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VIA OVERNIGHT MAIL

May 12, 2005

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RECEIVED

MAY 13 2005

PUBLIC SERVICE
COMMISSION

Dianne B. Kuhnell
Paralegal

Re: In the Matter of: APPLICATION OF THE UNION LIGHT, HEAT AND POWER
COMPANY TO IMPLEMENT A HEDGING PROGRAM

Dear Ms. O'Donnell:

Enclosed herewith are an original and 12 copies of The Union Light, Heat and Power Company's Application to Implement a Hedging Program, together with redacted attachments.

Also enclosed are 14 copies of the Petition of The Union Light, Heat and Power Company for Confidential Treatment of Information, together with an envelope containing the information being filed under seal.

Please return the additional time stamped copies of the Application to Implement a Hedging Program and the Petition for Confidential Treatment of Information to me in the enclosed self addressed envelope.

Very truly yours,

Dianne B. Kuhnell
Paralegal

Enclosures as stated.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 13 2005

PUBLIC SERVICE
COMMISSION

In the Matter of the:

APPLICATION OF THE UNION LIGHT,)
HEAT AND POWER COMPANY TO)
IMPLEMENT A HEDGING PROGRAM)
TO MITIGATE PRICE VOLATILITY IN)
THE PROCUREMENT OF NATURAL GAS)

CASE NO. 2005-00191

* * * * *

THE UNION LIGHT, HEAT AND POWER COMPANY'S
FINAL REPORT ON HEDGING PLAN
FOR APRIL 1, 2004 THROUGH MARCH 31, 2005,
REPORT ON HEDGING ACTIVITY FOR FUTURE GAS DELIVERIES,
AND APPLICATION FOR APPROVAL OF NEW HEDGING PLAN

Pursuant to 807 KAR 5:001, Section 8 and the Commission's Order dated June 19, 2003 in Case No. 2003-00151, The Union Light, Heat and Power Company (ULH&P) respectfully states as follows:

1. ULH&P is a Kentucky corporation with its principal office and principal place of business at 1697 A Monmouth Street, Newport Shopping Center, Newport, Kentucky 41071. Its mailing address is P.O. Box 960, Cincinnati, Ohio 45201.
2. ULH&P is a utility engaged in the gas and electric business. ULH&P purchases, sells, stores and transports natural gas in Boone, Campbell, Gallatin, Grant, Kenton and Pendleton Counties, Kentucky. ULH&P also purchases electricity, which it distributes and sells in Northern Kentucky.
3. Pursuant to 807 KAR 5:001, Section 8(3), ULH&P states that a certified copy

of its Articles of Incorporation, as amended, is on file with the Commission in Case No. 2005-00042.

4. In an Order dated June 19, 2003 in Case No. 2003-00151, the Commission approved ULH&P's prior hedging program and required, among other things, periodic reports on the results of the hedging program. Attachment A is ULH&P's annual report on the final results of its hedging plan for April 1, 2004 through March 31, 2005, and report on hedging activity for future gas deliveries, as required by such order. As demonstrated in ULH&P's report, the hedging plan successfully mitigated price volatility for ULH&P's firm sales customers.

5. Ordering Paragraph 2 of the June 19, 2003 Order also provided that, if ULH&P should seek approval of a continued hedging plan, then ULH&P should file an application for approval of such plan by May 15, 2005. Pursuant to such order, ULH&P seeks approval to institute a hedging plan as a regular part of its gas supply planning. A copy of ULH&P's proposed new redacted hedging plan is at Attachment B.

6. ULH&P proposes that the Commission approve the new hedging plan to cover hedging activity through March 31, 2008, and allow for hedging of natural gas deliveries through October 31, 2010. The new hedging plan incorporates parameters for hedging purchases similar to the parameters approved by the Commission for ULH&P's previous hedging programs. The new hedging plan utilizes the same types of hedging instruments used for ULH&P's previous hedging programs and also incorporates the same procedural safeguards, consisting of periodic management meetings, written minutes and annual reports to the Commission on the results of the hedging plan. The

plan continues to provide for hedging of a portion of ULH&P's summer base load purchases. The new plan would allow ULH&P to hedge a portion of its gas supply for up to 36 months following the time period covered by the hedging plan. This will provide ULH&P with additional flexibility to stagger its hedging purchases, thus increasing the diversity of cyclical pricing influences. This should better enable ULH&P to mitigate price volatility for its customers.

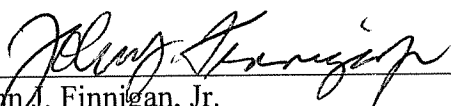
7. ULH&P's experience with its previous hedging programs demonstrates that hedging has accomplished the goals that ULH&P projected at the outset of its hedging program, that is, hedging would not always result in the lowest gas costs, but hedging does serve a valuable purpose in protecting customers against extreme high prices and hedging also mitigates price volatility. The new hedging plan incorporates the procedural safeguards, developed in response to the Commission's Orders in ULH&P's previous hedging proceedings, to ensure that hedging decisions are made in a prudent manner. Finally, the parameters of the new hedging plan, the types of hedging instruments provided therein and the annual reports provided by ULH&P give the Commission oversight of the new hedging plan. ULH&P therefore requests that the Commission approve its new hedging plan so that ULH&P can continue to provide for its customers the benefits resulting from hedging of a portion of gas supply purchases, as described above.

WHEREFORE, ULH&P respectfully requests that the Commission accept for filing ULH&P's attached report of the final results of its hedging plan for April 1, 2004 through March 31, 2005, and report on hedging activity for future gas deliveries.

ULH&P also requests that the Commission approve ULH&P's application for a new hedging plan as described herein.

Respectfully submitted,

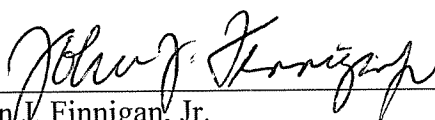
THE UNION LIGHT, HEAT AND POWER
COMPANY



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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was served of the parties listed below by regular United States mail, postage prepaid, this 12th day of May, 2005.



John J. Finnigan, Jr.

Hon. Elizabeth E. Blackford
Assistant Attorney General
Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204

**BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

RECEIVED

MAY 13 2005

PUBLIC SERVICE
COMMISSION

**Annual Report on Hedging Activity
For April 1, 2004 – March 31, 2005
And Report on Hedging Activity
For Future Gas Deliveries**

**By
The Union Light, Heat and Power
Company**

May, 2005

The Vice President of Gas Operations, Director of the Gas Commercial Operations, the Administrator of Gas Procurement 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, since the approval of the pilot program, 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, 2005 is shown below, followed by details of the factors influencing ULH&P's decision to enter into a hedging agreement each time.

Strike Date	Supplier	Type	Price Per Dth	Delivery Point **	Volume Dth/day	Month(s)	Total Volume
Summer 2004							
11/21/2003*	CM&T	Cost Avg	\$5.3081	CGT	3,000	Apr 04 – Oct 04	642,000
8/4/2004	Occidental	Fixed	\$5.705	CGT	1,700	Sep 04 – Oct 04	103,700
							<u>745,700</u>
Winter 2004/05							
2/2/2004*	Conoco	Fixed	\$5.485	CGT	1,000	Nov 04 – Mar 05	151,000
4/20/2004	Occidental	Fixed	\$6.07	CGT	1,000	Nov 04 – Mar 05	151,000
5/18/2004	CM&T	Cost Avg	\$6.9766	CGT	5,000	Nov 04 – Mar 05	755,000
7/30/2004	Conoco	Fixed	\$6.9475	CGT	1,700	Dec 04 – Feb 05	153,000
9/2/2004	Conoco	Fixed	\$6.36	CGT	2,000	Dec 04 – Feb 05	180,000
11/8/2004	Conoco	Fixed	\$7.535	Tenn	4,839	Dec 04	150,009
11/16/2004	Oneok	Fixed	\$7.683	CGT	2,000	Jan 05 – Mar 05	180,000
12/7/2004	Conoco	Fixed	\$6.6035	CGT	4,482	Jan 05	138,942
1/10/2005	Conoco	Fixed	\$6.099	Tenn	4,000	Feb 05	112,000
2/8/2005	Conoco	Fixed	\$6.148	Tenn	3,700	Mar 05	114,700
							<u>2,085,651</u>
Summer 2005							
9/13/2004						Apr 05 – Oct 05	
3/8/2005						Apr 05 – Oct 05	
3/9/2005						Apr05	
Winter 2005/06							
12/7/2004						Nov 05 – Mar 06	
1/28/2005						Nov 05 – Mar 06	
3/8/2005						Nov 05 – Mar 06	

* See Annual Report on Hedging Activity for April 1, 2003 – March 31, 2004

**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 ULH&P 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 2004	[REDACTED] dth	[REDACTED] dth	[REDACTED] %
Winter 2004/05	[REDACTED] dth	[REDACTED] dth	[REDACTED] %
Summer 2005 (as of 3/31/05)	[REDACTED] dth	[REDACTED] dth	[REDACTED] %
Winter 2005/06 (as of 3/31/05)	[REDACTED] dth	[REDACTED] dth	[REDACTED] %

Winter 2004-05 Fixed Price with Occidental – April 20, 2004

During the second week of April 2004, natural gas futures prices declined each day. However, this decline was believed to be temporary, due to supply concerns. As prices declined they began to approach PIRA’s forecast, but they remained higher than EIA’s and lower than CERA’s. Therefore, it was decided to lock in another 5% of base supply for the next winter. On April 20, 2004, an agreement was made with Occidental Energy Marketing to purchase _____ dth per day at Columbia Gulf Onshore from November 1, 2004 through March 31, 2005 for a fixed price of \$ _____ per dth.

The EIA storage report released on April 15, 2004 indicated that as of April 9, 2004, total U.S. amount of gas in storage was 1,049 bcf (32% full), which was 407 bcf higher than the previous year and 57 bcf lower than the 5-year average. ULH&P’s storage with Columbia Gas was approximately ___ bcf (___% full).

The table below compares the futures price data on April 20th with the most recently available forecasts from PIRA, CERA and EIA and the fixed price that ULH&P agreed to pay Occidental. Since a fixed price was locked in for all five months, a column showing the average price is provided for comparison purposes.

	Nov 04	Dec 04	Jan 05	Feb 05	Mar 05	Average
Price Forecasts						
PIRA (3/24/04)	\$5.90	\$6.20	\$6.30	\$6.10	\$5.70	\$6.040
CERA (4/16/04)	\$6.13	\$6.28	\$6.57	\$6.36	\$6.18	\$6.304
EIA (4/8/04)	\$5.58	\$5.69	\$6.19	\$5.75	\$5.43	\$5.728
NYMEX (4/20/04)						
High	\$5.935	\$6.120	\$6.250	\$6.190	\$6.010	\$6.101
Low	\$5.900	\$6.075	\$6.195	\$6.150	\$5.960	\$6.056
Close	\$5.927	\$6.102	\$6.230	\$6.180	\$5.985	\$6.085
No Cost Collar (4/20/04)						
Occidental (_____ dth/day 11/1/04-3/31/05)						\$

Winter 2004-05 Cost Averaging with Cinergy Marketing & Trade – May 18, 2004

During the hedging meeting on May 12, 2004, the Natural Gas Hedging Committee decided to start the cost averaging for the winter of 2004-05. ULH&P informally sought bids from three suppliers for providing _____ dth per day from

November 1, 2004 through March 31, 2005 at Columbia Gulf Onshore, at a price determined by averaging the NYMEX close from June 1 through October 27, 2004. ConocoPhillips, Occidental and Cinergy Marketing & Trading, LP (CM&T) 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 May 18, 2004, ULH&P entered into the cost averaging arrangement with CM&T with the lowest bid of \$ ____ per dth. ConocoPhillips and Occidental bid \$ ____ and \$ ____ respectively. The end result was a price of \$ ____ per dth (see Attachment B).

Fixed prices with ConocoPhillips – July 30, 2004

Toward the end of July 2004, prices were declining, but remained in the upper \$6.00's, well above forecasts from CERA and EIA. However, the spring futures prices for the next winter exceeded \$7.00 on several occasions, and a breakout to the upside seemed likely. Therefore, the Gas Hedging Committee decided to lock in another 5% at current levels for December 2004 through February 2005.

The EIA storage report released on July 22, 2004 indicated that as of July 16, 2004, total U.S. amount of gas in storage was 2,227 bcf (69% full), which was 246 bcf higher than the previous year and 57 bcf higher than the 5-year average. ULH&P's storage with Columbia Gas was approximately __ bcf (__% full).

The table below compares the futures price data for July 30th with the most recently available forecasts from CERA and EIA and the locked in price that ULH&P agreed to pay ConocoPhillips for base gas to be delivered December 2004 through February 2005. The fixed price was based on delivery to Columbia Gulf South Louisiana Onshore.

	Dec 04	Jan 05	Feb 05	Average
Price Forecasts				
CERA (7/16/04)	\$6.28	\$6.41	\$6.20	\$6.297
EIA (7/7/04)	\$6.37	\$6.60	\$6.17	\$6.380
NYMEX (7/30/04)				
High	\$6.890	\$7.060	\$7.010	\$6.987
Low	\$6.800	\$6.980	\$6.950	\$6.910
Close	\$6.841	\$7.017	\$6.978	\$6.945
Fixed Prices (7/30/04)				
ConocoPhillips (____ dth/day 12/1/04-2/28/05)				\$

Fixed price with Occidental – August 4, 2004

During the Hedging Meeting on July 28, 2004, it was also decided that since prices were declining, the market would be watched closely for an opportunity to lock in prices under \$ ___ for September and October 2004. The August 3rd issue of “BNP Paribas Natural Gas Market Watch” stated: “The inability to sustain prices below (\$___) demonstrates that incredibly bearish fundamentals are simply not enough to propel prices lower... However, a hurricane threatening production areas, a lower than expected weekly injection, a sudden change to extreme heat in densely populated areas and it would be easy to see an explosive and violent rally to above (\$___).” Therefore, a fixed price for September and October 2004 was locked in on August 4th with Occidental.

The EIA storage report released on July 29, 2004 indicated that as of July 23, 2004, total U.S. amount of gas in storage was 2,297 bcf (72% full), which was 235 bcf higher than the previous year and 69 bcf higher than the five-year average. ULH&P’s storage with Columbia Gas was approximately ___ bcf (___% full).

The table below compares the futures price data for August 4th with the most recently available forecasts from CERA and EIA and the locked in price that ULH&P agreed to pay Occidental for base gas to be delivered September 2004 through October 2004 at Columbia Gulf South Louisiana Onshore.

	Sep 04	Oct 04	Average
Price Forecasts			
CERA (7/17/04)	\$5.91	\$5.60	\$5.755
EIA (7/7/04)	\$6.11	\$6.12	\$6.115
NYMEX (8/4/04)			
High	\$5.77	\$5.87	\$5.820
Low	\$5.64	\$5.74	\$5.690
Close	\$5.66	\$5.76	\$5.710
Fixed Price (8/4/04)			
Occidental (___ dth/day 9/1/04-10/31/04)			\$

Fixed price with ConocoPhillips – September 2, 2004

At the beginning of September, 2004, natural gas futures prices for the coming winter were lower than they had been since the previous April. Prices were also lower than EIA’s most recent forecast, although they were higher than CERA’s. The market fell dramatically on September 1st due to the diminishing threat that Hurricane Frances posed to Gulf production. However, with Tropical Storms Gaston and Hermione in the Atlantic and a topical depression forming that would eventually become Hurricane Ivan, it was apparent that a sudden rise in prices could occur without warning due to increased hurricane activity. Since there was no scheduled meeting of the Hedging Committee, informal discussions among the members took place and resulted in a decision to lock in another small portion of natural gas for December 2004 through February 2005.

The EIA storage report released on September 2, 2004 indicated that as of August 27, 2004, total U.S. amount of gas in storage was 2,695 bcf (84% full), which was 276 bcf higher than the previous year and 184 bcf higher than the 5-year average. ULH&P's storage with Columbia Gas was approximately ___ bcf (___% full).

The table below compares the futures price data for September 2nd with the most recently available forecasts from CERA and EIA and the locked in price that ULH&P agreed to pay ConocoPhillips for base gas to be delivered December 2004 through February 2005 at Columbia Gulf South Louisiana Onshore.

	Dec 04	Jan 05	Feb 05	Average
Price Forecasts				
CERA (8/18/04)	\$6.03	\$6.16	\$5.95	\$6.047
EIA (8/10/04)	\$6.52	\$6.69	\$6.55	\$6.587
NYMEX (9/2/04)				
High	\$6.23	\$6.58	\$6.63	\$6.480
Low	\$6.05	\$6.45	\$6.50	\$6.333
Close	\$6.13	\$6.52	\$6.55	\$6.398
Fixed Price (9/2/04)				
ConocoPhillips (___ dth/day 12/1/04-2/28/05)				\$

Summer 2005 Cost Averaging with CM&T – September 13, 2004

At the hedging meeting on September 9, 2004 the Natural Gas Hedging Committee decided to start the cost averaging for the summer of 2005. Prices for the 2005 summer were around the same level as they had been for the 2004 summer to date. Since the summer of 2004 was mild, and storage levels were higher than normal, the next summer's prices could be much higher if storage levels are lower than normal to start the injection season. Four suppliers were contacted regarding a cost averaging deal for 2,300 dth per day from April 1, 2005 through October 31, 2005 with the price based on the average NYMEX closing price for September 16, 2004 through March 29, 2005. Oneok declined to provide a bid, while CM&T bid \$___ per dth, Occidental bid flat NYMEX average and ConocoPhillips bid \$___ per dth. Therefore, ULH&P accepted CM&T's offer. The end result was a price of \$___ per dth (see Attachment C).

Fixed Price with ConocoPhillips – November 8, 2004

ULH&P calculates the Expected Gas Cost (EGC) portion of the Gas Adjustment Clause (GCA) 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, ULH&P locked in a fixed price for December 2004 based on the closing price for December futures on November 8th, the same price that was used to calculate the EGC. ConocoPhillips agreed to set the price for a portion of the firm base supply, which

ULH&P had previously agreed to purchase, to the closing price for December 2004 futures on November 8, 2004 less \$ ___ per dth for the basis between the Henry Hub and Tennessee 500 leg, where ULH&P would take delivery.

