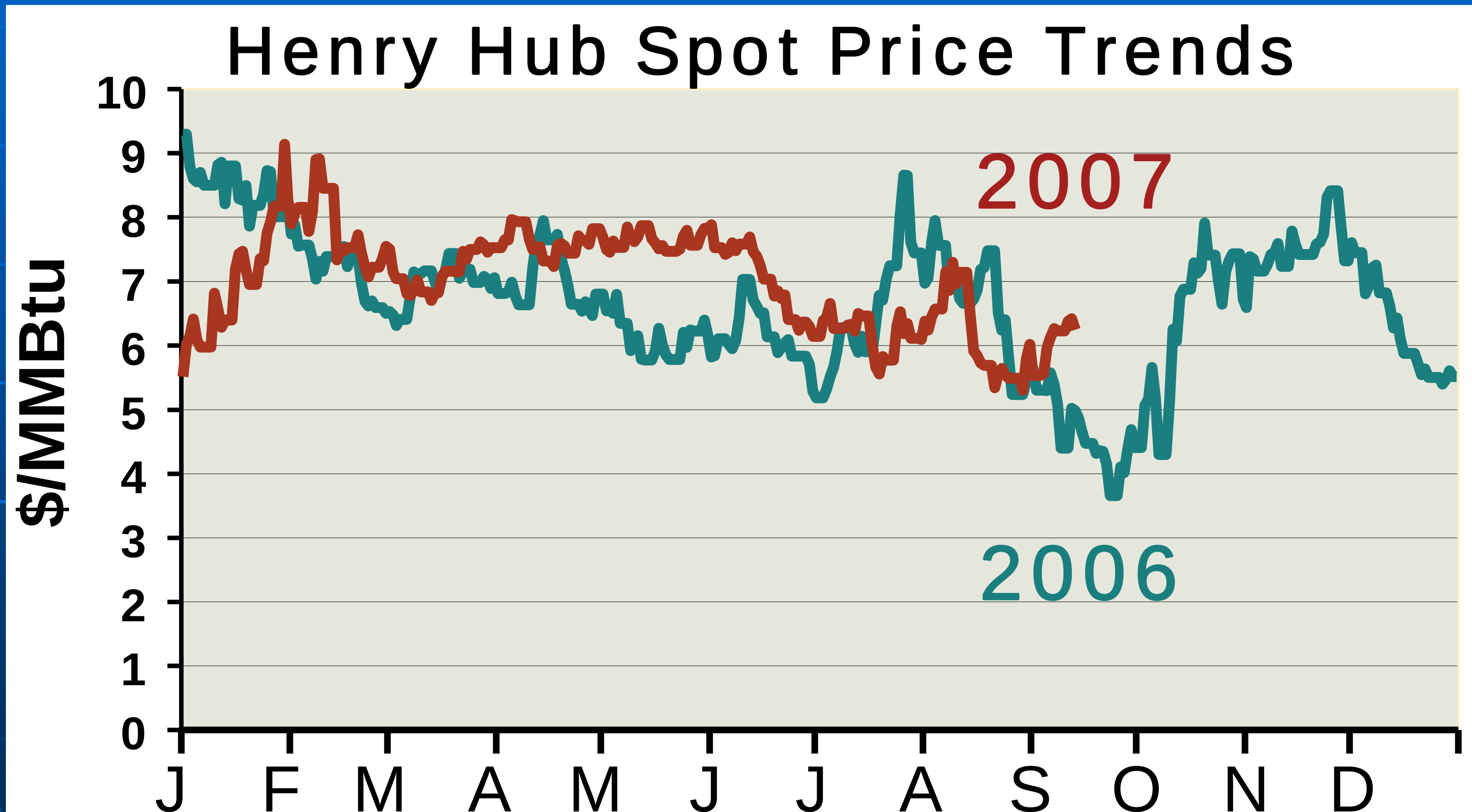
Winter 2007/2008

Energy Market Assessment

Item No.: A-3

October 18, 2007

2007 Spot Gas Prices Generally Up from 2006

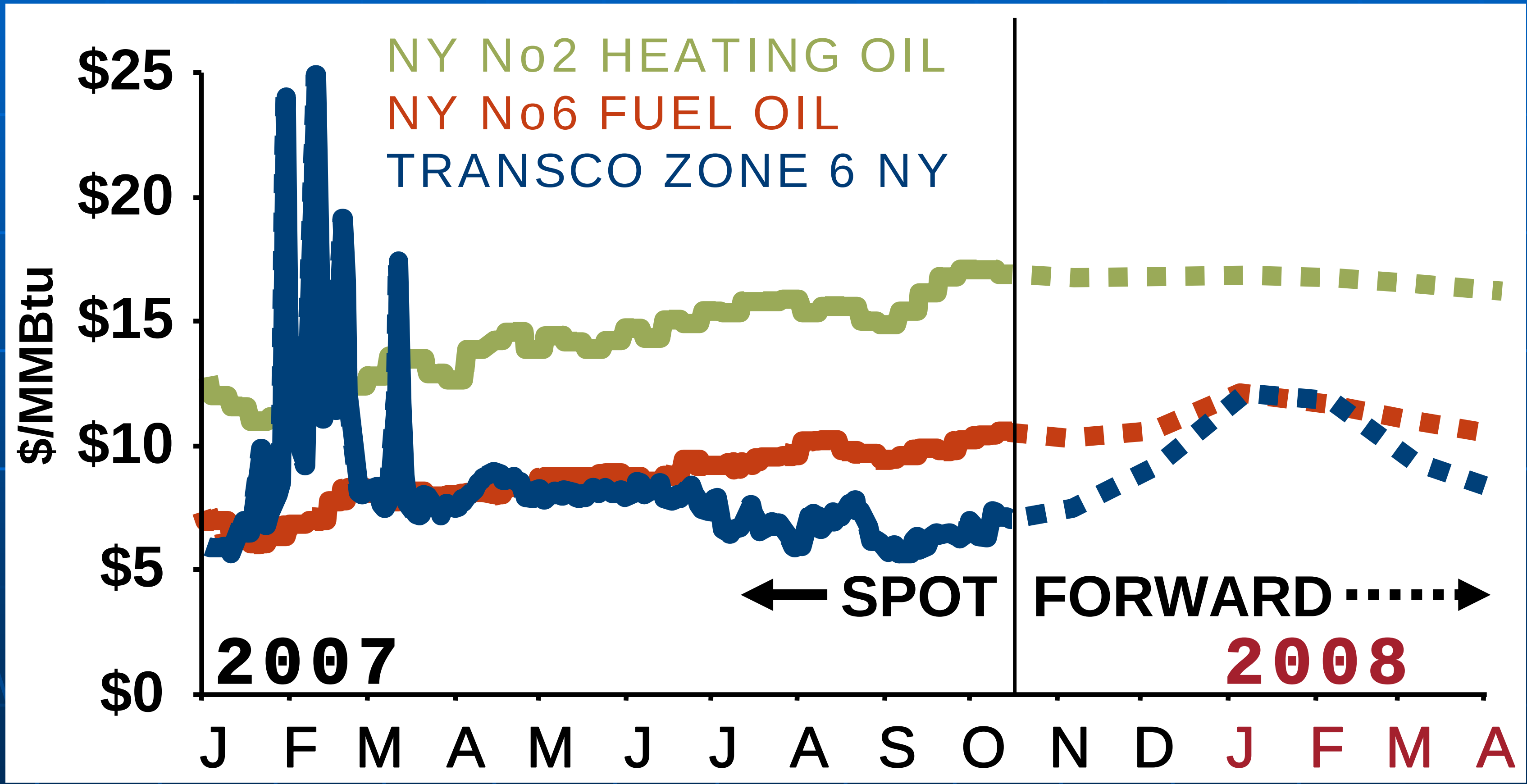


