

The BurnerTip

Gas Market Summary

Gas Facts in Brief

- Sept Settlement Price - \$10.847
- Current Oct Trading \$11.30
- Cal '06 Strip Price - \$10.042
- Winter Strip '05-'06 - \$11.763
- Cal '07 Strip Price - \$9.09
- Gas Drilling Rig Count
- Unchanged at 1,220
- Gas Storage Levels
- Net Injection to 2.633 Bcf

First, and foremost, our prayers are with those directly impacted by Hurricane Katrina. Yesterday, CNN presented an interview with a man who had lost his wife to the hurricane. It kept things in perspective....

This month, in light of the extraordinary happenings in the natural gas market, we present an extended "Bill's Corner."

As I write this commentary, the industry anxiously awaits NG Gulf of Mexico infrastructure damage assessments. Early indications give some reason to believe reports will be less than catastrophic, and, that

current prices reflect "worst-case". Unfortunately, we won't know for several days.

Prices through the end of the winter are currently near \$12.00. Be aware, however, they have the potential to rally even higher... perhaps to \$15.00... if not now, this winter. Your highest priority should be to protect Nov, Dec & Jan. Beyond that, many look for late-year demand destruction and a sell off.

So... if conservative to moderate NG buyers agree that protecting the winter is their highest priority, the challenge becomes... "how".

Although it is difficult to purchase NG in the \$12.00's, not doing so is essentially betting on bearish damage reports. So, consider 2-3 winter layers... weighted to the fronts... with strikes (at \$10.99, \$9.88 or \$9.31) and stops (at \$12.49 or \$13.98).

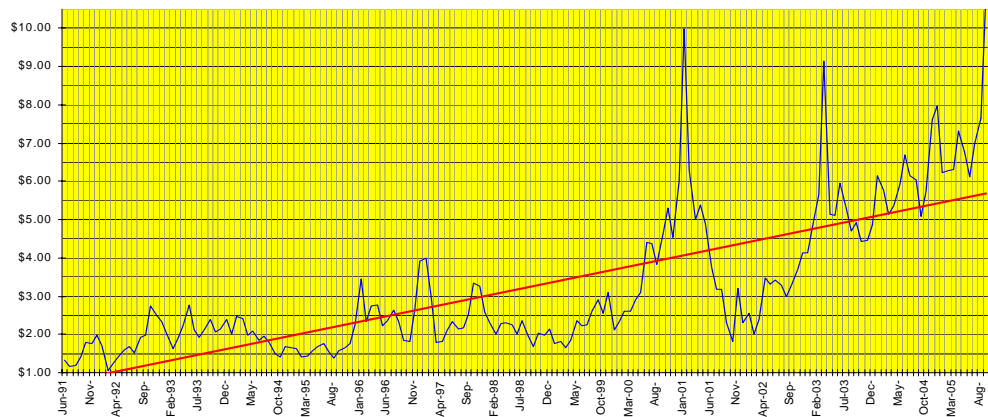
Even before the hurricane, the market was "confounded". An oft-quoted Miami trader stated, "The market is acting weird. A lot of really good trading indicators have been meaningless. This market just ignores them. Trading volume is also very light and price movement is erratic, sporadic and thin.

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Historic Gas Price Chart



Blue Line—Month to Month NYMEX Closing Price

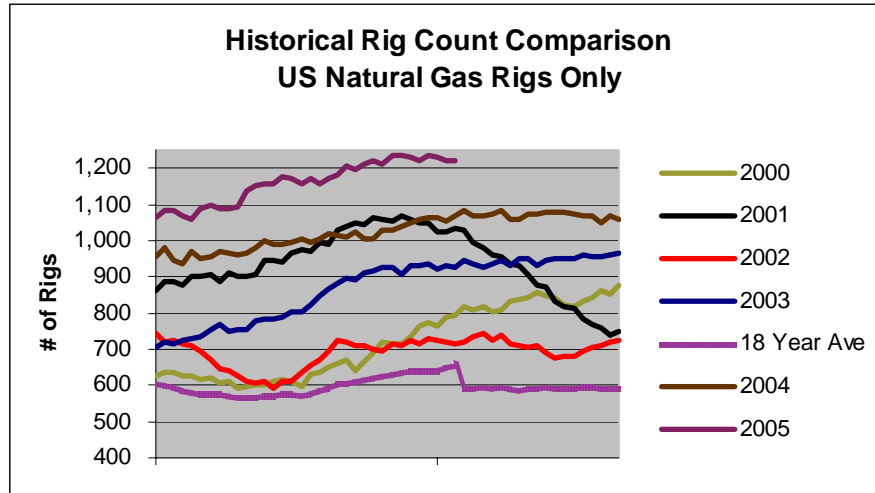
Red Line—Ongoing Price Trend Over Time

Baker Hughes Drilling Rig Count



Change	
Sep-05	1,220
Sep-04	1,069
Change	151
% Change	14%

vs. Last Month	
Sep-05	1,220
Aug-05	1,221
Change	(1)
% Change	0%



Industry Terms

In keeping with recent news, Drill Rig definitions.

