

average in the mid-\$3.50s, and Tennessee's 500 Leg lost almost as much, trading a couple of cents below Henry Hub. Transco zone 3 came off more than 5 cents, while Transco zone 4 shed nearly a dime.

On Southern Natural Gas in Louisiana, prices fell almost 10 cents to average in the mid-\$3.50s, nearly flat to Florida Gas Transmission zone 3, which shed more than 5 cents. In Texas, prices at the Houston Ship Channel and Katy Hub lost about a nickel apiece.

On the NYMEX, the contract opened at \$3.693 and traded electronically between a high of \$3.714 and a low of \$3.534. In open outcry, the contract traded between \$3.693 and \$3.58.

IAF Advisors analyst Kyle Cooper said although the storage build (*see story, this page*) was in line with most analysts' expectations, it was still a bearish number. "Until we start seeing less bearish inventory changes, we have lower to go," he said. — *Market Staff Reports*

## Study: Pipeline customers value 'collaboration'

Pipeline customers are happiest with companies whose employees listen to their concerns and respond quickly to problems, according to the latest customer satisfaction survey conducted by consulting firm Mastio & Company.

In its 2009 benchmarking study of pipeline customer satisfaction, St. Joseph, Missouri-based Mastio found that customers were fairly happy from an operational standpoint with their transportation providers. But what "bubbled to the top" at the highest-ranked pipelines was staff that formed a "collaboration" with their customers to meet their needs, a Mastio executive noted.

Another highlight of this year's report: the "rankings are starting to get pretty consistent, after having had ups and downs among some companies for a number of years as mergers" and management changes dominated the sector, Kevin Huntsman, Mastio's vice president of sales, told Platts on Thursday.

Among the mega-pipelines, with at least 3,500 miles of pipe and 1 Tcf/year of throughput, Northern Natural Gas took the top spot.

Other companies that exceeded the study's benchmarks in this group were ANR Pipeline, Dominion Transmission, Natural Gas Pipeline Co. of America, Southern Natural Gas, Texas Gas Transmission, TransCanada Pipelines-mainline, Williams Gas Pipeline-Northwest and Williams Gas Pipeline-Transco.

In the major pipelines category, with at least 3,500 miles of pipe and serving at least three states, Southern Star Central had the highest scores for the second year in a row (*GD 5/7*). Other companies exceeding the benchmark include CenterPoint Energy Gas Transmission and TransCanada Pipelines-Alberta system.

In the regional pipeline group, with less than 3,500 miles of pipeline and/or serving less than three states, Kern River Gas Transmission was on top. Other top scorers were CenterPoint Energy-MRT, Great Lakes Gas Transmission, Iroquois Gas Transmission, Northern Border Pipeline and Williston Basin Interstate Pipeline.

Mastio also identified MidAmerican Energy Group, which owns both Northern Natural Gas and Kern River, as the top scorer among major pipeline groups or owners. Others exceeding the benchmark in that category were Boardwalk Pipeline Group, CenterPoint Energy, El Paso, TransCanada and Williams.

"Obviously it's the parent company that drives the ship, as well as management," Huntsman said. "If they don't care, then why should employees? The collective is always focused on the customer" among the top performers.

At the other extreme of the study, Huntsman pointed to Columbia Gas Transmission and Columbia Gulf Transmission as two companies "that haven't performed like they used to" in customer surveys, declining to add further detail.

What customers value "hasn't changed much," Huntsman went on to say. "These are all well-maintained systems, but that is to be expected. Why they select one over another are the soft issues — how well they are treated."

## EIA reports 21-Bcf storage build; surplus narrowest in East region

US gas storage inventories rose by another 21 Bcf during the week ending April 10, lifting nationwide stocks to 1.695 Tcf, the Energy Information Administration reported Thursday. The build was at the high end of consensus expectations and sent the May NYMEX gas futures contract lower (*see story, page 1*).

In the same week of 2007, EIA reported 1.257 Tcf in storage. As a result, the surplus over the year-ago level held steady at 438 Bcf, while the surplus over the five-year average of 1.384 Tcf rose slightly to 311 Bcf from 310 Bcf a week earlier.

Analysts noted that the surplus over the five-year average in the East, the largest gas-consuming region during the heating season, is 12.4% — much smaller than in the West and producing regions, which are around 39%. But they expressed little concern that the trend could leave the East supply-constrained come next winter.

"The East is just managing its storage," said Ron Denhardt, vice president of natural gas and power with Strategic Energy & Economic Research. "They bought all that high-cost stuff last July. They're probably trying to draw it down."

Kyle Cooper noted that total inventories in the producing region — primarily the Gulf and Midcontinent — are higher than in the East and "that's never happened before, any time of the year." But he said that reflected the supply glut in the center of the country more than any shortfall in the East.

"Overall, it tells you that east of the Rockies there's still plenty of gas," Cooper said. — *Jessica Marron*


## Estimated working gas in storage

(week ending Apr 10)

	This Week (Bcf)	Last Week (Bcf)	Change (Bcf)
Consuming Region East	651	647	4
Consuming Region West	288	283	5
Producing Region	756	744	12
Total U.S.	1,695	1,674	21

	This Week Last Yr. (Bcf)	Prior 5 Year Average (Bcf)
Consuming Region East	579	634
Consuming Region West	176	207
Producing Region	502	543
Total U.S.	1,257	1,384

Source: Energy Information Administration



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The top performers have reps “who listen well, communicate in an honest and forthright manner. Customers like to do business with people who are easy to deal with, and can help them in a collaborative relationship.”

