# platts

Friday, February 1, 2002

#### **Daily Price Survey**

Listed in The left column are the midpoints of the daily ranges for the most common prices, paid in \$\mathbb{S}/mmBtu of a typical volume of 5 thousand mmBtu. The middle column shows absolute low-high prices for transactions reported on the date at the top of the column; the third column shows that day's ranges for the most common prices. The prices are generally for gas flowing today; weekends are usually priced using data collected Friday. Ranges are for deals done before nomination deadlines. The common range is built around the volume weighted average and the midpoint is calculated for the common range. Data in this table is Copyright 2002 by The McGraw-Hill Companies, Inc.

NATIONAL AVER	AGE PRICE: \$2.135****
Trans, date:	1/31

Trans. date:	1/31		
Flow date(s):	2/01		
	idpoint .	Absolute	Common
Perm El Paso	ian Basi 2.060	n Area 2.00-11	2.03-09
Northern (Mids 1-6)	1.970	1.94-2.00	1.95-99
Tex intras, Waha area	2.075	2.01-13	2.04-11
Transwestern	2.070	2.04-10	2.05-09
		uisiana Area	
Carthage Hub tailgate	2.080	2.03-13	2.05-11
Gulf South (Zones 1&2)	1.840	1.83-85	1.83-85
Lone Star MRT mainline	1.970 2.115	1.95-2.05 2.02-17	1.95-99 2.08-15
MRT west leg	2.035	2.00-07	2.02-05
NGPL TexOk (West)	2.105	2.06-11	2.10-11
NGPL TexOk (East)	2.075	2.03-11	2.05-10
Tennessee, 100 Leg	2.020	2.01-03	2.01-03
Texas Eastern (ETX)	2.035	2.02-05	2.03-04
Texas Gas (entire Z 1)	2.110	2.07-15	2.09-13
Houston Ship Channel	-Houstor 2.150	2.10-21	2.12-18
Katy plant tailgate	2.100	2.07-14	2.08-12
Trunkline North	2.115	2.08-15	2.10-13
		nhandle	
NGPL (Permian)	1.945	1.91-2.00	1.92-97
Northern (Mid 10)	—		
Transwestern	2.070	2.04-10	2.05-09
Agua Dulce hub	-Corpus 2.015	1.95-2.06	1.99-2.04
Florida Gas	2.145	2.02-20	2.10-19
HPL	2.050	2.01-08	2.03-07
Gulf South (Zone 1)	1.710	1.70-72	1.70-72
NGPL (STX)	2.050	1.99-2.08	2.03-07
Tennessee	2.035	1.95-2.10	2.00-07
Texas Eastern (STX)	2.010	1.98-2.04	1.99-2.03
Transco, St 30 Trunkline South	2.060 2.075	1.92-2.14 2.04-09	2.00-12 2.06-09
EPGT	1.920	1.91-94	1.91-93
		ore South	1.51 50
ANR	2.085	2.03-13	2.06-11
Columbia	2.100	2.05-18	2.07-13
Columbia, Mainline	2.150	2.06-21	2.11-19
FGT Z1	2.145	2.02-20	2.10-19
FGT Z2 FGT Z3	2.130 2.115	2.01-23	2.07-19
Henry Hub	2.113	2.03-25 2.05-22	2.06-17 2.10-18
Gulf South (Zones 2&4)	1.920	1.87-95	1.90-94
NGPL (La.)	2.095	2.00-14	2.06-13
Sonat	2.130	2.06-19	2.10-16
Tennessee, 500 Leg	2.080	1.99-2.22	2.02-14
Tennessee, 800 Leg	2.090	2.00-22	2.03-15
Texas E. (WLA)	2.030	1.98-2.12	1.99-2.07
Texas E. (ELA) Texas Gas SL	2.065 2.105	2.00-12 2.03-17	2.03-10 2.07-14
Transco, St. 45	2.070	2.00-15	2.03-14
Transco, St. 65	2.135	2.08-19	2.11-16
Trunkline WLA	2.110	2.07-18	2.08-14
Trunkline ELA	2.095	2.06-15	2.07-12
	Oklahom		0.07.40
ANR	2.100	2.06-17	2.07-13
NGPL (Midcont.) Reliant (North/South)	2.055 2.085	1.99-2.12 2.03-15	2.02-09 2.05-12
Reliant (West)	2.035	2.00-13	2.00-07
Northern (Mid 11)	2.050	1.95-2.11	2.01-09
OGT	2.095	2.06-17	2.07-12
PEPL	2.075	2.02-16	2.04-11
Williams	2.085	2.04-14	2.06-11
		Juan Basin	0.04.00
El Paso, Bondad	2.060 2.075	2.03-09 2.03-11	2.04-08 2.05-10
El Paso, non-Bondad TW (Ignacio, pts south)	2.075	2.03-11	2.05-10
TW (Igriacio, pis souir)	_	_	_
continu	od on n	ovt nago	

continued on next page

# Gas Daily®

# FERC drops Calif. gas price reporting rule

oting that gas prices have flattened since last spring, FERC this week decided to drop the requirement that gas sellers, pipelines and local distribution companies report volumes, prices and transportation rates.

Parity between California gas prices and the rest of the country led FERC to cut short the duration of its California gas reporting mandate, which it had planned to keep in place through Sept. 30.

Pointing to a long-running disparity between California prices and those elsewhere, FERC in July ordered reporting for the period Aug. 1-Jan. 31 and indicated that it would extend the reporting through September so the duration would coincide with that of the FERC's Western electricity market mitigation program.

