Winter 2007/2008
Energy Market Assessment

Item No.: A-3
October 18, 2007
2007 Spot Gas Prices Generally Up from 2006

Source: The InterContinental Exchange
Current Gas Market Conditions

- Higher Oil Prices
- Growing Gas Production
- LNG Slowdown
- Electric Generation
- Storage Inventories
- Winter Forecasts
Gas Prices Expected to Stay Below Oil

Source: Derived from Bloomberg and ESAI, Inc.
Gas Drilling Continues to Rise at Current Prices

Sources: Baker Hughes, EIA

U.S. Gas Rig Count

Average Monthly Gas Rig Count

Year: 1997 98 99 00 01 02 03 04 05 06 2007
Level of LNG Sendout Depends on Price

Source: Bentek, EIA, NGSA, Bloomberg
## Electric Generators Using More Winter Gas

Natural Gas Burned in U.S. Electric Generation

<table>
<thead>
<tr>
<th>April-October Volumes (Bcf/day)</th>
<th>November-March Volumes (Bcf/day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 18.6</td>
<td>2005-06 12.3</td>
</tr>
<tr>
<td>2006 20.4</td>
<td>2006-07 14.0</td>
</tr>
<tr>
<td>Change 9%</td>
<td>Change 14%</td>
</tr>
</tbody>
</table>

Source: EIA
Storage Inventories Close to 2006 Levels

Source: EIA
Current Forecast is Another Mild Winter

NOAA’s December ‘07 through February ‘08 Outlook

New Late-Winter Infrastructure Will Affect Markets

Source: OE Staff analysis
Limited Rockies Capacity Results in Extreme Prices

Source: Volume information from Bentek Energy, LLC and prices derived from Inter-Continental Exchange
Expected New Rockies Capacity to Relieve Price Pressures

Source: Bloomberg, L.P. Forwards derived from Sept. 19, 2007 values
New LNG Capacity Likely to Alter Gulf Pricing

Source: Derived from Platts' PowerMap
FERC Natural Gas Infrastructure Review: Pipelines, Storage, LNG

- Approved
- Pending
- Potential
- In-service in 2007
# Pipeline Approvals 2000-2007 (Oct)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capacity (Bcf/day)</th>
<th>Miles of Pipe</th>
<th>Compression (HP)</th>
<th>Cost (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2.2</td>
<td>1,102.8</td>
<td>151,096</td>
<td>0.8</td>
</tr>
<tr>
<td>2001</td>
<td>8.8</td>
<td>2,700.3</td>
<td>870,767</td>
<td>4.4</td>
</tr>
<tr>
<td>2002</td>
<td>5.8</td>
<td>1,590.0</td>
<td>560,064</td>
<td>3.1</td>
</tr>
<tr>
<td>2003</td>
<td>1.7</td>
<td>352.4</td>
<td>221,545</td>
<td>1.0</td>
</tr>
<tr>
<td>2004</td>
<td>8.1</td>
<td>619.3</td>
<td>83,538</td>
<td>1.2</td>
</tr>
<tr>
<td>2005</td>
<td>14.3</td>
<td>785.1</td>
<td>123,036</td>
<td>1.9</td>
</tr>
<tr>
<td>2006</td>
<td>14.1</td>
<td>1,363.6</td>
<td>329,657</td>
<td>4.2</td>
</tr>
<tr>
<td>2007 (Oct)</td>
<td>21.5</td>
<td>2,365.7</td>
<td>746,180</td>
<td>7.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>76.5</td>
<td>10,879.2</td>
<td>3,085,883</td>
<td>23.6</td>
</tr>
</tbody>
</table>

Source: FERC
Pipeline Approvals Soared in 2007

Source: FERC
New Pipelines, New Sources

Production
- Rockies
- Shale

Source: Platts’ PowerMap, FERC
Pipeline Infrastructure - Pending Applications

- 17.97 Bcf/day of capacity
- 2,804.0 miles of pipeline
- 575,891 HP compression
- 47% of capacity - LNG related
- Gas source for projects slowly changing
Pipeline Infrastructure - Prefiling

- 3.3 Bcf/day of capacity
- 603.8 miles of pipeline
- 126,310 HP Compression
- Little LNG-related capacity
Pipeline Infrastructure - Potential

- 18.42 Bcf/day of capacity
- 4,384 miles of pipeline
- 120,750 HP compression
- No LNG-related capacity
- Contains Alaska capacity

- 465.5 Bcf of working storage capacity
- 20.7 Bcf/day of deliverability
- Majority of proposals in Southeast
  - Proximity to salt formations
  - Proximity to LNG development
Storage Infrastructure: Pending, Pre-Filing and Potential

- **Pending**
  - 141.6 Bcf of storage capacity, 4.5 Bcf/day of deliverability

- **Pre-Filing**
  - 52.2 Bcf of storage capacity, 2.2 Bcf/day of deliverability

- **Potential**
  - 250.1 Bcf of storage capacity, 3.5 Bcf/day of deliverability

- Majority of proposals in Southeast and Northeast

- Lack of development in the West
LNG Approvals: 2002-2007

- **14 new terminal sites**
  - Redelivery capacity of 24.7 Bcf/day
  - 12 sites on Gulf Coast, 2 in the Northeast

- **5 expansions**
  - Redelivery capacity of 6.4 Bcf/day
LNG Infrastructure: Pending

- Pending
  - 8 new terminal sites
    - Redelivery capacity of 9.2 Bcf/day
    - Sites in the Northeast, California and Oregon
What Has Been Placed Into Service through October 2007?

- **Pipelines**
  - 7 Projects: 4.4 Bcf/day, 847 miles

- **Storage**
  - 9 Projects: 85.6 Bcf of storage, 1.8 Bcf/day of deliverability