Winter Outlook
Natural Gas

NYS Energy Research & Development Authority
Winter Fuels Outlook Meeting

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Winter Gas Outlook

- Commodity prices are higher than last winter.
- Customer bills are expected to be higher than last year based on expectation of normal weather combined with higher cost gas.
- Gas storage inventories nationwide are within the average range.
- NY utilities have contracted for adequate capacity and supplies to meet winter conditions.

Annual Winter Review

- Objectives
  - Adequacy of gas supply, delivery capacity, and storage inventory to satisfy firm customer demands
  - Winter gas commodity prices, LDC strategies to reduce price volatility and customer bill impacts.
  - Marketer compliance with the Commission's firm primary point winter capacity requirement.
  - Interruptible customer compliance with the Commission's alternate fuel availability requirements.

Capacity

- LDCs will have adequate capacity to supply gas to meet their firm customer requirements over the winter.
- Interstate pipeline capacity available to New York has been tight, especially into the downstate region.
  - Core customer demand for natural gas is growing in the New York City and Long Island regions.
- Millennium pipeline will add to capacity available to downstate this winter.

Pipeline Update

❑Millennium

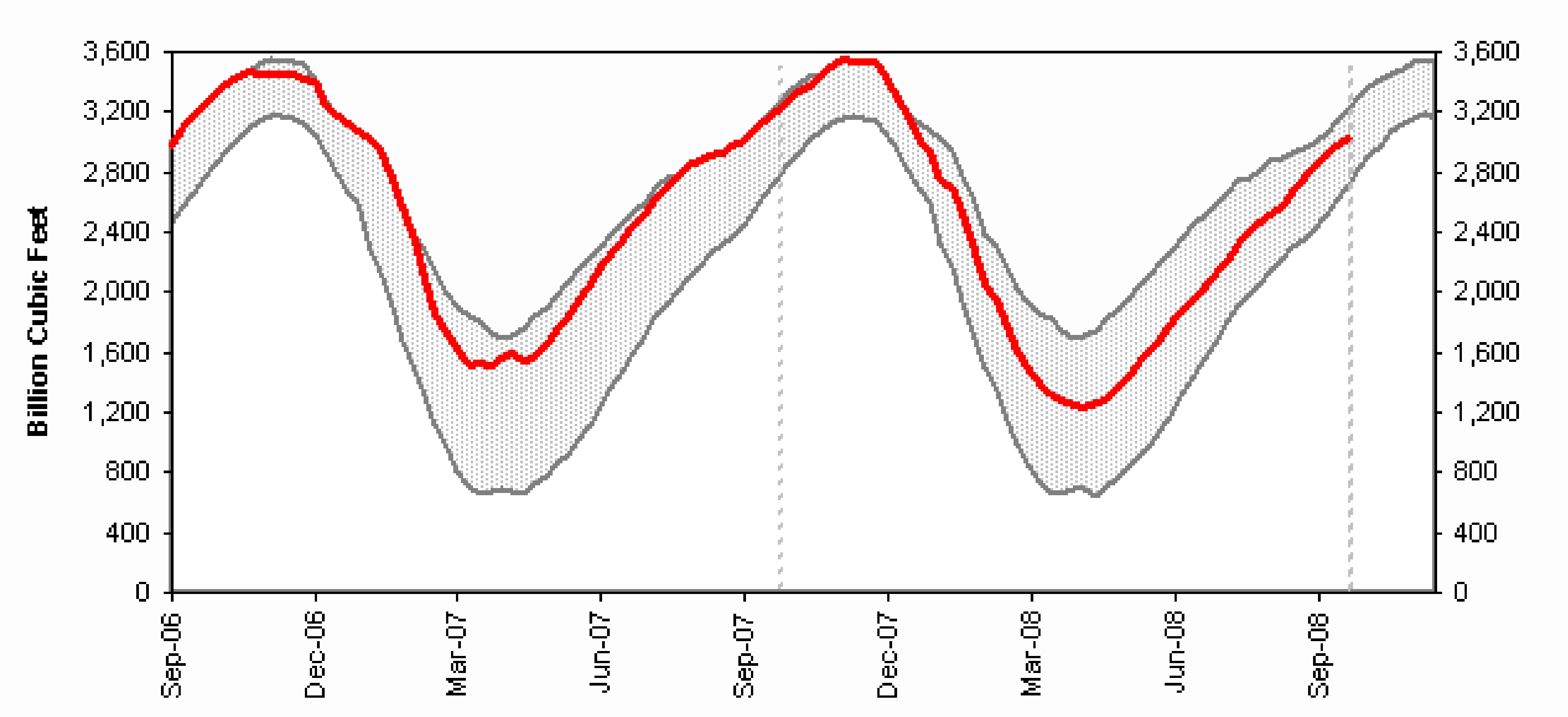
- 525 MDT/day – 186 mile 30 inch pipe from Corning, NY to Ramapo, NY.
- Currently under construction
- Incremental capacity being built on Algonquin and Iroquois to deliver Millennium volumes into New York City Area
  - 300 Mdt/day to be delivered to NYC/LI markets

