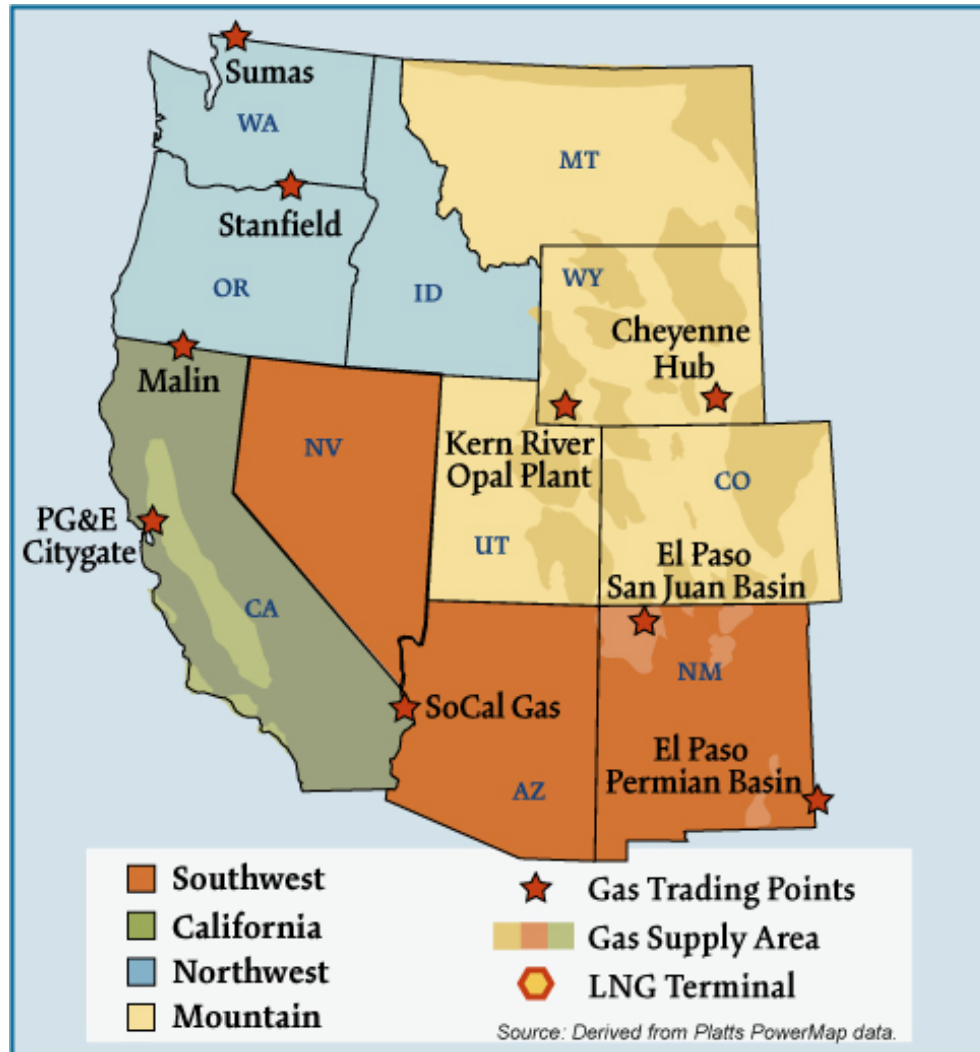


Western Natural Gas Regions



Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

Overview:**Market Description**

The Western market is becoming a more prolific supplier and consumer of natural gas. Natural gas is the marginal fuel for dispatching power plants throughout most of the West. However, gas use is dependent on a complex set of factors: weather, storage inventory levels, pipeline capacity availability, hydroelectric resource availability, power-related imports, transmission line congestion, and other fossil-plant availabilities. The Western gas market is much more robust than it was 5-years ago because of massive, across the board investments in all phases of the natural gas supply chain (upstream wells, gathering and processing facilities, interstate pipeline expansions, market area storage, and distribution systems). Because of expanded drilling, Rockies natural gas production now equals about 8 Bcfd or 15 percent of total U.S. domestic dry gas production. Imports from Western Canada supply another 2 to 3 Bcfd of natural gas to the West. California accounts for the more than one-half of total regional gas use. Overall regional gas use is split somewhat comparably amongst the residential, industrial, and power sectors. Physical and financial gas-related products are traded actively at numerous market locations in the West. Storage capacity limitations in the Southwest can influence pipeline operating conditions, especially during peak periods.

Geography

States covered: Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

Major Trading Hubs

Cheyenne Hub, Opal, PG&E Citygate, SoCal Border, El Paso San Juan, El Paso Permian, and Sumas.

Storage

State Capacity: California and Montana have 68 percent of total West capacity.

Aquifer Capacity: 5%

Depleted Field Capacity: 95%

Total Capacity: 1,345 Bcf. Comprises 16 percent of total U.S. storage capacity.

Major Storage Pipelines and Capacity:

California

SoCal Gas: 130 Bcf

PG&E: 42 Bcf

Lodi: 17 Bcf

Wild Goose: 24 Bcf

Wyoming

Clay Basin: 51 Bcf

Washington

Jackson Prairie: 22 Bcf

Colorado

Fort Morgan: 8.5 Bcf

Young: 5.8 Bcf

Latigo: 8.3 Bcf

Flank: 7.2 Bcf

Boehm: 5.2 Bcf

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Demand by Sector (2005):

- Residential: 22%
- Commercial: 12%
- Industrial: 28%

State: California accounts for 52 percent of total Western market demand. Arizona, Colorado, Oregon and Washington comprise about 30 percent of total West demand.

Western Total: 4.3 Tcf annually (11.9 Bcfd), which comprises 19 percent of total U.S. demand.

Consumer Total: 18.0 million, which is approximately 20 percent of total consumers in the U.S.

