Volume 5, Issue 12

December 5, 2006

A Publication of the Commercial/Industrial Sales Team

The BurnerTip

Gas Market Summary

December futures traded all over the board during the month of November. The month began innocently enough as the prices touched $8.05 before settling back at $7.884. Trading during the second week of the month was very uneventful as prices closed at $7.794, less than a dime movement from where the week began.

By mid-month, the only thing that seemed able to shake the trading doldrums was a change in the weather and that is just what we got. Prices rallied as high as $8.22 as colder weather was forecast. The final full trading week of the month finally settled at $7.894 as the fear of cold temperatures abated.

During a short holiday trading week, it became apparent that many market participants left early for their Thanksgiving feasts as prices traded in a relatively narrow range and activity was light. Prices closed at $8.019 as Turkeys began roasting all over the country.

December futures closed at $8.318 as a flurry of short covering coupled with concern of an impending cold blast pushed prices to the highest prices of the month. All in all, the month was relatively calm with prices remaining in a comparatively narrow trading range. The final closing price was a bit disappointing, but somewhat understandable considering the artic express that was expected to arrive.

Summer '07 and Winter '07/08 prices continued very strong during the month. In fact, Summer prices are actually about $.15 higher than last month and next Winter's prices are nearly $.20 higher. Also, the one, two and three-year strips are all trading right around the $8 level right now. Tough prices make for tough decisions going forward. Make sure you read Bill's corner for our thoughts on the forward market.

Most importantly, this time of year reminds of what is truly important. From our EnergyUSA-TPC family to yours, we want to wish each and every one of you a very Merry Christmas and happy, safe and prosperous holiday season. We hope that, in addition to falling gas prices, 2007 brings you and yours the best in life. Thank you for your business and your friendships. We truly appreciate both!

Santa Bob

Gas Facts in Brief

Dec Settlement Price - $8.318

Current Jan Trading $7.652

Winter Strip '06-'07 - $7.676

Summer Strip '07 - $7.702

Winter Strip '07-'08—$9.025

Gas Drilling Rig Count

Down 23 at 1,423 Rigs

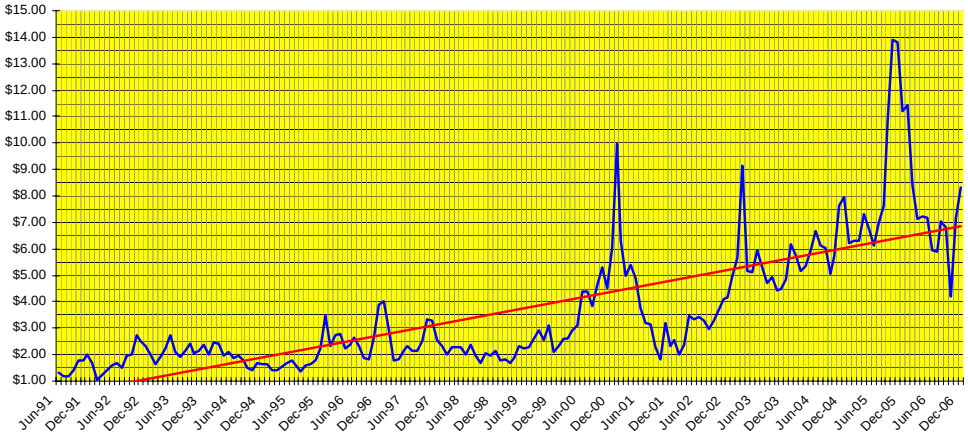
Gas Storage Levels

Net Withdrawal to 3,417 Bcf

103.5% Full

INSIDE THIS ISSUE:

Historic Gas Price Chart

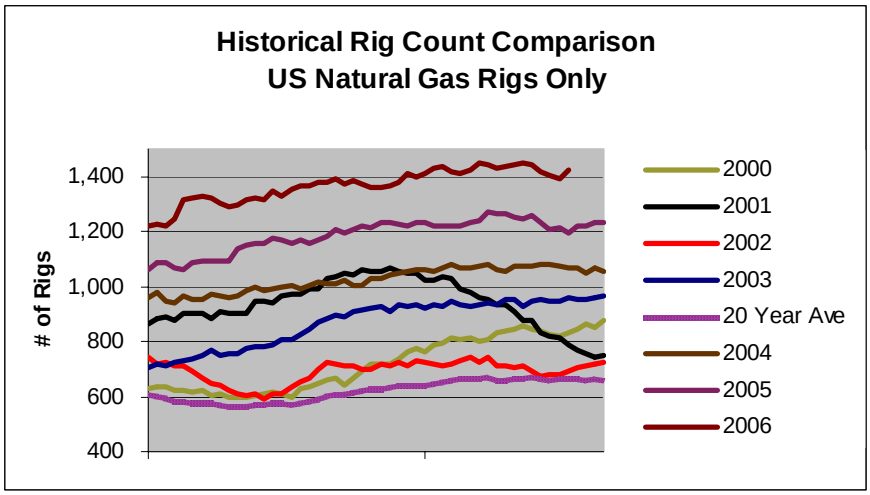


Blue Line—Month to Month NYMEX Closing Price **Red Line—Ongoing Price Trend Over Time**

Baker Hughes Drilling Rig Count

Change	
Dec-06	1,423
Dec-05	1,192
Change	231
% Change	19%

vs. Last Month	
Dec-06	1,423
Nov-06	1,450
Change	(27)
% Change	-2%



Industry Terms

Storage Fundamentals— natural gas storage levels are closely watched as an indicator of gas pricing and availability.

Depleted Fields— uses existing wells & gathering systems to store gas in former production reservoirs. This is the most common form of storage in the US.

Aquifers— an aquifer is suitable for gas storage if the water-bearing sedimentary rock formation is overlaid with an impermeable cap rock. While the geology of aquifers is similar to depleted production fields, aquifers require more cushion gas and much greater monitoring of withdrawal and injection.

Salt caverns— conversions of salt domes to store natural gas occurs mainly in the gulf states. Cavern construction is more costly than other alternatives but the benefits are very high withdrawal and injection rates and the ability to have several withdrawal/injection cycles per year.

Total Capacity— maximum volume of gas that can be stored in a facility.

Base/Cushion Gas— the volume of gas required as permanent inventory to maintain pressure and deliverability rates.

Working Gas Capacity— total gas storage capacity minus the base/cushion gas. Working gas capacity is that available to the marketplace.

Injection/Withdrawal Rate— the amount of gas that can be withdrawn or injected daily

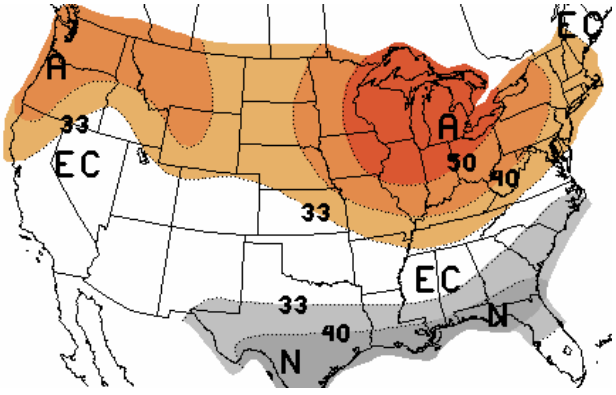
Energy Equivalents

1 CF of natural gas = 1,000 Btu
1 Ccf (100 CF) gas = 100,000 Btu
1 Therm = 100,000 Btu
10 Therms = 1 Dekatherm
1 DTH = 1,000,000 Btu = 1 MMBtu
1 Mcf = 1 Dekatherm
1BCF = 1 billion CF of natural gas
1 Gallon of #2 fuel oil = 140,000 Btu
1 Gallon of Propane = 91,500 Btu
1 kWh electricity = 3,413 Btu
293 kWh electricity = 1,000,000 Btu

January, February, March NOAA Forecast

Browns/Reds—Above Normal Temps

Blues—Below Normal Temps



Bill's Corner

A week before Thanksgiving, I had the opportunity to attend a Natural Gas Market Update presented by Dr. James Duncan of ConocoPhillips. You may remember Dr. Duncan from our Annual Energy Conference at the University of Notre Dame. *Let's start with his "bottom lines":*

Dr. Duncan forecasted that post-Thanksgiving prices would rally into Dec, but would then soften in the late winter (barring unforeseen catastrophe), due primarily to high storage inventories.

