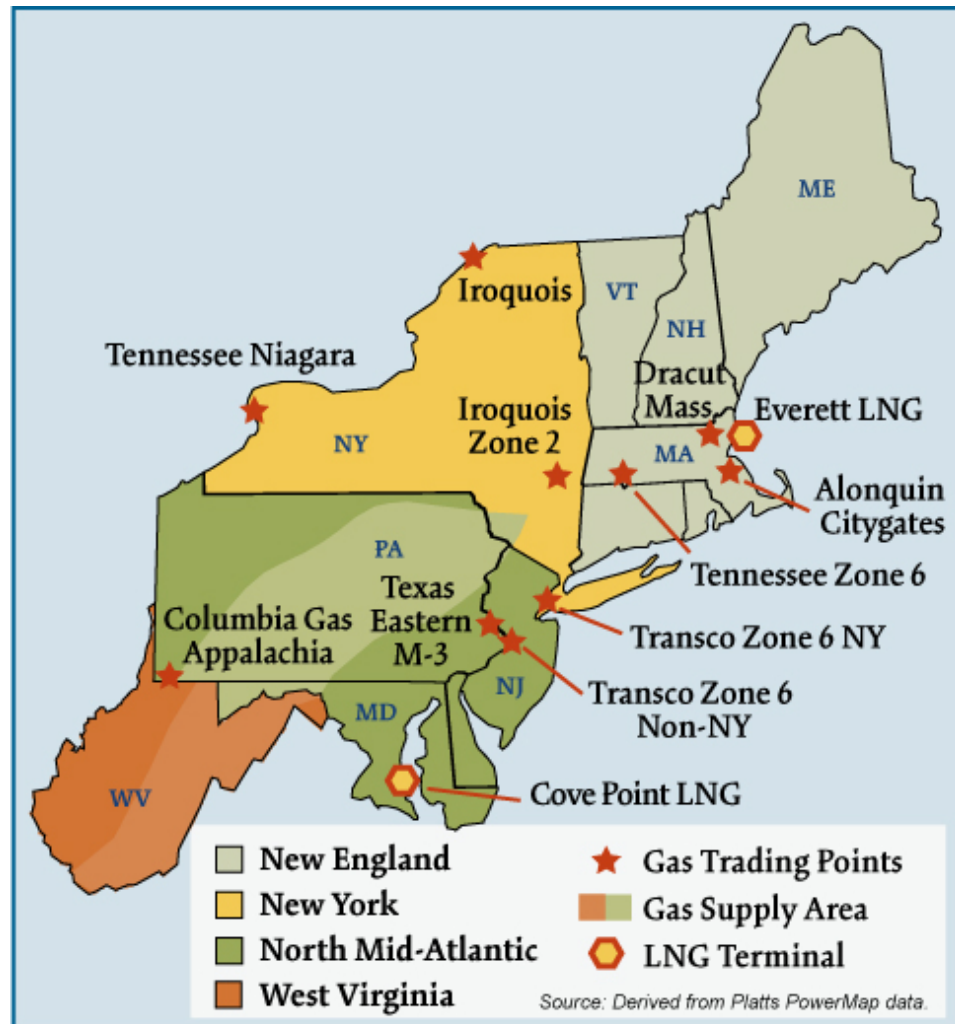


Northeast Natural Gas Regions



Overview:

Market Description

Natural gas use is increasingly important to the Northeast. Though traditionally the Northeast has been a winter peaking region, increased reliance on natural-gas fired generation has evened out annual gas use. Increased dual requirements for natural gas as a space heat fuel and utilization of gas-fired plants has imposed greater challenges on the Northeast, compared to other regions, in aligning commercial and operating conditions between the gas and power industries. The Northeast has little indigenous production (mainly in the Appalachian basin) and none in New England. The Northeast relies upon conventional and LNG storage to meet peak-day gas needs. Despite increased gas use for power generation, pipeline utilization remains highly seasonal; major regional pipelines often operate at high load factors during the winter resulting in basis differentials to upstream liquid trading points that may greatly exceed firm transportation tariff levels. LNG plays a critical role in the overall supply mix and accounts for up to 30 percent of peak-day gas needs in New England. Market participants in the Northeast can draw upon the nation's most extensive portfolio of dual, gas-oil fired power plants to flexibly respond to market price and load changes.

Geography

States covered: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, West Virginia, and Vermont.

Major Trading Hubs

Algonquin Citygates, Columbia Gas Appalachia, Texas Eastern M3, Transco Zone 6 NY, and, Transco Zone 6 Non-NY.

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

Storage

State Capacity: New York, Pennsylvania, and West Virginia accounted for 100 percent of total conventional storage capacity in the Northeast in 2005. New England has no conventional storage capacity, but it has about 18.4 Bcf of LNG storage capacity – 3.4 Bcf at the Everett terminal and the remainder at satellite storage locations throughout New England. New York and New Jersey add about 3.2 Bcf and 3.7 Bcf of LNG related storage capacity, respectively.

Aquifer Capacity: 0%

Depleted Field Capacity: 99%

Salt Cavern: 1%

Total Capacity: Northeast has 18 percent of total US storage capacity.

