



ENERGY NEWS

August, 2008

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A Month of Falling Prices

What goes up must come down! The rapid price decline in July surprised many industry participants. The first of month (FOM) Henry Hub price fell 30% from July to August, a \$3.88/Dth decrease! Over the last 15 years, only one time had there been a steeper fall off from one month to the next. It occurred in April '03, which was a \$3.97/Dth decline. That drop was set up by a gas market that was pushed upward by severe cold weather toward the end of February coupled with relatively low storage balances which drove up the March FOM price. This current price decrease seemed to come out of nowhere and once it built up momentum to the downside, it has kept falling. Are we nearing the bottom or is there potential for prices to continue to move downward? Despite the reduction in gas prices, Henry Hub FOM Index is still 51% higher for August '08 than it was just one year ago.

FOM HUB DECREASES		
Absolute \$'s	Month	
\$3.97	Apr '03	
\$3.88	Aug '08	
\$3.69	Feb '01	
\$2.99	Feb '06	
\$2.64	Dec '05	
\$2.62	Oct '06	
\$2.49	Jan '07	
\$1.57	Jan '05	
\$1.33	Mar '06	
\$1.29	Jun '06	

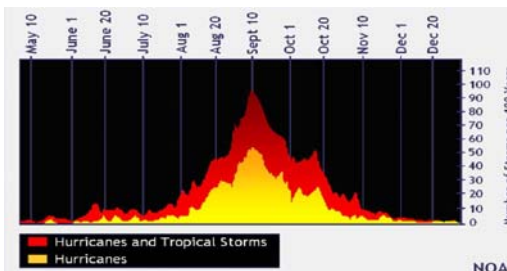
Which Way From Here

Natural Gas markets have continued the downward trend at the beginning of August as prices have plummeted another \$0.80/Dth within the first few days of the month. However, prices could easily reverse course as there is still a high degree of weather and hurricane induced uncertainty for the remainder of the summer. Looking at the chart to the middle right, a comparison of daily power plant gas usage is displayed. In August '07, a record amount of gas was consumed by power plants as the U.S. experienced cooling degree days nearly 20% higher than normal. Weather is always one of the biggest uncertainties and we could be in for a similar burn pattern this August as late July usage has hovered above last year's level. With a year-over-year gas storage deficit exceeding 300Bcf, a gas burn similar to last year could put enough pressure on prices to prompt a move to the upside.

Yearly Comparison and Weekly Burn



Source: Bentek Energy, LLC



NOAA

On the hurricane front, this season has been fairly active, but it hasn't significantly disrupted production levels. Noted hurricane forecaster Dr. William Gray of Colorado St. University, increased his storm forecast last week to 17 storms and 5 intense hurricanes. The graph above illustrates the average timing of hurricanes and tropical storms. This indicates the highest probability has been Sept 10, with a significant proportion of occurrences between Aug 20-Oct 20. Although hurricane forecasters have been raising the frequency of storms, the market has discounted the futures price based primarily on increases in onshore production. Gas prices over the last 5 years have historically trended flat to slightly downward in the month of August before beginning to rise in September. Keep this in mind as you plan for the rest of '08 and make decisions on future purchases. Your CenterPoint Energy Services Account Executive is always there in case you have any questions or concerns.

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

We are excited to announce that we have expanded our utility services to include customers behind Citizen's Gas. The utility allows for customers both large and small in the Indianapolis area to choose CenterPoint Energy as a supplier. If you have any facilities located there, or know of someone who does, please contact your sales representative. Or please contact Nathaniel Prodouz directly at 317-318-5478.

PENNSYLVANIA UPDATE

Cabot Oil begins selling natural gas from a rich vein: A new era of energy production began in northeastern Pennsylvania the last week of July, when Cabot Oil & Gas Company started selling natural gas from a Susquehanna County well drilled into a layer of rock known as the Marcellus shale. The natural-gas industry has huge expectations for the Marcellus shale, a 365 million-year-old layer of rock that stretches from New York through West Virginia. It is especially promising in northeastern Pennsylvania, according to some analysts.