Source: The InterContinental Exchange

Current Gas Market Conditions

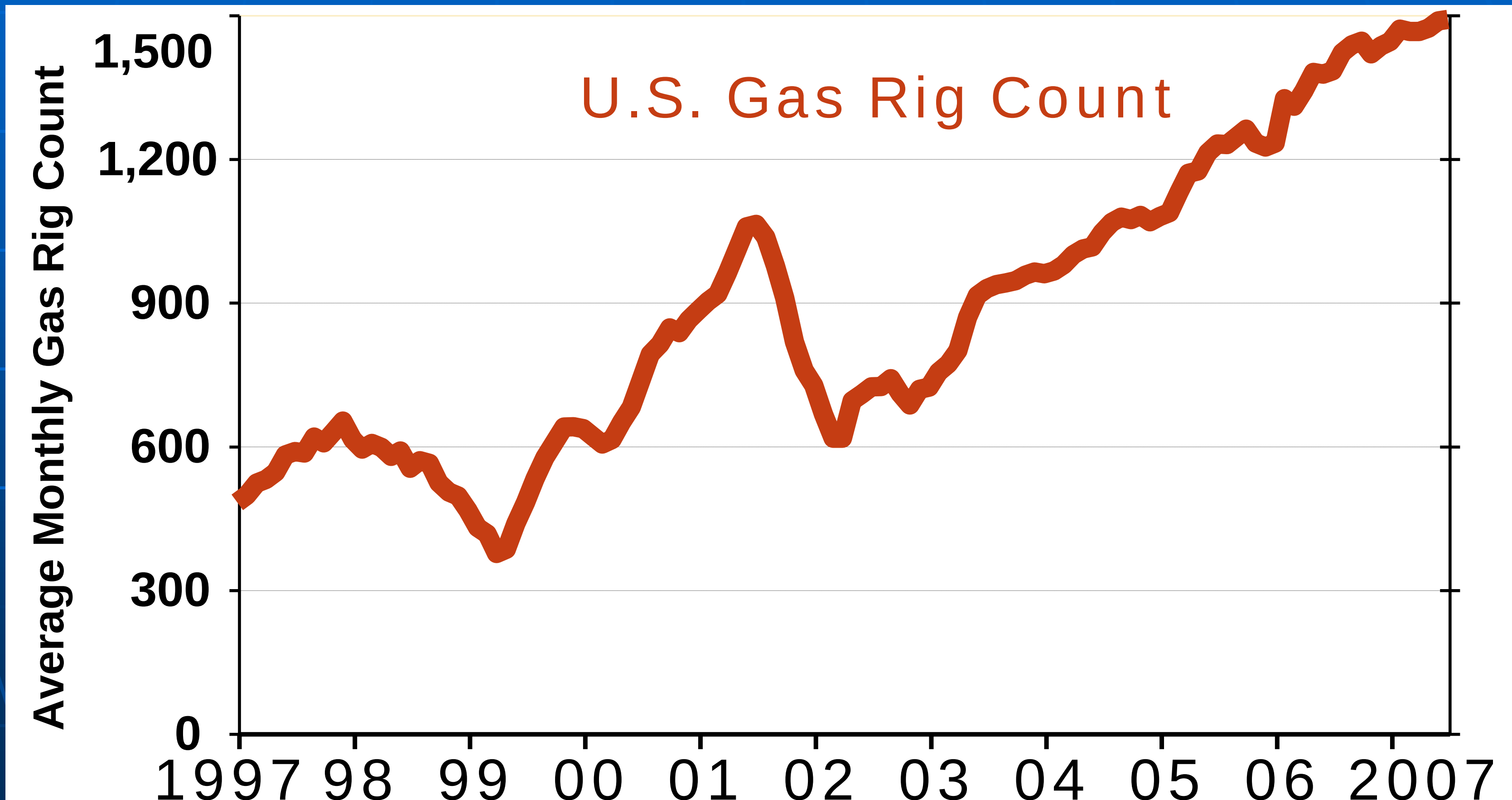
- Higher Oil Prices
- Growing Gas Production
- LNG Slowdown
- Electric Generation
- Storage Inventories
- Winter Forecasts

