EarthSat Energy Weather - Long Range Forecasts: 30 - 60 Day Outlook

EARTHSAT

Wednesday

DAY

3/15/06

DATE

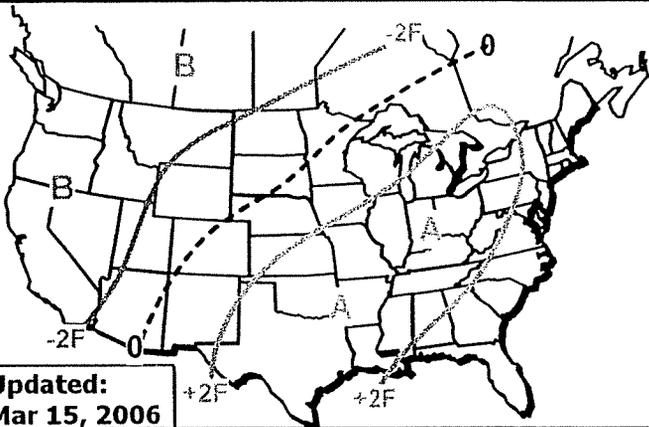
9:25AM EDT

TIME

RI/MR

FORECASTER

APRIL 2006



Updated:
Mar 15, 2006

APRIL 2006



April Remains the Same

Texas Heat Could be Strong

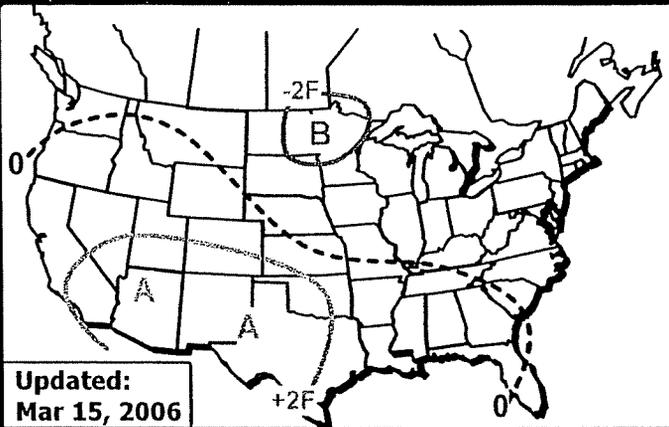
Wet and Cool in West Still

The April outlook continues to fall in line with a classic La Nina look that favors warm/hot and dry weather toward the South Central U.S. with cool/wet conditions more toward the West Coast. The analog-based model favors the best precipitation chances for central to northern California. Based on current dryness, Texas and the southern Plains could see unusually strong early season cooling demand. A seasonal to warm East Coast is also favored.

April HDD Forecasts

	forecast	10-year	30-year	last year
Chicago	453.0	490.0	513.0	409.0
Philadelphia	317.0	343.8	362.0	302.0
Houston	31.0	38.3	48.0	21.0

MAY 2006



Updated:
Mar 15, 2006

May is Forecast to Trend Cooler in East

Heat May Hold in Texas and Build into Southwest

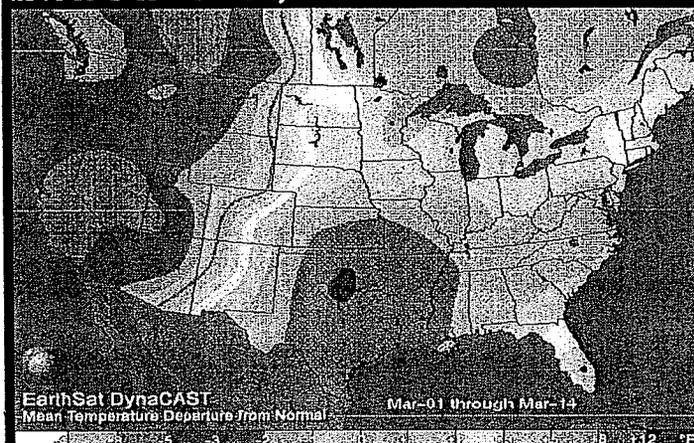
Precipitation Could Pick up for South Central U.S.

May will be a critical month due to the beginning of the traditional May-Sep cooling season as well as its status as a potential turning point for the current La Nina influences. The thinking right now is that the La Nina (weak to moderate current levels) will begin to fade more by this time-frame. Texas may begin to see more normal rains and even cool more than this forecast indicates. Much will depend on the La Nina intensity by this time.

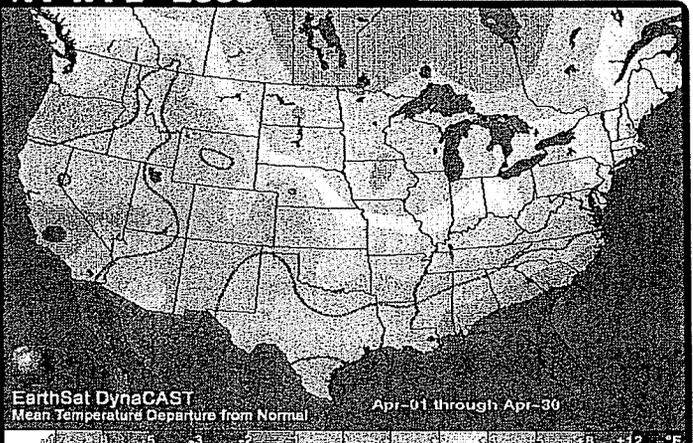
May CDD Forecasts

Coming Next Week!

MARCH 1 - 14, 2006



APRIL 2005



Maps above depict deviations of average temperatures from normal in Fahrenheit.



MDA EarthSat's Energy Weather The 6 to 10 Day Forecast - Detailed Version

ARTHSAT

Thursday

DAY

3/16/2006

DATE

6:30 A.M.

