



DAILY GAS REPORT™

Volume 2 Issue 170 Friday, September 5, 2008

Federal coordinator: Market will determine fate of Alaska pipeline

by Bryan McBournie

Which Alaskan North Slope natural gas pipeline project will prevail? According to Drue Pearce, the federal coordinator of Alaska Natural Gas Transportation Projects, it will likely be the market's choice.

"I think that the financial markets will decide finally whether or not the project gets built. It's not going to be a single president or a single governor or even a single company. The project's so huge ... that it will make its own weather," said Pearce.

Pearce, the head of the federal office

working to ensure that dozens of federal and state agencies work together to build a natural gas pipeline from Alaska, said the next president, whomever it may be, will not have that big of an effect on the project.

"I don't think it changes the dynamic in the short term at all. We have a candidate on the Republican side who is intimately familiar with the project and certainly with the state's process of choosing [TransCanada Corp.] as their [Alaska Gasline Inducement Act] licensee, but frankly both campaigns

have been supportive of the pipeline, of commercializing North Slope gas, of getting gas to the Lower 48 domestic markets. If anything, it's just heightening the awareness of the project," Pearce told SNL Energy.

On one side, Sen. Barack Obama's campaign has said the pipeline from Alaska's North Slope to markets in the Lower 48 states should be built, and Sen. John McCain's camp wants to expand oil and gas production as much as possible. McCain's running mate, Alaska Gov. Sarah Palin, helped to

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Dominion Cove Point says plan to accept larger tankers could reduce LNG traffic

by Robert Walton

Plans to accept larger tankers at Dominion Cove Point LNG LP's import facility in Maryland would not involve additional storage tanks, would not boost sendout and could ultimately reduce the number of cargo ships that travel through the Chesapeake Bay each year, the company told FERC on Sept. 3.

The Dominion Resources Inc. subsidiary filed its first resource report with FERC, boosting the case for its pier reinforcement project that would allow it to accept larger LNG vessels carrying cargoes of up to 267,000 cubic

meters of LNG. LNG vessels with a capacity of no greater than 148,000 cubic meters are authorized to dock at the facility.

The project, Dominion said, is being developed "to accommodate its customers and recent advances in LNG ship technology. ... The pier modifications would provide greater flexibility for LNG shippers to acquire and schedule LNG cargoes from a variety of supply sources, and provide consumers with greater access to worldwide supplies of LNG."

Maintaining an adequate supply of natural

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Chesapeake launches campaign to promote natural gas as a transportation fuel

by Toni DeSalvo

Chesapeake Energy Corp. has initiated a public education campaign called CNG NOW designed to promote natural gas as a transportation fuel, the company said Sept. 4.

"Spending hundreds of billions of dollars every year on foreign oil to fuel our cars and trucks has weakened our economy, our environment and our national security," Chesapeake Chairman and CEO Aubrey McClendon said in a statement. "CNG NOW shows all of us how we can make the switch from gasoline and diesel to natural gas soon-

er and allow America to pursue a safer, cleaner and more affordable energy future."

McClendon said Chesapeake has launched a multimedia advertising and online grassroots call-to-action campaign entitled "Rescue America" to accelerate the transition to compressed natural gas as a transportation fuel.

"Converting just 10% of our vehicles in America to CNG can lower our consumption of foreign oil by more than one million barrels per day, potentially saving nearly \$50

billion each year," McClendon said. "CNG costs 40-50% less than a gallon of gasoline today and is much cleaner, plus its consumption keeps American dollars at home and creates jobs across a wide range of industries throughout the nation."

The CNG NOW plan will establish bipartisan support for responsible federal incentives to accelerate the manufacturing of more CNG-powered vehicles; establish bipartisan support for federal and state incentives to place CNG dispensing units at about 20% of existing service stations, especially at truck stops and other stations along the interstate highway corridors; and establish bipartisan support for the extension of the existing \$1,000 federal tax credit for the installation of in-home CNG dispensing units that connect to existing residential gas lines and allow drivers to refuel overnight.

Recent shale gas discoveries, such as the Barnett, Haynesville, Fayetteville, Woodford and Marcellus, will help provide ample natural gas supplies "to power America's economy for more than a century," the Oklahoma City-based company said.

In July, Sen. James Inhofe, R-Okla., introduced the Drive America on Natural Gas Act to promote the use of CNG and LNG vehicles. The proposal would expand the definition in the renewable fuels standard to allow the use of CNG and LNG fuels to meet the mandates.

Broadening the scope of the renewable fuels standard to include natural gas sends a signal to the nation's automakers and fuels industries that natural gas "is a competitive option as a mainstream transportation fuel," Inhofe said.

The proposal also would broaden the alternative vehicle tax credit to include bi-fuel vehicles. Only "dedicated" vehicles or vehicles that run solely on natural gas qualify for this credit. This definition discourages the sale of bi-fuel vehicles, those that can run on both conventional fuels and natural gas fuels, he said.

COMPANY REFERENCED IN THIS ARTICLE:

Chesapeake Energy Corp.

 [09/04/08 Chesapeake Energy Corporation Press Release](#)

 [Full filing](#)

 [E-mail this story.](#)

Clean Energy to supply LNG as fuel for refuse trucks in Los Angeles

by [Toni DeSalvo](#)

The city of Los Angeles' sanitation bureau has awarded Clean Energy Fuels Corp. a contract for up to 10 years to supply LNG fuel for the city's fleet of 340 LNG refuse trucks.

The LNG fleet uses about 3.5 million gallons of LNG fuel each year. Fleet fuel volumes are expected to increase as diesel trucks in the 700 truck fleet continue to be replaced with LNG refuse vehicles, Clean Energy Fuels said.