Major Storage Pipelines and Capacity:

Columbia System: 246 Bcf

Dominion: 290 Bcf

National Fuels: 69 Bcf

Demand by Sector (2005):

- Residential: 38%
- Commercial: 21%
- Industrial: 33%

State: New York, New Jersey, and Pennsylvania make up 68 percent of total Northeast demand and about 12 percent of total U.S. demand.

Northeast Total: 3.5 Tcf annually (or 9.9 Bcfd) which makes up 18 percent of total U.S. daily demand.

Consumer Total: 14.4 million, which is approximately 21 percent of total consumers in the U.S.

Key Consuming States: New York, New Jersey, and Pennsylvania make up 71 percent of total consumers in the Northeast and about 15 percent of total consumers in the U.S.

Residential Consumers: 91%

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

Production

State: Northeast gas production concentrated in Pennsylvania and West Virginia; together they account for 87 percent of total Northeast production. Nationally, however, these supplies equal about 2 percent of total U.S. production.

Total: Total Northeast production equals 0.4 Bcfd; it makes up 2 percent of total U.S. daily production.

Yearly Change: Northeast regional gas production in 2005 declined about 4 percent from 2004; much of this decline is attributable to declines in Pennsylvania production which declined 15 percent.

Prices

| Transco Zone 6 NY | 2005 | 2006 |
|--------------------------|-------------|-------------|
| Average Price | \$10.03 | \$7.36 |
| Average Basis | \$1.17 | \$0.63 |
| Highest Daily Price | \$28.12 | \$10.75 |
| Lowest Daily Price | \$6.24 | \$3.93 |

Pipeline Flows

Average Daily Northwest Deliveries to the Midwest: 6.9 Bcfd (2005) 6.6 Bcfd (2006)

Major Pipelines: Transco, Texas Eastern and Columbia carry a significant amount of gas from the Gulf coast to the Northeast.

Average Daily Midwest Deliveries to the Northeast: 1.6 Bcfd (2005) 1.6 Bcfd (2006)

Major Pipelines: Columbia, Texas Eastern and Dominion move gas from the Midwest to the Northeast.

Imports and Exports

Average Daily Imports from Canada into the Northeast:

2005: 2.8 Bcfd

2006: 2.7 Bcfd

Major Importers: Maritimes and Northeast pipeline, Tennessee Gas Pipeline and Iroquois Gas Transmission System flow the majority of the gas from Canada to the Northeast. Together, they represent the following percentages of pipeline gas imports:

2005: 83%

2006: 85%

Average Daily LNG Send out:

2005: 0.3 Bcfd

2006: 0.3 Bcfd

Note: Represents daily receipts from Everett to Tennessee and Algonquin. Excludes volumes delivered via truck, consumed at Mystic or other distribution.

Focal Points

Gas Imports Decline: Based on analysis of available capacity data from pipelines, northeast gas imports from Canada declined 5.8 percent in 2006, falling to 2.5 Bcfd from 2.6 Bcfd. Several factors accounted for declining net imports, including high gas storage levels in the United States, increased regional gas production from the Appalachian Basin, improvements in post-hurricane supplies from the Gulf of Mexico, mild weather in the United States, and structural demand growth in Canada.

Mid-Atlantic Capacity: The LNG facility at Cove Point, Md., boosted pipeline capacity by 433 MMcfd in April 2005 by adding compressors on the Dominion Cove Point East project. Transcontinental Gas Pipe Line Corp. added 150 MMcfd of capacity to its system in New Jersey via looping.