The EIA storage report released on November 4, 2004 indicated that as of October 29, 2004, total U.S. amount of gas in storage was 3,293 bcf (103% full), which was 138 bcf higher than the previous year and 239 bcf higher than the five-year average. ULH&P's storage with Columbia Gas was approximately ___ bcf (___% full).

The table below compares the futures price data on November 8th with the most recently available forecasts from CERA and EIA and the fixed price that ULH&P agreed to pay ConocoPhillips.

	Dec 04
Price Forecasts	
CERA (10/18/04)	\$5.710
EIA (10/6/04)	\$6.372
NYMEX (11/8/04)	
High	\$7.935
Low	\$7.550
Close	\$7.600
Fixed Price (11/8/04)	
ConocoPhillips (___ dth/day 12/1/04-12/31/04)	\$

Fixed price with Oneok – November 16, 2004

With prices for natural gas remaining high, even with a warmer than normal start to the winter heating season, any colder than normal weather should send prices even higher. Since Earthsat and WSI were both forecasting colder than normal December through February, the Natural Gas Hedging Committee decided to hedge another 5% of winter base supply for the latter half of the season, January through March 2005.

The EIA storage report released on November 10, 2004 indicated that as of November 5, 2004, total U.S. amount of gas in storage was 3,327 bcf (104% full), which was 140 bcf higher than the previous year and 266 bcf higher than the five-year average. ULH&P's storage with Columbia Gas was approximately ___ bcf (___% full).

The table below compares the futures price data for November 16th with the most recently available forecasts from CERA and EIA and the locked in price that ULH&P agreed to pay OneOk for ___ dth/day to be delivered January through March 2005 at Columbia Gulf Onshore.

	Jan 05	Feb 05	Mar 05	Average
Price Forecasts				
CERA (10/18/04)	\$6.00	\$6.03	\$5.28	\$5.770
EIA (11/9/04)	\$6.68	\$6.40	\$5.86	\$6.313
NYMEX (11/16/04)				
High	\$8.070	\$8.095	\$7.850	\$8.005
Low	\$7.670	\$7.710	\$7.500	\$7.627
Close	\$7.757	\$7.797	\$7.572	\$7.709
Fixed Price (11/16/04)				
Oneok (____ dth/day 1/1/05-3/31/05)				\$

Fixed Prices with ConocoPhillips and Occidental – December 7, 2004

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, ULH&P locked in a fixed price for January 2005 based on the closing price for January futures on December 7th, the same price that was used to calculate the EGC. ConocoPhillips agreed to set the price for a portion of the firm base supply, which ULH&P had previously agreed to purchase, to the closing price for January 2005 futures on December 7, 2004 less \$ ____ per dth for the basis between the Henry Hub and Columbia Gulf South Louisiana Onshore where ULH&P would take delivery.

In addition, at the Hedging Meeting on November 16, 2004 it was decided to watch the market for an opportunity to lock in a fixed price for the 2005-06 winter under \$ ____, since futures prices had been well over \$ ____ since September. Prices declined throughout the first week of December, and a fixed price was locked in with Occidental on December 7th for 1,000 dth per day from November 1, 2005 through March 31, 2006.

The EIA storage report released on December 2, 2004 indicated that as of November 26, 2004, total U.S. amount of gas in storage was 3,299 bcf (103% full), which was 204 bcf higher than the previous year and 331 bcf higher than the five-year average. ULH&P's storage with Columbia Gas was approximately ____ bcf (____% full).

The table below compares the futures price data on December 7th with the most recently available forecasts from CERA and EIA and the fixed prices that ULH&P agreed to pay ConocoPhillips and Occidental.

	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Avg	Jan 05
Price Forecasts							
CERA (11/16/04)	\$6.03	\$6.22	N/A	N/A	N/A	N/A	\$6.250
EIA (12/7/04)	\$5.76	\$5.99	N/A	N/A	N/A	N/A	\$5.915
NYMEX (12/7/04)							
High	\$6.670	\$6.960	\$7.180	\$7.170	\$6.970	\$6.990	\$6.910
Low	\$6.603	\$6.890	\$7.100	\$7.096	\$6.888	\$6.915	\$6.600
Close	\$6.603	\$6.893	\$7.103	\$7.096	\$6.888	\$6.917	\$6.621
Fixed Prices (12/7/04)							
Occidental (___ dth/day 11/1/05 – 3/31/06)						\$	
ConocoPhillips (___ dth/day 1/1/05-1/31/05)							\$

Fixed price with ConocoPhillips – January 10, 2005

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, ULH&P locked in a fixed price for February 2005 based on the closing price for February futures on January 10th, the same price that was used to calculate the EGC. ConocoPhillips agreed to set the price for a portion of the firm base supply, which ULH&P had previously agreed to purchase, to the closing price for February 2005 futures on January 10, 2005 less \$ ___ per dth for the basis between the Henry Hub and Tennessee 500 Leg where ULH&P would take delivery.

The EIA storage report released on January 6, 2005 indicated that as of December 31, 2004, total U.S. amount of gas in storage was 2,698 bcf (84% full), which was 79 bcf higher than the previous year and 279 bcf higher than the 5-year average. ULH&P's storage with Columbia Gas was approximately ___ bcf (___ % full).

The table below compares the futures price data for January 10th with the most recently available forecasts from CERA and EIA and the locked in price that ULH&P agreed to pay ConocoPhillips for ___ dth per day to be delivered in February 2005.

	Feb 05
Price Forecasts	
CERA (12/16/04)	\$6.28
EIA (12/7/04)	\$5.69
NYMEX (1/10/05)	
High	\$6.550
Low	\$6.130
Close	\$6.159
Fixed Price (1/10/05)	
ConocoPhillips (___ dth/day 2/1/05-2/28/05)	\$

Winter 2005-06 Cost Averaging with CM&T – January 28, 2005

At the hedging meeting on January 27, 2005 the Natural Gas Hedging Committee decided to start a cost averaging for the winter of 2005-06. Since the market was offering no clear indication of direction, and winter prices were around the price that had been locked in with Occidental on December 7, 2004, a cost averaging approach was considered preferable to locking in a fixed price. However, it was considered too early to start the traditional winter cost averaging that has been locked in over the summer months in years past. Therefore a smaller volume would be locked in with cost averaging spread over a shorter period of time. ULH&P will most likely arrange for a larger volume of cost averaging to be accumulated through out the summer at a later date.

Since Oneok did not bid on the Summer 2005 cost averaging, and ConocoPhillips has consistently been the highest bidder, only Occidental and CM&T were contacted regarding a cost averaging deal for ___ dth per day from November 1, 2005 through March 31, 2006 with the price based on the average NYMEX closing price for February 1, 2005 through March 31, 2005. CM&T bid \$___ per dth and Occidental bid \$___ per dth. Occidental cited the smaller volume and shorter time span for its unusually high bid. Therefore, ULH&P accepted CM&T's offer. The end result was a price of \$___ per dth (see Attachment D).

Fixed price with ConocoPhillips – February 8, 2005

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, ULH&P locked in a fixed price for March 2005 based on the closing price for March futures on February 8th, the same price that was used to calculate the EGC. ConocoPhillips agreed to set the price for a portion of the firm base supply, which ULH&P had previously agreed to purchase, to the closing price for March 2005 futures on February 8, 2005 less \$___ per dth for the basis between the Henry Hub and Tennessee 500 Leg where ULH&P would take delivery. While the basis seemed high compared to previous arrangements, over the last two months the price of Tennessee 500 Leg has risen relative to Henry Hub. The actual difference between the NYMEX closing price and the Tennessee 500 Leg First of Month Index was -\$0.013 in January 2005 and -\$0.008 in February 2005.

The EIA storage report released on February 4, 2005 indicated that as of January 28, 2005, total U.S. amount of gas in storage was 2,082 bcf (65% full), which was 188 bcf higher than the previous year and 273 bcf higher than the five-year average. ULH&P's storage with Columbia Gas was approximately ___ bcf (___% full).

The table below compares the futures price data for February 8th with the most recently available forecasts from CERA and EIA and the locked in price that ULH&P agreed to pay ConocoPhillips for ___ dth per day to be delivered in March 2005.

Mar 05	
Price Forecasts	
CERA (1/17/05)	\$5.63
EIA (2/8/05)	\$5.05
NYMEX (2/8/05)	
High	\$6.175
Low	\$6.010
Close	\$6.164
Fixed Price (2/8/05)	
ConocoPhillips (___ dth/day 3/1/05-3/31/05)	\$

Summer 2005 and Winter 2005-06 Fixed price with Oneok – March 8, 2005

During the Natural Gas Hedging Meeting on February 23, 2005, it was determined that most market fundamental indicators were “bearish”. However, prices remained in the \$6.00’s for the summer and in \$7.00’s for next winter. If these prices were the result of “bearish” fundamentals, then any “bullish” signals from cold weather to a larger than expected storage withdrawal would send prices much higher. The Natural Gas Hedging Committee decided to monitor prices closely over the next two weeks and lock in ___% of summer 2005 base gas supply and ___% of winter 2005-06 base gas supply if prices fall, as fundamental’s indicate, or if prices should instead rise. Within the next week prices began to rise dramatically, and separate summer and winter fixed price deals were struck with Oneok on March 8, 2005.

The EIA storage report released on March 3, 2005 indicated that as of February 25, 2005, total U.S. amount of gas in storage was 1,613 bcf (50% full), which was 415 bcf higher than the previous year and 358 bcf higher than the five-year average. ULH&P’s storage with Columbia Gas was approximately ___ bcf (___% full).

The table below compares the futures price data for March 8th with the most recently available forecasts from CERA and EIA and the locked in price that ULH&P agreed to pay Oneok for base gas to be delivered April 2005 through March 2006 at Columbia Gulf South Louisiana Onshore.

Summer 2005	Apr05	May05	Jun05	Jul05	Aug05	Sep05	Oct05	Average
Price Forecasts								
CERA (2/17/05)	\$5.84	\$6.33	\$6.38	\$6.07	\$5.97	\$5.74	\$5.77	\$6.014
EIA (3/8/05)	\$5.16	\$5.05	\$5.11	\$5.08	\$5.19	\$5.30	\$5.60	\$5.213
NYMEX (3/8/05)								
High	\$6.94	\$7.05	\$7.14	\$7.19	\$7.24	\$7.26	\$7.27	\$7.156
Low	\$6.78	\$6.94	\$7.03	\$7.10	\$7.12	\$7.15	\$7.17	\$7.041
Close	\$6.85	\$6.98	\$7.07	\$7.14	\$7.18	\$7.19	\$7.22	\$7.090
Fixed Price (3/8/05)								
Oneok (___ dth/day 4/1/05-10/31/05)								\$

Winter 2005-06	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Average
Price Forecasts						
CERA (2/17/05)	\$6.03	\$6.36	\$6.49	\$6.46	\$5.87	\$6.242
EIA (3/8/05)	\$5.78	\$6.70	\$6.60	\$6.46	\$5.78	\$6.265
NYMEX (3/8/05)						
High	\$7.64	\$8.02	\$8.26	\$8.23	\$8.04	\$8.038
Low	\$7.56	\$7.93	\$8.16	\$8.15	\$7.99	\$7.958
Close	\$7.60	\$7.98	\$8.22	\$8.19	\$8.01	\$8.000
Fixed Price (3/8/05)						
Oneok (___ dth/day 11/1/05-3/31/06)						\$

Fixed price with Occidental – March 9, 2005

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, ULH&P locked in a fixed price for April 2005 based on the closing price for April futures on March 9th, the same price that was used to calculate the EGC. Occidental agreed to a price based on the closing for April 2005 futures on February 9, 2005 less \$ ___ per dth for the basis between the Henry Hub and Columbia Gulf South Louisiana Onshore where ULH&P would take delivery.

The EIA storage report released on March 3, 2005 indicated that as of February 25, 2005, total U.S. amount of gas in storage was 1,613 bcf (50% full), which was 415 bcf higher than the previous year and 358 bcf higher than the five-year average. ULH&P's storage with Columbia Gas was approximately ___ bcf (___ % full).

The table below compares the futures price data for March 9th with the most recently available forecasts from CERA and EIA and the locked in price that ULH&P agreed to pay Occidental for ___ dth per day to be delivered in April 2005.

	Apr 05
Price Forecasts	
CERA (2/17/05)	\$5.84
EIA (3/8/05)	\$5.16
NYMEX (2/9/05)	
High	\$6.95
Low	\$6.83
Close	\$6.88
Fixed Price (2/9/05)	
Occidental (___ dth/day 4/1/05-/30/05)	\$

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, 2005 gas costs were about \$350,000 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 table lists each package of hedged gas and the impact on the total gas cost resulting from that hedge.

Summer Season 2004

Supplier	Type	Dth/day	Total Dth	Receipt Point	Hedged Price \$/dth	Inside FERC FOMI \$/dth	Cost Increase/ (Savings)
April 2004							
CM&T	Fixed (Cost Avg.)	3,000	90,000	CGT	\$5.3081	\$5.33	(\$1,971.00)
May 2004							
CM&T	Fixed (Cost Avg.)	3,000	93,000	CGT	\$5.3081	\$5.88	(\$53,186.70)
June 2004							
CM&T	Fixed (Cost Avg.)	3,000	90,000	CGT	\$5.3081	\$6.64	(\$119,871.00)
July 2004							
CM&T	Fixed (Cost Avg.)	3,000	93,000	CGT	\$5.3081	\$6.15	(\$78,296.70)
August 2004							
CM&T	Fixed (Cost Avg.)	3,000	93,000	CGT	\$5.3081	\$5.98	(\$62,486.70)
September 2004							
CM&T	Fixed (Cost Avg.)	3,000	90,000	CGT	\$5.3081	\$5.04	\$24,129.00
Occidental	Fixed	1,700	51,000	CGT	\$5.705	\$5.04	\$33,915.00
October 2004							
CM&T	Fixed (Cost Avg.)	3,000	93,000	CGT	\$5.3081	\$5.71	(\$37,376.70)
Occidental	Fixed	1,700	52,700	CGT	\$5.705	\$5.71	(\$263.50)
Season Total							(\$295,408.30)

Winter Season 2004-05

Supplier	Type	Dth/day	Total Dth	Receipt Point	Hedged Price \$/dth	Inside FERC FOMI \$/dth	Cost Increase/ (Savings)
November							
Conoco	Fixed	1,000	30,000	CGT	\$5.485	\$7.62	(\$64,050.00)
Occidental	Fixed	1,000	30,000	CGT	\$6.07	\$7.62	(\$46,500.00)
CM&T	Fixed (Cost Avg.)	5,000	150,000	CGT	\$6.9766	\$7.62	(\$96,510.00)
December							
Conoco	Fixed	1,000	31,000	CGT	\$5.485	\$7.93	(\$75,795.00)
Occidental	Fixed	1,000	31,000	CGT	\$6.07	\$7.93	(\$57,660.00)
CM&T	Fixed (Cost Avg.)	5,000	155,000	CGT	\$6.9766	\$7.93	(\$147,777.00)
Conoco	Fixed	1,700	52,700	CGT	\$6.9475	\$7.93	(\$51,777.75)
Conoco	Fixed	2,000	62,000	CGT	\$6.36	\$7.93	(\$97,340.00)
Conoco	Fixed	4,839	150,009	Tenn	\$7.535	\$7.88	(\$51,753.11)
January							
Conoco	Fixed	1,000	31,000	CGT	\$5.485	\$6.18	(\$21,545.00)
Occidental	Fixed	1,000	31,000	CGT	\$6.07	\$6.18	(\$3,410.00)
CM&T	Fixed (Cost Avg.)	5,000	155,000	CGT	\$6.9766	\$6.18	\$123,473.00
Conoco	Fixed	1,700	52,700	CGT	\$6.9475	\$6.18	\$40,447.25
Conoco	Fixed	2,000	62,000	CGT	\$6.36	\$6.18	\$11,160.00
Oneok	Fixed	2,000	62,000	CGT	\$7.683	\$6.18	\$93,186.00
Conoco	Fixed	4,482	138,942	CGT	\$6.6035	\$6.18	\$58,841.94
February							
Conoco	Fixed	1,000	28,000	CGT	\$5.485	\$6.26	(\$21,700.00)
Occidental	Fixed	1,000	28,000	CGT	\$6.07	\$6.26	(\$5,320.00)
CM&T	Fixed (Cost Avg.)	5,000	140,000	CGT	\$6.9766	\$6.26	\$100,324.00
Conoco	Fixed	1,700	47,600	CGT	\$6.9475	\$6.26	\$32,725.00
Conoco	Fixed	2,000	56,000	CGT	\$6.36	\$6.26	\$5,600.00
Oneok	Fixed	2,000	56,000	CGT	\$7.683	\$6.26	\$79,688.00
Conoco	Fixed	4,000	112,000	Tenn	\$6.099	\$6.28	(\$20,272.00)
March							
Conoco	Fixed	1,000	31,000	CGT	\$5.485	\$6.25	(\$23,715.00)
Occidental	Fixed	1,000	31,000	CGT	\$6.07	\$6.25	(\$5,580.00)
CM&T	Fixed (Cost Avg.)	5,000	155,000	CGT	\$6.9766	\$6.25	\$112,623.00
Oneok	Fixed	2,000	62,000	CGT	\$7.683	\$6.25	\$88,846.00
Conoco	Fixed	3,700	114,700	Tenn	\$6.148	\$6.23	(\$9,405.40)
Season Total							(\$53,196.07)

Due to the mechanics of the Gas Cost Adjustment Clause (GCA), 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. Prior year's hedging programs continue to affect the AA portion of the GCA, but will be ignored for this analysis. Likewise, gas costs during the 12 months ended March 31, 2005 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 2004	-\$0.015	---	-\$0.015
May 2004	-\$0.086	---	-\$0.086
June 2004	-\$0.197	---	-\$0.197
July 2004	-\$0.145	---	-\$0.145
August 2004	-\$0.163	---	-\$0.163
September 2004	-\$0.068	\$0.000	-\$0.068
October 2004	+\$0.160	\$0.000	+\$0.160
November 2004	-\$0.096	\$0.000	-\$0.096
December 2004	-\$0.183	-\$0.013	-\$0.196
January 2005	+\$0.045	-\$0.013	+\$0.032
February 2005	+\$0.168	-\$0.013	+\$0.155
March 2005	+\$0.164	-\$0.019	+\$0.145

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, 2005. Based on this calculation, GCA customers will pay approximately \$0.03/Mcf less than they would have paid absent the hedging program for natural gas purchased between April 1, 2004 and March 31, 2005, as shown below:

$$(-\$348,604 / 11,423,786 = -\$0.03)$$

Effect of Hedging Program on Volatility

The hedging programs increased costs during the 2001-02 and the 2003-04 winters when market prices were relatively low and decreased costs during the 2002-03 and the 2004-05 winters 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 \$0.058/dth over the 12 months ended March 31, 2005.

