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Inside this issue:

**Supply Side
Economics** 1

Regional Reports: 2
**Illinois/Indiana
 Pennsylvania
 Wisconsin**

Customer Corner: 2
**Pollution Control
 Industries**

Sales Contacts 3

ENERGY NEWS

Supply Side Economics

Over the lifetime of these newsletters we have tried to focus on those areas of our business that have the greatest affect on our customers. This month we look into the supply and distribution side of the business, or more specifically, the addition of new pipeline capacity.

How does pipeline construction activity affect the price of natural gas? New pipelines provide access to additional supply areas. They also minimize any supply disruptions. Simply put - the more access and movement of natural gas, the better.

2007 was a busy year. Over 50 natural gas pipeline projects were completed in the lower 48 states, four more than the previous year. Close to 1,674 miles of pipeline and more than 14.9 Bcf per day of new capacity were added to the national natural gas pipeline grid. The cost for this expansion totaled approximately \$4.2 billion, compared with \$2.3 billion expended in 2006.

Of the 50 projects completed, 36 involved expansion of the current interstate natural gas pipeline network. The remainder increased capacity on intrastate natural gas pipelines designed to transport new natural gas production from expanding natural gas fields. Of the remaining 14 non-interstate natural gas pipelines completed during the year, about one-half involved adding new transportation capacity from developing production areas or constructing new intrastate pipeline sections to interconnect new production with the interstate pipeline network.

CenterPoint Energy was busy in 2007 as well. The Perryville expansion project was a 1.2 Bcf per day, 172-mile pipeline constructed primarily to link the expanding natural gas production flowing from Texas to northern Louisiana.

Another major undertaking was the Rockies Express Pipeline (REX). When all three components of the project are completed, it will be one of the largest U.S. energy infrastructure developments built in the last 25 years. REX originates in Colorado and upon completion will end in Ohio. A key element of REX is that it will be a domestic U.S. supply of natural gas for domestic use.

Liquefied natural gas (LNG) pipelines were also part of the 2007 growth spurt. According to the Energy Information Administration, pipeline construction included the installation of the first pipeline since 1972 designed to transport LNG from an import facility. A segment of the pipeline system was also modified to allow for future LNG-sourced natural gas from import facilities located in California to be delivered to customers located in the United States. Previously, the pipeline segment could transport natural gas only from the United States to Mexico. (For more on LNG, see the November 2007 edition of *Energy News*.)

Your CenterPoint Energy representative monitors all aspects of our industry and their impact on your business. If you have any questions, please do not hesitate to give us a call.

This publication is not to be construed as an offer to sell or a solicitation of an offer to buy any of the commodities or futures options referenced herein. Reliance upon information in this publication is at the sole risk of the reader.

REGIONAL REPORTS

ILLINOIS/INDIANA UPDATE

Illinois House Bill 5467

On April 1, 2008 the Illinois legislature was scheduled to review a new document that will address the solicitation of natural gas to "residential and small commercial" customers.

Both residential and small volume users have had the opportunity to purchase third party supplied gas for several years under the Customer Select (Nicor) and Choices for You (Peoples) programs.

This bill does the following: (1) Closes the residential and small commercial markets (defined in the bill as under 5,000 therms annually) for Alternative Gas Suppliers ("AGS"); (2) all existing residential and small commercial customer contracts may not be renewed and all existing AGS certificates will become null and void as each AGS gas contract expires; (3) states that the ICC is prohibited from approving any AGS certificates for gas service to residential and small commercial customers; (4) mandates that all residential and small commercial customers can only receive service from their gas utility; and (5) eliminates the competitive marketplace for residential and small commercial natural gas consumers by re-regulating the marketplace for AGS to service only the large commercial and industrial customers.

CenterPoint does NOT offer or solicit to customers under either of these programs. We have always felt that it was in the best interest of smaller users to very carefully choose an alternate supplier and have helped them do so. We will continue to monitor this situation.

PENNSYLVANIA UPDATE

State to Open More Forest Land for Well Drilling

For the first time in five years, the Pennsylvania Department of Conservation and Natural Resources will open portions of the state's publicly owned forests for new natural gas well drilling. In announcing it will end the moratorium on new well leases, the DCNR said on April 1 it favors deep instead of shallow well development, and later this year will accept competitive bids for leases on 75,000 scattered acres of state forest land, mostly in the north central part of the state.

