



Winter Outlook

*Heating season
2009-2010*

Winter outlook: Outline

- How did we do last winter?

- Winter 2009-2010

 - Market pressure points:*

 - economy, weather, storage & drilling*

 - Wild card factors*

 - Winter expectations*

- Summary

Last year's projection: How did we score?

Price Pressure	2008-2009 Estimate	2008-2009 Actual	Last winter's Score
Weather	—	—	<input checked="" type="checkbox"/>
Economy	∨	∨∨	<input type="checkbox"/>
Demand	—	—	<input checked="" type="checkbox"/>
Storage	—	—	<input checked="" type="checkbox"/>
Supply	∨	∨	<input checked="" type="checkbox"/>
Market Price Pressure	—	∨	<input type="checkbox"/>

Market Pressure Points 2009-2010

Economy/Demand

Winter season Period-to-period change Data source: Global Insight	Last winter 2008-2009 ACTUAL	This winter 2009-2010 FORECAST
Economy	"The Great Recession"	Fragile recovery
GDP growth	- 2.6%	0.7%
Unemployment rate	7.5%	10.0%
Manufacturing	-11.4%	-1.6%
CPI	0.7%	1.4%

Winter-to-winter pressure
on natural gas prices



Weather demand: Winter season

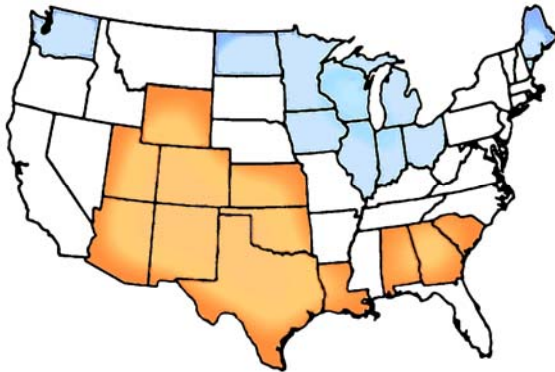
Data source: NOAA, EVA

Last winter

2008-2009
ACTUAL

Actual Season:

1.4% colder than 2007-2008
0.7 % colder than 30-year average



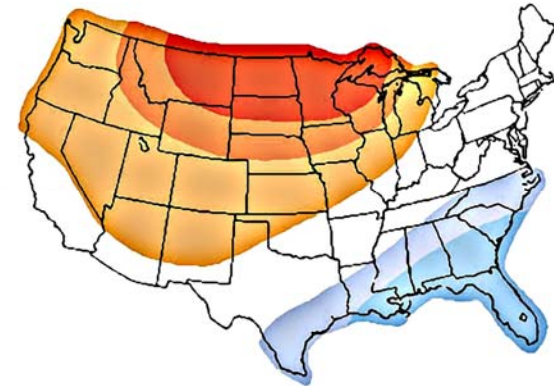
3,621 Heating degree days

This winter

2009-2010
FORECAST

NOAA's projection:


1.3 % warmer than last year
0.6% warmer than 30-year average



3,573 Heating degree days

**Winter-to-winter pressure
on natural gas prices**

Overall gas demand

Winter season Period-to-period change <small>Data source: EVA</small>	Last winter 2008-2009 ACTUAL	This winter 2009-2010 FORECAST
Demand	75.6 Bcf/d	75.2 Bcf/d
Demand change	-1.7%	-0.5%
Annual generating capacity additions	7.3 GW	6.8 GW
Growth sector	None	None
Decline sector	Industrial	None
Winter-to-winter pressure on natural gas prices		

Storage/Supply

Winter season
Period-to-period change
Data source: ICF

Last winter
2008-2009
ACTUAL

This winter
2009-2010
FORECAST

End of injection season

3,412 Bcf

3,822 Bcf

Percent of average fill
(Five-year average)

97%

106%

New storage capacity

82 Bcf

Est. 123 Bcf

Winter-to-winter pressure
on natural gas prices



Production/Supply

Winter season Period-to-period change Data source: ICF	Last winter 2008-2009 ACTUAL	This winter 2009-2010 FORECAST
Annual well completions	30,591	18,800
Annual average rig count	1,535	786
Winter average production	55.5 Bcf/d	55.7 Bcf/d
Canadian imports	7.0 Bcf/d	6.5 Bcf/d
LNG imports	0.9 Bcf/d	1.0 Bcf/d

Winter-to-winter pressure
on natural gas prices



Winter outlook: Wild cards

- Speed of global economic recovery may affect demand.
- Chance of very cold winter in Northeast according to some private forecasts.
- Potentially moderating influence of global LNG.
- Geopolitics, world events, natural disasters.