Key Consuming States: California, Arizona, Colorado, and Washington make up 55 percent of the consumers in the West and about 16 percent of the total consumers in the U.S.

Residential Consumers: 94%

Production

State: Colorado, Wyoming, and Utah make up 86 percent of total West production. They comprise 23 percent of total U.S. production.

Total: Total West production comprises 27 percent of total U.S. production.

Prices at Southern California**2005**

- * Average Daily Price: \$7.56
- * Average Daily Basis: -\$1.24
- * Highest Daily Price: \$13.92
- * Lowest Daily Price: \$5.24

2006

- * Average Daily Price: \$6.09
- * Average Daily Basis: -\$0.69
- * Highest Daily Price: \$8.27
- * Lowest Daily Price: \$3.55

Pipeline Flows

Major Pipelines: Kern River Gas Transmission, El Paso Natural Gas, Transwestern Pipeline, TransCanada GTN, Northwest Pipeline, and Southern Trails Pipeline.

Average Daily Rockies Deliveries to the Midwest:

2005: 3.3 Bcfd

2006: 3.3 Bcfd

Major Pipelines: Trailblazer, Cheyenne Plains, El Paso and Colorado Interstate Gas carry a significant amount of gas from the Rockies to the Midwest. They carried:

2005: 73%

2006: 72%

Average Daily Rockies Deliveries to the West:

2005: 5.1 Bcfd

2006: 5.5 Bcfd

Major Pipelines: El Paso, Kern River and Northwest carry most of the gas from the Rockies further to the West. They flow:

2005: 88%

2006: 88%

Imports and Exports

Average Daily Imports from Canada into the West:

2005: 2.5 Bcfd

2006: 2.5 Bcfd

Major Importers: Northwest and GTN are the only two pipelines importing all of the gas from Canada into the Western U.S.

Focal Points

Southwest Generation: A combination of structural demand growth, hot weather, nuclear power plant outages at Palo Verde, and the mothballing of the Mohave generating station in Nevada contributed to significant increases in natural gas consumption by power generators in the Southwest. Based on analysis of pipeline data, estimated daily natural gas demand in Arizona rose by more than 500 MMcfd in 2006, or 62 percent, rising to 1,332 MMcfd from 820 MMcfd. Two-thirds of the growth in Arizona demand (342 MMcfd) came from the power sector.

Pipeline Capacity: The Cheyenne Plains Pipeline began commercial service in December 2005. Based on pipeline postings, average daily flow was 548 MMcfd in 2006, up 98 MMcfd from 2005. The lack of surplus take-away capacity on pipelines transporting western volumes into Mid-Continent was the main bottleneck retarding greater production volumes. The Rockies Express Pipeline is another system designed to address this bottleneck. The first phase and furthest upstream leg of the Rockies Express Pipeline – the Entrega Pipeline – began commercial service in 2006. According to available capacity postings from pipelines, initial flows averaged 175 MMcfd in 2006. The overall project is slated to be completed in 2010 and will ultimately link Colorado and Wyoming gas receipts with downstream markets in the Mid-Continent, Upper Midwest, and market area storage in Pennsylvania.

Yearly Average of Spot Hub Prices

Annual Average Day Ahead Prices (\$/MMBtu)

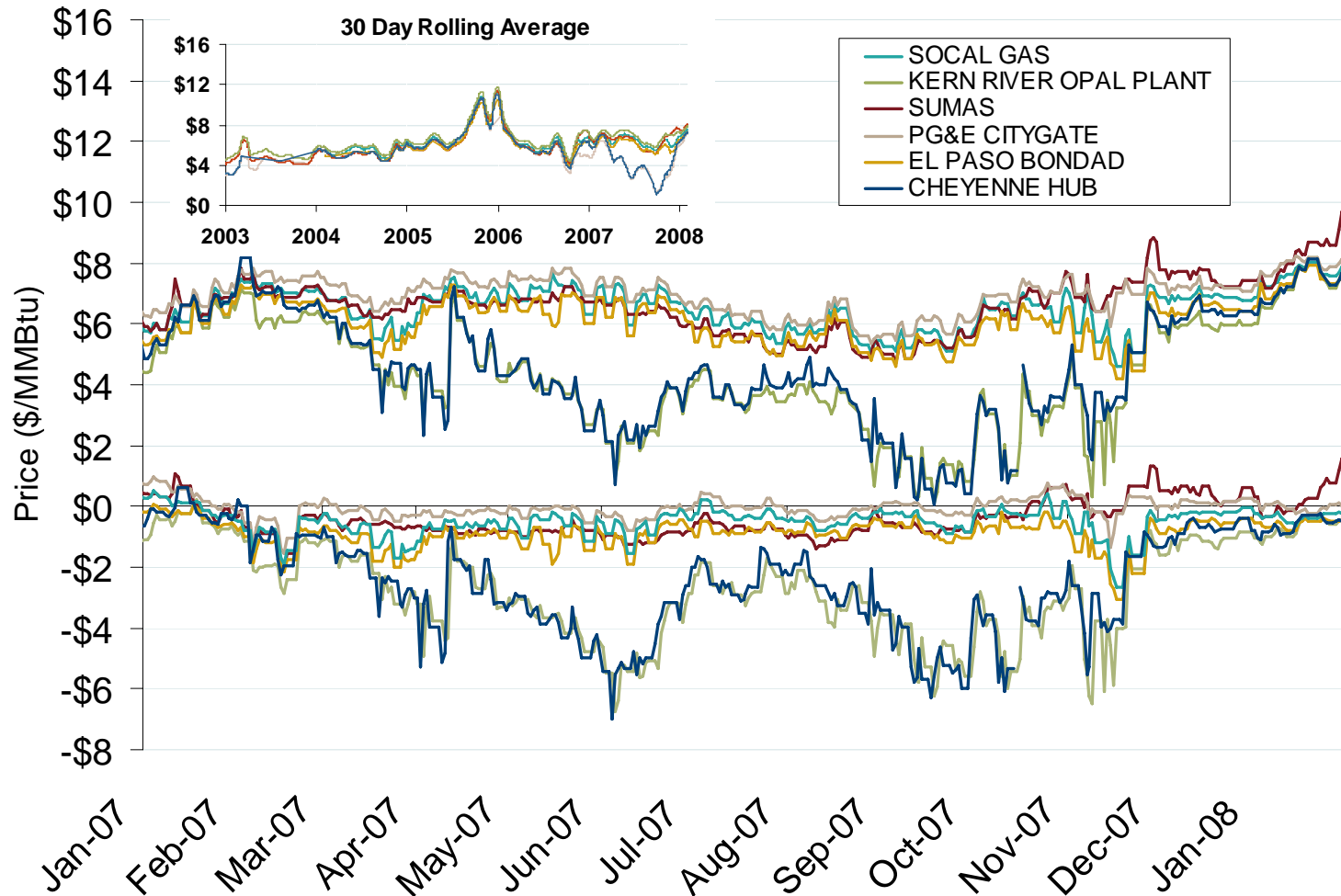
| | 2005 | 2006 | 5 Years |
|--------------------|--------|--------|---------|
| Socal border | \$7.56 | \$6.10 | \$5.48 |
| PG&E citygates | \$7.94 | \$6.47 | \$5.70 |
| Opal | \$7.14 | \$5.39 | \$4.78 |
| Sumas (Huntington) | \$7.40 | \$6.01 | \$5.18 |
| El Paso San Juan | \$7.12 | \$5.74 | \$4.87 |

