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GAS FACTS IN BRIEF

| | |
|---|---------|
| ➤ August Settlement Price | \$3.379 |
| ➤ Current Sept Trading | \$3.622 |
| ➤ Summer Strip '10 | \$5.782 |
| ➤ Winter Strip '09 - '10 | \$5.352 |
| ➤ Remaining Cal '09 Strip | \$4.357 |
| ➤ Gas Drilling Rig Count: DOWN 10 To 677 Rigs | |
| ➤ Gas Storage Levels: Net Injection to 3,023 Bcf 81.6% Full (vs. 3,703 Bcf) | |

THE BEE, FROM HER INDUSTRY IN THE SUMMER, EATS HONEY ALL THE WINTER

This old proverb sums up what you should be doing in the energy market. Now is the time to be packing honey away for this winter. Prices are low, supply is abundant and demand is tepid, at best. Sort of the perfect storm for the energy industry and an opportunity for you.

During July, the market was actually rather sanguine. In it's final month of trading, August futures started at \$3.94 and then slowly dropped over 4 weeks to close at \$3.379. There wasn't much volatility and not a whole lot of fundamental news.

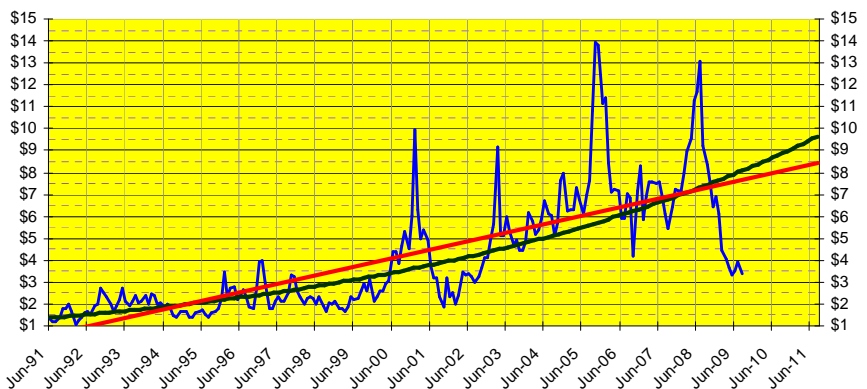
Storage continues to move towards record levels by the end of the season, July was generally cool across the Midwest, industrial demand struggled, no named storms popped up and drilling activity stabilized. Another perfect month for gas users!

Please mark your calendars for our Annual Fall Road Show. This is your chance to update your market knowledge and prepare for winter. Page 5 has the dates and locations for this year's program. Visit our website for more info and to sign up for a meeting location near you. We look forward to seeing you in September.

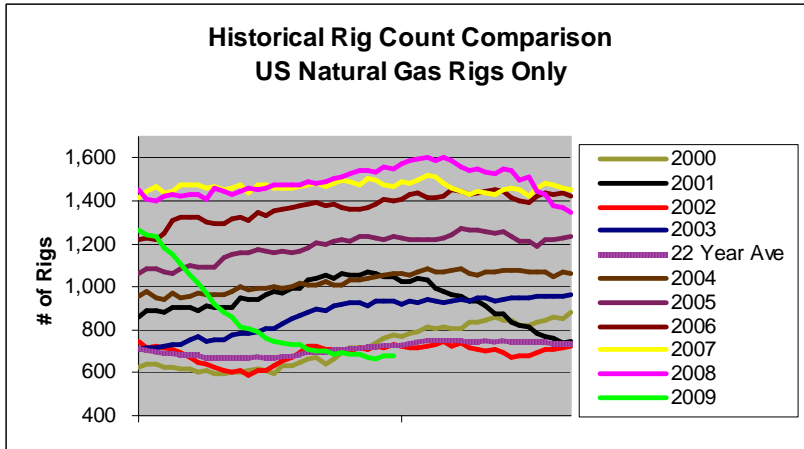
As summer winds down...are you storing honey ?

HISTORIC GAS PRICE CHART

RED TREND LINE—LINEAR GREEN TREND LINE - VOLATILITY WEIGHTED



BAKER HUGHES DRILLING RIG COUNT



| Change | |
|------------|-------|
| Aug-09 | 677 |
| Aug-08 | 1,550 |
| Change | (873) |
| % C Change | -56% |

| v.s. Last Month | |
|-----------------|------|
| Aug-09 | 677 |
| Jul-09 | 687 |
| Change | (10) |
| % C Change | -1% |

EIA ENERGY SLANG

The "**city gate**" is the place where a company that sells natural gas receives the natural gas from the pipeline company.

A "**dead man**" is a buried anchor attached to a wire rope, or "guy line," that is used to keep a derrick standing upright.

A biogas "**digester**" can convert animal waste into usable energy.

A "**doghouse**" is a small house located on the floor of an oil or gas rig that is usually used as an office or storage area.

