



24th World Gas Conference
ARGENTINA | 2009
5-9 October

The Global Energy Challenge:
Reviewing the Strategies
for Natural Gas

Impact of Regulatory Changes on Future Industry Structure

World Gas Conference

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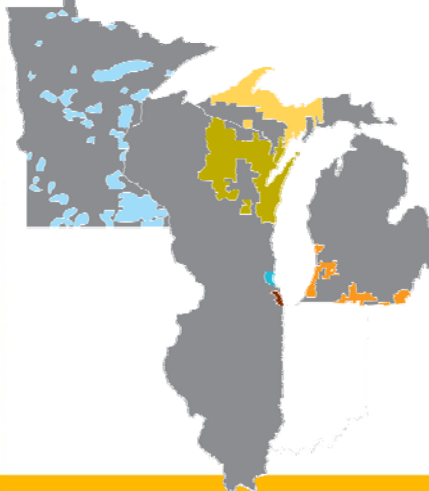
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- 1.6 million natural gas customers
- 0.5 million electric customers
- \$3.0 billion in revenue from natural gas operations (2008)
- \$1.3 billion in revenue from electric operations (2008)



North American Regulation

- Different Federal and State Regulation
- Different Transmission and Distribution Ownership
- Very Few Long Term Supply Contracts
- No Margin on Commodity
- Hedging Strategies Widely Deployed



Pre-Recession

- North American Production in Decline
- LNG Landings on the Rise
- Significant New Power Generation Load Anticipated
- Capital Generally Available
- Cost of Commodity Very High
- Companies Looking for Growth Mechanisms



Today – What a Difference a Year Makes!

- Consumption Down Significantly
- Supply Not an Issue (at least in the short term)
- No Capital Availability
- Significant Collateral and Margin Concerns
- Cost of the Commodity Very Low
- Conservation and Energy Efficiency
- Forget Growth – Just Survive!



So Where Does That Leave Us?

- North American Regulators Are Increasingly Political
- More Innovation in Rate Structures
- Barriers to Vertical Integration
- Opportunities for Horizontal Integration (but difficult to make work for shareholders)
- Climate Change Legislation Will Drive
- Ultimately from “Bridge Fuel” to “Fuel of the Future”