

# The BurnerTip

## Gas Market Summary

### Gas Facts in Brief

August Settlement Price - \$7.647

Current Sept Trading \$8.035

1 Year Strip Price - \$8.492

Fall Strip '05 - \$8.048

Winter Strip '05-'06 - \$9.14

2 Year Strip Price - \$8.285

Gas Drilling Rig Count

Up 2 to 1,221

Gas Storage Levels

Net Injection to 2.381 Bcf

**'Don't know why, there's no sun up in the sky. Stormy weather....Keeps raining all the time, keeps raining all the time'**

I couldn't help opening this issue of the burnertip with lyrics from the blues classic, 'Stormy Weather.' Covered by Billie Holiday, Ella Fitzgerald and a host of others, this song seems to epitomize the gas market in July.

**Leading** up to the July 4th holiday, prices seemed to be skittish as they moved up, then down, then back up before finally closing up at \$7.17 before the long weekend.

**The** first full week of July dawned hot and wet as Cindy made landfall in Alabama and Dennis was upgraded to a hurricane. As the week pro-

gressed, Dennis and prices got stronger and stronger. The week closed at \$7.47 and Dennis was poised to hit during the weekend.

**The July 11** market opened not with the expected fireworks, but rather moved sideways through the day. Day 2 of that week brought new news about the level of production shut-ins that occurred due to Dennis and prices rallied strongly to the \$7.90 level. As anxiety over Dennis shut-ins subsided later in the week, hurricane Emily burst on the scene. The week ended at \$7.849. The last full trading week of July opened down as Emily moved towards Mexico and crude oil subsided. As the week ended, storage figures showed that Dennis may not have been as awful as first suspected and prices reflected that closing at \$7.30.

**The** final few trading days of July were marred by extremely hot

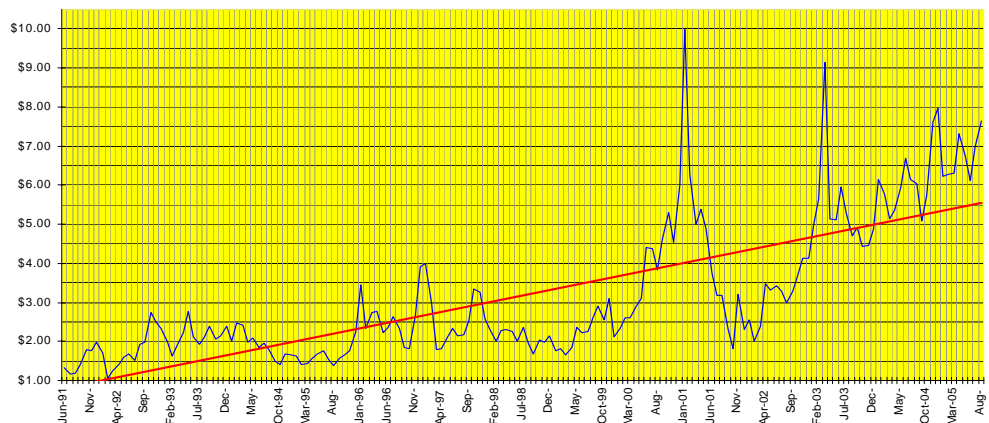
temperatures and worries over—ready for this? - tropical storm Franklin. The month was finally put out of its misery, closing at \$7.746. **'Stormy weather....keeps raining all the time!'**

**On a much more positive note,** congratulations to the University of Cincinnati for receiving the International District Energy Association (IDEA) System of the Year award. Given annually, the System of the Year award is the top honor IDEA can confer on a district energy system. UC was chosen by a panel of IDEA-member judges based on the Utilities and Technical Support division's impressive record of campus energy infrastructure improvements over the past 10 years that have resulted in a 50% increase in load, a 40% reduction in energy use and total accrued savings of \$44 million in energy costs. **Again, Congratulations!**

