



Summer Outlook

Cooling Season
2012

2012 Summer Outlook: Outline

- Review: How did we do last summer?
- Looking Ahead to Summer 2012
 - *Market pressure points: demand, economy, weather, storage & production*
 - *Wild card factors*
 - *Summer expectations*
- Summary

Understanding the Symbols



Upward market pressure



Flat market pressure



Downward market pressure





















We got it wrong



We got it right

Last Year's Projection: How Did We Score?

Price Pressure	2011 Estimate	2011 Actual	Last summer's score
Weather			
Economy			
Demand			
Storage			
Supply			
Market Price Pressure			

Market Pressure Points

2012

Weather Demand: Summer Season

Data source: NOAA, EVA

Last summer
2011 ACTUAL

Actual season:

3.5% cooler than 2010

13 % warmer than 30-year average



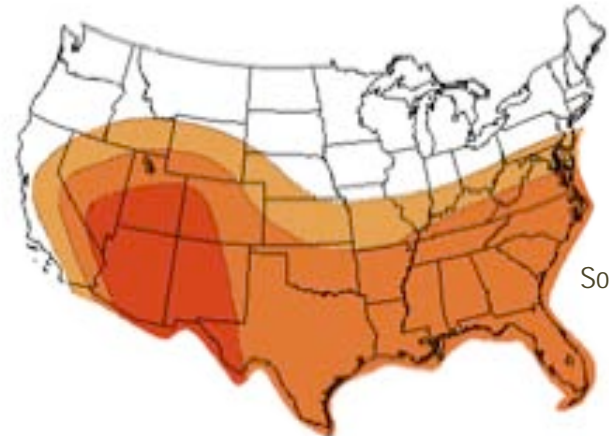
1,380 Cooling degree days

This summer
2012 FORECAST

EVA's projection:

13% cooler than 2011

2% cooler than 30-year average




Source: NOAA forecast map, May 2012

1,196 Cooling degree days


Summer-to-summer pressure
on natural gas prices



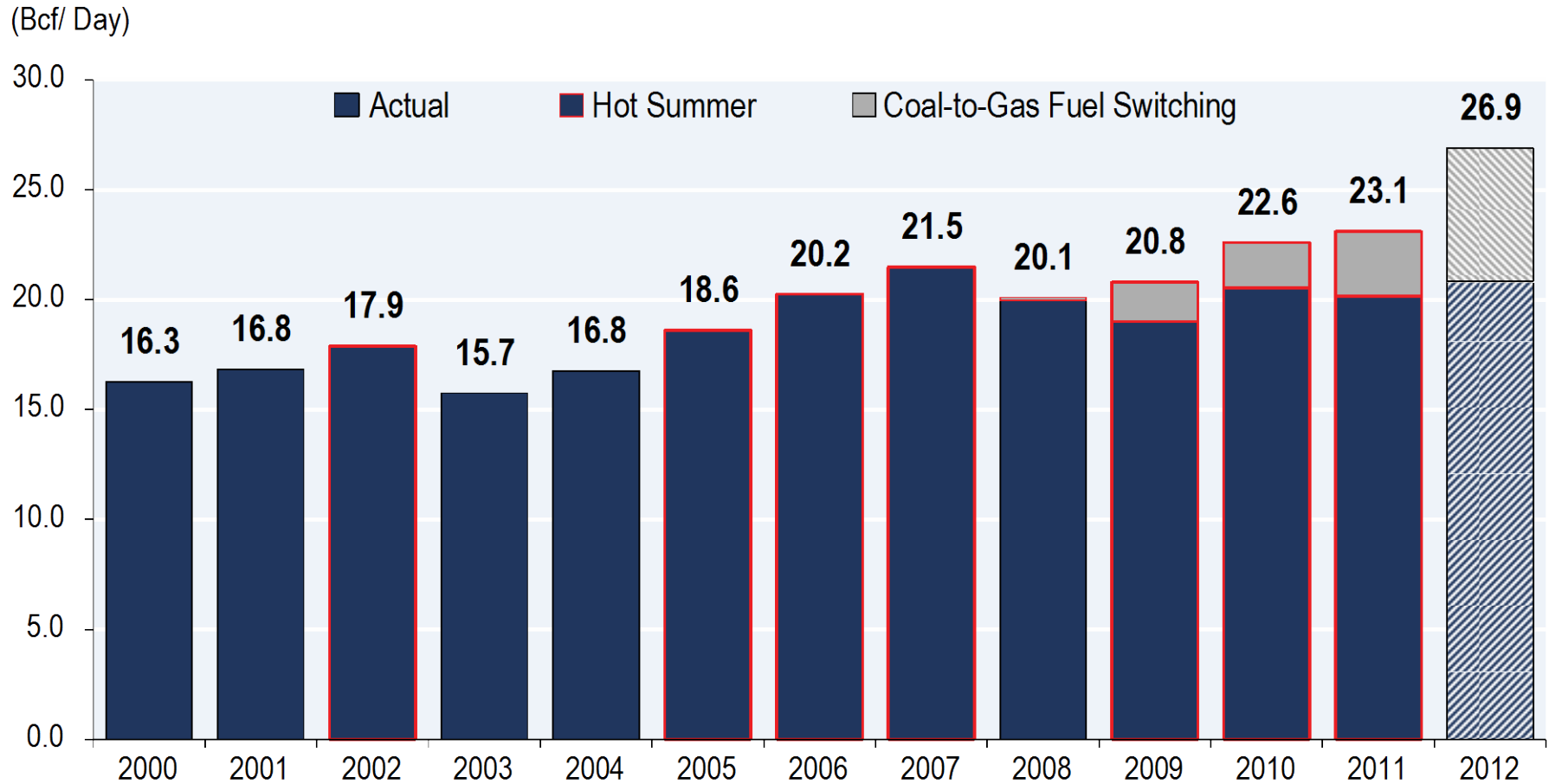
Pressure Point: Economy/Demand

Summer season Period-to-period change	Last summer 2011 ACTUAL	Summer 2012 FORECAST
<i>Data source: IHS Global Insight</i>		
Economy	Weak	Encouraging
GDP growth	1.5%	2.3%
Unemployment rate	9.1%	8.1%
Manufacturing	3.5%	5.8%
CPI	3.5%	2.0%
Summer-to-summer pressure on natural gas prices		

Overall Gas Demand/Consumption

Summer season Period-to-period change <i>Data source: EVA</i>	Last summer 2011 ACTUAL	Summer 2012 FORECAST
Demand	57.6 Bcf/d	62.4 Bcf/d
<ul style="list-style-type: none"> • Industrial demand • Electric demand 	17.7 Bcf/d 23.1 Bcf/d	17.9 Bcf/d 26.9 Bcf/d
Change from previous year	+4.5%	+8.3%
Growth sector	Residential 11% Commercial 8%	Electric generation + 17 %
Summer-to-summer pressure on natural gas prices		

