Residential Choice Programs for Natural Gas

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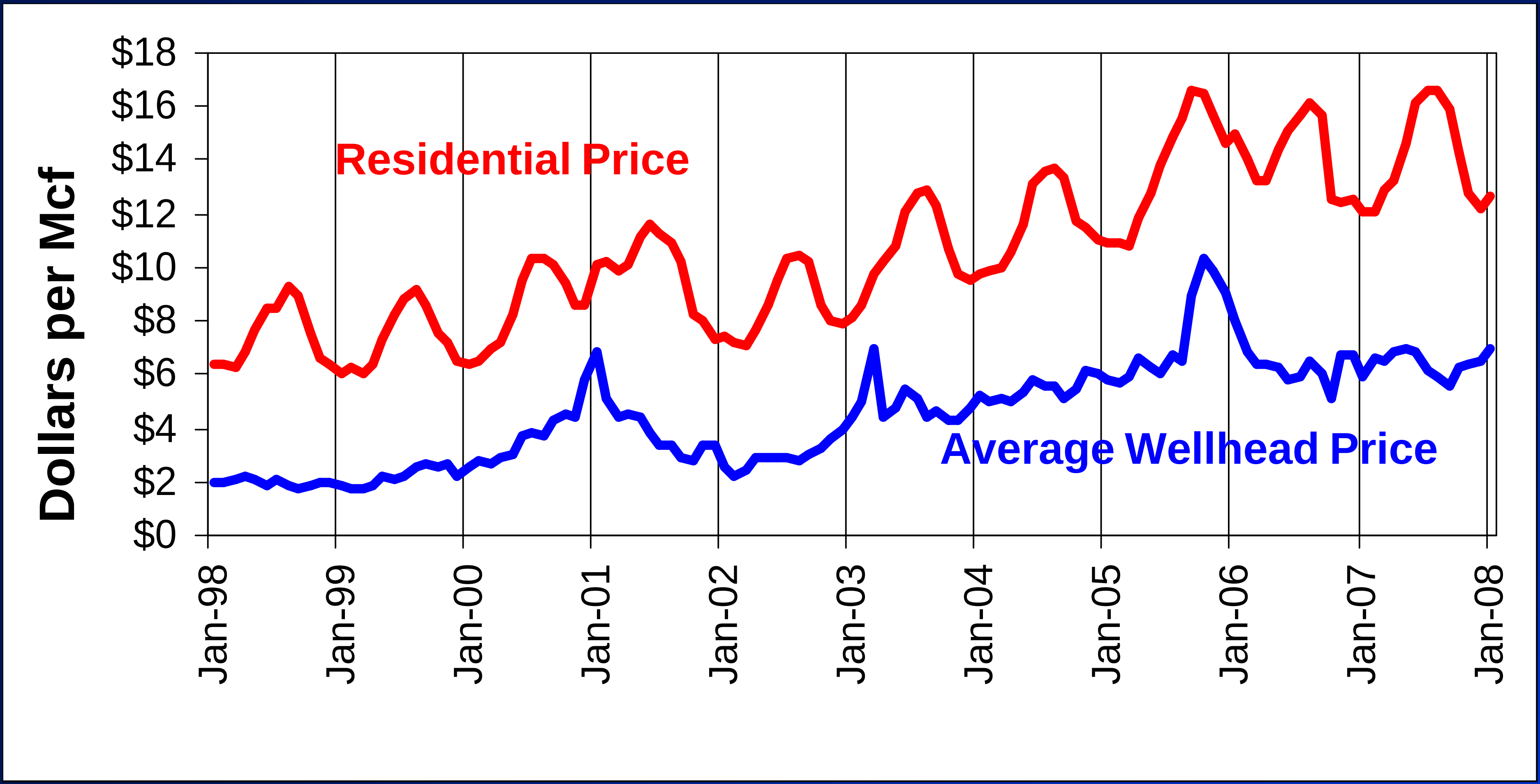
Residential Natural Gas Choice Programs: Topics