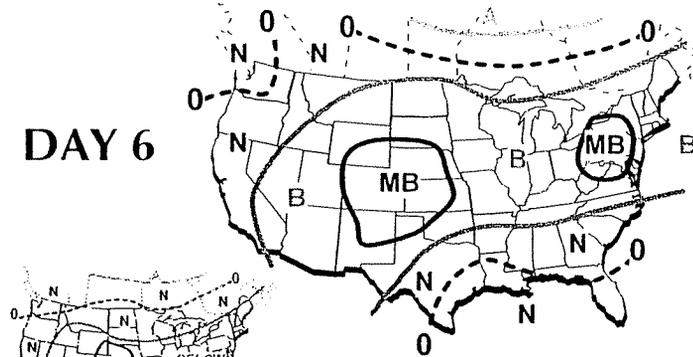
TIME

JS

FORECASTER

FORECAST TEMP DEVIATIONS

DAY 6



FORECAST VALID: Tuesday, 3/21

PREVIOUS

CONFIDENCE: 8

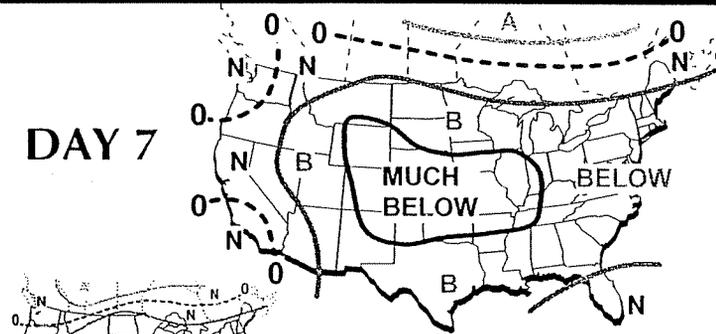
DISCUSSION

Today's Forecast

Areas East Of The Rockies Remain Cold

The forecast has changed little over the last couple days, with colder than normal temperatures found to the east of the Rockies. A cold trough skates across the country in the early half of the period, allowing below normal temperatures to develop. High pressure then moves southward from Canada, allowing a patch of much belows originally only in the Rockies to expand to the east. The only area to escape the cold is the West, where normals linger for much of the period. Spotty aboves do pop up late though, as southerly winds bring warmer temperatures.