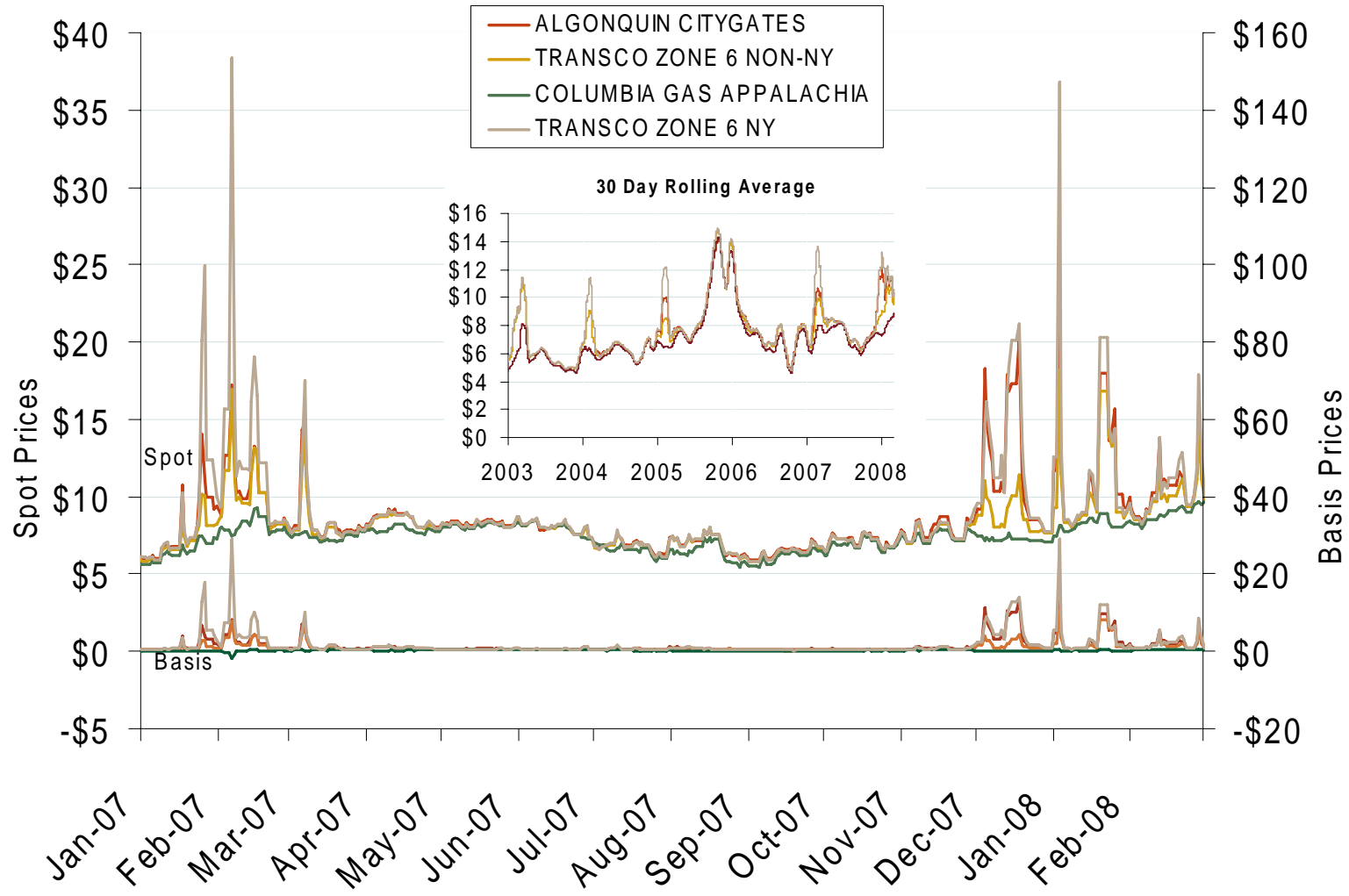
Production Rises: Pipeline information indicates that Appalachian natural gas production grew 13 percent in 2006, to 1,055 MMcfd from 934 MMcfd.

Yearly Average of Spot Hub Prices

Annual Average Day Ahead Prices (\$/MMBtu)

| | 2005 | 2006 | 2007 | 5-Years |
|---------------------|---------|--------|--------|---------|
| Algonquin Citygates | \$9.75 | \$7.40 | \$8.18 | \$7.74 |
| Transco Z6 NY | \$10.04 | \$7.36 | \$8.46 | \$7.83 |
| Transco Z6 non-NY | \$9.63 | \$7.30 | \$7.77 | \$7.52 |
| Columbia-Appalachia | \$9.18 | \$6.97 | \$7.20 | \$7.04 |
| Niagara | \$8.88 | \$6.96 | \$7.32 | \$7.06 |