This season's winter outlook

Winter season
Period-to-period change

This winter
2009-2010
FORECAST

Economy



Weather



Overall demand



Storage



Overall supply



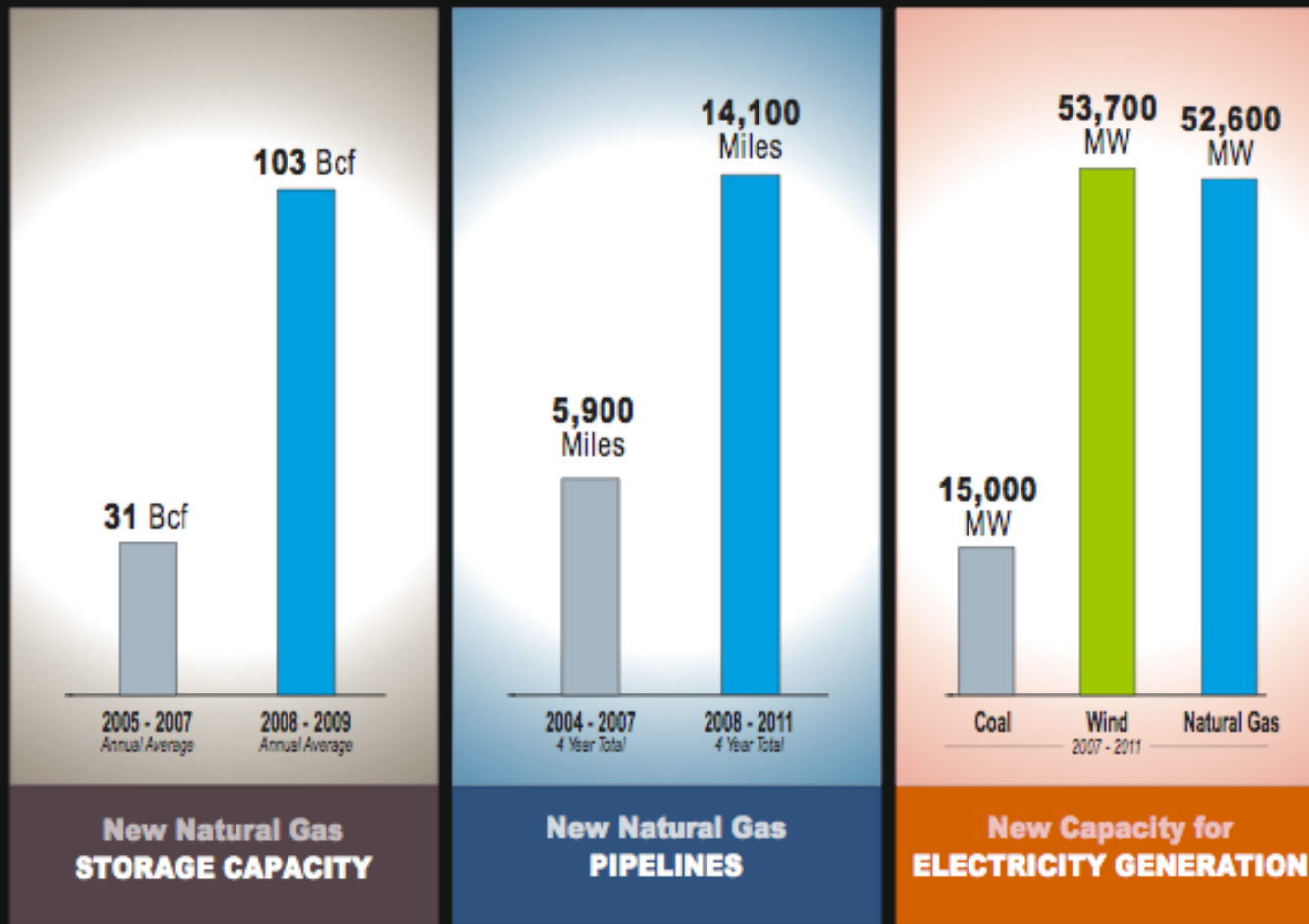
Winter-to-winter pressure
on natural gas prices



Natural gas outlook: Summary

- Economy likely more significant to natural gas price pressure than weather this winter.
- Power plant switching from coal to natural gas may persist throughout winter.
- Abundant shale gas sustained production even as all drilling activity decreased in first half 2009.
- Long-term confidence evidenced through major new storage, pipeline and power generation infrastructure.

Market Recognizes Future Role of Natural Gas



Sources: Energy Information Administration, Energy Ventures Analysis

Abundance of natural gas in shale underscores sustainability.