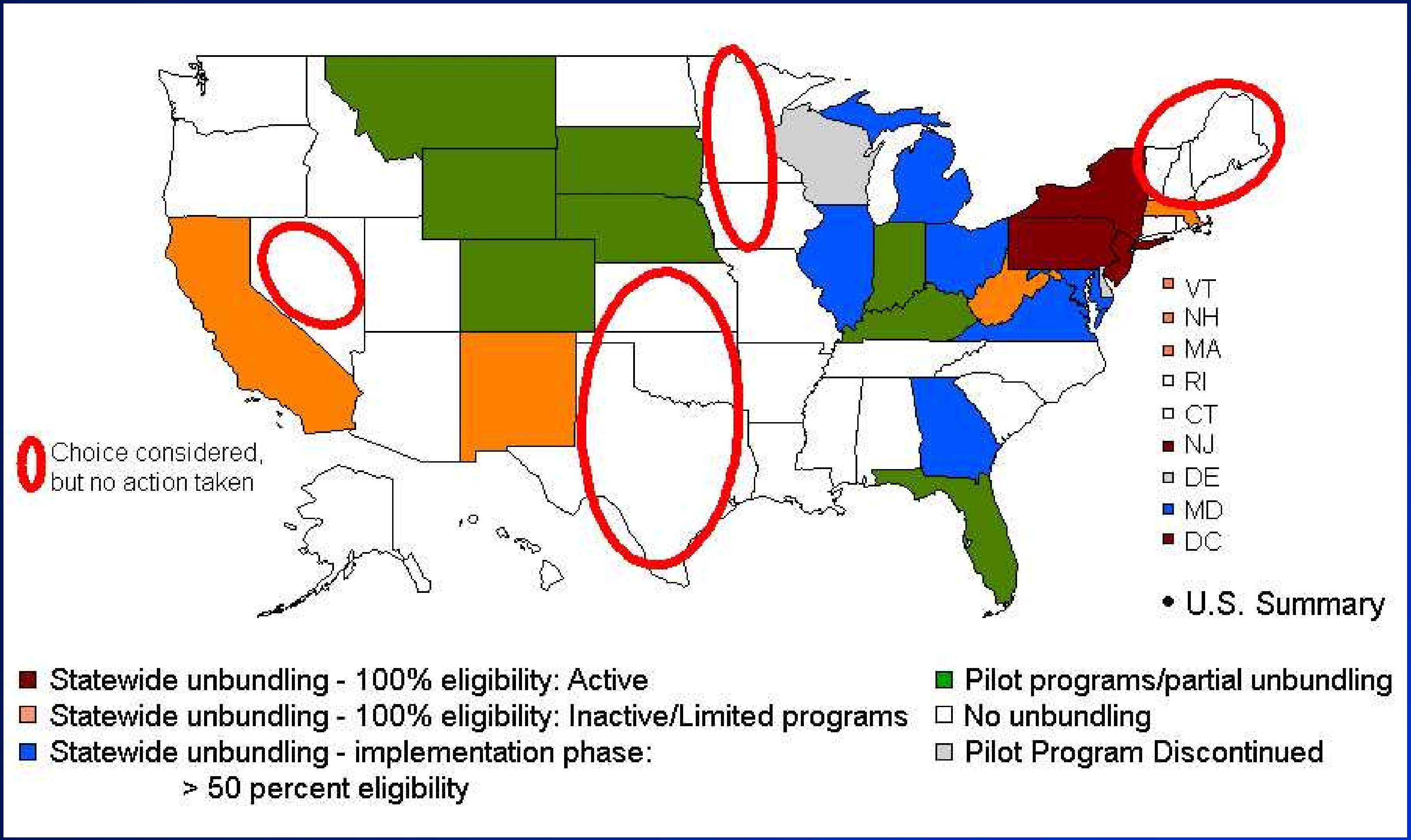
- Background and Current Status
- Trends/ Evolution
- Savings to Consumers?
- Issues

Average Natural Gas Retail Prices for Residential Customers Vary by Month
(January 1998 – January 2008)



Source: EIA

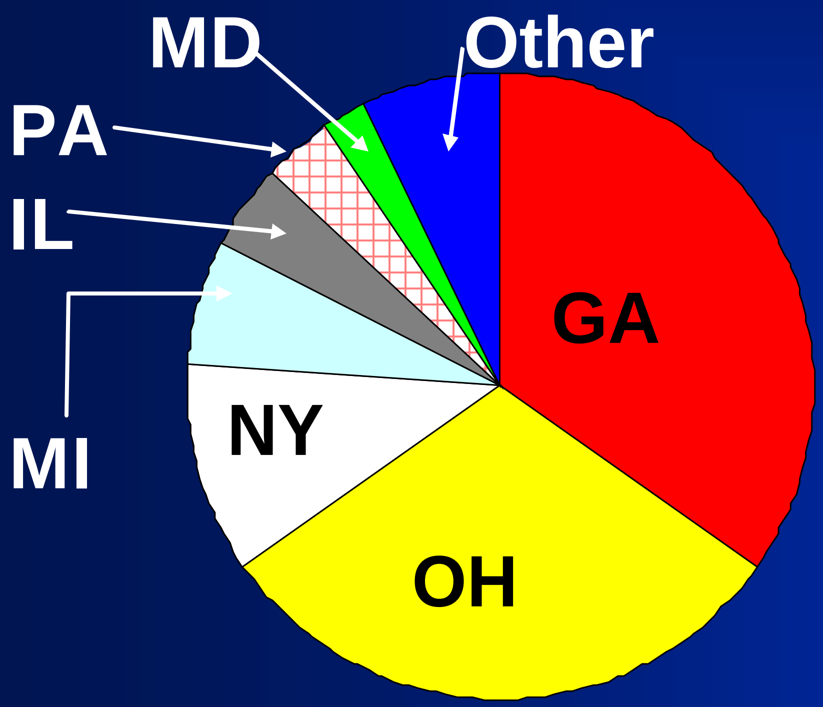
Status of Natural Gas Residential Choice Programs by State as of December 2007



Residential Choice For Natural Gas Varies for Several Reasons

- States Act Independently of Each Other
- Political/Economic Objectives Differ
- Experience with Electricity Choice Programs
- Attractiveness to Energy Providers Varies from State to State

Georgia and Ohio Account For About 65% of U.S. Residential Choice Customers in 2007