But the "reason for imposing a special reporting requirement for sales of natural gas to the California market — that the California market is suffering unique difficulties — has largely disappeared," FERC said in an order Wednesday. Sellers of gas to California as well as interstate pipelines and local distribution companies serving the market can

(continued on page 6)

# El Paso bucks trend, posts higher Q4 earnings

uccessful gas hedging positions, higher production volumes and recontracting activity on its pipelines all led El Paso Corp. to post higher earnings for the fourth quarter, bucking the trend of lower profits seen by many companies in the besieged merchant energy sector.

El Paso reported fourth-quarter 2001 earnings of \$375 million, or  $72\phi$ /share, up from \$335 million and  $65\phi$ /share a year ago.

For the full year, El Paso reported net income of \$93 million, far less than the \$1.3 billion in 2000. The company said the disparity was largely a result of \$2.16 billion in costs related to its merger with Coastal.

"2001 was another outstanding year for El Paso," said William Wise, chairman, president and CEO of El Paso. "We achieved record financial results across all of our business units in a very difficult market, while successfully completing our merger with Coastal"

El Paso's Merchant Energy Group reported flat earnings, with improvements in gas and power marketing activities offset by a \$62 million decrease in refining, chemical and coal operations. The segment established a \$46 million reserve for Enron receivables.

(continued on page 5)

# Winter temps give short traders cold shoulder

powerful winter storm moved across the Midcontinent on Thursday, boosting spot prices throughout the region and causing power outages and production well shut-ins in many areas.

A Midcontinent trader said the power outages, which were caused by ice and shut down some processing plants and switching stations, were the main reason behind a minor panic that initially drove prices up 10¢ to 15¢ into the mid-\$2-teens on production-area pipelines.

One Midcontinent trader reported hearing a rumor that at least one pipeline "was considering shutting in 1 Bcf" due to the weather, which sparked some frenzied buying across the Midcontinent. However, prices retreated from their highs later in the morning as traders grew more skeptical.

"By the end, it just seemed like a lot of hype," a Kansas City-area trader said.

The unusually cold and icy weather wasn't expected to stick around long. Thursday's forecast high for the day in Kansas City was just below freezing, and the lows were expected to be near zero, but sunshine is forecast for the Show Me State today with day-time highs rising above the freezing mark.

Gas storage levels are affected by the hit-and-run nature of weather patterns like the

Daily Price	Survey continu	ieu	
Trans. date:	1/31		
Flow date(s):	2/01		
* *	Midpoint	Absolute	Common
	Rockies		
CIG (N syst)	1 900	1 84-96	1 87-93

M	idpoint	Absolute	Common
	Rockie	s	
CIG (N. syst)	1.900	1.84-96	1.87-93
	1.930	1.83-2.02	1.88-98
Kern River/Opal plant			
NW, Stanfield	2.065	2.00-09	2.04-09
Questar	1.875	1.83-95	1.84-91
Cheyenne Hub	1.920	1.88-2.03	1.88-96
NW, Wyoming Pool	1.905	1.87-95	1.88-93
NW, south of Green Rive		1.83-97	1.89-96
	anadian		1.00 00
			0.00.00
Iroquois	2.290	2.26-36	2.26-32
Niagara (NFG, Tenn)	2.295	2.28-31	2.29-30
NW Sumas	2.030	2.00-20	2.00-06
NOVA (AECO-C, NIT)*	C2.975	C2.93-99	C2.96-99
NOVA (same-day)*****	C2.955	C2.88-3.00	C2.92-99
Emerson (Viking/GL)	2.130	2.11-16	2.12-14
Dawn, Ont.	2.245	2.22-30	2.22-27
PG&E-GTNW (Kingsgate	2.045	1.99-2.06	2.03-06
Westcoast, St. 2*	C2.895	C2.85-94	C2.87-92
	Appalaci	hia	
Dominion North Point	2.340	2.30-41	2.31-37
	2.305		
Dominion South Point		2.25-37	2.27-34
Leidy Hub	2.320	2.26-35	2.30-34
Columbia, App	2.225	2.16-28	2.19-26
Missi	ssippi-A	labama	
FGT, Mobile Bay	2.010	1.94-2.14	1.96-2.06
Gulf South, Mobile Bay	2.010	1.01 2.11	1.00 2.00
	0.100	0.00.00	0.10.00
Texas E., M-1 (Kosi)	2.190	2.09-22	2.16-22
Transco, St. 85	2.165	2.12-23	2.14-19
	Others	3	
Algonquin	2.345	2.29-41	2.31-38
SoCal gas, large pkgs***	2.180	2.07-37	2.10-26
PG&E, large pkgs***	2.180	2.13-22	2.16-20
Kern River Station	2.100	2.10 22	2.10 20
Malin	2.135	2.06-22	2.09-18
Alliance (into Interstates)	2.165	2.14-20	2.15-18
ANR ML7 (entire zone)	2.220	2.18-26	2.20-24
NGPL Amarillo receipt	2.125	2.08-17	2.10-15
NGPL Iowa-III. receipt	2.140	2.09-18	2.12-16
	2.070	2.06-08	2.06-08
Northern (Mid 13)			
Northern (Ventura)	2.160	2.13-19	2.14-18
Northern (demarc)	2.155	2.13-19	2.14-17
Dracut (into TN)	2.255	2.15-33	2.21-30
,	Citygate	es	
Chicago-LDCs, large e-u		2.14-20	2.15-18
MichConsum. Energy**	2.185	2.14-26	2.15-22
MichMich Con**	2.190	2.14-25	2.16-22
PSCo citygate	1.865	1.85-87	1.86-87
PG&E citygate	2.250	2.18-33	2.21-29
Northwest (all gates)	2.150	2.14-23	2.14-16
	2.100	2.11.20	2.11110
Florida gates via FGT	0.475	0.40.00	0.40.50
Algonquin citygates	2.475	2.40-62	2.42-53
Dominion (delivered)	2.460	2.41-60	2.41-51
Columbia Gas (delivered	2.410	2.34-60	2.34-48
Tenn. zone 5	2.345	2.26-50	2.28-41
Tenn. zone 6 (delivered)	2.380	2.31-47	2.34-42
	2.450	2.36-52	2.41-49
Iroquois, Zone 2			
Texas E., M-3	2.375	2.32-45	2.34-41
Transco Z6 (non-NY)	2.365	2.32-45	2.33-40
Transco Z6 (NY)	2.405	2.34-50	2.36-45
*NOTE: Price in C\$ per of			
(Canadian currency settl			acc day prior