Source: Derived from *Platts* data.

Updated January 16, 2007

2068

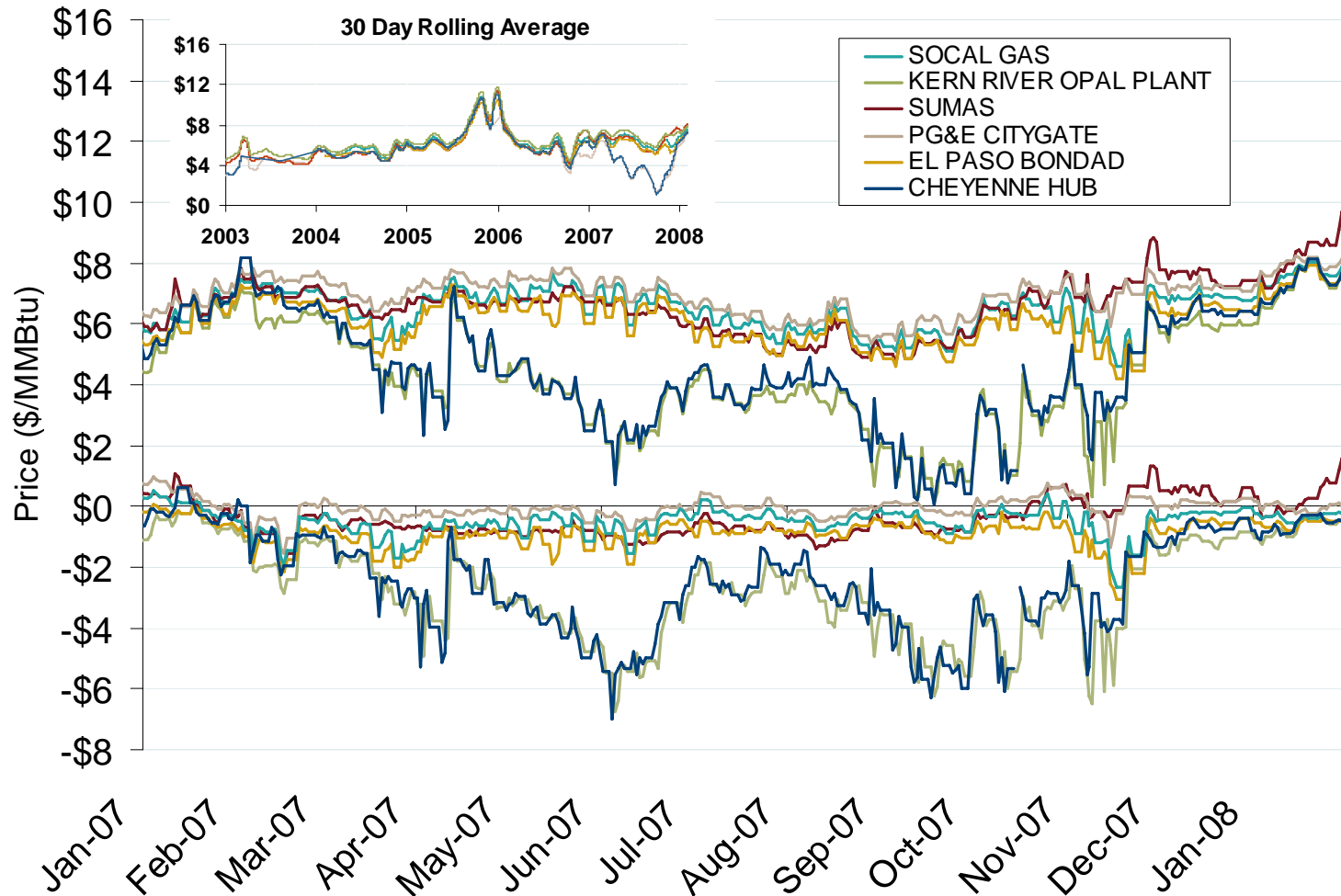
Western Day-Ahead Hub Spot Prices and Basis



Source: Derived from *Platts* data.

