Volume 7, Issue 3

March 1, 2008

EnergyUSA-TPC

A Publication of the Commercial/Industrial Sales Team

The BurnerTip

Gas Facts in Brief

Mar Settlement Price - $8.93

Current Apr Trading $9.36

Summer Strip '08—$8.852

Winter Strip '08-'09—$9.674

One Year Strip—$9.853

Gas Drilling Rig Count

UP 8 to 1,430 Rigs

Gas Storage Levels

Net Withdrawal to 1,619 Bcf

43% Full (vs. 3,703 bcf)

INSIDE THIS ISSUE:

Gas Market Summary

What a difference a month makes! The March front month began its final trading period on January 30. Beginning slightly below $8, it slowly dropped, finishing the first few days at $7.74.

The first full week of the month saw a rally based on news of coal price spikes. An influx of cold weather later in the week coupled with a strong storage withdrawal of 200 BCF pushed prices sharply up, finishing at $8.301.

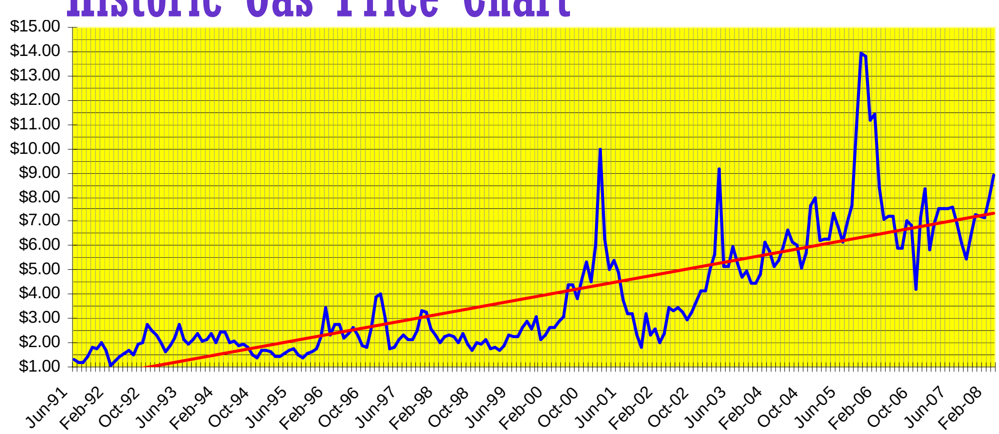
The following week saw more of the same as cold weather, strong storage numbers and the potential of crude oil disruptions sustained an already strong market. Friday saw a close of $8.66 after hitting a weekly high of $8.82 earlier in the day.

The third week of February started with more strength as the cold weather stuck around and crude rallied above $100. Early in the week, prices bounced over the "magic" $9 resistance level, before finally finishing at $9.146.

The final three trading days of the month saw considerable volatility and volume along with continued strength. Prices reached as high as $9.305 before a dramatic drop just prior to expiration led to a close of $8.93. While this was a drop of $.276 on the day, it was a whopping $.987 above where it was when February expired just one month earlier.

Not only did the front month participate in the upwardly wild ride, many of the out-months did too. Next summer began the month at $8.232 and finished at $9.221, nearly a buck higher. Next winter started at $8.947 and closed at $10.037, more than a dollar higher. Even the far out months trended up significantly. As an example, Year 5 began at $8.352 and finished at $8.964—$.60 higher during the month. February was a bullish month chock full of bullish market activity. Where are the bears when you need them?

Historic Gas Price Chart

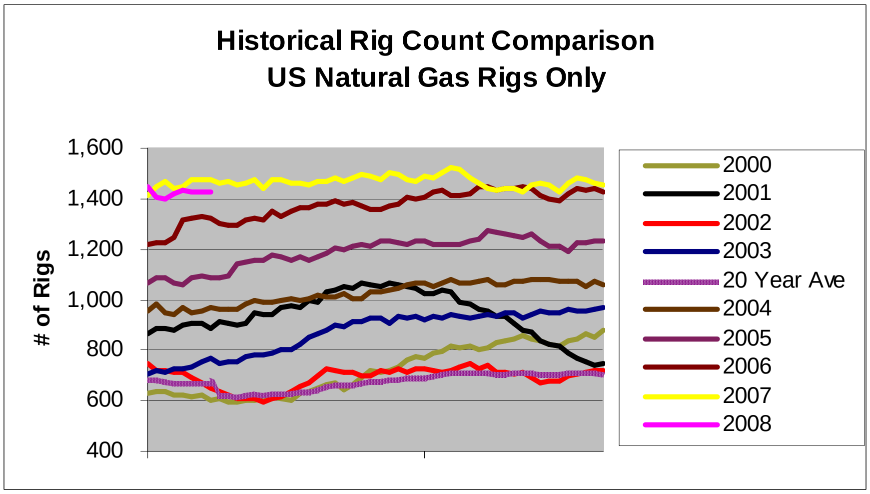


Blue Line—Month to Month NYMEX Closing Price **Red Line—Ongoing Price Trend Over Time**