DAY 7

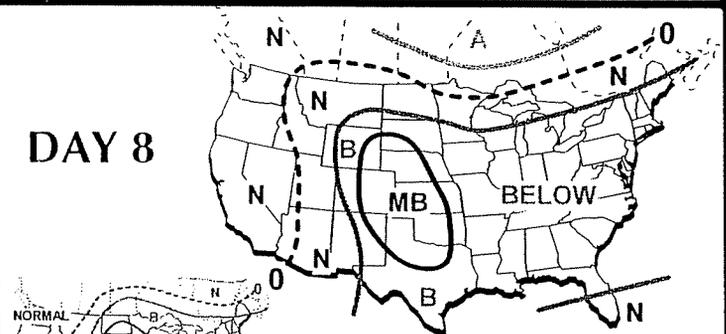


FORECAST VALID: Wednesday, 3/22

PREVIOUS

CONFIDENCE: 8

DAY 8

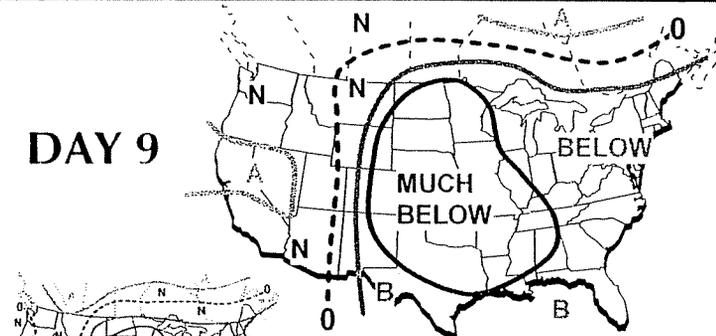


FORECAST VALID: Thursday, 3/23

PREVIOUS

CONFIDENCE: 7

DAY 9

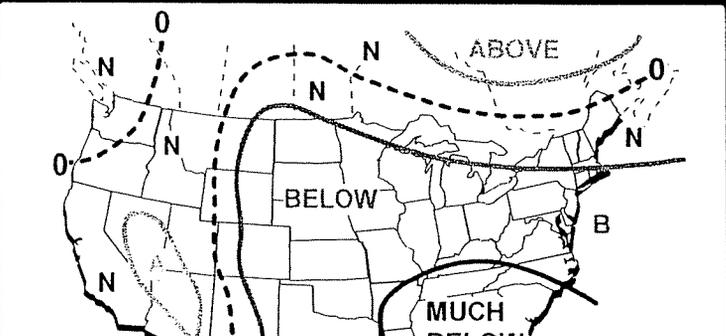


FORECAST VALID: Friday, 3/24

PREVIOUS

CONFIDENCE: 6

DAY 10



FORECAST VALID: Saturday, 3/25

CONFIDENCE: 6

LEGEND

MUCH ABOVE.. +8F OR UP
3OVE..... +3F TO +7F

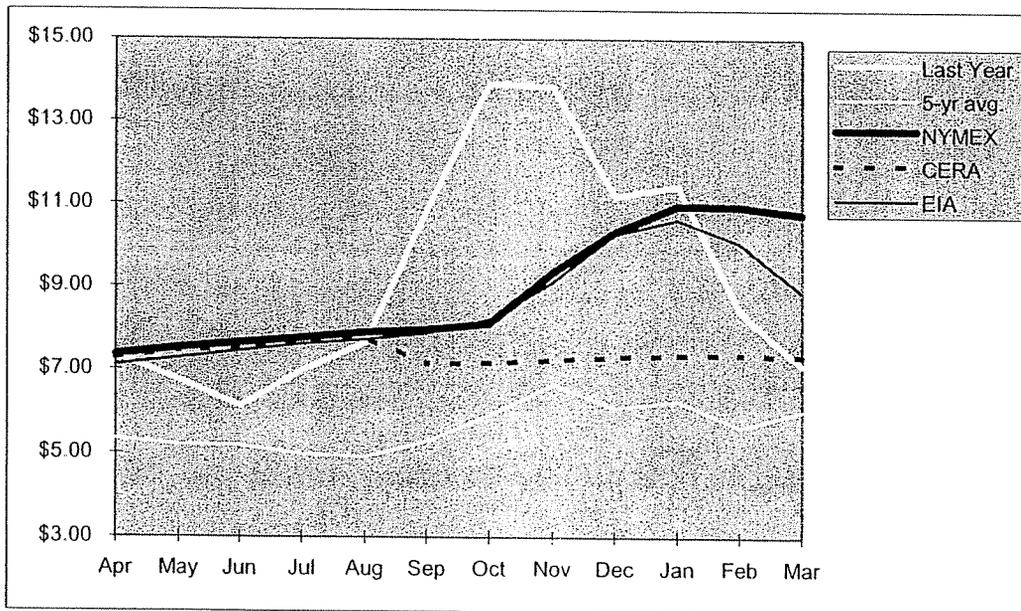
NORMAL
-2F TO +2F

MUCH BELOW..... -8F OR DOWN
BELOW..... -7F TO -3F

Confidence Level Boxes: 1=Low, 5=Moderate, 10=High

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:						
NYMEX Closing Price						
	5-yr. avg. (01/02-05/06)	Last Year (2005-2006)		CERA 22-Feb-06	EIA 7-Mar-06	NYMEX 16-Mar-06
Apr	\$5.34	\$7.32		\$7.270	\$7.107	\$7.360
May	\$5.19	\$6.75		\$7.460	\$7.268	\$7.520
Jun	\$5.18	\$6.12		\$7.490	\$7.453	\$7.640
Jul	\$4.97	\$6.98		\$7.680	\$7.611	\$7.760
Aug	\$4.91	\$7.65		\$7.760	\$7.723	\$7.890
Sep	\$5.29	\$10.85		\$7.150	\$7.873	\$7.960
Oct	\$5.92	\$13.91		\$7.160	\$8.211	\$8.110
Nov	\$6.65	\$13.83		\$7.230	\$9.108	\$9.340
Dec	\$6.09	\$11.18		\$7.310	\$10.260	\$10.320
Jan	\$6.27	\$11.43		\$7.360	\$10.623	\$10.950
Feb	\$5.63	\$8.40		\$7.370	\$10.052	\$10.940
Mar	\$6.02	\$7.11		\$7.320	\$8.868	\$10.750
12 Month Avg	\$5.62	\$9.29		\$7.380	\$8.513	\$8.878
Summer Average				\$7.424	\$7.607	\$7.749
Winter Average				\$7.318	\$9.782	\$10.460



CERA ADVISORY SERVICE
North American
Natural Gas

CERA Monthly Briefing®

BOTTOMING OUT

NORTH AMERICAN GAS PRICES TO BOTTOM IN MARCH; PRICE SUPPORTS WEAKEN

DATE
February 22, 2006

One of the biggest surprises for March 2006 will be that prices will not average below \$6 per million British thermal units (MMBtu) for the month, given the impact of record warm weather in January and early February, which resulted in historically high storage inventories. The last time US storage inventories exceeded our estimate for February, 1.7 trillion cubic feet (Tcf), was in 2002. Prices for that month averaged \$2.27 per MMBtu at Henry Hub. It will come as no surprise to regular readers of this report that tighter supply and demand fundamentals are the long-term driver for this price strength. The primary difference between then and now is the decline in North American gas supply. CERA expects US gas production to average 48.3 billion cubic feet (Bcf) per day in 2006 versus 50.7 Bcf per day in 2002. In addition to lost US production, Canadian exports are expected to be 700 million cubic feet (MMcf) per day lower in 2006 than in 2002, for a net total loss of 3.1 Bcf per day of supply versus 2002. This will be partially offset by growing liquefied natural gas (LNG) imports in 2006. However spot cargoes of LNG will not be available in sufficient volume to make up for this lost supply. As a result, we expect demand to decrease in 2006 to 3.2 Bcf below 2002 levels.

This demand loss is in the face of strong economic growth over the past four years. High prices have been required to ration supply in the market, mostly to the detriment of the industrial sector. With this tight fundamental balance remaining in place, the resulting higher prices may swing on shorter-term events such as warm weather and hurricanes. In the longer term it will take strong supply growth, in the form of increased LNG imports, to ease prices more substantially. Assuming normal weather, despite record storage inventories, March prices will ease rather than plummet, averaging \$6.67 per MMBtu at Henry Hub (see Table 1). As the market seeks to establish a floor price, March could provide one of the best gas-buying opportunities this year.

Note: All prices are in US dollars unless otherwise indicated.

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CERA®
An IHS Company

Table 1

Spot Natural Gas Price Outlook: Henry Hub Benchmark
(nominal US dollars per MMBtu)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
January	2.40	8.45	2.29	5.39	6.03	6.17	8.76	7.36
February	2.66	5.65	2.27	7.00	5.41	6.09	7.69	7.37
March	2.78	5.15	3.00	6.37	5.38	6.91	6.67	7.32
April	3.02	5.20	3.37	5.27	5.70	7.19	7.27	7.25
May	3.57	4.21	3.51	5.77	6.28	6.47	7.46	6.78
June	4.30	3.72	3.20	5.80	6.26	7.17	7.49	6.82
July	4.04	3.07	2.99	5.04	5.92	7.57	7.68	6.33
August	4.38	3.01	3.08	4.96	5.43	9.29	7.76	6.35
September	5.01	2.19	3.50	4.61	4.99	12.11	7.15	6.38
October	5.03	2.42	4.08	4.65	6.24	13.36	7.16	6.40
November	5.49	2.37	4.06	4.45	5.88	10.30	7.23	6.47
December	8.75	2.37	4.74	6.12	6.63	12.98	7.31	6.51
Year Average	4.29	3.98	3.34	5.45	5.85	8.80	7.47	6.78

Source: Cambridge Energy Research Associates. Historical data derived from *Platts Gas Daily*.
Note: Excel tables are available in the North American Natural Gas client services area at www.cera.com.