	Actual Average Commodity Cost of Gas (Includes Hedging)				Estimated Average Commodity Cost of Gas Without Hedging		
	Commodity Cost	Dth	Wgt. Avg.	Cost/ (Savings)	Commodity Cost	Dth	Wgt. Avg.
Apr-03	\$4,709,659	806,828	\$5.837	(\$1,971)	\$4,711,630	806,828	\$5.840
May-03	\$2,938,073	473,494	\$6.205	(\$53,187)	\$2,991,260	473,494	\$6.317
Jun-03	\$2,901,024	443,910	\$6.535	(\$119,871)	\$3,020,895	443,910	\$6.805
Jul-03	\$2,097,469	343,232	\$6.111	(\$78,297)	\$2,175,766	343,232	\$6.339
Aug-03	\$2,972,643	503,037	\$5.909	(\$62,487)	\$3,035,130	503,037	\$6.034
Sep-03	\$1,711,568	315,000	\$5.434	\$24,129	\$1,687,439	315,000	\$5.357
Oct-03	\$2,354,114	378,915	\$6.213	(\$37,377)	\$2,391,491	378,915	\$6.311
Nov-03	\$6,813,876	919,562	\$7.410	(\$207,060)	\$7,020,936	919,562	\$7.635
Dec-03	\$13,764,757	1,813,865	\$7.589	(\$482,103)	\$14,246,860	1,813,865	\$7.854
Jan-04	\$12,401,645	1,833,195	\$6.765	\$302,153	\$12,099,492	1,833,195	\$6.600
Feb-04	\$9,405,517	1,419,536	\$6.626	\$171,045	\$9,234,472	1,419,536	\$6.505
Mar-04	\$10,824,736	1,562,353	\$6.928	\$162,769	\$10,661,967	1,562,353	\$6.824
Standard Deviation			\$0.641				
Reduction in Standard Deviation			\$0.058				

Weather Analysis

Prices began to decline mid-winter, due to warmer than normal temperatures and historically high levels of storage nationally. However, a much colder than normal March brought prices right back up again. Although the winter of 2004-05 was slightly warmer than normal over all, prices remained relatively high, compared to a few years ago. This raises the question of how much higher prices could have been in temperatures had been colder than normal. The table below lists heating degree days for November 2004 through March 2005 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	529	965	975	759	791	4,019
%Colder (Warmer) than Normal	(14%)	6%	(9%)	(11%)	19%	(2%)

* Based on 10-year average 1990-1999.

Summary

Prices during the 2004-05 winter season started out higher than the various fixed prices that ULH&P had locked in through its hedging strategy, but ended lower as the warmer than normal winter 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, 2005, 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.

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Natural Gas Hedging Committee

Meeting Information Packets

April 2004 - March 2005

**Gas Commercial Operations
Hedging Program
Market Indicators Summary
April 19, 2004**

Weather	Price Pressure	Comments
Long Term Weather Forecast	↓	Earthstat: Summer: Warm start, cool finish. Winter: Mild to warm overall forecast.
Short Term Weather (30 days)	↔	May is forecasted to be "normal" for most of the country, with a small pocket of above normal in the plains states.
6-10 day forecast	↔	Mostly normal to above normal. Little heating load left at this point, so not much effect on prices.
Tropical Storm Activity	↑	No tropical storm activity. However, Dr. Gray has revised his hurricane forecast to call for a season 45% more active than the long term average.
Storage Inventory		
EIA Weekly Storage Report	↔	Injection season started right on schedule and remains within industry expectations.
Industry Publications		
PIRA Energy Group <i>Remaining Summer 2004: \$5.83</i> <i>Winter 04/05: \$6.04</i>	↔	No update since last meeting. PIRA's last forecast is currently very close to current NYMEX prices.
Cambridge Energy Research Associates <i>Remaining Summer 2004: \$5.23</i> <i>Winter 04/05: \$6.30</i>	↑	"...several key US supply basins are set to produce less than expected for 2004. Accordingly, CERA has lowered our outlook for near-term production in the United States."
Paribas	↔	"...price action will be dominated by day trading until the release of the E.I.A. report"
CM&T	↓	"The daily and weekly charts closed out with a very bearish pattern on Friday"
Government Agencies		
Energy Information Administration <i>Summer 2004: \$5.17</i> <i>Winter 04/05: \$5.73</i>	↓	"Natural gas spot prices are likely to be about \$5.40 per thousand cubic feet (mcf) this year."
Technical Analysis		
Winter Strip Chart	↓	Gap: \$6.01 - 6.09
Rig Count	↓	Rig count up 4 over last week, and still highest in the last 3 years. (992)
Economy		
Demand	↑	CERA: "Industrial demand is set to be slightly higher, given stronger prices for ammonia and steel, stronger economic growth, and higher shipping cost for importers..."
Supply	↑	April 14, 2004 Gas Daily headlines: "Lehman projects 2% drop in annual gas output" "EOG chief sees 'no magic bullet' to boost supply"
Oil Market	↑	EIA: "Potential price spikes remain a danger given the uncertainty about OPEC production levels... recovery of output and exports from Iraq... (and) political unrest in Venezuela."

Meeting Minutes:

Attendees: Patty Walker, Doug Vaught, Bill Tucker, Jeff Kern, Mike Brumback, Lavonna Foster

Market has been declining during the last few days, but it may start increasing again anytime due to supply concerns. Current NYMEX prices for next winter are around PIRA's forecast and lower than CERAs. Therefore, another 5% will be locked in for CG&E and ULH&P at fixed price for next winter. No hedging will take place for Lawrenceburg until we get permission from its future owners to do so. We decided to wait until June 1st to begin the cost averaging so that 25% can be locked in without violating the limits set up in the hedging strategy, or limiting our ability to take advantage of any price drops during May.

The Union Light Heat & Power Company
Hedging Position
As of 04/19/04

	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05
Daily Base											
Estimated Base (Gross)	13,000	14,000	13,000	13,000	9,000	6,000	15,768	22,596	24,427	22,506	16,906
Amount Hedged	3,000	3,000	3,000	3,000	3,000	3,000	1,000	1,000	1,000	1,000	1,000
Cost Averaging (1)							1,000	1,000	1,000	1,000	1,000
Fixed Price (Conoco \$5.485)	3,000	3,000	3,000	3,000	3,000	3,000	1,000	1,000	1,000	1,000	1,000
Total Hedged	3,000	3,000	3,000	3,000	3,000	3,000	1,000	1,000	1,000	1,000	1,000
Monthly Base											
Estimated Base (Gross)	403,000	420,000	403,000	403,000	270,000	186,000	473,040	700,476	757,237	630,168	524,086
Amount Hedged	93,000	90,000	93,000	93,000	90,000	93,000	30,000	31,000	31,000	28,000	31,000
Cost Averaging (1)							30,000	31,000	31,000	28,000	31,000
Fixed Price (Conoco \$5.485)	93,000	90,000	93,000	93,000	90,000	93,000	30,000	31,000	31,000	28,000	31,000
Total Hedged	93,000	90,000	93,000	93,000	90,000	93,000	30,000	31,000	31,000	28,000	31,000
% of Base Supply	23.1%	21.4%	23.1%	23.1%	33.3%	50.0%	6.3%	4.4%	4.1%	4.4%	5.9%
Seasonal % of Base											4.9%
Normal Load (City Gate)											
Hedged (City Gate)	88,350	85,500	88,350	88,350	85,500	88,350	28,500	29,450	29,450	26,600	29,450
Storage Withdrawal	0	0	0	0	0	0	128,282	249,706	400,491	295,185	185,393
Market	660,632	465,175	458,434	459,297	441,377	640,834	1,298,799	1,778,855	1,907,147	1,707,136	1,380,349
Total (incl. Injections)	748,982	550,675	546,784	547,647	526,877	729,184	1,455,581	2,058,011	2,337,087	2,028,921	1,595,192
% Hedged & Storage	11.8%	15.5%	16.2%	16.1%	16.2%	12.1%	10.8%	13.6%	18.4%	15.9%	13.5%

(1) ULH&P will purchase 3,000 dth/day from CM&T at Columbia Gulf Onshore based on the average NYMEX closing price December 1, 2003 - March 29, 2004.

EarthSat Longcast Model Seasonal Outlook Discussion

April 13, 2004

Headlines: 1994 Remains a Strong Analog

This model output is a strict objective analog comparison based on the Tropical Pacific. This is not necessarily EarthSat's official winter forecast, but a tool utilized in that effort. To see EarthSat's latest outlook, please click on the link provided at the front of the longcast section (main menu).

Latest Weekly Update:

The latest analog series continues to favor 1994 as the most-preferred year of reference. As a result, the summer forecast has changed little with a warm start and a cool finish favored for the Midwest and East. Seasonal to cool summer weather is favored in the South, while the West is forecast to be warm in the interior and cool toward the coasts (which is ultimately cooler than last summer!). The transition of the QBO phase is another indicator that would support this forecast trend of warmer than last year in the East and cooler than last year in the West.

Looking at the fall/winter, this analog-based outlook continues to offer a mild to warm overall forecast. February has trended somewhat colder from recent updates, but the majority of the winter continues to be above to sometimes much above normal in key areas of the Midwest and East. Precipitation is close to seasonal or slightly above in the Northwest, but a stronger El Nino development would weaken that potential. Southern California appears wet as usual due to El Nino activity.

Coming soon: we'll be working to incorporate more correlations with QBO phases to these long lead forecasts!

Monthly Update Information:

Status

For the ensemble spread on the latest sst forecast:

http://www.emc.ncep.noaa.gov/research/cmb/sst_forecast/images/cmb.SSTfcst_nino34.gif

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



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

EARTHSAT

Wednesday

DAY

4/14/04

DATE

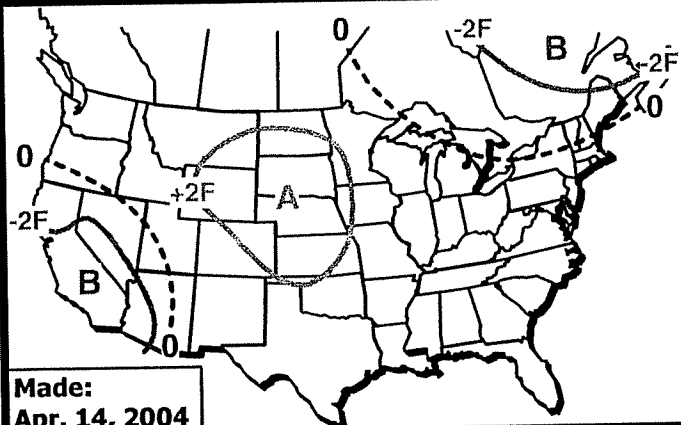
10:00 AM EDT

TIME

MR

FORECASTER

MAY 2004



Made:
Apr. 14, 2004

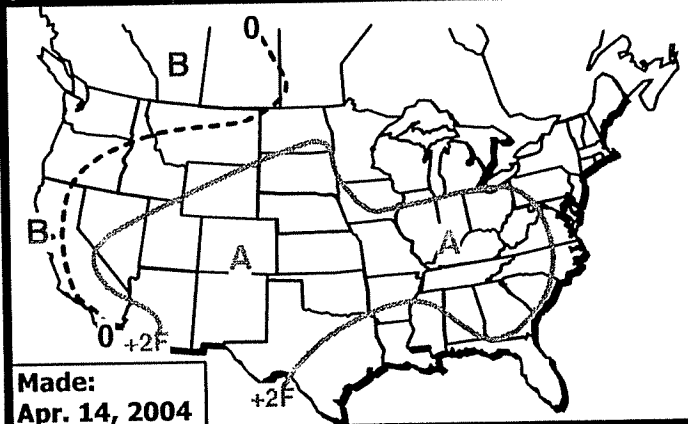
No Changes to May.

The Tropical Pacific analogs favor a below normal temperature pattern in the Eastern U.S. for the month of May. This is the same analog analysis (which strongly favors 1994 as the top analog year) that favored warmer Eastern weather in April. The current thinking is that since there are signs of a transition toward warmer weather in the next two weeks, these two months (April and May) may be reversed versus that top analog year. April may end up being the cooler month, while May is warmer. No sustained strong warming is seen though due to that downward pressure from the analogs and the variable weather expectations. Notice that Western cooling trends seen recently are expected to continue.

May CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	72.0	41.0	48.0	5.0
Philadelphia	101.0	66.0	70.0	22.5
Houston	366.0	367.0	328.0	487.5

JUNE 2004



Made:
Apr. 14, 2004

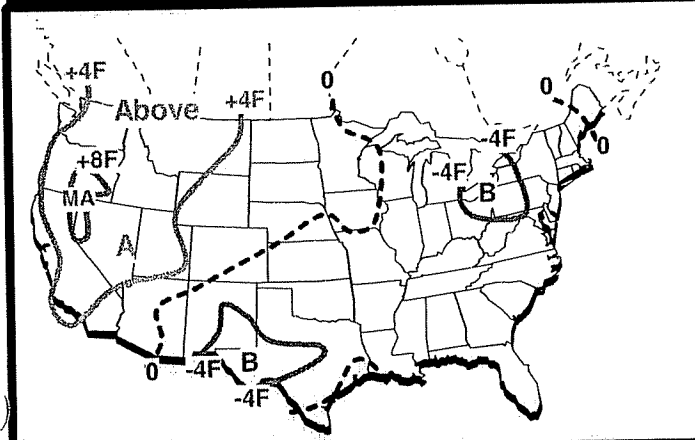
June Outlook Warm in Much of Nation.

EarthSat is anticipating a warmer than normal start to the summer period. The analog analysis combined with a change in the QBO phase is indicating that June has a better than normal chance of seeing above normal temperatures in the central to eastern thirds of the nation, while the West Coast could lean toward the normal or even slightly cooler side. The key on the West Coast will be the aforementioned issues along with the PDO index. Last summer, that PDO was strongly positive and the summer was on the strongly warm side--this year is expected to be lower and less warm. In the East, cool sea surface temps may affect the Mid-Atlantic and Northeast, while dryness may fuel stronger heat in the Southeast.

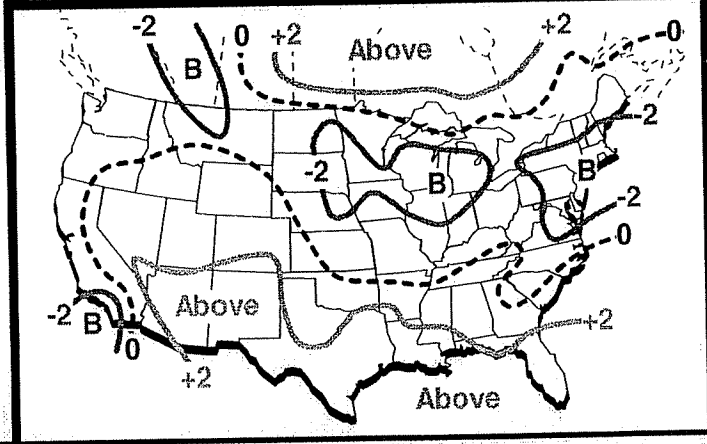
June CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	190.0	174.0	159.0	89.0
Philadelphia	262.0	263.3	234.0	215.5
Houston	514.0	502.3	485.0	531.5

APRIL 1 - 13, 2004



MAY 2003



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

4/19/04

DATE

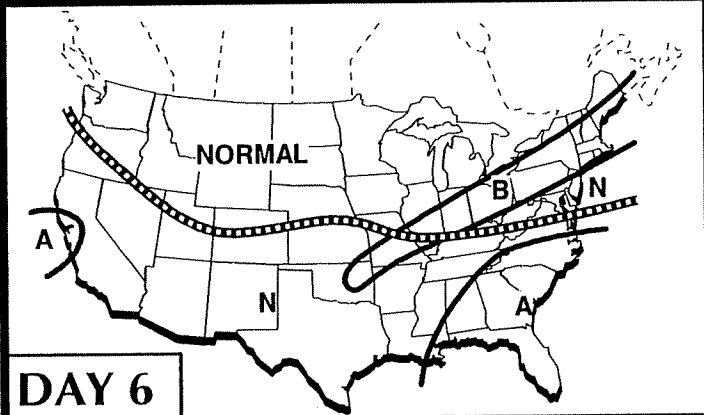
6:30 A.M.

