

The BurnerTip

Gas Market Summary

Gas Facts in Brief

August Settlement Price - \$6.110

Current Sept Trading \$6.434

Winter Strip '07-'08—\$8.438

Summer Strip '08—\$8.437

One Year Strip—\$8.018

Gas Drilling Rig Count

Down 15 to 1,474 Rigs

Gas Storage Levels

Net Injection to 2,763 Bcf

81% Full

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The bears finally came out of hiding in July! Cool weather meant less air conditioning load which led to less gas consumption which put more gas in storage which further depressed prices. Whew! Top that all off with a complete lack of tropical storm activity and the bears had little left to hang their hats on.

Week 1 of the August contract began on a positive note as prices slid \$.42 on the first day. As the week progressed, prices ebbed more than they flowed, finishing another quarter down.

The second week began with a weak rally, followed

by a slow, gradual sell-off. The bulls made several attempts to raise the market, finally succeeding at week's end with the market ending up \$.20 or so.

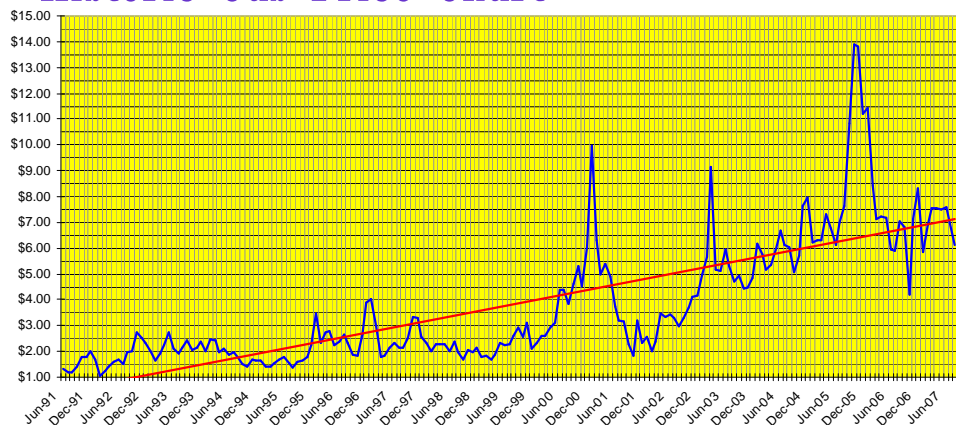
Week 3 featured a sharp sell-off on Monday as prices finished nearly \$.30 down. Later in the week, prices exploded up \$.40 before finishing about where they began on Friday. The bulls pointed to hot August temperature forecasts while the bears continued to tout the bulging storage inventory. In the end, for this week anyway, it was a tie.

The final week of the trading month is where the real fireworks occurred. After riding above \$6 seemingly forever,

August finally dropped below this support number and actually traded as low as \$5.78. The great thing was that the out months also followed the market down with this winter actually trading near the \$8 mark at one point. August expired at \$6.11, trading up late in the final session. Still, the month lost nearly \$1 since the July expiration.

We think this is the time to put your fall and much of your winter needs to bed. Take a gander at Milas' Corner for our thoughts on the market and what your near-term buying strategy should be. Remember to drive carefully later in this month as the kiddies are all off to school once again!