Updated February 8, 2008 2072

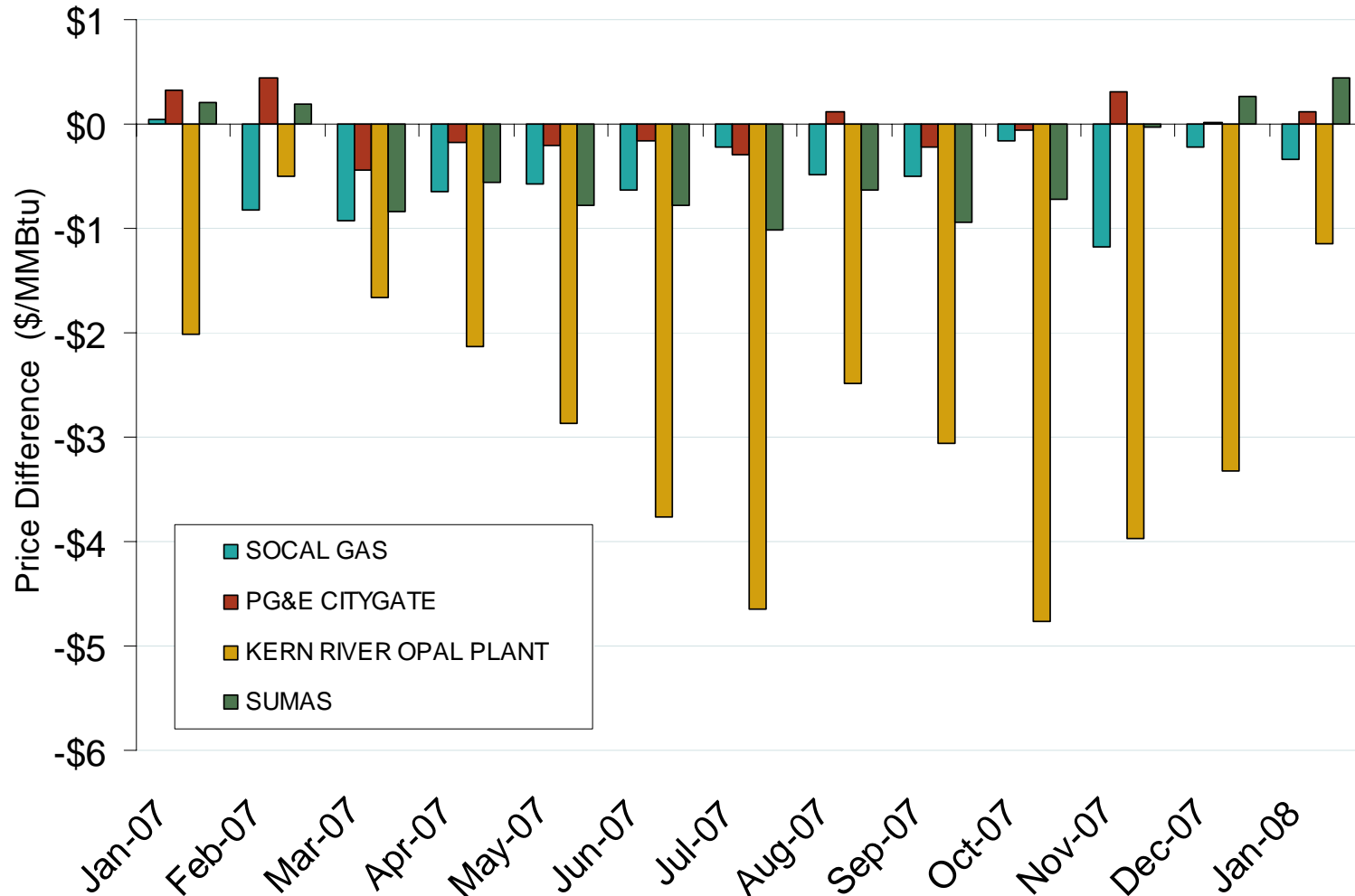
Western Day-Ahead Hub Spot Prices and Basis



Source: Derived from *Platts* data.

