



Winter Outlook

*Heating season
2011-2012*

Winter outlook: Outline

- Review: How did we do last winter?
- Looking Ahead to Winter 2011-2012
 - *Market pressure points:
economy, weather, storage & drilling*
 - *Wild card factors*
 - *Winter expectations*
- Summary

Last year's projection: How did we score?

Price Pressure	2010-2011 Estimate	2010-2011 Actual	Last winter's Score
Weather	—	—	<input checked="" type="checkbox"/>
Economy	—	^	<input checked="" type="checkbox"/>
Overall demand	^	^	<input checked="" type="checkbox"/>
Storage	—	—	<input checked="" type="checkbox"/>
Supply	v	v	<input checked="" type="checkbox"/>
Market Price Pressure	—	—	<input checked="" type="checkbox"/>

Market Pressure Points 2011-2012

Economy

Winter season Period-to-period change Data source: Global Insight	Last winter 2010-2011 ACTUAL	This winter 2011-2012 FORECAST
Economy	Strained recovery	Sluggish
GDP growth	2.7%	1.2%
Unemployment rate	9.3%	9.3%
Manufacturing	6.1%	2.7%
CPI	1.7%	2.9%

Winter-to-winter pressure
on natural gas prices



Weather demand: Winter season

Data source: NOAA, EVA

Last winter

2010-2011

ACTUAL

This winter

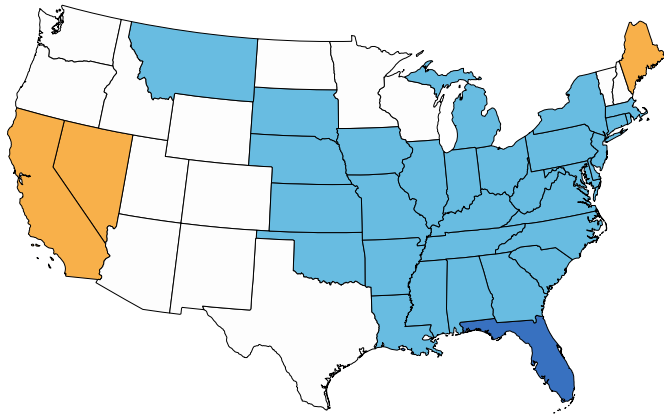
2011-2012

FORECAST

Actual Season:

3% colder than 2009-2010

4% colder than 30-year average

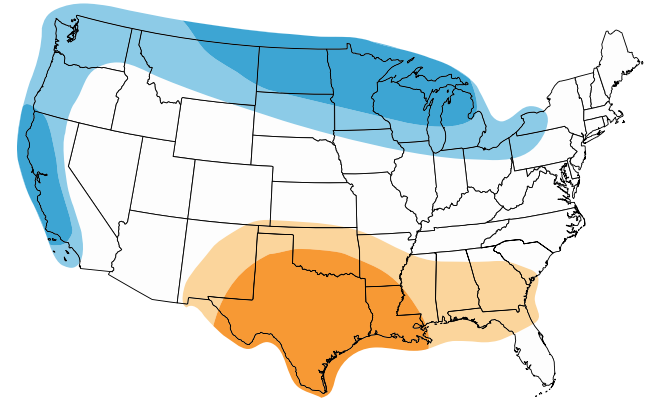


3,716 Heating degree days

EVA's projection:

3% warmer than last year

1% colder than 30-year average



3,598 Heating degree days

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

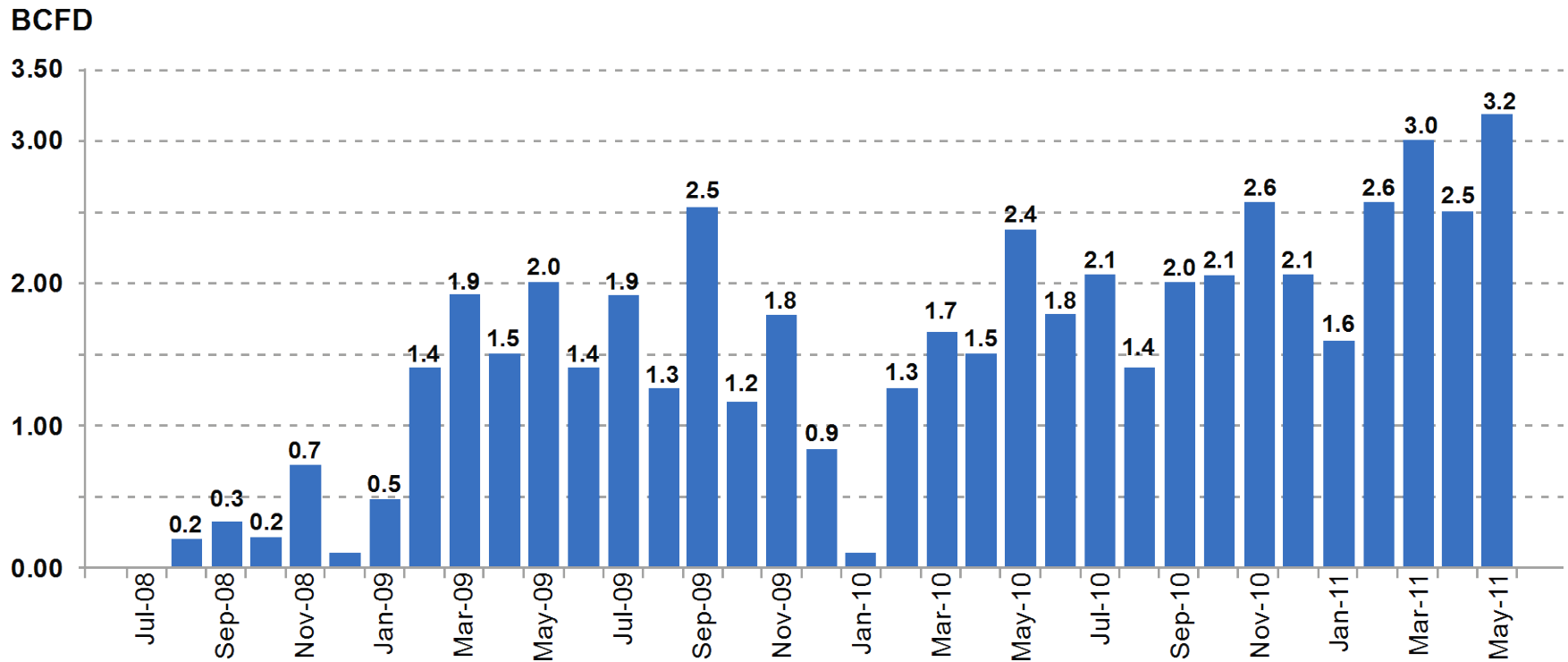


Overall gas demand

Winter season Period-to-period change <i>Data source: EVA</i>	Last winter 2010-2011 ACTUAL	This winter 2011-2012 FORECAST	Price Pressure
Demand	81.1 Bcf/d	78.9 Bcf/d	
• Electric	17.0	17.3	^
• Industrial	19.9	19.9	—
• Residential/Commercial	38.2	35.8	v
Growth sector	Electric	Electric	
Winter-to-winter pressure on natural gas prices			v

Coal-to-Gas Switching Trend Continues

Monthly switching to natural gas-fired generation sustained for three years



Source: Energy Ventures Analysis, 2011

Storage/Supply

Winter season Period-to-period change Data source: ICF	Last winter 2010-2011 ACTUAL	This winter 2011-2012 FORECAST
End of injection season	3,847 Bcf	3,800 Bcf
Percent of average fill (Five-year average)	102%	99%
New storage capacity	107 Bcf	Est. 80 Bcf

Winter-to-winter pressure
on natural gas prices



Production/Supply

Winter season Period-to-period change <small>Data source: ICF</small>	Last winter 2010-2011 ACTUAL	This winter 2011-2012 FORECAST	Price Pressure
Annual well completions	14,982	15,300	
Winter average production	60.0 Bcf/d	63.1 Bcf/d	▼
Canadian imports	6.1	5.9	—
LNG imports	1.3	0.6	▲
Mexican exports	1.0	1.0	—
Winter-to-winter pressure on natural gas prices			▨

Winter outlook: Wild cards

- Unexpected cold snaps
- Stronger economic recovery than expected
- More aggressive coal-to-gas switching than forecast

This season's winter outlook

Winter season
Period-to-period change

This winter
2011-2012
FORECAST

Economy



Weather



Overall demand



Storage



Overall supply



Winter-to-winter pressure
on natural gas prices



Natural gas outlook: Poised for demand

- Strong supply continues
 - Highest level on record
 - Rigs following natural gas liquids and oil
 - Moderate prices despite recent weather extremes
- Coal-to-gas switching continues
- Industrial market holding its own
- Stable outlook for consumers due to strong supply