"We are pleased to launch our LNG supply relationship with the City of Los Angeles, and are committed to providing reliable, cost-efficient fueling services, ensuring the City that its refuse trucks roll out daily to meet community needs," Clean Energy Fuels President and CEO Andrew Littlefair said in a Sept. 4 statement. "Reliable fuel supply is a critical factor for refuse agencies and we have worked hard to be the leader in the field."

Clean Energy Fuels has sourcing contracts with six LNG plants in the western United States. The company also operates its own LNG

plant near Houston. When Clean Energy Fuel's new California LNG plant becomes operational by year-end, it will produce up to 160,000 gallons of LNG per day and have more than 1.5 million gallons of LNG storage.

COMPANY REFERENCED IN THIS ARTICLE:

Clean Energy Fuels Corp.

 [Full filing](#)

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Storage now 102 Bcf above 5-year average after another robust injection

by [Katie Teller](#)

Net injections into storage totaled 90 Bcf for the week ending Aug. 29, lifting total working gas levels to 2,847 Bcf, according to data released Sept. 4 by the U.S. Energy Information Administration.

The latest injection activity tightened the year-over-year storage deficit to 148 Bcf. Gas in storage is now 102 Bcf ahead of the five-year average of 2,745 Bcf.

During the week, the biggest gain came from the East region, where storage operators saw net injections of 67 Bcf. The producing region reported net injections of 16 Bcf, and the West region saw net injections of 7 Bcf.

According to EIA's Natural Gas Weekly Update, this is the eighth week in a row that injections into storage have matched or exceeded the five-year average. The addition to storage is the second-largest in August since data collection began in 1994. It is second only to the previous week's record August injection of 102 Bcf.

"Relatively moderate temperatures in the Lower 48 States contributed to larger than average net injections into working gas storage," EIA wrote.

The median estimate of 19 analysts surveyed by Bloomberg indicated an injection of 90 Bcf, right in-line with the actual injection. Banc of America Securities Inc. analyst Michael Schmitz predicted, in a Sept. 2 report, an injection between 90 and 100 Bcf, compared to 102 Bcf the previous week, 36 Bcf for the same reference period last year and 71 Bcf in 2006.

Schmitz based his prediction for the week ending Aug. 29 on temperatures that were 15% cooler than they were last year and 2.7% warmer than the previous week.

Barclays Capital analysts George Hopley and Michael Zenker, in a Sept. 2 report, predicted a net injection of 94 Bcf, based on rebounding power demand in Texas and in California. The analysts also noted the effect of a larger-than-expected injection for the week ending Aug. 22.

"Given the surge of extra gas, analysts were busy trying to recalculate the impact on projections for future storage reports," noted Hopley and Zenker. Going forward, they predicted the industry would end the injection season with about 3.5 Tcf in storage.

Also, they predicted gas prices will average \$8/MMBtu at the Henry Hub in the fourth quarter and \$8.65 during the upcoming winter season, "as storage is not high enough to crush away all the winter premium."

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Business Roundtable urges Congress to take bipartisan action on energy

by [Kathleen Hart](#)

Energy prices are among the highest cost pressures CEOs face and will require a bipartisan approach to address, the Business Roundtable told members of Congress on Sept. 4.

"High energy prices have already resulted in a loss of jobs, higher costs for our manufacturing and service industries, increases in the cost of living for hard-pressed consumers and greater transfers of wealth to oil-exporting nations," American Electric Power Co. Inc. Chairman, President and CEO Michael Morris said in a Sept. 4 letter to lawmakers. Morris is chairman of the Business Roundtable's Sustainable Growth Initiative.

"Progress on energy will require bipartisan approaches," Morris said. The Business Roundtable is reviewing bipartisan initiatives under way in both the Senate and House of Representatives and plans to address them when Congress returns next week, he added.

Noting that the causes of recent price increases are complex and will not disappear overnight, Morris argued there are "no assured short-term fixes. We instead need wise and balanced long-term strategies that achieve an alignment between supply and demand and increase U.S. energy security. These strategies must be integrated and comprehensive and cannot neglect any tool that will improve our energy situation."

Reducing energy demand is a key component of a comprehensive energy strategy, Morris said. He pointed to a Business Roundtable report, titled "More Diverse, More Domestic, More Efficient," which advocates a national goal of reducing energy intensity — the amount of energy consumed per unit of economic output — by at least 25% more than the anticipated business-as-usual rate of improvement. This goal includes a reduction of at least 2.2% per year, for an overall reduction in energy intensity of more than 40%.

However, Morris also called for simultaneously expanding the supply of crude oil and natural gas.

The United States cannot credibly advocate that other nations increase production while refusing to increase its own domestic supplies, Morris said, adding that the Business Roundtable supports

President Bush's decision to lift the executive order barring oil and gas exploration and drilling in the Outer Continental Shelf "and now urges Congress to lift the statutory moratorium on OCS access."

Morris also countered the argument that industry should fully develop existing federal oil and gas leases before access to tracts currently off-limits is increased. "Many leases are simply uneconomic. Expanding the opportunities for development increases the likelihood that large, profitable reserves will be discovered and exploited and thus magnifies the potential for increases in supply," the letter said. "Prohibiting additional leasing until 'idle' leases are brought into production will force companies to make uneconomic investments or shift their resources overseas at the expense of our potentially most attractive oil and natural gas resources here at home."

Along with improving vehicle efficiency and developing new biofuels, expanding development of OCS resources "is a prudent investment in America's energy future and an essential component of a balanced and far-sighted energy policy," Morris said. "We urge Congress to take action now."

