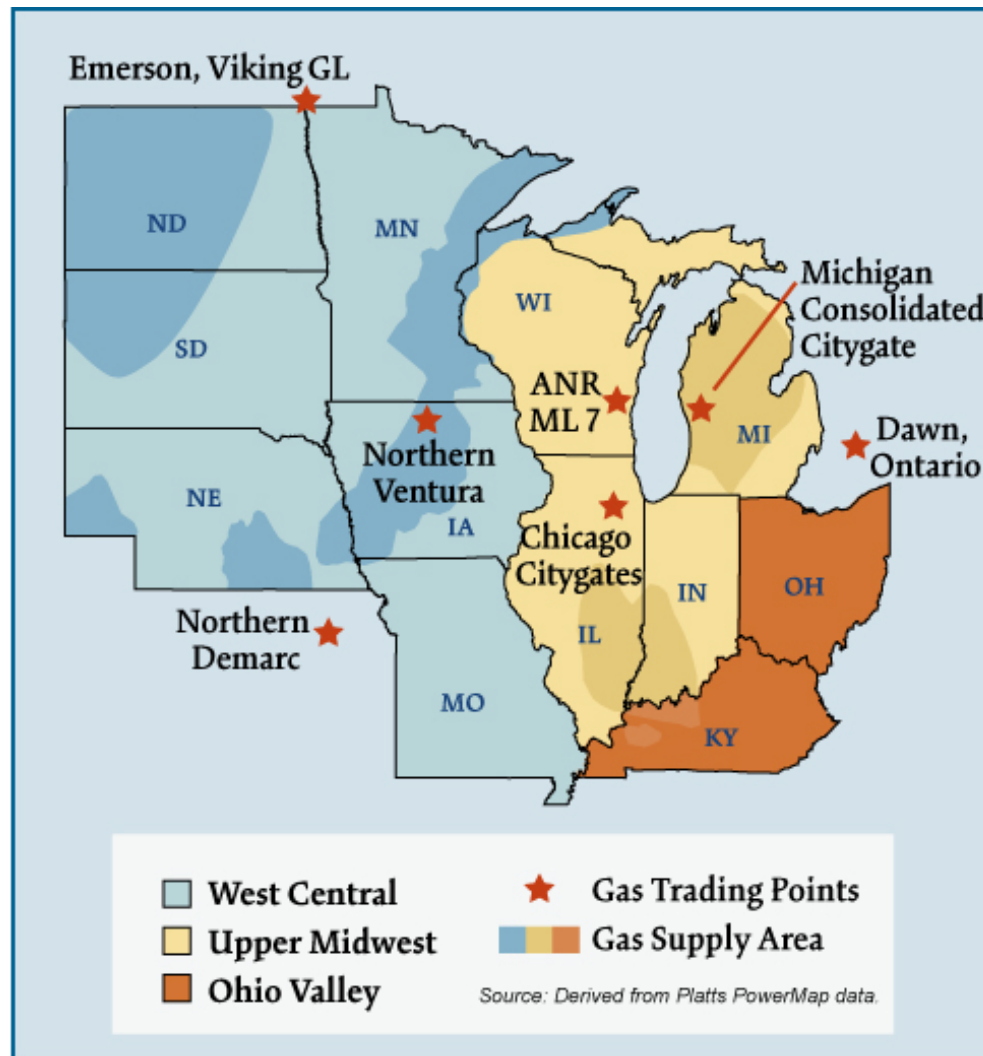


Midwest Natural Gas Regions



Overview:

Market Description

Seasonal space heat requirements strongly influence the structure of the Midwest gas market. On an average annual basis, residential and commercial gas use accounts for about 60 percent of overall gas consumption. Its largest gas consumers are local distribution companies with an obligation to serve core customers in the winter. The region has over 100 gas storage facilities representing more than 3 Tcf of total storage capacity. Much of this capacity is located near key citygates to meet peak day needs. An extensive network of pipelines transports gas from nearly all major supply basins in North America to this region. Imports from Canada and growing supplies from the West serve as baseload volumes; swing gas comes from the Gulf. The power sector's annual share of gas use is less than 10 percent because natural gas is generally not the marginal fuel. Nevertheless, gas use by generators has been growing as in other regions of the U.S.

Geography

States covered: Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

Major Trading Hubs

Chicago Citygates, Dawn, Michigan Consolidated, Northern Natural Ventura, and Northern Natural Demarcation.

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Storage

State Capacity: Illinois, Michigan, and Ohio account for 79 percent of total Midwest storage capacity. The Midwest region contains the largest number of underground natural gas storage facilities (150) and the largest volume of natural gas storage capacity (3.3 Tcf) of any other region. Michigan accounts for 16 percent of total U.S. working gas capacity, the largest of any State in the country.

Aquifer Capacity: 39%

Depleted Field Capacity: 61%

Total Capacity: Midwest has 39 percent of total U.S. storage capacity.

Major Storage Pipelines and Capacity:

Natural Gas Pipeline of America: 256 Bcf

ANR: 192 Bcf

Northern Natural: 68 Bcf

Demand by Sector (2005):

- Residential: 37%
- Commercial: 20%
- Industrial: 32%

State: Illinois, Michigan, and Ohio make up 54 percent of total Midwest demand and 12 percent of total U.S. demand.