"This is a nice milestone to achieve being the first to have Marcellus production in northeast" Pennsylvania, Cabot's chairman and chief executive officer, Dan Dinges, said yesterday in a conference call on the Houston company's second-quarter earnings. "The industry has ramped up activity to unprecedented levels" in the Marcellus area, Dinges said. Cabot has seen up-front payments to

landowners for exploration rights rise as high as \$2,500 to \$3,000 per acre, he said.

An advantage to tapping Pennsylvania's natural-gas resources is the state's proximity to a large portion of the nation's population. Because of that, the gas brings a premium compared to gas produced elsewhere.

Energy executives say they expect electric utilities to build a substantial number of natural-gas-powered generation facilities in the Northeast over the next decade to meet rising demand while limiting greenhouse-gas emissions.

Pa Gas Company to be Fined \$40k for Explosion:

State regulators will fine a natural gas company \$40,000 for a 2006 explosion that collapsed a home, burying a sleeping family of six in rubble. The Pennsylvania Public Utility Commission said it would fine UGI Utilities Inc. because the company didn't take proper emergency measures after the explosion in West Lampeter Township. Six people inside the home sustained minor injuries. UGI failed to turn off the gas supply in the area before allowing emergency responders, UGI workers, PUC inspectors and residents of the neighborhood into the explosion area. UGI also waited more than five hours before testing the underground soil to see if gas was still leaking, the PUC said, another violation of state safety codes.

The explosion was caused by a ruptured coupling outside the home, the PUC found. The coupling was installed by a construction company under contract by UGI at the time. The family inside the home awoke in debris that had been the second floor of the home. The force of the explosion sent the front door

into the street and blasted a ground-floor refrigerator, washer and dryer into the back yard.

The fine against UGI is part of a proposed settlement agreement between the family and the construction company. The settlement was approved Thursday by the PUC, and now faces a 20-day public comment period before being finalized. The money will go into a hardship fund to help low-income customers maintain gas service.

WISCONSIN UPDATE

Manufacturing Jobs Down: Manufacturing jobs in Wisconsin dipped below 500,000 in June, down 13,300 from June in 2007. This is the lowest level for a June since statistics have been compiled. The only major sector gaining employment was health services and education, gaining 2.2%. Wisconsin unemployment stands at 4.9% compared to the national level of 5.7%

LDC's/Clean Wisconsin, Sierra Club Settle: After eight years of battling, a settlement was reached allowing WE Energies to open their Oak Creek coal-fired power plant on time and without building cooling towers, estimated to cost \$350 million. In exchange WE and MG&E and Wisconsin Public Power, partners in the plant, pledged \$105 million towards dealing with invasive species in Lake Michigan and to expand renewable energy in Wisconsin. The Oak Creek plant is scheduled to open late next year. Some parts of the settlement are subject to approval by the Public Service Commission.



Customer Corner

Cascades, Inc. keeps the paper flowing. Based in Kingsley Falls, Quebec the company has some 100 production facilities, primarily in North America and Europe. Cascades packaging products include boxboard, containerboard, as well as fine paper and tissue. Cascades recycles millions of tons of paper

and board annually, supplying two thirds of its raw materials.

CenterPoint Energy serves the Eau Claire, Wisconsin Cascades Tissue mill, which is an Eau Claire landmark of sorts, dating back to 1882. They produce bath tissue, napkins and paper towels and produce about 150

tons per day, equivalent to 15,000 cases each day.

Cascades has been a CenterPoint customer since 2002 working with sales contact Gerry Cayo and Lynn Hanson and Ryan Zenk in operations.



Always There.®

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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.



Website:

www.CenterPointEnergy.com/ces

UPCOMING CUSTOMER MEETINGS

August 26 Wisconsin
August 28 Minneapolis

More information to follow.

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See our CES Online Access Form at our website under the "News" section.

PAY YOUR BILL ONLINE AT OUR WEBSITE

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OR CALL 866-578-7617

See our website for details under "Make a Payment".

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