Senate Majority Leader Harry Reid, D-Nev., has said he plans to work with a group of both Democratic and Republican senators who have proposed a bipartisan energy plan that includes limited drilling. The initiative includes extending renewable energy tax incentives, including the production tax credit, through 2012.

Initially known as the "Gang of 10," the group has grown to 16 senators, with Sens. Tom Carper, D-Del.; Norm Coleman, R-Minn.; Tim Johnson, D-S.D.; Ken Salazar, D-Colo.; John Sununu, R-N.H.; and John Warner, R-Va.; recently joining the coalition led by Sens. Saxby Chambliss, R-Ga.; and Kent Conrad, D-N.D. Other members of the group include Sens. Bob Corker, R-Tenn.; Lindsey Graham, R-S.C.; Johnny Isakson, R-Ga.; Mary Landrieu, D-La.; Blanche Lincoln, D-Ark.; Ben Nelson, D-Neb.; Mark Pryor, D-Ark.; and John Thune, R-S.D.

House Speaker Nancy Pelosi, D-Calif., also has said Congress is crafting a comprehensive energy strategy. "The Democratic plan will promote efficiency and invest in renewable sources of energy, responsibly increase domestic supply by opening portions of the Outer Continental Shelf for drilling, with appropriate safeguards, and without taxpayer subsidies to Big Oil, and require Big Oil to pay



DAILY GAS REPORT

The Energy Industry Delivered to You Daily

Published by: SNL Financial LC (ISSN 1937-1160) © 2008

Subscription Rate: 250 issues for \$1,397

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the billions of dollars they owe in royalties to invest in clean energy resources," Pelosi said in a Sept. 2 statement.

COMPANY REFERENCED IN THIS ARTICLE:

American Electric Power Co. Inc.

AEP

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Palin rallies for energy independence at Republican convention

by [Bryan McBournie](#)

Alaska Gov. Sarah Palin accepted the Republican Party's nomination for vice president in a speech Sept. 3 at the Republican National Convention in St. Paul, Minn. Palin used the spotlight to tout her record on energy issues in Alaska and to promote the Republicans' goal of energy independence.

She highlighted her work on getting the Alaska Gasline Inducement Act passed. "I fought to bring about the largest private-sector infrastructure project in North American history. And when that deal was struck, we began a nearly \$40 billion natural gas pipeline to help lead America to energy independence," Palin said. "That pipeline, when the last section is laid and its valves are open, will lead America one step farther away from dependence on dangerous foreign powers that do not have our interests at heart."

As part of the AGIA process, Palin fought to get the state Legislature to approve TransCanada Corp.'s North Slope pipeline plan.

A competing North Slope pipeline project, BP plc and ConocoPhillips Co.'s Denali – The Alaska Gas Pipeline, has begun the prefiling process, while the TransCanada plan has yet to officially receive its AGIA license, which it must get before it can apply for FERC prefiling status.

Palin signed a bill Aug. 27 that authorizes the state to give TransCanada an AGIA license. However, the Alaska bill does not become effective until 90 days after it is signed.

During her speech, Palin cited the conflict between Georgia and Russia and control over an oil pipeline in the Caucasus, as well as relations with Iran and Venezuela and possible terrorist attacks in Saudi Arabia on oil facilities as reasons the United States needs to pursue energy independence.

"Americans, we need to produce more of our own oil and gas," Palin said. "And take it from a gal who knows the North Slope of Alaska: We've got lots of both."

Palin said a McCain-Palin administration would continue to build more oil and gas pipelines, as well as nuclear plants and move forward with coal, solar, wind and geothermal power.

The vice presidential nominee also painted herself as a maverick in Alaska, one who is not afraid to stand up to the big oil producers. She pointed to her administration's battle with ExxonMobil and others over the Point Thomson Unit and reclaiming state ownership of Alaska's natural resources.

Her administration terminated the Point Thomson Unit, which had sat on an undeveloped oil and gas field for more than 30 years. Exxon Mobil and subsidiaries of BP, ConocoPhillips and Chevron Corp. were

unable to come up with a plan satisfactory to Alaska. The termination of the unit is still in litigation.

"And despite fierce opposition from oil company lobbyists, who kind of liked things the way that they were, we broke their monopoly on power and resources. As governor, I insisted on competition and basic fairness to end their control of our state and return it to the people," Palin said.

COMPANIES REFERENCED IN THIS ARTICLE:

TransCanada Corp.

TRP

BP plc

Chevron Corp.

ConocoPhillips Co.

COP

ExxonMobil

 [E-mail this story.](#)

Sandell blasts Southern Union for overinflated executive compensation agreement

by [Jay Hodgkins](#)

Sandell Asset Management Corp. — Southern Union Co.'s largest and, as of late, most activist shareholder — said Sept. 3 that it objects to "generous new compensation" agreements for top executives reported by Southern Union in a recent Form 8-K.

In July, Sandell sent a letter to Southern Union urging the company to sell itself due to its lack of action to fight continued poor stock price performance. In that letter, Sandell heavily criticized Southern Union's top executives, and the new compensation agreement provides for severance payments to the company's top officers regardless of whether a change of control at the company occurs, and bigger payments in the event of a change of control, Sandell said.

Because of the "outsized, non-performance based" compensation, Sandell said it has firmed its resolve to affect change on Southern Union's board as it continues the process of identifying potential candidates for nomination to the company's board.

The hedge fund said it objects to the compensation agreement because it is not tied to performance by the executives and, in fact, "is a disincentive since the executive is no longer required to perform in order to be lavishly compensated and can only be replaced at significant cost to shareholders."