Derrick—a large load-bearing structure generally with 4 legs that narrow to the crown block.

Crown Block—an assembly of sheaves or pulleys mounted on beams at the top of the derrick. The drilling line is run over the sheaves down to the draw works.

Draw Works—the hoisting

mechanism on a drilling rig—essentially a large winch with the drilling line or cable.

Rotary Drive—the machine used to impart rotational power to the drill while permitting vertical movement of the pipe.

Standpipe—a rigid metal conduit that provides the pathway for drilling mud to travel about 1/3 of the way up the derrick where it connects to a flexible hose (kelly hose) which connects to the swivel.

Swivel—a mechanical device that suspends the weight of the drill pipe and provides the rotation of the drill pipe while keeping the upper portion stationary, and permits the flow of drilling mud from the standpipe without leaking.

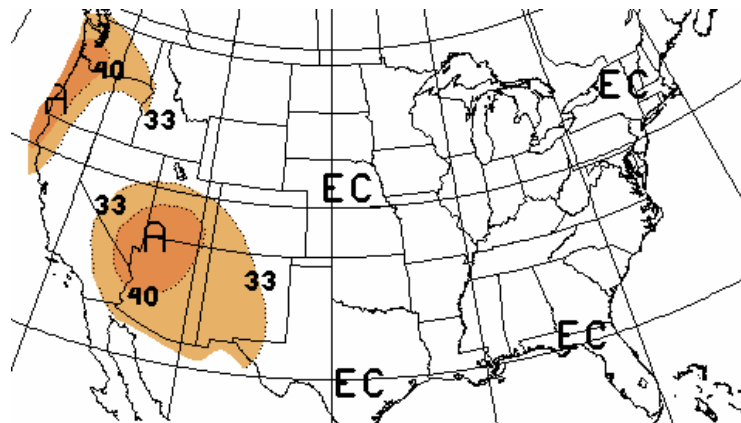
Blowout Prevention—control equipment connected to the top of the rig to prevent uncontrolled escape of gas during drilling operations.

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

Oct–Dec '05 NOAA Forecast

Browns/Reds—Above Normal Temps
Blues—Below Normal Temps



Bill's Corner

(Continued from Page 1)

It really moves around on nothing. There's nothing really here. These movements are being made on air." Before the hurricane, it was difficult to make NG decisions that made sense. But now... it's very, very difficult.

Many buyers are lamenting the fact that they have not hedged their winter NG requirements. Remember:

1) In late-May, the front month was trading in the low-\$6.00's... not too bad... but the winter strip was trading in the mid to high-\$7.00's... a huge premium to the front month and well above most NG buyer's budgets/tolerances/likings.

2) In late-May, mild Jun and Jul weather was forecasted and storage was in great shape. Most NG buyers were content to patiently wait for winter prices to soften before beginning to secure their winter supply requirements.

3) Jun and Jul saw a perfect storm: Record hot temperatures; coal delivery disruptions; Hurricane Dennis gulf

disruptions; crude oil prices in the high \$50.00's; explosive NG hedge fund growth (rumored to have increased from 15 players in Dec 04 to 250 hedge funds by Jul 05), etc.

4) Throughout Jun and Jul, winter prices traded in the mid to high-\$8.00's... way above most NG buyer's budgets/tolerances/likings... even for a percentage of their winter requirements. Most felt they had no choice but to sit tight and wait for lower winter prices.

5) In late Jul, prices began to fall off, but suddenly reversed and began a "mindless stampede" for 3 straight weeks. Winter prices in the mid to high-\$8.00's (that had seemed much too high a couple of weeks earlier) suddenly looked like a bargain... relative to \$9.50... \$10.50.

6) Now Hurricane Katrina (a Cat 1 hurricane on Friday... a Cat 5 hurricane on Sunday) has disrupted the industry like never before. The NY-MEX called force majeure; reports of suppliers/marketers cutting supply abound; the SPR has been released.

NG prices that had largely ignored

fundamentals and technical indicators for 3 weeks prior to Hurricane Katrina have now entered the stratosphere. How long can the U.S. economy absorb \$12.00 NG, \$70 crude oil and \$3.00 unleaded gasoline? Note: When NG was trading in the U.S. at \$9.70, it was trading in the UK at \$5.65; in Argentina at \$1.60; in Russia at \$1.20; in China at \$4.85 and in Australia at \$3.85.

The bottom line is that many NG budgets for the winter of 05/06 are in trouble. We still hope for an opportunity to hedge at prices less than catastrophe... perhaps at prices with an \$8 or \$9 handle, but... hurricane damage remains unknown, a cool fall/early winter is forecasted by some, and crude oil prices are in the \$60's (equivalent to NG in the low-\$12's). These facts appear to limit the downside at this point.

Unfortunately, the best strategy right now is probably to conserve. Remember, communication is critical, so give us a call at any time.



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Electric Update

Daily and forward electric prices soared in the wake of hurricane Katrina. Strong natural gas prices, along with warm weather, also pushed prices up in the Midwest and the Northeast. Dailies jumped to the mid \$100 levels as the market reacted to uncertainty caused by damage from the storm. Some real-time markets actually topped \$200 on Monday as the storm came ashore.