Baker Hughes Drilling Rig Count

Change	
Mar-08	1,430
Mar-07	1,472
Change	(42)
% Change	-3%

vs. Last Month	
Mar-08	1,430
Feb-08	1,422
Change	8
% Change	1%



Industry Terms

This Month—Pipeline Terms

Open Season Expression of Interest—A process whereby pipeline owners publicly advertise and invite interested companies to indicate their interest in shipping gas in their pipeline.

Pigging—The act of pushing a device through a pipeline in order to physically clean deposits from the inner surface of the pipeline. Pigs are also sometimes used to separate different kinds of liquids from each other in a pipeline.

Production—The operation of brining raw natural gas to the surface for processing.

Pumping Station—A facility containing equipment that is used to increase the pressure of a liquid for further transportation in a pipeline.

Shipper—An individual or company that contracts with a gathering, transmission or distribution system for transporting natural gas.

Slug Catcher—A vessel or series of pipes to collect liquids at the inlet of a compressor station.

Sweet Natural Gas—Gas that has no more than the maximum sulphur content as defined by the specifications for the sales gas from a plant or by a legal body.

Toll—The fee charged by a pipeline company for the use of its facilities.

Transmission Pipeline—A system of pipelines, compressor stations and other related facilities that transport natural gas from the gathering system to the terminus.

Wellbore—The hole drilled by the bit in a well.

Wellhead—The equipment installed at the surface of the wellbore.

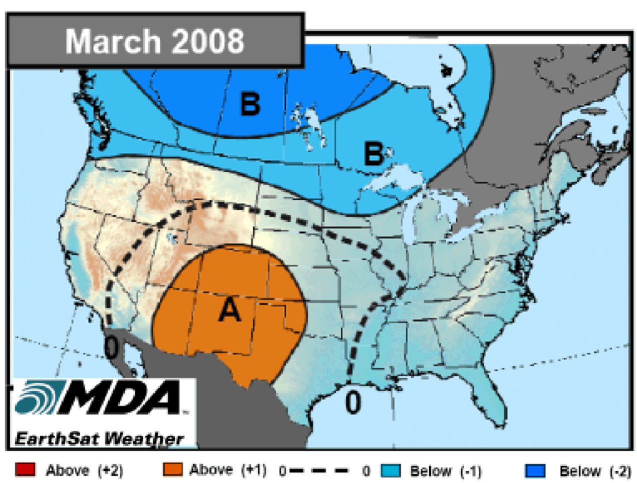
Workover—One or more of a variety of remedial operations performed on a producing oil or gas well, to try to increase production.

Workover Rig—A portable rig used for working over a well.

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

MDA EarthSat March 2008 Forecast



Energy News

Two gas companies facing a possible pricing probe by state regulators now have a new problem.

Three Atlanta men filed lawsuits against Georgia Natural Gas and SCANA Energy this week. The lawsuits will seek class action status and triple damages from both marketers, related to the alleged overcharging of longtime customers during 2007. The lawsuits come as the state Public Service Commission weighs a full investigation of the marketers' pricing plans. Both Georgia Natural Gas and SCANA have denied wrongdoing.

Both gas marketers are trying to reach settlements that would stave off that probe. One, Georgia Natural Gas, has offered to donate $1 million to a low-income heating assistance program, for instance. Jason Doss, an attorney with the Page Perry law firm, said the lawsuits will go forward unless the two companies reimburse customers for the amount they were overcharged — times three.

The alleged overcharges stem from changes to standard variable rate plans at both companies. Georgia Natural Gas enacted a new version of that plan in December 2006. SCANA followed in March 2007. New customers were put on the new plans. Old ones stayed on the old plans, which were discontinued for new customers. Old customers could be switched to the new plans, but they had to know to ask. The new plans were significantly cheaper. Based on average household usage, the PSC estimates that customers on the old plans paid Georgia Natural Gas between $128.40 and $170.40 more than new customers since the new plan began. Customers on SCANA's old plan paid $107.30 more, according to the same estimates. The Georgia Public Service Commission votes Tuesday on whether to launch a full-scale investigation of the pricing plans.