Sandell additionally objected because the contracts are a direct transfer of value from shareholders to highly paid executives in the event of a change of control; the bonus amounts are inflated by outsized special transaction bonuses several executives received for the acquisition of Sid Richardson; and the total value of compensation payable to the executives covered by the new agreement could exceed \$100 million, with more than \$60 million payable to Chairman and CEO George Lindemann and President and COO Eric Herschmann under certain circumstances.

Sandell said the compensation agreements are a clear sign Southern Union's board of directors does not possess the necessary level of independence from senior management to prevent a clear misappropriation of shareholder value.

"Southern Union shareholders should be outraged at this clear entrenchment device designed to transfer value to SUG's already well-compensated management, especially during a time period where the Company's shares are underperforming its peers and

management has done nothing to improve value for stakeholders other than themselves," said Tom Sandell, CEO of Sandell. "The only positive effect may be that management is now more motivated to sell the Company, which we have already publicly asked them to do."

COMPANY REFERENCED IN THIS ARTICLE:

[Southern Union Co.](#)

SUG

 [08/28/08 Southern Union Co. 8-K](#)

 [09/03/08 Southern Union Co. Press Release](#)

 [E-mail this story.](#)

CFTC reaches settlement with Sempra on trading card violations

by [Katie Teller](#)

Sempra Energy Trading LLC will pay a \$175,000 civil penalty for trading card violations involving natural gas futures on the New York Mercantile Exchange Inc., as a result of charges filed by the CFTC and simultaneously settled with the commission Sept. 4.

The CFTC issued an order indicating that on certain trading days between August and November 2004, the company's floor brokers failed to properly prepare trading cards in order to process trades. The CFTC order said these trades involved exchanging futures for or in connection with a swap and that the trades involved positions of several hundred lots.

"However, on each of the trading dates at issue, the trades took place outside of the permitted time period," the CFTC said. "The trading cards, therefore, did not accurately reflect the actual trade dates or listed trades entered out of exact chronological order in violation of CFTC regulations applicable to trading cards."

Sempra Energy Trading is a part of Sempra Energy.

COMPANIES REFERENCED IN THIS ARTICLE:

[Sempra Energy](#)

SRE

[New York Mercantile Exchange Inc.](#)

 [09/04/08 Sempra Energy Press Release](#)

 [E-mail this story.](#)

Oklahoma Natural Gas sets rate for voluntary fixed-price plan

by [Katie Teller](#)

Oklahoma Natural Gas Co.'s customers will have the option of locking in the cost of natural gas they use this winter if they enroll in the company's voluntary fixed-price plan. The company said Sept. 3 that the program price for natural gas will be \$11.048/Dth for the 12-month period beginning Nov. 1.

Customers who enroll in the program pay the company's normal service and delivery charges. While the program does not guarantee customers will save money, it can help reduce volatility of bills, the company said.

"The Voluntary Fixed-Price Plan is a customer choice program that we offer to help customers manage their natural gas bills,"

Oklahoma Natural Gas President Roger Mitchell said in a statement. "Participating in this program does not guarantee savings, but it is an option to help reduce the volatility of natural gas prices on customers' bills."

For the one-year period that began Nov. 1, 2007, the rate was \$8.889/Dth.

Enrollment in the program is open to residential and small-commercial customers, using 150 Dth or less annually, and will continue through Oct. 24. Oklahoma Natural Gas, a division of ONEOK Inc., serves more than 800,000 customers in Oklahoma.

COMPANIES REFERENCED IN THIS ARTICLE:

[Oklahoma Natural Gas Co.](#)

[ONEOK Inc.](#)

OKE

 [09/03/08 Oklahoma Natural Gas Co Press Release](#)

 [E-mail this story.](#)

Researchers: Rising ocean temperatures generating stronger hurricanes

by [Mark Hand](#)

Intense tropical storms are getting even stronger, most notably in the north Atlantic and northern Indian oceans, according to a report in *Nature*.

"The maximum wind speeds of the strongest tropical cyclones have increased significantly since 1981," *Nature* reported. "And the upward trend, thought to be driven by rising ocean temperatures, is unlikely to stop at any time soon."

According to the report, Florida State University climatologist James Elsner found that very strong storms have a greater ability to overcome any inhibiting effects of shearing winds than do weaker storms and therefore are more likely to reach their maximum possible strength.

Elsner and his research team determined that while there was little increase in the average number or intensity of all storms, there has been a significant shift in distribution toward stronger storms that cause the most problems.

"Rising ocean temperatures are thought to be the main cause of the observed shift," *Nature* reported. "The team calculates that a 1 °C increase in sea-surface temperatures would result in a 31% increase in the global frequency of category 4 and 5 storms per year: from 13 of those storms to 17. Since 1970, the tropical oceans have warmed on average by around 0.5 °C. Computer models suggest they may warm by a further 2 °C by 2100."

Oil and gas producers dodged serious damage to their infrastructure along the Gulf Coast when Hurricane Gustav plowed into the region Sept. 1. It was a different story in 2005, when hurricanes Katrina and Rita caused extensive damage to offshore platforms, pipelines and other facilities.

More than 12% of the supply of natural gas the United States gets from the Gulf of Mexico in a year was lost between September and December 2005, following infrastructure damage from Katrina and Rita.

According to the *Nature* report, Judith Curry, an atmospheric researcher at Georgia Tech, conducted a study three years ago, finding that category 4 and 5 storms almost doubled in number and proportion since 1970.

"The study, published two weeks after Hurricane Katrina struck, was later criticized for using a mixture of data taken by various worldwide projects that used different protocols," *Nature* reported. "The new analysis is instead based on a single set of wind-speed data inferred from infrared satellite imagery."