Northeastern Spot Prices and Basis

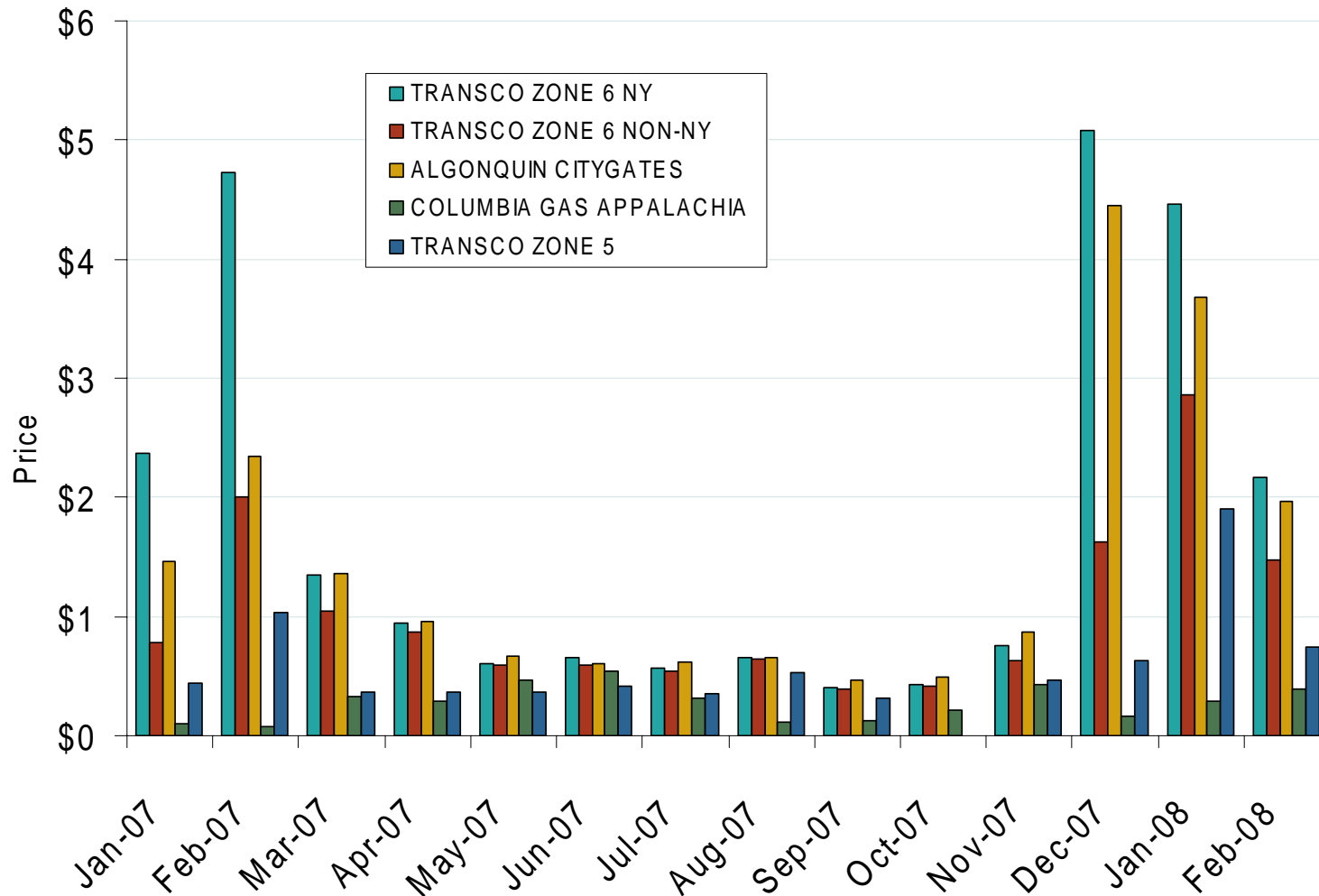


Source: Derived from *Platts* data.