(Post-Thanksgiving prices proceeded to rally by almost $1.00, and the Dec contract settled high at $8.318. Since then, a revised short-term, milder forecast has pulled prices back down by over $1.00. Currently, front month prices are trading at the bottom of the $7.50 to $9.00 trading range.) Dr. Duncan feels the realistic downside potential of the market is $4.50 to $5.50 (if all goes well), while the upside potential of the market is $12.00 to $13.00 (at least for this winter due to storage inventories).

Extreme price volatility should continue through the end of the decade. Price super spikes should continue to occur. Technicals and emotions will remain significant price drivers, often trumping fundamentals.

(Most risk managers' goal should be to protect their budgets for two to three years, ahead of the next bull cycle or the next price super spike. Given the volatility of the market, this should be done with a diverse (layered) supply portfolio weighted to the front months. Most should be prepared to begin building their supply portfolios in 1Q07.)

Dr. Duncan is in agreement with the above thoughts/strategy, and noted that such thoughts/ strategies are becoming more and more common around the country among end-users and energy managers.

Other Dr. Duncan thoughts/observations about the market:

This remains a tough time to "call" the natural gas market. Weather is the primary fundamental price driver. Weather forecasters missed last winter, last summer, and last hurricane season forecasts… badly. They are still struggling to: 1) Determine what went wrong; 2) Develop their new forecasts.

This winter is shaping up to model the winter of 2002/2003, a winter without extreme cold periods, but with sustained cold into the late winter. However, it should not be so cold as to adversely impact supply.

Given the volatility of the market and the potential for price super spikes, hedging is more important now than ever before. End users should not get too hung up on $0.25 moves in the market. At current price levels, such moves are nothing but the market "breathing". A market within $0.25 of objectives should be hedged.

The United States has been looking to LNG for marginal supply, but that supply is becoming increasingly globally competitive. China is currently building 12 new LNG terminals which will compete with the 4 U.S terminals.

The natural gas rig count remains at record highs. The reason it doesn't go higher… there are no more rigs available. In 2002, producing 1 Bcf of natural gas required 10 rigs… in 2006, it requires 25 rigs.

While natural gas and crude oil appear to have disconnected (at least for now), crude prices still support natural gas to a degree. Dr. Duncan expects crude oil prices to rally to $68 to $70 before the end of this year.

The value of current storage inventories is $8.00. A combination of this, and the fact that operators do not want to risk inventories by withdrawling too much/too soon should result in strong early winter prices, weaker late winter prices.

Although many end users are now hedged for the winter, some are not, and many await an opportunity to hedge this summer and beyond. While the $4.50 to $13.00 range gives you one extreme to hope for and another to fear, don't pass up layering opportunities hoping to hedge everything at the bottom. Longer-term, diverse supply portfolios remain best for most.

Bill Langdon
Territory Manager
Indiana

Bill can be reached at
(574) 936-1639
(574) 850-6734
Or
blangdon@nisource.com

Electric Update

Forward electric prices have been hammered by dropping NYMEX natural gas prices. A single day NYMEX drop of $.61 led to power prices up to $6 lower in the Northeast and $3 to $5 lower throughout the Midwest. Mid-winter prices in the Northeast continue strong on continued cold January forecasts for the upper Northeastern states. At the Midwest ISO, nearly 300,000 customers remained without power from the recent ice storm.

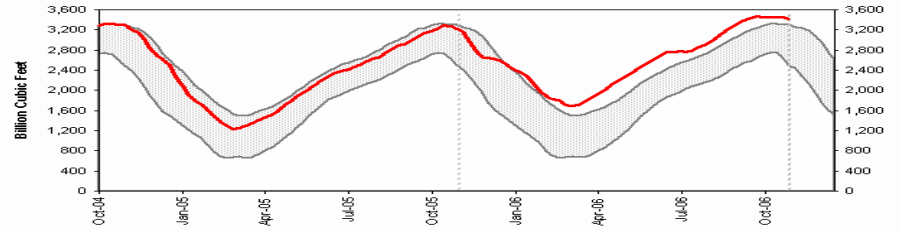
LONG-TERM FORWARD ASSESSMENTS ($/MWH)