Updated February 8, 2008 2072

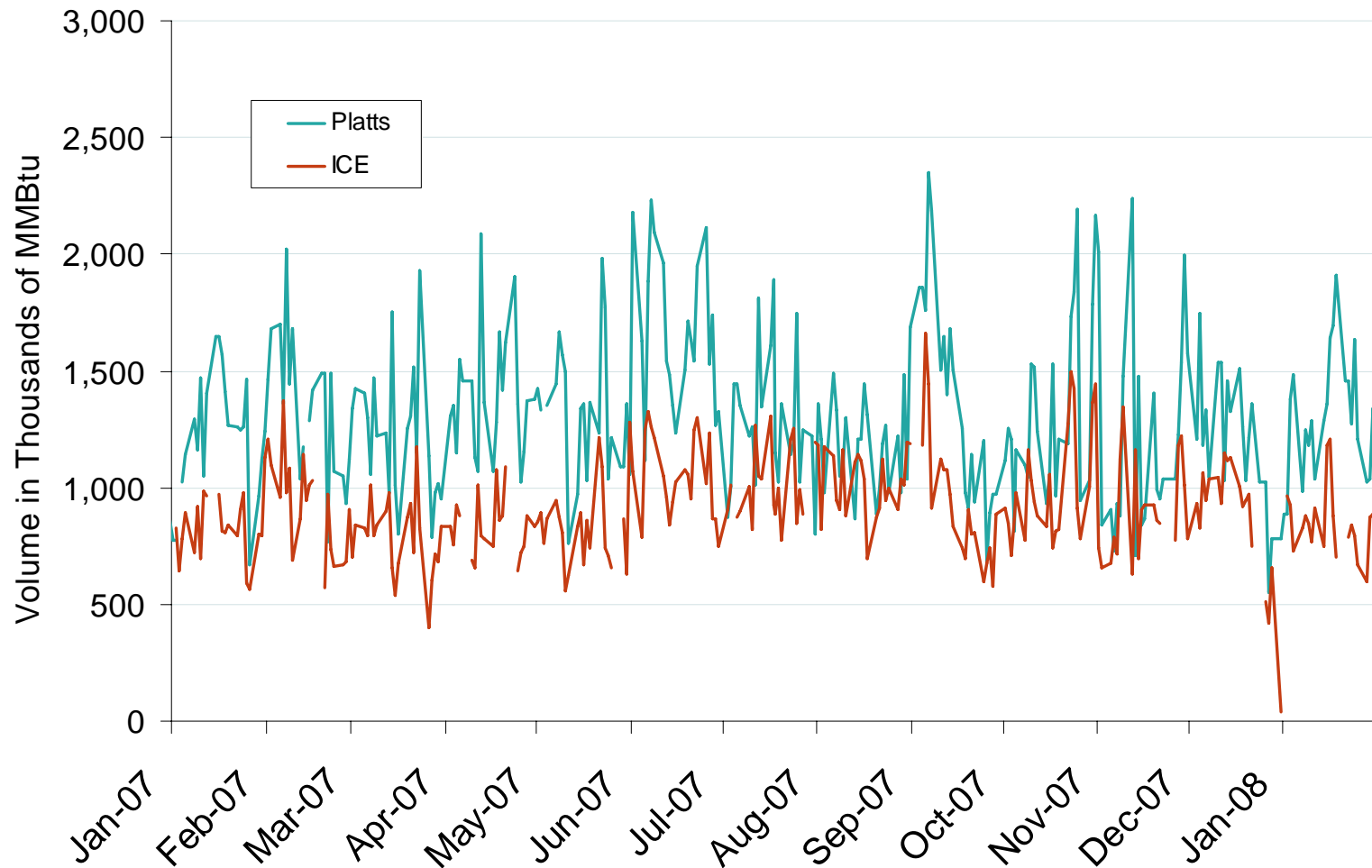
Western Monthly Average Basis Value to Henry Hub



Source: Derived from *Platts* data.

Updated February 8, 2008

Published and Traded Daily Spot Volumes at Socal Border

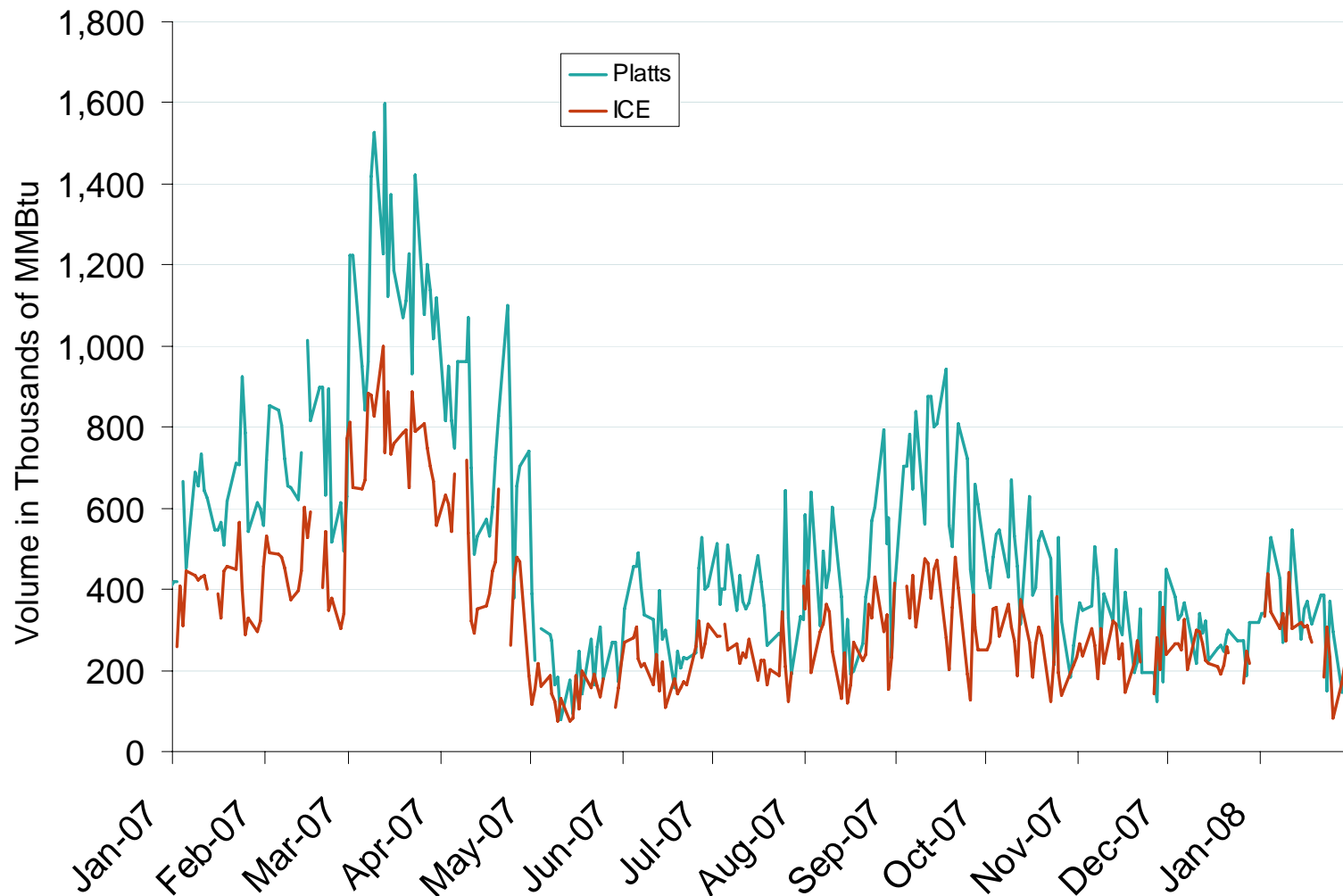


Source: Derived from *Platts* and *ICE* data.