Gas Prices Expected to Stay Below Oil



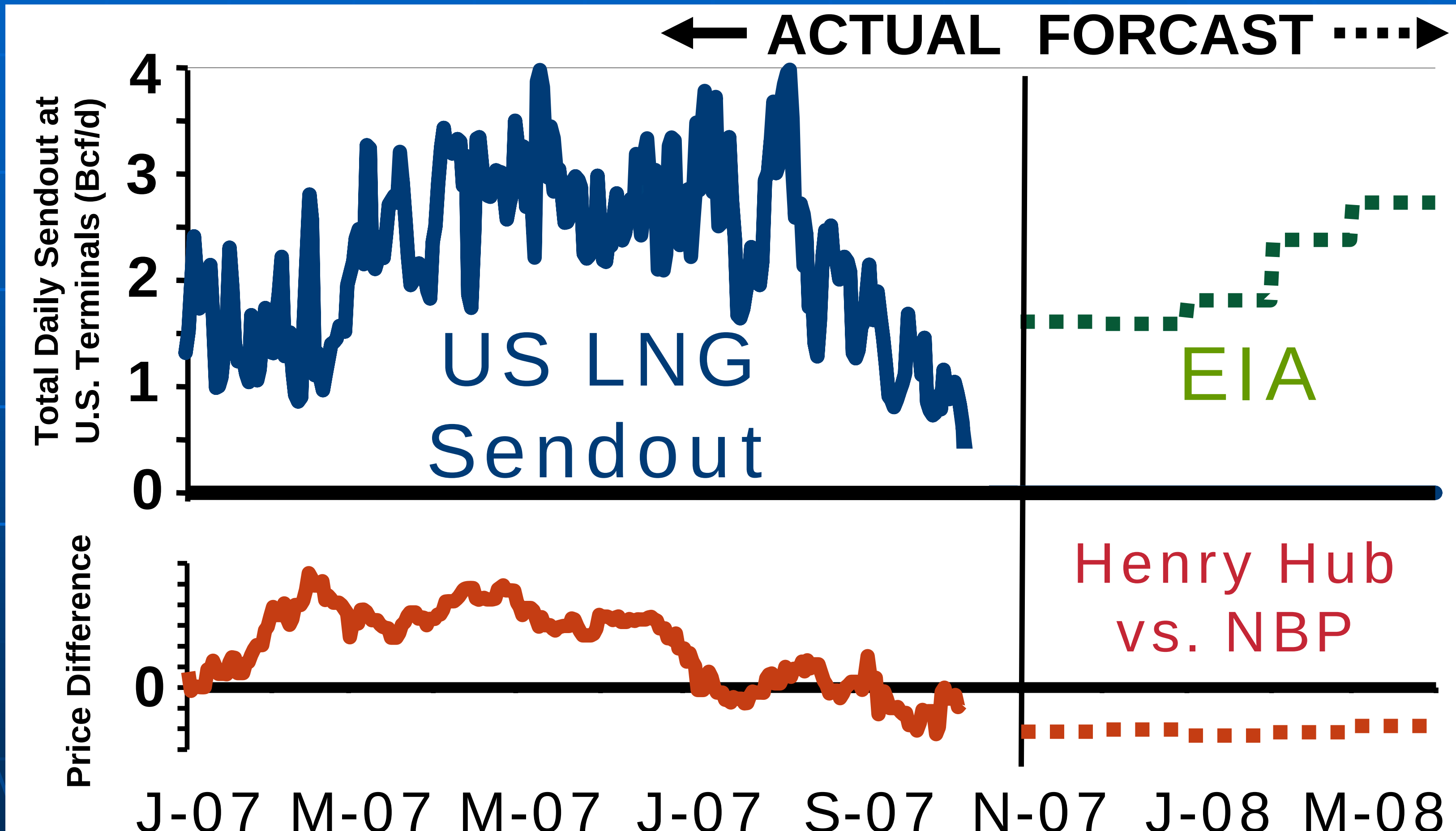
Source: Derived from Bloomberg and ESAI, Inc.

Gas Drilling Continues to Rise at Current Prices



Sources: Baker Hughes, EIA

Level of LNG Sendout Depends on Price



Source: Bentek, EIA, NGSA, Bloomberg

Electric Generators Using More Winter Gas

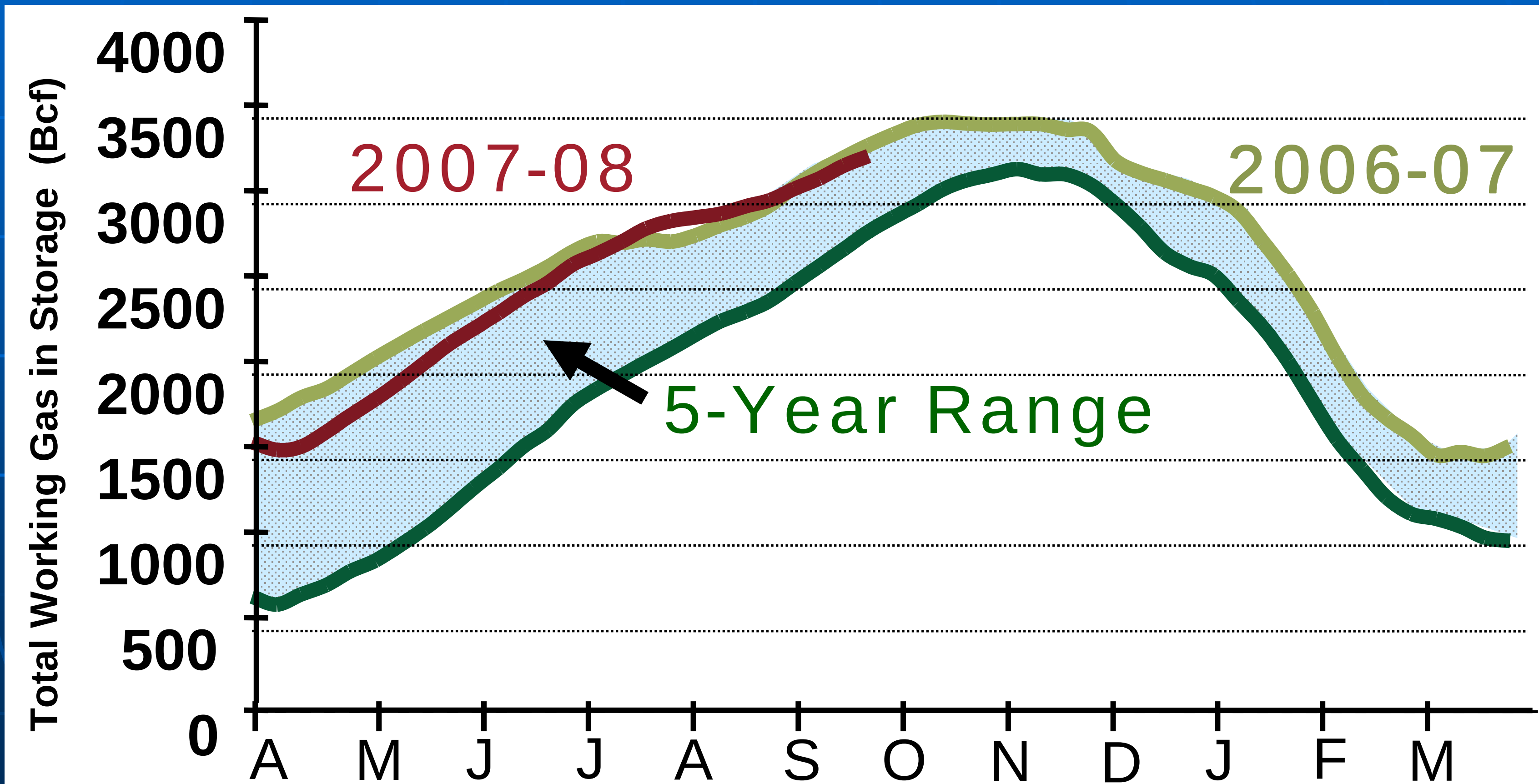
Natural Gas Burned in U.S. Electric Generation

