



ENERGY NEWS

February, 2008

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A Look at the New Year

While we're only in the early stages of the New Year, many markets have begun the year with a bang. All time highs for several commodities have already been reached in 2008. Among them are gold, platinum, U.S. soybeans, coal, and of course crude oil.

For the longest time many industry insiders have spoken of the relationship of crude oil and natural gas. For the most part, these discussions centered on the mega-end users with "dual fuel capacity". That is the ability to burn either crude oil or natural gas depending on the economics of each commodity. As we watch in amazement at the levels that crude oil surpasses, the debate rages on as to whether or not the correlation between the two really does exist.

On one side you have insiders like Citigroup Investment Research analyst Gil Yang who believes the correlation does exist. Yang contends that the huge gap between natural gas and crude oil prices will narrow in the coming months as gas maintains its strength. He cited six instances in the past 15 years in which the oil/gas ratio exceeded 12-to-1, only to narrow toward a more typical 6-to-1 ratio. "The price dips in natural gas are very temporary," he said, adding that the recent spate of warm winters is not likely to continue. "Gas is poised to outperform oil." Thus, in his opinion, maintaining the relationship of the two commodities. He is forecasting flat industrial gas consumption in 2008, "but there's no loss of demand. After years of declining demand, industrial demand shows signs of stability." Yang is projecting average gas prices will rise in both 2008 and 2009.

For the opposing viewpoint, Ed Kennedy, a commodity adviser for Commercial Brokerage was quoted as saying "Until recently, gas received psychological support from oil because of the proximity of the two commodities' trading pits. But since NYMEX teamed with the Chicago Mercantile Exchange to provide the electronic trading platform Globex, there are few traders left in the pit, making it unlikely that the oil spike would carry over into gas." "Eighty-five percent [of gas trades] are done on Globex," Kennedy noted. "Anybody who thinks natural gas should trade with crude should step back and take a look at the price charts for the last five years. Believe what you see. There is no correlation."

So what are we to make of the price surge experienced in natural gas when crude oil shot to \$100/barrel early last month? Not surprisingly, some attributed the gains in gas to the surging oil market. However, others countered that the February NYMEX gas futures contract rose in tandem with crude due to an inordinate amount of "short" contracts being covered. Many will argue that there hasn't been a meaningful link between oil and gas prices in several years. "There was a time when you could call them sisters," said Peter Beutel, president of Cameron Hanover. "At the best now they are second cousins."

So whether you believe that there is a direct correlation between crude oil and natural gas or not, crude oil is still a market that bears watching. Your CenterPoint Energy representative will keep you updated on this and all the other influencing factors that can impact your natural gas expenditures.

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

CES Acquires Large Indiana Customer Group: CenterPoint Energy Services (CES) acquired a large group of commercial and industrial customers from Nordic Energy LLC in a transaction that closed on Dec. 31. CES began providing services on Jan. 1.

The acquisition quadruples CES' size in Indiana, increasing total market share to 20 percent in the NIPSCO Choice program, according to **Eric Sullivan**, CES division vice president. NIPSCO (Northern Indiana Public Service Company) has over 12,000 commercial customers who select their gas supplier in a "Choice" program.

CES is CenterPoint Energy's non-regulated gas marketing group that provides competitive gas services for commercial, industrial, and

wholesale customers. The transaction includes over 1,600 individual accounts, representing a total annual consumption of more than 3 Bcf. All customers fall in the NIPSCO service area of Northern Indiana.

The Merrillville, Indiana sales office staff will manage the accounts' customer relations. Staff includes **Michelle Crepeau**, **Tim Klein**, and **John Zaharias**. Operations and billing will be handled by CES' Chicago office.

WISCONSIN UPDATE

Pipeline Extension: Construction is scheduled to begin in March on a \$250 million extension of the Guardian natural gas pipeline between Ixonia and Green Bay. The pipeline is an 119 mile extension of the Guardian pipeline that

runs from the hub in Joliet, Illinois to Ixonia. WE Energies is spending \$43 million to build 14 miles of laterals and WPS has four connectors planned at a cost of \$75 million. The pipelines and connections are expected to be in service this November. Guardian is owned by ONEOK Partners, a publicly traded company based in Tulsa, Oklahoma.

Threatening to stop or slow down the project is a group of landowners in Dodge, Fond du Lac, and Calumet counties. They are contending that the pipeline wrongfully used federal eminent domain laws rather than Wisconsin laws. A pipeline does have the right to use either state or federal laws but the landowner group is contending that the Guardian right-of-way agents have acted unethically and that they wrongly applied the federal standards.



Customer Corner

The history of the **SWIFTEL CENTER** began in August of 1994, when community leaders and city officials began discussing the need for the AgriPlex. Initially ideas for the AgriPlex were primarily agricultural driven. However, by September 1997 when ground was broken, the idea has broadened and the dream for the future was a facility that could spur local economic development.

Today, the Swiftel Center is located in Brookings, South Dakota along I-29 and Hwy. 14. As it enters the 8th year of operation, it maintains approximately 400 event days a year.

The Swiftel Center offers a 7,000 square foot banquet room and a 30,000 square foot arena. Designed to be multi-functional, the Swiftel Center has been host to concerts,

meetings, receptions, conventions, livestock shows, circuses, banquets, motocross, rodeos, dances, training sessions, seminars, sporting events, high school athletics, and much more

For more information visit: www.swiftelcenter.com.

Bruce Tuttle serves as their account 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

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Our monthly newsletters
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