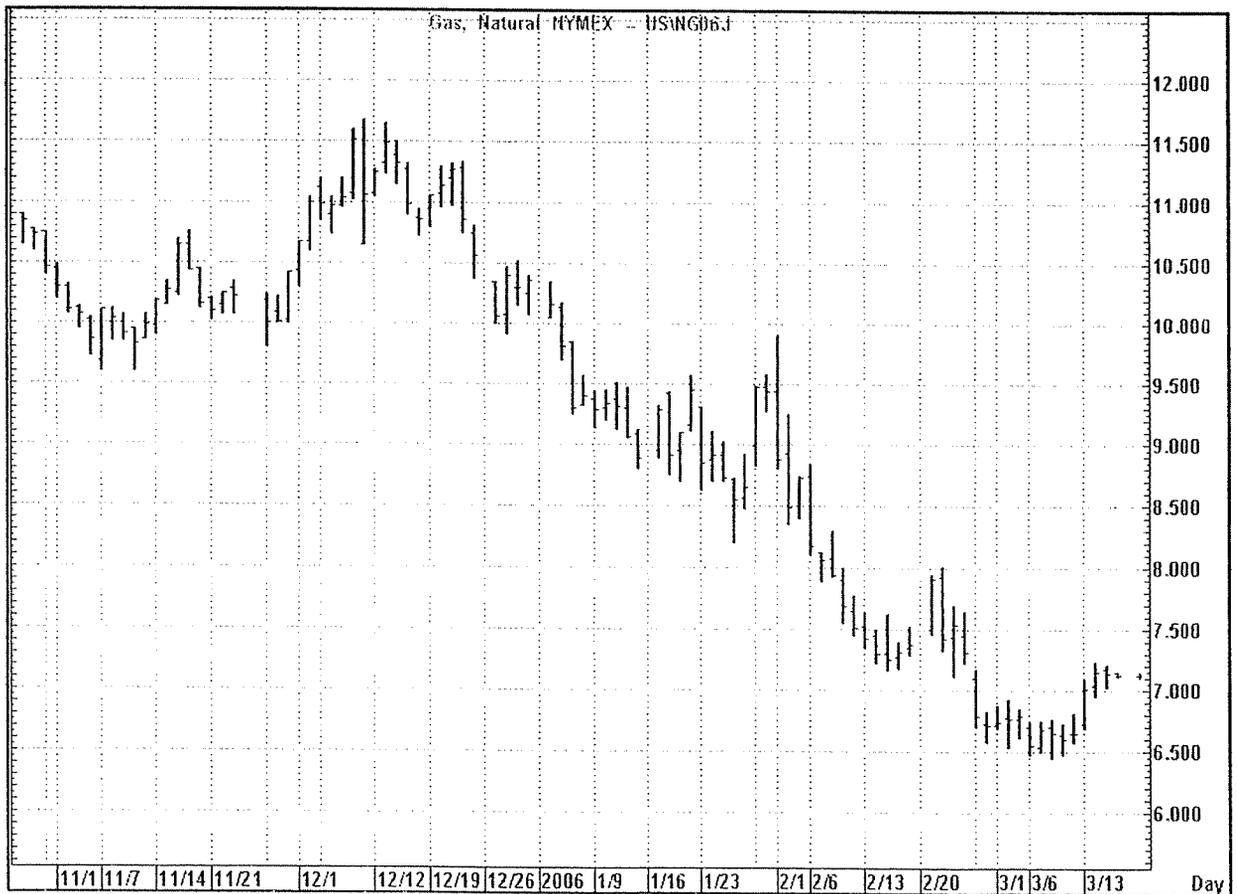
The primary price risk for March will be for lower prices if weather remains mild. However, don't expect prices to sustain levels below \$6 per MMBtu, even if weather remains mild. Fundamental market conditions in North America have continued to tighten in the four years since the last price fall in 2002, and it will take more than a month or two of mild weather to unwind prices to 2002 levels. Upside price risk is limited by flush storage inventories. CERA expects weather-induced price volatility to continue, however, for the remainder of the winter and into the spring. A key driver could be storage withdrawals. Some storage fields mandate minimum withdrawals to maintain reservoir integrity. In the event of continued mild demand conditions, some holders of inventory may push more supply on the market to avoid inventory penalties. This would further contribute to short-term weakness in the March spot market (see Figure 1). As indicated in this report throughout this winter, in a tight market such as this one, small amounts of incremental demand will cause prices to rise precipitously, just as small amounts of incremental supply can cause prices to tumble suddenly.

Looking toward March and early spring, the three pillars supporting the high prices of December—fear of supply shortage, husbanding of storage inventories, and hurricane-related supply outages—will be replaced by five columns supporting a relatively strong foundation for March gas prices. These five columns—higher oil prices, industrial demand growth, hurricane-related supply outages, LNG diversions, and anxiety about the 2006 hurricane season—will be the key signposts to watch for March. If these columns fail, you should expect prices to fall lower as we expect more downside price risk in March than upside potential from our weather-normalized outlook.

High oil prices will continue to play the primary role limiting the fall of gas prices. Already in the US Gulf Coast and along the Eastern Seaboard, gas prices and residual fuel oil prices are experiencing price competition, with residual fuel oil discounting prices to maintain market share (see Figures 2 and 3). If oil prices were to rise unexpectedly above our outlook, natural gas could garner a greater share of the residual fuel-fired power generation market.

Commentary

The EIA Crude and products stats weren't enough to provide a spark in Natural Gas. Range bound/choppy price action on light volume (50708) sums up the day. The market place is waiting on the release of the NG EIA storage stats. BNP Paribas EIA survey is forecasting a draw of 69. Currently NG enjoys a 393 bcf year on year surplus and 664 bcf 5 year surplus. Support: 7000, 6500, and 6000. Resistance: 7250, and 7500.



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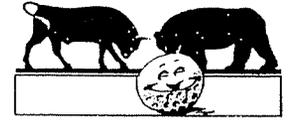


Natural Gas, Gas Liquids and Power Market Update

Daily Market Indicator

Jim Duncan, Market Analyst
(281) 293-1649

Email: James.W.Duncan@conocophillips.com



(1-Day Indicator)

Thursday, March 16, 2006

Wednesday Characterized By Marking Time...April Settles 2.4¢ Lower



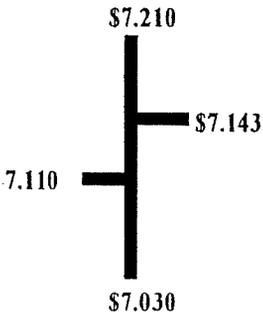
Today: Bearish **April Natural Gas Closed** **Down 2.4¢** **30-Day: Bearish**
Bottom Line – Expect a bearish reaction to the storage number...in line with expectations.