Updated March 7, 2008

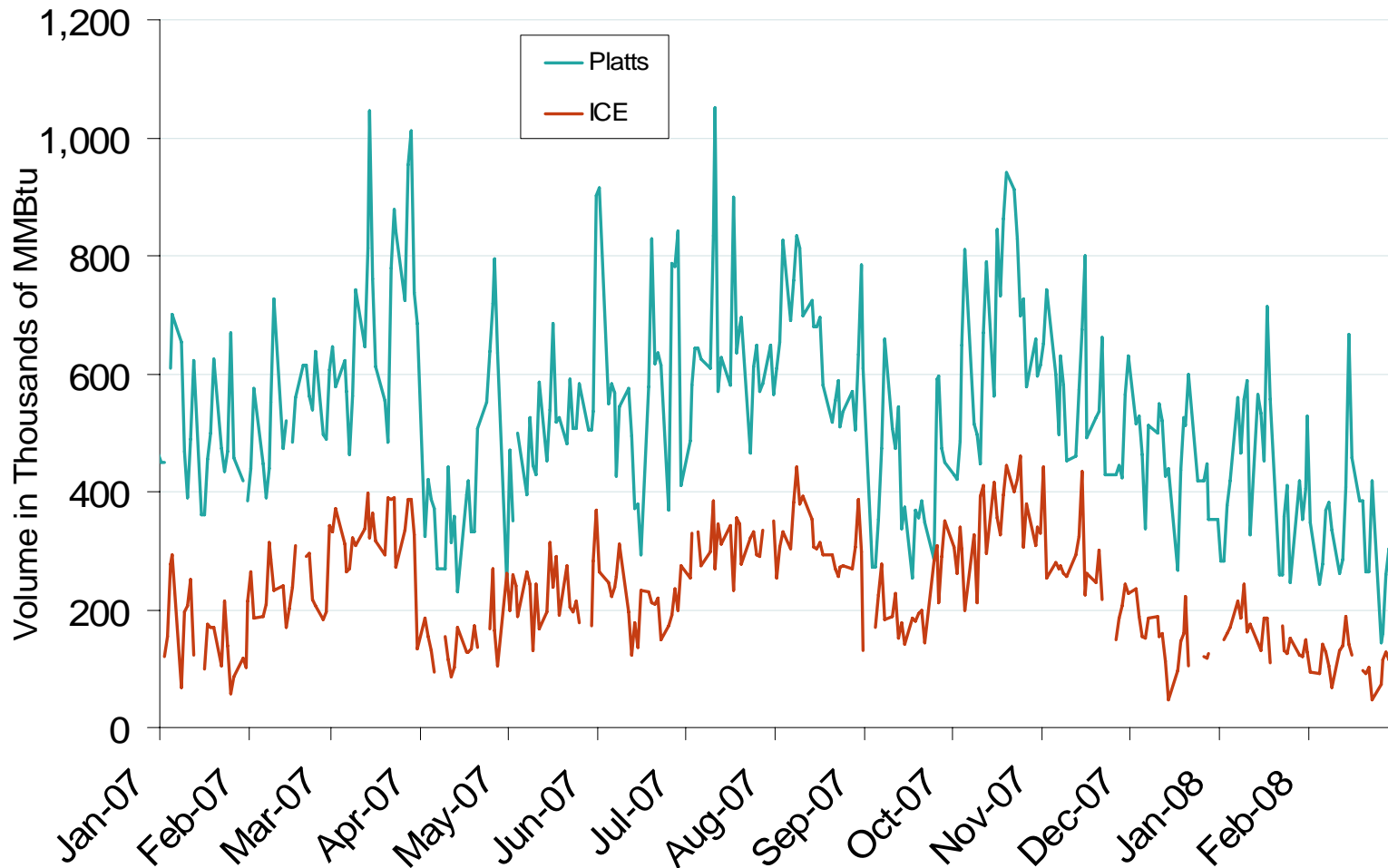
2030

Northeastern Monthly Average Basis Value to Henry Hub



Source: Derived from Platts data.

Published and Traded Daily Spot Volumes at Transco Zone 6

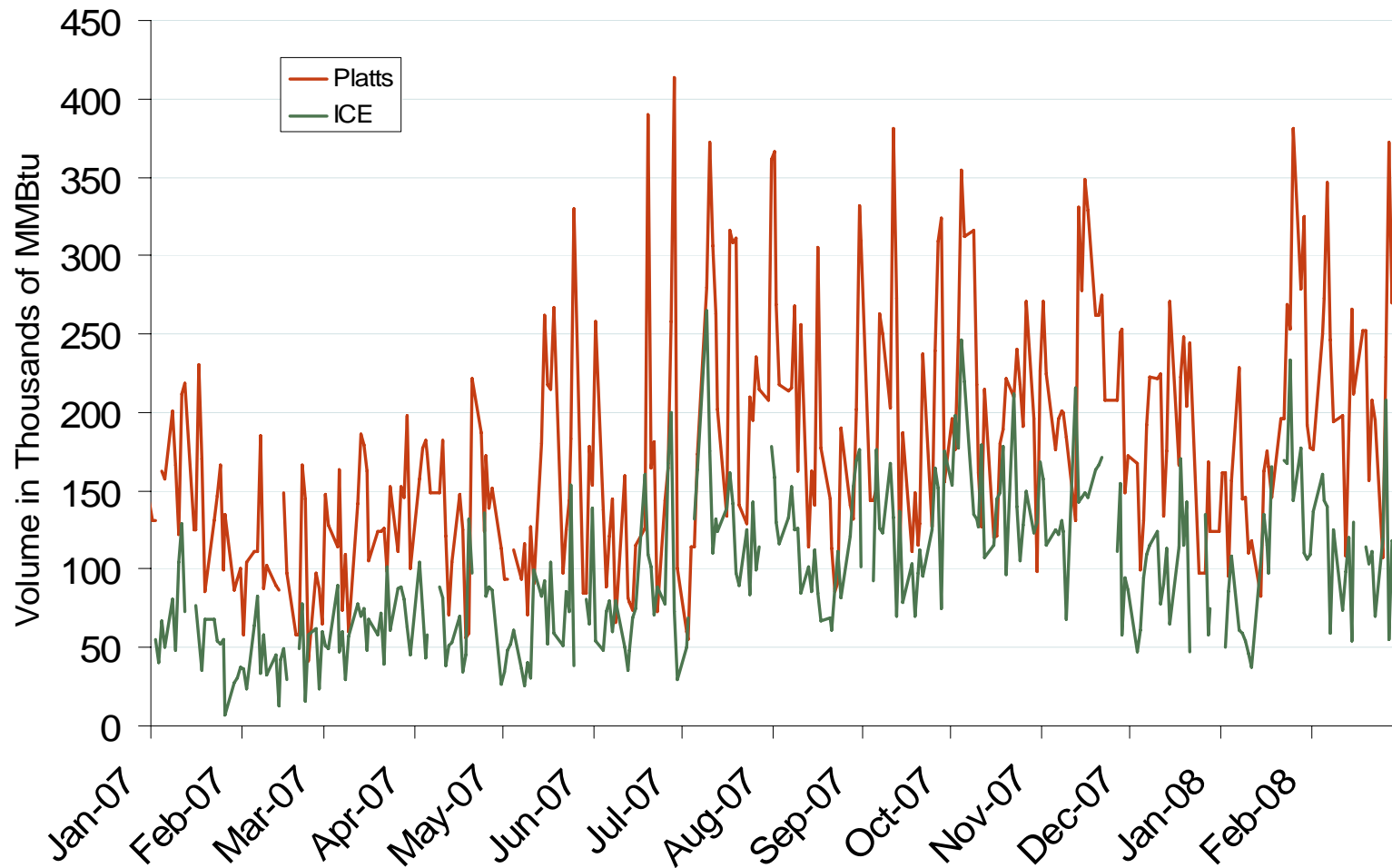


Source: Derived from *Platts* and *ICE* data.

