



Winter Outlook Natural Gas

NYS Energy Research & Development
Authority Meeting

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Winter Gas Outlook

- Commodity prices are approximately the same as last winter.
- Customer bills are expected to be somewhat higher than last year based on normal weather.
- Gas storage inventories nationwide are near record levels.
- 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.

❑ Process

- Letter sent to all LDCs requesting information.
- Meetings with all LDCs to discuss information.

Capacity

- ❑ All LDCs have adequate capacity to supply gas to meet their firm customer requirements over the winter.
- ❑ Interstate pipeline capacity available to New York continues to be tight, especially into the downstate region.
 - Core customer demand for natural gas is growing in the New York City and Long Island regions.
 - Incremental pipeline capacity will be needed in the future.

Pipeline Update

☐ Transco – Leidy to Long Island

- 100 Mdt/d. Will provide access to gas storage in Leidy, PA
- Currently being constructed. In service expected mid December '07
- Fully contracted by KeySpan

☐ Empire Extension

- 250 MDT/day – 83 miles of 24 inch pipe from Victor, NY to Corning, NY.
- Connects Millennium Phase 1 with TransCanada and Dawn, Ont. trading hub.
- Currently being constructed. In service expected Nov. '08

Pipeline Update *(con't)*

❑ Millennium

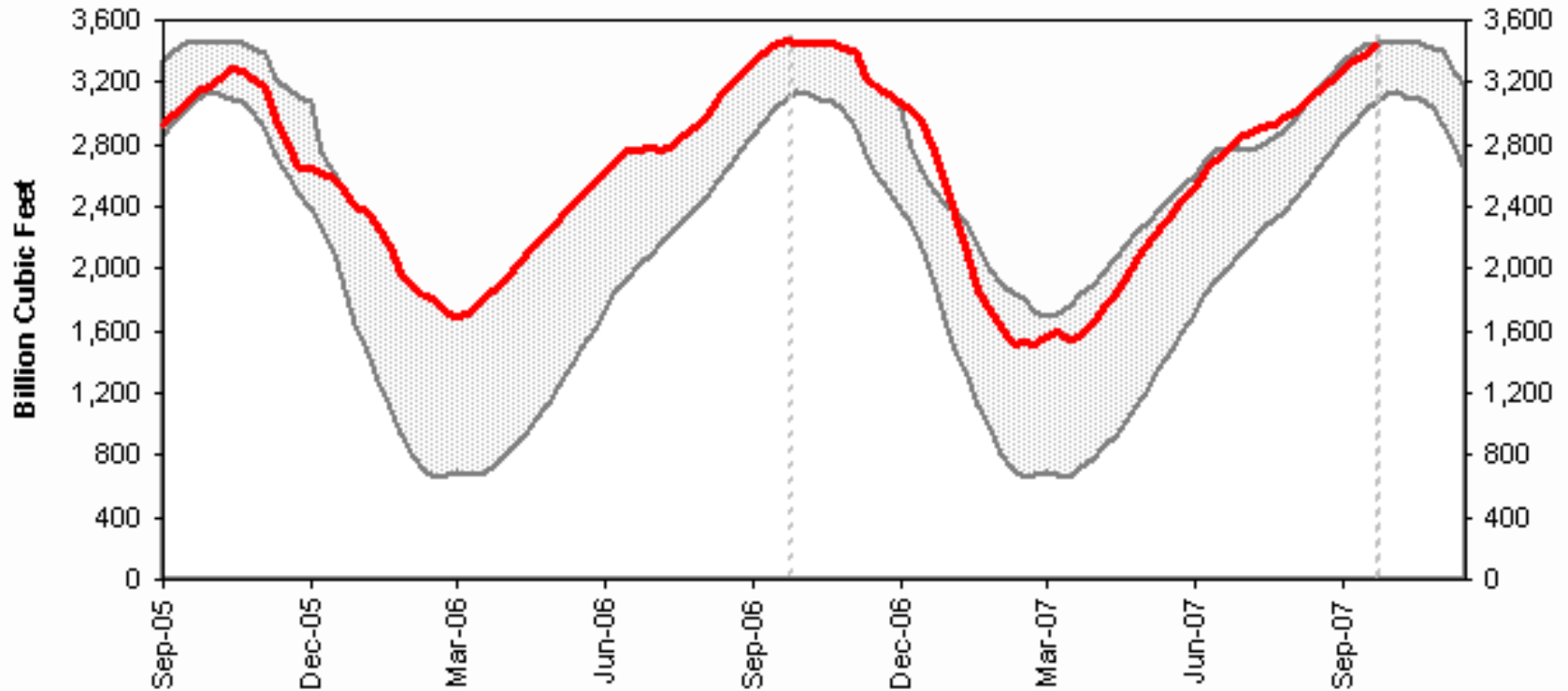
- Scheduled to be in service November 2008.
- 500 MDT/day – 186 mile 30 inch pipe from Corning, NY (new Empire Pipeline Extension connection) to Ramapo, NY.
- Currently under construction
- Incremental capacity being built on Algonquin and Iroquois to deliver Millennium volumes into New York City area.