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

one that hit the Midwest Thursday, one source said. He noted when a cold front hangs around an area for five or six days, traders generally pull from storage to meet the added demand. When the front moves in for a day or two and leaves, however, traders can pick up cheap swing day supply to meet incremental need instead.

"It's not that we haven't had cold weather this winter, because we have," he said. "It's more a matter of how long the front stays in the area, and typical for this year, this system is expected to be short-lived."

In the Gulf Coast region, forecasts for near-freezing temperatures Thursday night pushed prices up a few cents. Meanwhile, in the Northeast, where demand was low and prices scarcely moved, a trader reported.

Eastern and Gulf demand spiked a bit during the first day of trading for February flow, though sources said it had more to do with first-day balancing than actual loads. Given poor physical fundamentals for the month, it's natural that shorts would dominate the market, and it could take a few days for firms to straighten out their positions.

A Gulf Coast source said Henry Hub prices ran all over the place, starting at \$2.08 and climbing to about \$2.22 before trading ended. He agreed the jump in prices wasn't weather-driven but simply a matter of the market being long and short at the right time.

"People who had Henry Hub [gas], and were fortunate enough to sell it late, are going to make some money," the source said, stressing that a lot of people were covering short positions.

Not all pipes in the region showed late strength, another Gulf Coast trader said. "We traded up to \$2.17 at [Transcontinental Gas Pipe Line] Station 65, but the darn thing came back down, with the last few trades at \$2.11 and \$2.12. You have to take the first two or three days of the month and throw them out the window."

On the Pacific Coast, California prices strengthened early as cold weather invaded the Golden State. But a Southern California trader said the early strength was also related to the weather-driven loads in adjacent regions.

Even as power prices inched up a bit in the state, the numbers slid in late trading, leading to midpoints close to Wednesday's. SoCal points started trading in the mid-\$2.20s and came off to the low \$2-teens, sources reported.

Pacific Gas and Electric inventories were skirting the low range of its operational limits for Friday flow, but one source didn't think an operational flow order was in store for the weekend. "There's a lot of gas in California right now, and people are selling like crazy at the PG&E citygate," a source said.

In the Pacific Northwest, Sumas, Wash., prices moved with the NYMEX, one source said, trading in the low-\$2s.

With most maintenance and repair work in the Jonah gathering field near the Opal, Wyo., processing plant completed Thursday, trading at Opal ended in the low-\$2s, which were the highs for the day there, a source reported.

On the NYMEX, the March Hub contract opened at \$2.115, a few cents above Wednesday's close. Resuming the steady climb it made the previous day, the contract slowly gathered strength throughout trading, reaching a high of \$2.15 shortly before noon.

During the afternoon session, the contract retreated a few cents, trading close to mid-morning numbers to the end of trading. The contract settled at \$2.138, up 5.8¢ for the day.

— Market staff reports

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#### **Monthly Contract Index**

Monthly contract index prices are weighted average costs of gas based on volumes and prices for spot deals done within five working days prior to pipeline nomination deadlines. Prices are in \$ per million Btu on a dry basis. Data in this table is Copyright 2002 by The McGraw-Hill Companies, Inc.