❑Empire Extension

- 250 MDT/day – 83 miles of 24 inch pipe from Victor, NY to Corning, NY.
- Connects Millennium with TransCanada and Dawn, Ont. trading hub.
- Currently being constructed - on track to be in service in November.

Working Gas in Underground Storage

Compared with 5-Year Range



The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2003 through 2007.

EIA Weekly Natural Gas Storage Report, "Working Gas in Underground Storage", Data Released September 25, 2008, for the Week Ending September 19, 2008 (eia.doe.gov.).

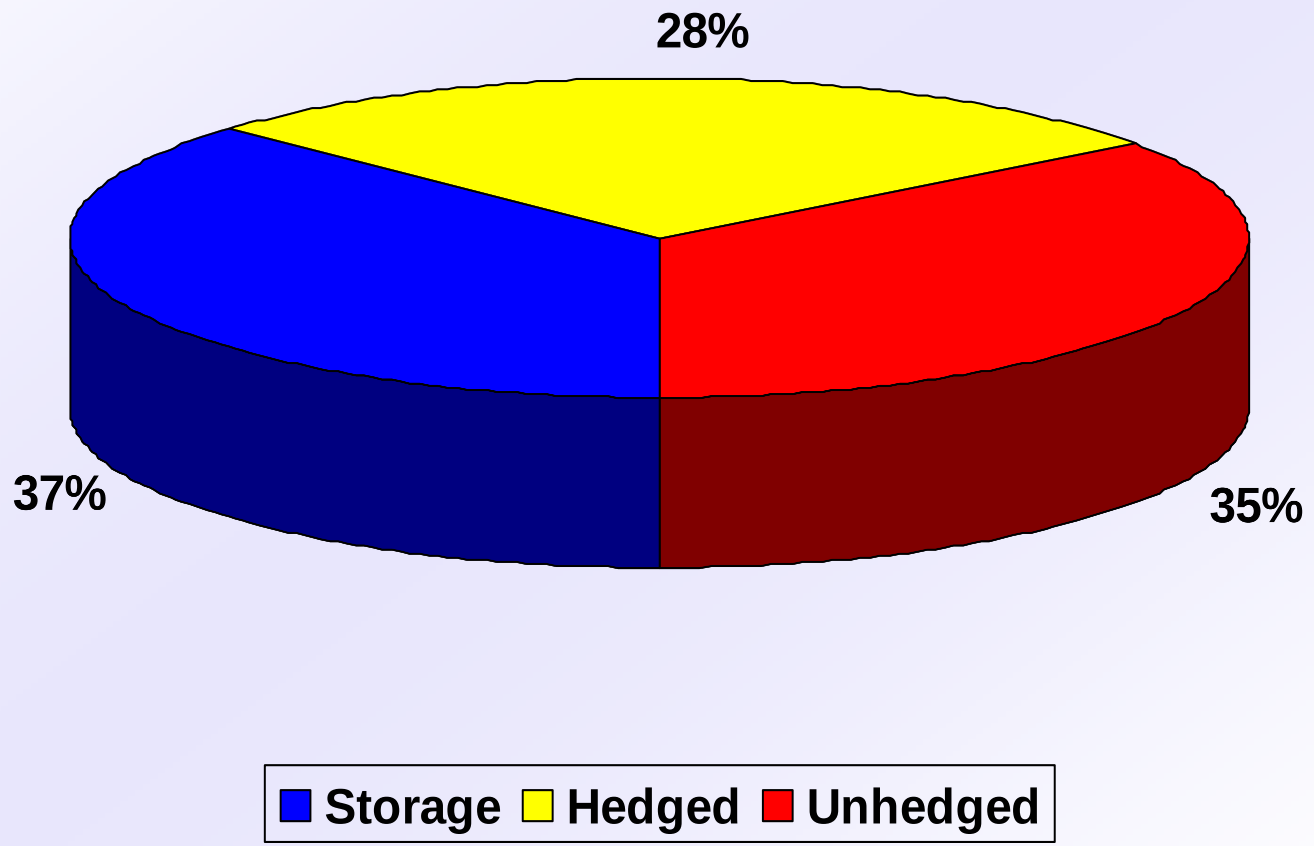
Interruptible Customers

- LDCs will be conducting tests and inspecting alternate fuel burning equipment of interruptible customers to ensure compliance with alternate fuel inventory requirements.