Historic Gas Price Chart



Blue Line—Month to Month NYMEX Closing Price

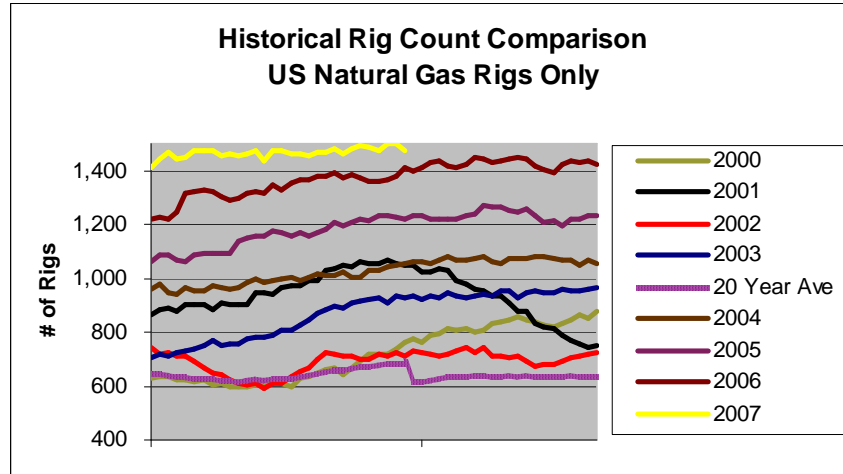
Red Line—Ongoing Price Trend Over Time

Baker Hughes Drilling Rig Count



Change	
Aug-07	1,474
Aug-06	1,408
Change	66
% Change	5%

vs. Last Month	
Aug-07	1,474
Jul-07	1,489
Change	(15)
% Change	-1%



Industry Terms

This Month—Coal Gas

Coal gasification is a versatile and relatively clean method of converting coal to a gaseous Synfuel.

The process is thermo-chemical, breaking down coal into its basic chemical components. Coal is subjected to steam while under substantial temperature and pressure. Carefully controlled amounts of air and oxygen are also introduced. The process breaks the carbon molecules in the coal apart in a chemical reaction that results in hydrogen, carbon monoxide and other gasses.

The resulting gasses can be burned with substantially lower Sox, Nox and particulates than the original coal. Adding selective catalytic reduction to the emission stream can result in a final effluent that is comparable to natural gas emissions.

Sulphur in the coal is converted to hydrogen sulfide, a valuable by-product with many uses. Ammonia is also created during the process and is easily stripped out for commercial use.

The basic coal building blocks may also be used as feedstocks for a wide variety of industrial process needs

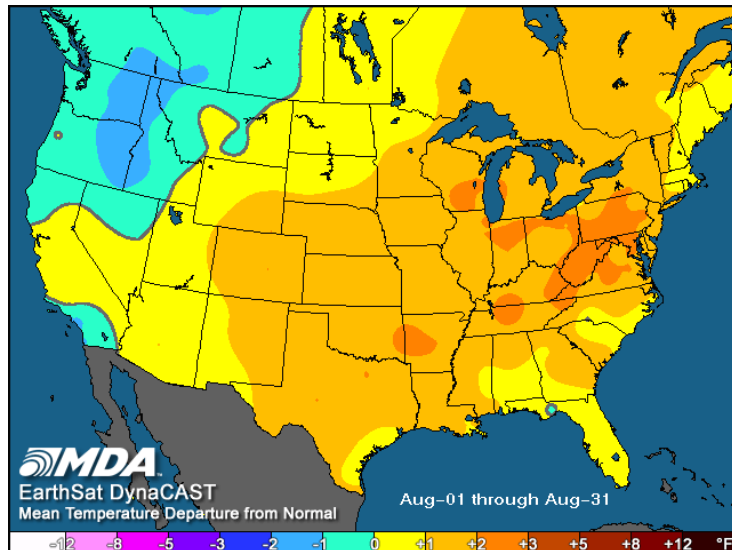
using well established industry processes.

Additional benefits of firing coal derived gasses include a substantial jump in overall conversion efficiency. Typical coal-fired base load generation plants often operate at roughly 33% efficiency. Combusting coal gas in a turbine and then capturing the waste heat stream to further extract energy raises the overall efficiency to over 50%. If the final waste heat stream can be used for commercial or industrial processes, the overall efficiency level may climb as high as 70 to 80%.

