

February 23, 2009

Natural Gas Trends

Highlights

LOWER GAS COSTS LEAD TO LOWER GAS BILLS

In recent weeks, *Platts Gas Daily* reported how declines in natural gas costs are being flowed through to gas customer bills, or not, as described below.

Texas. CenterPoint announced a decrease in the gas cost portion of Houston customer bills beginning in February, by an average of about 10%. A similar cut is planned for customers in incorporated areas surrounding Houston.

Missouri. The Missouri Public Service Commission recently approved a request from Missouri Gas Energy to reduce its gas rates by 22% beginning 1/22/09.

Carolinas, Tennessee. Piedmont Natural Gas recently requested that state regulators approve gas rate reductions of 9% in North Carolina, 9.6% in South Carolina, and 3.6% in Tennessee.

Kentucky. The Kentucky Public Service Commission announced another round of downward gas cost adjustments for the state's five largest gas utilities, including Atmos Energy, Columbia Gas of Kentucky, Delta Natural Gas, Louisville Gas and Electric, and Duke Energy Kentucky. The adjustments will result in an average reduction of \$1.10/Mcf, or about \$11 per month less for a typical customer bill. The Kentucky Commission expects gas rates to drop further in March.

California. San Diego Gas & Electric and its sister company, Southern California Gas, announced that customers can expect their heating bills to be about 20% lower than last winter, due to lower natural gas costs.

Maryland. The Maryland Public Service Commission (MPSC) scheduled a hearing to begin 2/24/09 to focus on the gas procurement practices of natural gas utilities. The MPSC Staff, backed by an order from the Commission, informed five natural gas local distribution companies that they must explain why they should not hedge the price of natural gas purchased for summer storage injection. The Staff determined through a 12/15/08 survey sent to BG&E, WGL, Columbia Gas, Chesapeake Utilities, and Easton Utilities that most do not intend to change their procurement practices to take advantage of currently low gas futures prices.

Source: *Platts Gas Daily* 1/26/09, 2/4/09, 2/23/09

Data

- March Natural Gas Futures Contract (February 20), NYMEX at Henry Hub closed at \$4.006
- March Light, Sweet Crude Oil Futures Contract (February 20), NYMEX at Cushing closed at \$39.28 per Bbl. or approximately \$6.25 per MMBtu

Heating Degree Days

From 2/15/09 thru 2/21/09, Texas and the U.S. experienced warmer than normal weather. For the heating season (7/1/08 to present), cumulative heating degree days are 14% below normal for Texas and normal for the U.S.

Heating Degree Days (HDD) Week ending 2/21/09

City or Region	Week Total HDD	Week HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	162	- 8	2778	- 14 %
Austin	62	- 13	1282	- 7 %
DFW	93	- 13	1471	- 24 %
El Paso	101	0	1687	- 19 %
Houston	36	- 35	935	- 26 %
San Antonio	33	- 39	882	- 33 %
Texas**	69	- 17	1385	- 14 %
U.S.**	188	- 10	3209	0 %

* A plus (+) value = cooler than normal; a minus (-) value = warmer than normal.
 ** State and U.S. degree-days are population-weighted by NOAA.
 Source: NOAA (www.cpc.ncep.noaa.gov)

U.S. Gas Storage Level Declines to 1,996 Bcf

For the week ending 2/13/09, U.S. working gas in storage declined to 1,996 Bcf, with the 24 Bcf draw characterized by *Platts* as 'anemic', compared to 1,819 Bcf in storage a year ago and 1,841 Bcf for the 5-year average from 2004 to 2008. Working gas in storage in the producing region (which includes Texas) dropped to 737 Bcf, significantly higher than 617 Bcf in storage a year ago and 595 Bcf for the 5-year average from 2004 to 2008.

Source: www.eia.doe.gov and *Platts*

U. S. Working Gas in Storage (Bcf) Week ending 2/13/09

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	947	972	-25	- 5.7 %
West	312	327	-15	+ 28.4 %
Producing	737	721	+ 16	+ 23.9 %
Lower 48 Total	1996	2020	- 24	+ 8.4 %

U.S. Gas Rigs Trend Lower to 1,018

The U.S. gas rig count was down 36 for the week and down 412 compared to 12 months ago. The U.S. total rig count was down 39 for the week and down 471 compared to 12 months ago. While most state rig counts declined or stayed the same for the week, Pennsylvania added two rigs.