Midwest Total: 4.8 Tcf annually (13.6 Bcfd), which makes up 22 percent of total U.S. annual demand.

Consumer Total: 20.5 million, which is approximately 30 percent of total consumers in the U.S.

Key Consuming States: Illinois, Michigan, and Ohio comprise 55 percent of the total number of consumers in the Midwest and about 16 percent of the total number of consumers in the U.S.

Residential Consumers: 92%

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Production

State: Kentucky, Michigan, Ohio, North Dakota and Missouri make up 99 percent of total Midwest production. They make up 2.9 percent of total U.S. production.

Total: Total Midwest production equals 522 Bcf annually (1.4 Bcfd) The Midwest offsets its relatively minor gas production profile - just 3 percent of total U.S. daily production - through its interconnectivity to other upstream supply areas throughout North America and access to market area storage.

Yearly Change: Production declined 16 percent in 2005. Production in Missouri was down 71 percent from the prior year.

Prices

| Chicago Citygates | 2005 | 2006 |
|--------------------------|-------------|-------------|
| Average Price | \$8.41 | \$6.52 |
| Average Basis | -\$0.40 | -\$0.21 |
| Highest Daily Price | \$12.60 | \$8.44 |
| Lowest Daily Price | \$6.10 | \$4.89 |

Pipeline Flows

Average Daily Northwest Deliveries to the Midwest: 2.2 Bcfd (2005) 2.4 Bcfd (2006)

Major Pipelines: Trailblazer, Cheyenne Plains, and Colorado Interstate Gas carry approximately 2.0 Bcfd of gas from the Rockies to the Midwest.

Average Daily Midwest Deliveries to the Northeast: 0.9 Bcfd (2005) 1.0 Bcfd (2006)

Major Pipelines: ANR and Panhandle carry most of the gas from the Midwest to the Northeast.

Imports and Exports

Average Daily Imports from Canada into the US:

2005: 4.9 Bcfd

2006: 4.7 Bcfd

Major Importers: Alliance and Northern Border pipelines flow the majority of the gas from Canada to the Midwest. They flow:

2005: 76%

2006: 78%

Average Daily Exports from U.S. into Canada:

2005: 0.67 Bcfd

2006: 0.65 Bcfd

Major Exporter: Vector and Great Lakes are the principal pipelines that export gas from the Midwest to Canada. They flow:

2005: 93%

2006: 95%

Focal Points

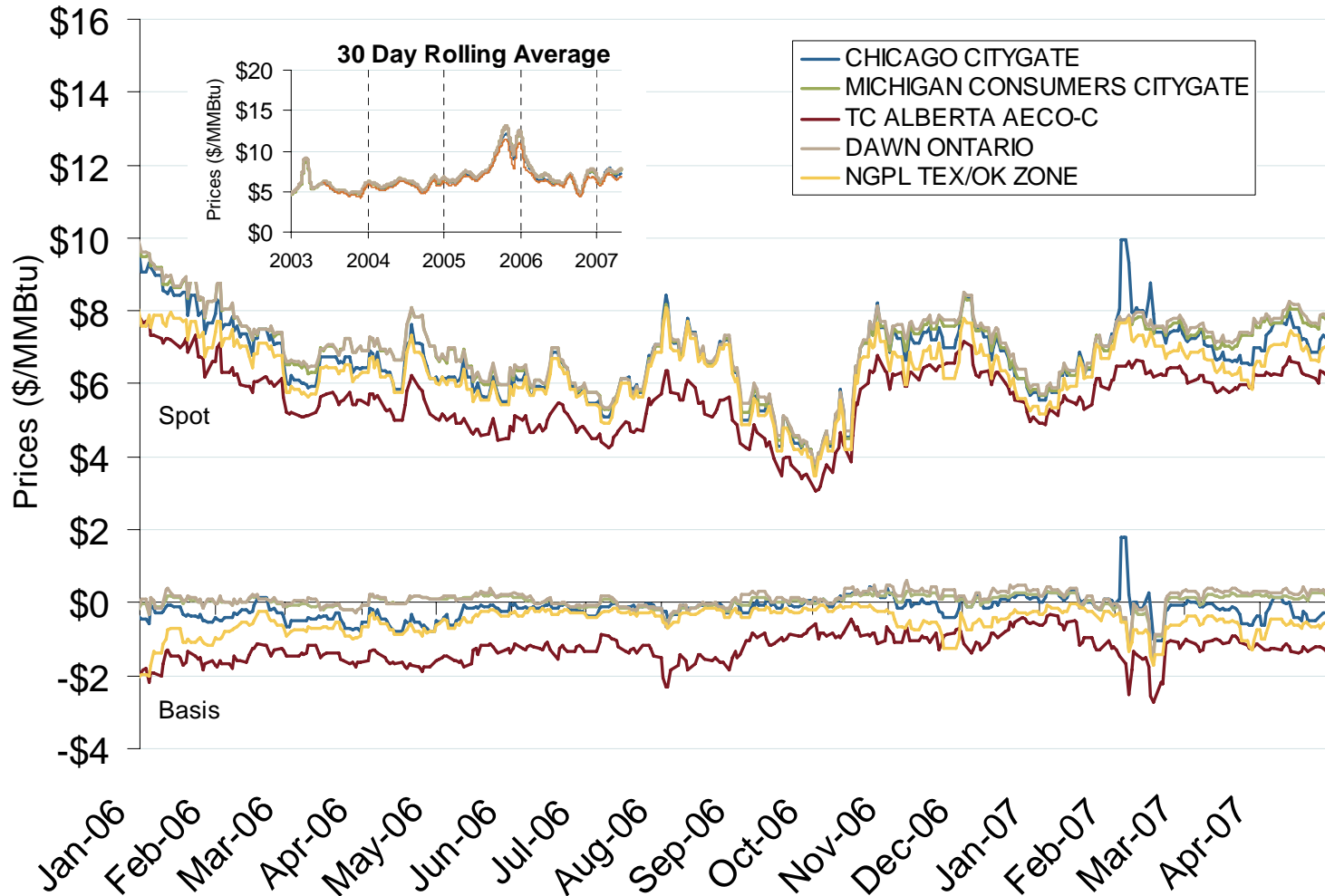
Ethanol Production: Production of ethanol for automobile use accounts for a growing share of natural gas consumption in the Midwest, where a majority of the facilities (existing, under construction, or planned) are located. Estimates show that natural gas demand for ethanol processing has tripled from 153 MMcfd in 2000 to 456 MMcfd on average through the first nine months of 2006, according to a recent CERA report. Pipeline survey results for about one-quarter of U.S. ethanol plants show that 2006 gas requirements to produce ethanol increased about 17 percent, or 120 Bcf, over 2005 levels.