STATE	Residential Customers	Percent of Eligible
Georgia	1.6 million	100
Ohio	1.4 million	44
New York	0.5 million	11
Michigan	0.3 million	10
Illinois	0.2 million	9
Pennsylvania	0.2 million	6
Maryland	112,000	11
Nebraska	68,000	100
Indiana	63,000	42
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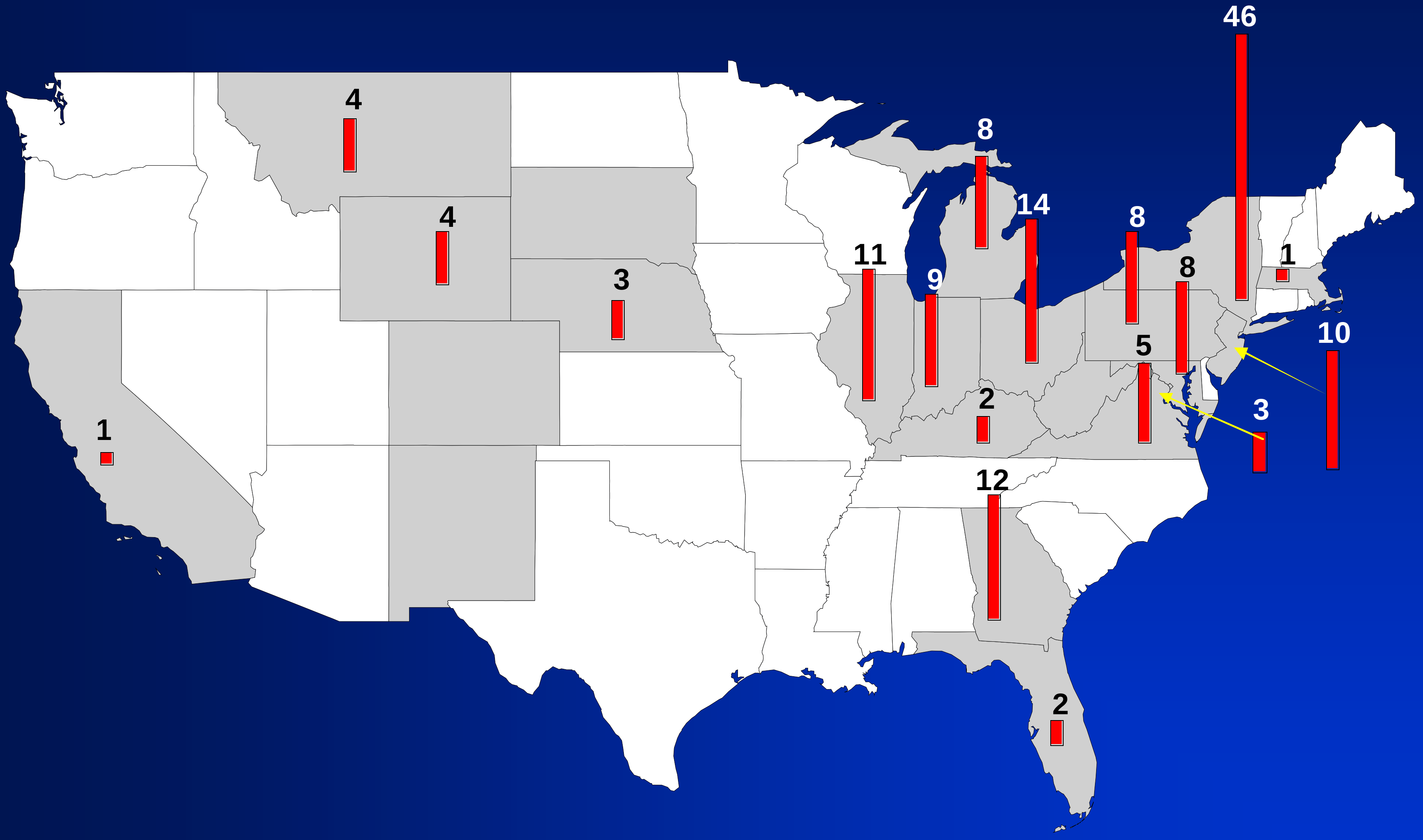
TOTAL U.S.	4.6 million	13

Marketers Providing Service to Residential Natural Gas Customers in Dec. 2007



Source: Energy Information Administration

Pros and Cons of Residential Choice

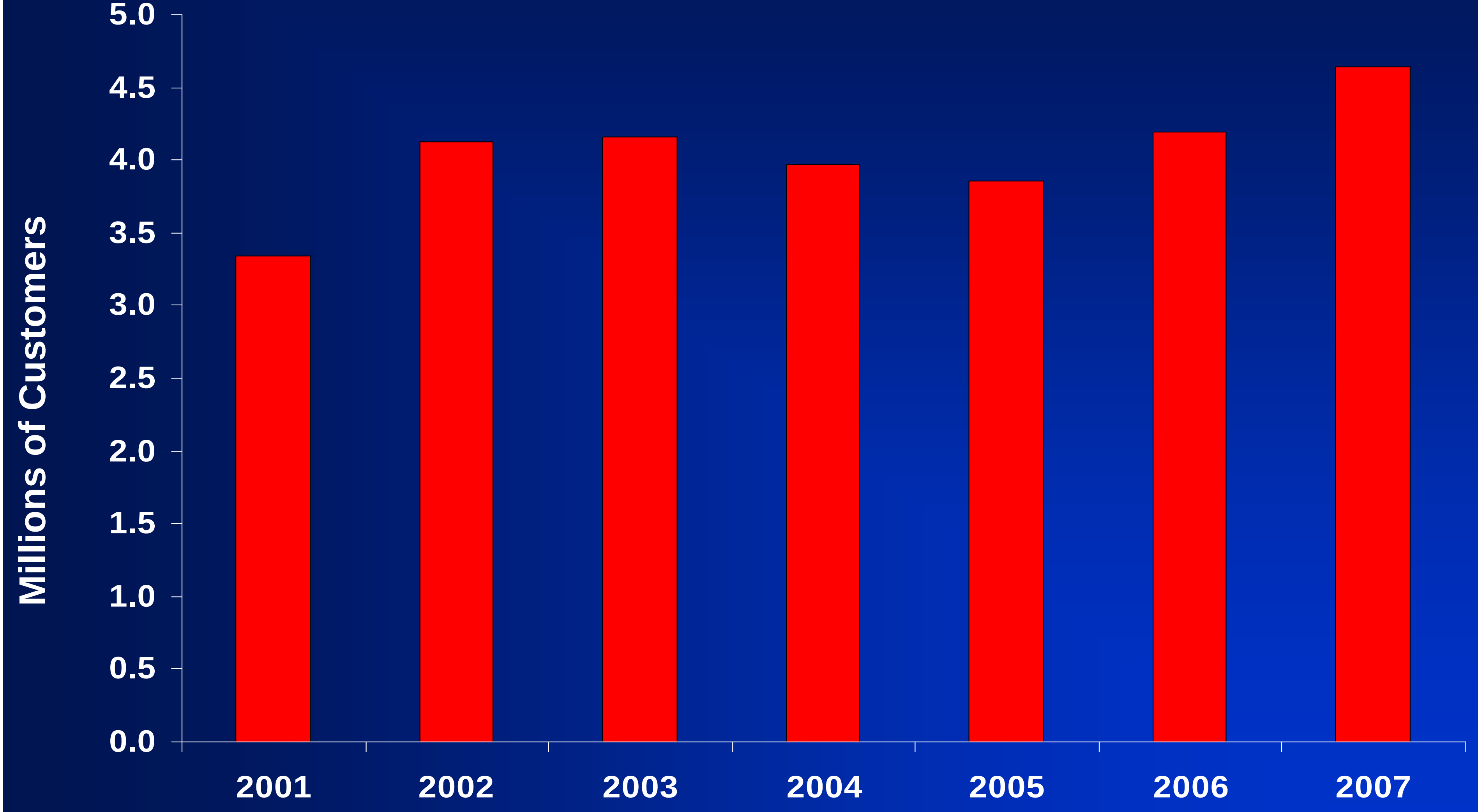
PROS:

- Increases competition
- Potential for price savings and/or more stable prices
- Encourages new services
- Improves market signals
- Increases competitive pressure on local utilities
- Increases market transparency (itemizing service costs)
- Provides service options for customers

CONS:

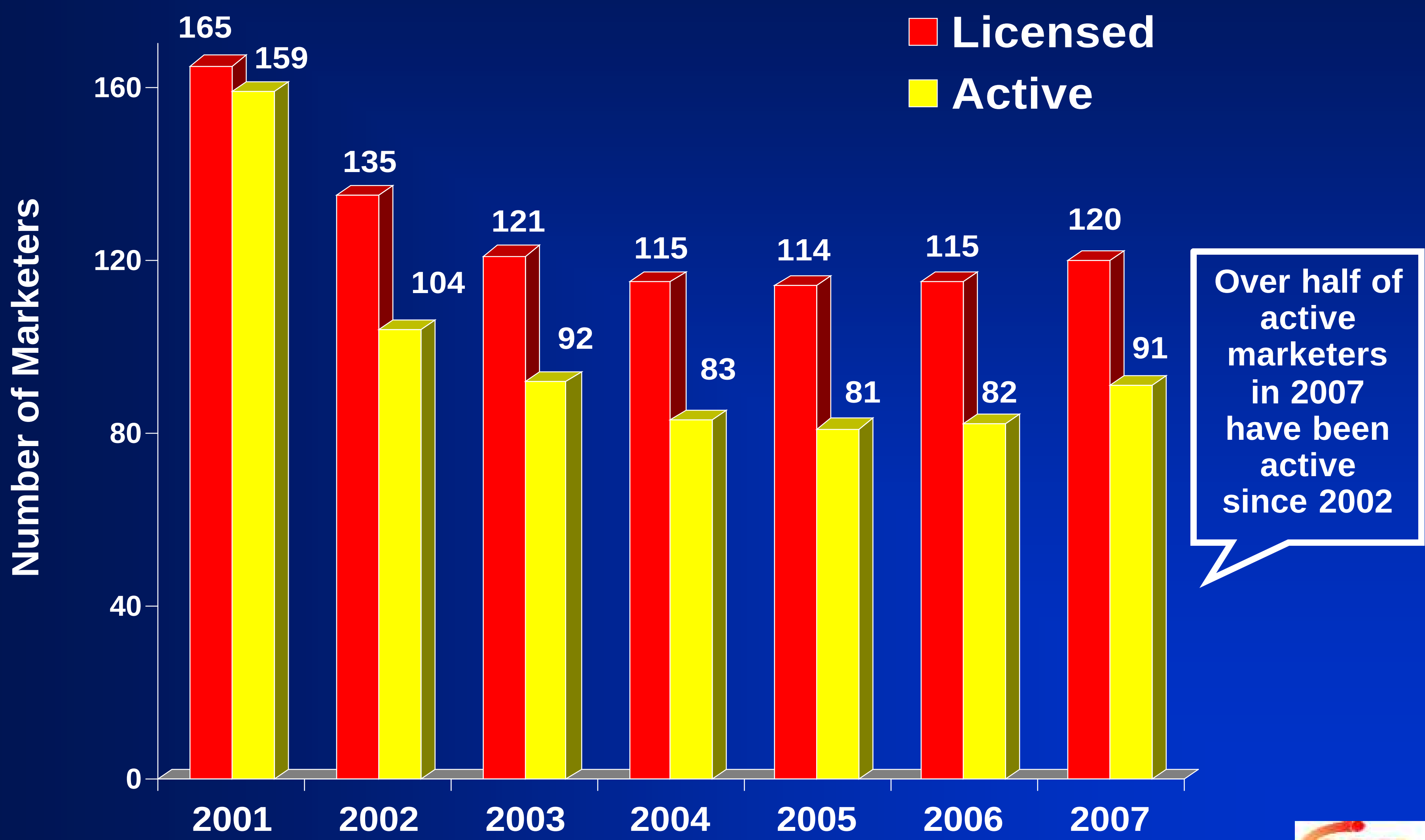
- Concerns about:
  - supply reliability
  - price impact
  - marketer interest/practices
  - costs/benefits
  - Transparency
- Implementation issues (allocating pipeline capacity)
- Retail market may not be a "level playing field"
- Customer burden - time, hassle factor

