a publication of the commercial/industrial sales team

BURNERTIP

SUPPLY › SERVICE › SATISFACTION ›

www.EnergyUSA.com JANUARY | 2009 VOLUME : 08 ISSUE : 1

INSIDE THIS ISSUE

GAS FACTS IN BRIEF

- January Settlement Price $6.136
- Current FebruaryTrading $5.621
- Summer Strip '09 $5.987
- Winter Strip '09 - '10 $7.157
- Remaining Cal '09 Strip $6.09
- Gas Drilling Rig Count:

  DOWN 105 To 1,347 Rigs
- Gas Storage Levels:

  Net Withdrawal to 2,877Bcf

  77.6% Full (vs. 3,703 Bcf)

A RATHER QUIET END . .

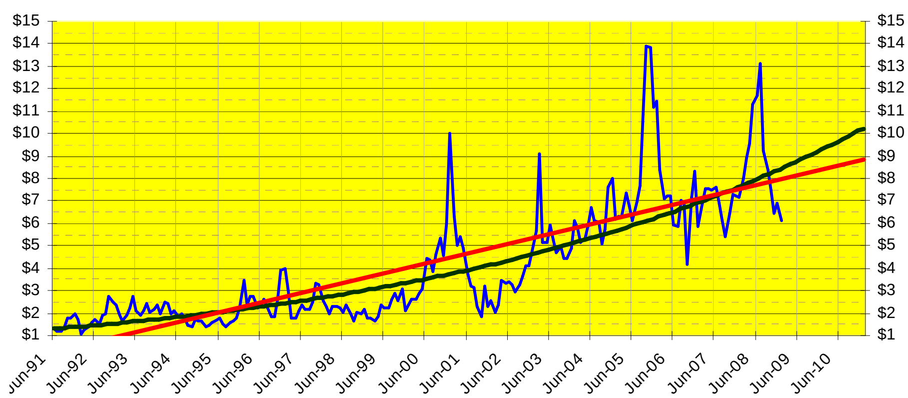
to a tumultuous year. December trading began with January futures trading at $6.60, next summer at $6.845 and Cal 09 at $6.925. Crude opened the month at $49.28. From that opening point, prices slowly dropped throughout the month. By the middle of December, front month prices had dropped to $5.645, next summer to $6.01 and Cal 09 to $6.086. Crude also continued its fall, trading at $44.51 on 12/15.

Falling drilling rig levels, cold weather, a weaker dollar and OPEC production cuts had little effect on prices through most of the month. Just before the holidays, the market seemed to turn, albeit in spite of extremely weak volume. On Christmas Eve, the front month closed at $5.91 and both next summer and Cal 09 both closed in the $6.20s. On Monday, 12/29, January futures expired at $6.136, off roughly 10% over the month. Next summer closed at $6.35 and Cal 09 finished at $6.422. Crude also rallied a bit to finish at $40.02, still 20% lower than where it began the month.

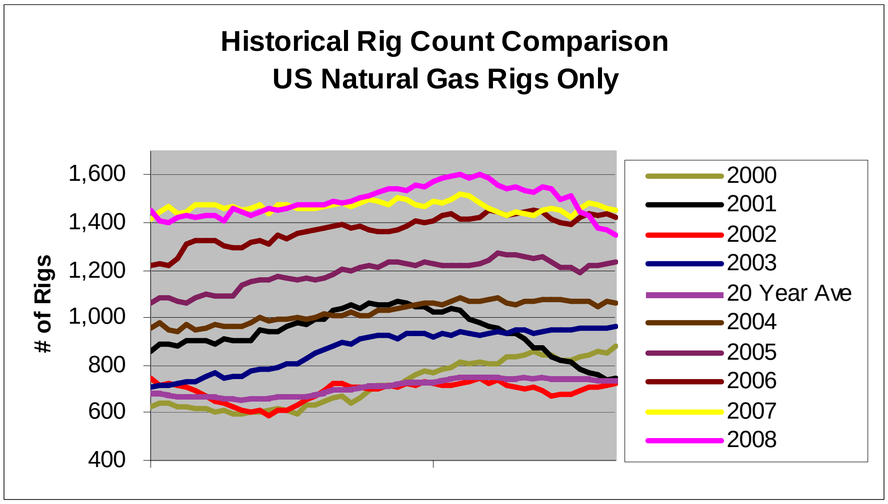
Please mark your calendar for March 4, 2009. EnergyUSA is presenting our annual Spring Energy Conference. This will be a great opportunity to hear from a number of interesting energy and economic speakers. Watch your mail and email for additional information later this month. See you in South Bend!

