

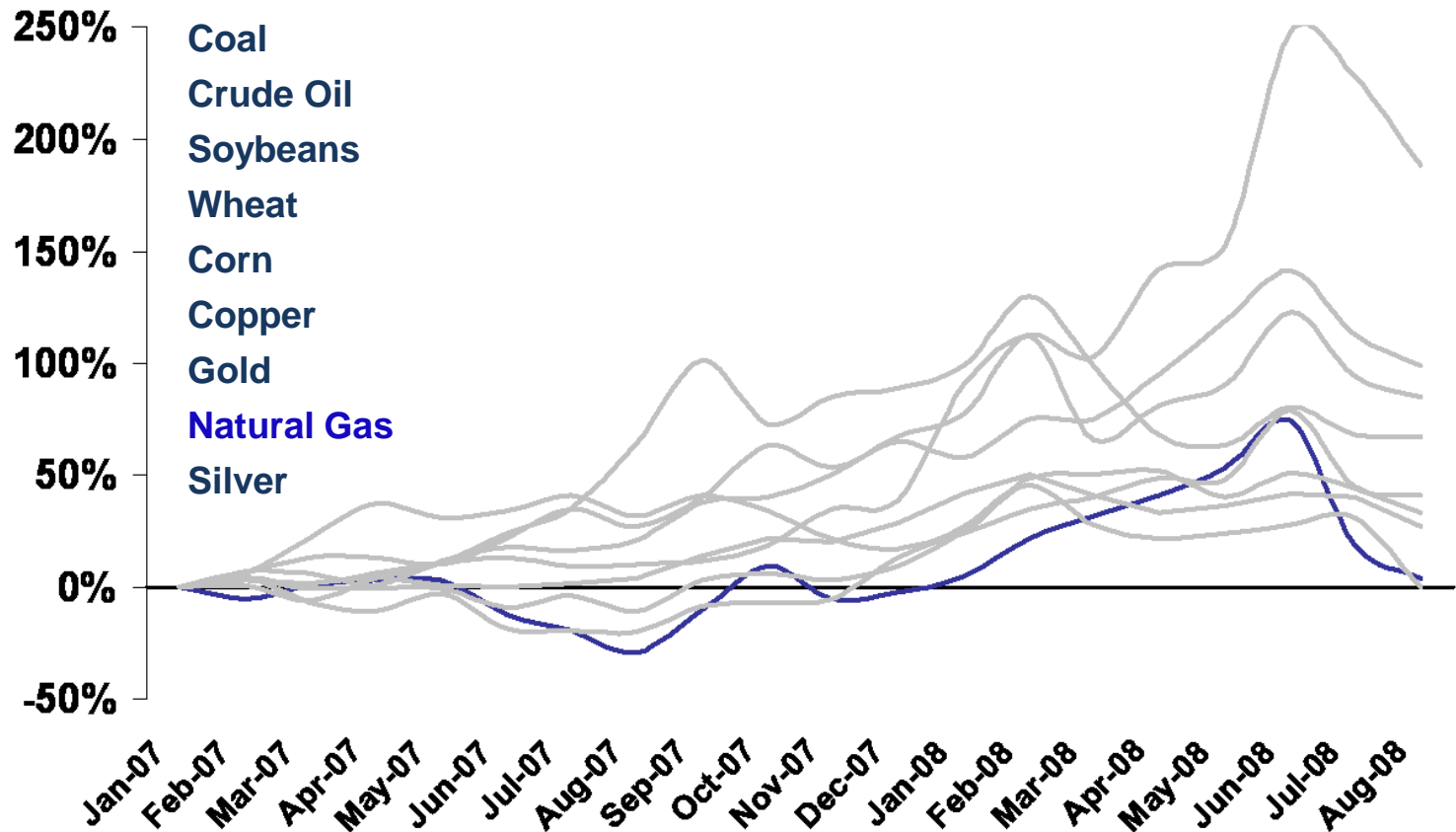


# Winter Outlook

*Heating season  
2008-2009*

# Natural gas at low end of rising commodity tide

## Commodity price changes since January 2007



Source: CME Group, A CME / Chicago Board of Trade Company

# Winter outlook: Outline

- How did we do last winter?
- Winter 2008-2009
  - Market pressure points*
  - Winter weather*
  - Other market factors*
  - Forecast*
- Conclusions