TIME

DS

FORECASTER

FORECAST TEMP. DEVIATIONS



FORECAST VALID: Saturday, 4/24

CONFIDENCE: 5

DISCUSSION

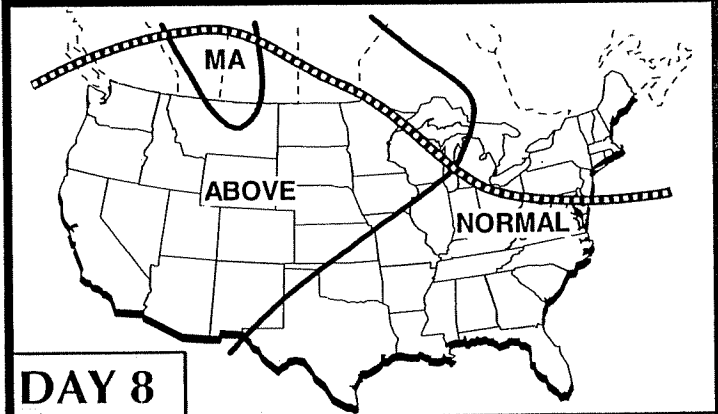
Today's Changes.

Cooler conditions advance eastward across the East Coast and lead to a normal regime on average compared to yesterday. Warmer conditions are noted in the Rockies and northwestern Midwest due to the building ridge. The coastal Pacific Northwest is slightly cooler due to occasional onshore flow.

Potential Problems with the Forecast:

The East could be even cooler if the American operational model verifies.

FORECAST TEMP. DEVIATIONS



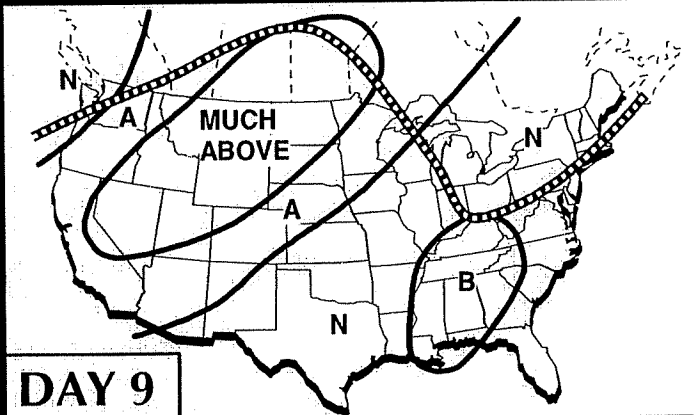
FORECAST VALID: Monday, 4/26

CONFIDENCE: 3

DAY 7

FORECAST VALID: Sunday, 4/25

CONFIDENCE: 4



FORECAST VALID: Tuesday, 4/27

CONFIDENCE: 1

DAY 10

FORECAST VALID: Wednesday, 4/28

CONFIDENCE: 1

LEGEND

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

NORMAL
-2F TO +2F

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

Jet Stream

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

Gray predicts above-average hurricane season

Predicting a busier-than-average year for tropical storm activity, forecaster William Gray on Friday increased his projection of the number of hurricanes likely to form in the Atlantic Ocean.

Gray and his team of meteorologists at the Dept. of Atmospheric Science at Colorado State University now expect 14 named storms to form, with eight of those to be classified as hurricanes and three as "intense" hurricanes ranked as category 3 or higher.

That's up from Gray's December prediction of 13 named storms and seven hurricanes for the upcoming season, which runs from June 1 through Nov. 1. Net hurricane activity this year is expected to be

(continued on page 6)

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 5.670

Trans. date: 4/02
Flow date(s): 4/03-05

	Midpoint	Absolute	Common	Volume
Permian Basin Area				
El Paso, Permian Basin	5.135	5.10-5.20	5.11-5.16	329
Northern, MIDS 1-6	5.185	5.17-5.20	5.18-5.19	8
Waha	5.150	5.10-5.22	5.12-5.18	525
Transwestern, Permian Basin	5.050	5.00-5.09	5.03-5.07	38
East Texas-North Louisiana Area				
Carthage Hub	5.540	5.47-5.60	5.51-5.57	84
Lone Star	5.040	5.03-5.10	5.03-5.05	26

GAS DAILY

MONDAY, APRIL 5, 2004

The Alberta government has proposed an initiative in its fiscal 2004-05 budget to improve fiscal and tax regimes for CBM development in order to encourage growth in the sector and "help offset declining natural gas production," which dropped by nearly 4% in Alberta in 2003.

To that end, the Alberta Energy Dept. is holding a series of seven community meetings "to give Albertans information about natural gas in coal, local development, regulations" and other issues related to CBM development, according to a department statement.

In addition, the provincial government "is reviewing the regulations that govern natural-gas-in-coal development to ensure they continue to balance economic benefits for Albertans with protecting the land, air and water resources," the Energy Dept. said.

MT

Gray predicts active hurricane season ... from page 1

45% greater than the long-range average, he said.

"The United States has been very lucky over the past few decades in witnessing very few major hurricanes making landfall in Florida and along the East Coast, but climatology will eventually right itself and we must expect a great increase in landfall hurricanes," Gray said. "We don't know when it will happen, but with the large coastal population growth in recent decades, it is inevitable that we will see hurricane-spawned destruction in coming years on a scale many times greater than what we have seen in the past."

Gray cited an 81% chance that a hurricane will strike the U.S. coastline this year and a 71% chance that at least one major storm will come ashore. As for the heart of the gas production region of the Gulf of Mexico—defined as between the Florida Panhandle and Brownsville, Texas—Gray said there is a 53% chance of at least one hurricane striking and a 40% chance of a major hurricane.

"This early April forecast is based on a newly devised extended range statistical forecast procedure which utilizes 52 years of past global reanalysis data," as well as a separate study of prior years with similar atmospheric and ocean conditions, Gray said.

Indicators of a busier-than-normal tropical season this year include high sea level pressures in the eastern Pacific Ocean, warmer sea surface temperatures off Europe's northwest coast and generally warm conditions in the northern Atlantic. This year's conditions also roughly correlate to four other hurricane seasons since 1949 that were more active than normal, said Gray, who will update his forecast on May 28.

SGS

Aquila backs off statement that it's selling three plants

Aquila last week backed away from a company spokesman's statement that it is pursuing the sale of more than 1,100 MW of gas-fired merchant capacity in Illinois and Mississippi (GD 4/1).

Aquila spokesman Al Butkus on Tuesday told *Gas Daily* that the company intends to sell two peaking plants in southern Illinois—the 510-MW Goose Creek and the 340-MW Raccoon Creek—as well as a 320-MW unit in Clarksdale, Miss. The plants went into commercial operation during the last two years.

On Thursday, Butkus retracted the statement, saying that while Aquila does not consider any of the three plants "strategic" to the company, it "is not actively seeking to sell the facilities because there is no market appetite right now."

The Kansas City, Mo.-based company announced more than a year ago that it plans to quit the merchant power business. But Butkus said Thursday that, given current market conditions, it could take years to sell off the three plants, which he said are still operating.

DOE official to leave April 18

U.S. Energy Under Secretary Robert Card Friday said he will leave the Dept. of Energy on April 18. Card, who was sworn in as DOE's third-ranking official in June 2001, said he was leaving the department for family reasons and had no specific job plans.

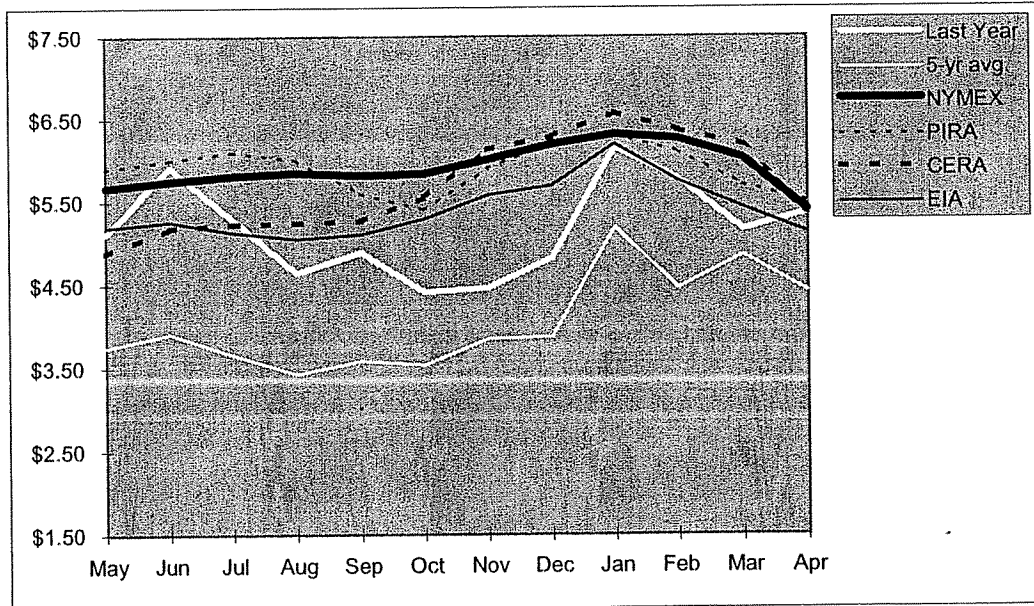
"I had planned from the beginning to serve the full term, but pressing family issues overtook my plans early this year," Card said in a statement. "I am very grateful to the secretary and White House for their support since I discussed my thoughts with them several weeks ago."

Card was responsible for setting up the department's new Office of Electric Transmission and Distribution, the FutureGen zero-emissions coal plant project and the Natural Gas and Nuclear Power 2010 initiatives. He also served as co-chairman of the National Petroleum Council's major natural gas study.

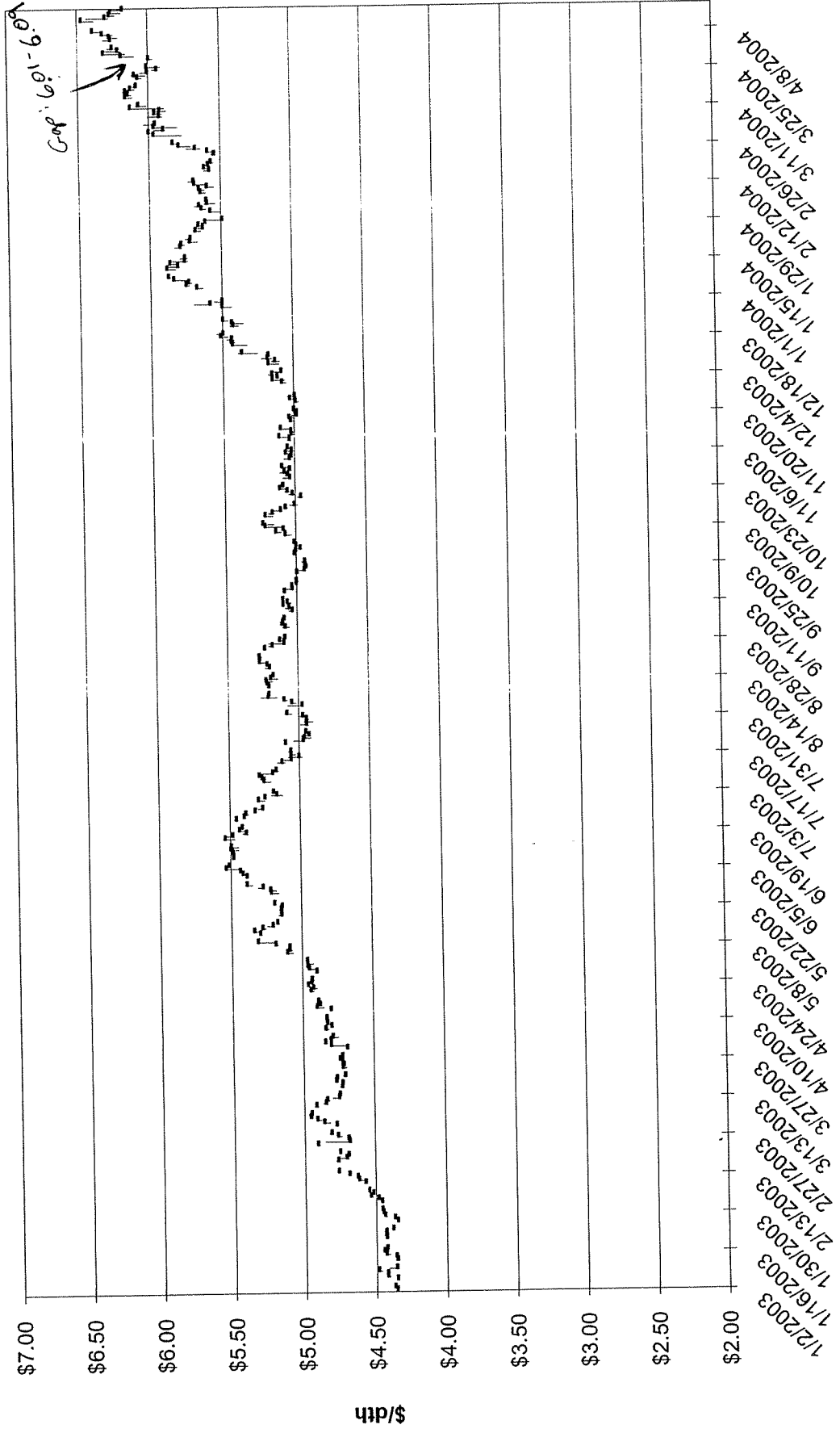
COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:
Inside FERC, First-of-month issue, Col. Gulf, Onshore Louisiana

	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)	PIRA 24-Mar-04	CERA 16-Apr-04	EIA 8-Apr-04	NYMEX 19-Apr-04
May	\$3.75	\$5.11	\$5.900	\$4.880	\$5.192	\$5.670
Jun	\$3.91	\$5.92	\$6.000	\$5.180	\$5.260	\$5.750
Jul	\$3.66	\$5.29	\$6.100	\$5.230	\$5.132	\$5.815
Aug	\$3.42	\$4.64	\$6.000	\$5.240	\$5.052	\$5.850
Sep	\$3.58	\$4.89	\$5.600	\$5.270	\$5.105	\$5.820
Oct	\$3.53	\$4.41	\$5.400	\$5.550	\$5.292	\$5.840
Nov	\$3.85	\$4.46	\$5.900	\$6.130	\$5.580	\$6.010
Dec	\$3.87	\$4.82	\$6.200	\$6.280	\$5.691	\$6.190
Jan	\$5.19	\$6.15	\$6.300	\$6.570	\$6.189	\$6.310
Feb	\$4.46	\$5.78	\$6.100	\$6.360	\$5.749	\$6.255
Mar	\$4.85	\$5.16	\$5.700	\$6.180	\$5.429	\$6.025
Apr	\$4.42	\$5.37	\$5.500	\$5.370	\$5.126	\$5.400
12 Month Avg	\$4.04	\$5.17	\$5.892	\$5.687	\$5.400	\$5.911
Summer Average			\$5.786	\$5.246	\$5.166	\$5.735
Winter Average			\$6.040	\$6.304	\$5.728	\$6.158



Winter Strip Dec04 - Mar05



High Low - Close

Gas Daily

Wednesday, April 14, 2004

Lehman projects 2% drop in annual gas output

North American gas production declined again in the first quarter and is expected to continue falling throughout 2004, keeping the supply/demand balance extremely tight, Lehman Brothers analyst Thomas Driscoll said in a report Tuesday.

Driscoll's recently completed survey of 53 North American producers, representing 70% to 75% of total production, shows that first-quarter U.S. gas production fell 1% from fourth-quarter 2003 and plunged 6% from Q1 2003 levels. Meanwhile, Canadian output was roughly flat with the fourth quarter and down 1.5% from a year earlier.

(continued on page 6)

EOG chief sees 'no magic bullet' to boost supply

Saying there is "no magic bullet" to stem North American gas supply declines, the head of producer EOG Resources said Tuesday that U.S. gas prices should remain strong for the next two decades.

Mark Papa, chairman and CEO of Houston-based EOG, told a meeting of the American Petroleum Institute in Houston that production declines in both the United States and Canada, as well as increased gas exports to Mexico, will offset growth in liquefied natural gas imports for the next several years.

He noted that the decline rate for U.S. gas production increased

(continued on page 5)

Calif. AG wants federal gas, power acts amended

In a blistering report Tuesday on California's 2000-01 energy crisis, state Attorney General Bill Lockyer laid much of the blame for the ordeal on FERC's doorstep and suggested major amendments to the Natural Gas Act and Federal Power Act to prevent future market manipulation.

Lockyer wants Congress to amend the two acts to make clear that market-based rates are excluded from so-called filed-rate doctrine provisions in the laws. He argued that the filed-rate doctrine, under which FERC generally defers to a rate negotiated between buyers and

(continued on page 4)

NYMEX erases four-day gain with 22.1-cent drop

After settling above the \$6/MMBtu mark on Monday, the May NYMEX futures contract swiftly retreated Tuesday to end the day 22.1 cents lower at \$5.788—more than erasing the previous four-day gain of 20.5 cents.

Market players pegged the move as a corrective one, with the decline throughout the petroleum complex lending additional downward pressure. Traders said the prior day's breach of \$6 resistance led to overbought technical conditions and fueled a round of profit-taking in Tuesday's open outcry session.