A "**horse head**" pump (shaped like a horse's head) is sometimes used to pump oil from a well.

A "**pig**" is a scraping tool that is sent through a pipeline to clean it out.

A "**roughneck**" is a nickname for an oil rig worker.

The term "**royalty**" refers to the ownership rights of a mineral property (oil, gas, or coal). The owner is entitled to a share of the money made from oil, gas, or coal production on the property.

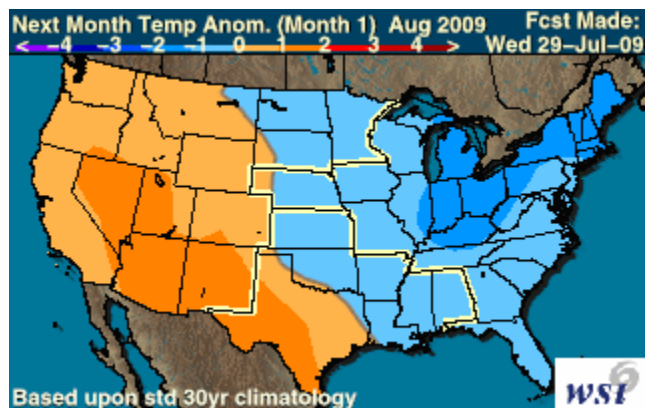
The "**wellhead**" is the point where crude oil or natural gas leave a well.

A "**wildcat**" is a well that is not drilled in a proven field.

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
AUGUST 2009
FORECAST



UNG Fund Cuts NATGAS Position Due to CFTC Moves

The United States Natural Gas Fund LP said on Wednesday, 7/29, it was reducing its position in the natural gas futures market to adhere to federal limits, adding that it may need to seek alternative investments to compensate. The move by the giant exchange traded fund comes amid intensifying scrutiny of energy markets by lawmakers and regulators aimed at tamping down speculation that some blame for wild swings in the price of oil and gas in recent years.

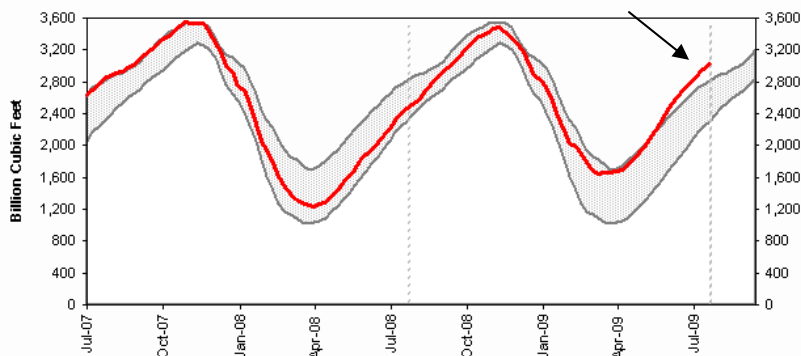
The fund, which provides investors with exposure to the natural gas market without related margin calls associated with futures trade, has been rumored to at times hold as much as 80 percent of open interest in the front-month contract.

UNG said in a regulatory filing Wednesday that it was notified by the Intercontinental Exchange that the CFTC had determined to limit positions in the natural gas contract and that the new limits would apply to UNG. The NYMEX is also setting position limits on some natural gas contracts, according to a notice it sent to its members in June.

A New York-based natural gas broker said the move could potentially hit futures prices, particularly if UNG was forced to sell-off a large portion of its position. NYMEX natural gas futures NGc1 dipped 15.6 cents on Wednesday to \$3.379 per million British thermal units. **REUTERS July 29, 2009**

GAS STORAGE LEVELS

Working gas in storage was 3,023 Bcf as of Friday, July 24, 2009, according to EIA estimates. This represents a net increase of 71 Bcf from the previous week. Stocks were 571 Bcf higher than last year at this time and 478 Bcf above the 5-year average of 2,545 Bcf. At 3,023 Bcf, total working gas is above the 5-year historical range.



RIGHT ON THE MONEY

There is a new Gas Guru in Town.

Congratulations to:

**Dan Schuster
Purdue University**

Dan is the winner of the Right on the Money contest. He predicted that the August NYMEX would settle at \$3.525, only \$.146 above the actual settlement of \$3.379.

For his efforts, Dan wins a Right on the Money mug, a gift card and other fabulous prizes.

Are you playing? Visit:

www.energyusa.com

ID/PSWD: EUSA (all caps)

GAS SUPPLY FACTS

The EIA on July 9 issued a Country Analysis Brief describing the energy profile of Canada. Canada is the largest source of U.S. energy imports, with almost all of Canada's exports going to the United States. According to the Brief, Canada produced 6.6 trillion cubic feet (Tcf) of natural gas in 2007 and consumed 3.3 Tcf. As of January 2009, Canada had 57.9 Tcf of reserves. Canada's natural gas production is concentrated in Alberta. Many analysts predict that conventional natural gas production in the area has likely peaked, and future production will increasingly come from coalbed methane and shale. Natural gas located in Arctic areas will also likely play an increasingly important role in Canada's natural gas production, as the Mackenzie Delta holds between 5 and 6 Tcf of recoverable natural gas. Canada is also looking to LNG to deal with possible future supply shortfalls in the future.