Residential Customers in Choice Programs Increased in 2006 and 2007



Source: Energy Information Administration

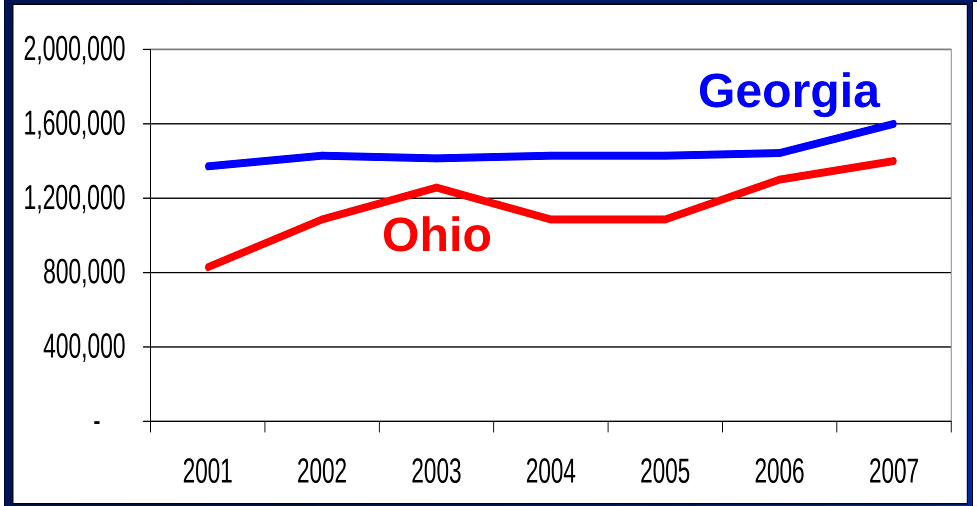
Licensed and Active Marketers in the Residential Gas Market in the United States

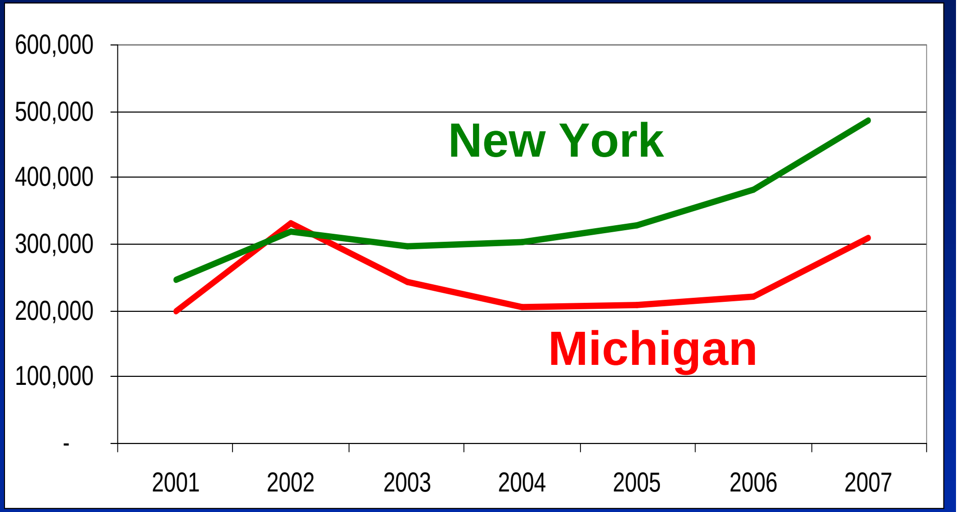


Source: Energy Information Administration

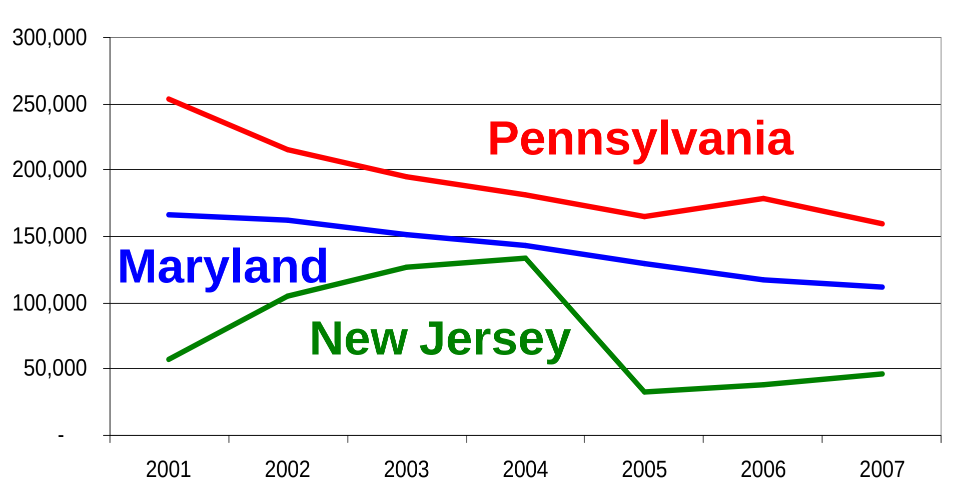
Participation Trends in Residential Choice Programs Vary by State

Georgia, Michigan, New York, and Ohio Participation Remains the Highest Despite Temporary Decreases