Yesterday's Market

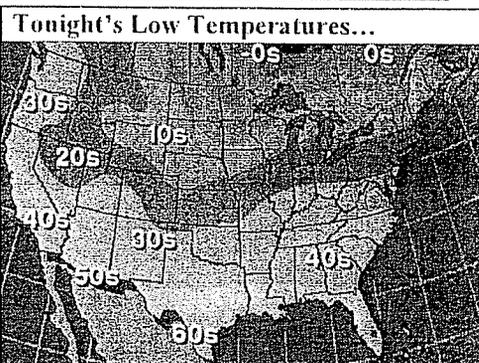
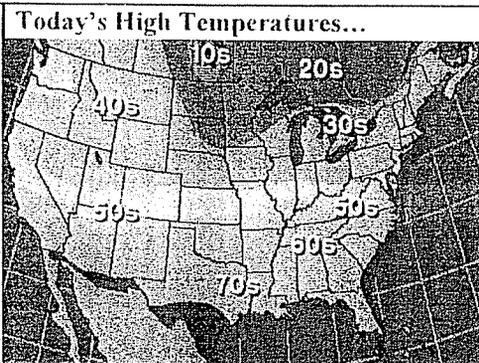
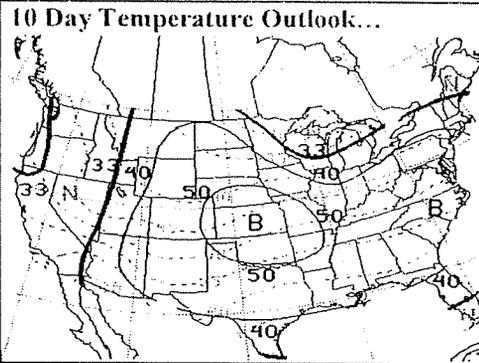
- April fell 4¢ by midday yesterday to the \$7.13 area as it consolidated gains from its three-day rally, eventually ending the day 2.4 ¢ lower at \$7.143. Yesterday's settle marked at least a moderate lull to the short-term rally over the previous two trading days. April slugged it out between \$7.03 and \$7.21, showing little inclination to break hard in either direction for most of the day. Volume was light. The bulls had hoped for continued strength in the crude complex, but, at least for the first half of the day, it provided little directional bias. In fact, the petroleum complex experienced its own negative day as traders in that market took the opportunity to take profits on slack news and a slightly bearish inventory report out of the DOE/API. The DOE reported that gasoline inventories edged down 900 kbbbl to 223.884 MMbbl, eroding the surplus against year-ago levels to just 2.532 MMbbl. Slightly bullish. While the declines in gasoline inventories were in line with the market's expectations, the drop in distillates was not. Distillate inventories fell 3.9 MMbbl, with low sulfur diesel accounting for 1.1 MMbbl and heating oil 2.8 MMbbl. April crude oil ultimately fell 93¢ to settle at \$62.17.

Today's Market

- Other than coal, the cheapest fuel molecule continues to be natural gas. By my calculations, there's roughly 6 Bcfd of switchable electric generation that, if switched, could eventually erase the surplus in storage. The fact that CONUS as a whole continues to languish in mild weather makes that fact, at least for the present, unlikely. It does underscore that it only took a month to go from deficit storage to surplus storage and we could flip back the other way quicker than most of the market realizes. I'm still not bullish, though. Today's storage number will likely be noncommittal. We seem to be locked into a trade range that everyone likes. It's more likely, however, that the highest volatility in the energy commodities has recently been in the crude and products pits. If I were a fund, that's where I'd be right now. That said, the fundamentals remain bearish even though the weather seems supportive, but only the weather guys seem bullish. The people that live in the northeast quadrant aren't calling this weather cold. You know me, though, anywhere north of I-10 is cold to me.



Access Trading	3/16/2006	8:49 AM	Natural Gas	\$7.189	4.6¢
WTI Crude	\$62.010	(\$0.16)	IPE Brent	\$62.860	(\$1.05)

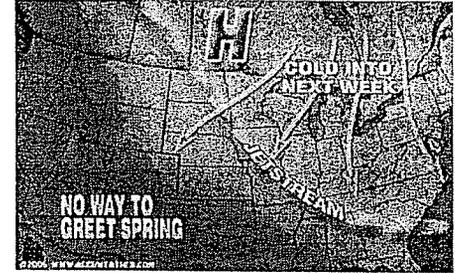


Weather Briefs – Traffic Problems Due To Snow In Upper Midwest – High Winds In Northeast – New Rain For South And Southeast – Heavy Coastal Rain Out West

Storage...
I'm looking for a draw of 64 Bcf this week...

For the week ending March 10, my forecast calls for a draw of 64 Bcf. Most of the analysts are in agreement this week calling for a draw in the 55-65 Bcf range. This week's draw will be lower than last year's draw of 95 Bcf, the three year average draw of 74 Bcf, and the five year average draw of 67 Bcf. The current inventory level is 1.887 Tcf, and we are now 413 Bcf above last year, and 707 Bcf above the five year average.

Sigmets: All My Buds In The Upper Midwest



The next system that enters the Midwest has Minneapolis, Madison, and Milwaukee in its sites, each of which could see several inches of accumulating snow by nightfall. This system will be a cause for concern for the afternoon commute, as the storm will run along Interstates 90 and 94 and will peak in this area late in the afternoon. I've spent a lot of time on those roads.

gallon in 2007. Transportation diesel prices are projected to average \$2.49 per gallon this year before retreating to \$2.42 per gallon in 2007.

Recent increases in product imports have contributed to high inventories. Despite substantial hurricane-related inventory drawdowns, motor gasoline and distillate stocks have recovered to levels surpassing those of a year ago year (Figure 9. U.S. Gasoline Inventories). These stocks are projected to remain at or above the high end of the 5-year average ranges throughout the forecast interval (see February 23 This Week in Petroleum)

Natural Gas Markets

Total natural gas demand in 2006 is projected to remain near 2005 levels, then increase by 2.4 percent in 2007 (Figure 10. Total U.S. Natural Gas Demand Growth). Residential demand, in particular, is projected to fall by 1.8 percent from 2005 levels in 2006 and then increase by 4.3 percent in 2007. Because of the warm January and the assumed return to normal summer weather the demand for natural gas for generation of electricity is expected to fall by 4.4 percent in 2006, then increase by 1.3 percent in 2007. Recovery in natural gas-intensive industrial output following the 2005 hurricanes is expected to contribute to growth in industrial gas demand this year (4.3 percent) and in 2007 (1.5 percent).