2008-09 Winter Gas Price Outlook

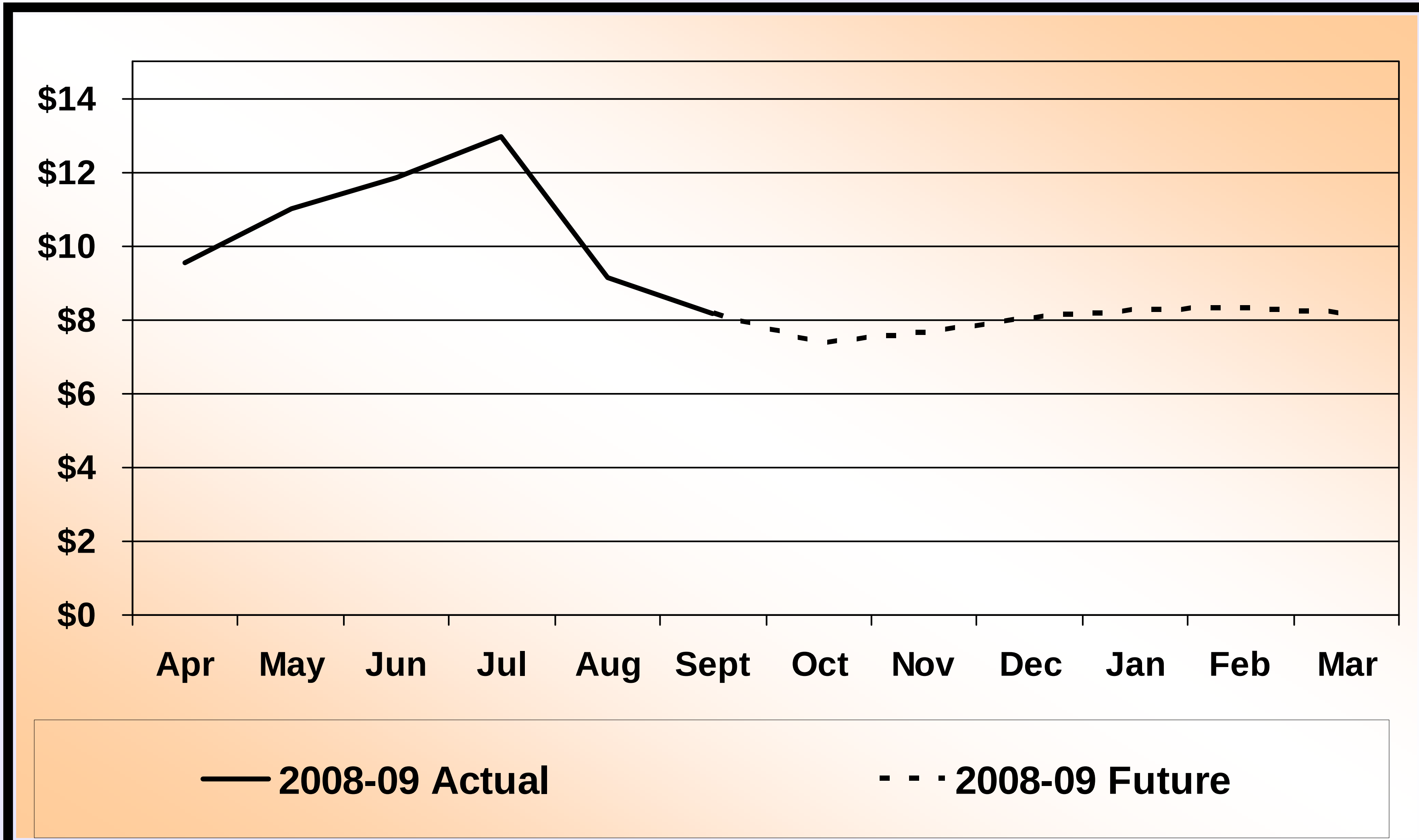
- There are three basic components of a gas utility's natural gas supply portfolio:
  - Storage Gas
    - Gas injected into storage during the summer to help meet the seasonal winter demand
  - Hedged Supply
    - Physical or financial hedges executed throughout the year
  - Un-hedged Supply
    - Gas purchased at market prices during the winter