Michigan Demand: Michigan LDC demand declined by 14 percent in 2006 due mainly to lower average gas needs by Michigan Consolidated, in response to warmer weather. Pipeline data show that average daily gas deliveries on its system dropped to 116 MMcfd in 2006 from 313 MMcfd a year earlier.

Yearly Average of Spot Hub Prices

| Annual Average Day Ahead Prices (\$/MMBtu) | | | |
|---|-------------|-------------|----------------|
| | 2005 | 2006 | 5-Years |
| Chicago citygate | \$8.43 | \$6.55 | \$5.94 |
| Dawn | \$8.75 | \$6.84 | \$6.17 |
| MichCon citygate | \$8.72 | \$6.77 | \$6.11 |
| AECO | \$6.88 | \$5.46 | \$4.82 |

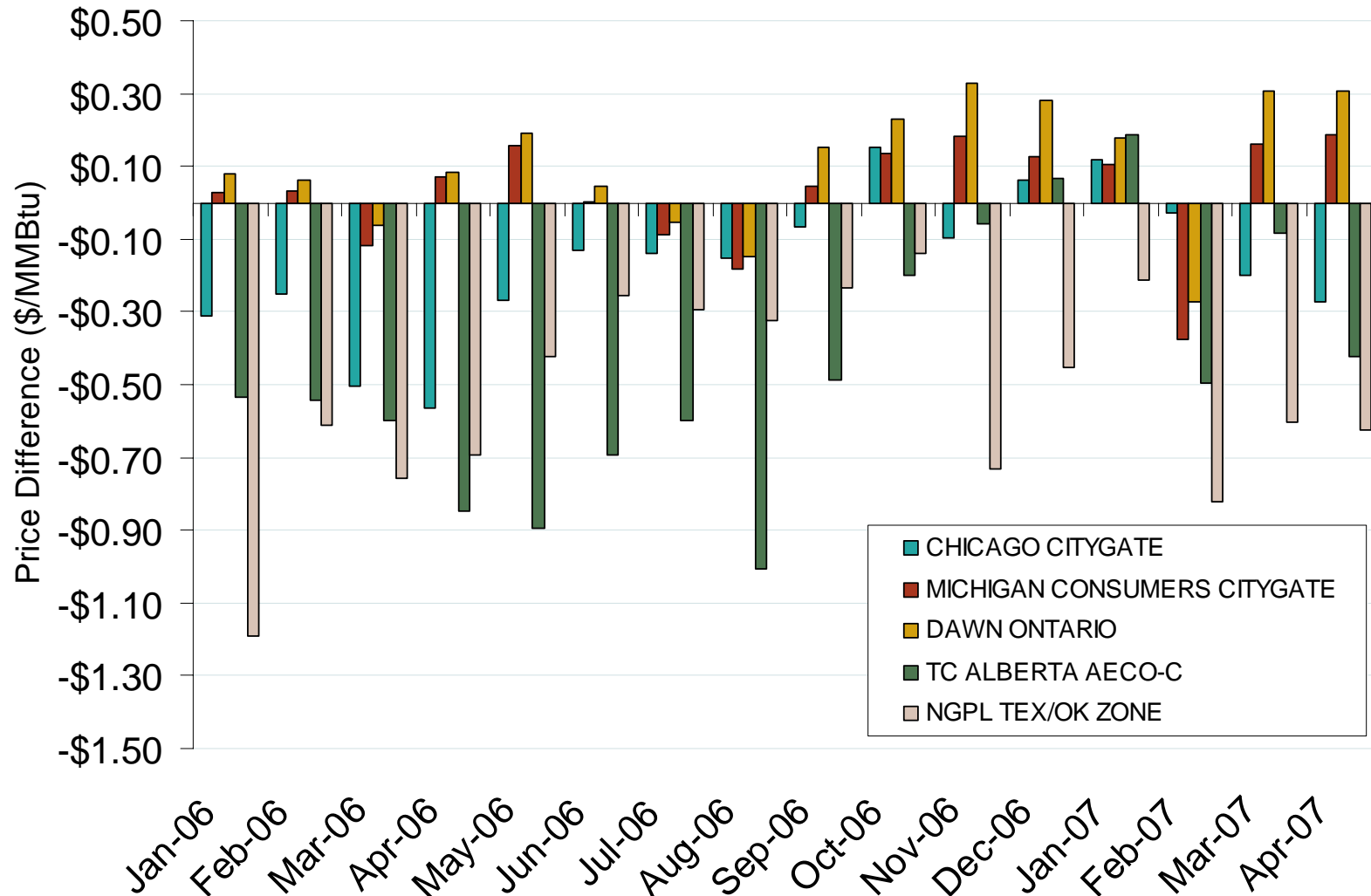
Midwestern Day-Ahead Hub Spot Prices and Basis



