

# Energy News

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**April/May 2010**

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## The Marcellus Shale – A New Paradigm of Domestic Natural Gas Supply

The natural gas industry is witnessing the use of emerging technologies to unearth fossil fuels that could meet energy demand for the next 100 years. The newest source of natural gas has been found in what was once considered an unconventional location: shale. Horizontal drilling and hydraulic fracturing are allowing producers to extract gas from otherwise low permeability rock formations. Moreover, these advanced technologies are lowering production costs by 25 to 30 percent, thus enabling unconventional gas producers to continue to increase supply at prices well under \$4.00 per MMBtu. This so-called “Shale Revolution” is now responsible for more than 20 percent of the overall U.S. gas supply – up from only three percent five years ago.

But it’s not just the massive amounts of gas and lower costs that have caused unconventional plays to gain so much popularity recently. A handful of these shale formations are completely changing the way supply moves in the U.S. – which in turn, completely changes the way markets are priced.

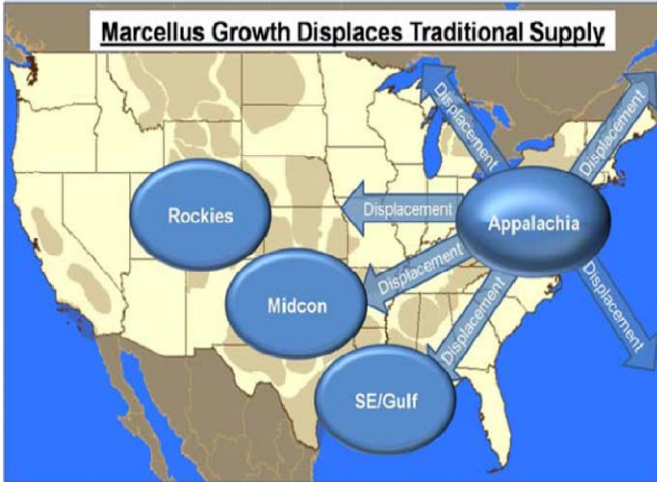
The Marcellus Shale is situated in the Appalachian Basin, covering parts of New York, Pennsylvania, Ohio, Virginia and stretching all the way down to Tennessee. This “Beast of the East,” a term coined by Bentek Energy, is quickly becoming a dominant source of supply – with production expected to reach between four and six billion cubic feet of gas a day (BCF/day) by 2014! The gas industry has announced more than 30 regional gas pipeline projects to support this rapid growth. While it’s likely that several of these projects will not be completed, just the few that are constructed can be expected to have major impacts on the dynamics of regional gas flow patterns and pipeline utilization.

Traditionally, gas produced in Canada, the Rockies, Midcontinent and Gulf Coast moved east towards the more premium markets of the Northeast. With greater unconventional production from Marcellus and the surge in proposed pipeline projects, the premium prices are likely to face some strong downward pressure. The forecasted net effect will be a widespread displacement of traditional supply – pushing gas back to original sources. Ultimately, the rebalancing will drive widespread changes in regional prices and could even reduce liquefied natural gas imports from international sources.

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Source: Bentek Energy LLC

Of course, there is no way to determine exactly how this will all play out over the course of the next several years. Nonetheless, all eyes are on the Marcellus shale and industry players are frequently monitoring production reports and pipeline construction activity. Your CES account executive can keep you abreast of the changes and inform you of the impacts to your market area. You may also choose to subscribe to our daily *Natural Gas Market Update*, which provides pricing, commentary and fundamental analysis across all the major natural gas regions.

Please contact your account executive to learn more!

## Regional Reports

### Gulf Coast

#### Louisiana/Mississippi/Texas

Future natural gas prices are historically low. The average one- and two-year commodity prices out of May 2010 are around \$4.95 and \$5.35, respectively.

Call your Account Representative today to lock in a fixed price!

### Midwest

#### Iowa/Minnesota/South Dakota/Wisconsin

##### WISCONSIN UPDATE:

**Proposed Biomass Plant:** WE Energies, Milwaukee, Wisconsin filed an application with state regulators to build a \$255 million biomass facility near Wausau. In an effort to expand their renewable power portfolio beyond wind farms, WE indicated the project would supply steam to a paper mill and create up to 150 jobs. The 50-megawatt power plant could supply about 40,000 homes. Construction would start next year and last for about two years.

**Manufacturing Growing Slowly:** Orders to U.S. factories for big-ticket items increased in January, by the largest amount in six months. The surge came mainly from demand for commercial aircraft, rather than autos and machinery. The 3% rise in January was led by a 126% increase in demand for commercial aircraft, compared to a 2.2% drop in orders for motor vehicles.

Also, the Institute for Supply Management reported that its gauge for overall manufacturing increased for the sixth consecutive month.

### North Central

#### Illinois/Indiana

In early February, NIPSCO filed its plan with Indiana regulatory bodies outlining proposed changes to the current NIPSCO Choice program.

While we are still awaiting final approval, the changes are expected to take effect with NIPSCO customer's May 2010 meter read. The changes would result in a transfer of transportation costs from your NIPSCO bill to your CenterPoint Energy (CES) invoice.

Customers who now participate in CES' storage service could see a reduction in their annual capacity percentage for the upcoming storage injection/withdrawal season. We will make this transition as transparent as possible and will issue communication upon final approval.

Our commitment to you remains strong – providing superior customer service and competitive pricing options – that help you manage your energy budget.

# Energy News

## Regional Offices

Reliable service. People you trust.

### Gulf Coast

#### Houston

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Houston, TX 77002  
Phone: 713-207-3547  
Fax: 713-207-0054

#### Dallas

14785 Preston Road, #550  
Dallas, TX 75254  
Phone: 972-789-5560  
Fax: 972-789-5561

#### Louisiana (New Iberia)

2500 LA Highway 14  
New Iberia, LA 70560  
Phone: 337-373-5241  
Fax: 337-373-5220

### Midcontinent/Southeast

#### Little Rock

401 W. Capitol Avenue, #102  
Little Rock, AR 72201  
Phone: 501-377-4874

#### St. Louis

470 N. Kirkwood Road, #200  
St. Louis, MO 63122  
Phone: 314-991-7346  
Fax: 314-991-7501

#### Shreveport

525 Milam, #1440  
Shreveport, LA 71101  
Phone: 318-429-2577  
Fax: 318-429-3059

### Midwest

#### Madison

2810 Crossroads Drive, #2400  
Madison, WI 53718  
Phone: 608-240-2020  
Fax: 608-240-2025  
Toll Free: 800-893-8460

#### Minneapolis

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Fax: 612-321-5081  
Toll Free: 800-495-9880

### North Central

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3010 Highland Parkway, #525  
Downers Grove, IL 60515  
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Fax: 630-241-1110  
Toll Free: 800-423-2080

#### Merrillville

8585 Broadway, #851  
Merrillville, IN 46410  
Phone: 219-793-1000  
Fax: 219-793-1001  
Toll Free: 800-423-2080

### Northeast

#### Hershey

2981 Elizabethtown Road, #200  
Hershey, PA 17033  
Phone: 877-666-3670  
Fax: 717-520-3674

Call today 800-495-9880 or visit our website, [CenterPointEnergy.com/ces](http://CenterPointEnergy.com/ces)

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



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