Domestic dry natural gas production in 2005 is estimated to have declined by 3.2 percent owing mainly to the hurricane-induced infrastructure disruptions in the Gulf of Mexico. According to the Minerals Management Service, approximately 400 million cubic feet per day of natural gas production are expected to remain offline prior to the start of the next hurricane season, June 1, 2006 (Figure 11. Shut-In Federal Offshore Gulf Natural Gas Production). However, overall dry gas production is projected to increase by 2.2 percent in 2006 and 1.7 percent in 2007. Total liquefied natural gas (LNG) imports are projected to increase from their 2005 level of 630 bcf to 830 bcf in 2006. LNG imports in 2007 are expected to reach 1,030 bcf.

On February 24, 2006, working gas in storage stood at an estimated 1,972 bcf. Stocks are 344 bcf above 1 year ago and 641 bcf above the 5-year average (Figure 12. U.S. Working Natural Gas in Storage). Much of the current high storage level is accounted for by unexpectedly warm winter weather, particularly in January. Spot Henry Hub natural gas prices, which averaged \$8.98 per mcf in 2005, are expected to fall close to \$7 per mcf over the next few months (from an average of about \$13.44 per mcf in December). Thus, barring extreme weather conditions for the rest of the year, 2006 should bring a noticeable easing in spot natural gas prices, leading to an

annual average decline in the Henry Hub price of about 10 percent. The respite is expected to be short-lived. Concerns about potential future supply tightness and continuing pressure from high oil market prices are keeping expected spot natural gas prices for the next heating season at high levels, with the Henry Hub spot price again rising above \$10.00 per mcf. The Henry Hub price is expected to average approximately \$8.74 per mcf in 2007.

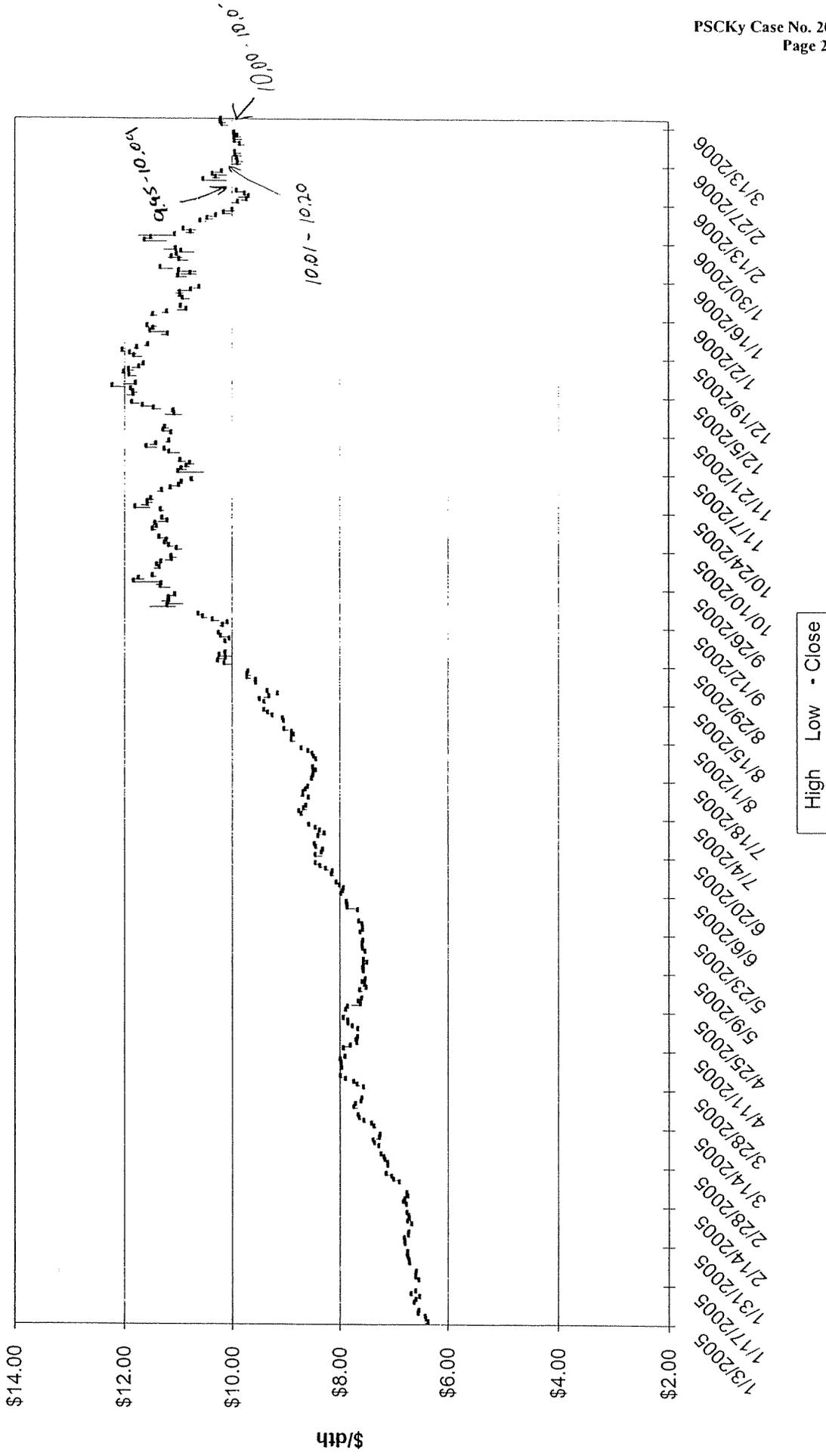
Electricity Markets

Electricity demand is expected to increase only slightly in 2006 (0.4 percent) because of weak heating-related demand this past January and the lower expected cooling-related demand this summer in comparison to conditions seen in 2005. Continued growth in the economy plus a boost in heating-related demand in the first quarter next year are expected to yield an overall growth in electricity demand of 2.1 percent in 2007 (Figure 13. Total U.S. Electricity Demand Growth). Residential electricity prices rose an estimated 5.5 percent nationally in 2005. Some of the fastest increases in household electricity prices occurred in the Northeast (particularly New England) and in the West South Central region (Texas, Louisiana, Oklahoma, and Arkansas). Much of the increases were fueled by sharply higher prices for peaking fuels and very high summer demand for those fuels, particularly natural gas. Some additional increases in delivered residential prices are likely in many regions through 2007, but at a considerably slower pace than seen in 2005.