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## Historic Gas Price Chart



Blue Line—Month to Month NYMEX Closing Price

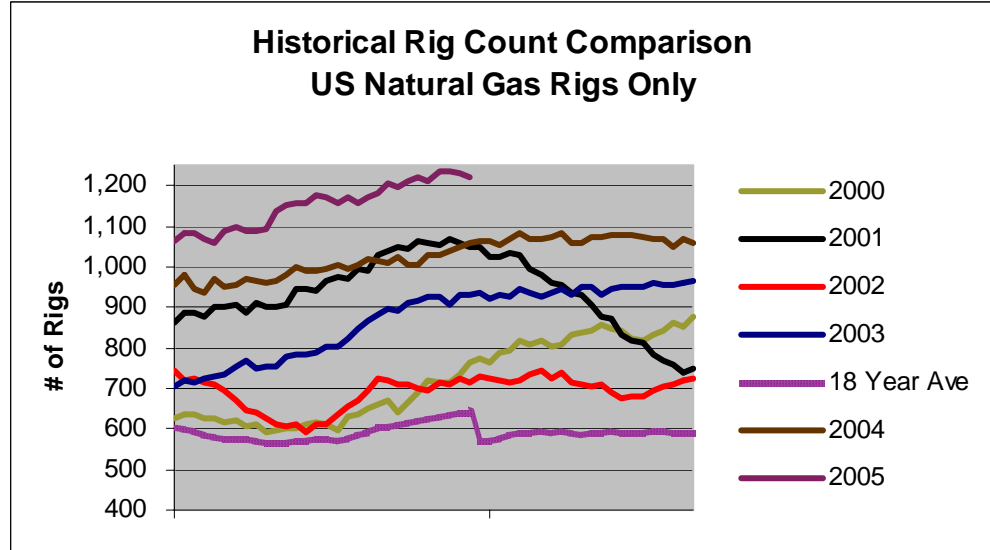
Red Line—Ongoing Price Trend Over Time



# Baker Hughes Drilling Rig Count

Change	
Aug-05	1,221
Aug-04	1,057
Change	164
% Change	16%

vs. Last Month	
Aug-05	1,221
Jul-05	1,219
Change	2
% Change	0%



## Industry Terms

**Once Again, Energy Trading Terms.**

**Margin Call:** demand for additional funds or equivalent because of adverse price movements or some other contingency.

**Mark to Market:** the practice of crediting or debiting an account based on the daily closing prices of the futures contracts that are long or short.

**Market Order:** an order for immediate execution at the best available price at that time.

**Nearby:** the futures contract closest to expiration. Sept 05 is currently the nearby month.

**Offer:** an offer, indicating willingness to sell at a given price.

**On Opening:** a term used to specify execution of an order during the opening.

**Open Order:** an order which is good until cancelled.

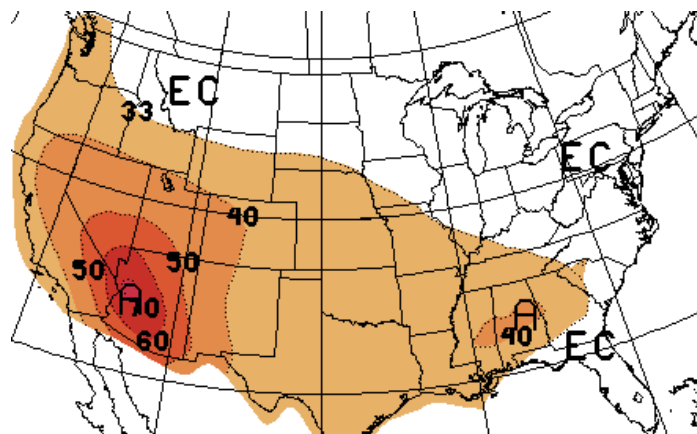
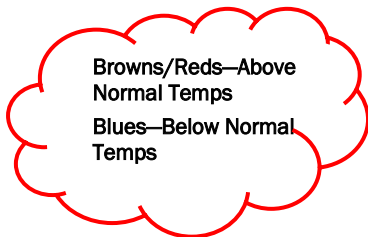
**Opening Price:** the price or price range recorded during the period designated by the exchange as the official opening.

**Out of the Money:** option calls with prices above the price of the underlying futures, and puts with strike prices below the price of the underlying futures.

### 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

## Aug-Oct '05 NOAA Forecast



# Val's Corner

*This month, Val Trinkley our General Manager takes his turn in the corner!*

July was not a good month for natural gas prices if you hadn't fixed prices. The market continued to climb based on hurricane fears, hot weather and the resulting slow down in storage injections. With the forecast for more 90+ temperatures in the first part of the this week, September "front month" NYMEX prices are above \$8/MMBtu, and oil is above \$61/barrel as of this writing on 8/1/05. The just announced death of King Fahd of Saudi Arabia and the potential for political unrest in that country didn't help the energy complex, nor did fires at 3 oil-refining complexes. Most of this price "run up" occurred over the last week of trading. August futures settled on July 27 at \$7.647/MMBtu even though on July 25<sup>th</sup> August was trading at \$7.14.