April-October Volumes	(Bcf/day)
2005	18.6
2006	20.4
Change	9%

November-March Volumes	(Bcf/day)
2005-06	12.3
2006-07	14.0
Change	14%

Source: EIA

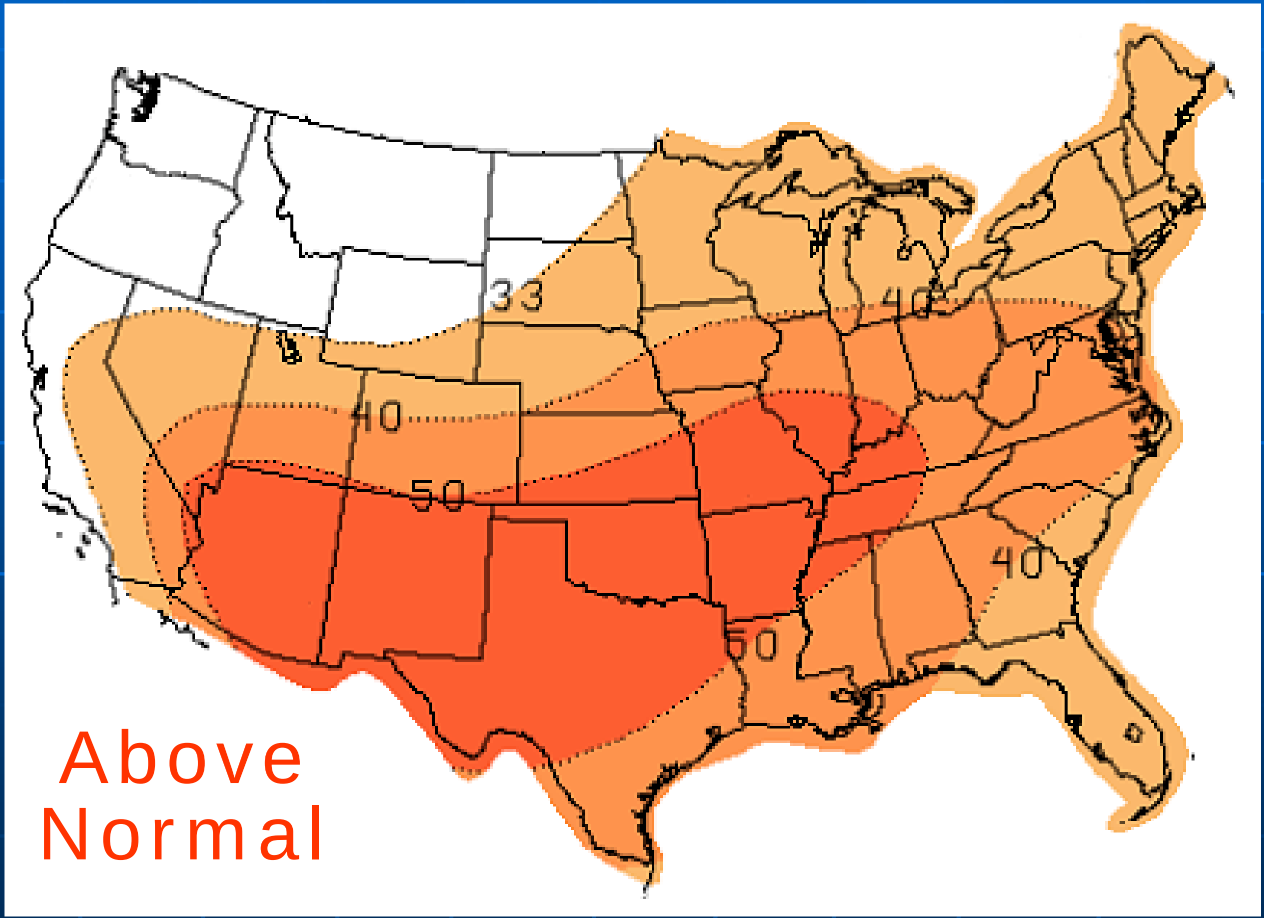
Storage Inventories Close to 2006 Levels



Source: EIA

Current Forecast is Another Mild Winter

NOAA's December '07 through February '08 Outlook



Source: NOAA Three Month Outlook – Official Forecast for Dec-Jan-Feb 2007-08 issued September 20, 2007