Atlanta Journal-Constitution—February 28, 2008

Bill would boost incentives for green energy

What blows, shines and cuts your energy bill just got a boost from federal lawmakers. The U.S. House this week passed a measure to create new tax credits and extend others for wind, solar and home energy efficiency projects. The legislation, called the Renewable Energy and Energy Conservation Tax Act of 2008, still needs approval by the Senate, and President Bush has threatened a veto. But U.S. Rep. Dale E. Kildee, D-Flint, said he thinks the act has traction. "We had a good vote in the House," which passed the legislation 236-182 on Wednesday, "so that should help lubricate it in the Senate," said Kildee, who supported the legislation. As for a Bush veto, "he's threatened a veto a few times," and did veto the Water Resources Development Act in November, only to be overridden by both chambers soon after, Kildee said.

The renewable energy bill would take $18 billion in tax incentives away from big oil companies and use the money to boost incentives for renewable energy and energy efficiency projects.

The tax credit for energy-efficiency improvements to existing homes would be extended for two years, through 2009, Kildee said. A 35 percent production tax credit for wind farms and other facilities that generate power from renewable sources would be extended until 2011. Companies also would get a new tax credit of 50 cents a gallon for cellulosic ethanol produced as fuel, lasting through 2010. Under the bill, a 30 percent tax credit that companies can claim for investments in solar energy and fuel cells also would be extended until 2016. Consumers could get tax breaks of $4,000 or more for buying plug-in hybrid cars. Local governments also would be able to issue up to $3.6 billion of tax-credit bonds for programs to reduce greenhouse gas emissions, according to a bill summary from the House Ways and Means Committee.

Michigan Live—February 29, 2008

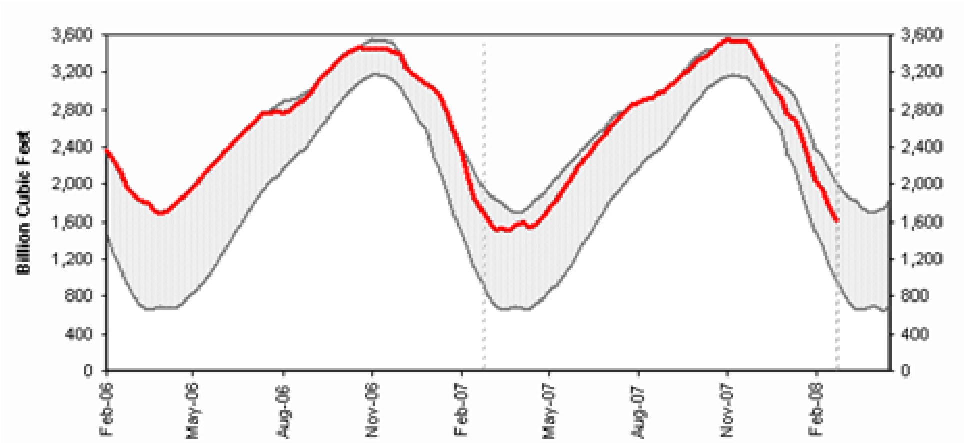
Alcohol and Natural Gas Don't Mix

A 20-year-old Dunkirk, NY man is accused of driving while intoxicated after deputies say he drove off the road into a ditch, flipped his vehicle and crashed into a natural gas meter Thursday. The driver was driving westbound on Route 5 when he lost control of his vehicle, crossed the road and drove into a ditch. Thevehicle overturned and struck a natural gas meter, breaking it off. An initial investigation determined that Kulig was intoxicated, the sheriff's office reported.

The Buffalo News—February 29, 2008

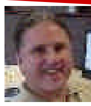
Gas Storage Levels

Working gas in storage was 1,619 Bcf as of Friday, February 22, 2008, according to EIA estimates. This represents a net decline of 151 Bcf from the previous week. Stocks were 133 Bcf less than last year at this time and 87 Bcf above the 5-year average of 1,532 Bcf. At 1,619 Bcf, total working gas is within the 5-year historical range.



