

Northwest's Wyoming Pool and Northwest south of the Green River Station both eked out just a few cents. Cash was slightly stronger in the rest of the Rockies, with prices for Kern River Gas Transmission at the Opal, Wyoming, plant adding about 5 cents.

Additionally, Westcoast Energy reduced receipts by 50% on its Pine River gas processing plant and further restrictions on the McMahon processing plant were expected to also reduce flows. The trader said flooding in western Canada forced a weekend outage at the Pine River plant, while McMahon was returning from its annual turnaround.

"With Pine River, they are trying to bring it back up after all that over the weekend. Flooding seems to be hitting everyone around here in Canada and the US," he said.

The Spectra Energy Pine River Gas Plant is beginning to work through the start-up processes after getting the 24-inch Grizzly Pipeline ready to return to service, according to a notice from Westcoast Energy. Effective immediately and until further notice, Spectra Energy is activating 50% firm service RGT constraint for all Grizzly Valley producers.

Prices for Westcoast Energy's station 2 added more than 20 cents, while Sumas, Washington, pushed up about 20 cents as well on strength from the maintenance.

The Southern California city-gate led gains in the Southwest, picking up a little more than 20 cents. Pacific Gas & Electric city-gate gained only about 5 cents, but traded volumes on ICE totaled around 1.3 Bcf.

SoCal Kramer tacked on about 20 cents on ICE as temperatures in Phoenix are forecast to reach 115 on Tuesday.

— Market Staff Reports

## W. Va. firm seeks to overturn anti-drilling ordinance

A West Virginia-based drilling company has alleged in a lawsuit that the city of Morgantown violated the state's Constitution by enacting an ordinance that prohibits drilling for gas within a mile of the city limits.

In a suit filed last week with the Monongalia County Circuit Court, Northeast Natural Energy contended that only the state's Department of Environmental Protection has the authority to regulate drilling in the state. The two-year-old Charleston company wants the court to declare the ordinance "unconstitutional and unlawful," the suit said.

But if Morgantown should prevail, Northeast Natural attorney Jim Walls said Monday that the city "will have to pay Northeast a lot of money for the takings."

Under the Fifth Amendment of the US Constitution, governments are prohibited from taking private property for public use without compensation, he noted. "The city loses in the long run because we think this project is valued at \$40 million. I don't think the council understands that. If they do, they owe an explanation to the citizens of Morgantown."

The company has a DEP permit to drill two gas wells in the Morgantown Industrial Park, which is within a mile of Morgantown and sits atop the Marcellus Shale. Northeast Natural has already spent \$7 million on the project and is in the process of horizontally drilling the first well.

Walls pointed out that a neighboring town, Westover, is contemplating an ordinance that would ban drilling within its city limits — but permit it within a mile of the city if hydraulic fracturing is shown to be safe.

"If the legislature doesn't act, or if we don't get an injunction to stop these things, our wells are going to be regulated by three different sets of rules that are irreconcilable," he said.

The lawsuit noted that the Morgantown Utility Board, which regulates the city's water and sewer services, told the City Council May 18 that the drilling company agreed to build additional safeguards that could affect water intake on the Monongahela River. Despite the assurances, the council enacted its drilling ban June 21.

"As Morgantown officials well know, Marcellus Shale natural gas wells cannot

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be completed without fracking, and the Morgantown ordinance is a death blow to Northeast and every other individual or business with an interest in Marcellus Shale natural gas in this area," the lawsuit said. "The ordinance will totally deprive countless people ... of his or her property rights" and the city "has no intention of compensating these people for their loss."

The suit said the well's mineral rights are owned by Enrout Properties LLC, Morgantown Industrial Park Associates, George A. and Heather H. Finley and Pennsylvania Lines, LLC. Upon completing the well, Northeast Natural said it would sell the gas to Dominion Hope Gas, the local distribution company.

Morgantown city officials declined to respond to requests for comment.

— Rodney White

## Debate heats up over customer choice *...from page 1*

value-added services and little or no improved customer service."

He said his research shows residential customers are not well-informed about gas markets and, in fact, most don't know whether they have benefitted from choosing a third-party provider. "Customers might find it too inconvenient or costly in terms of time and effort to change marketers or switch back to the utility when it would be in their best interest," he said.