The McGraw-Hill Compa	nies, Inc. ebruary	., ,	lanuary
Delivery Fo	index	change	January index
Permian		rea	
El Paso Northern (Mids 1-6)	1.83	-73	2.56 2.51
Tex intras, Waha area	1.87	-73	2.60
Transwestern	1.83	-68	2.51
East Texas-Nor			
Carthage Hub tailgate Gulf South (Zones 1&2)	1.95	-60 —	2.55
Lone Star	1.90	-59	2.49
MRT mainline	2.03	-66	2.69
MRT west leg NGPL TexOk (West)	1.92 1.93	-69 -54	2.61 2.47
NGPL TexOk (East)	1.92	-59	2.51
Tennessee, 100 Leg		_	
Texas Eastern (ETX) Texas Gas (entire Z 1)	1.94 2.05	-60 -52	2.54 2.57
	uston-Ka		2.57
Houston Ship Channel	2.00	-61	2.61
Katy plant tailgate	1.95	-69	2.64
Trunkline North North-Texa	1.87 as Panha	-56 Indle	2.43
NGPL (Permian)	1.80	-70	2.50
Northern (Mid 10)	_	_	_
Transwestern South-Co	1.83	-68 rieti	2.51
Agua Dulce hub	1.87	-57	2.44
Florida Gas	1.98	-52	2.50
HPL Gulf South (Zone 1)	1.81	-62 —	2.43
NGPL (STX)	1.88	-60	2.48
Tennessee	1.92	-63	2.55
Texas Eastern (STX)	1.92	-51	2.43
Transco, St 30 Trunkline South	1.96 1.94	-55 -38	2.51 2.32
EPGT	1.75	-64	2.39
Louisiana-C			
ANR Columbia	1.95 2.03	-54 -56	2.49 2.59
Columbia, Mainline	2.07	-54	2.61
FGT Z1	1.98	-52	2.50
FGT Z2 FGT Z3	2.07 2.02	-53 -49	2.60 2.51
Henry Hub	2.02	-49	2.61
Gulf South (Zones 2&4)	1.95	-49	2.44
NGPL (La.)	1.96	-57 -55	2.53
Sonat Tennessee, 500 Leg	2.01 1.98	-55 -55	2.56 2.53
Tennessee, 800 Leg	1.97	-52	2.49
Texas E. (WLA)	1.97	-58	2.55
Texas E. (ELA) Texas Gas SL	1.96 2.03	-57 -55	2.53 2.58
Transco, St. 45	1.95	-59	2.54
Transco, St. 65	2.06	-59	2.65
Trunkline WLA Trunkline ELA	1.95 1.97	-57 -51	2.52 2.48
	ahoma	01	2.40
ANR	1.89	-60	2.49
NGPL (Midcont.) Reliant (North/South)	1.89 1.93	-60 -63	2.49 2.56
Reliant (West)	1.90	-64	2.54
Northern (Mid 11)	1.84	-59	2.43
OGT PEPL	1.92	-58	2.50
Williams	1.90 1.93	-59 -59	2.49 2.52
New Mexico-			
El Paso, Bondad	1.76	-71	2.47
El Paso, non-Bondad TW (Ignacio, pts south)	1.77	-71 —	2.48
TW SJ (Blanco)	1.75	_	_
Ro	ckies		
CIG (N. syst) Kern River/Opal plant	1.72 1.73	-52 -67	2.24 2.40
NW, Stanfield	1.73	-85	2.62
Questar	1.62	-57	2.19
Cheyenne Hub	1.70 1.73	-66 -65	2.36 2.38
NW, Wyoming Pool NW, south of Green Rive		-05	2.38
continued	on next p	age	0

## **CPUC** to deny preferred status for power plants

he California Public Utilities Commission next week is expected to reaffirm existing gas priority standards by denying a petition to grant electric generators preferred status over other non-core customers.

The decision will be on the commission's Feb. 7 consent agenda in response to a petition filed by the Northern California Generation Coalition. The group had asked to be granted preferential treatment in the event that Pacific Gas and Electric is forced to implement gas curtailments.

However, the commission found in a draft order that the potential ramifications of such a move outweigh the benefits.

"If gas destined for non-electric generator customers is curtailed or diverted, this is likely to impact the manufacturing operations and gas needs of one-third of the non-core gas load," the draft says.

The result, according to the CPUC, could be "ripple effects throughout the state's economy." It pointed out that customers might "have to reduce or shut down their operations ... employees are likely to be laid off, manufacturing processes will suffer."

The NCGC was looking to modify gas curtailment and diversion rules in PG&E's Gas Accord, asking that non-generating customers be cut off before generators. The accord currently gives all noncore users equal priority. The NCGC filed an emergency petition last year asking the changes to be made; the CPUC is expected to adopt the draft decision denying that request.

The commission affirms that "the generation of electricity is important," but also notes in the decision that "the choice between a shortage of electricity and a shortage of natural gas for other noncore customers is a difficult one."

For PG&E's part, the utility argued that the rules should not be changed — but in the event of a change, the next gas tariff should require generators to pay for any higher level of service they receive.

# Anadarko, Apache earnings plummet in Q4

ower commodity prices in the latter part of last year caused two of North America's largest independent producers to report sharp declines in fourth-quarter 2001 earnings compared to the previous year.

Analysts said the financial results posted by Anadarko Petroleum and Apache reflect the dramatic downturn in profits experienced by most exploration-and-production companies.

Anadarko reported fourth-quarter 2001 net income of \$108 million, a 76% drop from the \$454 million reported in the fourth quarter of 2000. For the full year 2001, Anadarko reported a net loss of \$188 million, compared with earnings of \$796 million in the previous year.

On Tuesday, Anadarko surprised and worried some market observers when it said it would correct financial results for the third quarter of 2001 to include a pre-tax write-down of \$1.7 billion, or \$1.08 billion after taxes. It said the change was the result of an error in calculating an impairment of the book value of U.S. oil and gas properties (*GD 1/31*). But neither that announcement nor the earnings report seemed to rattle investors as the producer's share price closed Thursday at \$49.13, up nearly 5% from Wednesday.

Meanwhile, Anadarko's board of directors on Thursday approved an initial 2002 capital spending budget of \$2 billion, down from \$3.3 billion in 2001. "With energy prices where they are today, it's going to be an opportunity-building year, not a production-building year," said President and CEO John Seitz.

Apache reported fourth-quarter net income of \$74 million, down 71% from \$252 million in the prior-year period. Apache reported that record production fueled full-year 2001 earnings of \$704 million, which were up from \$693 million in the prior year.