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

MDA EarthSat August 2007 Forecast



Milas' Corner

This market continues to amaze us!!! In the final month of the August 07 contract, we saw market volatility at its best. The August contract traded from a high of \$6.845 on June 29 to a low of \$5.754 on July 25. We continued to experience daily market swings of +/- \$0.25, which can largely be contributed to changing weather forecasts calling for temperatures in the upper 90's one day and low-mid 80's the next. Overall the bulls have had a hard time sustaining any kind of run up over the last several weeks and fundamentally speaking, the market continues to have a bearish tone, at least in the short term.

Bearish factors influencing the market:

- * Year on Year storage deficit gone. Current storage inventories stands at 2763 Bcf. Total storage levels are now 384 Bcf above the 5-year average and 6 Bcf higher than this time last year. The market expects to continue to build on the storage surplus over the next few weeks.
- * The \$6.00 physical support level was breached on July 24 before the August 07 contract settled at \$6.11. Look for the market to retreat back to this support level over the next few days. A very inactive hurricane season thus far. **Note, however, we are just getting into the intense part of the season.**
- * Cooler than normal temperatures

throughout the Midwest and the East Coast reduced gas consumption in electric peaking units. Illinois finished July 2.4 degrees below normal. This July cool trend repeated throughout the Midwest.

* The winter strip, Nov 07-Mar 08, broke through the major \$8.25 support level and traded as low as \$8.007 on July 24.

Warning...a major weather/tropic watch is in effect for the next few weeks as we enter prime hurricane season. Well... not really... but I do think this is something we need to pay close attention to in the weeks to come. We have had a pretty nice free fall over the last three weeks and the market is ripe for a correction. A major correction in the market coupled with a major change in the weather forecast could be dangerous and give the bulls the ammunition they have been looking for. Remember, the market will continue to react to any new news related to heat and/or an updated hurricane forecast.

The overall pattern for the next two weeks is calling for hotter weather across most of the eastern half of the country. Upper 80's-lower 90's are expected in most areas from the Plains through the East Coast continuing through the 6-10 day period. Current forecast calls for 15-17 tropical storms and 8-10 hurricanes this season. Thus far, we have only experienced two storms and no hurricanes. There is a low pressure system developing just west of Bermuda and several tropical

waves brewing in the Caribbean that will demand the market's attention over the next few days.

The September 07 contract became the front month contract on Monday, July 30 and the market ran up \$0.291 on news of hotter weather projected for the first half of the month and potential hurricanes forming east of the Caribbean. September futures have since retreated and are currently trading around \$6.231/MMBtu, the winter strip is trading around \$8.353/MMBtu and Crude oil is trading around \$78/barrel. Major support/resistance levels are as follows:

Support: \$6.30 \$6.05 \$5.875 \$5.75 \$5.25
Resistance: \$6.75 \$6.875 \$7-\$7.02

In conclusion, do not be fooled by the recent bearish activity. Long term the market is still bullish. End users should continue to layer in the remainder of their summer load at or near current prices and seriously consider protecting 50%-75% of their winter load. For the more aggressive buyer who wants to explore lower prices, consider putting in stop loses \$0.50 above current prices and/or consider low cost/costless options. Remember, all it takes is a change in weather forecast, a sniff of a hurricane anywhere near the gulf and this market could easily see \$9.00-\$10.00 this winter. If you need help putting together a strategy or placing an order, please give us a call.



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Electric Update

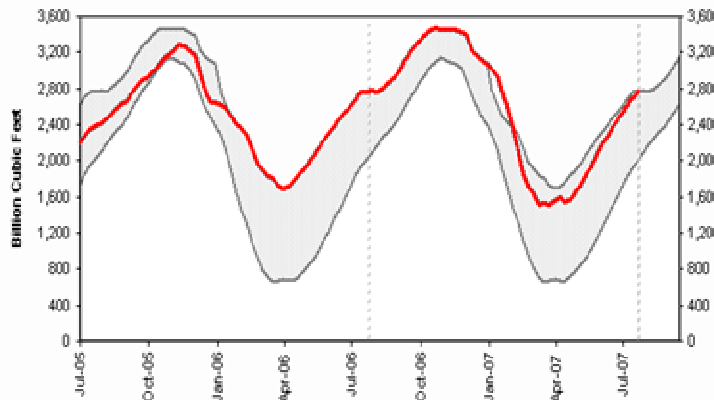
Plunging natural gas prices led the way for a significant drop in forward electric prices during July. Cooler temperatures in the eastern half of the country are holding daily and forward prices down. There was really nothing in the way of temperatures, congestion or weather outlooks to get things going in the markets. Even out west, which experienced the hottest July ever in some areas, prices tended to be moderate.