Updated February 8, 2008

2154

Published and Traded Daily Spot Volumes at Kern River

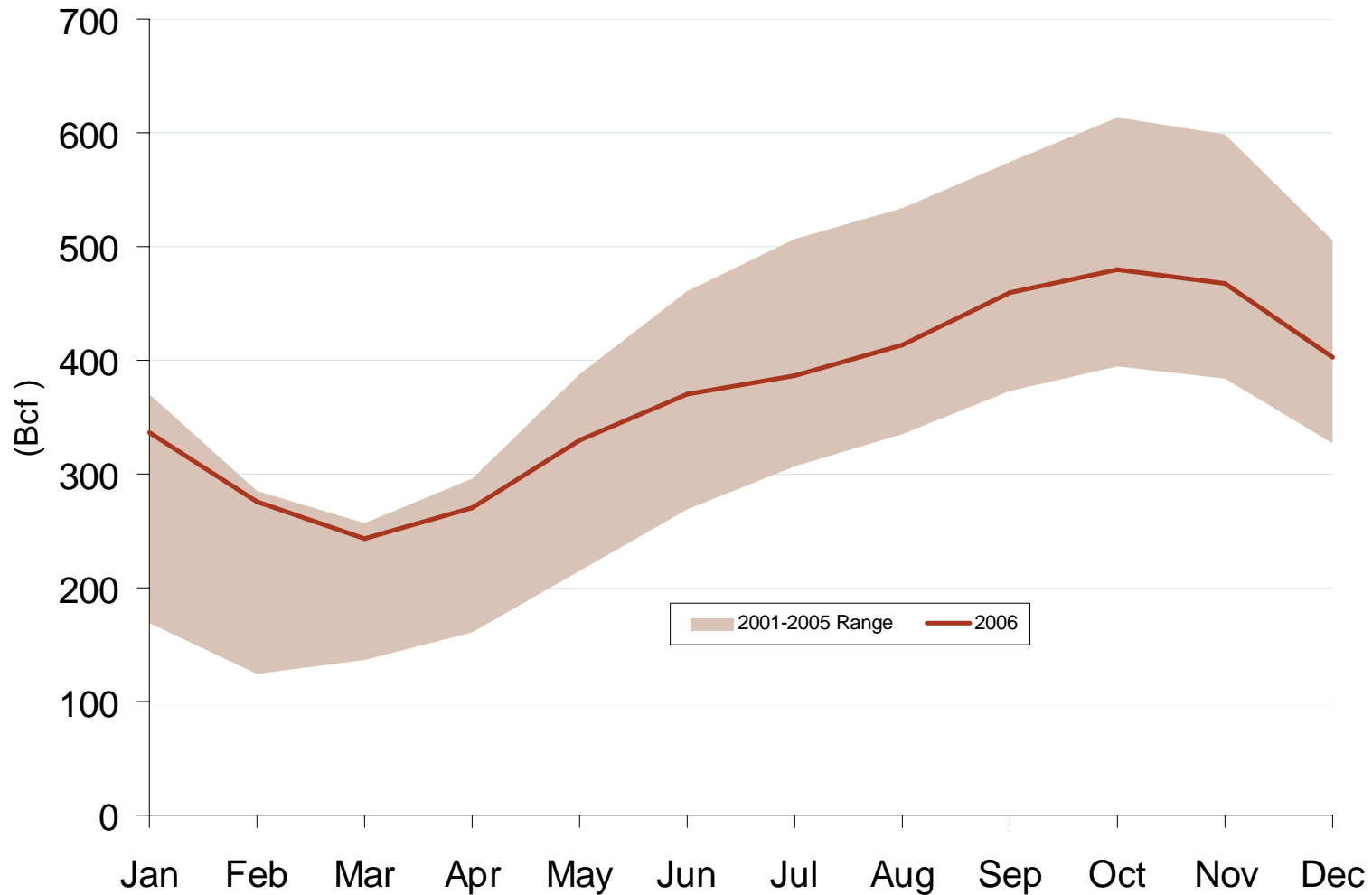


Source: Derived from *Platts* and *ICE* data.

Updated February 8, 2008

2154

Western Regional Storage Inventory Levels



Source: Derived from EIA data.

Updated August 9, 2007

2079

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Pipeline Projects

| Pipeline Projects | | | | | | |
|---------------------------------------|-----------------------------------|----------------------|-----------------------------|--------------------------|----------------------|------------------|
| Company | Project Name | Capacity (MMcf/d) | Capital Cost (Millions)+ | Status | Year Certificated | From-To State |
| Cheyenne Plains Gas Pipeline Co., LLC | Cheyenne Plains 2005 Expansion | 170 | \$7.8 | In-Service 11/05 | 2004 | CO-CO |
| Questar Pipeline Company | Questar | 10 | \$2.5 | In-Service 01/05 | 2004 | UT-UT |
| Transwestern Pipeline Company | San Juan Lateral Expansion | 375 | \$138.4 | In-Service 04/05 | 2004 | NM-NM |
| Colorado Interstate Gas Company | Raton Basin 2005 Expansion | 105 | \$60.6 | In-Service 09/05 & 12/05 | 2005 | CO-OK |
| El Paso Natural Gas Company | Line No. 1903 | 502 | \$73.6 | In-Service 12/05 & 01/06 | 2005 | CA-AZ |
| Rockies Express | EnCana Project | 3,500 | \$664.0 | In-Service in 02/07 | 2005 | WY-CO |
| Northwest Pipeline Corporation | Capacity Replacement Project | | \$333.1 | Under Construction | 2005 | WA-WA |
| Questar Pipeline Company | Southern System Expansion | 102 | \$54.6 | In-Service 09/05 & 11/05 | 2005 | CO-UT |
| Rendezvous Gas Services, L.L.C. | Rendezvous | 300 | \$11.3 | Under Construction | 2005 | WY-WY |
| TransColorado Gas Transmission Corp. | North Expansion Project | 300 | \$15.3 | In-Service 01/06 | 2005 | CO-CO |
| Wyoming Interstate Company, Ltd. | Piecance Basin Expansion | 350 | \$120.2 | Interm Service 03/06 | 2005 | WY-CO |
| Northwest Pipeline Corporation | Parachute Lateral Project | 450 | \$57.8 | Under Construction | 2006 | CO-CO |
| Questar Pipeline Project | Overthrust to Opal Pipeline | 550 | \$51.5 | Under Construction | 2006 | WY-WY |
| Total | | 6,714 | \$1,590.7 | | | |