Updated March 7, 2008

2150

Published and Traded Daily Spot Volumes at Algonquin

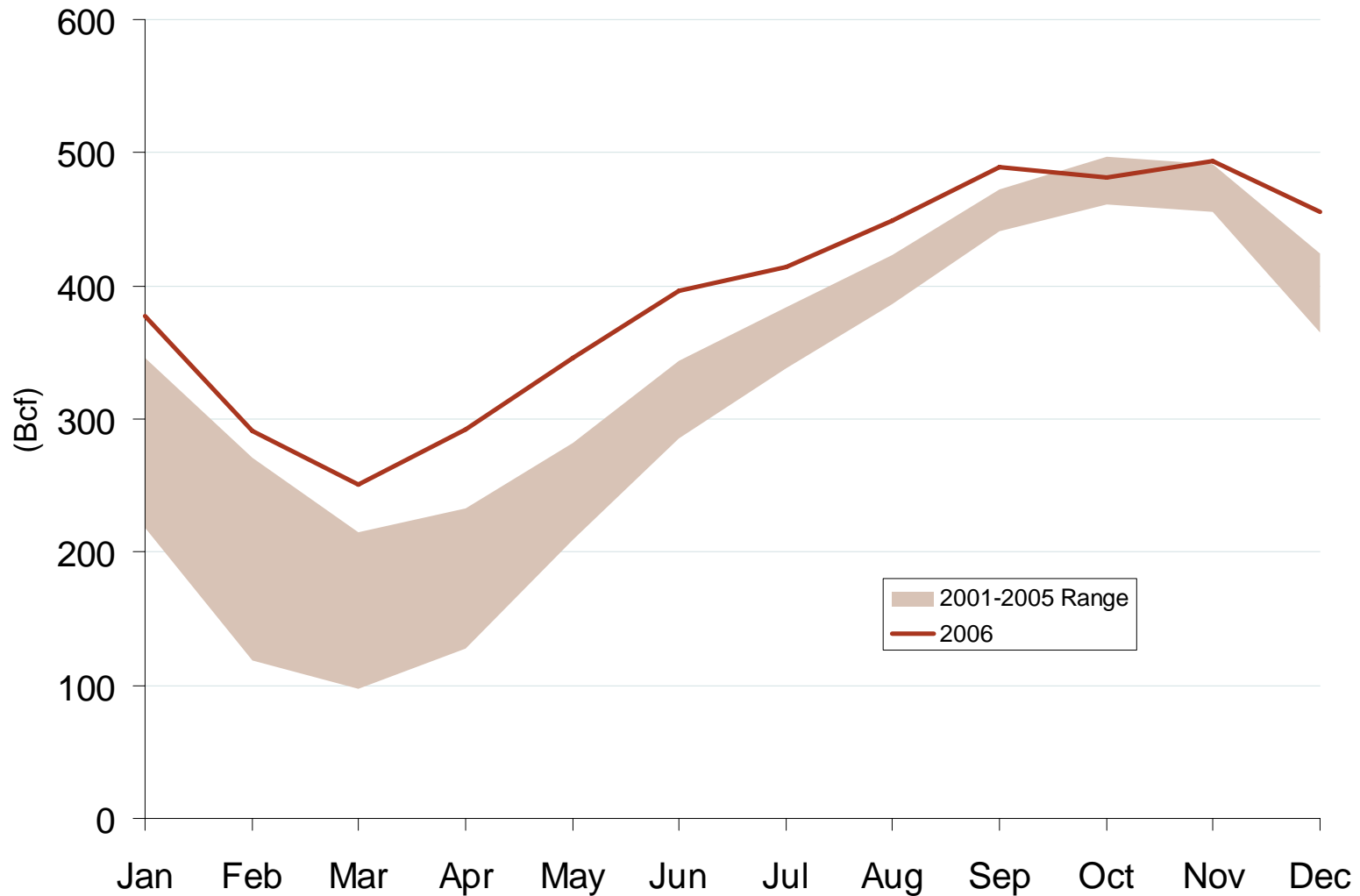


Source: Derived from *Platts* and *ICE* data.

Updated March 7, 2008

2150

Northeast Regional Storage Inventory Levels



Source: Derived from EIA.

Updated August 9, 2007

2037

Pipeline Projects

| Pipeline Projects | | | | | | |
|---------------------------------------|--------------------------------|-------------------|--------------------------|----------------------------|-------------------|---------------|
| Company | Project Name | Capacity (MMcf/d) | Capital Cost (Millions)+ | Status | Year Certificated | From-To State |
| Columbia Gas Transmission Corporation | Hardy Storage Project | 172 | \$62.2 | In-Service 04/07 | 2005 | MD-WV |
| Algonquin Gas Transmission | Cape Cod Project | 28 | \$16.0 | Approved | 2006 | MA-MA |
| Dominion Transmission, Inc. | | 700 | \$242.1 | Approved | 2006 | NY-WV |
| Domionion Transmission, LLC | | 800 | \$159.8 | Approved | 2006 | MD-MD |
| Eastern Shore Natural Gas Company | 2006-2008 System Expansion | 47 | \$33.6 | Phase I In - Service 10/06 | 2006 | PA-DE |
| Tennessee Gas Pieplien Company | Northeast ConneXion | 136 | \$110.0 | Approved | 2006 | MA-PA |
| Tennessee Gas Pipeline Company | Essex-Middlesex Lateral | 82 | \$38.1 | Approved | 2006 | MA-MA |
| Transcontinental Gas Pipeline Corp. | Leidy to Long Island Expansion | 100 | \$121.3 | Approved | 2006 | NY-PA |
| Total | | 2,065 | \$783.1 | | | |

+ Capital cost figures are estimates.