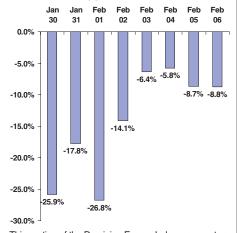
"Our 2001 results demonstrate that Apache's strategy of combining low-cost, accretive acquisitions and internal growth through the drill bit provides a platform for profitability across the business cycle," said Chairman and CEO Raymond Plank.

Analysts who follow the E&P industry said they were not surprised by two Houston companies' dismal fourth-quarter earnings. Mark Friesen, an analyst with BMO Nesbitt Burns in Calgary, said Anadarko provided ample warning of its fourth-quarter earnings drop. "Production numbers were a little bit lower than I had originally been carrying, but the company had been beginning to guide that a couple of weeks ago. So they came in below my numbers, but that wasn't unexpected," he said.

Monthly Contract In Delivery Feb	January		
-	index	change	index
Canadi			
Emerson (Viking/GL)	2.06	-39	2.45
Empire	_	_	
Iroquois	2.27	-58	2.85
Niagara (NFG, Tenn) NW Sumas	2.23	-60 -65	2.83
NOVA (AECO-C, NIT)*	1.87 C2.89	-65	2.52 C3.54
Dawn, Ont.	2.14	-58	2.72
PG&E-GTNW (Kingsgate)	1.88	-67	2.55
Westcoast, St. 2*	C2.89	-71	C3.60
Appal			00.00
Dominion North Point	2.15	-64	2.79
Dominion South Point	2.15	-63	2.78
Leidy Hub	2.25	-104	3.29
Columbia, App	2.10	-67	2.77
NFG	_	_	2.85
Mississipp			
FGT, Mobile Bay	1.93	-49	2.42
Gulf South, Mobile Bay		_	_
Texas E., M-1 (Kosi)	2.14	-49	2.63
Transco, St. 85	2.10	-51	2.61
Kern River Station	ers		_
Algonquin	2.47	-107	3.54
SoCal gas, large pkgs***	2.00	-61	2.61
PG&E, large pkgs***	1.97	-67	2.64
Malin	1.99	-64	2.63
Alliance (into Interstates)	2.04	-63	2.67
ANR ML7 (entire zone)	2.18	-56	2.74
NGPL Amarillo receipt	1.94	-57	2.51
NGPL lowa-III. receipt	1.97	-59	2.56
Northern (Mid 13)	1.84	_	
Northern (Ventura)	1.96	-61	2.57
Northern (demarc)	1.97	-61	2.58
Dracut (into TN)	2.23	-68	2.91
Cityo Chicago-LDCs, large e-us	2.05	-65	2.70
MichConsum. Energy**	2.03	-64	2.75
MichMich Con**	2.10	-61	2.71
PSCo citygate	2.10	_	2.71
PG&E citygate	2.06	-86	2.92
Northwest (all gates)		_	
Algonquin citygates	2.61	-125	3.86
Dominion (delivered)	2.39	-79	3.18
Columbia Gas (delivered)	2.32	-64	2.96
Tenn. zone 5	2.35	-85	3.20
Tenn. zone 6 (delivered)	2.43	-77	3.20
Iroquois, Zone 2	2.51	-108	3.59
Texas E., M-3	2.43	-115	3.58
Transco Z6 (non-NY)	2.46	-124	3.70
Transco Z6 (NY)	2.58	-215	4.73

NOTES: Dashes indicate insufficent data or index not established. \*Price in C\$ per gj \*\*Large enduser prices. \*\*\*Deliveries at Topock, Daggett, Blythe, Needles, Ehrenberg.

# Dominion Energy's U.S. Energy Use Forecast



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

However, he said he found the announcement of the third-quarter write-down more troubling because of the current environment of mistrust of corporate accounting practices.

"It certainly was a negative surprise. I think that write-downs in themselves are an issue and this one is particularly in the context of the accounting world that we're in right now," he said. "It couldn't have come at a worse time."

He said the market seems to have accepted the news of the write-down. "The market believes them that it was an isolated error and it wasn't an indication of greater accounting problems. The market will treat it as any other write-down, not to minimize that but it takes away the greater concern that there's accounting problems at Anadarko."

However, Fahnestock & Co.analyst Fadel Gheit disagreed, saying the error could signal bigger problems at Anadarko. "I just have less faith in the accuracy of its numbers," he said. "I was very surprised that investors in the market did not punish Anadarko sufficiently to make an example of them."

He said the Anadarko news release, which indicated the write-down could have positive results on the company's earnings and cash flow, was disturbing. "Are the investors saying 'OK, if mistakes are going to help, might as well make more of them?'" Gheit said. "In the wake of Enron, investors should really be thinking that companies, instead of being innocent until proven guilty, now to be on the safe side you should be assuming guilty until proven innocent."

Gheit said Anadarko's and Apache's financial results would set the tone for the rest of the industry in 2002. "The outlook for the whole industry is going to be pretty bleak," he said. "I'm betting gas prices will hit \$1.60 by April."

# Two firms sue Williams on shareholders' behalf

wo law firms have filed class action lawsuits against Tulsa-based Williams Cos. in the wake of an announcement that Williams would delay its release of 2001 financial information and the succeeding sharp drop in Williams stock price.

A Williams spokeswoman declined to discuss the two suits, saying the company had only been served with one and had not been had a chance to review the other suit.

The law firms of Milberg Weiss Bershad Hynes & Lerach and Scott + Scott each filed suits in the U.S. District Court for the Northern District of Oklahoma, in Tulsa, against defendants The Williams Cos., Williams Communications, Williams Chairman Keith Bailey, and two Williams Communications officers; Chairman, CEO and President Howard Janzen and Executive Vice President and Chief Financial Officer Scott Schubert.