With 14 weeks of storage injection

season left before the end of October, and the current storage inventory level at 2,381 BCF, we need to average 66 BCF/week in order to "fill" storage to the 3,300 BCF level. With the recent heat around the country, we have injected 59 and 42 BCF per week for the last couple weeks, and this week we are anticipating an injection of ~52 BCF. Barring continued heat and more hurricanes disrupting Gulf production, we would expect storage to be full in time for winter. We NEED storage to be full given our NEED for all the supply we can get to make it through the winter without hiccups.

With the current winter NYMEX "strip" (Nov-Mar) trading above \$9.15/MMBtu, it is very difficult to fix prices for the winter. There is still good reason to suspect a "fall dip" in prices, but every time the market moves up to new highs, your entry point to buy pricing "dips" becomes potentially higher, as well. A winter strip price of

\$8.00/MMBtu is looking better all the time for some percentage of your natural gas needs. Don't give up on options to help control or reduce your natural gas costs - collars to cap your high end and put a floor on your bottom end are still worth exploring... or just accepting floors below the current market price will reduce your overall costs. The bottom line is that we are going to have to remain patient in our hope for a drop in prices to a reasonable level.

With both houses of Congress agreeing to an Energy Bill and the President anxious to sign the Bill, it appears we will finally have a national energy policy to direct our spending and focus. It will not, however, provide any short-term relief to these high energy prices. It does help traditional producers more than alternative energy projects, and it is not any revolutionary legislation, but at least we have some agreement after 5 years of trying. (See page 4 for selected highlights of the Bill)



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## Electric Update

Extreme heat through the Midwest and Northeast kept electric prices strong during July. On peak prices in some areas topped \$100 as utilities struggled with surging demand and unexpected outages at several plants. In the Midwest, daily prices finished above \$105 on July 23, matching the monthly peak temperature and humidity levels. Out East, prices hovered between \$85 and \$125 all month in response to the heat.

LONG-TERM FORWARD ASSESSMENTS (\$/MWH)				
Trading Point	Sep	Oct	Jan/Feb 06	Mar/Apr 06
Cinergy	\$ 54.75	\$ 51.15	\$ 65.85	\$ 62.25
NI Hub	\$ 52.75	\$ 51.00	\$ 65.50	\$ 61.50
Entergy	\$ 64.25	\$ 59.55	\$ 70.35	\$ 68.60
ERCOT	\$ 74.15	\$ 66.30	\$ 72.60	\$ 70.75
PJM West	\$ 65.50	\$ 60.10	\$ 76.50	\$ 69.40
TVA	\$ 56.10	\$ 52.10	\$ 66.45	NA
MASS Hub	\$ 75.10	\$ 76.70	\$ 106.75	\$ 82.50

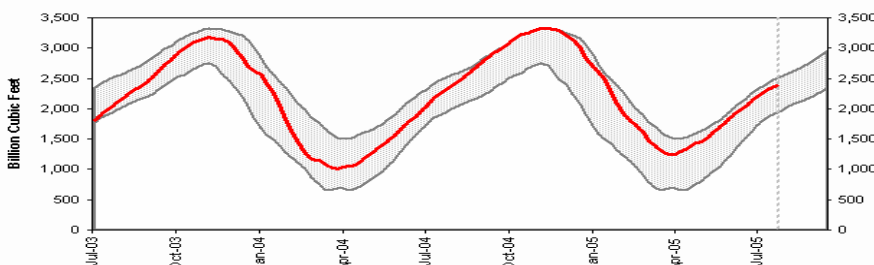
Prices Traded July 29, 2005 MegaWatt Daily

## Gas Storage Levels

Working gas in storage was 2,381 Bcf as of Friday, July 22, 2005, according to EIA estimates. This represents a net in-

crease of 42 Bcf from the previous week. Stocks were 94 Bcf higher than last year at this time and 197 Bcf above

the 5-year average of 2,184 Bcf. At 2,381 Bcf, total working gas is within the 5-year historical range.



### Gas Supply Facts

EIA Announces Changes to Estimation of Weekly Natural Gas Storage Stocks: The Energy Information Administration (EIA) will revise the estimation system used to produce the *Weekly Natural Gas Storage Report* (WNGSR). The effective date for the new system is August 4, 2005, when working gas estimates as of July 29 will be released. On August 4, EIA also will release storage estimates based on the new methodology for all weeks from June 17, 2005 to July 22, 2005.