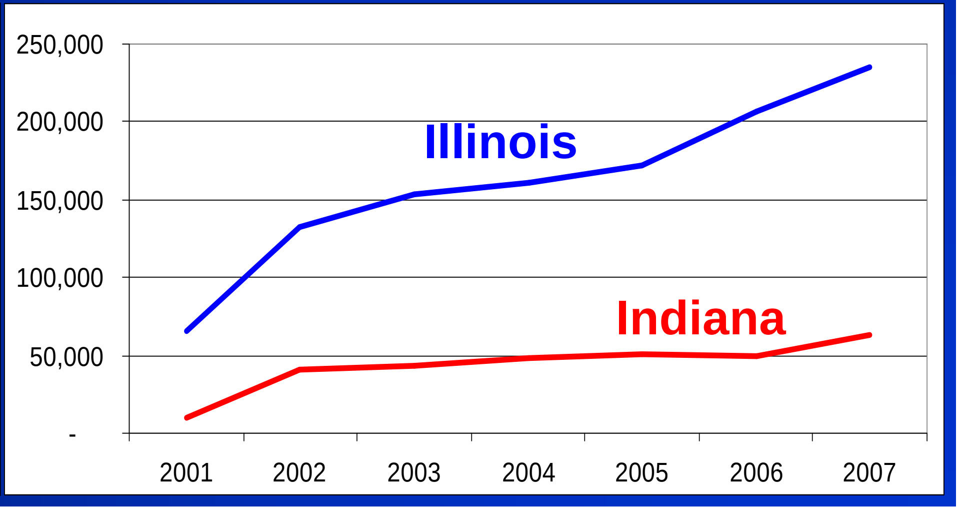




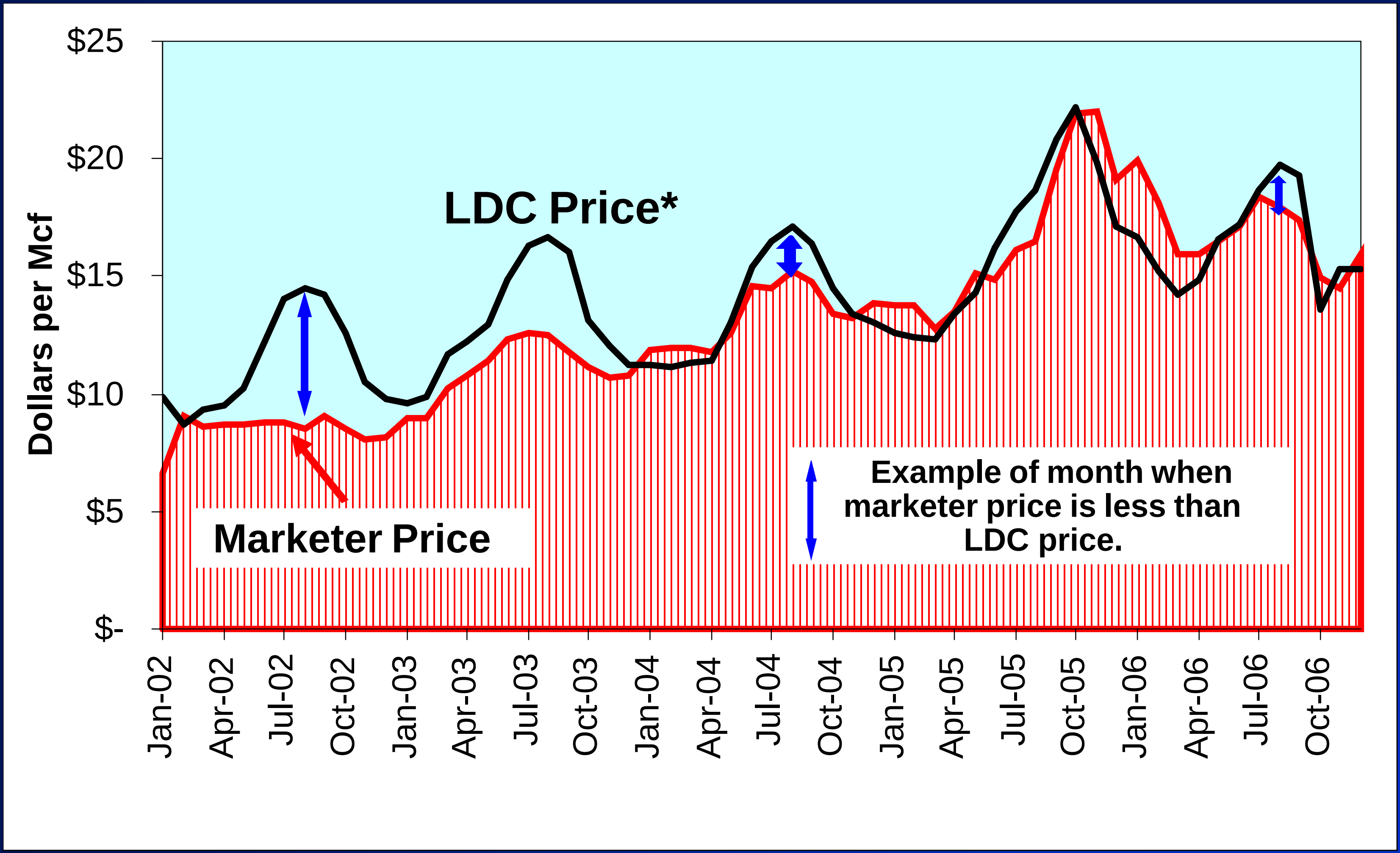
Maryland, New Jersey, and Pennsylvania Saw the Largest Declines Between 2001 and 2007



Illinois and Indiana Had the Largest Relative Increases Over the Years.