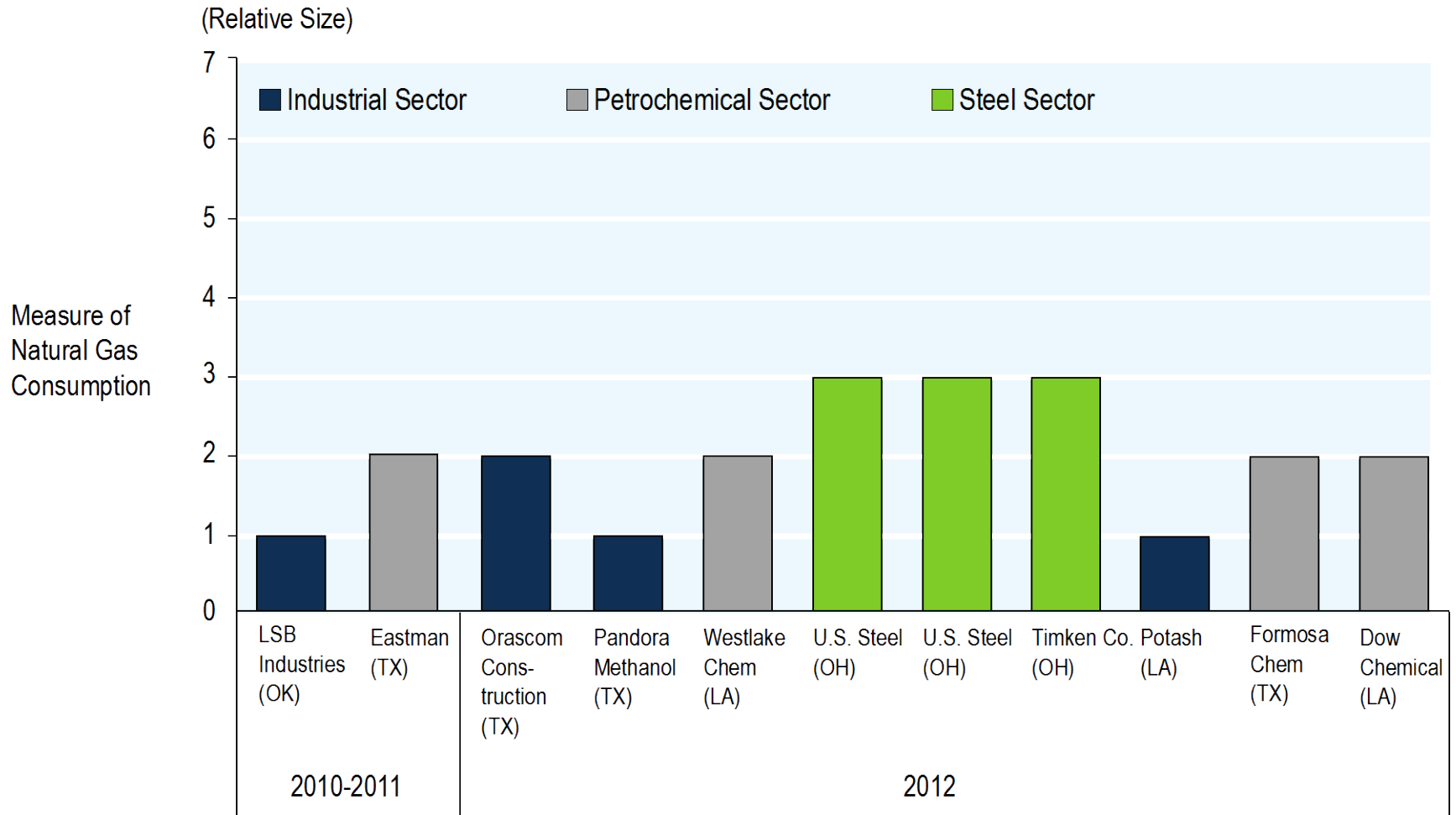
Coal-to-Gas Fuel Switching 2000-2012



Note: 2002, 2005, 2006, 2006, 2010 and 2011 denote hot summers

Source: Energy Ventures Analysis, *Outlook for Natural Gas Demand for Summer of 2012*