HISTORIC GAS PRICE CHART

RED TREND LINE—LINEAR GREEN TREND LINE - VOLATILITY WEIGHTED



BAKER HUGHES DRILLING RIG COUNT



Change	
Jan-09	1,347
Jan-08	1,452
Change	(105)
% Change	-7%

vs. Last Month	
Jan-09	1,347
Dec-08	1,443
Change	(96)
% Change	-7%

THE AUTO BAILOUT—TERMS & CONDITIONS

With our Midwest focus and location, all of us—EnergyUSA and our customers—have a vested interest in the future of automotive manufacturing in this country. So, in the rare event that you haven't seen the terms and conditions of the auto bailout, here they are:

The Bailout

THE MONEY

- $13.4 billion right away from TARP
- $4 billion in February – if available
- Must return funds if not "viable" by March 31, 2009

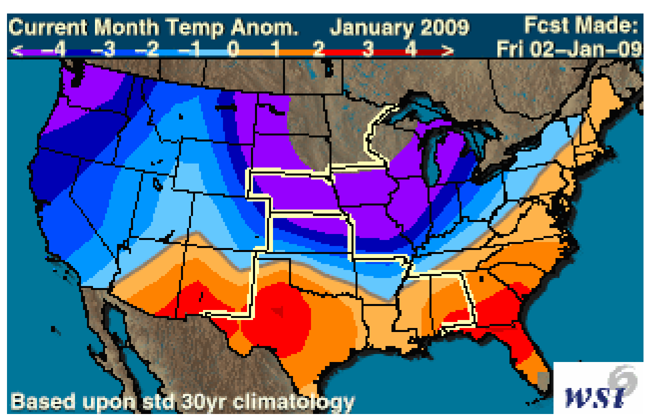
THE CONDITIONS:

- Government gets ownership stake
- Limits on pay and perks
- Oversight of company transactions
- Eliminate "jobs bank"
- Competitive wages by Dec. 31, 2009.

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
1 Gallon Ethanol = 76,100 Btu
1 Bushel Corn = 314,000 Btu

WSI JANUARY 2009 FORECAST



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ENERGY NEWS

TOP 10 ENERGY STORIES 2008

After searching for the best summary of energy stories in 2008, we opted to include the following list compiled by Robert Rapier::

1. Unprecedented volatility in the energy markets

Oil prices raced to **nearly $150 a barrel**, and then **fell to the $30's** by year end. This marks the highest ever prices for oil, followed by the lowest prices in four years. Gasoline, diesel, and natural gas prices demonstrated the same kind of volatility. There are multiple factors behind the volatility. The **role of speculation** was hotly debated, and the economic collapse - fueled by cash-strapped consumers who had overextended themselves - resulted in a **sharp drop in demand**.

2. Oil price volatility fallout

A consequence of the incredibly volatility was the economic damage done at both ends of the price spectrum. At the upper end, **airlines were going bankrupt** and **car companies were in deep financial trouble** as consumers stopped buying the higher profit margin SUVs. After oil prices plunged, some non-integrated oil companies found themselves in financial trouble.

3. Barack Obama elected

In a normal year, this would have been the #1 story, considering that the new administration has put such a major focus on energy and is likely to **attempt a major shift away from fossil fuels**.

4. Ethanol producers struggle

Despite production mandates and generous federal subsidies, ethanol producers struggled to make a profit. A combination of high corn prices followed by falling fuel prices pushed even some of the **largest ethanol producers to bankruptcy**. Corn growers fared much better, as higher prices and mandated demand from the ethanol industry provided them with the same sort of windfall seen recently by the oil industry.

5. Somali pirates hijack supertanker

Somali pirates, emboldened by recent multi-million dollar ransom payments, hijacked a Saudi supertanker **carrying $100 million worth of oil**.