"These outcomes are not surprising," Costello continued. "A customer-friendly market has several features, which retail markets for small-volume natural gas customers seem to lack."

Costello said 21 states offer customer-choice programs — a number that hasn't changed since 2003 — covering about 55% of the nation's total residential gas customers. As of December 2009, 5.1 million of those customers, or 15%, had chosen a non-utility provider.

Several public utility commissions and utility representatives said that they have launched programs to make selecting a supplier easier while protecting customers in the retail-choice marketplace.

In Ohio, statistics compiled by the state Public Utilities Commission statistics show that as of March 2011, well more than half of the 2.87 million eligible customers of the state's four largest gas utilities were participating in choice programs. At Dominion East Ohio alone, 878,000 of the company's 1.2 million customers are enrolled in choice or governmental aggregation programs.

Jeffrey Murphy, Dominion East's managing director of commercial operations, said surveys show its customers "understand the difference between commodity and distribution service, value the option to purchase commodity under month-to-month variable rates as well as fixed rates, and do not find the process of changing marketers or switching back to the utility to be excessively inconvenient."

Murphy attributed the program's success to the PUC's "methodical approach" in creating a competitive gas market for all customers. He also pointed out that the state's utilities, marketers and PUC have made "extensive efforts" to create an informed customer base, which have "paid off in a vibrant market and high participation rates."

Murphy said it is "very difficult to pin down" the savings customers receive from enrolling in a choice program but that anecdotal evidence shows the benefits go beyond lower bills. "Many customers find substantial value in the certainty of a fixed rate and do not want to assume the risk of month-to-month variable prices, even if they might produce lower prices at times," he said.

Ohio PUC spokesman Matthew Schilling said the agency doesn't require utilities to submit cost-savings analyses, and the PUC doesn't plan on making any changes to its program anytime soon.

Other states have much smaller participation rates but still maintain that choice programs offer residential customers a host of benefits. The New York Public Service

## Merger partner warns Southern Union on holding Williams talks

Energy Transfer Equity is not about to let its merger with Southern Union slip away without a fight, according to a filing Monday.

In a filing with the Securities and Exchange Commission, ETE warned the Houston-based natural gas pipeline company against holding any "discussions or negotiations" with Williams, which on Thursday unveiled a \$39/share bid for Southern Union (GD 6/24).

Williams, meanwhile, responded late Monday to a clarification request from Southern Union on certain aspects of the Tulsa, Oklahoma-based company's takeover proposal.

"Upon the signing of a definitive merger agreement with Southern Union, Williams will have executed customary financing commitment letters from a syndicate of banks led by Barclays Capital and Citi sufficient to finance the merger transaction and all necessary refinancing and expenses," Williams stated in its Monday SEC filing.

"Once the Southern Union Special Committee concludes that the Williams proposal is superior and enters into negotiations, we will be prepared to share additional details related to our financing plan," the filing continued.

Williams' hostile bid came a week to the day after Southern Union and ETE — the partnership that owns most of midstream and pipeline operators Energy Transfer Partners and Regency Energy Partners — unveiled a \$33/share mutually agreed upon deal.

ETE on Saturday warned directors of its merger partner that the company's "position [was] that at the current time [Southern Union's] board of directors is not permitted by the merger agreement to engage in any discussions or negotiations with Williams concerning the Williams proposal, or furnish Williams any non-public information concerning the company, and that ETE does not believe that the board can conclude, in good faith, that the Williams proposal constitutes, or is reasonably likely to result in, a superior offer."

On Friday, Southern Union acknowledged it had received the Williams offer and said its directors would review the proposal, "in due course, consistent with fiduciary duties and in accordance with the terms and conditions of Southern Union's previously announced merger agreement with Energy Transfer Equity."

But, it said, the company's board has not expressed any position on ETE's assertions and reaffirmed its recommendation of the merger with ETE.

— Keiron Greenhalgh, Samantha Santa Maria

### Holiday Notice

Gas Daily will not publish Monday, July 4, due to the Independence Day holiday. Gas price information collected Friday, July 1, for the Daily Price Survey to be published in the July 5 Gas Daily will be for gas flowing July 2-5.

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