Source: Derived from *Platts* data.

Corrected June 1, 2007

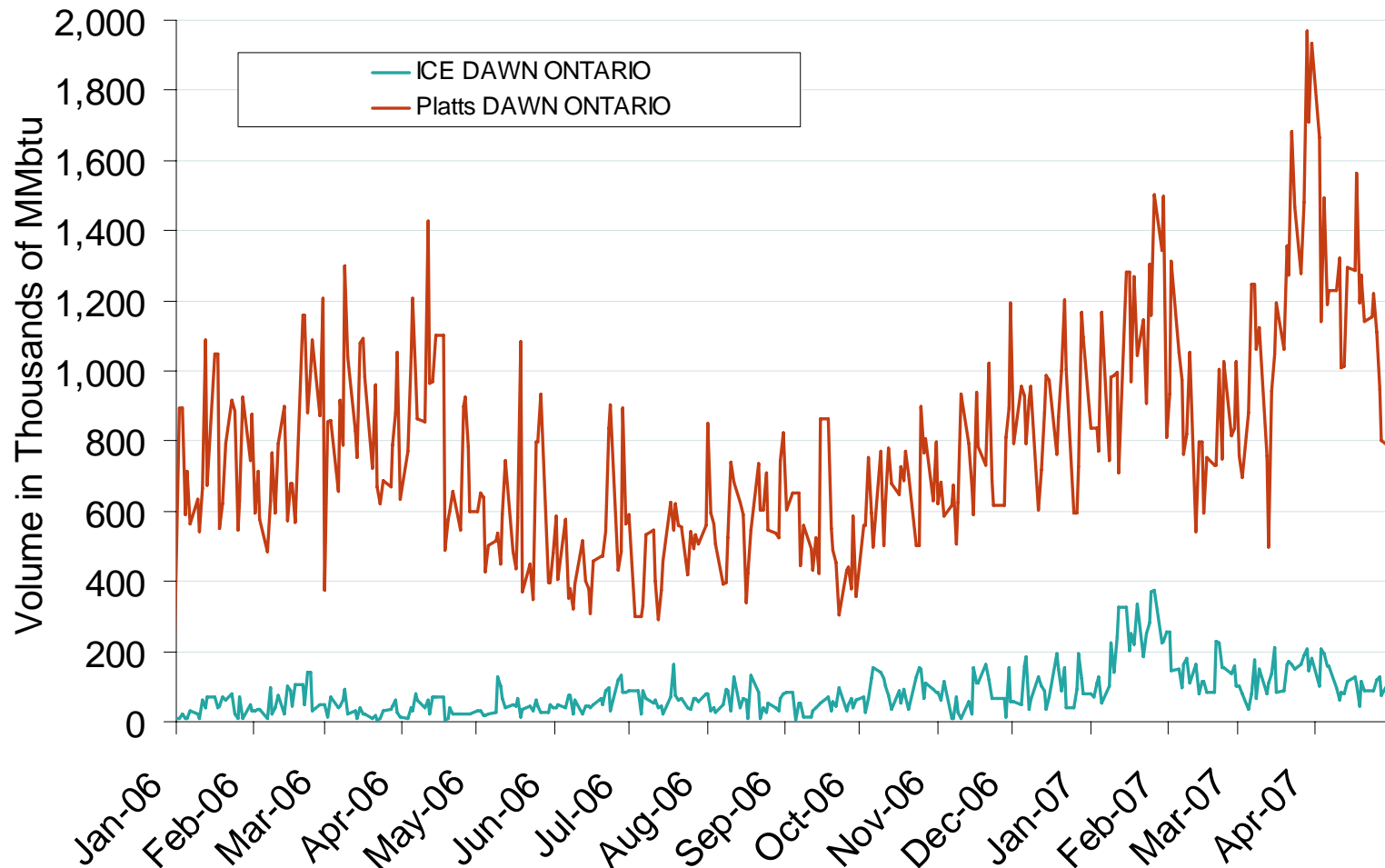
Midwestern Monthly Average Basis Value to Henry Hub



Source: Derived from Platts data.