Trading Point	Jan	Feb	Mar/Apr	May
Cinergy	$ 52.05	$ 58.80	$ 55.30	$ 52.80
NI Hub	$ 53.25	$ 59.40	$ 56.05	$ 53.90
Entergy	$ 57.00	$ 64.20	$ 64.10	$ 65.00
ERCOT	$ 56.50	$ 56.55	$ 61.95	$ 69.60
PJM West	$ 65.55	$ 72.05	$ 66.15	$ 65.05
TVA	$ 54.70	$ 59.75	$ 57.75	$ 60.55
MASS Hub	$ 96.10	$ 92.10	$ 78.50	$ 74.75

Prices Traded December 4, 2006 MegaWatt Daily

Gas Storage Levels

Working gas in storage was 3,417 Bcf as of Friday, November 24, 2006, according to EIA estimates. This represents a net decline of 32 Bcf from the previous week. Stocks were 185 Bcf higher than last year at this time and 230 Bcf above the 5-year average of 3,187 Bcf. At 3,417 Bcf, total working gas is above the 5-year historical range.



Gas Supply Facts—The EIA released a report about the Bakken Formation of the Williston Basin, located in the north central United States, underlying North Dakota, eastern Montana, northwestern South Dakota, and into southern Canada. The report describes how production and reserves in the Bakken Formation, which was previously considered uneconomic, have greatly increased in recent years from using technology to convert unconventional resources into reserves. Oil and natural gas operators utilized detailed geologic data and new drilling and completion technology to achieve this success.

Pipeline Repairs Underway

El Paso Corp. began repair work early Sunday on its ruptured pipeline near the Colorado-Wyoming border, a day after a fiery explosion took a worker's life and burned hundreds of acres of land. The incident occurred southwest of Cheyenne when a bulldozer digging a ditch for the $4.4 billion Rockies Express pipeline project hit an existing underground pipeline belonging to El Paso. The pipeline delivers natural gas to customers along the Front Range. The impact severed the pipeline, spilling natural gas and leading to a massive blaze. El Paso immediately shut down 18 miles of the pipeline and rerouted gas to customers via other pipelines in the area. "We don't have an estimated time on repairs," said El Paso spokesman Richard Wheatley in Cheyenne. A spokeswoman for Xcel Energy, one of El Paso's biggest customers, said its gas delivery won't be impacted by the accident. Federal investigators with the Occupational Safety and Health Administration and Department of Transportation visited the accident site Saturday evening.

A plume of fire, several hundred feet high, could be seen from south of Loveland and burned for more than an hour, according to the Wyoming Tribune-Eagle. Many heard the explosion, and dozens of firefighters, police and rescue personnel from northern Colorado and Wyoming worked to extinguish the blaze. Construction on a 192-mile stretch of the Rockies Express pipeline has been halted for the time being. "We temporarily halted construction so we can start an investigation and review safety procedures with contractors before construction resumes," said Larry Pierce, a spokesman for Kinder Morgan, one of the owners of the Rockies Express pipeline. Pierce said he didn't know how soon construction would resume, but added that it "won't be stalled for weeks and months."

Houston-based Kinder Morgan Energy Partners owns a 51 percent stake in the Rockies Express pipeline, while Conoco Phillips, also of Houston, owns 24 percent. The remaining 25 percent belongs to San Diego's Sempra Pipelines & Storage, a unit of Sempra Energy. The 1,663-mile Rockies Express pipeline will carry gas from energy- rich areas of Colorado to the energy- starved Midwest. It is scheduled to begin partial service by late 2007 and full service by 2009.

Rocky Mountain News—November 13, 2006

Residents evacuated following huge LNG spill

SHENYANG, CHINA -- Hundreds of residents were evacuated after a huge spill of Liquefied Natural Gas (LNG) in Fushun City in northeast China's Liaoning Province. Workers from 15 nearby factories were told to vacate the premises, and two primary schools had to interrupt classes, local government sources said on Tuesday. The accident occurred around 6:30 a.m. Monday when about 100 tons of LNG leaked from a tank belonging to Fushun LNG Company Ltd. in Dongzhou District, according to Jiang Yonghe, director of the Fushun City Fire Fighting Bureau. The people evacuated have now gone back home and school classes resumed on Tuesday, an emergency official with Fushun City government told Xinhua.