❑ Islander East

- 285 MDT/day – 45 mile 24 inch pipe from Connecticut to Eastern LI
- FERC certified. Opposed by Connecticut.
- Remanded by Federal Courts
- With most recent delays would not be available by November '08 date.

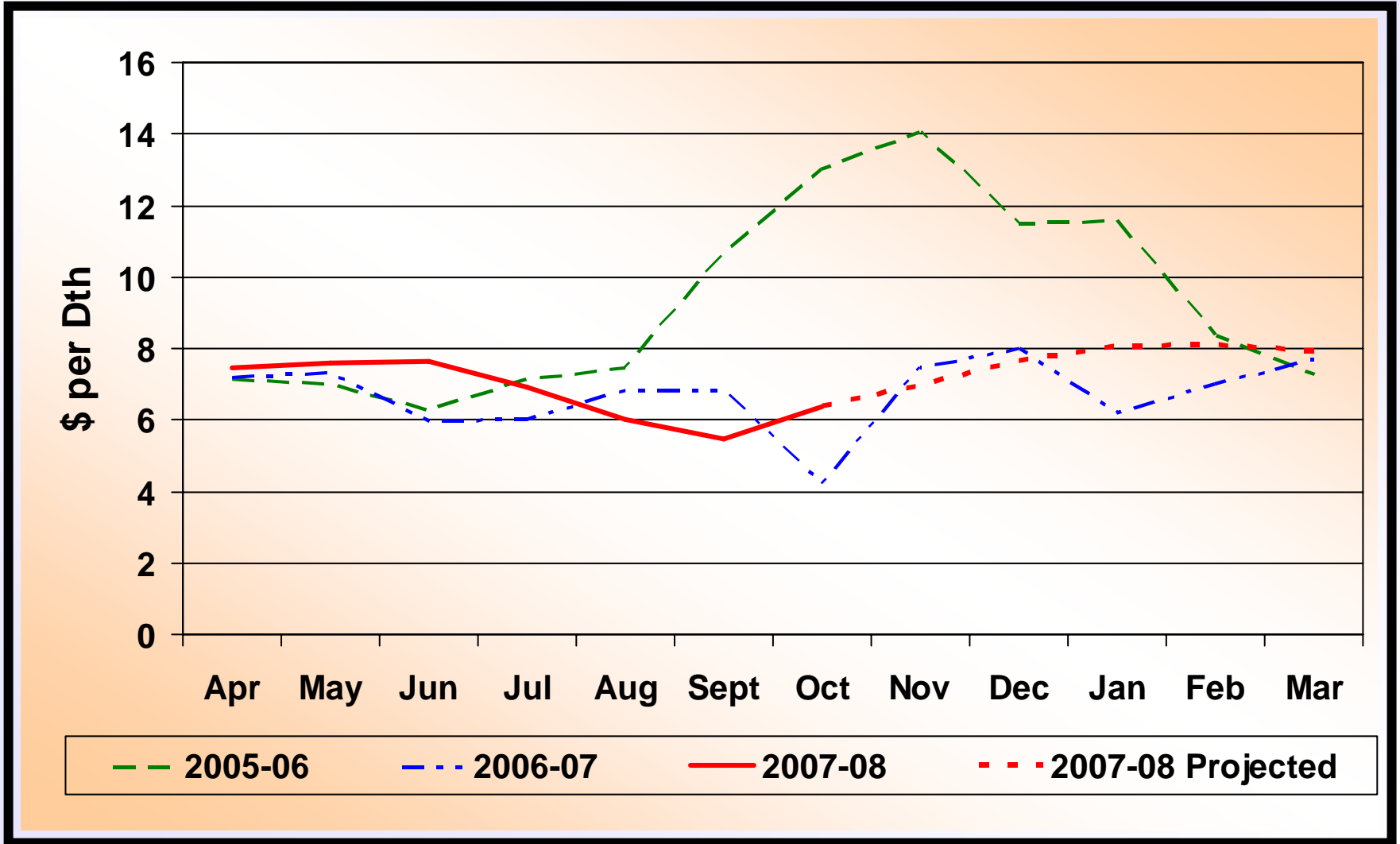
Working Gas in Underground Storage

Compared with 5-Year Range



The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2002 through 2006.