+ Capital cost figures are estimates.

Storage Projects

| Storage Projects | | | | | | | |
|-------------------------------|--------------|----------------|-------------------------|--------------------------|----------|-------------------|-------|
| Company | Project Name | Capacity (Bcf) | Deliverability (MMcf/d) | Capital Cost (Millions)+ | Status | Year Certificated | State |
| Unocal Windy Hill Gas Storage | Windy Hill | 6 | 400 | N/A | Approved | 2006 | CO |
| Total | | 6 | 400 | N/A | | | |

+ Capital cost figures are estimates.

Natural Gas Consumers by State (2005)

| Sector | Residential | Commercial | Industrial | State Total | % of US | % of Region |
|-----------------------|-------------------|------------------|----------------|-------------------|------------|-------------|
| Arizona | 1,042,662 | 56,572 | 425 | 1,099,659 | 2% | 6% |
| California | 10,124,433 | 434,899 | 40,226 | 10,599,558 | 15% | 59% |
| Colorado | 1,524,813 | 137,513 | 4,318 | 1,666,644 | 2% | 9% |
| Idaho | 301,357 | 33,362 | 195 | 334,914 | 0% | 2% |
| Montana | 240,554 | 31,304 | 716 | 272,574 | 0% | 2% |
| Nevada | 688,058 | 37,093 | 192 | 725,343 | 1% | 4% |
| New Mexico | 530,277 | 47,745 | 988 | 579,010 | 1% | 3% |
| Oregon | 626,685 | 73,520 | 1,118 | 701,323 | 1% | 4% |
| Utah | 743,761 | 55,174 | 191 | 799,126 | 1% | 4% |
| Washington | 966,199 | 92,417 | 3,489 | 1,062,105 | 2% | 6% |
| Wyoming | 139,215 | 17,904 | 127 | 157,246 | 0% | 1% |
| Regional Total | 16,928,014 | 1,017,503 | 51,985 | 17,997,502 | 26% | 100% |
| US Total | 63,573,466 | 5,196,428 | 205,217 | 68,975,111 | | |
| % of US | 27% | 20% | 25% | 26% | | |
| % of Region | 94% | 6% | 0% | 100% | | |

Source: Derived from EIA data.

Note: Units are in millions of cubic feet.

Updated January 11, 2007

2108

Natural Gas Demand by State (2005)

| Sector | Residential | Commerical | Industrial | Vehicle Fuel | Electric Power | Other Fuel | State Total | % of US | % of Region |
|-----------------------|------------------|------------------|------------------|---------------|------------------|------------------|-------------------|------------|-------------|
| Arizona | 35,767 | 31,888 | 16,975 | 1,462 | 217,485 | 17,581 | 321,158 | 1% | 7% |
| California | 483,115 | 232,789 | 781,381 | 4,167 | 689,169 | 51,515 | 2,242,136 | 10% | 52% |
| Colorado | 124,229 | 62,078 | 126,360 | 890 | 92,629 | 65,429 | 471,615 | 2% | 11% |
| Idaho | 21,603 | 13,231 | 22,852 | 104 | 11,425 | 5,339 | 74,554 | 0% | 2% |
| Montana | 19,834 | 13,136 | 22,013 | 80 | 213 | 13,155 | 68,431 | 0% | 2% |
| Nevada | 36,397 | 26,552 | 13,753 | 700 | 147,743 | 2,229 | 227,374 | 1% | 5% |
| New Mexico | 33,242 | 24,186 | 24,823 | 243 | 41,207 | 36,986 | 160,687 | 1% | 4% |
| Oregon | 39,806 | 27,631 | 69,645 | 104 | 87,998 | 7,285 | 232,469 | 1% | 5% |
| Utah | 58,044 | 34,447 | 25,370 | 717 | 12,239 | 29,989 | 160,806 | 1% | 4% |
| Washington | 73,626 | 49,745 | 66,874 | 429 | 65,809 | 8,174 | 264,657 | 1% | 6% |
| Wyoming | 11,543 | 9,184 | 43,304 | 15 | 576 | 43,561 | 108,183 | 0% | 2% |
| Regional Total | 937,206 | 524,867 | 1,213,350 | 8,911 | 1,366,493 | 281,243 | 4,332,070 | 19% | 100% |
| US Total | 4,806,136 | 3,101,526 | 6,745,835 | 22,265 | 5,869,145 | 1,696,296 | 22,241,203 | | |
| % of US | 20% | 17% | 18% | 40% | 23% | 17% | 19% | | |
| % of Region | 22% | 12% | 28% | 0% | 32% | 6% | 100% | | |

Source: Derived from EIA data.

Note: Units equal millions of cubic feet. Other Fuel consists of Lease Fuel, Plant Fuel, and Pipeline & Distribution use.