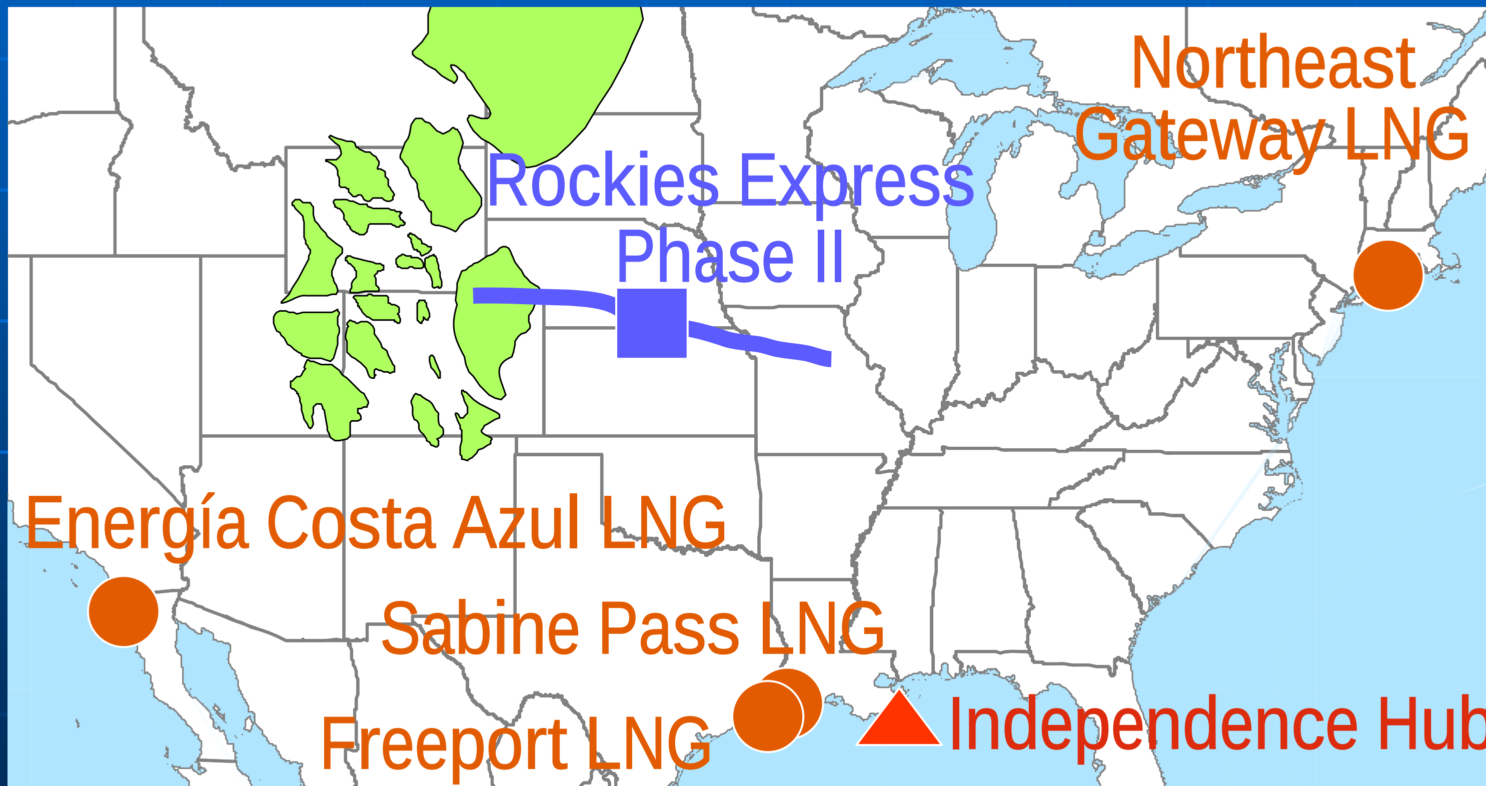
New Late-Winter Infrastructure Will Affect Markets

