Winter Outlook

Heating season

2010-2011

Winter outlook: Outline

- Review: How did we do last winter?
- Looking Ahead to Winter 2010-2011
  - *Market pressure points:*
    economy, weather, storage & drilling
  - *Wild card factors*
  - *Winter expectations*
- Summary

Last year's projection: How did we score?

Price Pressure	2009-2010 Estimate	2009-2010 Actual	Last winter's Score
Weather	—	—	✓
Economy	↑	↑	✓
Demand	—	↑	✗
Storage	↓	↓	✓
Supply	—	—	✓
Market Price Pressure	—	—	✓

Market Pressure Points 2010-2011

Economy/Demand

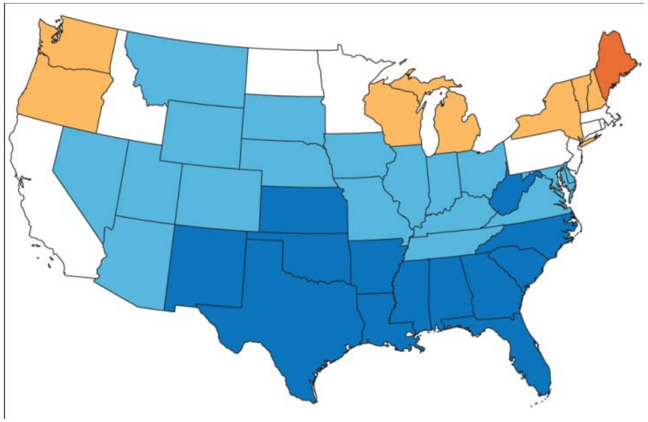
Winter season Period-to-period change Data source: Global Insight	Last winter 2009-2010 ACTUAL	This winter 2010-2011 FORECAST
Economy	Fragile recovery	Strained recovery
GDP growth	1.3%	1.9%
Unemployment rate	9.9%	9.8%
Manufacturing	-0.5%	5.0%
CPI	1.9%	1.1%
Winter-to-winter pressure on natural gas prices		—

Weather demand: Winter season

Data source: NOAA, EVA

Last winter	This winter
2009-2010	2010-2011
ACTUAL	FORECAST

Actual Season:

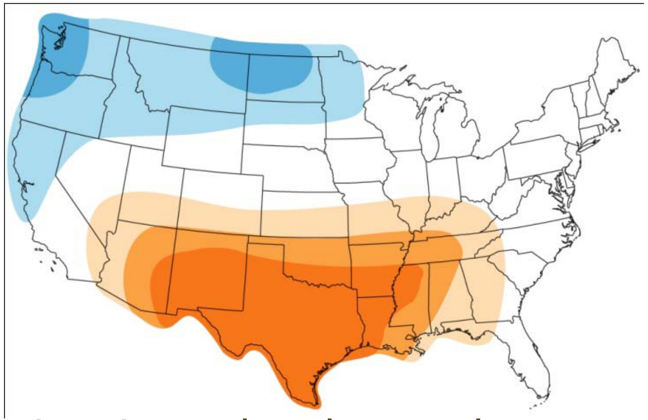


3,609 Heating degree days

NOAA's projection:

1.0 % warmer than last year

.4% warmer than 30-year average



3,572 Heating degree days

Winter-to-winter pressure on natural gas prices

Overall gas demand

Winter season Period-to-period change *Data source: EVA*	Last winter 2009-2010 ACTUAL	This winter 2010-2011 FORECAST
Demand	77.9 Bcf/d	79.8 Bcf/d
• Industrial demand	19.3 Bcf/d	20.3 Bcf/d
• Electric demand	16.2 Bcf/d	17.3 Bcf/d
Overall demand change	3.0%	2.4%
Growth sector	Industrial	Electric and industrial
Winter-to-winter pressure on natural gas prices		

Storage/Supply

Winter season Period-to-period change Data source: ICF	Last winter 2009-2010 ACTUAL	This winter 2010-2011 FORECAST
End of injection season	3,807 Bcf	3,700 Bcf
Percent of average fill (Five-year average)	105%	101%
New storage capacity	134 Bcf	Est. 48 Bcf
Winter-to-winter pressure on natural gas prices		—

Production/Supply

Winter season Period-to-period change Data source: ICF	Last winter 2009-2010 ACTUAL	This winter 2010-2011 FORECAST
Annual well completions	16,969	20,000
Annual average rig count	811	948
Winter average production	55.2 Bcf/d	57.5 Bcf/d
Canadian imports	6.8 Bcf/d	6.2 Bcf/d
LNG imports	1.4 Bcf/d	1.9 Bcf/d
Winter-to-winter pressure on natural gas prices		