# Last year's projection: How did we score?

	2007-2008 Estimate	2007-2008 Actual	Last winter's Score
Weather	^	^	<input checked="" type="checkbox"/>
Economy	—	—	<input checked="" type="checkbox"/>
Demand	—	^	<input type="checkbox"/>
Storage	v	v	<input checked="" type="checkbox"/>
Supply	—	—	<input checked="" type="checkbox"/>
<b>Market Pressure</b>	—	—	<input checked="" type="checkbox"/>

# Market Pressure Points 2008-2009

# Weather demand: Winter season

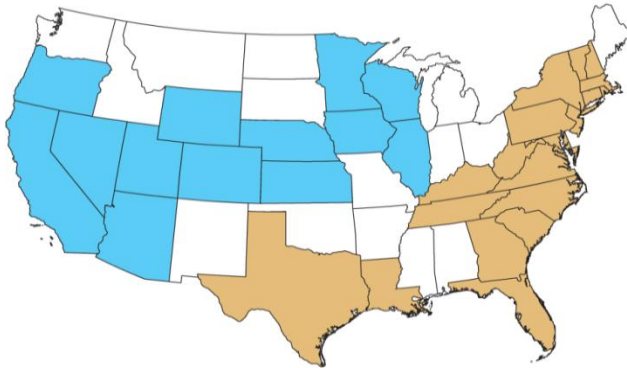
Data source: NOAA, EVA

## Last winter

2007-2008  
ACTUAL

### Actual Season:

6.5% colder than 2006-2007  
0.4% warmer than 30-year average



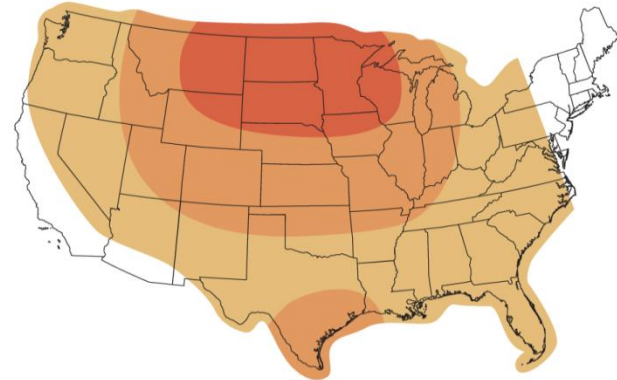
3,572 Heating degree days

## This winter

2008-2009  
FORECAST

### NOAA's projection:

1.1% warmer than last year  
1.5% warmer than 30-year average



3,534 Heating degree days

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



# Economy/Demand

Winter season Period-to-period change Data source: Global Insight	Last winter 2007-2008 ACTUAL	This winter 2008-2009 FORECAST
Economy	Low growth	Stagnant
GDP growth	2.4%	1.2%
Unemployment rate	4.9%	5.9%
Manufacturing	2.0%	-1.6%
CPI	4.1%	4.3%

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



# Overall gas demand

Winter season Period-to-period change Data source: EVA	Last winter 2007-2008 ACTUAL	This winter 2008-2009 FORECAST
Demand	76.7 Bcf/d	78.5 Bcf/d
Demand change	5.4%	2.4%
Annual generating capacity additions	5.2 GW	6.9 GW
Growth sector	Electric	Electric
Decline sector	None	None

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



# Storage/Supply

Winter season Period-to-period change Data source: ICF	Last winter 2007-2008 ACTUAL	This winter 2008-2009 FORECAST
End of injection season	3,545 Bcf	3,450 Bcf
Percent of average fill (Five-year average)	103%	98%
New storage capacity	86 Bcf	Est. 100 Bcf

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



# Production/Supply

Winter season Period-to-period change Data source: ICF	Last winter 2007-2008 ACTUAL	This winter 2008-2009 FORECAST
Annual well completions	30,777	31,530
Annual average rig count	1,470	1,535
Winter average production	53.3 Bcf/d	57.5 Bcf/d
Canadian imports	8.0 Bcf/d	7.5 Bcf/d
LNG imports	0.8 Bcf/d	1.0 Bcf/d

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



# Winter outlook: Other market factors

- Active hurricane season:  
*3 – 6 major hurricanes predicted*  
*3 thus far*
- Global commodity prices
- Geopolitics and world events

# This season's winter outlook

Winter season  
Period-to-period change

This winter  
2008-2009  
FORECAST

Weather



Economy



Overall demand



Storage



Overall supply



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



# Natural gas outlook: **Takeaways**

- Producers responding to market signals by investing billions and adding significant domestic supply
- Storage levels – early concerns dispelled
- Evolving energy debate

# Hurricane Impact: Recovery outpacing experience

Bcf/day Shut-in

