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# ENERGY NEWS

## THE WEATHER OUTLOOK

As we approach the coming winter season we will focus this issue of *Energy News* on one of the biggest drivers of the energy complex....weather.

Up until recently much of the country has been spared any type of sustained below average temperatures. This trend has allowed our overall storage reserves to reach a level of slightly above 3.4 trillion cubic feet (tcf). This number is below last year's level (3.535 tcf) and above the five year average (3.327). Although the traditional storage season ends in October, our recent warm up will probably allow for one more injection into storage.

Then winter begins in earnest. Or will it?

Depending on your source we may be in for a varying degree of winter severity. According to Gas Daily, "...current forecasts paint a contradictory picture, with the National Weather Service predicting above-normal temperatures for much of the US this winter, while several private forecasters are predicting much colder scenarios." They went on to state the obvious "...the weather is notoriously difficult to predict, particularly as far out as a whole season."

Here's a summary of current predictions for the upcoming winter from various weather forecasters:

- EarthSat just came out with a forecast calling for this winter to be the coldest in the last 5 years.
- WSI and AccuWeather agree on a colder than normal Northeast, and a normal to above normal South and Southeast. The most disagreement comes in the western U.S.
- NOAA calls for above normal temps in the Midwest, but in the Northeast and West their position is "Equal Chance" meaning the probability of the most likely category cannot be determined.

Some believe that the development of either a La Niña (bias toward a colder forecast) or El Niño (bias toward a warmer forecast) will ultimately determine the future weather patterns. According to analysts with Barclays Capital, "Uncertainty in the weather forecast for the winter heating season is keeping the outlook for gas prices muddled."

At this late date in the calendar, weather forecasts become one of the most important factors that the entire energy complex pays attention to. Seeing the various opinions of what to expect it's easy to see why so many of our customers have elected to secure their budget with a fixed rate of gas supply. Having a "known" in a world of "unknowns" offers a sense of stability and surety.

Please contact your CenterPoint representative for more details on this topic and options available to you.

*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

Crain's Chicago Business is reporting that more than 56,000 natural-gas customers in the Chicago area remain disconnected for lack of payment. That's up 36% from last year, putting pressure on utilities and local officials to get disconnected households back online before winter begins in earnest.

Peoples Gas and Nicor Inc. are offering new programs to help customers who are behind on their bills. In a pilot that began last month, Peoples has stopped shutting off customers as long as they pay 60% of their monthly bill. For two weeks last month, Nicor offered to reconnect customers who paid half of their outstanding debt and agreed to a payment plan for the rest. Some 1,400 took advantage of the offer.

With the souring economy making it increasingly difficult for people to pay their bills, consumer advocates say the programs are not enough. While federal heating assistance to low-income households in Illinois is up 59% from last year to \$237 million, natural-gas prices are also up. For the November-to-March period, Peoples forecasts the gas bill for a typical Chicago household will rise 11%, to \$1,183.

The number of shut-offs at Peoples, which has 840,000 customers in the city, is up more than 20% from last year; at Nicor, with 2.2 million suburban customers, shut-offs are 56% higher.

### PENNSYLVANIA UPDATE

**Landowners Sue Over Gas-Drilling Leases:** Scores of people who own land above a potentially lucrative natural gas reservoir are seeking to void the drilling leases they signed and accused a land agent of guaranteeing a lower royalty than the amount allowed

by state law. The landowners have filed a lawsuit in federal court in Williamsport against The Keeton Group LLC, of Lexington, Ky., that could affect many other leases signed across Pennsylvania over the past several years.

The lawsuit stems from a rush of activity by exploration companies to capitalize on the largely untapped Marcellus shale gas reservoir while natural gas prices are high. Landowners from West Virginia to New York have complained of aggressive "landmen" pushing them to sign leases that allow an exploration company to drill down to the Marcellus shale, a layer of thick black rock that holds a vast reservoir of gas.

The law cited by the plaintiffs says a lease is not valid if it does not guarantee a landowner at least one-eighth of the royalties from the recovery of oil and gas on their land. However, the suit said the leases violate state law because they give the exploration company the right to subtract taxes, assessments and adjustments on production from the 12.5 percent royalty. "Our view of the world is when the Legislature put one-eighth in the law, it was an absolute bare minimum," said Brian Must, one of the lawyers representing the landowners.

The suit said the approximately 130 plaintiffs own more than 18,000 acres in Sullivan and Lycoming counties in northern Pennsylvania. The contracts were signed with Keeton between April 2005 and March 2006, the suit said. Mr. Must said other companies have signed many landowners in Western Pennsylvania to leases similar to the one being challenged in the lawsuit. Officials from The Keeton Group could not be reached for comment.

Stephen Rhoads, president of the Pennsylvania Oil and Gas Association, said the lease being challenged uses what is considered standard language. "These are traditional terms of the lease,

they've been around forever," Mr. Rhoads said. Instead, Mr. Rhoads said he believes the landowners are simply trying to get better terms that deliver a bigger upfront per-acre lease payment after seeing their neighbors get better deals as competition for land heated up.

The gas reservoir beneath the Marcellus shale was long known to exist, but only recently has drilling technology improved enough to cost-effectively tap into it. According to state officials, drilling activity on the formation began in 2004 in Greene County and is taking place at about 275 well sites, mostly in the southwest and northern Pennsylvania.

Less than 20 of those sites are producing gas, according to the state Department of Environmental Protection.

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*taken from: Pittsburgh Post-Gazette 10/25/08*

### WISCONSIN UPDATE

**Wind Power:** WE Energies filed an application with the state Public Service Commission to construct the Glacier Hills Wind Park in Columbia County. The wind farm will be located about 45 miles northeast of Madison and includes up to 90 wind turbines capable of generating up to 207 megawatts of electricity, enough to power about 45,000 homes and is expected to cost \$340-\$530 million.

**State Continues to Lose Jobs:** Wisconsin continues to lose jobs as unemployment rose to its highest September rate in six years, although it stayed well below the national level. September unemployment was 6% nationally while Wisconsin was at 4.4%. The manufacturing sector has lost jobs for the last 23 months in a row. Only educational and health services posted a gain from September 2007 to present. Overall, the state ranks second to Indiana in percentage of jobs in the manufacturing sector.



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## Customer Corner

### BURNETT DAIRY COOPERATIVE

‡ QUALITY DAIRY PRODUCTS SINCE 1896 ‡

Burnett Dairy Cooperative has its roots in the Branstad and Wood River creameries. These two had a long tradition of serving dairy producers.

In the 1960's the age of modernization was approaching and both creameries decided to merge and turn toward the more profitable venture of making cheese. Not just any cheese, but Mozzarella; an upcoming new cheese to Americans.

The cooperative was one of the first to make Mozzarella cheese outside of the traditional ethnic producers who brought their cheese cultures with them from the old country. Burnett Dairy was very successful in building the business with quality products.

The official start date of the cooperative was in 1966 when the two creameries were closed. Today, Burnett Dairy is the last remaining dairy plant in the county.

The cooperative didn't stop expanding its cheese making ability either. Today it makes many flavors of String Cheese, Edam, Fontina, Parmesan aged, Cheddar and specialty yogurt cheese. These fine products are delivered to pizzerias and retail stores throughout the U.S.

Burnett Dairy Cooperative has been a CenterPoint customer for many years and Dan Lundgren is their account representative.

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