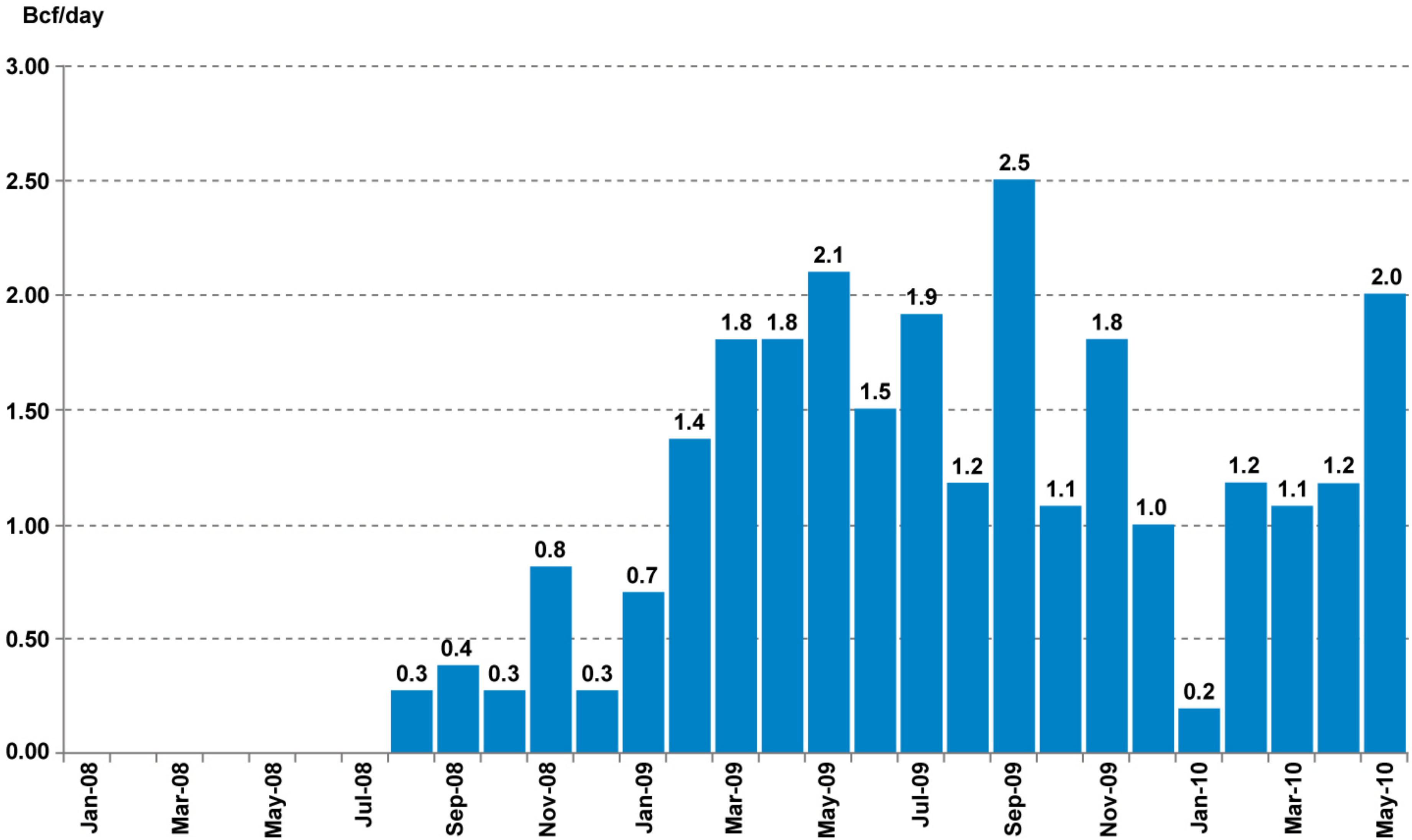
This season’s winter outlook

Winter season Period-to-period change	This winter 2010-2011 FORECAST
Economy	—
Weather	—
Overall demand	∧
Storage	—
Overall supply	∨
Winter-to-winter pressure on natural gas prices	—