The department's position will allow limited shallow drilling on a case-by-case basis if gas is found during the development of large, deeper gas fields in the Marcellus Shale and Trenton-Black River formations. These massive gas fields are as deep as 15,000 feet below the surface — five times deeper than almost all existing gas wells in the state. "This approach on shallow gas drilling is a way for DCNR to cautiously and responsibly balance its legislative requirement to provide for the economic use of mineral resources while sustaining those forests and their ecological, recreational, and cultural benefits for present and future Pennsylvanians", said DCNR Secretary Michael DiBerardinis. The drilling decision will be part of a state update of its five-year forest management plan that also addresses deer management, all-terrain vehicle use, invasive species management, new land acquisition, and wilderness and natural area designations. Release of the full forest plan is expected in the next few weeks.

WISCONSIN UPDATE

Wisconsin Power & Light (WP&L) Proposes New Coal-Fired Power Plant

WP&L is proposing to build a coal-fired power plant near Cassville on the Mississippi River. The Wisconsin Public Service Commission (WPSC) has recently approved two state utilities to open new coal plants, the Wisconsin Public Service plant near Wausau and the under construction WE Energies plant in Oak Creek. The Cassville proposal is being challenged by environmental groups including the Sierra Club and Clean Wisconsin. WP&L indicates that Wisconsinites are using more electricity and that coal is cheaper than other fuels and is available domestically. The plan is for at least 10% of the fuel source to be renewable feed stocks such as wood chips or switch grass. If all of the fuel was switch grass it would take close to 400,000 planted acres, so that may be a challenge. The WPSC is expected to decide by December.

Additional WPSC Issues

Other topics in front of the Wisconsin Public Service Commission include a study of the potential of building wind turbines offshore in the Great Lakes, a \$750 million proposal to build environmentally friendly scrubbers at the Oak Creek power plant, electric rate increases totaling \$300 million sought by WE Energies, WP&L, WPS, and MG&E, as well as several American Transmission Company (ATC) proposals to build electric transmission lines near Madison. The WPSC will be busy as they plan to make decisions on these issues by the end of this year.



Customer Corner

The handling and processing of waste is a very important component of American industry. Today, to protect human health and the environment, industrial waste must be processed in line with very strict US EPA regulations. Pollution Control Industries (PCI) is equipped to meet those requirements every step of the way.

With more than 300 employees, and advanced processing technology, PCI is one of the nation's leading waste management firms. The company owns and operates two fully permitted RCRA Part B treatment and storage facilities in East Chicago, Indiana and Memphis, Tennessee, a transfer facility in Columbia, South Carolina and branch offices with account representatives located across North America.

Each day PCI collects, treats, recycles and disposes hundreds of tons of hazardous and non-hazardous industrial wastes from a variety of industries including chemical, petrochemical, automotive, paint and coatings, printing, plastics, educational institutions, pharmaceutical industries and more.

Since 1986, PCI has led the waste management industry with many important advances. In December of 2003, PCI installed the industry's most advanced solid waste recycling system. This multi-million dollar recycling technology processes solid waste in a huge rotating oven that extracts valuable oils and solvents by baking them out. The liquids are distilled and sent back to industry for reuse. Solid Distillation System (SDS) processing is an effective and cost-efficient method for recycling solid organic hazardous waste that might otherwise be land filled or incinerated. SDS is waste recycling technology at its best.

While PCI is known for advanced technology, it is also known in the industry to provide the best customer service available. Current customers include many Fortune 500 companies, small quantity waste generators, state, federal and local governmental agencies, universities, hospitals and research centers. This nationwide customer base is served with 23 regional sales offices and a team of highly skilled sales support reps located in East Chicago.

As the world of waste management evolves, PCI will be ready to meet the challenges of the future with the right technology, the right innovations, and the right team.

CenterPoint Energy is proud to be part of the team that is helping PCI meet those challenges by being their natural gas provider since April 2005.



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CenterPoint Energy is one of America's leading energy delivery companies. Our focus is helping customers achieve their business objectives by providing effective energy solutions.

CenterPoint Energy Services is our non-regulated energy marketing group delivering competitive options to commercial, industrial, and wholesale customers.



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