Rockies Production

Pipeline

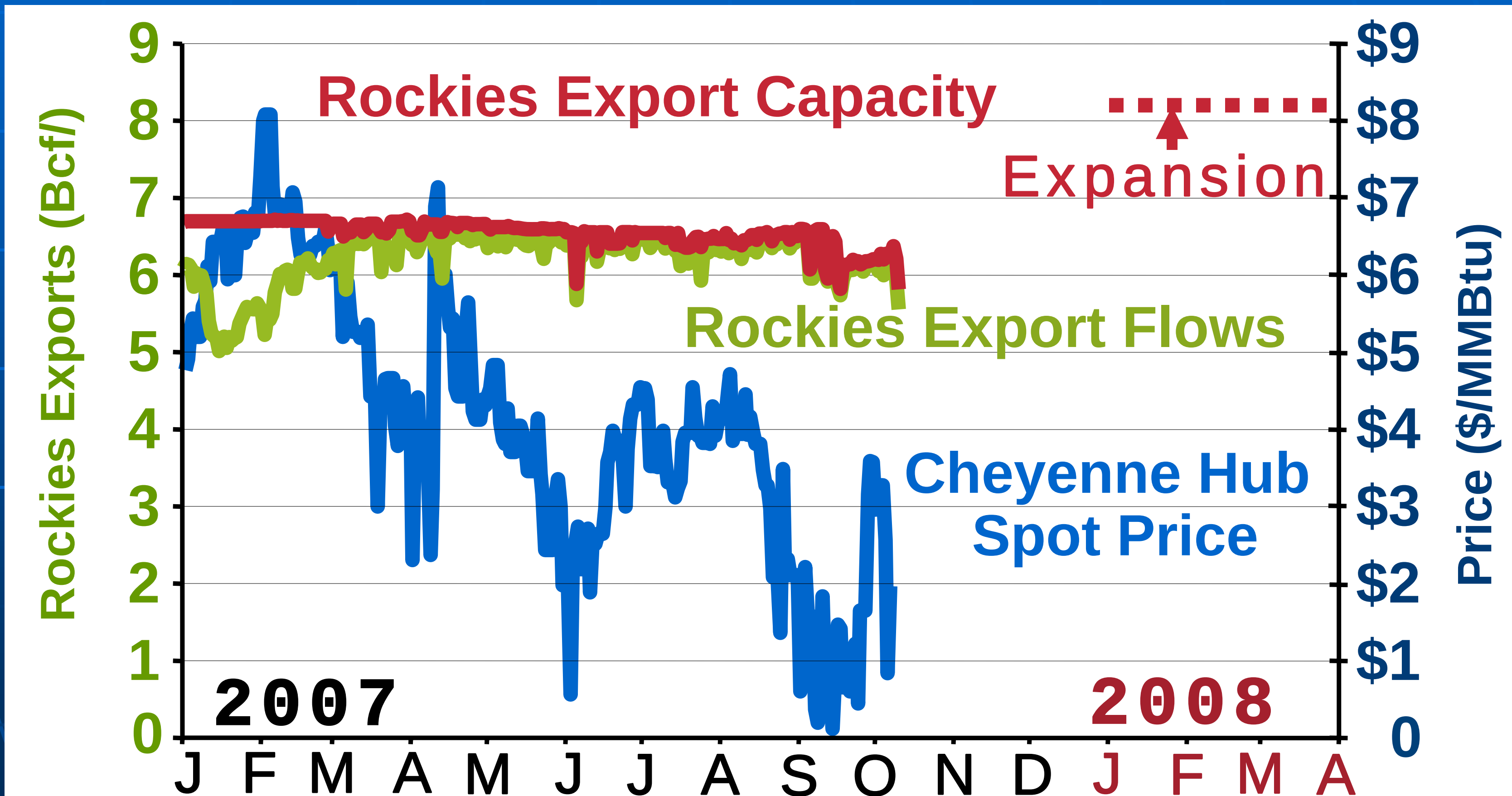
LNG

Offshore Production



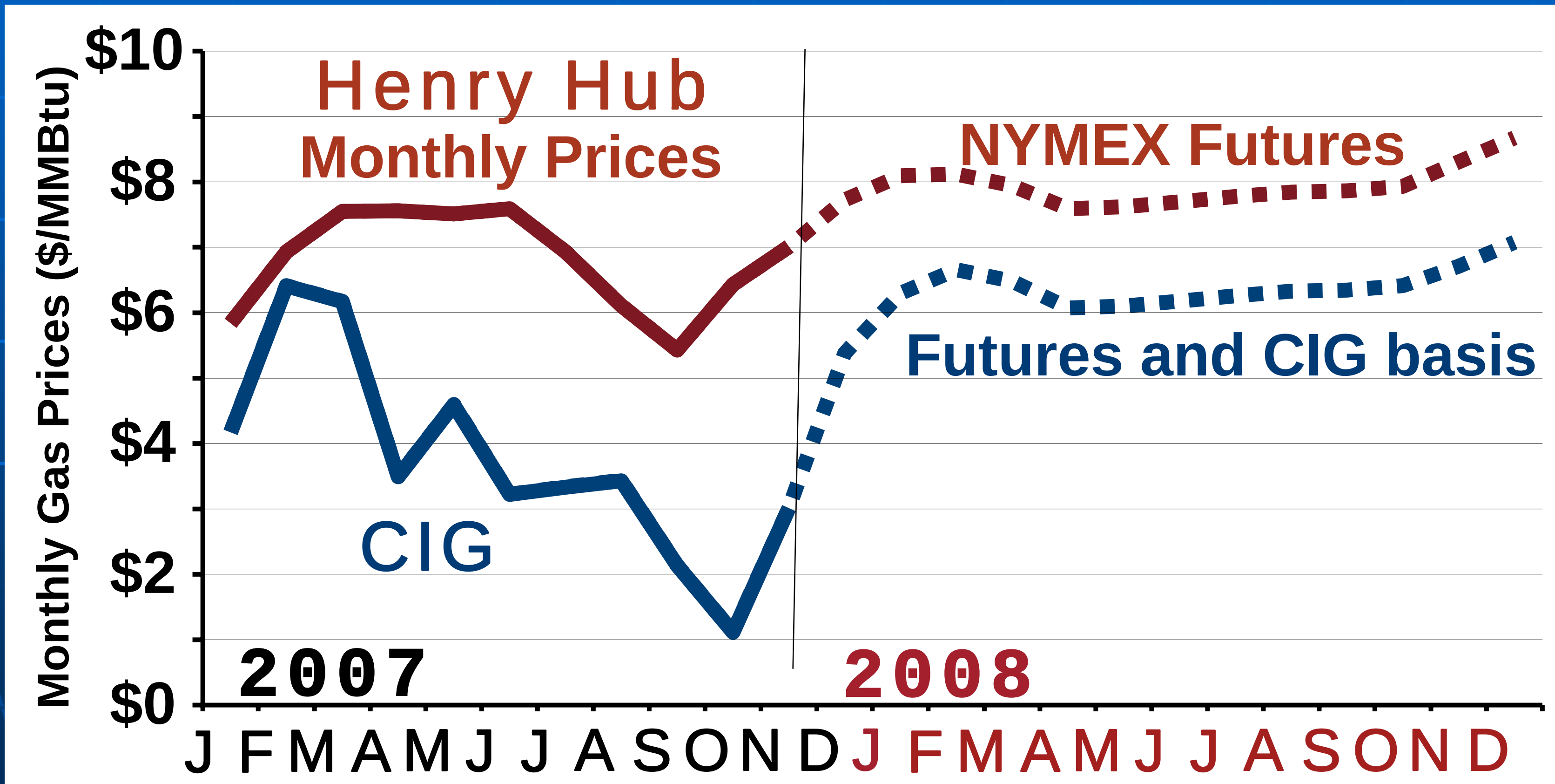
Source: OE Staff analysis

Limited Rockies Capacity Results in Extreme Prices



Source: Volume information from Bentek Energy, LLC and prices derived from Inter-Continental Exchange