Winter outlook: Wild cards

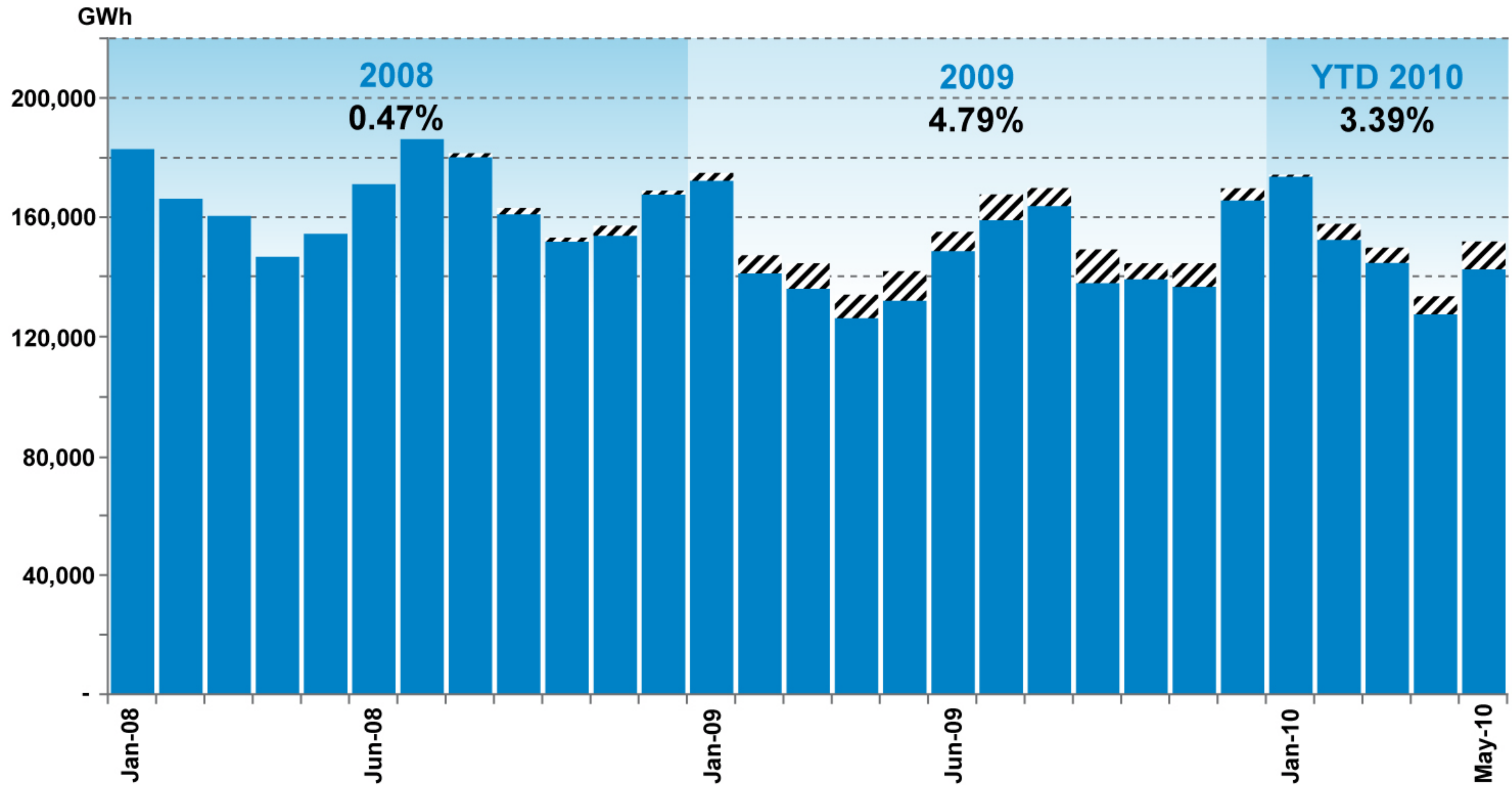
- Global LNG supply availability.
- Extent of industrial sector revival.
- Impact of changes in industrial demand on coal-to-gas switching.

Coal-to-Gas Switching Trend Continues



Source: Energy Ventures Analysis, 2010

Coal Generation Displaced by Natural Gas



Source: Energy Ventures Analysis, 2010

Natural gas outlook: Market resilience

- Strong supply fundamentals continue
  - Production among highest level in decades.
  - Rig count holding its own.
  - Recent weather extremes met with steady prices.
- Higher use of existing natural gas-fired generation.
- Industrial demand rising in step with economic recovery.