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Gas Technology Institute pushes for more direct use of natural gas

by [Robert Walton](#)

At a recent forum on natural gas research and development in Indiana, the Gas Technology Institute pressed for increased direct use of natural gas as the most energy efficient method of heating homes.

"For every Btu of energy of coal in the mine, only 0.26–0.38 Btu of that energy gets delivered to the end-use customer through the electric grid," GTI's Ron Edelstein said in a presentation before the Indiana Utility Regulatory Commission. "For every Btu of natural gas in the well, only 0.26–0.51 Btu of that energy gets delivered to the end-use customer through the electric grid."

But through direct use of gas, either for space or water heating, or for cooking, for every Btu of natural gas in the well, 0.91 Btu is delivered to the end-use customer through the gas lines, Edelstein said.

GTI, headquartered in Des Plaines, Ill., is the gas industry's primary research and development organization.

"Consumers need to be informed that natural gas appliances can provide protection from time of day electricity prices while giving them the most environmental alternative to meeting the household and family needs," Edelstein said. "When consumers with electric cooking, water and space heating appliances realize they should make a lifestyle change, natural gas will be the way to go."

GTI also said that in the near term, "aggressive deployment of high efficiency natural gas equipment in the nation's homes, offices, and industries can achieve substantial CO2 savings." Slightly farther out, additional greenhouse gas savings can be achieved by reducing methane leakage from the nation's natural gas production, transmission and distribution systems. "In the long term, renewables-based gas can be fed into the pipelines to create a sustainable, zero-carbon option," GTI said.

[Full filing](#)

[Full filing](#)

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International Paper completes sale of Haynesville Shale mineral rights

by [Toni DeSalvo](#)

International Paper Co. said Sept. 3 that it has completed the sale of about 13,000 net acres of subsurface mineral rights located in the Haynesville Shale in northwest Louisiana to Chesapeake Energy Corp. for about \$263 million.

"We will continue to look for opportunities to monetize our remaining U.S. forestlands, real estate, and mineral holdings, to pay down debt, strengthen our balance sheet, and focus on our global

paper and packaging business," International Paper Chairman and CEO John Faraci said in a statement.

COMPANIES REFERENCED IN THIS ARTICLE:

[International Paper Co.](#)

[Chesapeake Energy Corp.](#)

[09/03/08 International Paper Company Merger Press Release](#)

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FERC targets January 2009 for final decision on SG Resources storage expansion

by [Robert Walton](#)

FERC will complete its environmental review in October and issue a final decision by Jan. 19, 2009, regarding SG Resources Mississippi LLC's proposed expansion of the Southern Pines Energy Center, the commission said in a Sept. 3 notice.

The SGR Holdings LLC subsidiary is proposing to provide a total of 40 Bcf of working gas capacity at the Greene County, Miss., facility, supported by 11.4 Bcf of cushion gas capacity, for a total storage field capacity of 51.4 Bcf. The company plans to expand the working capacity of each of the three previously authorized caverns from 8 Bcf to 10 Bcf and to develop a fourth cavern with a working capacity of 10 Bcf.

The project also would involve drilling two additional brine disposal wells and constructing a 3.13-mile, 24-inch pipeline. A shorter pipeline would connect the proposed Destin Lateral Loop pipeline to meter stations owned by Destin Pipeline Co. LLC and Southeast Supply Header LLC.

The company, in its May application, asked FERC to issue a final order on or before Oct. 1, which would allow construction to begin by July 2009.

FERC on June 27 issued a notice of intent to prepare an environmental assessment for the project, as well as a request for comments. "To date, we received no comment letters on the NOI," FERC said. "However, any substantive comments in response to the NOI will be addressed in the [environmental assessment]."

FERC will issue the environmental assessment by Oct. 21. (CP02-229)

COMPANIES REFERENCED IN THIS ARTICLE:

[Destin Pipeline Co. LLC](#)

[SG Resources Mississippi LLC](#)

[Southeast Supply Header LLC](#)

[09/03/08 SG Resources Mississippi Energy Regulatory Filing](#)

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Dominion Cove Point *continued*

gas from LNG delivered to the Cove Point LNG terminal will assist in stabilizing energy costs for homes and businesses in the mid-Atlantic and Northeast regions, Dominion said. The project would also enable Dominion Cove Point to “compete more effectively for LNG supplies and remain competitive with similar terminals in other parts of the United States and throughout the world.”

While Dominion stressed that its reinforcement project does not include the addition of storage tanks or pipeline facilities, it also said that to the extent Cove Point shippers opt to use the larger ships, “they could deliver comparable quantities of LNG using fewer ships.”

“Currently, there are over 250 LNG vessels in service worldwide to transport LNG,” Dominion said. “Based on available data, it is anticipated that an additional eleven 217,000 cubic meter capacity vessels and nine 267,000 cubic meter capacity vessels will be in-service by 2nd Quarter 2009.”

Between 2003 and 2007, 272 ships arrived at the Cove Point facility, averaging more than 54 cargoes per year. “To the extent that DCP shippers opt to use the larger ships that could berth at the pier after construction of the project, fewer ships would visit the pier,” Dominion said.

The U.S. Coast Guard has implemented a moving safety zone around LNG ships during transit up the Chesapeake Bay and a moored security zone while LNG vessels are berthed at the Cove Point LNG terminal pier. The moving safety zone is the area 500 yards ahead and astern of the ship and 500 yards to either side, and an armed, multivessel escort is required to enforce the security zone around the moving vessel when navigating its loaded inbound transit.

Dominion said it is assisting the Cove Point Natural Heritage Trust with implementation of a marsh restoration project on the terminal shoreline about 1.1 miles from the pier. The only other major project Dominion said it is aware of in the vicinity of the Cove Point LNG facility is the potential addition of a third unit at the Calvert Cliffs Nuclear Power Plant.