LONG-TERM FORWARD ASSESSMENTS (\$/MWH)				
Trading Point	Sep	Oct	Q407	Jan/Feb
Cinergy	\$ 50.50	\$ 48.00	\$ 49.75	\$ 64.25
NI Hub	\$ 48.50	\$ 48.00	\$ 49.35	\$ 65.00
Entergy	\$ 53.50	\$ 51.50	\$ 55.85	\$ 65.25
ERCOT	\$ 56.70	\$ 52.85	\$ 55.35	\$ 64.55
PJM West	\$ 58.25	\$ 55.75	\$ 60.00	\$ 78.50
TVA	\$ 52.00	\$ 50.00	\$ 52.00	\$ 67.25
MASS Hub	\$ 65.50	\$ 68.25	\$ 75.50	\$ 98.50

Prices Traded July 31, 2007 MegaWatt Daily

Gas Storage Levels

Working gas in storage was 2,763 Bcf as of Friday, July 20, 2007, according to EIA estimates. This represents a net increase of 71 Bcf from the previous week. Stocks were 6 Bcf higher than last year at this time and 384 Bcf above the 5-year average of 2,379 Bcf. At 2,763 Bcf, total working gas is above the 5-year historical range.



Gas Supply Facts—A DOE funded project is turning "stranded" natural gas at marginal or low-production oil fields into fuel for distributed electricity. Researchers developed a method of using the stranded gas as fuel for distributed generation power units at marginal well sites in California. Currently, four field demonstrations are being conducted with fuels of varying energy contents and quality. Three of the demonstrations have shown success so far: Demonstrations using high-Btu gas, medium-Btu gas, and "harsh" gas have been tested and have been successful. The fourth demonstration using ultralow-Btu gas, which has as little as 15 Btu per standard cubic foot, did not prove successful.

FPL Energy Plans to Add Up To 10,000 MW Wind Power by 2012—FPL Group Inc.'s (FPL) FPL Energy LLC unit plans to add between 8,000 and 10,000 megawatts of new wind energy to its portfolio by the end of 2012. The Juno Beach, Fla., utility holding company said it plans to add at least 2,000 megawatts of new wind generation to its portfolio in 2007 and 2008, and 1,500 to 2,000 megawatts per year from 2009 through 2012. The company has more than 1,000 megawatts of new wind projects under construction. FPL said it has 4,015 megawatts of wind generation in operation.

CNNMoney.Com—July 30, 2007

CARACAS- A cartel of natural gas-producing nations similar to OPEC (Organisation of Petroleum Exporting Countries), an idea floated by countries like Iran, Russia and Venezuela, remains a distant possibility due to the nature of the market. "It's not at all feasible this decade or the next; perhaps in the distant future, but even then only for liquefied natural gas (LNG)," Luis Giusti, former head of the state oil company Petróleos de Venezuela (PDVSA), told IPS. LNG is natural gas that has been condensed, usually by cooling to low temperatures. Natural gas has been a regional rather than a global business. "It doesn't have an open market, it doesn't undergo intermediate processing like crude oil refining: the same methane produced at gas wells is delivered to homes and other end users," said Giusti, an adviser with the London-based Centre for Strategic and International Studies (CSIS).