Updated May 4, 2007

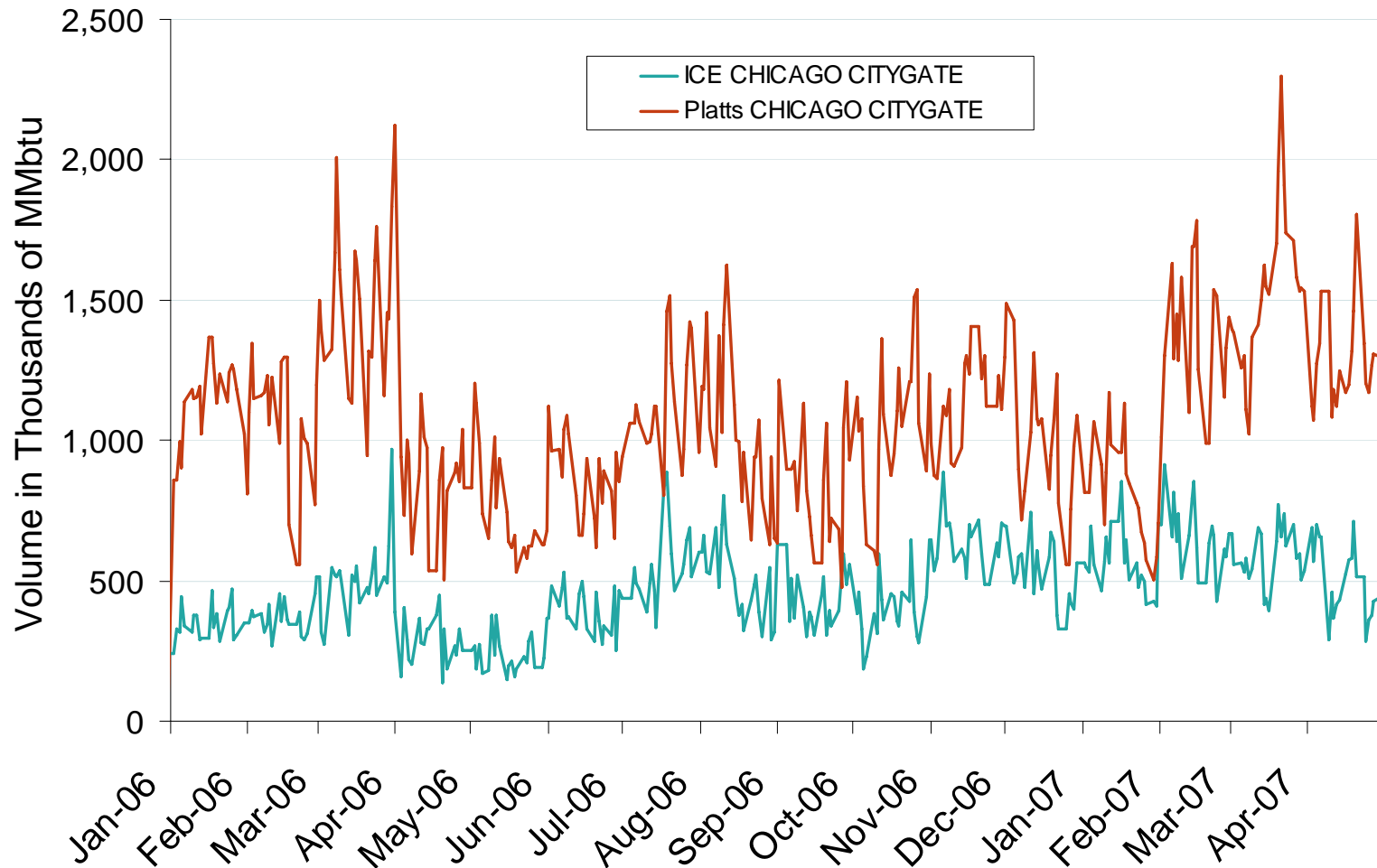
Published and Traded Daily Spot Volumes at Dawn