DAVE'S PAGE

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"A perfect summer day is when the sun is shining, the breeze is blowing, the birds are singing and the lawn mower is broken"

author – James Dent

This is one of my favorite quotes about summertime. While I've certainly enjoyed the unhurried mornings (i.e., no kids frantically racing to catch the school bus) and leisurely evenings the past several months, things have been extremely busy here at EnergyUSA and in the energy markets in general this summer. The economic and political uncertainties we're currently operating in have made it extremely challenging to accurately predict natural gas price movement. Since February '09, the prompt month NYMEX natural gas futures contract has carved out a trading range of \$3.25 to \$4.50, with the August '09 contract expiring at \$3.379.

While the short-term market fundamentals still reveal a structural imbalance between supply and demand, we're seeing early indicators that reveal the surplus appears to be dwindling. Recent EIA storage reports show that the plummeting U.S. natural gas rig count (currently at 675, which is a decline of 57% from Jul.'08) and production shut-ins are beginning to have an impact on the supply/demand imbalance.

As we glimpse into the future, here are some things we're keeping a close eye on:

Storage inventories: with storage stocks expected to be over 3000 BCF by the end of July '09, barring a catastrophic hurricane in the Gulf of Mexico, we'll see a new all-time record this fall. 15 weeks remain in this year's injection season and if weekly injections average a paltry 37 BCF/week, we'll be at a very comfortable 3500 BCF level by 11-01-09. If injections match the 5-year average of 59 BCF/week, we'll reach a new record of 3840 BCF. As we move through the summer into early fall, storage operators will be testing their maximum working capacities and the age old question of how full is full will be answered.

Weather/hurricane activity: July '09 will go into the books as one of the coolest in the Midwest for many years, resulting in lower than normal natural gas-fired generation loads. The strengthening El Nino in the tropical Pacific and relatively cool Atlantic surface sea temperatures, coupled with enhanced wind sheer, have many weather experts predicting this could be an unusually quiet storm season. This would be good news for end-users and would certainly put additional downward pressure on natural gas prices over the next several months.

Reining in the speculators: As dollars continue to flow into the United States Natural Gas Fund (growing from \$660 million 1Q09 to ~ \$4.7 billion currently), a debate is raging in Washington over what impact speculators have on commodity prices. The Commodities Futures Trading Commission ("CFTC") held its second of three public hearings today to discuss this issue. CFTC chairman Gary Gensler has been very firm in stating that his agency must seriously consider setting position limits on energy contracts to limit disproportionate market speculation. At today's hearing Gentler stated "We are not a price setter as an

agency. Ultimately, the American public benefits when risk can be hedged by commercial enterprises and farmers. We are about making sure markets are fair and orderly". With a new cop in town, traders are becoming more abnormally skittish and some are heading to the sidelines until a final ruling is issued.

U.S. economic recovery: the pace of decline in the U.S. economy appears to have slowed, but recent news has been a mixed bag of positive and negative indicators. Recent quarterly earnings reports and rising stock prices are creating some optimism, but cost cutting appears to be driving bottom-line performance and real growth is still non-existent in most industries.

It is just a matter of time before supply/demand come into balance and natural gas prices begin to move higher. PIRA is forecasting 2010 NYMEX prices will average around \$5.93. With the winter '09/'10 NYMEX strip trading around \$5.20, conservative and moderate buyers that still have large open positions need to seriously consider hedging a portion of their position soon. One strategy I like in the current market environment is using stop-loss orders to cap upside risk (e.g. set a winter stop at \$6.00).

As we shift focus from summer to winter, be prepared to take advantage of price dips over the next several weeks/months. It is a great time for commercial and industrial end-users. Enjoy the sunshine while it lasts !!

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 Mid-western and Eastern areas of the country.

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



Through this highly popular program, EnergyUSA customers can choose to offset the carbon dioxide (CO₂) 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 CO₂ emissions and then offset those emissions by planting trees.



ENERGYUSA FALL ROAD SHOW

Make plans to spend a September morning with EnergyUSA as we visit a city near you. Come and share a cup of coffee and a muffin as we talk about the market and how it affects your business. Pick a city and mark your calendar. See you there at 8 am local time!

9 Merrillville, IN

10 Chicago, IL

11 South Bend, IN

14 Indianapolis, IN

15 Cincinnati, OH



16 Columbus, OH

17 Cleveland, OH

18 Detroit, MI

21 Fort Wayne, IN

23 Pittsburgh, PA

Visit www.energyusa.com for site specifics and to sign up for a meeting near you!



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