Both law firms are well-known for filing shareholder lawsuits in high-profile cases and have been active in launching such actions related to Enron's recent problems.

In virtually identical press releases, the two firms announced the suits that seek to represent shareholders of Williams and Williams Communications between July 24, 2000, and Jan. 29, 2002. Both suits allege the defendants violated the Securities Exchange Act of 1934 and issued material misrepresentations to the market.

The suits also allege that Williams and Williams Communications failed to disclose that the spinoff of Williams Communications, which occurred last April, was not in the best interests of shareholders of the two companies.

According to the suits, Williams' primary motivation for spinning off of the telecommunications division was to allow the parent company "to shore up its balance sheet so that it could then issue more stock and/or debt to acquire companies using its common stock as currency and protect its debt rating."

On Monday, Williams announced that it would be delaying the release of its 2001 earnings "pending an internal assessment of Williams' contingent obligations to Williams Communications." In a press release, Williams said it needed the time to examine its obligations in regard to being "able to estimate the financial effect, if any, regarding its ultimate obligation related to WCG's Williams Communications' \$1.4 billion debt and network lease agreement covering assets that cost \$750 million."

Following that announcement, Williams' share price dropped 22% to \$18.78/share Tuesday (*GD 1/31*). It regained most of that loss Wednesday and stabilized somewhat Thursday, closing at \$17.68, down 1.78% on the day.

In a statement released Wednesday, Williams President and CEO Steve Malcolm, said the company had done no wrong. "All relevant facts surrounding Williams' 2001 spinoff of Williams' former communications unit, including all items related to contingent financial obligations, have been properly accounted for and disclosed in SEC filings," he said. JM

### Futures NYMEX @ Henry Hub

Results From Thursday					
Sett	lement	High	LowC	hange\	/olume*
Mar., 2002	2.138	2.150	2.095	5.8	37,565
April	2.190	2.205	2.150	4.3	14,609
May	2.258	2.280	2.230	2.8	4,126
June	2.326	2.345	2.310	1.6	2,322
July	2.391	2.425	2.380	1.1	2,884
August	2.448	2.485	2.430	0.8	4,356
September	2.448	2.470	2.430	0.8	1,940
October	2.472	2.495	2.455	0.6	3,605
November	2.699	2.735	2.685	0.5	870
December	2.904	2.945	2.905	-0.5	1,052
Jan., 2003	2.994	3.030	2.985	-1.3	1,512
February	2.947	2.980	2.940	-1.8	320
March	2.864	2.910	2.860	-2.3	1,286
April	2.745	2.790	2.770	-2.2	55
May	2.755	2.790	2.770	-2.7	64
June	2.805	2.850	2.825	-3.5	103
July	2.840	2.900	2.865	-4.0	103
August	2.888	3.040	2.935	-4.2	271
September	2.903	2.940	2.940	-4.2	3
October	2.923	2.970	2.950	-4.7	54
November	3.088	_	_	-5.2	471
December	3.245	_	_	-5.2	2
Jan., 2004	3.335	3.350	3.350	-4.2	352
February	3.259	3.270	3.270	-4.2	289
March	3.125	3.210	3.190	-4.7	251
April	2.952			-5.2	401
May	2.963	3.050	3.050	-5.7	475
June	2.998	3.040	3.040	-6.2	520
July	3.045	_		-6.2	350
August	3.095	3.160	3.160	-6.4	350
September	3.075			-6.4	250
October	3.095	3.150	3.150	-7.0	250
November	3.265	3.340	3.340	-7.0	250
December	3.443	3.510	3.510	-7.0	250
Jan., 2005	3.508	_	_	-7.0	.5
February	3.403		_	-7.5	15
Volume of co					81,581
Front-months					
March, 71,39	љ; Aprii,	41,605; 1	viay, 32,5	/5	

Total open interest Wednesday: 464,030

\* Volume is reported for the business day prior to the settlement date.

Weighted average of x trades in the last two minutes of trading. Change is from previous settlement price.

# Options NYMEX @ Henry Hub Results from Thursday

	ricoulto iroini riiurouuy							
Strike Calls-Settle			Puts-Settle					
Price	Mar.	Apr.	May.	Mar.	Apr.	May.		
1.95				7.6¢	9.0¢			
2.00				9.5¢	10.9¢	10.7¢		
2.05	20.4¢			11.6¢	13.0¢	12.6¢		
2.10				14.0¢	15.2¢	14.7¢		
2.15	15.4¢				17.7¢	17.0¢		
2.20	13.4¢	19.4¢				19.5¢		
2.25	11.6¢	17.4¢	23.0¢	23.5¢		22.2¢		
2.30	9.9¢	15.5¢	20.9¢					
2.35	8.5¢	13.9¢	19.0¢					
Estimated Volume: Calls: n/a Puts: n/a								

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

#### Crude futures up 40¢

Change is from day before Dow Jones reported Thursday

Prices are in dollars per barrel when not in Btus

Thoos are in dollars per barrer when not in Blus						
	Buy	Sell	Change			
<b>West Texas Intermed</b>	diate					
Spot Crude	19.45	19.50	+40¢			
Crude futures (March	) 19.48		+40¢			
#6 resid, max 1%:						
East Coast	14.45	14.55	-145¢			
\$2	\$2.31/mmBtu					
Gulf Coast	14.00	14.25	-150¢			
\$2.26/mmBtu						
Low-sulfur waxy resid:						
FOB Singapore	14.75	15.25	+10¢			
\$2	2.54/mmBtu					

# **Conoco Canada combines gas marketing units**

onoco Canada said Thursday it is consolidating its entire Canadian gas marketing services under one umbrella in the company's gas and power marketing division effective Friday.