The Fushun LNG company has been ordered to halt production for safety concerns, the official said. No serious casualties were reported in the accident, but a company worker suffered frostbite in the leg while attempting to cap the leakage in the bitterly cold weather, according to the company. Initial investigation showed that an operator on duty failed to shut off a tank valve which had been opened for dehydration and had frozen in the cold weather. More than 300 firefighters and policemen were called to help control the leakage and evacuate residents. "The LNG combined with the air to form a 30,000-cubic-meter cloud of poisonous white fumes shrouding the area," said Jiang, adding that the evacuation began immediately after the leak.

All the surrounding buildings would be flattened in case of an explosion, according to a firefighter. All rail services nearby were stopped and roads closed off to prevent a possible blast, said Xu Bo, head of Dongzhou District. The leaking valve was closed around 8:00 a.m Monday. Power and heating supplies, which were cut off in nearby factories and households due to the accident, also returned to normal on Tuesday.

China Daily—December 5, 2006

Duke to Sell Power Plant

Duke Energy Indiana has agreed to sell one unit of its Wabash River Power Station (Unit 1) in West Terre Haute, Ind., to the Wabash Valley Power Association (WVPA). The price of the transaction is based on the book value of Wabash River Unit 1 at the time of closing, which is currently estimated to be approximately $110-120 million. Unit 1 produces electricity using synthesis gas from a coal gasification plant co-owned by WVPA and SG Solutions. It is adjacent to Duke Energy's Wabash River Station. When the synthesis gas is unavailable, the unit can also run on natural gas. The sale includes Unit 1's 192-megawatt gas turbine, 100-megawatt steam turbine and the unit's associated equipment and property at the power plant site. The remaining Duke Energy Wabash River Station units, which have the capacity to generate 668 megawatts, will not be affected by the sale. "Wabash Valley Power Association has enjoyed a long history of partnerships with Duke Energy Indiana, including the joint ownership of substantial assets," said Wabash Valley Chief Executive Officer Rick Coons. "We see the acquisition of Wabash River Unit 1 as a continued growth of that relationship, while also satisfying the growing energy needs of our membership."

"The Wabash River Coal Gasification Repowering Project has been a success, but one thing we've learned is that the ownership of the gasifier and the power unit need to go together," said Duke Energy Indiana President Jim Stanley. "Our unit and Wabash Valley Power Association's coal gasification plant are fully linked operationally, so it makes sense that these facilities are owned by the same company. WVPA has done an excellent job operating the coal gasification plant since it became the owner."

Inside Indiana Business—December 4, 2006

A Publication of the Commercial/Industrial Sales Team

1500 165th Street
CISC Building
Hammond, IN 46324

(800) 531-1193
Fax: (219) 853-5951
Email: rnuss@nisource.com

Don't Waste Your Energy
Trying to Manage It

EnergyUSA-TPC is a wholly owned subsidiary of NiSource, Inc. NiSource is the largest natural gas energy company east of the Rocky Mountains. We own, operate and maintain a complete natural gas portfolio including storage, pipeline transportation and distribution to nearly 4 million customers.

EnergyUSA-TPC offers a full line of commodity and energy management products primarily focused on larger commercial and industrial customers in the Midwestern and Eastern areas of the country.

We value our relationships with customers and place high emphasis on customer satisfaction, service and education.

Upcoming Events & News

The thought of cold weather and snow getting you down? Think Spring! The 2007 EnergyUSA-TPC Annual Energy Conference is now just a bit over 3 months away. We are already working on the agenda and lining up your favorite expert speakers. Mark March 7, 2007 in your calendar now. We look forward to seeing you in South Bend on the beautiful University of Notre Dame campus.

GasMart 2007 is coming to Chicago. Pencil in May 9-11, 2006 at the Hyatt Regency McCormick Place. End users attend the conference for FREE! Visit //gasmart.com/gasmart2007/ for more information.

For Other Energy Ideas—Visit us on-line @ www.energyusa-tpc.com

EnergyUSA™-TPC
A NiSource Company