

# Natural Gas Summer Outlook

Summer  
Cooling  
Season



















2007



# Natural Gas Outlook **Outline**

- **Last Year's Scorecard**
- **Summer 2007**
  - Market Pressure Points
  - Natural Gas Outlook Recap
- **Summer Wildcards**
- **Conclusions**

# Last Year's Projection... How Did We Do ?

	2006 Forecast	2006 Actual	LAST SUMMER'S Score
ECONOMY			
WEATHER			
STORAGE			
CONSUMPTION			
SUPPLY			
MARKET PRESSURE	 FLAT	 DOWNWARD	



# 2007 Summer Market Pressure Points

# **Market Jitters**

**Market  
grappling  
with placing  
value in  
light of  
uncertainty:**

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**Hurricane Experiences  
Creating Anxiety**

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**Natural Gas Resources  
Artificially Constrained by  
Federal Access Policies**

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**Little Margin for Error in  
Tight Market**

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## Price Pressure Point

# Economy

Last Summer 2006 ACTUAL	Summer Season Period to Period Change	This Summer 2007 FORECAST
Solid Growth	ECONOMY	Slow Growth
3.2%	GDP GROWTH	2.0%
4.7%	UNEMPLOYMENT (Rate)	4.7%
4.7%	INDUSTRIAL PRODUCTION	1.2%
3.7%	CPI	2.0%



**FLAT**

**Summer-to-Summer Price  
Pressure**

Source: Global Insight



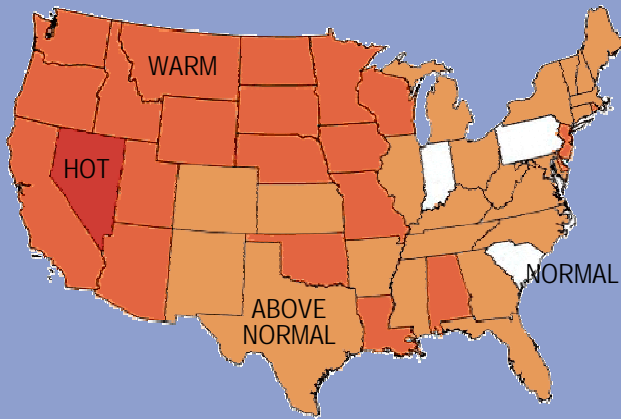
**FLAT**

# Weather

## Price Pressure Point

**Last Summer**  
2006  
ACTUAL

Second Warmest



1320



**UPWARD**

Summer Season  
(June – August)

< ACTUAL  
SEASON

NOAA's  
PROJECTION >

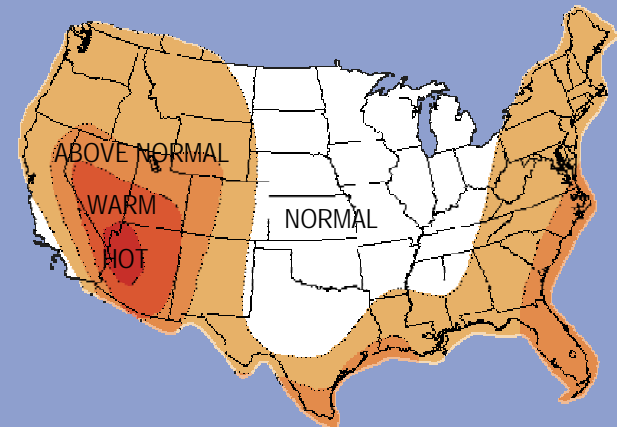
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**Price Pressure**