Conoco's gas marketing operations in Calgary have been split between Conoco and KeySpan Energy Canada. Parent company Conoco's gas portfolio has expanded — it now markets more than 7 Bcf/day in North America. The consolidation will allow Conoco Canada to use additional pipelines, including Alliance, WestCoast, TransGas, Foothills and PGT, for transportation to access new markets in Canada, Chicago, the northeastern United States and the Pacific Northwest, the company said. The move also will allow the company to access additional capacity on the TransCanada, ATCO and Iroquois pipelines, it said.

"We value the high level of service KeySpan has provided. Assuming direct control of our marketing processes is an important step toward realizing our growth targets for Conoco's commercial gas and power marketing business in Canada," said Joanne Baker, manager of gas and power marketing for Conoco Canada.

The five KeySpan employees responsible for gas marketing services for Conoco will become Conoco employees as part of the consolidation.

# Lay to appear Monday; Skilling set for Feb. 7

nron has failed to provide documents critical to Congress' investigation of its financial collapse despite repeated requests, Sen. Byron Dorgan, D-N.D., told reporters Thursday. He also said he fully expects former CEO Kenneth Lay to appear and answer questions about the company's downfall at a Senate Commerce Committee hearing Monday.

Asked if he believed Lay would at the last minute refuse to testify on the grounds that his statements might incriminate him, Dorgan responded that he did not "anticipate someone would come to this hearing not to be helpful." Lay, who has several lawsuits pending against him related to Enron's bankruptcy, has voluntarily agreed to testify and has not been compelled by a congressional subpoena.

Dorgan added that Lay had not asked for any special consideration or immunity for his testimony.

Meanwhile, Enron's former CEO, Jeffrey Skilling, and its ousted chief financial officer, Andrew Fastow, are scheduled to appear before a House Energy and Commerce Committee subcommittee on Feb. 7, said full committee Chairman Billy Tauzin, R-La. Oversight and Investigations Subcommittee Chairman James Greenwood, R-Pa. It will the first time either man has appeared before Congress since Enron's demise.

Tauzin and Greenwood also said Michael Kopper, a former Enron officer, had been subpoenaed to appear before the subcommittee Feb. 7; Skilling and Fastow are appearing voluntarily. The panels are holding Enron hearings Feb. 5-7.

# El Paso's quarterly gas sales drop ... (from page 1)

El Paso executives said they foresee no threat from the restarted Enron marketing and trading operations by UBS Warburg. The officials said in a conference call Thursday that the new Enron would be "a financial trader," while El Paso remains "asset oriented."

While El Paso's power trading volumes soared in the fourth quarter of 2001, gas volumes fell. But the company saw volume increases in both commodities for full-year 2001.

Physical gas deliveries by the merchant group declined 23% in Q4 2001 to 9.468 TBtu/day from 12.373 TBtu/day in 2000, while physical power sales climbed 165% to 77,726 GWh from 29,306 GWh in Q4 2000.

For the year, physical gas sales averaged  $9.23~\mathrm{TBtu/day}$ , up 19% from  $7.768~\mathrm{TBtu/day}$  in 2000. Physical power sales were 221,075 GWh, an increase of 86% from 118,672 GWh in 2000

Due to lower commodity prices, El Paso revised its 2002 earnings guidance down to \$3.30-45 per share from an earlier projection of \$3.40-55.

In the fourth quarter and full year, El Paso's pipeline segment benefited from higher transportation rates on recontracted capacity on the El Paso Natural Gas system. However, recontracting activities on Tennessee Gas Pipeline and the effects of milder weather

#### Reliant Energy's Weather-Sensitive Gas Load Indices

	Nov 3- Jan 25*	Jan 26- Feb 1	Feb 2- Feb 8
National-WGLI			
Actual/Forecast	1091	92	n/a
Year 2000	1380	111	108
10-year Average	1227	114	111
Mid-Atlantic Region-MAG	LI		
Actual/Forecast	1052	75	n/a
Year 2000	1306	107	109
10-year Average	1187	115	117
<b>Great Lakes Region-GGL</b>	I		
Actual/Forecast	1007	85	n/a
Year 2000	1407	112	114
10-year Average	1226	117	114

<sup>\*</sup> cumulative

The indices measure residential and commercial (R/C) gas consumption. They are set to equal 100 for a typical week in heating season (10-year average). A value 110 indicates R/C consumption 10% higher than a typical week. Forecasts based on temperature forecasts from the National Weather Service. For details, call 713-207-1184.

## Mirant cuts spending again

Citing the current soft energy market, Enron's collapse and Moody's decision to cut its rating to below investment grade, Mirant on Thursday announced further cuts to its capital spending this year and beyond.

Mirant in December said that due to the Moody's action and current market conditions, the company was cutting its capital spending to \$2.6 billion in 2002 and \$3.4 billion in 2003. Mirant CEO Marce Fuller said in a conference call Thursday that after meeting with Moody's to ascertain what was needed to return the company to an investment-grade rating, Mirant would further scale back its spending and is projecting \$1.8 billion in spending for 2002 and \$1.1 billion in 2003.