Expected New Rockies Capacity to Relieve Price Pressures

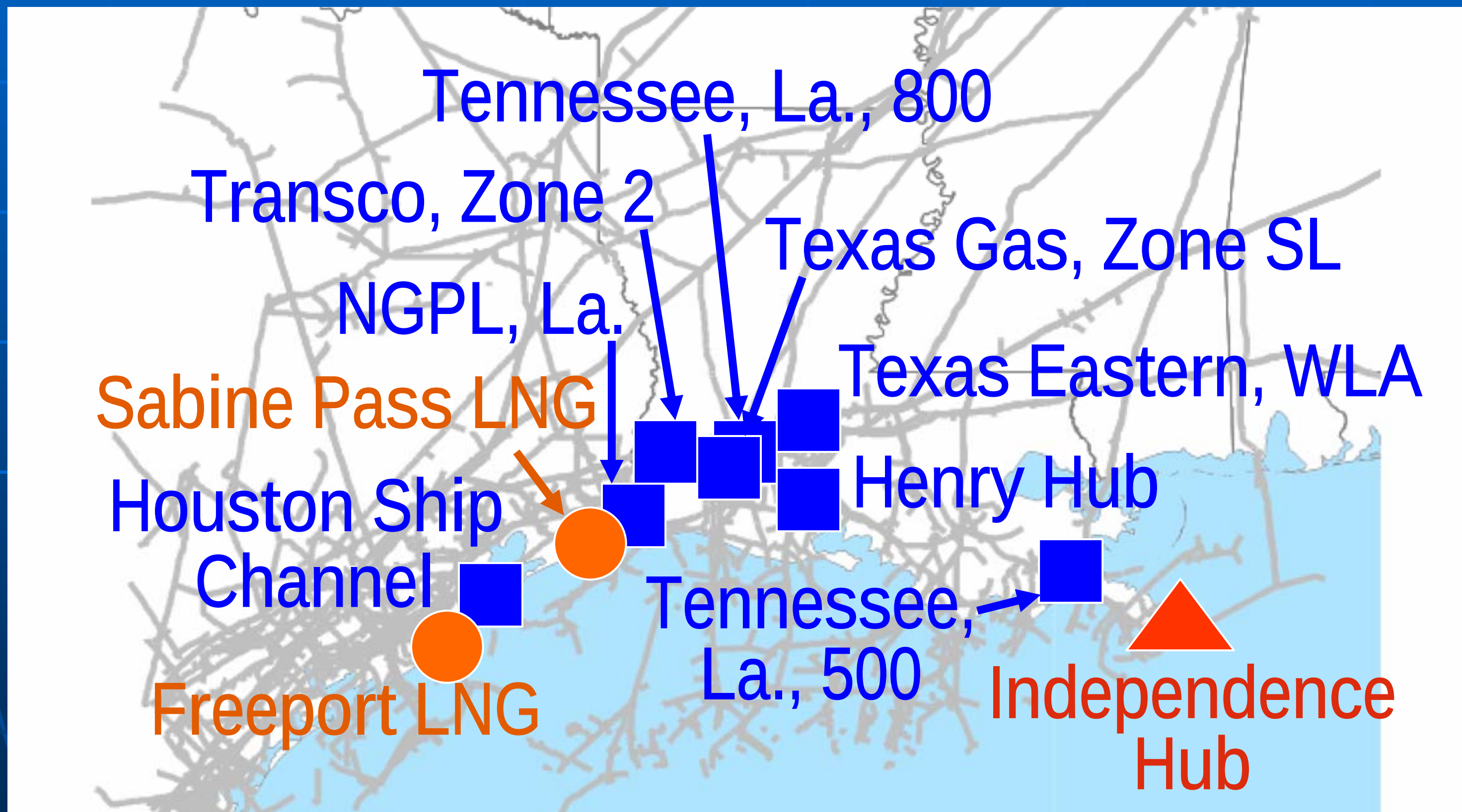


Source: Bloomberg, L.P. Forwards derived from Sept. 19, 2007 values

New LNG Capacity Likely to Alter Gulf Pricing

- Index pricing points
- LNG
- Offshore Production

Source: Derived from Platts' PowerMap



FERC Natural Gas Infrastructure Review: Pipelines, Storage, LNG

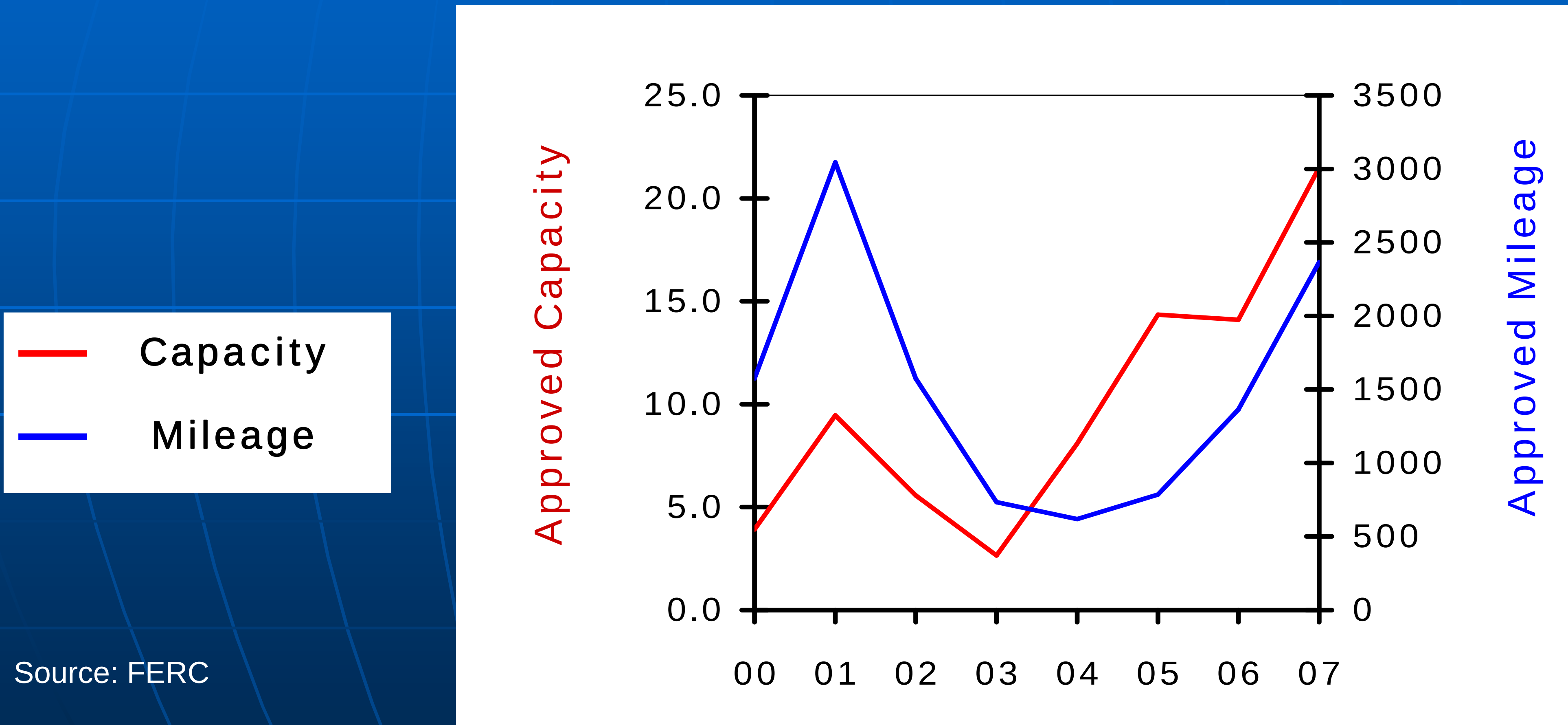
- Approved
- Pending
- Potential
- In-service in 2007

Pipeline Approvals 2000-2007 (Oct)