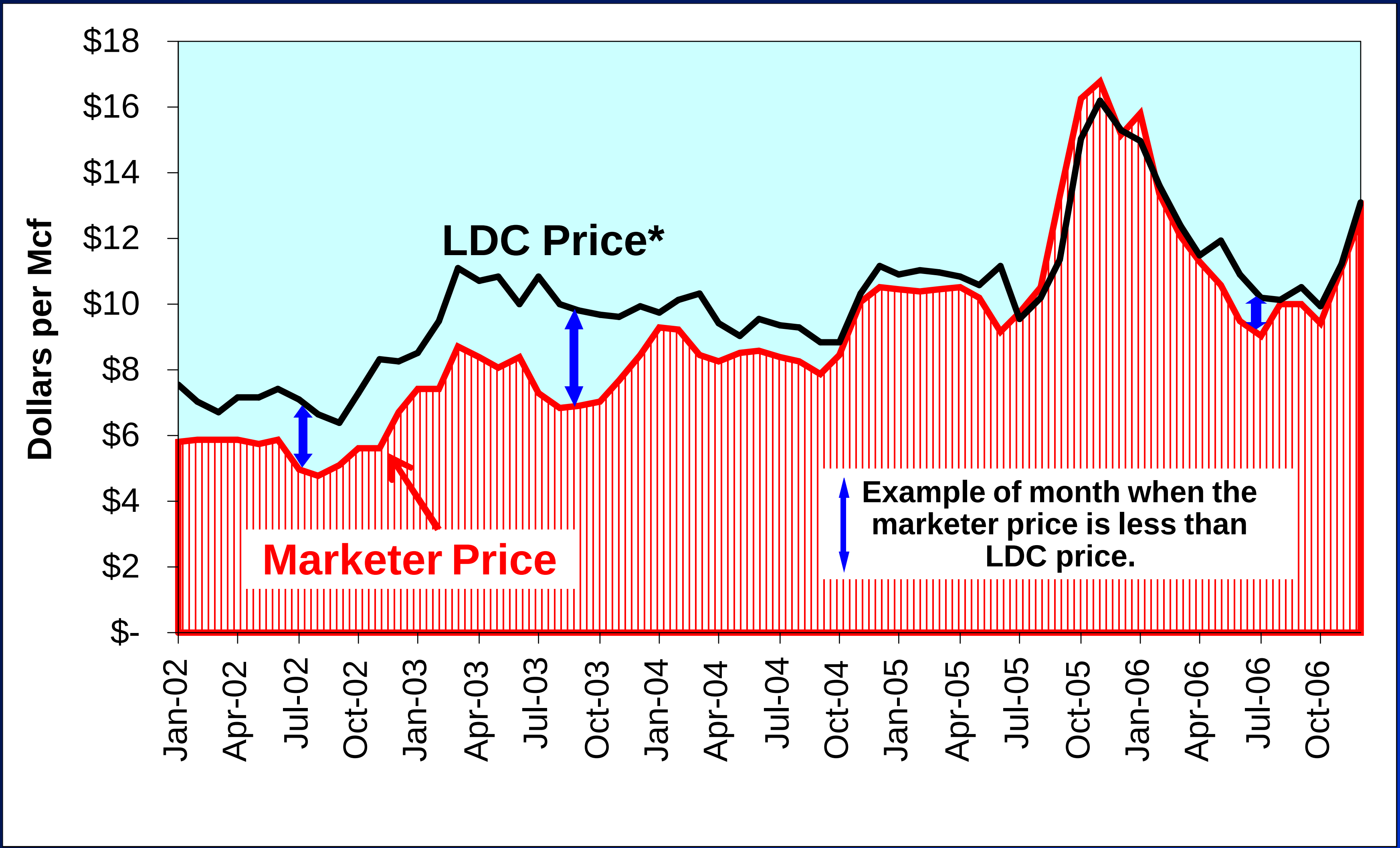


New York Residential Choice Customers Saved Money By Purchasing Gas From Marketers



Source: Energy Information Administration. * LDC price is the price charged by local distribution companies or local utilities.

New York Commercial Customers Saved Money by Purchasing Natural Gas from Marketers



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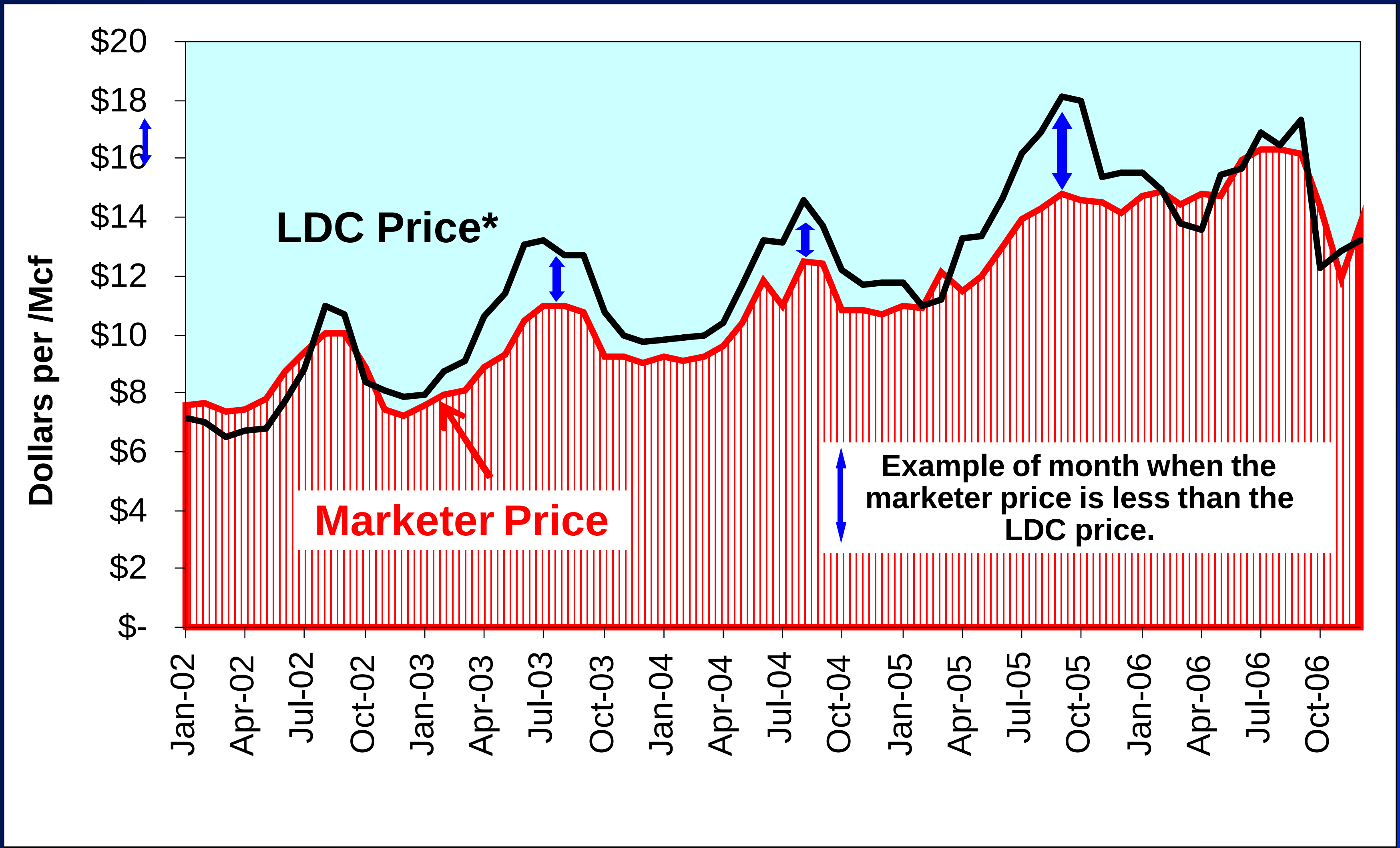
Ohio Residential Choice Customers Saved Money By Purchasing Gas From Marketers