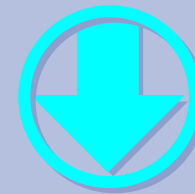
Source: NOAA

**This Summer**  
2007  
FORECAST

East, Southeast and West  
Warmer than Normal



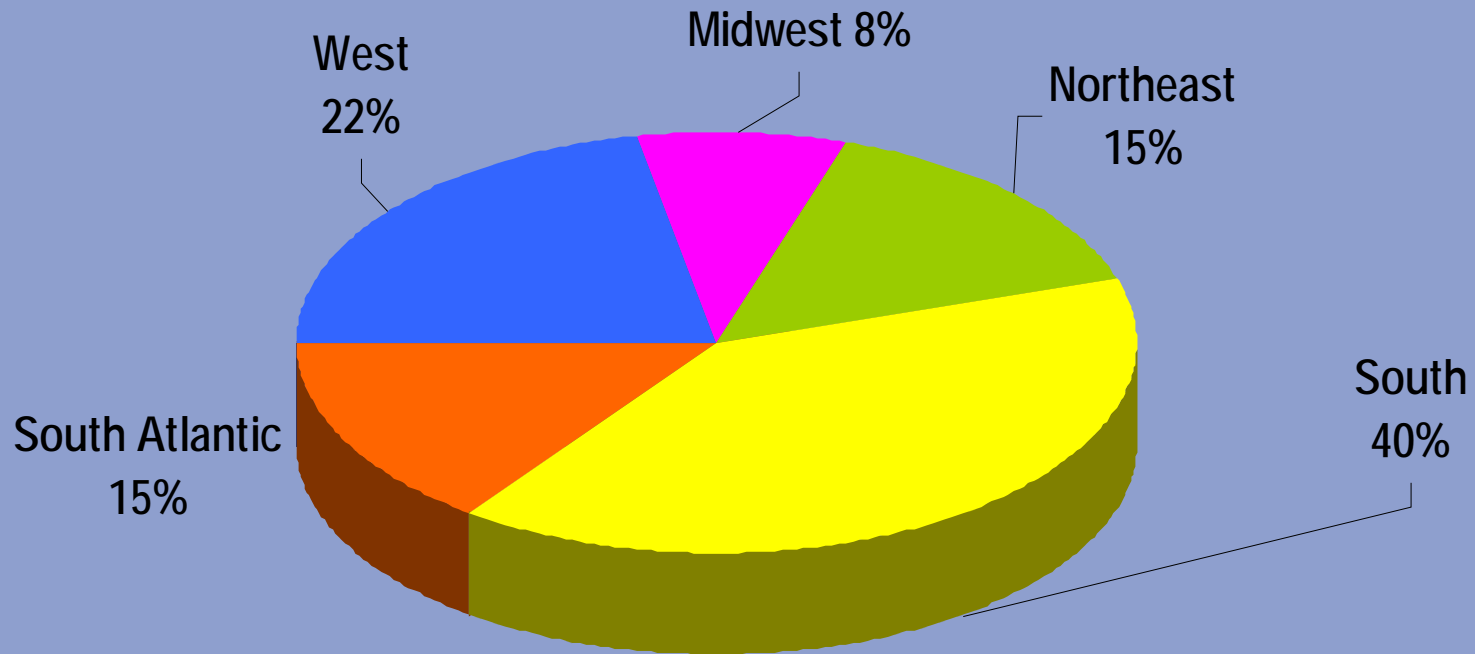
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**DOWNWARD**

# Regional Demands

## Summer Gas-Fired Power Demand

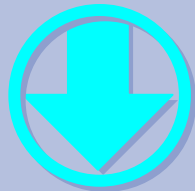


Based on 2005 Gas-Fired Power Generation  
Source: DOE/EIA

# Storage

Price Pressure Point

Last Summer 2006 ACTUAL	Summer Season (April-October)	This Summer 2007 FORECAST
1,695	SEASON STARTING POINT (Bcf)	1,569
At Record Level	CURRENT LEVELS	Second Highest Level
57.2	PROJECTED AVG. WEEKLY STORAGE INJECTIONS (Bcf)	59.5
3,445	PROJECTED END OF INJECTION SEASON (Bcf)	3,400



**DOWNWARD**

**Price Pressure**

Sources: EIA and EVA



**FLAT**

# Consumption

Price Pressure Point

Last Summer 2006 ACTUAL	Summer Season (April-October)	This Summer 2007 FORECAST
53.8	CONSUMPTION Bcf/Day	54.6
3.5%	CHANGE	1.4%
Electric	SWING DEMAND SECTOR(S)	None



UPWARD

Price Pressure

Source: EVA



FLAT

# Total Supply

Price Pressure Point

Last Summer  
2006  
ACTUAL

Summer Season  
(April-October)

This Summer  
2007  
FORECAST

50.8 Bcf/d

U.S. PRODUCTION

51.1 Bcf/d

9.4 Bcf/d

NET CANADIAN  
IMPORTS

8.4 Bcf/d

1.5 Bcf/d

LNG IMPORTS

2.0 Bcf/d

60.5 Bcf/d

U.S. AVG. SUPPLY

60.7 Bcf/d



FLAT

Price Pressure

Sources: EIA, EEA,  
CAPP



FLAT

## **Wildcards That Can Move The Market:**

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### **Weather Surprises**

- **Summer Heat Waves**
- **Hurricane Disruptions**

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### **Power Grid Challenges**

- **Electricity Transmission Constraints**
- **New Reliability Standards**

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### **Global Events Impacting Competing Energy Supplies**

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Natural Gas

# Summer Recap

Last Summer  
2006 Actual

Summer Season

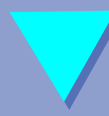
This Summer  
2007 Forecast



ECONOMY



WEATHER



STORAGE



CONSUMPTION



SUPPLY



Price Pressure



**DOWNWARD**

**FLAT**

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- **Overall price pressure flat for natural gas but regional fundamentals may vary**
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- **Supply diversity, additional infrastructure and trained workforce is essential**
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- **We need all our fuels**
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- **Anxiety creating risk premiums**