New York State Gas Utility
Typical 2008-09 Winter Supply Portfolio



NYMEX GAS FUTURES PRICES ($/DT)

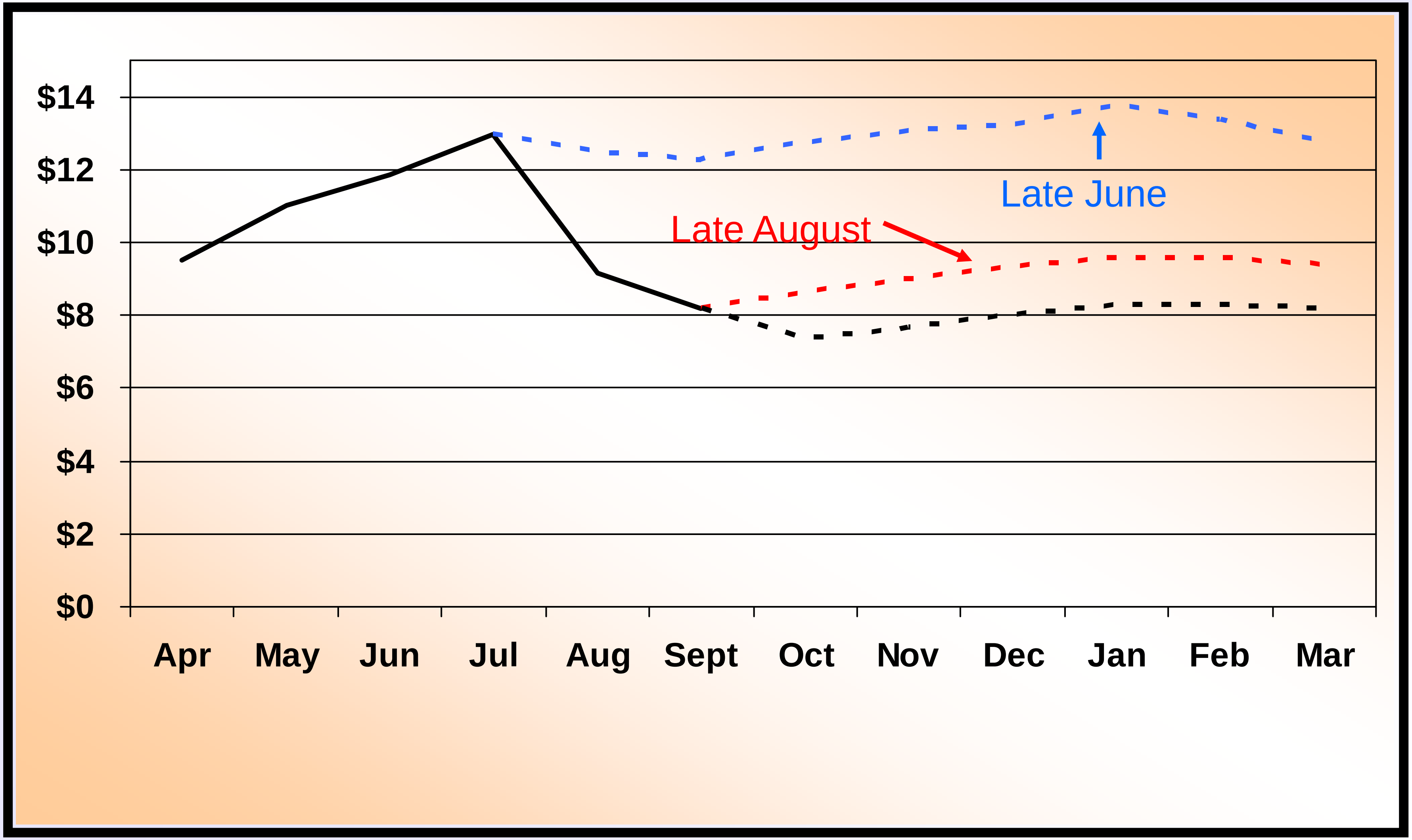