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

Updated May 4, 2007

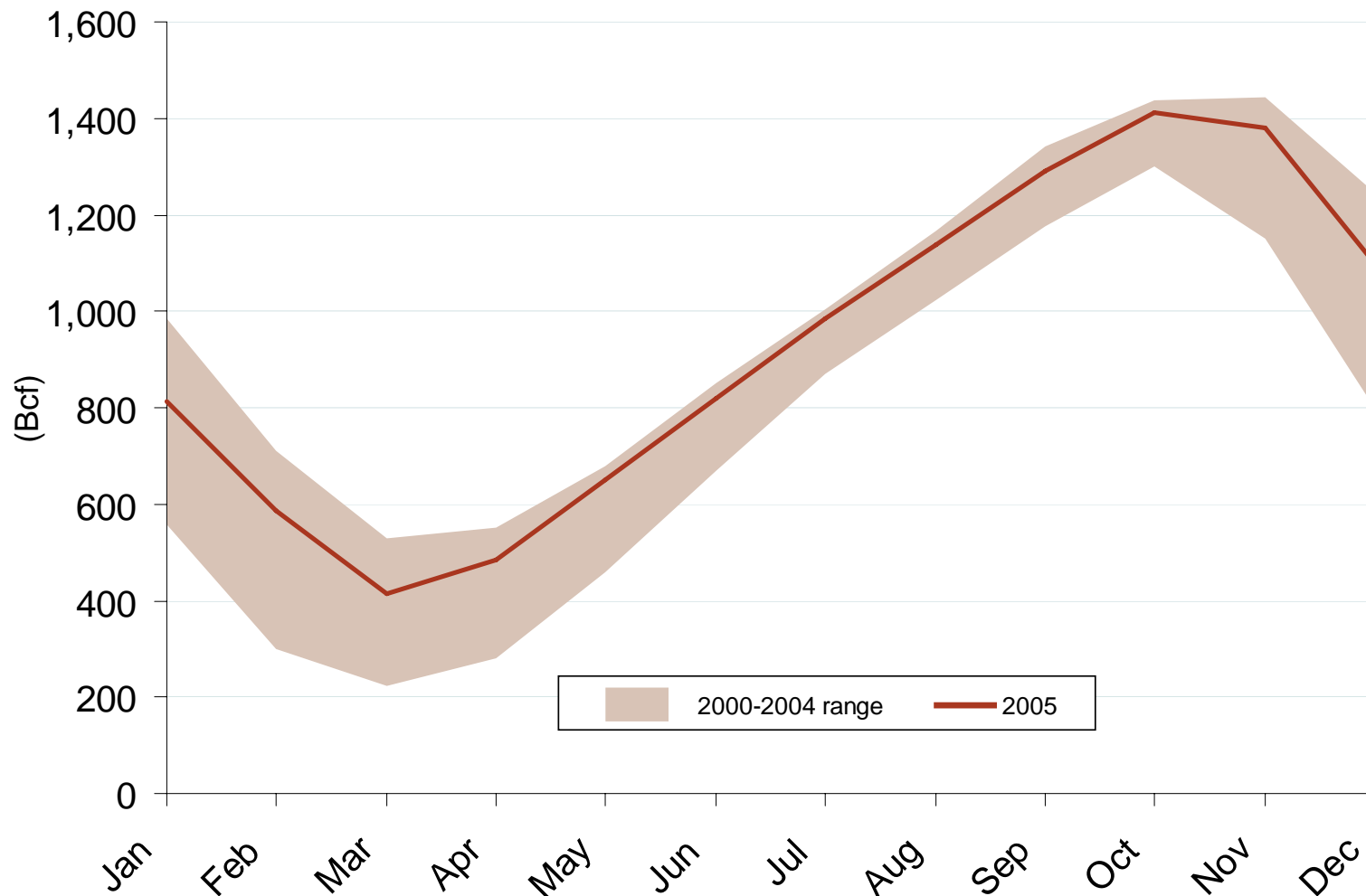
Published and Traded Daily Spot Volumes at Chicago Citygates



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

Updated May 4, 2007

Midwest Regional Storage Inventory Levels



Source: Derived from EIA. Complete 2006 data not yet available.

Updated January 10, 2007

2023

Pipeline Projects in the Midwest

| Pipeline Projects | | | | | | |
|--|-------------------------------|-------------------|-------------------------|-------------------------------------|-------------------|---------------|
| Company | Project Name | Capacity (MMcf/d) | Capital Cost (Millions) | Status | Year Certificated | From-To State |
| 1 ANR Pipeline Company | EastLeg Project | 143 | \$18.7 | In-Service 09/05 | 2004 | WI-WI |
| 2 ANR Pipeline Company | NorthLeg Project | 107 | \$13.5 | In-Service 12/05 | 2004 | WI-WI |
| 3 ANR Pipeline Company | Wisconsin 2006 Expansion | 168 | \$48.1 | Under Construction; In Service 5/06 | 2005 | WI-WI |
| 4 Northern Border Pipeline Company | Chicago Expansion III Project | 130 | \$20.7 | Under Construction; In Service 8/06 | 2005 | IA-IL |
| 5 Equitrans | Big Sandy Pipeline | 130 | \$154.0 | Approved | 2006 | KY-KY |
| 6 Southern Star Central Pipeline, Inc. | Ozark Trails Expansion | 25 | \$9.4 | Under Construction | 2006 | KS-MO |
| 7 Vector Pipeline LP | 2007 Expansion Project | 245 | \$70.4 | Approved | 2006 | IL-MO |
| Total | | 948 | \$334.8 | | | |

Source: FERC Office of Energy Projects. Data as of Dec. 2005.

Updated January 10, 2007

2020

Storage Projects in the Midwest

| Storage Projects | | | | | | | |
|--------------------------------|-----------------------------|----------------|-------------------------|-------------------------|--------------------|-------------------|-------|
| Company | Project Name | Capacity (Bcf) | Deliverability (MMcf/d) | Capital Cost (Millions) | Status | Year Certificated | State |
| 1 Texas Gas Transmission, LLC | Texas Gas Storage Expansion | 8.2 | 82 | \$20.7 | In-Service 10/05 | 2005 | KY |
| 2 Bluewater Gas Storage | | 29.2 | 826 | N/A | Approved | 2006 | MI |
| 3 Northern Natural Gas Company | Cunningham Field Project | 0 | 70 | \$6.2 | Under Construction | 2006 | KS |
| Total | | 37.4 | 978 | \$26.9 | | | |

Source: FERC Office of Energy Projects. Data as of Dec. 2005.

