

January 11, 2010

Natural Gas Trends

Highlights

CENTRAL TEXAS UTILITIES PROMOTE CONSERVATION

Natural gas, electricity, water. In the mid-1980s, the Austin, Texas City Council authorized Texas Gas Service Company (TGS), a natural gas distribution utility, to collect from central Texas customers in specified areas a fee referred to as the 'conservation adjustment clause.' The fee was established to fund energy conservation programs. Today, TGS, Austin Energy, and Austin's Water Utility work together to promote energy conservation strategies that reduce demand for natural gas, electricity and water. A reduction in demand can translate into a reduced or delayed need for investment in natural gas infrastructure, electric power plants and water treatment facilities.

Residential customers, natural gas. TGS makes available to eligible residential customers in the Austin area the following natural gas conservation rebates and incentives:

- Attic insulation program
- Duct sealing program
- Free gas heater and free weatherization program
- Residential hydronic heating program
- High-efficiency gas water heater program
- Tankless or super high-efficiency gas water heater incentive program
- Furnace incentive program
- Gas furnace tune-up rebate program
- WashWise incentive program
- Natural gas vehicle program
- Natural gas vehicle home refueling unit
- Green saver incentive

In 2009, TGS provided more than \$1 million in rebates to qualified TGS customers.

Commercial customers, natural gas. TGS makes available to eligible commercial customers in the Austin area the following natural gas conservation rebates and incentives.

- Commercial hydronic heating unit
- Commercial water heating system
- Gas furnace tune-up rebate program
- WashWise incentive program
- Food service equipment program
- Natural gas vehicle program
- Natural gas vehicle commercial refueling unit

A detailed description of each offer is available at:

www.texasgasservice.com.

Data

- February Natural Gas Futures Contract (Jan 8), NYMEX at Henry Hub closed at \$5.749
- February Light, Sweet Crude Oil Futures Contract (Jan 8), NYMEX at Cushing closed at \$82.75 per Bbl. or approximately \$13.18 per MMBtu

Heating Degree Days 19% Above Normal for Texas

For the heating season (7/1/09 to 6/30/10), cumulative heating degree days are 19% above normal for Texas and 2% above normal for the U.S. For the week beginning 1/3/10 and ending 1/9/10, Texas and the U.S. had a very high number of heating degree days above the norm.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)

City or Region	Total HDD for week ending 1/9/10	* Week HDD +/- from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	249	+ 39	2187	+ 7 %
Austin	210	+ 101	1086	+ 39 %
Dallas – FW	230	+ 82	1248	+ 11 %
El Paso	175	+ 28	1244	- 4 %
Houston	188	+ 90	819	+ 14 %
San Antonio	175	+ 70	894	+ 18 %
Texas**	202	+ 79	1132	+ 19 %
U.S.**	256	+ 49	2055	+ 2 %

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated.
 ** State and U.S. degree days are population-weighted by NOAA.

Gas Storage Level Drops To 3,123 Bcf

For the week ending 1/1/10, U.S. working gas in storage declined from 3,276 to 3,123 Bcf, compared to 2,837 Bcf in storage a year ago and compared to an average of 2,807 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) decreased from 1,044 to 1,003 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 1/1/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	1686	1779	- 93	+ 7.1 %
West	434	453	- 19	+ 14.8 %
Producing	1003	1044	- 41	+ 17.2 %
Lower 48 Total	3123	3276	- 153	+ 11.3 %

Units in billion cubic feet (Bcf)

Last Week: Gas Rig Count At 781, Up 22

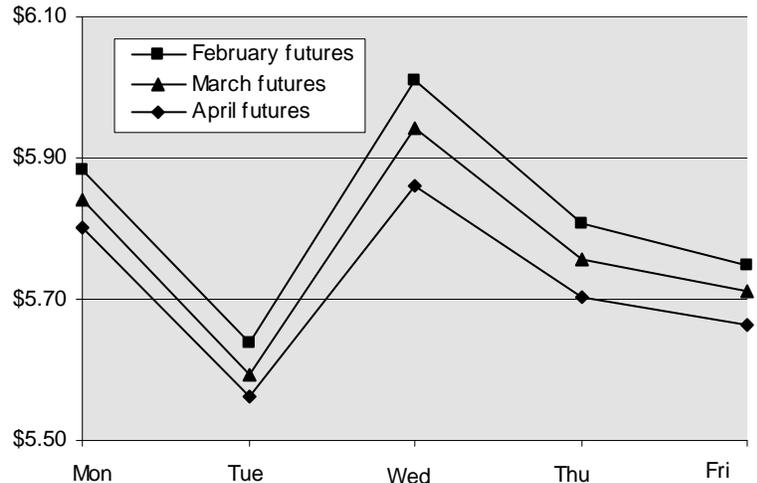
The gas rig count for the U.S. was up 22 last week and down 458 when compared to 12 months ago. The U.S. total rig count was up 31 last week and down 369 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 1/8/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1220	+ 31	1589	- 369
Gas	781	+ 22	1239	- 458
Oil	427	+ 9	341	+ 86
Texas	498	+ 13	713	- 215
N. Amer.	1562	+ 164	1949	- 387

NYMEX NATURAL GAS PRICE MOVEMENT 1/4/10 - 1/8/10

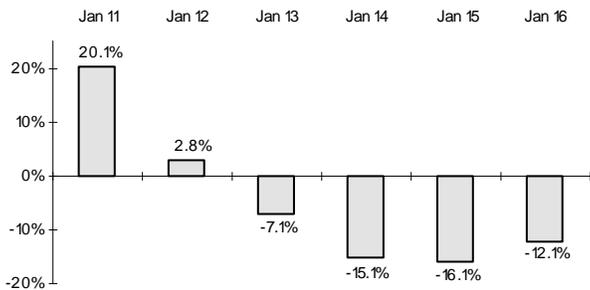


This week: U.S. Energy Starts High, Then Low

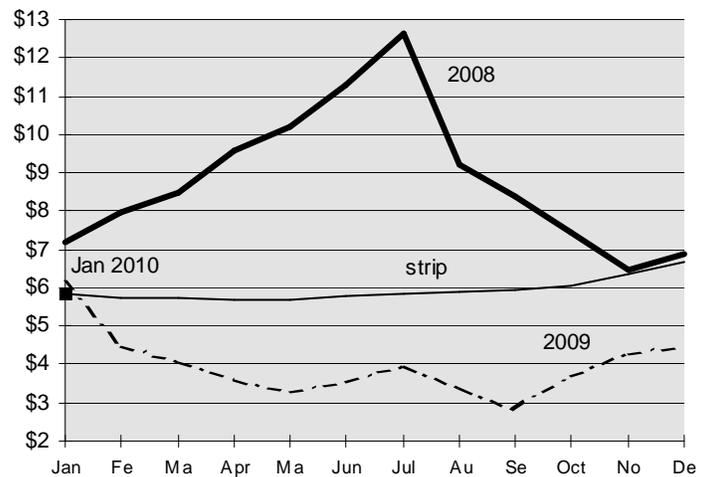
U.S. energy use is forecasted to be higher than normal through Tuesday, then lower than normal through the remainder of the week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

U.S. ENERGY USE FORECAST



NYMEX HENRY HUB FUTURES PRICES



GAS PRICE SUMMARY AS OF 1/8/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US February futures				
NYMEX	\$5.749	\$0.177	\$1.273	\$5.932

Natural Gas Trends will not be published on January 18, 2010, a state holiday. Publication will resume on January 25, 2010.