LONG-TERM FORWARD ASSESSMENTS (\$/MWH)				
Trading Point	Sep	Oct	4Q05	Jan/Feb 06
Cinergy	\$ 77.00	\$ 70.00	\$ 76.50	\$ 87.00
NI Hub	\$ 79.75	\$ 75.50	\$ 76.00	\$ 89.75
Entergy	\$ 95.50	\$ 87.45	\$ 86.15	\$ 93.30
ERCOT	\$ 103.20	\$ 93.25	\$ 91.50	\$ 93.80
PJM West	\$ 95.00	\$ 84.00	\$ 89.00	\$ 105.50
TVA	\$ 73.50	\$ 66.50	NA	\$ 83.00
MASS Hub	\$ 106.00	\$ 106.25	\$ 109.00	\$ 152.50

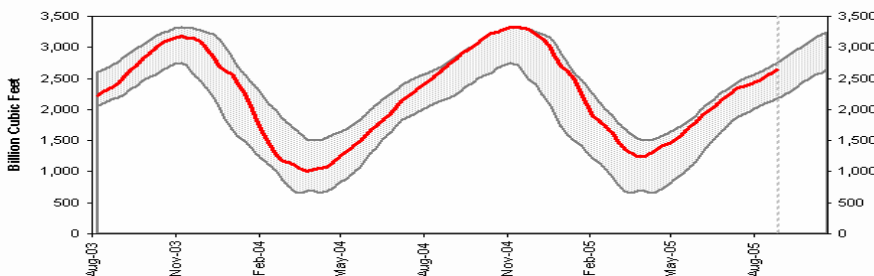
Prices Traded August 30, 2005 MegaWatt Daily

Gas Storage Levels

Working gas in storage was 2,633 Bcf as of Friday, August 26, 2005, according to EIA estimates. This represents a net in-

crease of 58 Bcf from the previous week. Stocks were 50 Bcf less than last year at this time and 130 Bcf above the 5-

year average of 2,503 Bcf. At 2,633 Bcf, total working gas is within the 5-year historical range.



Gas Supply Facts

As of Monday, August 29 at 1:00 p.m., nearly 8.8 Bcf/day or 88% of the Gulf's average daily output was curtailed. More than 75% of the Gulf's 819 manned platforms remained evacuated Tuesday with 72% or 137 drilling rigs also unattended. Some analysts believe that damage from Katrina will surpass that of Hurricane Ivan last September. The storm may have also damaged pipelines from deepwater platforms that cross over or run through the mudslide areas of West Delta.

Fall Customer Update & Strategy Meetings

Recent events in the energy industry are causing unprecedented prices and volatility. We share your pain and want to help you as much as we can. Therefore, EnergyUSA-TPC is presenting a series of regional breakfast meetings where we will discuss current market conditions and winter strategies. We strongly urge you to reserve a couple of hours to attend one of these sessions.

All meetings will begin with a Continental Breakfast beginning at 7:30 A.M. local time. The Discussion will begin at 8:00 A.M. and the session will finish no later than 10 A.M. The agenda is rather simple, opening with a review of recent market upheaval and closing with a discussion of the various options available to you.

We are in the midst of a critical time that warrants extraordinary planning and thought. Come to one of these meetings—we CAN help!

Meeting Days and Locations

September 14	Merrillville, IN	Courtyard Marriott	Merrillville, IN 7850 Rhode Island
September 15	Indianapolis, IN	Adams Mark	Indianapolis Airport 2544 Executive Drive
September 16	Fort Wayne, IN	Courtyard Marriott	Fort Wayne, IN 1619 West Washington
September 19	Cincinnati, OH	Marriott Northeast	Mason, OH 9664 Mason Road
September 20	Columbus, OH	Marriott	Dublin OH 5605 Blazer Parkway
September 21	Toledo, OH	Holiday Inn FQ	Perrysburg, OH 10630 Fremont Pike
September 22	Detroit, MI	Embassy Suites	Livonia, MI 19525 Victor Parkway
September 23	South Bend, IN	Comfort Suites	South Bend, IN 52939 US 933

To help us plan for these meetings, please RSVP to Karen
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Don't Waste Your Energy
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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.

Welcome to NEW EnergyUSA-TPC Team Member!

Name: Jaison Staab

Contact: (412) 527-7851 jsstaab@nisource.com

Duties: Territory Manager for Pennsylvania including full sales responsibilities for new customer acquisition and for managing existing territory customers.

Energy Experience: 9 years throughout western Pennsylvania and eastern Ohio.

Personal: Married 6 years to Kelly with 2 boys - Nathan is 2 and Travis is 4 1/2. Currently preparing to move back to home town of Pittsburgh.

Hobbies: Sports Nut! - Ice Hockey, Golf, Skiing, Basketball, etc.



Upcoming Events & News

Don't forget about the Fall Customer Update and Strategy meetings. See Page 4 for more information!



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