Storage Projects

| Storage Projects | | | | | | | |
|--------------------------------|-------------------------------|-------------------|----------------------------|-----------------------------|--------------------|----------------------|------------|
| Company | Project Name | Capacity (Bcf) | Deliverability (MMcf/d) | Capital Cost (Millions)+ | Status | Year Certificated | State |
| Dominion Transmission, Inc. | Northeast Storage Project | 9.4 | 163 | \$64.8 | In-Service 04/06 | 2005 | NY, PA, WV |
| Hardy Gas Storage, LLC | Hardy Storage | 12.4 | 176 | \$62.2 | In-Service 04/07 | 2005 | WV |
| Central NY Oil and Gas Co, LLP | Stagecoach Phase II Expansion | 13 | 0 | N/A | Under Construction | 2006 | NY-PA |
| Tennessee Gas/National Fuel | Northeast ConneXion NY-NJ | 0 | 114 | \$39.10 | Under Construction | 2006 | PA-NJ |
| Texas Eastern Transmission, LP | Accident Storage Enhancement | 3 | 0 | \$20.50 | Under Construction | 2006 | MD |
| Total | | 37.8 | 453 | \$186.6 | | | |

+ Capital cost figures are estimates.

LNG Projects

| LNG Projects | | | | | | |
|-------------------------------|---|-------------------|---------------------|--------------------|----------------------|-------|
| Company | Project Name | Capacity (Bcf) | Send-out (Bcf/d) | Status | Year Certificated | State |
| Weaver's Cove Energy/Hess LNG | Weaver's Cove (Fall River, MA) | 4.4 | 0.8 | Approved | 2005 | MA |
| Dominion Cove Point LNG, LP | Cove Point Expansion | 6.8 | 0.8 | Under Construction | 2006 | MD |
| Crown Landing LLC | Crown Landing LNG (Logan Township, NJ) | 9.2 | 1.2 | Approved | 2006 | NJ |
| Quoddy Bay LLC | Quoddy Bay Terminal (Pleasant Pointe, ME) | 10.1 | 2.0 | Filed 12/06 | TBA | ME |
| Downeast LNG, Inc | Downeast LNG Terminal (Robbinston, ME) | 6.8 | 0.5 | Filed 12/07 | TBA | ME |
| AES Sparrows Point LNG, LLC | Sparrows Point LNG (Baltimore, MD) | 10.1 | 1.5 | Filed 01/07 | TBA | MD |
| Broadwater LNG | Broadwater LNG (Long Island, NY) | 8 | 1.0 | Filed 01/06 | TBA | NY |
| Total | | 55.4 | 7.8 | | | |

Consumer by Market Segment (2005)

| Sector | Residential | Commercial | Industrial | State Total | % of US | % of Region |
|-----------------------------|-------------------|------------------|----------------|-------------------|------------|-------------|
| Connecticut | 475,221 | 52,572 | 3,437 | 531,230 | 1% | 4% |
| District of Columbia | 141,012 | 10,381 | 0 | 151,393 | 0% | 1% |
| Delaware | 137,115 | 12,070 | 179 | 149,364 | 0% | 1% |
| Maine | 18,633 | 8,178 | 69 | 26,880 | 0% | 0% |
| Maryland | 1,024,955 | 73,780 | 1,325 | 1,100,060 | 2% | 8% |
| Massachusetts | 1,297,508 | 120,167 | 12,019 | 1,429,694 | 2% | 10% |
| New Hampshire | 94,473 | 16,266 | 397 | 111,136 | 0% | 1% |
| New Jersey | 2,540,283 | 226,007 | 8,500 | 2,774,790 | 4% | 19% |
| New York | 4,229,396 | 378,889 | 2,925 | 4,611,210 | 7% | 32% |
| Pennsylvania | 2,600,574 | 233,132 | 5,576 | 2,839,282 | 4% | 20% |
| Rhode Island | 224,320 | 23,082 | 223 | 247,625 | 0% | 2% |
| Vermont | 33,015 | 4,781 | 41 | 37,837 | 0% | 0% |
| West Virginia | 374,301 | 36,535 | 145 | 410,981 | 1% | 3% |
| Regional Total | 13,190,806 | 1,195,840 | 34,836 | 14,421,482 | 21% | 100% |
| Total US | 63,573,466 | 5,196,428 | 205,217 | 68,975,111 | | |
| % of US | 21% | 23% | 17% | 21% | | |
| % of Region | 91% | 8% | 0% | 100% | | |

Source: Derived from EIA data.

