

## FACTORS AFFECTING ENERGY SUPPLY, DEMAND, AND PRICES<sup>1</sup>

### OIL

1. The price of oil has been in the \$65 per barrel range for several months.
2. Global oil markets are projected to tighten due to production restraint by members of the Organization of Petroleum Exporting Countries (OPEC) and higher demand, with half of the projected growth to stem from China and the U.S.
3. Production is declining from mature basins of non-OPEC supply, such as those in the North Sea, the Middle East, Mexico, and Russia.
4. There is uncertainty of Shell's offshore EA Platform returning to service in the near future.
5. Ongoing unrest in the Niger delta inhibits production capacity.

### NATURAL GAS

1. The price of natural gas has doubled in recent years.
2. Total annual natural gas consumption projections have risen due to cold weather through the first four months of the year. Consumption is expected to rise 3.4% in 2007.
3. The Independence Hub natural gas startup should increase production of US dry natural gas.
4. The Henry Hub natural gas spot is expected to rise an average of 90 cents above the 2006 average during 2007 because of colder-than-normal weather early in the year.

### ELECTRICITY

1. In the commercial sector, electricity consumption has been adjusted slightly downward from 2006 expectations because of high electricity pricing. The increase in natural gas consumption is one result.
2. Increased electricity prices are projected to induce greater use of combined heat and power (CHP) to satisfy electricity and space conditioning requirements.
3. Broadening awareness and acceptance of alternate energy sources, such as solar and wind power, is also responsible for projected decreases in electricity consumption.
4. Electricity prices are forecast to remain high and continue to follow the historical trend of increasing year over year.

### COAL

1. Coal is the world's fastest-growing energy source as rising oil prices prompt users to switch.
2. Coal consumption is expected to decline by less than three percent in 2007, but increase in 2008.
3. Western coal production, representing more than half of total U.S. domestic coal production, will grow during the coming years.

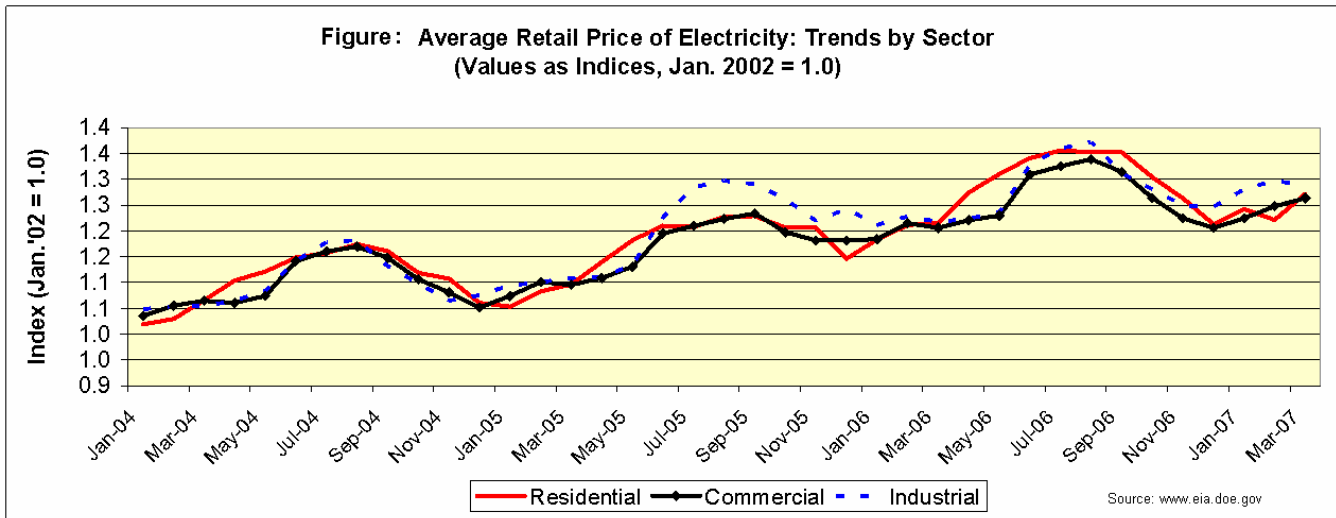
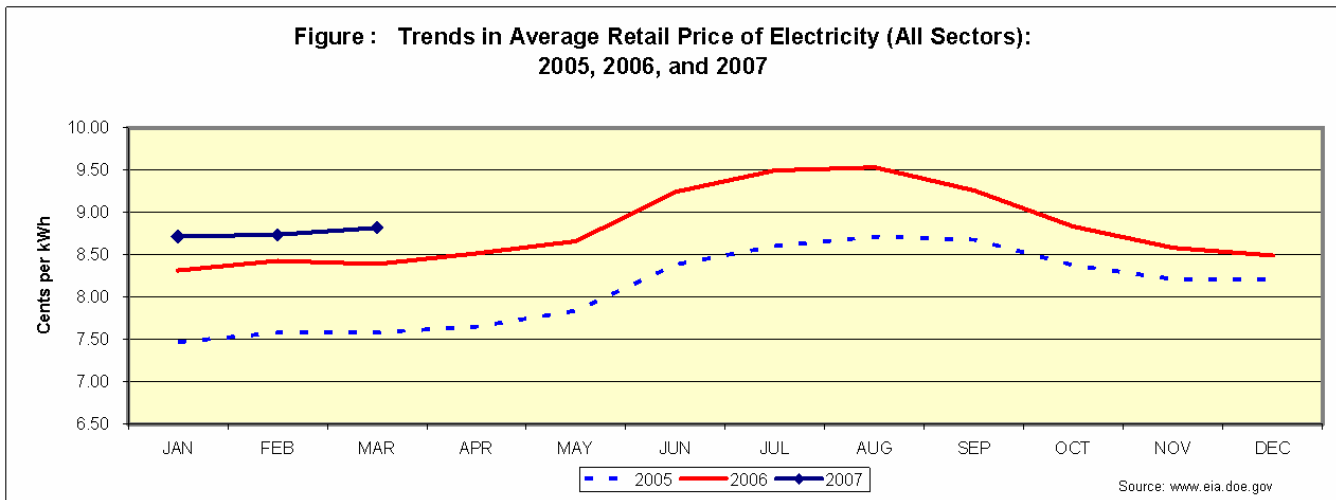
### OPPORTUNITY