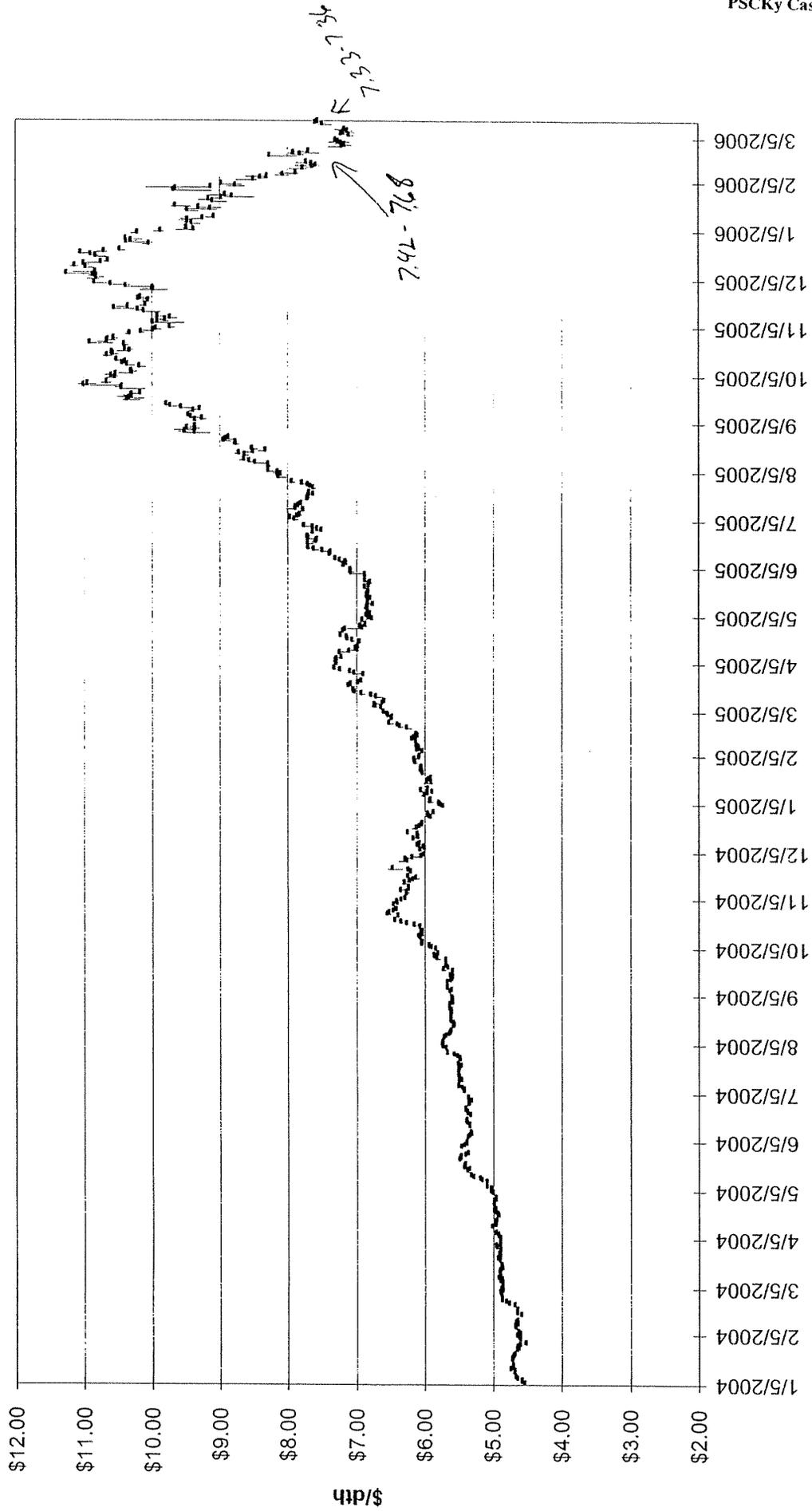
Coal Markets

Electric power sector demand for coal is projected to increase by 0.6 percent in 2006 and by another 2.5 percent in 2007 (Figure 14. U.S. Coal Demand Growth). Power sector demand for coal continues to increase in response to high natural gas and oil prices. U.S. coal production is projected to grow by 2.7 percent in 2006 and by 1.3 percent in 2007 (Figure 15. U.S. Coal Production). The price of coal to the power sector is projected to rise throughout the forecast period, although at a slower rate than in 2005. In the electric power sector, coal prices are projected to rise by an average of 4.1 percent in 2006 and by an additional 2.9 percent in 2007, increasing from \$1.54 per million Btu in 2005 to \$1.65 per million Btu in 2007.