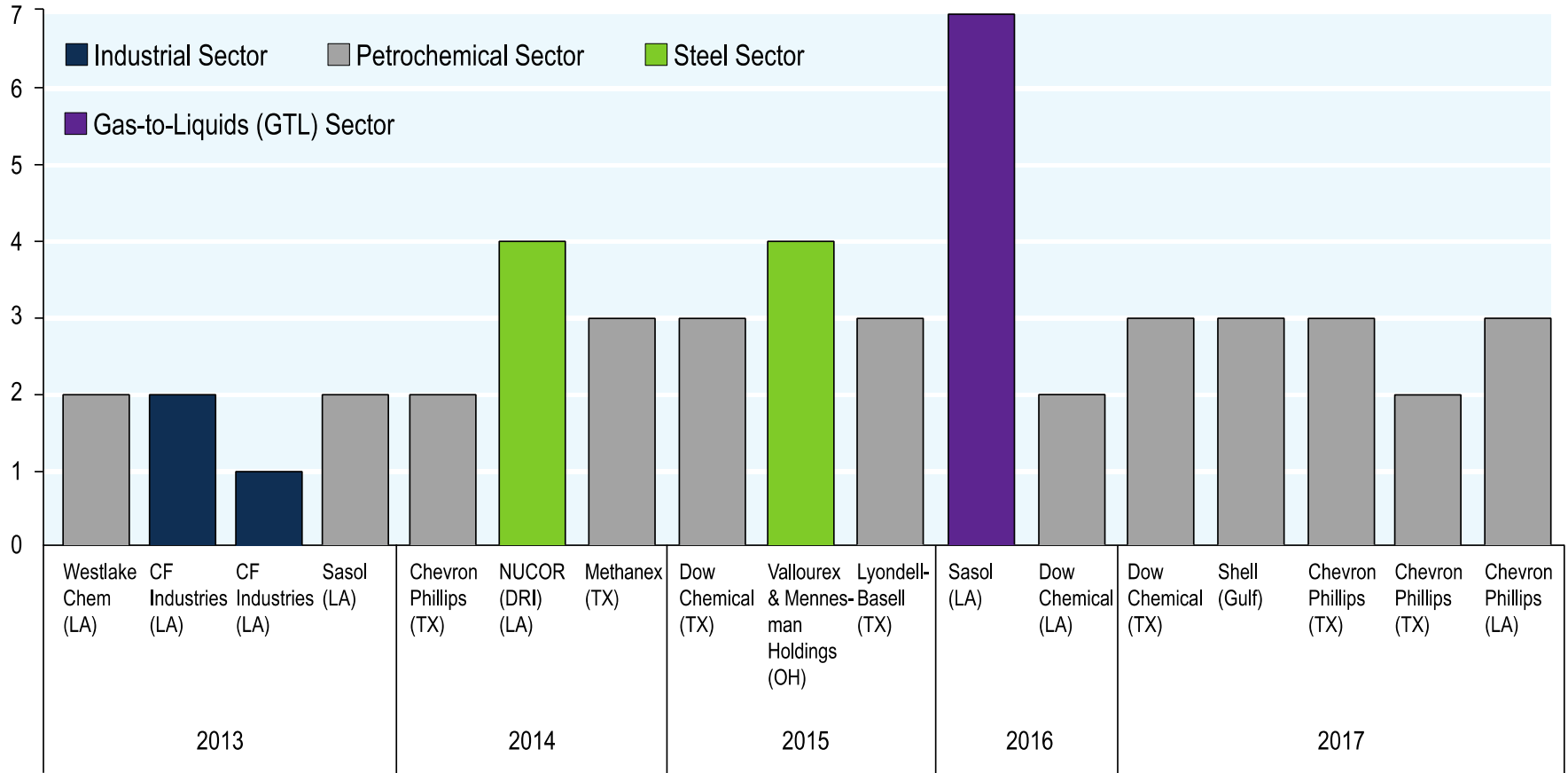
Industrial Growth From Natural Gas 2010-2012



Source: Energy Ventures Analysis, *Outlook for Natural Gas Demand for Summer of 2012*


Industrial Growth From Natural Gas 2013-2017

(Relative Size)




Source: Energy Ventures Analysis, *Outlook for Natural Gas Demand for Summer of 2012*

Storage/Demand

Summer season Period-to-period change <i>Data source: EIA, EVA</i>	Last summer 2011 ACTUAL	Summer 2012 FORECAST
Season starting point (billion cubic feet)	1,579 Bcf	2,479 Bcf
Average weekly injections	72.8 Bcf	55.3 Bcf
End-of injection season	3,800 Bcf	4,150 Bcf
Summer-to-summer pressure on natural gas prices		

Production/Supply

Summer season Period-to-period change <i>Data source: EIA, EVA</i>	Last summer 2011 ACTUAL	Summer 2012 FORECAST
Summer average production	63.2 Bcf/d	65.8 Bcf/d
Average natural gas rig count	893	~600
Canadian imports (net)	5.7 Bcf/d	5.4 Bcf/d
LNG imports	0.8 Bcf/d	0.4 Bcf/d
Mexican exports	-1.4 Bcf/d	-1.2 Bcf/d
Summer-to-summer pressure on natural gas prices		