“The only potential cumulative effects between the Calvert Cliffs project and DCP’s Pier Reinforcement Project are related to dredging and construction barge traffic,” Dominion said. “However, because of the distance between the two project sites, 3.4 miles, there would be no substantial cumulative impacts between these two projects.” (PF08-20)

COMPANIES REFERENCED IN THIS ARTICLE:

[Dominion Resources Inc.](#)

[Dominion Cove Point LNG LP](#)

 [09/03/08 Dominion Cove Point LNG LP Energy Regulatory Filing](#)

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Federal coordinator *continued*

push Alaska Gasline Inducement Act through the state Legislature.

Pearce, a former Alaska Senate president, said her office has worked closely with Palin and her staff. Pearce is the first federal coordinator for Alaska Natural Gas Transportation Projects and assumed the position in 2006. Her term ends one year after the pipeline is completed. The Office of the Federal Coordinator was created in the Alaska Natural Gas Pipeline Act of 2004.

“She’s a different kind of governor than the state of Alaska has had for a number of years. She’s tough, but she’s fair,” Pearce said. “She has certainly built momentum and kept the ball rolling on the gas pipeline, and I think we have her to thank that we have two competitive applicants coming forward through the federal licensing process.”

Denali – The Alaska Gas Pipeline is backed by BP plc and ConocoPhillips Co. and is going through the prefiling process at FERC. TransCanada’s plan is waiting 90 days until it can be awarded its Alaska Gasline Inducement Act license from the state of Alaska. After that, Pearce said, TransCanada will likely begin the prefiling process at FERC.

Pearce said the projects are only a matter of months apart in the planning process, which makes them virtually tied. However, Denali was able to do field work this summer, while TransCanada could not, due to the lengthy approval process in Alaska. But that is “not a fatal flaw,” she said.

The federal coordinator said she is bringing in more people to her office as the planning process ramps up, and recently, she hired a general counsel. Pearce said the amount of work coming into her office has increased greatly in recent weeks. Soon, the Office of the Federal Coordinator will ask about 18 federal agencies to put together implementation plans for reviewing an Alaska gas pipeline project so they can all be combined into one larger plan.

FERC Chairman Joseph Kelliher recently said the two North Slope pipeline proposals will put a strain on the commission’s resources. In FERC’s update to Congress, Kelliher cautioned that reviewing multiple Alaska gas pipeline projects throughout the federal regulatory process “would greatly challenge the commission staff, the other agencies on the federal interagency team, and state agencies. Clearly, everyone must work together with the shared goal of getting a project built.”

“It is a massive undertaking, a hugely complex project, and if both entities move forward in a competitive manner, I don’t doubt that there will be strains on FERC and other federal agencies,” Pearce said.

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Another federal agency that will be hit is the U.S. Bureau of Land Management, responsible for approving the rights of way for pipeline projects on federal lands. However, the TransCanada and Denali projects are taking almost the same route, so much of the review of the projects for each agency will not be entirely duplicative.

Pearce is optimistic an Alaska gas pipeline will eventually get built.

"I don't believe there's been a time since TAPS began moving Prudhoe Bay oil that we've been this close to having one of these projects come to fruition. Commercializing that gas has been a dream in Alaska for 30-plus years," Pearce said. "The long-term strength of the economy, energy independence, gas being a more

environmentally friendly product than oil, all is going to gather at the right time for this project."

COMPANIES REFERENCED IN THIS ARTICLE:

[TransCanada Corp.](#)

TRP

BP plc

ConocoPhillips Co.

COP

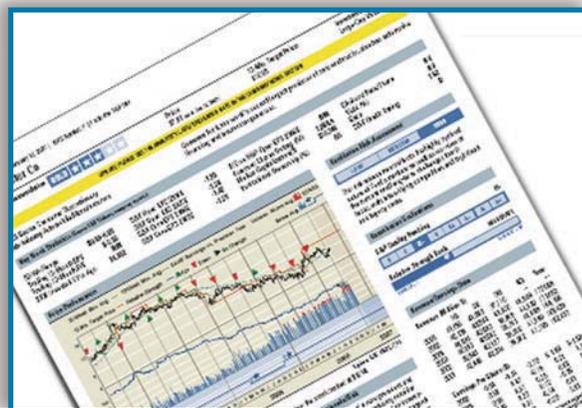
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GAS INDEX (Day Ahead prices for Delivery on 09/05/08)