Updated January 11, 2007

2109

Natural Gas Production by State

| Dry Production | 2004 | 2005 | Yearly Change | 2005 % of US | 2005 % of Region |
|-----------------------|-------------------|-------------------|---------------|--------------|------------------|
| Arizona | 331 | 233 | -30% | 0% | 0% |
| California | 305,858 | 303,889 | -1% | 2% | 6% |
| Colorado | 1,043,414 | 1,098,304 | 5% | 6% | 22% |
| Montana | 96,128 | 106,769 | 11% | 1% | 2% |
| Nevada | 5 | 5 | 0% | 0% | 0% |
| New Mexico | 1,527,127 | 1,544,102 | 1% | 9% | 31% |
| Oregon | 467 | 454 | -3% | 0% | 0% |
| Utah | 274,588 | 298,408 | 9% | 2% | 6% |
| Wyoming | 1,521,372 | 1,571,754 | 3% | 9% | 32% |
| Regional Total | 4,769,290 | 4,923,918 | 3% | 27% | 100% |
| US Total | 18,757,477 | 18,074,237 | -4% | | |
| % of US | 8% | 9% | | | |

Source: Derived from EIA data.

Note: Units are in millions of cubic feet.

Updated January 11, 2007

2110

Natural Gas Storage by Field Type (2005)

| Field Type | Salt Dome Fields | Salt Dome Capacity | Aquifers | Aquifers Capacity | Depleted Fields | Depleted Fields Capacity | Total Fields | Total Capacity | % of US Capacity | % of Region | Dry Proved Reserves |
|--------------------|------------------------|--------------------------|------------|----------------------|--------------------|--------------------------------|-----------------|-------------------|---------------------|----------------|------------------------|
| California | 0 | 0 | 0 | 0 | 11 | 477,726 | 11 | 477,726 | 6% | 36% | 3,228,000 |
| Colorado | 0 | 0 | 0 | 0 | 8 | 98,068 | 8 | 98,068 | 1% | 7% | 16,596,000 |
| Montana | 0 | 0 | 0 | 0 | 5 | 374,201 | 5 | 374,201 | 5% | 28% | 986,000 |
| New Mexico | 0 | 0 | 1 | 4,700 | 2 | 78,424 | 3 | 83,124 | 1% | 6% | 18,201,000 |
| Oregon | 0 | 0 | 0 | 0 | 6 | 24,034 | 6 | 24,034 | 0% | 2% | 0 |
| Utah | 0 | 0 | 2 | 11,980 | 1 | 117,500 | 3 | 129,480 | 2% | 10% | 4,295,000 |
| Washington | 0 | 0 | 1 | 42,191 | 0 | 0 | 1 | 42,191 | 1% | 3% | 0 |
| Wyoming | 0 | 0 | 1 | 10,000 | 7 | 104,160 | 8 | 114,160 | 1% | 9% | 23,774,000 |
| Total | 0 | 0 | 5 | 68,871 | 40 | 1,274,113 | 45 | 1,342,984 | 16% | 100% | 67,080,000 |
| US Total | 30 | 250,532 | 44 | 1,350,689 | 320 | 6,667,222 | 394 | 8,268,443 | | | 204,385,000 |
| % of US | 0% | 0% | 11% | 5% | 13% | 19% | 11% | 16% | | | 33% |
| % of Region | 0% | 0% | 11% | 5% | 89% | 95% | 100% | 100% | | | |

Source: Derived from EIA data.

Note: Units are in millions of cubic feet.

Updated January 11, 2007

2111

Average Daily Rockies Deliveries to the East

| Pipeline | 2004 | 2005 | 2006 |
|------------------------|---------------|---------------|---------------|
| Cheyenne Plains | 0 | 4,173 | 5,601 |
| CIG | 5,349 | 5,454 | 5,780 |
| El Paso | 5,633 | 5,638 | 4,633 |
| KMI | 3,054 | 2,479 | 2,394 |
| Southern Star | 1,793 | 1,793 | 1,806 |
| Trailblazer | 8,483 | 8,393 | 8,424 |
| Transwestern | 1,586 | 3,228 | 3,685 |
| Williston Basin | 1,063 | 1,070 | 1,152 |
| Net Deliveries | 26,961 | 32,227 | 33,475 |

Source: Derived from *Bentek* data.

Note: Units are in MMcf/d.

Updated January 11, 2007

2155

Average Daily Rockies Deliveries to the West

| Pipeline | 2004 | 2005 | 2006 |
|------------------------|--------------|--------------|--------------|
| El Paso | 2,020 | 2,009 | 2,149 |
| Kern River | 1,762 | 1,780 | 1,953 |
| Northwest | 483 | 524 | 599 |
| Southern Trails | 80 | 80 | 79 |
| Transwestern | 687 | 667 | 731 |
| Net Deliveries | 5,032 | 5,060 | 5,512 |

Source: Derived from *Bentek* data.

Note: Units are in MMcf/d

Updated January 11, 2007

2156

Average Daily Western Imports of Canadian Gas

| Pipeline | 2004 | 2005 | 2006 |
|-------------|-------|-------|-------|
| GTN System | 1,974 | 1,744 | 1,864 |
| Northwest | 812 | 780 | 603 |
| Net Imports | 2,786 | 2,524 | 2,467 |

Source: Derived from *Bentek* data.

Note: Units are in MMcf/d

Updated January 11, 2007

2157

Average Daily Western Exports to Mexico

| Pipeline | 2004 | 2005 | 2006 |
|---------------------|----------------|----------------|----------------|
| El Paso Natural | 209,734 | 234,210 | 263,443 |
| North Baja Pipeline | 254,674 | 248,203 | 297,637 |
| Net Exports | 464,409 | 482,414 | 561,080 |

Source: Derived from *Bentek* data. El Paso Natural Gas exports to Mexico shown above include volumes transported through the Samalayuca Lateral.

Note: Units are in MMBtus.

Updated March 12, 2007

2158