The survey was based on interviews with industrials, local distribution companies, independent power producers, exploration-and-production companies and marketers. Customers rated the pipelines on 30 attributes, including the reliability of firm service, staff who listened well, effective after-hours support, timely resolution of problems, overall company performance and how likely a customer would be to recommend a pipeline.

As for the sector in general, Huntsman noted that pipelines, while not recession-proof, will be among the first companies to benefit once the economy turns around.

“Those companies that think outside the box will find their actions pay off down the road,” he said. “It may not be popular to spend money on pipeline expansions in a recession, but it will pay off quickly in better times.” — *Stephanie Seay*

## Ex-SemGroup execs taken to task ... *from page 1*

July 2008, listing \$2.4 billion in trading losses and \$3.5 billion in debt. Several of the creditors are independent US gas producers.

Authored by former FBI Director Louis Freeh, the court-appointed examiner, the report said SemGroup’s former top executives are liable for possible criminal prosecution for fraud as well as civil actions for alleged negligence, mismanagement and breach of fiduciary duties.

Likening Kivisto’s trading strategy to a gambler who kept doubling down on successive losing bets hoping to net out when his ship came in, Freeh said Kivisto was convinced that oil prices would return to their historical averages while the market kept bidding prices up to their peak above \$147/barrel in July 2008.

“Before ‘black’ [oil falls in price] became a winning bet, SemGroup ran out of the money it needed to continue to place more bets,” Freeh said.

He also noted that SemGroup improperly used some of the proceeds it earned from selling pipelines and terminals into SemGroup Energy Partners, a master limited partnership controlled by SemGroup, to fund Kivisto’s trading strategies, which increasingly moved away from hedging SemGroup’s physical inventory of energy commodities to “naked” trading in options.

Kivisto was able to hide most of the trading losses and increasing margin calls because of mismanagement by former SemGroup Chief Financial Officer Gregory Wallace and former treasurer Brent Cooper’s failure to integrate Kivisto’s trading activity into SemGroup’s financial system, Freeh alleged.

Further, Cooper and Wallace may have misled SemGroup’s lenders by incorrectly accounting for or ignoring the trading group’s activities, Freeh said.

Freeh faulted SemGroup founders Kivisto, Wallace and Kevin Foxx, now CEO of the SemGroup MLP, for failing to develop a “suitable” risk management policy and then failing to follow the policy they did create. Foxx was not available for comment Thursday.

Kivisto, who invoked his right against self-incrimination when interviewed by the examiner and who objected Thursday to the release of the report, hired traders and risk managers who had no prior experience in those fields but could be relied upon to do as he instructed, Freeh said.

Kivisto attacked the report and the examiner in his statement to the bankruptcy court Thursday, saying Freeh allowed debtors to see and comment on his report while it was being prepared and ignored Kivisto’s requests for information.

“The fact that he has allowed the parties to comment on drafts of his report is suspect,” Kivisto’s attorneys said, “and seeking to protect all communications and other materials exchanged by the parties and the examiner under a cloak of privilege undermines the objectivity of the examiner’s report.”

The head of SemGroup’s reorganization committee, John Catsimatidis, said

## Trade groups seek FERC clarification on pipeline, storage open season rules

The current rules and policies on bidding by multiple affiliates in open seasons for gas pipeline and storage capacity need sharper focus, several energy industry trade groups told the Federal Energy Regulatory Commission in an April 15 letter.

“Absent such clarity, affiliates may refrain from bidding in pipeline open seasons to the detriment of customers for fear that they may not be able to fully justify their legitimacy by meeting an unspecified standard,” wrote the American Forest & Paper Association, American Gas Association, Electric Power Supply Association, Independent Petroleum Association of America and Process Gas Consumers Group.

While they “firmly oppose” efforts to manipulate the gas markets, the groups said market participants “must be able to clearly understand what behavior is prohibited in order to avoid engaging in prohibited behavior.” To ensure that, FERC must better define what conduct by multiple affiliates in an open-season bidding process is prohibited.

Part of the uncertainty surrounds what FERC would consider a “legitimate” bid for capacity, the groups said. For instance, they asked, must every legitimate bid be needed to serve the bidder’s own wholesale or retail customers, or to transport gas that the bidder owns?

Further, does releasing the awarded capacity make the bid illegitimate? Does releasing the capacity to an affiliate make the bid illegitimate?

“Our members want to comply with the commission’s rules and policies,” the letter continued. Moreover, they need to “develop appropriate compliance programs to ensure that bidding by affiliates during open seasons complies” with the rules, the groups said in urging FERC to provide greater clarity about prohibited conduct by multiple affiliates. — *Craig Cano*

## Moody’s lowers gas, oil price forecasts; impact on credit ratings to be minimal

Moody’s Investors Service on Thursday lowered the natural gas and oil price forecasts it uses to assess credit quality for producers but does not expect the change to have an immediate impact on credit ratings.

Moody’s reduced its assumption for 2009 gas prices in the US to \$3.50/Mcf from \$5.50/Mcf and its oil price assumption to \$45/barrel from \$50/barrel.

“Lower natural gas prices reflect the high inventory levels coming out of the winter heating season,” Moody’s Senior Vice President Steve Wood said in a statement.

“Industrial demand for gas continues to be quite soft, and we have not seen a supply response from the dramatic drop in drilling activity across North America.”

Moody’s said it does not expect its updated outlook to affect companies’ ratings in the short term. But it cautioned that continued weakness in gas and oil prices will have the greatest impact on small independent producers and oilfield services companies that are leveraged to North American gas development.

“Gas in storage is about 35% higher than the same time last year. Looking out over the rest of 2009, the potential for additional liquefied natural gas supply creates a further overhang on prices,” the report said.

— *Jeff Barber*