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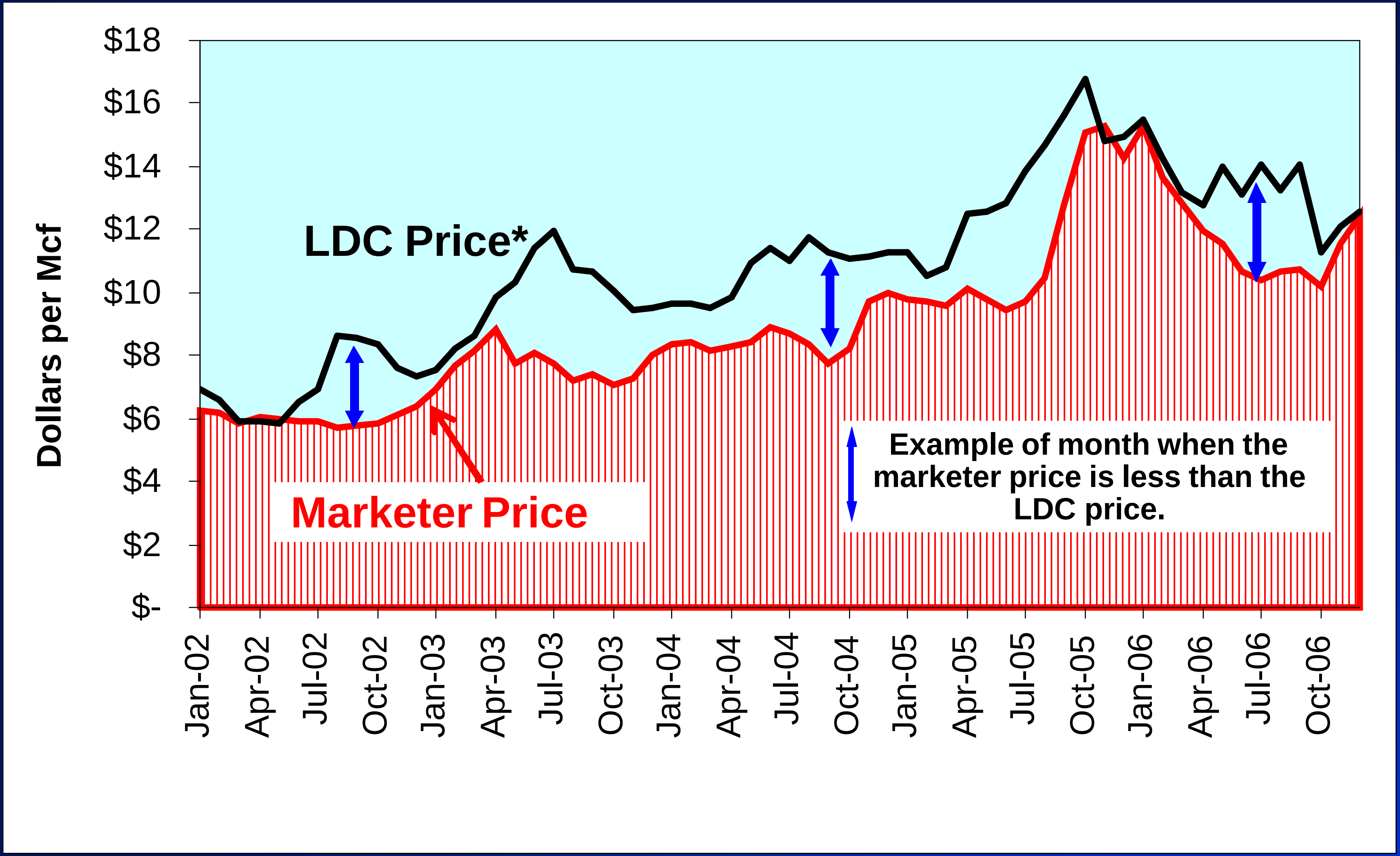

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Observations and Issues

- Recent increases in marketers and participation rates suggest opportunities for service providers and customers.
- Marketers and local distribution companies (LDCs) have expanded their service options.
- Residential choice has become complicated in some states:
  - many choices
  - increased need for transparency.
- State regulators are key information providers.
- Residential choice customers in several states, have saved money – but not every month.
- LDCs have responded to increased competition.

Recurring Publications:

Natural Gas Weekly Update, weekly

Natural Gas Year in Review 2007

Residential Choice Programs 2007

***Annual Energy Outlook 2008*, April 2008**

***Short-Term Energy Outlook*, monthly**

***International Energy Outlook 2007*, May 2007**

Special Reports:

U.S. Storage Drawdown Analysis Report

***Estimate of Maximum Underground Working Gas Storage Capacity in the United States: 2007 Update*, October 2007**

***Impact of Higher Natural Gas Prices on Local Distribution Companies and Residential Customers*, August 2007**

***Analysis of Price Volatility in Natural Gas Markets*, August 2007**

***Natural Gas Marketer Prices and Sales to Residential and Commercial Customers, 2002-2005*, June 2007**

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