6. 2nd generation ethanol is delayed

The story this year was supposed to be "**2nd generation ethanol production begins**". Range Fuels had initially intended to start producing in 2008, but that was **delayed to 2009** and now production isn't forecast to **begin until 2010**. Meanwhile, other 2nd generation ethanol companies continue to promise the world, including Coskata who claims they can make ethanol for "**under US $1.00 a gallon anywhere in the world**."

7. Peak oil becomes fashionable, then unfashionable again

High oil prices demanded an explanation, and peak oil was ready to **provide that explanation**. 2008 was probably the year that the mainstream began to seriously discuss and debate peak oil. However, when prices began to plunge, the peak oil skeptics began to say "**I told you so**." Others suggested that this was just a **continuation of the normal cycles**.

8. Gas stations in the southeast run out of gasoline in the wake of Hurricanes Gustav and Ike

Some major oil refineries that shut down in the face of Hurricane Gustav had to remain shut down with Hurricane Ike following closely behind. Gasoline inventories heading into the hurricanes were low, so it wasn't long before **spot outages began to show up** across the southeast.

9. "Drill here, drill now"

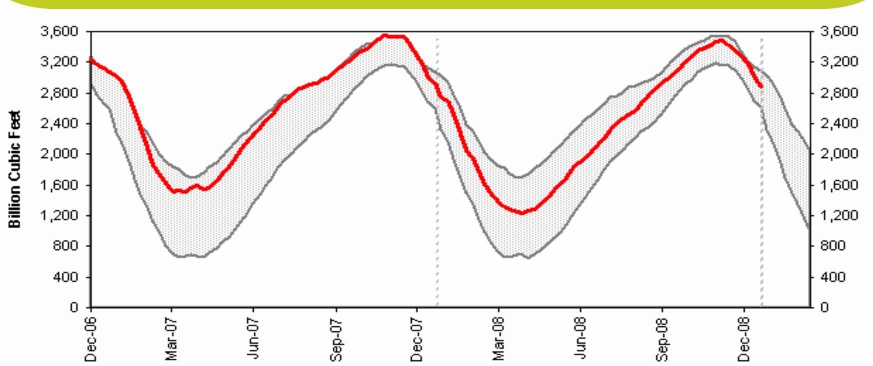
Momentum for more exploration and production in U.S. waters increased along with oil prices. President Bush **lifted a moratorium on offshore drilling**. Democrats initially responded with calls for oil companies to be forced to drill on current leases before opening up new ones. However, Congress - facing constituents unhappy with high gas prices - ultimately followed suit and **allowed the 25-year moratorium to expire**.

10. Record profits by US energy companies

On the back of high oil prices, the integrated oil companies (those who produce both oil and refined products like gasoline and diesel) **once again saw record profits**. There was an interesting dichotomy, however, as downstream profits in the refining sector vanished as gasoline consumption fell. Pure refiners like **Valero saw their profits crash**.

GAS STORAGE LEVELS

Working gas in storage was 2,877 Bcf as of Friday, December 26, 2008, according to EIA estimates. This represents a net decline of 143 Bcf from the previous week. Stocks were 69 Bcf less than last year at this time and 56 Bcf above the 5-year average of 2,821 Bcf. At 2,877 Bcf, total working gas is within the 5-year historical range.



GAS SUPPLY FACTS

According to the EIA, due to the U.S. and global economic downturn, the price of natural gas is expected to remain lower this heating season than last year. The spot price of natural gas is expected to average $9.17 Mcf in 2008 and then decrease to about $6.25 in 2009. Total natural gas consumption is expected to increase by 0.5 percent in 2008 and then remain level in 2009—trends that are mostly weather related. The residential, commercial, and electric power sectors are expected to exhibit very slight growth in 2009. The industrial sector is expected to decline by 2.4 percent in 2009 because of the poor economic conditions. Total marketed natural gas production is projected to increase by 5.4 percent in 2008, and by 0.9 percent in 2009.