Gas Supply Facts— U.S. Imports of liquefied natural gas (LNG) reached a record high in 2007, totaling the equivalent of 771 billion cubic feet (Bcf) of natural gas in gaseous form, according to data from the Office of Fossil Energy, U.S. Department of Energy. This volume was 32 percent higher than the volume in 2006 and 18 percent more than the previous record of 652 Bcf in 2004. LNG imports have substantially increased since early this decade, but growth has been uneven from year to year. In fact, the record volume in 2007 followed 2 consecutive years of decreases in 2005 and 2006.

Dave's Page!



(248) 427-1422 or dgring@nisource.com

Welcome to…..Dave Gring's Page!

Let's start by stating the obvious: 2008 has already been an extremely difficult year for most of us. Two months in, we've seen turmoil in the U.S. financial markets, fading home values, concern and angst surrounding our economic malaise, the U.S. dollar plummeting to new all-time lows, crude oil prices skyrocketing to new record highs, lots of snow and arctic blasts and natural gas futures prices at "budget busting" levels. Wow, I wonder what spring will bring, besides the Easter Bunny and hopefully warmer temperatures.

This recent rally in natural gas prices has been fast and furious and frankly, caught most of us in the industry off-guard. Only twice in the history of NYMEX natural gas futures trading (dating back to May 1990) has a 1st quarter rally surpassed the high from the prior 4th quarter. In both previous cases, prices peaked in February and tumbled once the move higher hit resistance and stalled. Hopefully this is a harbinger of better days ahead.

Let's take a deep breath and analyze the confluence of factors that are driving energy prices to stratospheric levels:

- One key fundamental factor that has changed is the expected end of March storage inventory. The widespread, sustained below normal temperatures this winter have put a tremendous strain on storage fields to met higher demand. Storage stocks are currently at 1619 BCF and are expected to fall to around 1200 to 1300 BCF by the end of the withdrawal season (i.e., March 31, 2008). This is significantly lower than the past two years and more importantly, below the " end-of-season" tipping point of 1500 BCF, giving market bulls a decided advantage.
- Due to weakness in the U.S. equity markets, hedge funds and large speculators have shifted funds into crude oil and natural gas futures. Lots of new money coming into the commodities markets, pushing prices higher.
- A tight global coal market is increasing U.S. coal exports, thereby increasing the forecasted natural gas demand in the electric generation sector this summer.
- LNG imports into the U.S. have dropped from a high of 3.29 BCF/day in April '07 to a low of 1.17 BCF/day in October '07, primarily due to higher price markets in Asia and Europe and the tight global coal market. This reduced supply has exacerbated the current year-on-year storage deficit.

Skyrocketing crude oil prices (+ $100 per barrel) have supported higher natural gas prices. Investors appear to believe that Mr. Bernanke and crew will continue to slash interest rates in an effort to stabilize the U.S. economy. Interest rate cuts tend to weaken the dollar and crude oil futures offer a hedge against a falling dollar. The Federal Reserve has a very difficult job of trying to avoid a deep recession, while at the same time controlling inflation. A vicious cycle has emerged where a lower U.S. dollar inspires oil prices to rally, which in turn increase inflation worries (and we think our jobs are stressful !!)

With the summer '08 NYMEX strip trading at $ 9.50 and winter '08/'09 at $ 10.30, our advice for those of you that still have large open positions is to remain patient during these challenging and difficult times. While anything is possible, the facts simply tell us not to buy into the current hype and emotion. I have a plaque on my office wall that says "Continually strive for patience, perseverance, determination and rational action". What more needs to be said !!!!

Thanks and don't hesitate to contact any of us with questions, or requests for help.

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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

FINAL CALL—Invitations are out for the EnergyUSA-TPC Spring Energy Conference. Mark Wednesday, March 5 in your calendars as one day you won't want to miss. Again this year, we expect a great turnout of customers to hear a variety of presentations ranging from market updates, energy outlooks, buying strategies to market fundamentals. Also, this year we expect to have some discussion of green and renewable energy options. As in past years, the conference will be held on the beautiful University of Notre Dame campus in South Bend, IN. Also, just like last year, EUSA will host an informal conference-eve get together at Legends on the ND campus. Plan to come into town the evening before and spend a couple of hours socializing with others in the EUSA family.

It is NOT too late to signup. Don't miss our best event yet!

We hear that the on-campus Morris Inn is already full for the evening. Other nearby options include: The Inn at St. Mary's—877-567-1438, Comfort Suites—574-272-1500, and Residence Inn—574-289-5555. East of campus in the Mishawaka Grape Road area there quite a few other hotels in a variety of price ranges.

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

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