Updated January 10, 2007

2021

Natural Gas Consumers by State (2005)

| Sector | Residential | Commercial | Industrial | State Total | % of US | % of Region |
|-----------------------|-------------------|------------------|----------------|-------------------|------------|-------------|
| Illinois | 3,975,783 | 276,755 | 29,887 | 4,282,425 | 6% | 21% |
| Indiana | 1,701,577 | 158,887 | 5,799 | 1,866,263 | 3% | 9% |
| Iowa | 850,095 | 97,767 | 1,744 | 949,606 | 1% | 5% |
| Kentucky | 770,080 | 85,243 | 1,698 | 857,021 | 1% | 4% |
| Michigan | 3,187,756 | 253,347 | 10,067 | 3,451,170 | 5% | 17% |
| Minnesota | 1,364,237 | 126,310 | 1,432 | 1,491,979 | 2% | 7% |
| Missouri | 1,348,743 | 142,148 | 3,545 | 1,494,436 | 2% | 7% |
| Nebraska | 501,279 | 57,389 | 7,974 | 566,642 | 1% | 3% |
| North Dakota | 114,152 | 16,518 | 239 | 130,909 | 0% | 1% |
| Ohio | 3,272,307 | 277,774 | 8,321 | 3,558,402 | 5% | 17% |
| South Dakota | 157,457 | 20,771 | 542 | 178,770 | 0% | 1% |
| Wisconsin | 1,592,621 | 155,109 | 8,484 | 1,756,214 | 3% | 9% |
| Regional Total | 18,836,087 | 1,668,018 | 79,732 | 20,583,837 | 30% | 100% |
| US Total | 63,573,466 | 5,196,428 | 205,217 | 68,975,111 | | |
| % of US | 27% | 2% | 0% | | | |
| % of Region | 30% | 32% | 39% | 30% | | |

Source: Derived from EIA data.

Note: Units equal millions of cubic feet.

Updated January 11, 2007

2089

Natural Gas Demand by State (2005)

| Sector | | | | Vehicle | Electric | | | % of | |
|-----------------------|------------------|------------------|------------------|---------------|------------------|------------------|-------------------|------------|-------------|
| | Residential | Commerical | Industrial | Fuel | Power | Other Fuel | State Total | % of US | Region |
| Illinois | 437,565 | 201,881 | 260,536 | 444 | 58,418 | 10,939 | 969,783 | 4% | 19% |
| Indiana | 148,178 | 75,958 | 263,112 | 529 | 35,376 | 6,696 | 529,849 | 2% | 11% |
| Iowa | 67,271 | 45,141 | 96,007 | 61 | 21,285 | 11,622 | 241,387 | 1% | 5% |
| Kentucky | 56,142 | 36,894 | 112,004 | 119 | 17,181 | 11,831 | 234,171 | 1% | 5% |
| Michigan | 358,658 | 174,421 | 211,706 | 385 | 130,601 | 38,336 | 914,107 | 4% | 18% |
| Minnesota | 128,625 | 95,916 | 94,991 | 105 | 26,024 | 22,309 | 367,970 | 2% | 7% |
| Missouri | 106,856 | 60,369 | 66,350 | 171 | 31,831 | 2,556 | 268,133 | 1% | 5% |
| Nebraska | 37,963 | 27,401 | 40,957 | 65 | 8,066 | 4,668 | 119,120 | 1% | 2% |
| North Dakota | 10,692 | 9,903 | 11,850 | 101 | | 20,701 | 53,247 | 0% | 1% |
| Ohio | 322,697 | 166,821 | 293,857 | 803 | 27,941 | 14,201 | 826,320 | 4% | 17% |
| South Dakota | 12,212 | 9,819 | 10,661 | 20 | 3,567 | 6,296 | 42,575 | 0% | 1% |
| Wisconsin | 131,215 | 86,086 | 130,570 | 307 | 58,618 | 3,700 | 410,496 | 2% | 8% |
| Regional Total | 1,818,074 | 990,610 | 1,592,601 | 3,110 | 418,908 | 153,855 | 4,977,158 | 22% | 100% |
| US Total | 4,806,136 | 3,101,526 | 6,745,835 | 22,265 | 5,869,145 | 1,696,296 | 22,241,203 | | |
| % of US | 38% | 32% | 24% | 14% | 7% | 9% | 22% | | |
| % of Region | 37% | 20% | 32% | 0% | 8% | 3% | 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 11, 2007

2090

Average Daily Midwestern Imports of Canadian Gas

| Pipeline | 2004 | 2005 | 2006 |
|--------------------|------------------|------------------|------------------|
| Alliance | 1,732,396 | 1,758,949 | 1,738,377 |
| Great Lakes | 599,916 | 718,224 | 662,052 |
| Northern Border | 2,099,473 | 1,966,521 | 1,948,748 |
| PEPL | (71,708) | (46,478) | (36,353) |
| Vector | (832,840) | (631,137) | (619,414) |
| Viking | 397,808 | 420,723 | 360,350 |
| Imports | 4,829,593 | 4,864,417 | 4,709,526 |
| Exports | (904,548) | (677,615) | (655,767) |
| Net Imports | 3,925,046 | 4,186,802 | 4,053,760 |

Source: Derived from *Bentek* data.