In the absence of an open market, "the market is regulated: when an investment in gas extraction is planned, the long term marginal cost is calculated, and the producer and consumer agree on a price, with a given percentage of profit built in," he said. Another factor is that oil tanker ships cost about 20 million dollars, but LNG transport ships are worth 300 million dollars, "which gives an idea of why projects for selling gas have to be set up with a pre-arranged market," the expert said.

Gas exporting countries created a debating forum (the GECF) in 2001 which has met six times since then. In the April 2007 session in Doha, the capital of Qatar, Venezuela sounded out opinions about creating a "gas OPEC," on the initiative of President Hugo Chávez, which was regarded as "interesting" by Russian President Vladimir Putin. The Forum's members are Algeria, Bolivia, Brunei, Egypt, Indonesia, Iran, Libya, Malaysia, Nigeria, Oman, Qatar, Russia, Trinidad and Tobago and the United Arab Emirates, which collectively control over 70 percent of global natural gas reserves and more than 42 percent of world gas production.

Global gas reserves are estimated at 6.4 trillion cubic feet, of which Russia has 26.3 percent, Iran 15.5 percent, Qatar 14 percent, Saudi Arabia seven percent, United Arab Emirates six percent, United States 5.9 percent, Nigeria 5.2 percent, Algeria 4.5 percent and Venezuela 4.3 percent. According to British Petroleum, 748 billion cubic metres of LNG were exported in 2006, slightly over one-quarter of total consumption. Transport was carried out by gas pipeline (537 billion cubic metres) and liquefied gas carrier ships (211 billion cubic metres).

The United States consumes 25 trillion cubic feet a year of natural gas, 22 percent of world consumption. Domestically it produces 20 trillion cubic feet a year, and a pipeline from Canada brings in another four trillion, and the remaining one trillion are imported as LNG by carrier ship, Giusti said. The global trend in natural gas "is for investment in production, and long-term marketing contracts over 15 or 20 years, which will tend to exhaust the available resources. Reserves will only last about 60 years at the current rates of consumption, and even less with global economic growth and the arrival of big new consumers like China, India and Brazil," Mieres said.

IPS.Org—July 30, 2007

PPL To Sell Its Small Natural Gas Distribution and Propane Businesses - PPL Corporation on Monday (7/30) announced its intent to conduct a sales process for the company's natural gas distribution business, PPL Gas Utilities Corporation, and propane business, Penn Fuel Propane. The gas utility serves about 77,000 natural gas distribution customers in 34 counties throughout Pennsylvania and a small area of Maryland. It operates about 3,800 miles of pipeline and owns underground gas storage capacity in three separate reservoirs in north-central Pennsylvania. The propane subsidiary buys propane on a wholesale basis and stores, delivers and sells it to about 34,000 industrial, commercial and residential customers in Pennsylvania, Delaware, Maryland and West Virginia.

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Don't Waste Your Energy
Trying to Manage It

Upcoming Events & News

Need a vacation this summer? New Orleans has done a wonderful job of recovery and is waiting for you! Of course, the best time to visit would be August 5-8. In addition to cool jazz and hot food, you can visit EnergyUSA-TPC at the GovEnergy Show! Visit www.govenergy.com for more information about this exciting event.

Coming to your city—EnergyUSA-TPC will host a series of Local Market Update Sessions during the latter half of September. These breakfast meetings are quick and easy way to familiarize yourself with the current gas market. They are also an excellent way to fine-tune your winter strategy. Join the hundreds of customers who have participated in these 2-hour sessions in the past. We'll see you in September!



Important Website Update

Due to changes in the way the NYMEX releases pricing data, the EnergyUSA website is no longer able to directly display delayed market pricing. Clicking through to Customer Access/Current Market Prices now takes you to a FutureSource popup window where delayed prices are displayed. Old bookmarks/favorites are no longer operational. Click through from the main website and then create a new bookmark to easily and quickly display market data. Remember to delete the old bookmark.

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