Do you want to "lock-in" your electricity price now, or wait for a few months or longer to see if prices decrease? You can remove from your business equation the risk of continual, gradual electricity increases (with spikes at times). APPI, an independent utility consulting firm, will analyze your electricity accounts' usage history and characteristics, solicit bids from competitive electricity suppliers, and provide your business with fixed-price options. With a fixed-price for all of your electricity usage for an extended period of time, three to five (3-5) years, you will have "budget certainty"; your business can more effectively plan and project operating costs for several years.

**Contact APPI at (800) 520-6685.**

<sup>1</sup>Source: [www.eia.doe.gov](http://www.eia.doe.gov)

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| Price Summary                         | Source: www.eia.doe.gov |       |       |       |                    |         |         |
|---------------------------------------|-------------------------|-------|-------|-------|--------------------|---------|---------|
|                                       | Year (\$)               |       |       |       | Percent Change (%) |         |         |
|                                       | 2005                    | 2006  | 2007  | 2008  | '05-'06            | '06-'07 | '07-'08 |
| WTI Crude <sup>a</sup><br>(\$/barrel) | 56.49                   | 66.02 | 64.27 | 63.83 | 16.9               | -2.7    | -0.7    |
| Gasoline <sup>b</sup><br>(\$/gal)     | 2.27                    | 2.58  | 2.72  | 2.61  | 13.5               | 5.7     | -4.1    |
| Diesel <sup>c</sup><br>(\$/gal)       | 2.41                    | 2.71  | 2.79  | 2.73  | 12.5               | 2.8     | -1.9    |
| Heating Oil <sup>d</sup><br>(\$/gal)  | 2.05                    | 2.36  | 2.38  | 2.37  | 15.2               | 0.8     | -0.6    |
| Natural Gas <sup>d</sup><br>(\$/mcf)  | 12.84                   | 13.76 | 13.02 | 13.7  | 7.1                | -5.3    | 5.2     |

<sup>a</sup> West Texas Intermediate. <sup>b</sup> Average regular pump price.

<sup>c</sup> On-highway retail. <sup>d</sup> Residential average.

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