Source: Baker Hughes, Inc.

Baker Hughes Rotary Rig Count (2/20/09)

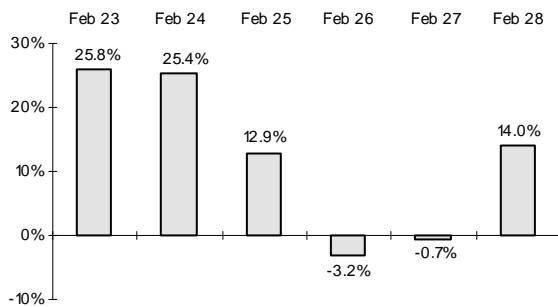
	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1300	-39	1771	- 471
Gas	1018	-36	1430	- 412
Oil	269	-4	333	- 64
Texas	564	-17	866	- 302
N. Amer.	1701	-59	2418	- 717

Fluctuating Energy Use Forecasted For U.S.

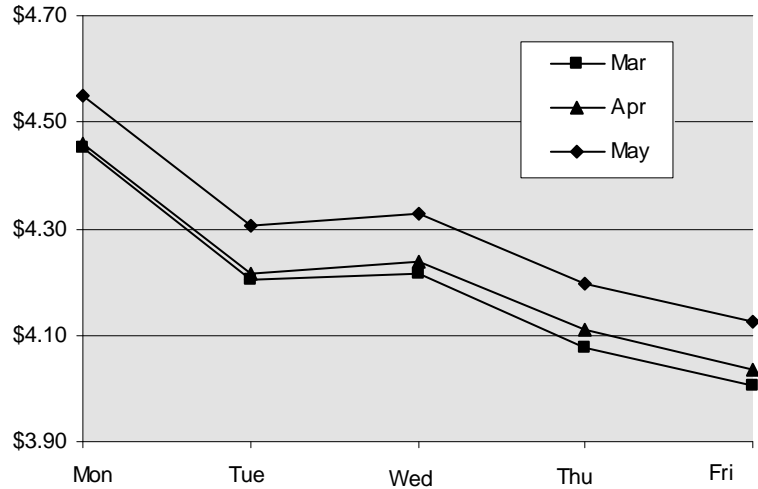
Higher than normal energy use is forecasted for the U.S. through Wednesday, 2/25, and on Saturday, 2/28, while below normal energy use is forecasted for Thursday and Friday, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

U.S. Energy Use Forecast

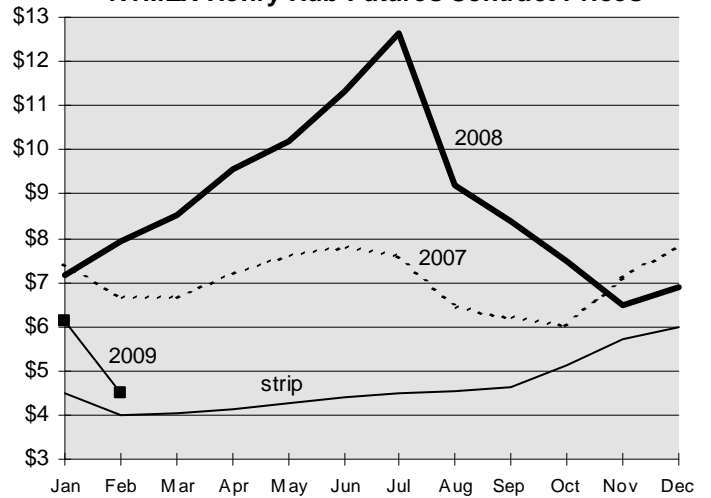


NYMEX Natural Gas Price Movement 2/16/09 - 2/20/09



Note: The President's Day holiday occurred on Monday, 2/16/09; thus, the 2/13/09 price is shown on Monday, above.

NYMEX Henry Hub Futures Contract Prices



Gas Price Summary

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (March Futures)				
NYMEX	\$4.006	-\$0.446	-\$4.502	\$4.775