**This month, Demand Side Issues takes a break as we present selected highlights of the Energy Policy Act of 2005.**

Passage of a comprehensive energy legislation this year will ensure a more affordable and environmentally friendly energy supply. America's prosperity and national security are at stake. To help meet the nation's energy needs, the Energy Policy Act of 2005:

- Improves our nation's electricity transmission capacity and reliability. The legislation provides for enforceable mandatory reliability standards, incentives for transmission grid improvements and reform of transmission siting rules. These improvements will attract new investment into the industry and ensure the reliability of our nation's electricity grid in order to stop future blackouts.
- Promotes a cleaner environment by encouraging new innovations and the use of alternative power sources by launching a state-of-the-art program to enable hydrogen fuel cell cars to compete in the marketplace by 2020. The legislation also authorizes \$200 million for the "Clean Cities" program, which will provide grants to state and local governments to acquire alternative fueled vehicles.
- Promotes clean coal technology and provides incentives for renewable energies such as biomass, wind, solar and hydroelectricity.
- Provides leadership in energy conservation by establishing new mandatory efficiency requirements for federal buildings, and efficiency standards and product labeling for battery chargers, commercial refrigerators, freezers, unit heaters, and other household products.
- Clarifies the federal government's role in siting LNG facilities and provides an efficient approval process. Improved access to natural gas will help reduce high utility bills, create jobs and provide further strength to the economy.
- Decreases America's dangerous dependence on foreign oil by increasing domestic oil and gas exploration and development on non-park federal lands and by authorizing expansion of the Strategic Petroleum Reserve's (SPR) capacity to 1 billion barrels.
- Encourages more nuclear and hydropower production by authorizing DOE to develop accelerated programs for the production and supply of electricity; setting the stage for building new nuclear reactors by reauthorizing Price Anderson; and improving current procedures for hydroelectric project licensing.

**Energy Efficiency** • Requires a 20 percent reduction in federal building energy use by 2015, provides funding for energy efficiency programs for public buildings, including schools and hospitals, and increases fuel efficiency requirements for federal vehicles. • Authorizes \$3.4 billion for each fiscal year 2005 through 2007 for the Low Income Housing Assistance Program (LIHEAP). Increases funding for low-income weatherization programs and state energy programs to improve energy efficiency. • Expands the Energy Star program, a government/industry partnership for promoting energy efficient products. • Establish new energy efficiency standards for many new commercial and consumer products that use large amounts of energy – providing significant savings on monthly energy costs.

**Oil and Gas** • Authorizes the expansion of the Strategic Petroleum Reserve's (SPR) capacity from 700 million to 1 billion barrels and filling the SPR to that capacity during periods of stability. • Improves access to federal lands. • Clarifies the federal government's role in the siting of liquefied natural gas terminals. Several streamlining provisions have been included to encourage efficient review of applications at the federal level. Requires consultation with the state in the area of state and local safety. • The Refinery Revitalization Act of 2005 designates certain areas as refinery revitalization zones based on an area's previous refining or manufacturing experience and current unemployment rate. Provides an accelerated review and approval process for new refinery facilities in a refinery revitalization zone.

**Studies and Program Support** • Provides extensive authorization for the Department of Energy to increase the efficiency of all energy intensive sectors, promotes diversity in energy supply, improves energy security and decreases the environmental impact of energy-related activities. • Specific authorizations are provided for energy-efficiency efforts, a next-generation lighting initiative, national building performance initiative, programs regarding renewable energy, bioenergy and solar power. • Authorizes oil and gas programs, including ultra-deepwater and unconventional natural gas. • Authorizes almost \$4 billion for energy and conservation activities; more than \$3 billion in funding over the next five years for renewable energy efforts; and more than \$2.5 billion for fossil fuel efforts.

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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 Members!

**Name:** Jennifer Smith (Jen)

**Contact:** (219) 853-5939 jssmith@nisource.com

**Duties:** Responsible for managing customer accounts behind Northern Indiana Public Service Company (NIPSCO). Managing the account includes monitoring daily gas nominations vs. daily usage and balancing the difference to avoid daily and monthly penalties.

**Energy Experience:** 7 years with NiSource

**Personal:** Married with 2 boys - Tyler is 5 and Zachary is 19 months. Joe is a Commerical Diver.

**Hobbies:** Avid runner having competed in 4 marathons. Also loves to read, cook and play with the boys.



**Name:** Erik Suchak

**Contact:** (219) 853-5938 ecsuchak@nisource.com

**Duties:** Responsible for managing customer accounts behind MichCon, Consumers, Aquila in Michigan and NICOR, Peoples and North Shore in Illinois. Managing the account includes monitoring daily gas nominations vs. daily usage and balancing the difference to avoid daily and monthly penalties.

**Energy Experience:** 4 years

**Personal:** Married to Chris with a 7 year old son, Joel

**Hobbies:** Enjoys basketball, biking, gardening and woodworking



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