Current



NYMEX futures prices as of Sept 12, 2008

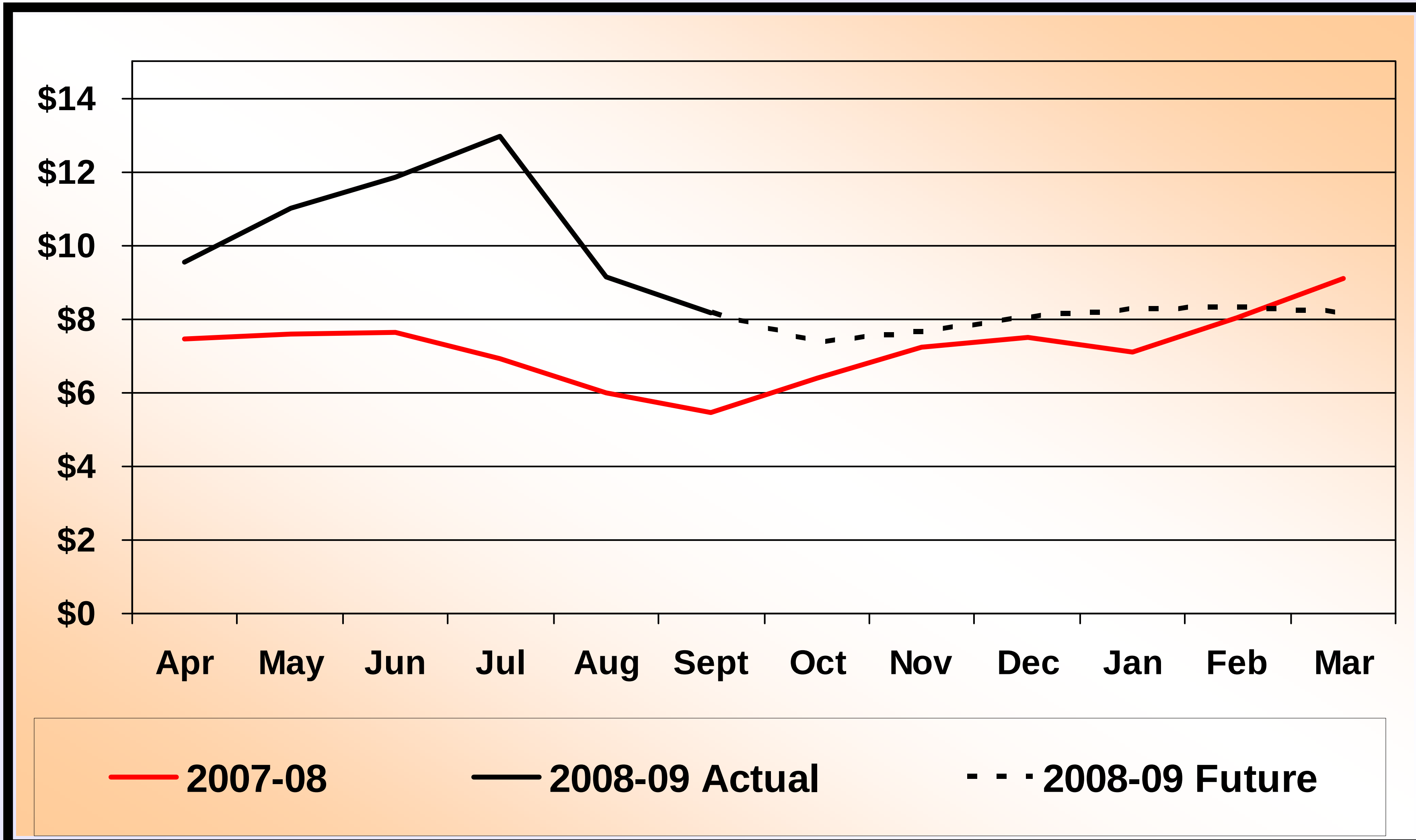
NYMEX GAS FUTURES PRICES ($/DT)