	Capacity (Bcf/day)	Miles of Pipe	Compression (HP)	Cost (Billions)
2000	2.2	1,102.8	151,096	0.8
2001	8.8	2,700.3	870,767	4.4
2002	5.8	1,590.0	560,064	3.1
2003	1.7	352.4	221,545	1.0
2004	8.1	619.3	83,538	1.2
2005	14.3	785.1	123,036	1.9
2006	14.1	1,363.6	329,657	4.2
2007 (Oct)	21.5	2,365.7	746,180	7.0
TOTAL	76.5	10,879.2	3,085,883	23.6

Source: FERC

Pipeline Approvals Soared in 2007



Source: FERC

New Pipelines, New Sources

Production

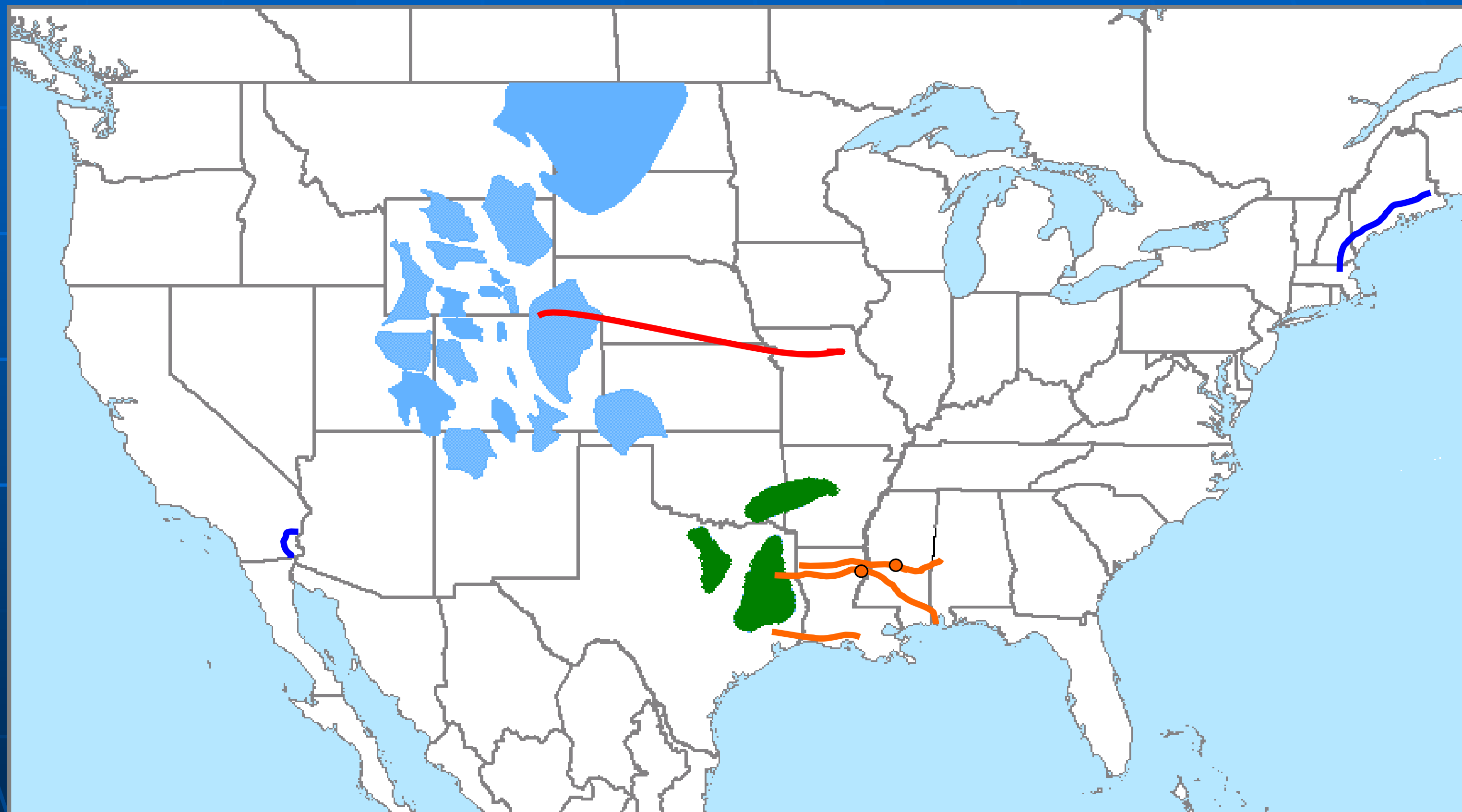
Rockies

Shale

REX West

SE Pipe

Imports



Source: Platts' PowerMap, FERC

Pipeline Infrastructure - Pending Applications

- 17.97 Bcf/day of capacity
- 2,804.0 miles of pipeline
- 575,891 HP compression
- 47% of capacity - LNG related
- Gas source for projects slowly changing

Pipeline Infrastructure - Prefiling

- 3.3 Bcf/day of capacity
- 603.8 miles of pipeline
- 126,310 HP Compression
- Little LNG-related capacity

Pipeline Infrastructure - Potential

- 18.42 Bcf/day of capacity
- 4,384 miles of pipeline
- 120,750 HP compression
- No LNG-related capacity
- Contains Alaska capacity

Gas Storage Approvals: 2000-2007

- 465.5 Bcf of working storage capacity
- 20.7 Bcf/day of deliverability
- Majority of proposals in Southeast
  - Proximity to salt formations
  - Proximity to LNG development

Storage Infrastructure: Pending, Pre-Filing and Potential

- Pending
  - 141.6 Bcf of storage capacity, 4.5 Bcf/day of deliverability
- Pre-Filing
  - 52.2 Bcf of storage capacity, 2.2 Bcf/day of deliverability
- Potential
  - 250.1 Bcf of storage capacity, 3.5 Bcf/day of deliverability
- Majority of proposals in Southeast and Northeast
- Lack of development in the West

LNG Approvals: 2002-2007

- 14 new terminal sites
  - Redelivery capacity of 24.7 Bcf/day
  - 12 sites on Gulf Coast, 2 in the Northeast
- 5 expansions
  - Redelivery capacity of 6.4 Bcf/day

LNG Infrastructure: Pending

- Pending
  - 8 new terminal sites
    - Redelivery capacity of 9.2 Bcf/day
    - Sites in the Northeast, California and Oregon

What Has Been Placed Into Service through October 2007?

- Pipelines
  - 7 Projects: 4.4 Bcf/day, 847 miles
- Storage
  - 9 Projects: 85.6 Bcf of storage, 1.8 Bcf/day of deliverability