Summer Outlook: Wild Cards

- Natural disasters or big weather surprises
- Changing fuel switching economics
- Manufacturing exceeds expectations
- Production changes if liquids prices change

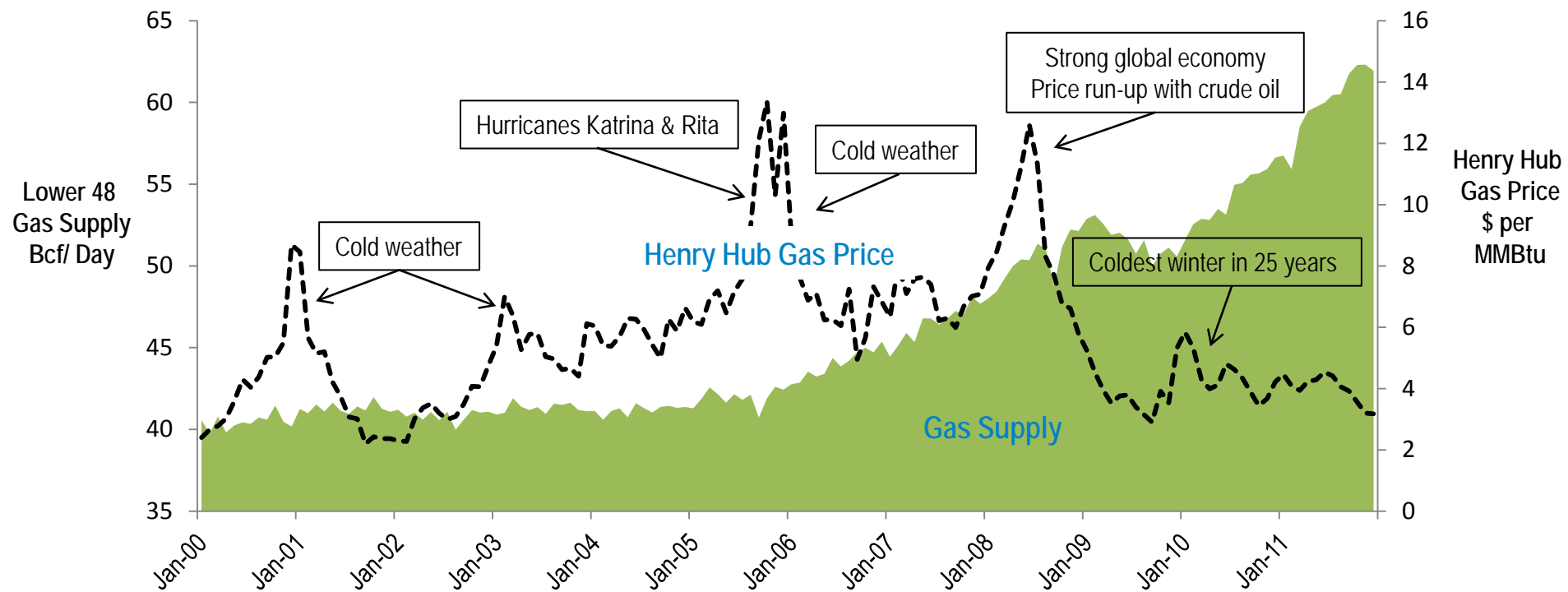
This Season's Summer Outlook

Summer season Period-to-period change	This summer 2012 FORECAST
Weather	↓
Economy	—
Overall demand	↑
Storage	↓
Overall supply	↓
Summer 2011-to-summer 2012 Pressure on natural gas prices	↓

Gas Price Stability

As supply grows, price remains low, stable

Lower 48 gas supply has grown by 20 Bcfd since 2000, up 50%



Summary:

- Record natural gas production is good for consumers and the economy
- Increase in natural gas supplies enabling manufacturing growth
- Fuel switching by power sector to double, supporting 16% increase in gas use for power and setting another record
- Natural gas production growth assisted by wet gas and oil



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