After opening at \$5.955, the contract fell prey to aggressive selling

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 5.870

Trans. date: 4/13
Flow date(s): 4/14

	Midpoint	Absolute	Common	Volume
Permian Basin Area				
El Paso, Permian Basin	5.425	5.39-5.45	5.41-5.44	87
Northern, MIDS 1-6	5.420	5.41-5.43	5.41-5.43	5
Waha	5.435	5.40-5.47	5.42-5.45	215
Transwestern, Permian Basin	5.320	5.30-5.34	5.31-5.33	50
East Texas-North Louisiana Area				
Carthage Hub	5.760	5.74-5.78	5.75-5.77	122
Lone Star	—	—	—	—
MRT, mainline	5.915	5.90-5.93	5.91-5.92	10
MRT, west leg	5.850	5.84-5.86	5.84-5.86	20
NGPL, Texok zone	5.765	5.71-5.78	5.75-5.78	381
Texas Eastern, ETX	5.760	5.75-5.85	5.75-5.77	13
Texas Gas, zone 1	5.885	5.86-5.90	5.87-5.90	89
East-Houston-Katy				
Houston Ship Channel	5.775	5.74-5.85	5.75-5.80	242
Katy	5.760	5.75-5.79	5.75-5.77	330
South-Corpus Christi				
Agua Dulce Hub	5.780	5.75-5.80	5.77-5.79	58
Houston Pipe Line	—	—	—	—
NGPL, STX	5.740	5.70-5.77	5.72-5.76	28
Tennessee, zone 0	5.760	5.69-5.79	5.73-5.79	287
Texas Eastern, STX	5.770	5.75-5.79	5.76-5.78	26
Transco, zone 1	5.760	5.74-5.79	5.75-5.77	46
Trunkline, Texas	5.765	5.75-5.78	5.76-5.77	20
EPGT, Texas	5.820	5.81-5.83	5.81-5.83	54
Louisiana-Onshore South				
ANR, La.	5.830	5.79-5.87	5.81-5.85	211
Columbia Gulf, La.	5.895	5.85-5.97	5.86-5.93	273
Columbia Gulf, mainline	5.970	5.93-6.02	5.95-5.99	36
Florida Gas, zone 1	5.835	5.82-5.85	5.83-5.84	47
Florida Gas, zone 2	5.880	5.84-5.92	5.86-5.90	71
Florida Gas, zone 3	5.890	5.85-5.97	5.86-5.92	19
Henry Hub	5.925	5.88-5.94	5.91-5.94	850
Gulf South, S. La./East Side	—	—	—	—
NGPL, La.	5.815	5.75-5.90	5.78-5.85	80
Southern Natural, La.	5.910	5.84-5.97	5.88-5.94	112
Tennessee, La., 500 Leg	5.825	5.77-5.85	5.80-5.85	311
Tennessee, La., 800 Leg	5.810	5.76-5.85	5.79-5.83	131
Texas Eastern, WLA	5.780	5.74-5.80	5.76-5.80	62
Texas Eastern, ELA	5.815	5.75-5.84	5.79-5.84	284
Texas Gas, zone SL	5.875	5.84-5.90	5.86-5.89	63
Transco, zone 2	5.840	5.83-5.85	5.83-5.85	4
Transco, zone 3	5.935	5.88-5.98	5.91-5.96	404
Trunkline, WLA	5.900	5.89-5.91	5.89-5.91	10
Trunkline, ELA	5.895	5.86-5.91	5.88-5.91	53
Oklahoma				
ANR, Okla.	5.585	5.57-5.60	5.58-5.59	20
NGPL, Midcontinent	5.490	5.43-5.53	5.46-5.52	130
Reliant, East	5.730	5.68-5.75	5.71-5.75	41
Reliant, West	5.570	5.54-5.60	5.55-5.59	13
Oneok, Okla.	5.570	5.55-5.60	5.56-5.58	84
Panhandle, Tx.-Okla.	5.575	5.53-5.60	5.56-5.59	180
Williams, Tx.-Okla.-Kan.	5.505	5.45-5.54	5.48-5.53	10

Trading Commission, the Securities and Exchange Commission, public utilities commissioners and others.

In response to criticism of FERC's policies, a spokesman for the commission said Lockyer's white paper is largely a political document being used to garner attention rather than find answers to the state's energy woes. The FERC spokesman said the allegations regarding the filed-rate doctrine are patently false.

"This is a cheap political stunt designed to generate headlines, not solutions, to California's problems," he said. The "continued politicization of the energy crisis will only serve to discourage investment necessary to assure that power shortages and price spikes don't occur again."

The spokesman noted that FERC, since June 2001, has acted to cap wholesale prices, rework the state's energy market and initiated a handful of investigations into whether market participants behaved ethically during 2000 and 2001. SGS/CC/Staff

EOG chairman sees 'no magic bullet' ... from page 1

from 17% in 1990 to an estimated 28% in 2003. "Today we have to drill 28% more wells just to increase production," Papa said.

And growing volumes from the deep-water Gulf of Mexico will not solve the supply problem, according to Papa. Deep-water Gulf output increased from about 500,000 Mcf/day in 1994 to an estimated 3.5 Bcf/day last year, but as recent discoveries are brought online and few major new ones are made, "the buildup will flatten out," he said.

Meanwhile, imports of gas from Canada have traditionally helped offset U.S. production declines, but "now they're bumping up against declines" of their own, the CEO noted. Total Canadian production fell from 15.859 Bcf/day in 2002 to 15.371 Bcf/day in 2003, a drop of about 3.1%, he said.

At the same time, demand for exports to Mexico is expected to grow, Papa said. Between 1950 and 2000, Mexico "was not a player in the U.S. gas market," but beginning around 2000 the country began ramping up its imports of U.S. gas to feed its electric generation plants in northern industrial cities.

Despite efforts by national oil company Pemex to grow Mexico's domestic gas output, "indigenous production hasn't increased," Papa said, adding that Mexican imports from the United States rose to 1 Bcf/day in 2003 and are expected to increase to 1.5 Bcf/day within the next four to five years.

The combination of all of those factors means aggregate U.S. gas supplies will drop by 1.7 Bcf/day this year compared with 2003, Papa said. "This is one reason why gas prices are where they are," he stressed.

Papa said there's no relief on the horizon until 2008, when the first newly built LNG import terminals are expected to come online. He said that of all the LNG projects proposed for United States, only four will be built, all in the Gulf Coast region. "You will never get one permitted on the West Coast or the East Coast," he predicted.

Meanwhile, a proposed pipeline to bring gas from the North Slope of Alaska to the Lower-48 states is not likely to come online before 2014, Papa added.

"There's no magic bullet that's going to turn around the gas supply situation," he said. "The situation will get tighter before it begins to loosen up."

Even as supplies are constrained, gas demand is expected to increase, largely as a result of new demand for gas-fired power generation that is expected to increase by approximately 750,000 Mcf/day annually.

Demand for gas for electric generation had peaked around 2000 at just under 16 Bcf/day and fell to about 12 Bcf/day in 2003 as new, efficient combined-cycle generation plants were built and replaced older, less efficient ones. However, that trend has "reached the saturation point," Papa said, and the power demand curve is expected to begin trending upward again.

Although the Bush administration has pushed to increase domestic production by opening up more federal lands to drilling, "their hands are tied," Papa said. Environmental groups and their allies have stymied efforts to

NYMEX Henry Hub gas futures contract, Apr 13

	Settlement	High	Low	+/-	Volume*
May, 2004	5.788	5.960	5.730	-22.1	26495
June	5.882	6.050	5.830	-21.2	11519
July	5.947	6.110	5.890	-20.2	5375
August	5.979	6.130	5.930	-19.2	2890
September	5.951	6.085	5.900	-18.9	1146
October	5.968	6.115	5.920	-18.7	1254
November	6.133	6.270	6.100	-18.0	445
December	6.298	6.450	6.250	-17.3	1488
Jan., 2005	6.416	6.550	6.380	-17.0	897
February	6.358	6.500	6.345	-16.7	365
March	6.138	6.250	6.120	-15.7	654
April	5.443	5.540	5.415	-10.0	334
May	5.303	5.350	5.280	-8.0	262
June	5.308	5.350	5.310	-8.0	958
July	5.329	5.375	5.330	-8.0	994
August	5.334	5.380	5.380	-8.0	82
September	5.299	5.340	5.315	-8.0	80
October	5.317	5.380	5.330	-8.0	53
November	5.487	5.500	5.500	-8.0	76
December	5.654	5.670	5.670	-8.0	59
Jan., 2006	5.764	5.850	5.800	-8.0	33
February	5.727	5.727	5.727	-8.0	30
March	5.517	5.517	5.517	-7.0	0
April	5.047	5.050	5.050	-5.0	0
May	4.937	4.940	4.940	-5.0	0
June	4.932	4.935	4.935	-5.0	0
July	4.947	4.950	4.950	-5.0	0
August	4.967	4.970	4.970	-5.0	0
September	4.952	4.955	4.955	-5.0	21
October	4.972	5.000	4.970	-4.7	0
November	5.142	5.142	5.142	-4.2	0
December	5.312	5.312	5.312	-3.7	47
Jan., 2007	5.432	5.410	5.410	-3.7	10
Feb	5.387	5.387	5.387	-3.7	11
March	5.182	5.000	4.970	-3.7	14
April	4.782	4.782	4.782	-3.7	10

Volume of contracts (official*)

55,604

Front-months open interest Monday :

MAY, 61,225 ; JUN, 31,945 ; JUL, 22,707

Total open interest Monday : n/a

NYMEX Henry Hub options closings, Apr 13

Strike	Calls-Settle			Puts-Settle		
	May.	Jun.	Jul.	May.	Jun.	Jul.
5.60	26.1¢	41.5¢	53.4¢	7.3¢	13.4¢	18.8¢
5.65	22.9¢	38.3¢	50.4¢	9.1¢	15.2¢	20.8¢
5.70	19.9¢	35.4¢	47.4¢	11.1¢	17.2¢	22.8¢
5.75	17.1¢	32.5¢	44.5¢	13.3¢	19.3¢	24.9¢
5.80	14.6¢	29.8¢	41.9¢	15.8¢	21.6¢	27.2¢
5.85	12.5¢	27.2¢	52.7¢	18.7¢	24.0¢	29.6¢
5.90	10.7¢	24.8¢	36.8¢	21.9¢	26.6¢	32.1¢
5.95	9.0¢	22.7¢	34.4¢	25.2¢	29.5¢	34.7¢
6.00	7.6¢	20.7¢	32.3¢	28.8¢	32.5¢	37.6¢

Platts oil prices, Apr 13

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid	26.25-26.50	4.20
3% Resid	24.75-25.00	3.96
Crude spot		
WTI (May)	37.08-37.10	5.90
New York spot		
No.2	39.00-39.08	6.21
0.3% Resid HP	29.25-29.50	4.67
0.3% Resid LP	30.25-30.50	4.83
0.7% Resid	26.50-26.75	4.23
1% Resid HP	25.05-25.30	4.00

open up regions such as the Arctic National Wildlife Refuge and large portions of the Rocky Mountain West to drilling, he maintained.

And Papa added that no matter how tenuous the North American supply situation becomes, it's unlikely that Florida and California will allow drilling in the Outer Continental Shelf waters off their coastlines. JM

Lehman projects 2% drop in gas output ... from page 1

Overall North American gas production volumes fell 0.6% sequentially and 4.6% year over year, according to the survey. Extrapolating for the full year, Driscoll predicted that volumes will be down 2% in the United States and 2% to 3% in Canada.

Even though U.S. demand "hit a 10-year low in 2003 ... further supply declines are likely to keep supply and demand tight and prices strong," Driscoll said.

As a result, the U.S. market will become increasingly reliant on liquefied natural gas imports, the analyst said, with LNG imports doubling to 7% of total U.S. supply by 2008. Trinidad "accounted for roughly 75% of 2003 LNG imports and we believe that it will continue to be a primary LNG supplier to the U.S. in the future," he added.

The three largest U.S. producers in Lehman's survey are expected to report 10% to 15% production declines vs. a year ago, Driscoll said. BP's domestic production fell 10% year over year, from 3.437 Bcf/day in Q1 2003 to 3.1 Bcf/day in Q1 2004, while, ChevronTexaco estimated a 15% decline, from Q1 2003's 2.365 Bcf/day to 2.018 Bcf/day in the most recent quarter. ExxonMobil reported a similar drop, from 2.369 Bcf/day to 2.007 Bcf/day.

Amerada Hess reported the biggest decline in first-quarter production compared with a year earlier—42%—while El Paso estimated a 36% decline, Unocal a 27% drop and both Swift Energy and Spinnaker Exploration both forecasting 23% declines.

The survey companies reporting the biggest year-over-year gains in U.S. gas volumes were Pioneer Resources, which said it grew production by 46%; EnCana, 25%; Apache and XTO Energy, both 21%; and Chesapeake Energy, 18%.

In Canada, ConocoPhillips posted the biggest year-over-year decline—10%—followed by Nexen at 8%, Burlington Resources at 6% and Talisman Energy at 5%. The biggest gainer in Canadian production by far was EnCana, which reported a 21% increase over Q1 2003 levels. SGS

Imperial Petroleum plans to buy 50% interest in Arkoma acreage

Imperial Petroleum said Tuesday it has signed a letter of intent to acquire a 50% interest in about 17,700 acres of leases, including five operated wells and 14 non-operated wells, in the Arkoma Basin of eastern Oklahoma and southwestern Arkansas.

Imperial President Jeffrey Wilson said 25 exploration prospects have been developed on the acreage "aimed primarily at developing natural gas near existing pipelines." Additionally, there is about "600 Mcf/day of existing production in the package, including two wells that are being tied into the pipeline at the present time," Wilson said.

Closing of the purchase is subject to negotiation of a definitive agreement as well as approval of Imperial's lender and title due diligence, the Evansville, Ind.-based company said.

Court tells FERC to justify refusal of waiver for GTN

FERC needs to better explain why it shot down Gas Transmission Northwest's request for a waiver of FERC's right-of-first-refusal requirement, a federal appeals court ruled Tuesday.

In 2002, FERC approved GTN's "prearranged deal" program, which allowed the pipeline to sell available unsubscribed capacity as well as capacity expected to become available. But GTN later realized a problem in that FERC's ROFR requirement could interfere with its new program and undermine its efforts to reserve capacity for future use.

FERC refused to grant GTN a waiver of the ROFR requirement and rejected the company's claims that the new program was similar to other pipelines' capacity-reservation programs that received waivers. But the U.S. Court of Appeals for the D.C. Circuit found that FERC failed to explain how GTN's case is different from others and directed the commission to "give a rationale, if it has one" for rejecting the request.

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**Gas Commercial Operations
Hedging Program
Market Indicators Summary
May 12, 2004**

Weather	Price Pressure	Comments
Long Term Weather Forecast	↑ ↓	Earthstat: Summer. Warmer outlook in June & July. Winter. Warmer than normal for much of the nation.
Short Term Weather (30 days)	↑	"As typical springtime variability settles down, a more stable and ultimately warmer early summer pattern is favored for many areas of the nation."
6-10 day forecast	↑	Above & Much Above temperature forecasts. Should not have a big effect in May, but it is anyway.
Tropical Storm Activity	↔	No tropical storm activity. Hurricane season starts June 1st.
Storage Inventory		
EIA Weekly Storage Report	↓	Injections have been around industry expectations. Surplus over last year remains strong, and deficit from 5 year average is declining.
Industry Publications		
PIRA Energy Group <i>Remaining Summer 2004: ? Winter 04/05: ?</i>	↔	No update since last meeting. PIRA has stopped sending e-mails and I can't log onto their website. I am looking into getting my access restored.
Cambridge Energy Research Associates <i>Remaining Summer 2004: \$5.29 Winter 04/05: \$6.30</i>	↔	CERA's analysis is decidedly bullish: "...several key US supply basins are set to produce less than expected for 2004..." However, their forecast is well under current NYMEX.
Paribas	↑	Sellers are not aggressive, since waiting will likely bring even higher prices.
CM&T	↓	"When the commodities start to fall, it will not be a soft landing."
Government Agencies		
Energy Information Administration <i>Summer 2004: \$5.68 Winter 04/05: \$6.03</i>	↓	"Natural gas spot prices are likely to average about \$5.80 per thousand cubic feet (mcf) this year"
Technical Analysis		
Winter Strip Chart	↓	Currently at upper end of channel.
Rig Count	↓	Down 8 over the last week, but still record high.
Economy		
Demand	↑	CERA. "Industrial demand is set to be slightly higher, given stronger prices for ammonia and steel, stronger economic growth, and higher shipping cost for importers..."
Supply	↔	Continued reports of declines in production: ExxonMobil, Shell, ConocoPhillips, Unocal, Amerada Hess and Kerr-McGee. However, AGA states, "It may be true - or it may not."
Oil Market	↑	EIA: "Potential price spikes remain a danger given the uncertainty about OPEC production levels...recovery of output and exports from Iraq... (and) political unrest in Venezuela."

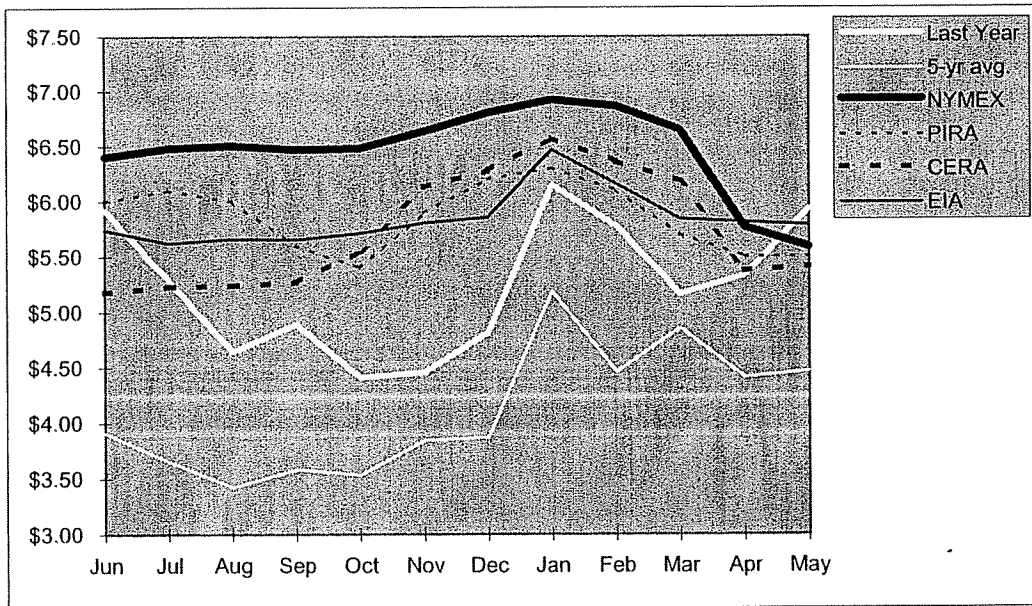
Meeting Minutes:

Attendees: Patty Walker, Doug Vaught, Bill Tucker, Jeff Kern, Bob Bandenburg, Cathy Knecht, Trannis Morgan
Currently, NYMEX prices seem to be much higher than fundamentals would indicate. While prices may continue to trend upward, they are likely to move down in the near future, at least temporarily. In addition, NYMEX prices are currently higher than all three forecasts. Therefore, no additional fixed price hedging will take place at this time. However, Conoco/Phillips and CM&T will be contacted regarding cost averaging for approximately 25% of the base supply for next winter, with the average determined June 1 - October 27.

