

ENERGY NEWS

June, 2008

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Record High Prices Continue

Natural gas and crude oil have continued to break all-time highs throughout this volatile year. Many of our customers have questioned why prices continue to rise. In this issue of *Energy News* we will discuss some factors affecting these historic price levels.

- A. Natural gas futures are being dragged up by continued record run-ups in crude oil. Twenty-eight month highs in natural gas were reached earlier in May and summer months set new contract highs as well.
- B. Strength in the euro against the dollar has buoyed prices. Oil and the U.S. currency have become closely intertwined in recent months as investors have turned to oil as a hedge against the falling dollar.
- C. The Independence Hub in the Gulf of Mexico (a major source of domestic natural gas) was out of service for several weeks due to a leak. Full production should restore nearly 1 billion cubic feet per day to overall supplies.
- D. U.S. LNG imports have averaged less than 1 bcf per day this year, down sharply from a 2.36 bcf per day average for the same period a year ago.
- E. And on the storage front, last week's report from the U.S. Energy Information Administration showed that total domestic gas inventories climbed to 1.886 trillion cubic feet but were still 343 bcf, or 18%, below last year and 19 bcf below the five-year average. To build inventories back to a comfortable 3.4 tcf by next winter, weekly injections must average 76 bcf for the remaining 26 weeks of the storage injection season, 5 bcf per week over the five-year average pace of 72 bcf per week. If weekly storage gains through October match the five-year average, stocks will begin next heating season with 3.32 tcf in the ground, below last year's record high of 3.535 tcf. Injection estimates for the next EIA report are all over the board as regional weather continues to dominate inventory projections.
- F. Weather? As we go to press AccuWeather's 6-10 day outlook is calling for below normal temperatures for the Midwest and East and above normal readings expected in the Southwest and Gulf Coast states where gas-fired electric generation drives up demand.

Your CenterPoint Energy rep 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 Legislators and Energy Alternatives: Much like the rest of the country, Illinois legislators are looking into alternative sources of energy in an attempt to curb the severe run up in energy costs.

A recent Crain's article reports on two possible alternatives to be looked at are coal and wind power.

House Speaker Michael Madigan and Illinois Attorney General Lisa Madigan are supporting a plan that would force utilities to buy power from "clean" coal plants. Coal is abundant in Illinois. However, the high sulfur content has impeded its use due to environmental issues.

While a specific bill has not yet been introduced, the thrust behind such a bill would require local gas utilities (Nicor Gas and Integrys) to gradually buy greater amounts of coal based synthetic gas.

As to wind power, the issue still remains the overall cost. ComEd has already begun to purchase electricity from wind powered generators. However, a recent analysis showed the cost of wind power generated in Illinois was almost double the cost of power generated in neighboring states of Iowa, Wisconsin, and Indiana.

The Illinois Attorney General's office stated that they felt there should not be such a wide price variance and intends to research this issue further.

Please call your CenterPoint Energy representative for more details regarding these issues.

PENNSYLVANIA UPDATE

A mad rush is on in Pennsylvania to tap into the Marcellus Shale formation. Lying a mile or more below ground, it is believed to hold enormous reserves of natural gas.

Recent inspections by the Department of Environmental Protection (DEP) found "serious violations that will adversely impact nearby water resources". To its credit, the department has reminded gas-well drillers that the state's environmental laws and regulations will be enforced. Environmental Protection Secretary, Kathleen A McGinty says oil- and gas-well inspectors have been mobilized to check each of the roughly 190 sites permitted to drill into the Marcellus Shale. Late last month, DEP partially shut down two drilling operations in Lycoming County for taking water from nearby streams without a permit.

No state has more experience dealing with the environmental consequences of unregulated fossil-fuel extraction than Pennsylvania. The new fuel rush must not be allowed to become a natural-gas version of the massive damage inflicted on the state's land and water in the last century by coal mining.

WISCONSIN UPDATE

State's Electric Outlook Bright: With new power plants opening in Port

Washington and Wausau, as well as the \$420 million power line between Wausau and Duluth ready to go, the power outlook for this summer is certainly improved. This is in contrast to a decade ago, when Wisconsin ran short of power on hot summer days in 1997 and 1998. The electricity shortages spurred changes in state law and spawned a building boom of power plants and the creation of American Transmission Co. (ATC), a utility focused on building and operating power lines in Wisconsin and UP Michigan. The Wausau-Duluth line adds 400-500 megawatts of power per day that the state can import daily. The coal-fired Weston plant, a Wisconsin Public Service Corp. project that cost \$752 million, adds about 550 megawatts to the Wisconsin power supply.

ATC has identified five areas of concern, including Dane, Kenosha, Rock, Walworth, and Racine counties. Areas in southern Wisconsin can't import as much power as utility planners would like on hot summer days. ATC is continuing with proposals that they submit to state regulators for projects they feel will improve the state's power availability. According to the Citizens Utility Board (CUB), electricity prices are high and the state needs to be wary of overbuilding power plants. There is concern that the cost of fossil-fuel plants will continue to grow as the federal government moves to regulate emissions of carbon dioxide.

SAVE THIS DATE: Wisconsin Customer Meeting: Tuesday, August 26 starting at 9:00 a.m.—Lunch at the new east side Holiday Inn in Madison. Details to follow.

SHURE®

Customer Corner

Shure Incorporated has been dedicated to helping customers achieve the sound they want since Sidney N. Shure founded the Shure Radio Company in 1925. Today, Shure is widely acknowledged as the world's leading manufacturer of microphones and audio electronics.

Over the years, Shure has designed and produced many high-quality professional and consumer audio products that have become legendary for performance, reliability, and

value. Through its entry into the manufacture of microphones in the 1930s, to supplying microphones to the Armed Forces in the 1940s, to its position as the leader in wired microphones and wireless microphone systems for performers and presenters, its diverse product line also includes award-winning earphones, headsets, and accessories for MP3 players and smartphones, and top-rated phonograph cartridges for professional DJs. Shure products are the first choice whenever audio performance is a top priority.

Shure's Corporate Headquarters is located in Niles, Illinois. The Company has additional manufacturing facilities and regional sales offices in China, Germany, Hong Kong, Japan, Mexico, The United Kingdom, and the United States.

Shure Incorporated has been a customer of CenterPoint Energy since September 2007. Nathaniel Proudouz is their CenterPoint representative.



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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

June 26 South Dakota
August 26 Wisconsin
August 28 Minneapolis

More information to follow.

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