Trading Hub	Volume Wgtd. Average (\$/mmBtu)	Change From 09/04/08 (\$/mmBtu)	Trade (\$/mmBtu)			Trading Volume (mmBtu)
			Median	Low	High	
Gulf Coast						
Col Gulf Mainline	7.125	0.021	7.120	7.110	7.140	23,800
Col Gulf Onshore	7.187	-0.005	7.190	7.160	7.210	146,000
Henry Hub	7.235	-0.039	7.250	7.190	7.320	300,652
Houston Ship Channel	7.124	0.029	7.125	7.080	7.160	181,900
Sonat	7.597	-0.001	7.620	7.130	7.720	99,347
Tennessee Zone 0	-	-	-	-	-	-
Transco Z 1	7.160	-0.034	7.160	7.150	7.170	4,583
Transco Z 3	7.401	-0.121	7.410	7.390	7.450	144,009
Mid-continent						
Chicago	6.824	-0.053	6.825	6.780	6.870	15,200
NNG Demarc	5.320	0.012	5.325	5.280	5.360	81,300
NNG Ventura	6.083	-0.057	6.080	6.060	6.130	54,800
PEPL	-	-	-	-	-	-
Northeast						
Algon Gates	7.861	-0.429	7.880	7.860	7.880	10,654
Dawn, Ont.	7.243	0.043	7.240	7.200	7.280	103,822
Dominion S	7.557	-0.121	7.550	7.450	7.600	54,400
Iroquois Z 2	7.924	-0.319	7.910	7.880	7.960	48,000
Niagara	7.343	0.016	7.350	7.330	7.430	67,300
TCO pool	7.394	-0.001	7.400	7.380	7.480	194,064
Tennessee at Dracut	-	-	-	-	-	-
Tennessee Zone 6	-	-	-	-	-	-
Tetco M-3	7.849	-0.243	7.845	7.740	7.860	82,800
Transco Z 6 non-NY	7.866	-0.122	7.840	7.830	7.900	17,000
Transco Z 6 NY	7.843	-0.265	7.840	7.800	7.900	61,600
West						
Cheyenne Hub	4.180	-0.353	4.180	4.180	4.180	5,000
CIG Wyo.	3.780	1.581	3.765	3.250	4.200	80,600
CIG, Rocky Mountains	3.876	1.665	3.945	3.500	5.250	59,980
El Paso Permian	5.406	0.047	5.405	5.400	5.410	33,000
El Paso SJ	5.310	-0.018	5.300	5.200	5.400	82,000
Kern River	6.449	0.066	6.470	6.370	6.500	39,500
NW Sumas	5.908	-0.092	5.905	5.880	5.950	15,000
PG&E Gate	6.718	-0.017	6.710	6.690	9.730	609,700
SoCal Border	6.383	0.084	6.380	6.300	6.480	442,913
Waha Hub	5.472	-0.002	5.475	5.390	5.530	120,000

SNL Gas Spark Spread

Day-ahead Prices for Delivery 09/04/08

Gas Location	Power Location	Gas Avg. (\$/mmBtu)	Power Avg. (\$/MWH)	Spark Spreads at Various Heat Rates (\$)					Implied Heat Rate
				7,000	8,000	10,000	12,000	14,000	
NW Sumas	Mid-C	6.00	60.89	18.89	12.89	0.89	-11.11	-23.11	10,148.33
PG&E Gate	NP-15	6.74	74.46	27.31	20.58	7.11	-6.36	-19.83	11,055.68
El Paso SJ	Palo Verde	5.33	67.13	29.83	24.51	13.85	3.19	-7.46	12,599.47
Tetco M-3	PJM West	8.09	96.75	40.11	32.01	15.83	-0.35	-16.54	11,956.25
SoCal Border	SP-15	6.30	73.69	29.60	23.30	10.70	-1.90	-14.50	11,698.68

Dominion Energy Index

Day	Date	Forecast or Actual Index	Above/Below Normal		Day	Date	Forecast or Actual Index	Above/Below Normal	
			△	△%				△	△%
UNITED STATES					NEW ENGLAND				
Wednesday	09/03/08	38.0	2.9	8.4	Wednesday	09/03/08	31.2	6.4	25.6
Thursday	09/04/08	38.3	3.4	9.9	Thursday	09/04/08	40.7	16.1	65.3
Friday	09/05/08	36.7	2.1	6.0	Friday	09/05/08	43.1	18.8	77.5
Saturday	09/06/08	33.1	-1.2	-3.5	Saturday	09/06/08	25.3	1.5	6.5
Sunday	09/07/08	36.4	2.4	7.1	Sunday	09/07/08	28.8	5.4	23.2
Monday	09/08/08	36.3	2.7	8.1	Monday	09/08/08	31.2	8.1	34.9
Tuesday	09/09/08	33.7	0.4	1.3	Tuesday	09/09/08	29.7	6.7	29.3
Wednesday	09/10/08	31.2	-1.6	-5.0	Wednesday	09/10/08	22.4	0.2	0.7
GREAT LAKES					PACIFIC				
Wednesday	09/03/08	42.2	13.6	47.7	Wednesday	09/03/08	35.1	8.0	29.6
Thursday	09/04/08	27.4	-0.8	-2.9	Thursday	09/04/08	39.0	12.0	44.5
Friday	09/05/08	22.5	-5.3	-19.1	Friday	09/05/08	40.8	14.0	52.1
Saturday	09/06/08	24.0	-3.5	-12.6	Saturday	09/06/08	40.0	13.3	49.7
Sunday	09/07/08	24.3	-2.8	-10.4	Sunday	09/07/08	39.7	13.2	49.9
Monday	09/08/08	22.9	-4.0	-14.9	Monday	09/08/08	38.3	12.0	45.9
Tuesday	09/09/08	18.4	-8.2	-30.9	Tuesday	09/09/08	33.9	8.1	31.1
Wednesday	09/10/08	18.2	-8.2	-31.0	Wednesday	09/10/08	30.5	5.0	19.5
GREAT PLAINS					ROCKY MOUNTAINS				
Wednesday	09/03/08	11.8	-22.7	-65.9	Wednesday	09/03/08	14.4	-20.0	-58.1
Thursday	09/04/08	11.4	-22.6	-66.6	Thursday	09/04/08	16.4	-17.8	-51.9
Friday	09/05/08	16.2	-17.5	-51.8	Friday	09/05/08	10.1	-23.7	-70.1
Saturday	09/06/08	17.5	-15.9	-47.6	Saturday	09/06/08	16.1	-16.7	-50.9
Sunday	09/07/08	22.0	-11.0	-33.3	Sunday	09/07/08	25.3	-6.8	-21.2
Monday	09/08/08	18.8	-13.7	-42.1	Monday	09/08/08	22.9	-8.6	-27.3
Tuesday	09/09/08	15.6	-16.3	-51.2	Tuesday	09/09/08	30.8	0.7	2.2
Wednesday	09/10/08	21.9	-9.3	-29.8	Wednesday	09/10/08	31.6	3.0	10.6
LOWER MISSISSIPPI					SOUTH ATLANTIC				
Wednesday	09/03/08	38.2	-7.9	-17.2	Wednesday	09/03/08	50.9	8.1	18.9
Thursday	09/04/08	41.9	-3.9	-8.5	Thursday	09/04/08	52.6	10.0	23.5
Friday	09/05/08	36.3	-9.0	-19.9	Friday	09/05/08	47.6	5.2	12.2
Saturday	09/06/08	40.3	-4.7	-10.5	Saturday	09/06/08	42.3	0.1	0.2
Sunday	09/07/08	45.8	1.1	2.5	Sunday	09/07/08	48.0	6.1	14.4
Monday	09/08/08	48.8	4.5	10.0	Monday	09/08/08	48.5	6.7	16.1
Tuesday	09/09/08	45.0	0.9	2.1	Tuesday	09/09/08	47.6	6.2	14.9
Wednesday	09/10/08	42.5	-1.3	-2.9	Wednesday	09/10/08	42.5	1.3	3.2
MID-ATLANTIC					SOUTHWEST				
Wednesday	09/03/08	43.7	12.5	40.0	Wednesday	09/03/08	40.0	-4.1	-9.4
Thursday	09/04/08	47.7	16.6	53.5	Thursday	09/04/08	43.5	-0.4	-1.0
Friday	09/05/08	44.8	13.9	44.9	Friday	09/05/08	46.3	2.5	5.7
Saturday	09/06/08	27.8	-2.8	-9.2	Saturday	09/06/08	47.5	4.1	9.3
Sunday	09/07/08	33.2	2.8	9.3	Sunday	09/07/08	49.1	6.0	13.8
Monday	09/08/08	35.7	6.0	20.2	Monday	09/08/08	47.4	4.6	10.6
Tuesday	09/09/08	33.7	4.5	15.5	Tuesday	09/09/08	43.5	1.0	2.4
Wednesday	09/10/08	26.1	-2.8	-9.6	Wednesday	09/10/08	43.7	1.4	3.4