COMPARISON OF HISTORIC SPOT & PROJECTED PRICES TO CURRENT FUTURES PRICES

Historic Prices:
Inside FERC, First-of-month issue, Col. Gulf, Onshore Louisiana

	5-yr. avg. (99/00-03/04)	Last Year (2003-2004)	PIRA 24-Mar-04	CERA 16-Apr-04	EIA 12-May-04	NYMEX 12-May-04
Jun	\$3.91	\$5.92	\$6.000	\$5.180	\$5.743	\$6.405
Jul	\$3.66	\$5.29	\$6.100	\$5.230	\$5.623	\$6.482
Aug	\$3.42	\$4.64	\$6.000	\$5.240	\$5.662	\$6.507
Sep	\$3.58	\$4.89	\$5.600	\$5.270	\$5.654	\$6.472
Oct	\$3.53	\$4.41	\$5.400	\$5.550	\$5.714	\$6.483
Nov	\$3.85	\$4.46	\$5.900	\$6.130	\$5.807	\$6.637
Dec	\$3.87	\$4.82	\$6.200	\$6.280	\$5.857	\$6.807
Jan	\$5.19	\$6.15	\$6.300	\$6.570	\$6.469	\$6.922
Feb	\$4.46	\$5.78	\$6.100	\$6.360	\$6.158	\$6.863
Mar	\$4.85	\$5.16	\$5.700	\$6.180	\$5.841	\$6.648
Apr	\$4.41	\$5.33	\$5.500	\$5.370	\$5.813	\$5.768
May	\$4.47	\$5.94	\$5.500	\$5.410	\$5.787	\$5.588
12 Month Avg	\$4.10	\$5.23	\$5.858	\$5.731	\$5.844	\$6.465
Summer Average			\$5.729	\$5.321	\$5.714	\$6.244
Winter Average			\$6.040	\$6.304	\$6.026	\$6.775



The Union Light Heat & Power Company
Hedging Position
As of 05/12/04

	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05
Daily Base										
Estimated Base (Gross)	14,000	13,000	13,000	9,000	6,000	15,768	22,596	24,427	22,506	16,906
Amount Hedged										
Cost Averaging (1)	3,000	3,000	3,000	3,000	3,000	1,000	1,000	1,000	1,000	1,000
Fixed Price (Conoco \$5.485)						1,000	1,000	1,000	1,000	1,000
Fixed Price (Occidental \$6.07)						2,000	2,000	2,000	2,000	2,000
Total Hedged	3,000	3,000	3,000	3,000	3,000					

	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05
Monthly Base										
Estimated Base (Gross)	420,000	403,000	403,000	270,000	186,000	473,040	700,476	757,237	630,168	524,086
Amount Hedged										
Cost Averaging (1)	90,000	93,000	93,000	90,000	93,000	30,000	31,000	31,000	28,000	31,000
Fixed Price (Conoco \$5.485)						30,000	31,000	31,000	28,000	31,000
Fixed Price (Occidental \$6.07)						60,000	62,000	62,000	56,000	62,000
Total Hedged	90,000	93,000	93,000	90,000	93,000	12.7%	8.9%	8.2%	8.9%	11.8%
% of Base Supply	21.4%	23.1%	23.1%	33.3%	50.0%	24.7%	8.9%	8.2%	8.9%	9.8%
Seasonal % of Base										

	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05
Normal Load (City Gate)										
Hedged (City Gate)	85,500	88,350	88,350	85,500	88,350	57,000	58,900	58,900	53,200	58,900
Storage Withdrawal	0	0	0	0	0	128,282	249,706	400,491	295,185	185,393
Market	465,175	458,434	459,297	441,377	640,834	1,270,299	1,749,405	1,877,697	1,680,536	1,350,899
Total (incl. Injections)	550,675	546,784	547,647	526,877	729,184	1,455,581	2,058,011	2,337,087	2,028,921	1,595,192
% Hedged & Storage	15.5%	16.2%	16.1%	16.2%	12.1%	12.7%	15.0%	19.7%	17.2%	15.3%

(1) ULH&P will purchase 3,000 dth/day from CM&T at Columbia Gulf Onshore based on the average NYMEX closing price December 1, 2003 - March 29, 2004.

EarthSat Longcast Model Seasonal Outlook Discussion

April 27, 2004

Headlines: 1994 Strengthens Grip as Strongest Analog.

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. To see EarthSat's latest outlook, please click on the link provided at the front of the longcast section (main menu) or see below.

To See EarthSat's Official Summer Outlook (as of today), please click here:
<http://www.earthsat.com/misc/ccext/summer.ppt> (note: there are two pages here)

Latest Weekly Update of Longcast Tool:

Again with this update, 1994 continues to be a dominant analog with just over 60% weighting. For the most part, it's warmer summer outlook in the central to eastern thirds of the nation (especially in June and on the East Coast in July) matches well with recent QBO correlations. Less intense warming in the West this summer would also match up well against the less intense positive PDO already occurring. Based on the latest model, the trends were to be warmer in the Midwest and East in June, warmer on the East Coast, but cooler in the Midwest in July, and mixed in August. For the Western states, interior areas seem to have trended warmer, while coastal areas have generally trended cooler.

Looking onward to next winter, the analog preference (for this product) as well as other indicators continue to point toward a warmer than normal winter for much of the nation.

Monthly Update Information:

Status

For the ensemble spread on the latest sst forecast:

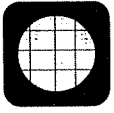
http://www.emc.ncep.noaa.gov/research/cmb/sst_forecast/images/cmb.SSTfcst_nino34.gif

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



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

EARTHSAT

Wednesday

DAY

5/5/04

DATE

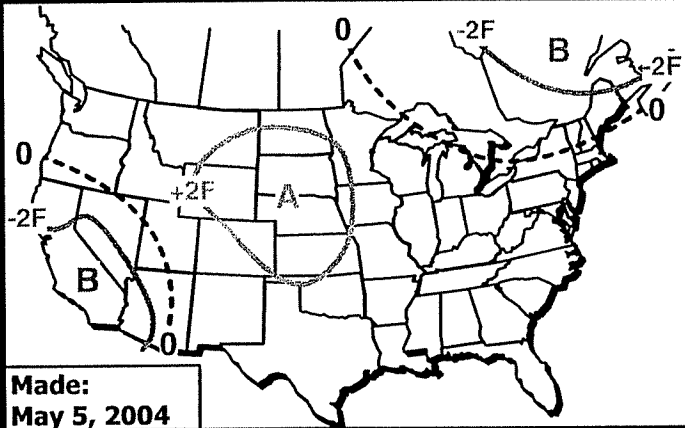
10:00 AM EDT

TIME

MR

FORECASTER

MAY 2004



Made:
May 5, 2004

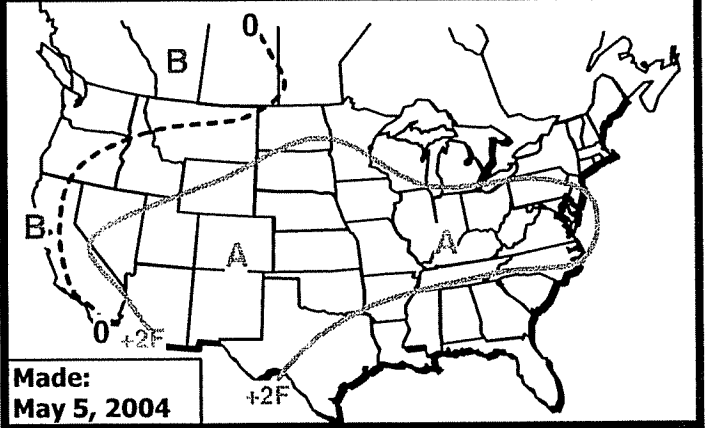
May Outlook Held the Same.

Major uncertainties in next week's weather and the volatile/variable nature of the past several weeks suggests that it would be very difficult to nowcast next week into the entire monthly forecast average. Instead, the forecast is being kept the same as last week overall. A recent combined analog analysis of NAO, AO, and ENSO (Tropical Pacific) indices indicates that the best chance of cooling in the overall May average is around the Great Lakes and upper Northeast. Farther south toward the eastern Midwest, Mid-Atlantic, and Southeast, mainly slightly above normal temperatures are seen. The hot first few days in California is forecast to be offset by seasonal to cooler weather through the entire next week.

May CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	72.0	41.0	48.0	5.0
Philadelphia	101.0	66.0	70.0	22.5
Houston	366.0	367.0	328.0	487.5

JUNE 2004



Made:
May 5, 2004

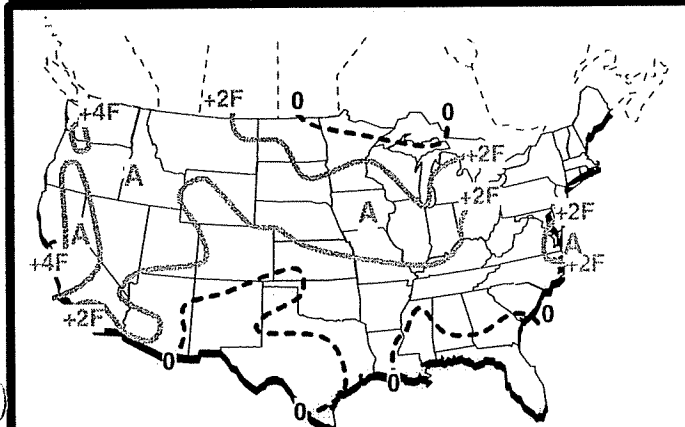
No Changes to June.

The June outlook is being held the same this week as the expectations for a broad warm ridge from the interior West to the East Coast continue for the period. The thinking is that while this pattern is similar to the one for next week across the U.S. and Southern Canada, the June version of this pattern should be less volatile with less precipitation threats in the Midwest and less backdoor cooling threats in the Northeast. As typical springtime variability settles down, a more stable and ultimately warmer early summer pattern is favored for many areas of the nation. The West Coast is expected to see less warm ridging overall, but some brief spikes cannot be ruled out at this point. The interior West should continue to see the warm trends.

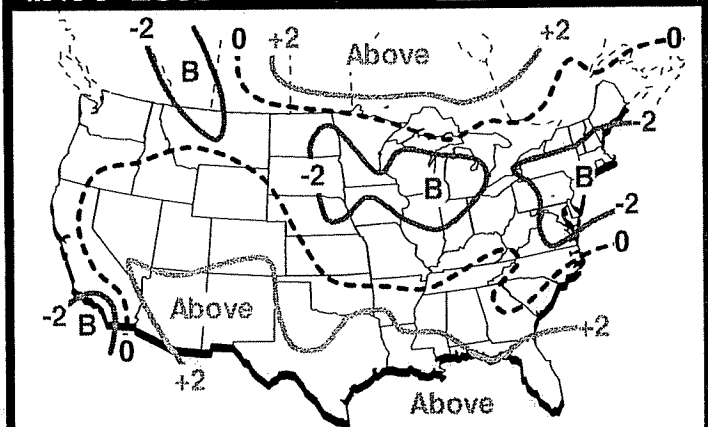
June CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	210.0	174.0	159.0	89.0
Philadelphia	299.0	263.3	234.0	215.5
Houston	514.0	502.3	485.0	531.5

APRIL 1 - 30, 2004



MAY 2003



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



EarthSat's Energy Weather

The 6 to 10 Day Forecast - Detailed Version

EARTHSAT

Wednesday

DAY

5/12/04

DATE

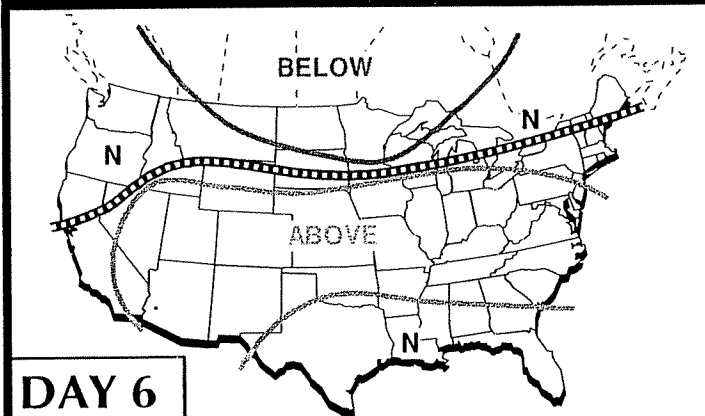
6:30 A.M.

TIME

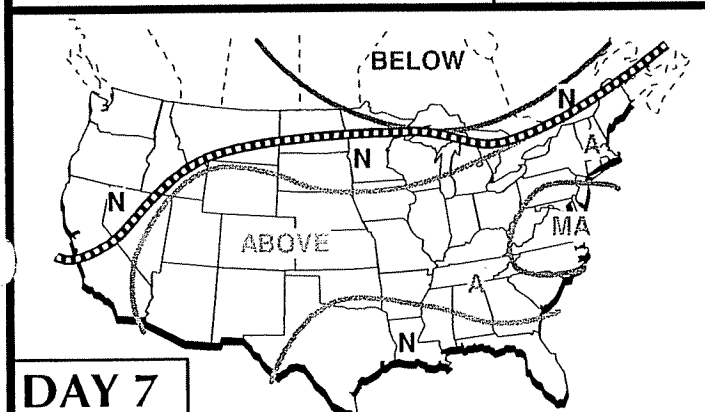
MR

FORECASTER

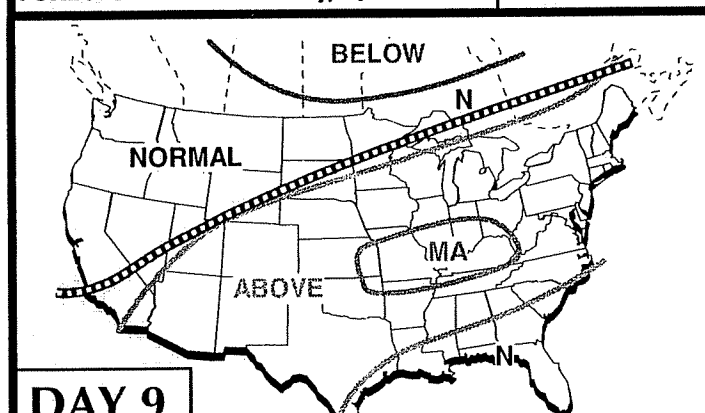
FORECAST TEMP. DEVIATIONS



FORECAST VALID: Monday, 5/17 CONFIDENCE: 7



FORECAST VALID: Tuesday, 5/18 CONFIDENCE: 6



FORECAST VALID: Thursday, 5/20 CONFIDENCE: 4

LEGEND

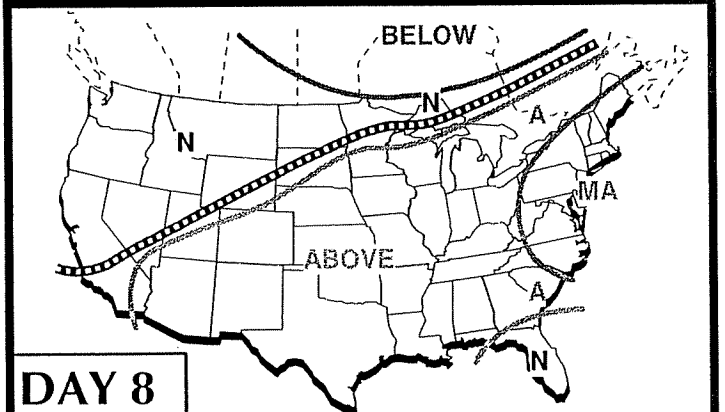
MUCH ABOVE.. +8F OR UP NORMAL MUCH BELOW..... -8F OR DOWN
 ABOVE..... +3F TO +7F -2F TO +2F BELOW..... -7F TO -3F

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

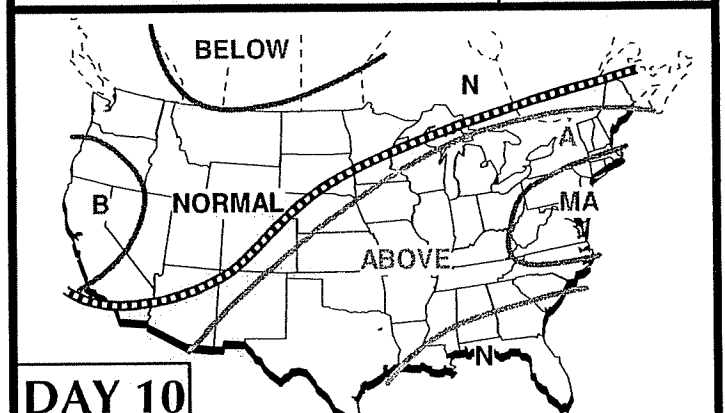
DISCUSSION

Today's Changes.
Cooler Northern Tier Day 6. Below normals are now favored for a larger area from Calgary to Minneapolis.
Not as Warm Wed in Midwest. Much aboves were reduced to only aboves for the Midwest on day 8 as some weak, slight cooling is possible at this time.
Cooler West Coast. While the European model would suggest even more cooling than shown here, the thinking is that some belows may sneak into parts of Oregon and Northern California by late period.
Potential Problems with the Forecast:
 The South, Midwest, and East could see more much aboves at times, depending on precipitation and cloud influences.