Updated January 12, 2007

2096

Natural Gas Demand by State (2005)

| Sector | Residential | Commerical | Industrial | Vehicle Fuel | Electric Power | Other Fuel | State Total | % of US | % of Region |
|-----------------------|------------------|------------------|------------------|---------------|------------------|------------------|-------------------|------------|-------------|
| Connecticut | 44,522 | 35,756 | 20,469 | 224 | 63,896 | 3,327 | 168,194 | 1% | 5% |
| Delaware | 10,339 | 8,383 | 15,257 | 68 | 12,875 | 40 | 46,962 | 0% | 1% |
| District of Columbia | 13,853 | 17,683 | 0 | 111 | 0 | 487 | 32,134 | 0% | 1% |
| Maine | 1,149 | 4,792 | 2,662 | 0 | 48,647 | 585 | 57,835 | 0% | 2% |
| Maryland | 85,768 | 69,718 | 23,772 | 281 | 20,478 | 2,173 | 202,190 | 1% | 6% |
| Massachusetts | 118,617 | 56,665 | 47,774 | 188 | 152,429 | 1,810 | 377,483 | 2% | 10% |
| New Hampshire | 7,793 | 9,844 | 6,889 | 1 | 45,926 | 22 | 70,475 | 0% | 2% |
| New Jersey | 231,065 | 169,857 | 74,857 | 448 | 125,098 | 1,234 | 602,559 | 3% | 17% |
| New York | 388,202 | 377,788 | 76,001 | 1,385 | 304,059 | 11,153 | 1,158,588 | 5% | 32% |
| Pennsylvania | 245,099 | 144,971 | 184,712 | 633 | 80,640 | 35,493 | 691,548 | 3% | 19% |
| Rhode Island | 19,088 | 11,043 | 5,892 | 59 | 43,912 | 695 | 80,689 | 0% | 2% |
| Vermont | 3,088 | 2,610 | 2,628 | 1 | 32 | 14 | 8,373 | 0% | 0% |
| West Virginia | 29,795 | 25,084 | 33,263 | 328 | 2,287 | 26,702 | 117,459 | 1% | 3% |
| Regional Total | 1,198,378 | 934,194 | 494,176 | 3,727 | 900,279 | 83,735 | 3,614,489 | 16% | 100% |
| US Total | 4,806,136 | 3,101,526 | 6,745,835 | 22,265 | 5,869,145 | 1,696,296 | 22,401,203 | | |
| % of US | 25% | 30% | 7% | 17% | 15% | 5% | 16% | | |
| % of Region | 33% | 26% | 14% | 0% | 25% | 2% | 100% | | |

Source: Derived from EIA data.

Note: Units equal millions of cubic feet. Other Fuel consists of Lease Fuel, Plant Fuel, and Pipeline & Distribution use.

Updated January 12, 2007

2097

Natural Gas Production by State

| Northeast Dry Production | 2004 | 2005 | Yearly Change | 2005 % of Region | % of US |
|--------------------------|-------------------|-------------------|---------------|------------------|-----------|
| Maryland | 34 | 46 | 35% | 0% | 0% |
| New York | 46,050 | 55,180 | 20% | 13% | 0% |
| Pennsylvania | 196,583 | 167,801 | -15% | 39% | 1% |
| West Virginia | 189,561 | 209,239 | 10% | 48% | 1% |
| Regional Total | 432,228 | 432,266 | 0% | 100% | 2% |
| US Total | 18,757,477 | 18,074,237 | -4% | | |
| % of US | 2% | 2% | | | |

Source: Derived EIA data.

Updated January 12, 2007

2098

Natural Gas Storage by Field Type (2005)

| Field Type | Salt Dome | | Aquifers | | Depleted | | Total | | % of US Capacity | % of Region | Dry Proved Reserves |
|------------------------|-----------|----------------|-----------|------------------|------------|------------------|------------|------------------|------------------|-------------|---------------------|
| | Fields | Capacity | Capacity | Capacity | Fields | Capacity | Fields | Capacity | | | |
| New York | 1 | 2,000 | 0 | 0 | 22 | 202,000 | 23 | 205,000 | 2% | 14% | 349,000 |
| Pennsylvania | 0 | 0 | 0 | 0 | 49 | 749,000 | 49 | 749,000 | 9% | 51% | 2,782,000 |
| West Virginia | 0 | 0 | 0 | 0 | 31 | 512,000 | 31 | 512,000 | 6% | 35% | 4,459,000 |
| Northeast Total | 1 | 2,000 | 0 | 0 | 102 | 1,463,000 | 103 | 1,466,000 | 18% | | 7,590,000 |
| US Total | 30 | 250,532 | 44 | 1,350,689 | 320 | 6,667,222 | 394 | 8,268,443 | | | 204,385,000 |
| % of US | 3% | 1% | 0% | 0% | 32% | 22% | 26% | 18% | | | 4% |
| % of Region | 1% | 0.1% | 0% | 0% | 99% | | | | | | |

Source: Derived EIA data.

Note: Capacity units are measured in Millions of Cubic Feet.

Updated January 12, 2007

2099