The Dominion Energy Index, maintained by The Dominion Energy Services Corp., measures actual and forecast demand for heating and cooling energy. It is designed to be more precise than the current heating degree days and cooling degree days indexes. The first reading in each regional list is the actual energy demand measured the day the forecast is made. The forecast energy demand for the following week for a given region follows the actual reading in the table. "Normals" for each region for each day have been calculated using 30-year weather averages.

EIA Gas Storage Report

Working Gas in Underground Storage - Four Week Storage Trend

Week Ending	% Change		% Change 5 Year Avg.	% Change		% Change 5 Year Avg.	% Change		% Change 5 Year Avg.	% Change		% Change 5 Year Avg.
	East	Week		West	Week		Producing	Week		Lower 48	Week	
08/29/2008	1676	4.16	6.35	378	1.89	0.80	793	2.06	-0.13	2847	3.26	3.72
08/22/2008	1609	4.48	5.09	371	2.20	0.27	777	3.32	-1.02	2757	3.84	2.64
08/15/2008	1540	4.55	3.63	363	1.40	-0.55	752	2.17	-3.34	2655	3.43	0.99
08/08/2008	1473	3.88	2.36	358	1.13	-0.83	736	-1.21	-4.79	2567	1.99	-0.23

For more information, visit <http://www.eia.doe.gov>

Stock Highlights

Thursday

Company	Ticker	Close	Volume	Price % Chng
RANKED BY PRICE GAIN				
Allegheny Energy	AYE	41.77	3,162,197	1.5
OGE Energy Corp	OGE	33.79	1,310,862	1.4
Calpine Corp	CPN	17.01	5,175,533	1.1

RANKED BY PRICE LOSS

ME & Maritimes	MAM	40.50	4,300	-5.6
Constell Engy Ptnr	CEP	12.72	66,601	-5.1
Piedmont Natural	PNY	28.16	611,937	-4.6

Company	Ticker	Price % Chng	Volume	Volume as % of Avg (1 Year)
VOLUME HIGHLIGHTS				
Energy East Corp	EAS	0.7	6,436,071	655.1 ^M
OGE Energy Corp	OGE	1.4	1,310,862	340.3
Constell Engy Grp	CEG	-1.2	4,598,717	244.3

Note: Institutions ranked in the above tables must be traded on a major exchange, have a closing price greater than \$3, and daily volume greater than 1,000 shares.
^MCompany is the target of a pending merger.

Past Week

Company	Ticker	Close	Volume	Price % Chng
RANKED BY PRICE GAIN				
MMC Energy	MMCE	3.37	104,371	18.7
Williams Ptnrs LP	WPZ	31.00	1,210,789	3.8
Energy East Corp	EAS	28.20	16,491,609	3.8 ^M

RANKED BY PRICE LOSS

Sthwstrn Energy Co	SWN	33.77	22,094,075	-13.1
Dynegy	DYN	5.35	32,455,888	-12.3
Equitable Resource	EQT	44.78	6,607,851	-11.9

Company	Ticker	Price % Chng	Volume	Volume as % of Avg (1 Year)
VOLUME HIGHLIGHTS				
Energy East Corp	EAS	3.8	16,491,609	419.7 ^M
Laclede Group	LG	-7.9	1,210,993	214.0
Penn Virginia GP	PVG	-8.3	289,473	194.0

Note: Institutions ranked in the above tables must be traded on a major exchange, have a closing price greater than \$3, and daily volume greater than 1,000 shares.
^MCompany is the target of a pending merger.

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