Note: Units equal MMBtus.

Updated January 11, 2007

2091

Natural Gas Production by State

| Dry Production | 2004 | 2005 | Yearly Change | 2005 % of US | 2005 % of Region |
|-----------------------|-------------------|-------------------|---------------|--------------|------------------|
| Illinois | 121 | 120 | -1% | 0.0% | 0% |
| Indiana | 3,401 | 3,135 | -8% | 0.0% | 1% |
| Kentucky | 91,846 | 91,079 | -1% | 0.5% | 17% |
| Michigan | 255,482 | 257,404 | 1% | 1.4% | 49% |
| Missouri | 131,995 | 38,615 | -71% | 0.2% | 7% |
| Nebraska | 1,476 | 1,172 | -21% | 0.0% | 0% |
| North Dakota | 48,776 | 45,699 | -6% | 0.3% | 9% |
| Ohio | 90,418 | 83,494 | -8% | 0.5% | 16% |
| South Dakota | 1,093 | 992 | -9% | 0.0% | 0% |
| Regional Total | 624,608 | 521,710 | -16% | 2.9% | 100% |
| US Total | 18,757,477 | 18,074,237 | -4% | | |
| % of US | 3% | 3% | | | |

Source: Derived from EIA data.

Note: Units equal millions of cubic feet.

Updated January 11, 2007

2092

Natural Gas Storage by Field Type (2005)

| Field Type | Salt Dome Fields | Salt Dome Capacity | Aquifers | Aquifers Capacity | Depleted Fields | Depleted Fields Capacity | Total Fields | Total Capacity | % of US | % of Region | Dry Proved Reserves |
|----------------------|------------------|--------------------|------------|-------------------|-----------------|--------------------------|--------------|------------------|------------|-------------|---------------------|
| Illinois | 0 | 0 | 18 | 878,265 | 11 | 103,731 | 29 | 981,995 | 12% | 30% | 0 |
| Indiana | 0 | 0 | 12 | 81,641 | 10 | 32,439 | 22 | 114,080 | 1% | 3% | 0 |
| Iowa | 0 | 0 | 4 | 273,200 | 0 | 0 | 4 | 273,200 | 3% | 8% | 0 |
| Kentucky | 0 | 0 | 3 | 9,567 | 20 | 209,360 | 23 | 218,927 | 3% | 7% | 2,151,000 |
| Michigan | 2 | 3,832 | 0 | 0 | 43 | 1,017,791 | 45 | 1,021,622 | 12% | 31% | 2,910,000 |
| Minnesota | 0 | 0 | 1 | 7,000 | 0 | 0 | 1 | 7,000 | 0% | 0% | 0 |
| Missouri | 0 | 0 | 1 | 32,146 | 0 | 0 | 1 | 32,146 | 0% | 1% | 0 |
| Nebraska | 0 | 0 | 0 | 0 | 1 | 39,469 | 1 | 39,469 | 0% | 1% | 0 |
| North Dakota | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% | 0% | 453,000 |
| Ohio | 0 | 0 | 0 | 0 | 24 | 572,477 | 24 | 572,477 | 7% | 18% | 898,000 |
| Midwest Total | 2 | 3,832 | 39 | 1,281,819 | 109 | 1,975,267 | 150 | 3,260,916 | 39% | 100% | 6,412,000 |
| US Total | 30 | 250,532 | 44 | 1,350,689 | 320 | 6,667,222 | 394 | 8,268,443 | | | 204,385,000 |
| % of US | 7% | 2% | 89% | 95% | 34% | 30% | 38% | 39% | | | 3% |
| % of Region | 1% | 3% | 26% | 16% | 73% | 81% | 100% | 100% | | | |

Source: Derived from EIA data.

Note: Capacity units equal millions of cubic feet.

Updated January 11, 2007

2094

Average Daily Rockies Deliveries to the Midwest

| Pipeline | 2004 | 2005 | 2006 |
|-----------------------|------------------|------------------|------------------|
| Cheyenne Plains | 0 | 417,251 | 554,686 |
| CIG | 534,894 | 545,437 | 575,279 |
| KMI | 305,357 | 247,895 | 237,590 |
| Northern Border | 93,449 | 103,532 | 101,581 |
| Southern Star | 179,258 | 179,276 | 180,626 |
| Trailblazer | 848,343 | 839,261 | 841,569 |
| Williston Basin | (94,276) | (104,633) | (102,654) |
| Net Deliveries | 1,867,025 | 2,228,020 | 2,388,678 |

Source: Derived from *Bentek* data.

Note: Units equal MMBtus.

Updated January 11, 2007

2093

Average Daily Midwestern Deliveries to the Northeast

| Pipeline | 2004 | 2005 | 2006 |
|-----------------------|----------------|----------------|----------------|
| ANR | 135,180 | 398,301 | 515,714 |
| CrossRoads | 17,349 | 25,805 | 21,095 |
| Midwestern | 78,244 | 129,822 | 132,917 |
| Panhandle Eastern | 255,703 | 304,978 | 316,424 |
| Net Deliveries | 486,475 | 858,906 | 986,151 |

Source: Derived from *Bentek* data.

Note: Units are in MMBtus.

Updated January 11, 2007

2095