VAL'S PAGE

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I don't think that I will get many arguments that 2008 was the wildest natural gas (and oil, and commodities) ride that we have seen yet. You can split the year into 3 categories:

Feb '08 – Early-July '08

- Long, steady-cold winter
- Hard draws on Storage led to 1,234 BCF in April
- Will storage get full by end of October? Need it!
- LNG & Canadian supply DOWN
- Domestic Production UP… enough?
- Oil, gasoline, diesel & all commodities WAY UP.
- Weak equities – commodities attracting money
- World-wide natural gas demand up
- Weak economy – Will US demand go down?
- Ethanol demand
- Fear of a hot summer – lots of gas demand
- Fear of Gulf hurricanes – Gulf gas production

The fear of the above SUPPLY, DEMAND & FINANCIAL issues took natural gas NYMEX **from $7.80/MMBtu to $13+/MMBtu**

Early July '08 – Early Sept. '08

- Weather for July & August Mild
- Stronger Dollar – Weaker Commodity Prices
- Strong local production – overcome lack of LNG
- Hurricane Gustav – no dramatic damage.
- Storage should get to 3,500+ by 10/31… lacking additional Gulf hurricane surprises.

The above factors drove prices to retrace 100% of their upward move, and drop **from $13+ to the low $7s**. It is amazing that **ALL** the factors that drove the prices up **ALL** failed to materialize... with the lack of summer heat (and, the resulting natural gas demand to generate electricity) the main 'failure' for bullish prices... prior to...

Sept. '08 - End of Year

- Economic Melt-down
- Oil collapse
- Demand destruction
- Reduced market players/traders - less liquidity, more volatility
- Tighter credit

The above factors drove prices **from the $7s to the $5s-$6s.**

Of course, the obvious question NOW is where do we go from here. This market has returned to a more normal, yet 'lower-bar', supply and demand driven situation. The lack of demand has kept prices low, even in the face of a cold early-winter. I believe that we have done a pretty good job of 'carving out a bottom' at the $5 ish level. In 2009, we are going to see a continuation of our present track of a 'pull-back' in natural gas drilling, due to the industrial demand destruction and the weak economy. Unless the weather stays quite-cold in the 1st quarter of the year, **I expect prices to stay in the $5-$6.50 range for most of the 1st half of the year.** If it does stay colder than normal, I expect the market to approach the mid-$7s, which is where the prices retreated to prior to the economic malaise that we entered in the Fall. After the **middle of 2009**, I believe that the market will begin to go **back up into the $7s**, or higher, as we begin to look out into the future and understand that we are still facing a long-term supply concern, given the lack of alternative electric-generation, and the environmental and practical superiority of natural gas in the next few years. We surely will continue to see some strong volatility in natural gas prices. Even in this depressed natural gas price-environment, we have still regularly seen +/-10% NYMEX price moves on several days this early-winter. Basis prices in the Chicago area have also seen some of the highest levels in years.

This last year has been the most challenging natural gas market that I have seen in my 27 years in the energy business. These last few months have provided a great opportunity for buyers to do some long-term planning and purchasing. Many buyers have acted prudently to layer in purchases to achieve their budgets and goals. As this new year dawns, let's put some good energy purchasing and conservation plans into action. These prices and tough times require it. We thank you for letting us work with you over the last year. We look forward to helping you achieve your energy goals in 2009 and beyond.

ABOUT ENERGYUSA

EnergyUSA 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 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.

Go Zero with EnergyUSA
Reduce Your Carbon Footprint

Through this highly popular program, EnergyUSA customers can choose to offset the carbon dioxide (C02) emissions that result from their natural gas use by adding a contribution of $0.25 per dekatherm to their monthly bill. Energy USA passes 100% of those donations on to The Conservation Fund's Go Zero carbon sequestration program. The Conservation Fund's Go Zero program makes it simple for individuals, corporations, or even entire communities to measure their C02 emissions and then offset those emissions by planting trees.

TRADESHOW UPDATE

Upcoming EnergyUSA Tradeshow Events

If attending any of these events, stop by our exhibit.

February 24/25, 2009—Ohio Energy Conference—Columbus, OH
March 4, 2009—EUSA Spring Energy Conference—South Bend, IN
March 31-April 3—PA School Business Officials Conference—King of Prussia, PA

WE'RE MOVING!

During the first quarter of 2009, EnergyUSA will be moving into new office space. We are relocating to Merrillville, Indiana, adjacent to our NiSource corporate parent's corporate offices. As the details are finalized later this month, we will share our new address and contact information with you.

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