FORECAST TEMP. DEVIATIONS



FORECAST VALID: Wednesday, 5/19 CONFIDENCE: 5



FORECAST VALID: Friday, 5/21 CONFIDENCE: 3

Natural Gas Supply Indicators

American Gas Association

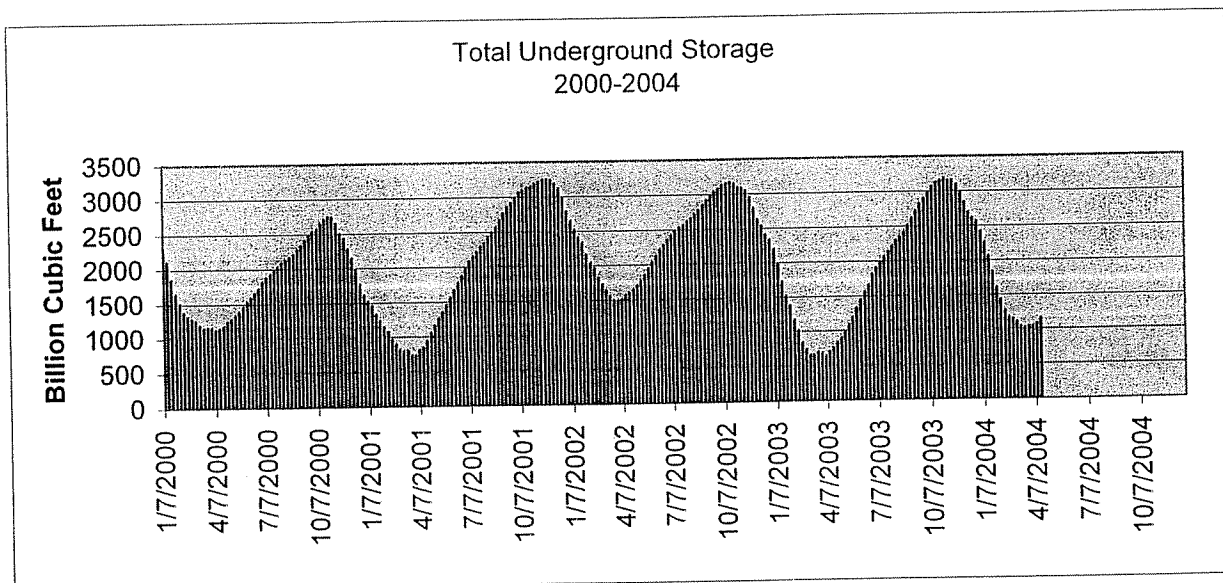
Update: April 30, 2004



Spot Price – natural gas prices at Henry Hub retreated slightly to about \$5.50 per MMBtu during April but have more recently bounced back up to \$5.80 and higher, as underground storage inventories have started to build. The Energy Information Administration in its most recent *Short-Term Outlook* forecasts wellhead acquisition prices to average \$5.40 per MMBtu for 2004.

Weather – cumulative heating degree day totals were 5.0 percent warmer-than-normal for the nation as a whole for the period October 4, 2003 through April 3, 2004. Only New England was colder-than-normal for the winter heating season, while the west was consistently warmer. AGA will begin tracking cooling degree day totals as of May 1.

Working Gas in Underground Storage – storage has increased 141 Bcf, since the first net refill for 2004 was recorded on April 2. At that time, underground storage trailed the five-year average by 5.7 percent. With four straight weeks of net injections, the difference from the five-year average is now only 2.9 percent. Last year sustained weekly net injections did not materialize until April 18 and about 171 Bcf of storage build was recorded by the end of the month. The graph below shows that to reach 3.0 Tcf or more by November 2004 underground storage will



require *less* in net refill than was required in 2003. The impact of a smaller storage requirement on natural gas markets (and ultimately prices) depends on the performance of other supply factors including domestic production, continued growth in imports of LNG and sustaining imports from Canada.

Gas Production – the quarter-on-quarter comparisons of natural gas production, which leap from the trade press pages beginning about this time every year, have started on cue. And, of course, production is said to be down by five percent or more compared to the first quarter of 2003 (there is no need to name analysts). It may be true – or it may not. Similar production decline estimates in 2003 at the beginning of the year turned out to be incorrect. We will not know with more certainty until the end of the year as original production estimates are revised. In the interim, Lippman Consulting, which AGA uses to identify production trends, shows average daily dry production to be 3.8 percent lower the first two months of 2004 compared to the same period in 2003. Only after an analysis of consumption patterns, analysis of changes in other supply sources *and time* will we know whether the production decline for 2004 is real.

Rig Count – on April 23, gas rigs (996) accounted for 87 percent of total drilling activity (1,146 rigs). Total U. S. rig count has now remained above 1,000 rigs operating for 52 straight weeks – the highest level of sustained drilling activity in the past 18 years.

Well Completions – well completions for 2003 were 20,011, which placed the year 25.5 percent ahead of 2002, according to the Energy Information Administration. This is the third highest gas well completion count ever recorded by EIA. Already, first quarter 2004 well completion estimates are outpacing the same period in 2003 by 29.1 percent (5,524 gas wells completed compared to 4,281 gas wells completed). The number of wells, however, do not tell the whole story of production capability and the imbalance between development drilling (the dominant type of gas well completion today) and true exploratory drilling, which will be necessary to sustain gas production in the future.

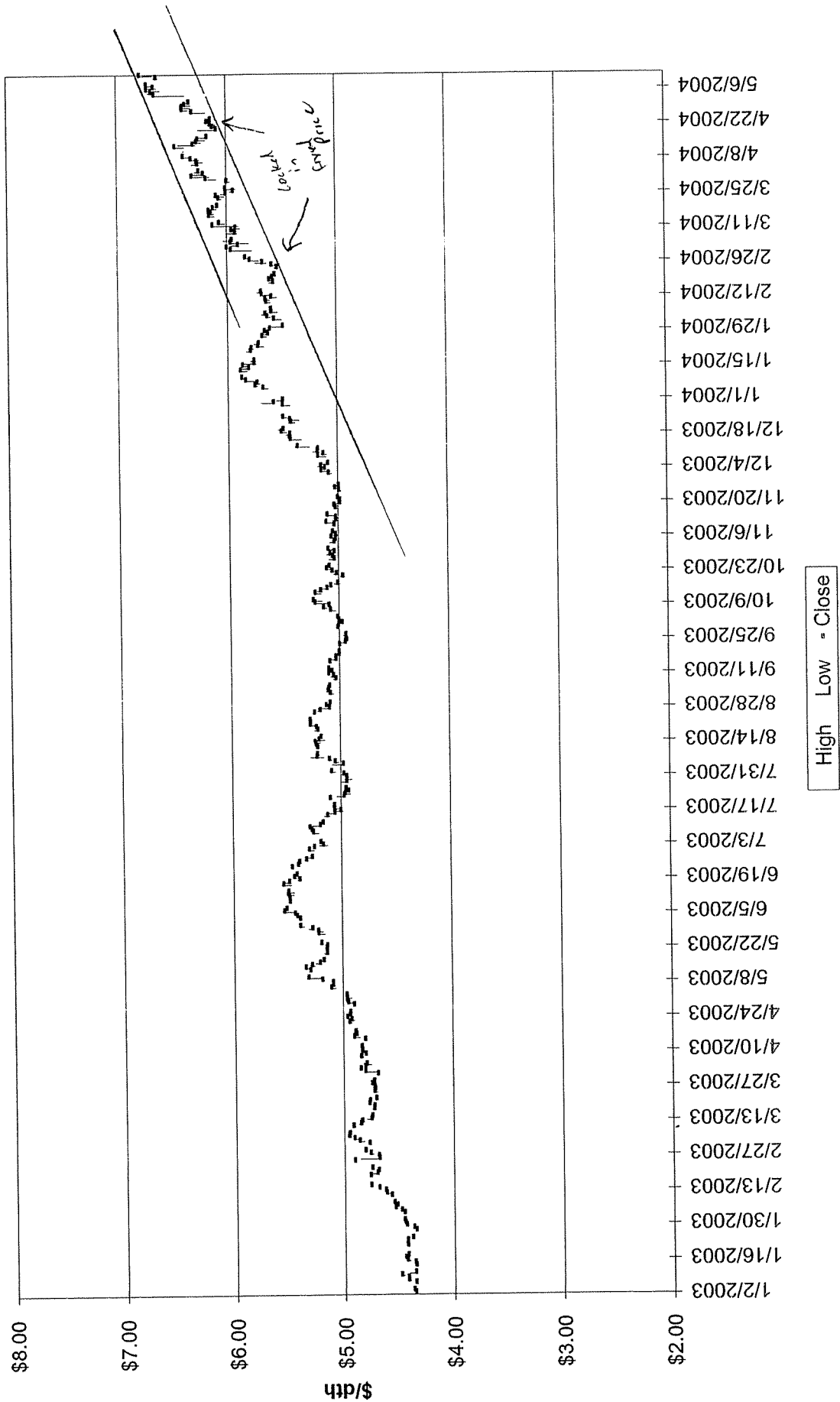


Canadian Imports – grew from 3,471 Bcf (imports net of exports) in 2000 to 3,596 billion cubic feet (Bcf) in 2002 (up 3.6 percent). However, for 2003 the Energy Information Administration now reports a one-year drop of 13.1 percent with imports falling to 3,127 Bcf. Canada faces many of the same challenges identified in the U.S. as obstacles to maintaining or growing natural gas production. That said; east coast gas, arctic gas potential and even coalbed methane offers opportunities for increasing gas supplies in Canada and to North America, in general.

LNG Imports – for 2003, EIA reports that 507 Bcf was imported, doubling the prior annual record of 253 Bcf for LNG and accounting for about 2 percent of U.S. gas consumption. AGA believes that as much as 650 Bcf may be imported in 2004 and that LNG may grow to more than 800 Bcf annually in 2005, accounting for 4 percent of gas consumed. Trinidad and Tobago remains the largest exporter of LNG to the United States and was the origin point for 75 percent of the LNG imported in 2003.

The foregoing statements in this publication are for general information only, and are not intended to provide investment advice. The information represents an unaudited compilation of statistical information and could contain coding or processing errors. AGA makes no representations about the accuracy of the information in the publication or its appropriateness for any given purpose or situation.

Winter Strip Dec04 - Mar05



**Gas Commercial Operations
Hedging Program
Market Indicators Summary
June 29, 2004**

Weather	Price Pressure	Comments
Long Term Weather Forecast	↓	Earthsat. "The summer outlook still favors warmer July weather in the East with cooler august weather. The winter outlook is still variable, but still leaning mainly toward the warm side..."
Short Term Weather (30 days)	↑	"...the thinking right now is that somewhat drier and hotter conditions overall will attempt to build more so this month."
6-10 day forecast	↑	Warmer weather expected to return the first week of July.
Tropical Storm Activity	↔	No tropical storm activity at this time.
Storage Inventory		
EIA Weekly Storage Report	↓	Injections have been around industry expectations. Surplus over last year remains strong. Current levels are almost equal to the 5 year average. (1 BCF difference)
Industry Publications		
Cambridge Energy Research Associates <i>Remaining Summer 2004: \$5.76</i> <i>Winter 04/05: \$6.30</i>	↓	"The North American gas market continues to trade between a floor based on market fundamentals and a ceiling that reflects and anxiety premium."
Paribas	↓	"...we feel that expiry for July may be very light volume, grinding prices lower through \$6.20."
CM&T	↓	"Its not looking good for the bulls here."
Government Agencies		
Energy Information Administration <i>Remaining Summer 2004: \$6.38</i> <i>Winter 04/05: \$6.31</i>	↓	EIA is tracking close to current NYMEX prices for the remainder of the summer and early winter then dropping lower for the latter part of winter and next spring.
Technical Analysis		
Winter Strip Chart	↔	Still trending upward along channel. Currently around the middle.
Rig Count	↔	Down 1 over the last week.
Economy		
Demand	↑	CERA: "Industrial sector demand for gas is resilient with a strong economy and higher product prices than in 2003."
Supply	↑	EIA: "The U.S. supply/demand balance remains so tenuous that sustained gas prices above \$7/MMBtu next year are likely..."
Oil Market	↓	Oil prices are expected to average \$36.20 per barrel in the third quarter, down from the average price in May of \$40.30.

Meeting Minutes:

Attendees: Patty Walker, Jim Henning, Doug Vaught, Jeff Kern, Don Schierenbeck

Except for the short term weather outlook, most indicators point towards lower gas prices in the future. Since the short term weather (getting hotter the first week of July) could increase prices temporarily, no hedging will be locked in at this time.

The Union Light Heat & Power Company
Hedging Position
As of 06/28/04

	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05
Daily Base											
Estimated Base (Gross)	13,000	14,000	13,000	13,000	9,000	6,000	15,768	22,596	24,427	22,506	16,906
Amount Hedged	3,000	3,000	3,000	3,000	3,000	3,000	1,000	1,000	1,000	1,000	1,000
Cost Averaging (1)							1,000	1,000	1,000	1,000	1,000
Fixed Price (Conoco \$5.485)							1,000	1,000	1,000	1,000	1,000
Fixed Price (Occidental \$6.07)							5,000	5,000	5,000	5,000	5,000
Cost Averaging (2)							7,000	7,000	7,000	7,000	7,000
Total Hedged	3,000	3,000	3,000	3,000	3,000	3,000	7,000	7,000	7,000	7,000	7,000
Monthly Base											
Estimated Base (Gross)	403,000	420,000	403,000	403,000	270,000	186,000	473,040	700,476	757,237	630,168	524,086
Amount Hedged	93,000	90,000	93,000	93,000	90,000	93,000	30,000	31,000	31,000	28,000	31,000
Cost Averaging (1)							30,000	31,000	31,000	28,000	31,000
Fixed Price (Conoco \$5.485)							30,000	31,000	31,000	28,000	31,000
Fixed Price (Occidental \$6.07)							150,000	155,000	155,000	140,000	155,000
Cost Averaging (2)							210,000	217,000	217,000	196,000	217,000
Total Hedged	93,000	90,000	93,000	93,000	90,000	93,000	210,000	217,000	217,000	196,000	217,000
% of Base Supply	23.1%	21.4%	23.1%	23.1%	33.3%	50.0%	44.4%	31.0%	28.7%	31.1%	41.4%
Seasonal % of Base						24.7%					34.3%
Normal Load (City Gate)											
Hedged (City Gate)	88,350	85,500	88,350	88,350	85,500	88,350	199,500	206,150	206,150	186,200	206,150
Storage Withdrawal	0	0	0	0	0	0	128,282	249,706	400,491	295,185	185,393
Market	660,632	465,175	458,434	459,297	441,377	640,834	1,127,799	1,602,155	1,730,447	1,547,536	1,203,649
Total (incl. Injections)	748,982	550,675	546,784	547,647	526,877	729,184	1,455,581	2,058,011	2,337,087	2,028,921	1,595,192
% Hedged & Storage	11.8%	15.5%	16.2%	16.1%	16.2%	12.1%	22.5%	22.2%	26.0%	23.7%	24.5%

(1) ULH&P will purchase 3,000 dth/day from CM&T at Columbia Gulf Onshore based on the average NYMEX closing price December 1, 2003 - March 29, 2004.

(2) ULH&P will purchase 5,000 dth/day from CM&T at Columbia Gulf Onshore based on the average NYMEX closing price June 1, 2004 - October 27, 2004.

The Union Light Heat & Power Company
Hedging for Winter 2004/2005
Cost Averaging with CM&T

	Total Amount	Closing Price					Winter Strip	Total Cost	Locked in To Date
		November	December	January	February	March			
1-Jun	7,190	\$6 894	\$7 079	\$7 204	\$7 144	\$6 954	\$7 055	50,725 45	7,190
2-Jun	7,190	\$6 759	\$6 947	\$7 077	\$7 027	\$6 842	\$6 930	49,829 58	7,190
3-Jun	7,190	\$6 620	\$6 810	\$6 940	\$6 890	\$6 710	\$6 794	48,848 86	7,190
4-Jun	7,190	\$6 546	\$6 741	\$6 871	\$6 826	\$6 656	\$6 728	48,374 32	7,190
7-Jun	7,190	\$6 502	\$6 702	\$6 832	\$6 787	\$6 617	\$6 688	48,086 72	7,190
8-Jun	7,190	\$6 445	\$6 658	\$6 788	\$6 743	\$6 580	\$6 643	47,761 73	7,190
9-Jun	7,190	\$6 406	\$6 616	\$6 746	\$6 701	\$6 541	\$6 602	47,468 38	7,190
10-Jun	7,190	\$6 509	\$6 712	\$6 840	\$6 790	\$6 622	\$6 695	48,134 17	7,190
11-Jun	<i>NYMEX Closed in Observance of Day of Mourning for Ronald Reagan</i>								
14-Jun	7,265	\$6 580	\$6 783	\$6 911	\$6 860	\$6 695	\$6 766	49,153 54	7,265
15-Jun	7,265	\$6 627	\$6 827	\$6 952	\$6 897	\$6 732	\$6 807	49,452 86	7,265
16-Jun	7,265	\$6 765	\$6 960	\$7 077	\$7 017	\$6 847	\$6 933	50,369 70	7,265
17-Jun	7,265	\$6 840	\$7 033	\$7 150	\$7 090	\$6 920	\$7 007	50,902 95	7,265
18-Jun	7,265	\$6 805	\$7 005	\$7 125	\$7 065	\$6 900	\$6 980	50,709 70	7,265
21-Jun	7,265	\$6 650	\$6 860	\$6 983	\$6 926	\$6 764	\$6 837	49,667 90	7,265
22-Jun	7,265	\$6 727	\$6 937	\$7 062	\$7 002	\$6 837	\$6 913	50,222 95	7,265
23-Jun	7,265	\$6 730	\$6 942	\$7 067	\$7 007	\$6 842	\$6 918	50,256 36	7,265
24-Jun	7,265	\$6 788	\$7 000	\$7 125	\$7 065	\$6 900	\$6 976	50,677 73	7,265
25-Jun	7,265	\$6 667	\$6 884	\$7 012	\$6 957	\$6 800	\$6 864	49,866 96	7,265
28-Jun	7,265								
29-Jun	7,265								
30-Jun	7,265								
1-Jul	7,265								
2-Jul	7,265								
6-Jul	7,265								
7-Jul	7,265								
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14-Oct	7,265								
15-Oct	7,265								
18-Oct	7,265								
19-Oct	7,265								
20-Oct	7,265								
21-Oct	7,265								
22-Oct	7,265								
25-Oct	7,265								
26-Oct	7,265								
27-Oct	7,305								
Total	755,000							\$890,509.85	130,170
									\$6 8411
									(\$0.0100)
									\$6.8311

Basis to Columbia Gulf Onshore

Price to be paid for 5,000 dth/day delivered November 1, 2004 to March 31, 2005:

EarthSat Longcast Model Seasonal Outlook Discussion

June 9, 2004

Headlines: 1994 Falls to 3rd Place. 1952 Becomes the Top Player.