Officials of the Atlanta-based marketer said they are canceling a number of power plant developments as part of the spending cutbacks.

#### Sable volumes revised downward

In its fourth-quarter earnings statement released Thursday, Shell Canada revised downward its estimate of gas reserves at the Sable Offshore Energy Project in Nova Scotia by about 300 Bcf.

Based on recent reserve studies, the company now estimates its share of reserves to be about 800 Bcf, down from the original estimate of about 1.1 Tcf. Shell Canada holds a 31.3% interest in the project, which is estimated to hold about 3.5 Tcf and ultimately is scheduled to produce about 530,000 Mcf/day.

Company representatives said the revision was a result of new data received from seismic analysis and new information concerning the 12 wells that have already been drilled at the project's first tier. The Sable project is jointly owned by Shell Canada, ExxonMobil Canada, Imperial Oil Resources, Nova Scotia Resources and Mosbacher Operating.

dragged revenue down for this segment. Fourth-quarter earnings for the company's overall pipeline operations came in 6% higher than a year ago at \$362 million.

The production segment overcame lower prices in late 2001 with a successful hedging program and a 15% overall production increase, El Paso officials said. Gas production was up 11% to 1.578 Bcf/day. Gas prices averaged \$3.33/Mcf, up from \$2.87 in fourth-quarter 2000.

Liquids production was up 40% to 47,098 barrels per day, but liquids prices were down sharply to \$16.58/barrel from \$21.46 a year ago.

El Paso said it has about 75% of its 2002 production hedged at a NYMEX price of \$4.05/Mcf and about 57% of 2003 production hedged at \$3.85/Mcf. It also has set hedges for 2004 through 2006 for less than 20% of expected production at NYMEX prices ranging from \$3.35 to \$3.48/Mcf.

El Paso's stock was trading up about 7% to a high of \$38.15/share by Thursday afternoon, closing at \$37.95/share, up 6.75%. Williams issued \$863 million in common equity in December 2001 and is halfway through a plan to raise another \$2.25 billion in asset selloffs.

SGS/Staff

## FERC drops price reporting rule ... (from page 1)

file their last report, for January, on March 1.

When the reporting requirement was imposed, California spot prices ranged from \$11.79/MMBtu to \$18.80/MMBtu, while prices in all other markets were between \$4/MMBtu and \$7/MMBtu, FERC recalled. "Currently, as reported in Platts *Gas Daily*, the spot price of natural gas at the California border is less than \$3, which is generally in line with the spot price elsewhere in the country and, in fact, lower than the price at some city-gates in the East," FERC said.

FERC added that it is reviewing what information it should collect to monitor energy markets across the United States. "Any further reporting requirement covering the California gas market is best developed as part of this comprehensive review," the order said.

Chairman Pat Wood III and Commissioner Nora Mead Brownell added in a concurrence that the California data collected thus far "will provide a reference point that will enable the commission to effectively craft a more focused reporting requirement should it appear that a price disparity may again resurface."

Indicated Shippers asked FERC in December not to extend the California gas reporting, citing the less volatile market and claiming that compliance with the reporting requirement took 15 hours a month. The California Electricity Oversight Board protested the shippers' petition, arguing that "there is no principled reason to assume that current market stability inherently eliminates future abuse of California's natural gas market."

FERC responded in the order that it would cross that bridge if it ever comes to it. "While there is no guarantee that the disparity in the prices could not again occur, at this time there is no basis to assume that it will," the commission reasoned. "However, should the price disparity reoccur, the commission will be in a better position to determine what action it should take as a result of the submissions to date."

FERC stressed that relieving market participants from the reporting does not signal "a lessening of the commission's intent to closely monitor that market." The commission decided that it is better to devote resources to the "more comprehensive ongoing review of data collection" than extending the California reporting requirement at this time.

The reporting requirements placed an unfair burden on marketers, Craig Goodman, president of the National Energy Marketers Association, told *Gas Daily* on Thursday, adding that "absent a real state of emergency, additional reporting requirements have never really been necessary." He estimated that the reporting placed a burden of more than \$100 million on marketers annually — expenses that continue because the Energy Information Administration has similar reporting requirements.

"You have to implement computer systems, there are man-hours, hardware," Goodman said. "FERC tried to make it streamlined, and so did EIA, but the fact of the matter is you still have to implement these reporting systems and they didn't exist before."

Goodman also challenged the notion that the federal government has the authority to require such reporting. "The information they are trying to get from the unregulated market sector is speculative," he said, adding that NEMA has made "at least six legal filings that there was no legal authority to require this kind of reporting." KF/RW

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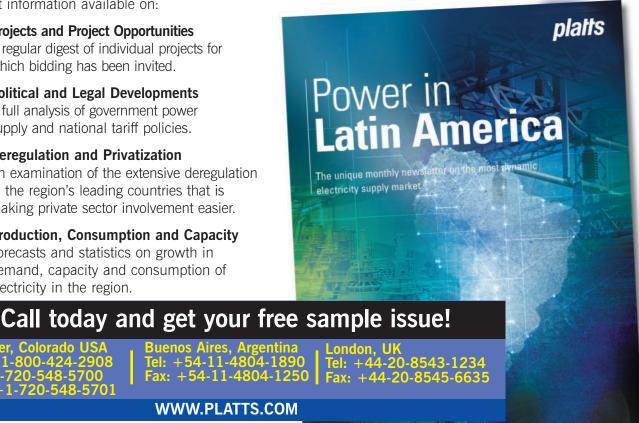
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