Winter Strip Nov06 - Mar07



Summer Strip 2006



High Low - Close

London
(207) 595-8800

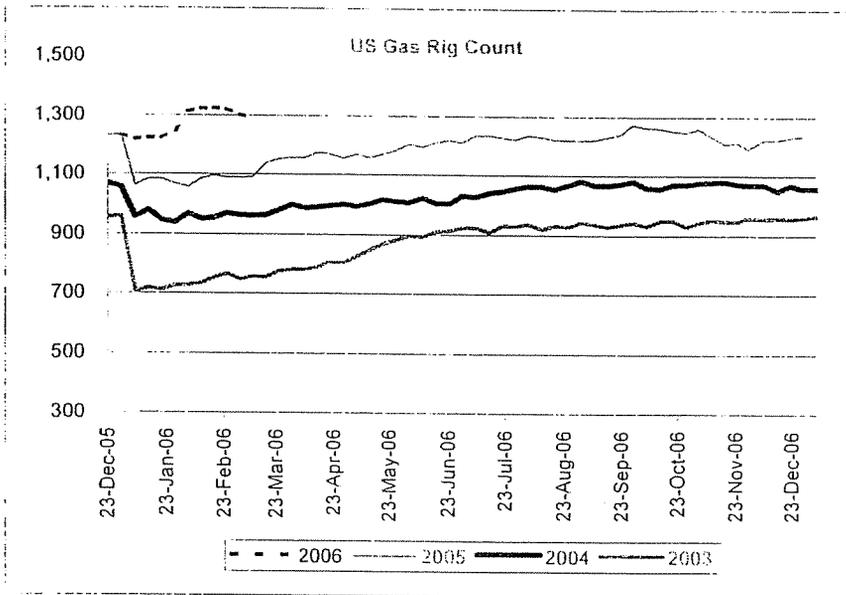


New York
(212) 841-3347

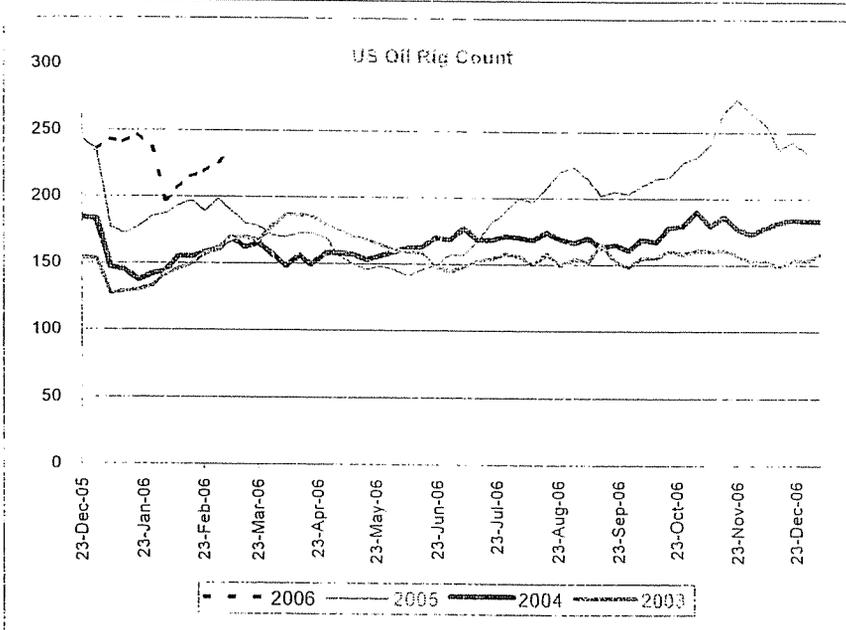
Commodity Futures

WEEKLY RIG WATCH

for the week ended: 3-Mar-06



Misc. Rigs	2
2003	756
2004	961
2005	1091
2006	1292
+/- Week Ago	-12
06 vs 05	201
06 vs 3yr AVG	356



2003	169
2004	169
2005	189
2006	238
+/- Week Ago	12
06 vs 05	49
06 vs 3yr AVG	62

SOURCE: BAKER HUGHES US OIL & GAS DIRECTED RIG COUNT WWW.BAKERHUGHES.COM

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Attachments B - D
Cost Averaging Fixed Prices

The Union Light Heat & Power Company
Hedging Program for Winter 2005-06
Cost Averaging with [REDACTED]

Attachment B

	Total Amount	Closing Price					Winter Strip	Total Cost	Locked in To Date
		November	December	January	February	March			
4-Apr	6,629	\$8.251	\$8.571	\$8.791	\$8.781	\$8.636	\$8.606	57,940.17	6,629
5-Apr									
6-Apr									
7-Apr									
8-Apr									
11-Apr									
12-Apr									
13-Apr									
14-Apr									
15-Apr									
18-Apr									
19-Apr									
20-Apr									
21-Apr									
22-Apr									
25-Apr									
26-Apr									
27-Apr									
28-Apr									
29-Apr									
2-May									
3-May									
4-May									
5-May									
6-May									
9-May									
10-May									
11-May									
12-May									
13-May									
16-May									
17-May									
18-May									
19-May									
20-May									
23-May									
24-May									
25-May									
26-May									
27-May									
31-May									
Total									

Total

Basis to Columbia Gulf Onshore

Price to be paid for [REDACTED] delivered November 1, 2005 to March 31, 2005:

The Union Light Heat & Power Company
Hedging Program for Winter 2005-06
Cost Averaging with [REDACTED]

Attachment C

	Total Amount	Closing Price					Winter Strip	Total Cost	Locked in To Date
		November	December	January	February	March			
1-Jun									
2-Jun									
3-Jun									
6-Jun									
7-Jun									
8-Jun									
9-Jun									
10-Jun									
13-Jun									
14-Jun									
15-Jun									
16-Jun									
17-Jun									
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6-Jul									
7-Jul									
8-Jul									
11-Jul									
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18-Jul									
19-Jul									
20-Jul									
21-Jul									
22-Jul									
25-Jul									
26-Jul									
27-Jul									
28-Jul									
29-Jul									
Total									

Basis to Columbia Gulf Onshore ⁵⁴

Price to be paid for [REDACTED] delivered November 1, 2005 to March 31, 2005:

The Union Light Heat & Power Company
Hedging Program for Summer 2006
Cost Averaging with [REDACTED]

Attachment D

Total Amount	Closing Price							7 Month Strip	Total Cost	Locked in To Date
	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06			
9-Jan										
10-Jan										
11-Jan										
12-Jan										
13-Jan										
17-Jan										
18-Jan										
19-Jan										
20-Jan										
23-Jan										
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1-Mar										
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16-Mar										
17-Mar										
20-Mar										
21-Mar										
22-Mar										
23-Mar										
24-Mar										
27-Mar										
28-Mar										
29-Mar										
Total										

Basis to Columbia Gulf Onshore

Price to be paid for [REDACTED] delivered April 1, 2006 to October 31, 2006: [REDACTED]