Current vs. Recent History

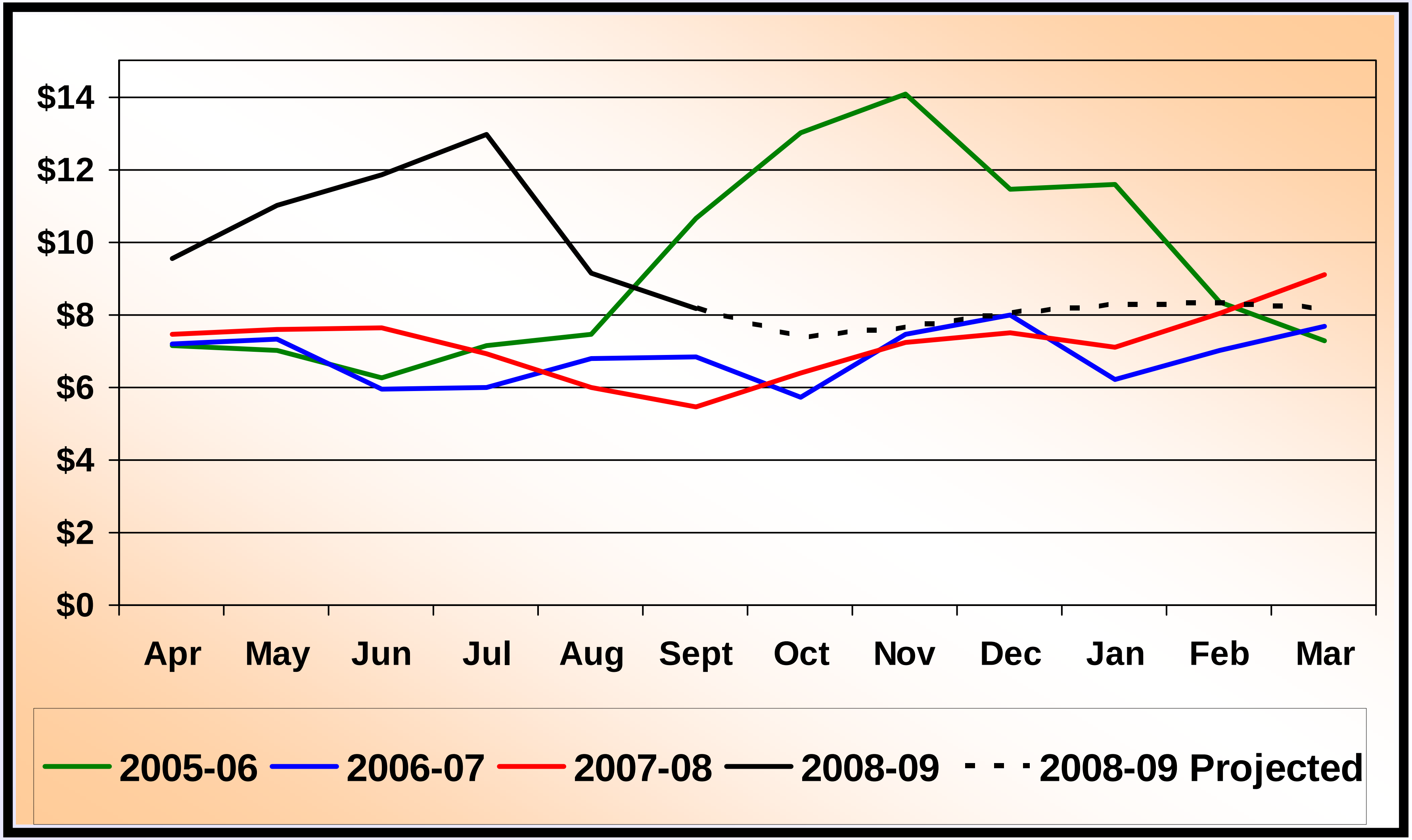


NYMEX GAS FUTURES PRICES ($/DT)

Current vs. Last Year



NYMEX GAS FUTURES PRICES ($/DT)
Current vs. Multiple Year History



Average NYS Winter Commodity Portfolio Supply Summary

	Typical Portfolio	2007 – 2008 Winter Actual $/dth	2008 – 2009 Winter Forecast** $/dth
Physical Storage	37%	$7.85	$9.93
Hedged Supply	28%	$9.08	$9.88
Flowing Gas	35%	$8.46	$8.77
Average Winter Commodity Price		$8.45	$9.49 +12%

** Illustrative example based on NYMEX prices as of September 12, 2008

Customer Bill Impacts

- Customer bills are comprised of commodity charges and transportation and delivery charges

- Commodity costs account for roughly 70-80% of the customer's bill and vary depending on the utility

- Customer bills are expected to be higher this winter than last year under normal weather conditions driven by the commodity price increases

Residential Heating Customer Statewide Average Bills

2007-08 Actual Weather	2007-08 Normal Weather	2008-09 Normal Weather	% Change Actual 2007-08 vs. Normal 2008-09
$ 1216	$ 1242	$ 1368	12.5%

Winter Gas Price Outlook

- Price Risk Factors
  - World Oil Prices
  - Hurricanes
  - Cold Weather