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. To see EarthSat's latest outlook, please click on the link provided at the front of the longcast section (main menu) or see below.

To See EarthSat's Official Summer Outlook (no changes to date), please click here: [summer.ppt](#) (note: there are two pages here)

Latest Weekly Update of Longcast Tool:

1994 continues to collapse and is now back in 3rd place in the analog pecking order. Despite the advancement of 1952 and 1977 to the top two tier positions, the overall outlook has changed very little at this time. The summer outlook still favors warmer July weather in the East with cooler August weather. The winter outlook is still variable, but still leaning mainly toward the warm side of the equation.

Monthly Update Information:**Status**

For the ensemble spread on the latest sst forecast:

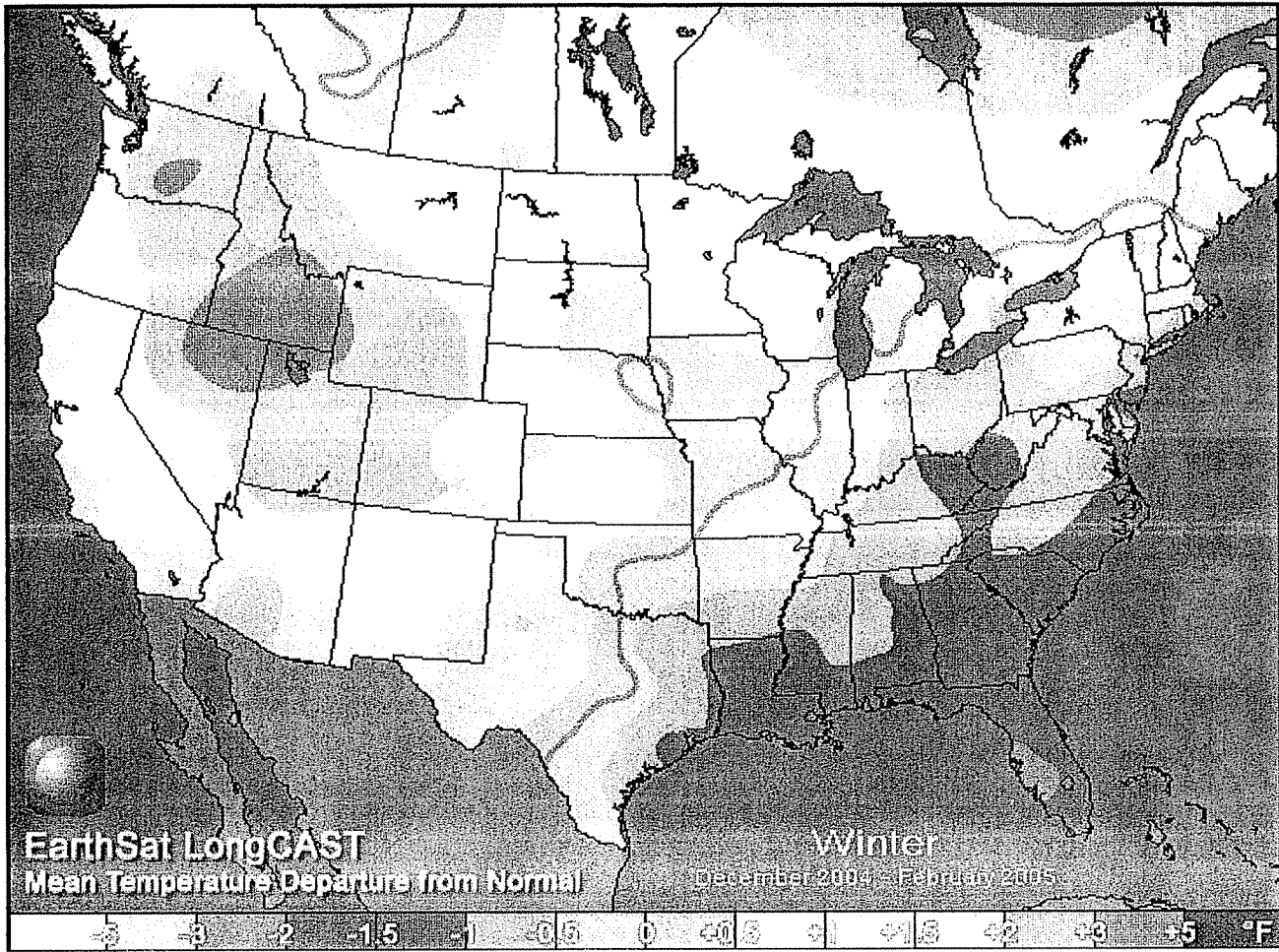
http://www.emc.ncep.noaa.gov/research/cmb/sst_forecast/images/cmb.SSTfcst_nino34.gif

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





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

EARTHSAT

Wednesday

DAY

6/23/04

DATE

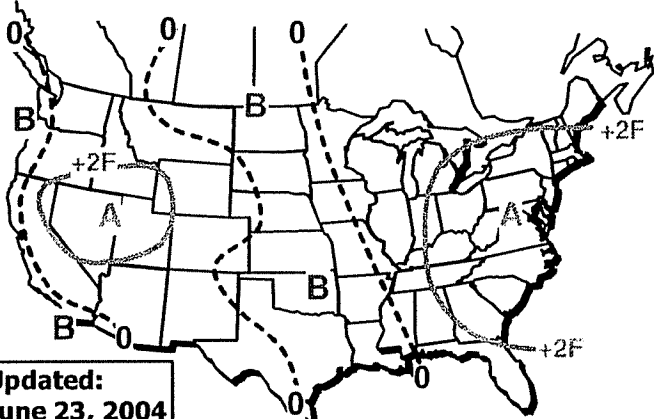
9:45 AM EDT

TIME

MR/CH

FORECASTER

JULY 2004



Updated:
June 23, 2004

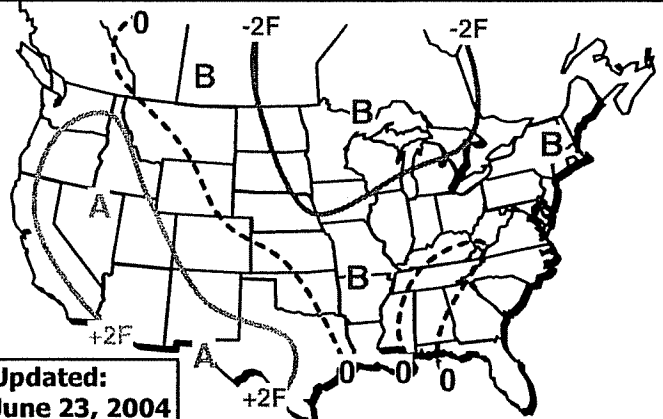
Southeast Warmed for July.

Given recent trends and current dryness, the thinking right now is that the Bermuda High should have a more dominant warming influence in the Southeast than previously forecast. As a result, the +2F line is expanding southward to include nearly all of Georgia, while the warm area is continued for the eastern Midwest, Northeast, and Mid-Atlantic. Right now, the week-ahead models are suggesting that warming could return to these areas as soon as the first few days of the month. Given June's pattern, it is unclear whether this next round of warming will persist or give way to still a variable July period. But the thinking right now is that somewhat drier and hotter conditions overall will attempt to build moreso this month.

July CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	325.5	287.9	279.0	227.5
Philadelphia	483.4	409.4	395.0	425.5
Houston	557.5	596.8	573.0	548.0

AUGUST 2004



Updated:
June 23, 2004

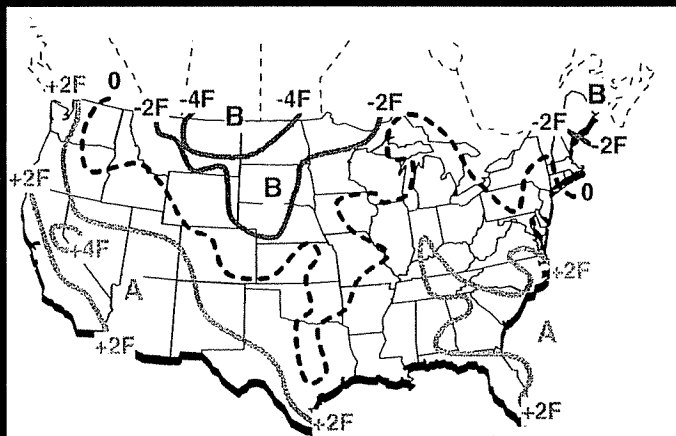
August Outlook Continued Unchanged.

The August '04 forecast will remain the same. The latest EarthSat LongCAST model actually warmed up portions of the interior West to West Texas. EarthSat's forecast already had above normal temps anyways for these regions. During this month, expect for signs of ridging breaking down across the eastern third of North America and taking more of a stronghold across the interior West. More pronounced troughiness could be the rule across parts of the Midwest with seasonal to cool anomalies here. This month could see an increased tropical weather threat. The moisture from these systems may have an impact on temps across the South and E. Coast. Albeit a seasonal forecast for the East Coast, volatility will be high.

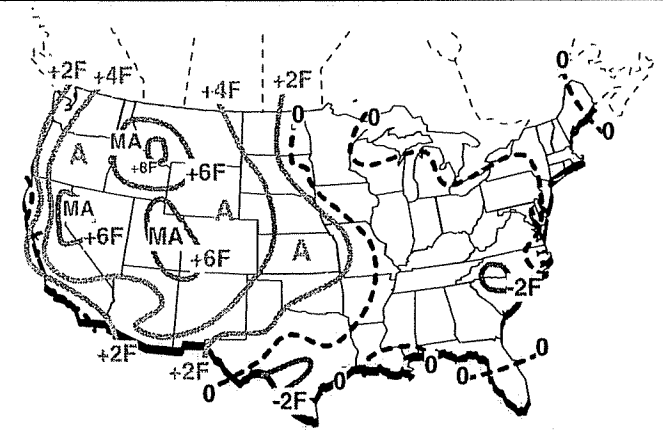
August CDD Forecasts

	forecast	10-year	30-year	last year
Chicago	202.0	239.2	233.0	266.5
Philadelphia	340.5	371.7	351.0	410.5
Houston	570.5	598.1	563.0	584.5

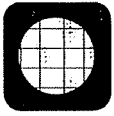
JUNE 1-22, 2004



JULY 2003



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

6/28/04

DATE

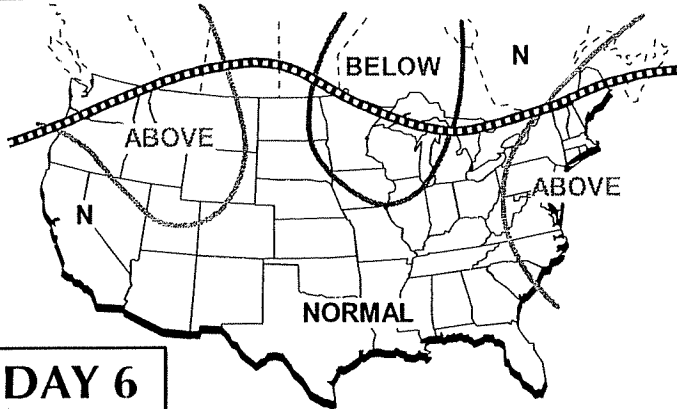
6:30 A.M.

TIME

MR

FORECASTER

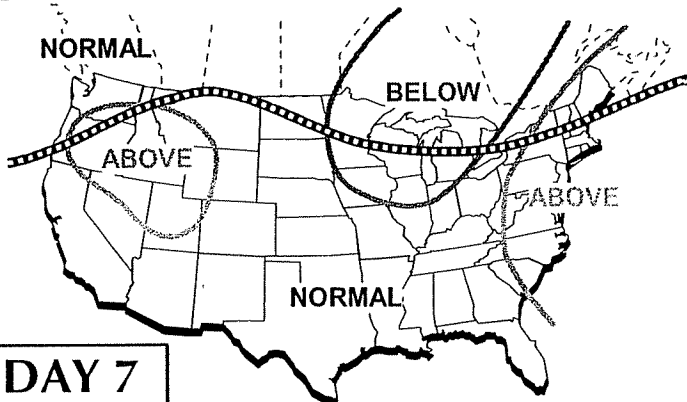
FORECAST TEMP. DEVIATIONS



DAY 6

FORECAST VALID: Saturday, 7/3

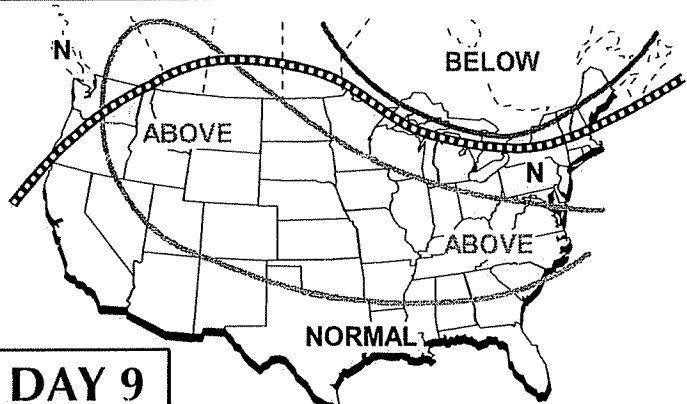
CONFIDENCE: 6



DAY 7

FORECAST VALID: Sunday, 7/4

CONFIDENCE: 5



DAY 9

FORECAST VALID: Tuesday, 7/6

CONFIDENCE: 3

DISCUSSION

Today's Update.

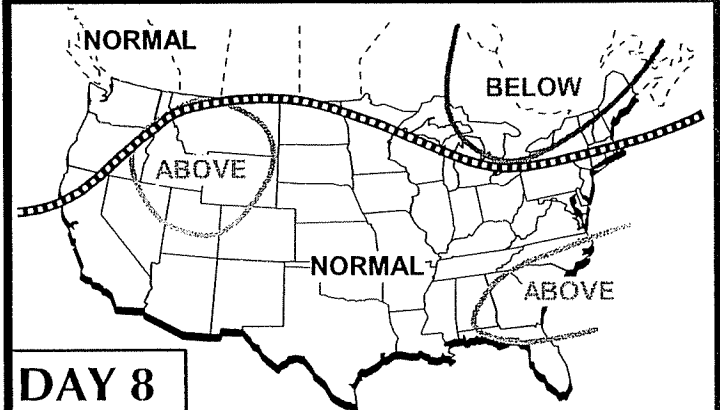
Modest Warming- At Times.

The overall forecast picture for this coming weekend into the first half of next week does not anticipate any major temperature extremes. The early days of July are forecast to be a continuation of June in terms of the active precipitation patterns and limited temperature extremes. Even areas of the Southwest and California are forecast to continue to be fairly benign in terms of temperature extremes into early next week.

Potential Problems with the Forecast:

Slightly drier or wetter weather could occasionally create spikes in either direction-- but only briefly.

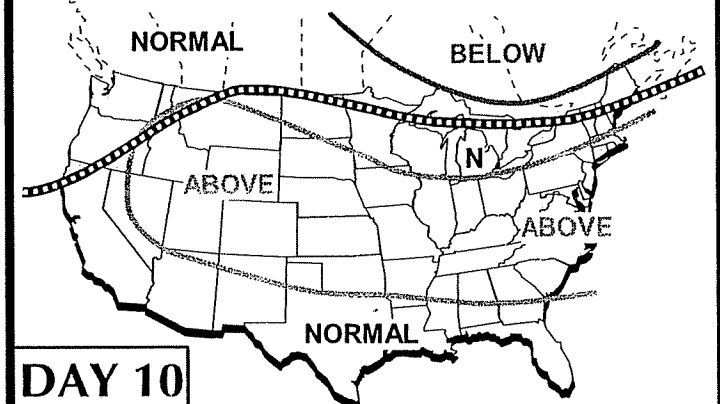
FORECAST TEMP. DEVIATIONS



DAY 8

FORECAST VALID: Monday, 7/5

CONFIDENCE: 4



DAY 10

FORECAST VALID: Wednesday, 7/7

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

----- Jet Stream

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 16-Jun-04	EIA 8-Jun-04	NYMEX 28-Jun-04
Jul	\$3.68	\$5.29		\$5.730	\$6.428	\$6.353
Aug	\$3.45	\$4.69		\$5.740	\$6.416	\$6.392
Sep	\$3.61	\$4.93		\$5.770	\$6.307	\$6.417
Oct	\$3.56	\$4.43		\$5.800	\$6.377	\$6.444
Nov	\$3.88	\$4.46		\$6.130	\$6.510	\$6.667
Dec	\$3.89	\$4.86		\$6.280	\$6.862	\$6.884
Jan	\$5.20	\$6.15		\$6.570	\$6.523	\$7.012
Feb	\$4.47	\$5.78		\$6.360	\$5.970	\$6.957
Mar	\$4.85	\$5.15		\$6.180	\$5.707	\$6.800
Apr	\$4.45	\$5.37		\$5.370	\$5.662	\$6.120
May	\$4.46	\$5.87		\$5.410	\$5.599	\$5.960
June	\$4.84	\$6.68		\$5.470	\$5.445	\$5.970
12 Month Avg	\$4.20	\$5.30		\$5.901	\$6.151	\$6.498
Summer Average				\$5.613	\$6.034	\$6.237
Winter Average				\$6.304	\$6.314	\$6.864