NYMEX GAS FUTURES PRICES (\$ per Dth)



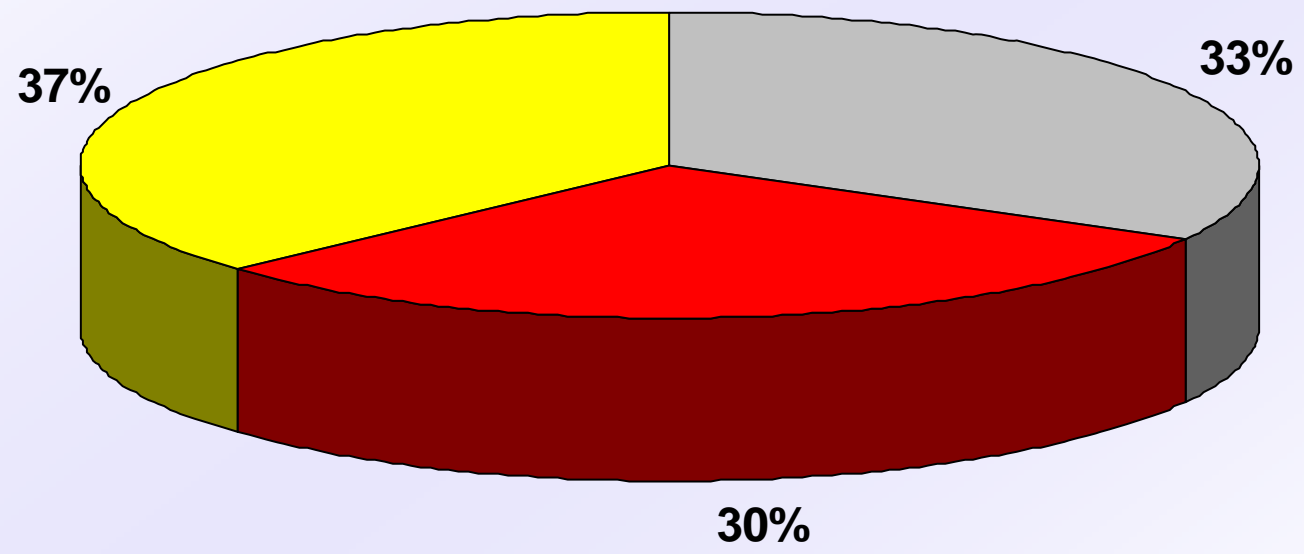
NYMEX prices as of October 24, 2007

Price Impact

- ❑ Per Public Service Commission policy which states that LDCs should have a diversified portfolio of natural gas supply, the LDCs do not rely solely on current market prices.

- ❑ The LDCs expect to meet their firm customer load this winter with a combination of supplies.
 - *Gas priced at current market*
 - *Gas withdrawn from storage (at summer prices when gas was injected)*
 - *Hedged price contracts*

New York State LDC Typical 2007-08 Winter Supply Portfolio



Storage Hedged Unhedged

Bill Impacts

- ❑ Customer bills are comprised of commodity charges and transportation and delivery charges.
- ❑ Commodity costs account for roughly 60% of the customer's bill; varies somewhat depending on the utility.
- ❑ The major LDCs are forecasting that customer bills this winter will be somewhat higher than last year, driven primarily by expected increased consumption if normal weather is experienced.

National Grid

Average Residential Heating Customer Bill Comparison

Winter 2006/2007 to Winter 2007/2008

National Grid	2006 - 2007 Average Residential Heating Customer Winter Bill Actual	2006 - 2007 Average Residential Heating Customer Winter Bill Normalized	2007 - 2008 Forecasted Residential Heating Customer Winter Bill Normalized	Commodity Related Percent Change From Last Winter	Expected Percent Change From Last Winter
	\$ 986	\$ 1,045	\$1,043	-0.2%	6%

Assumptions:

- Based on winter months of November through April.
- Normal Weather = 1165 Therms per year with 850 Therms of winter use
- Last year's weather = 790 Therms of winter use

Interruptible Customers

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