

Outlook on Gas Supply and Deliverability in New England

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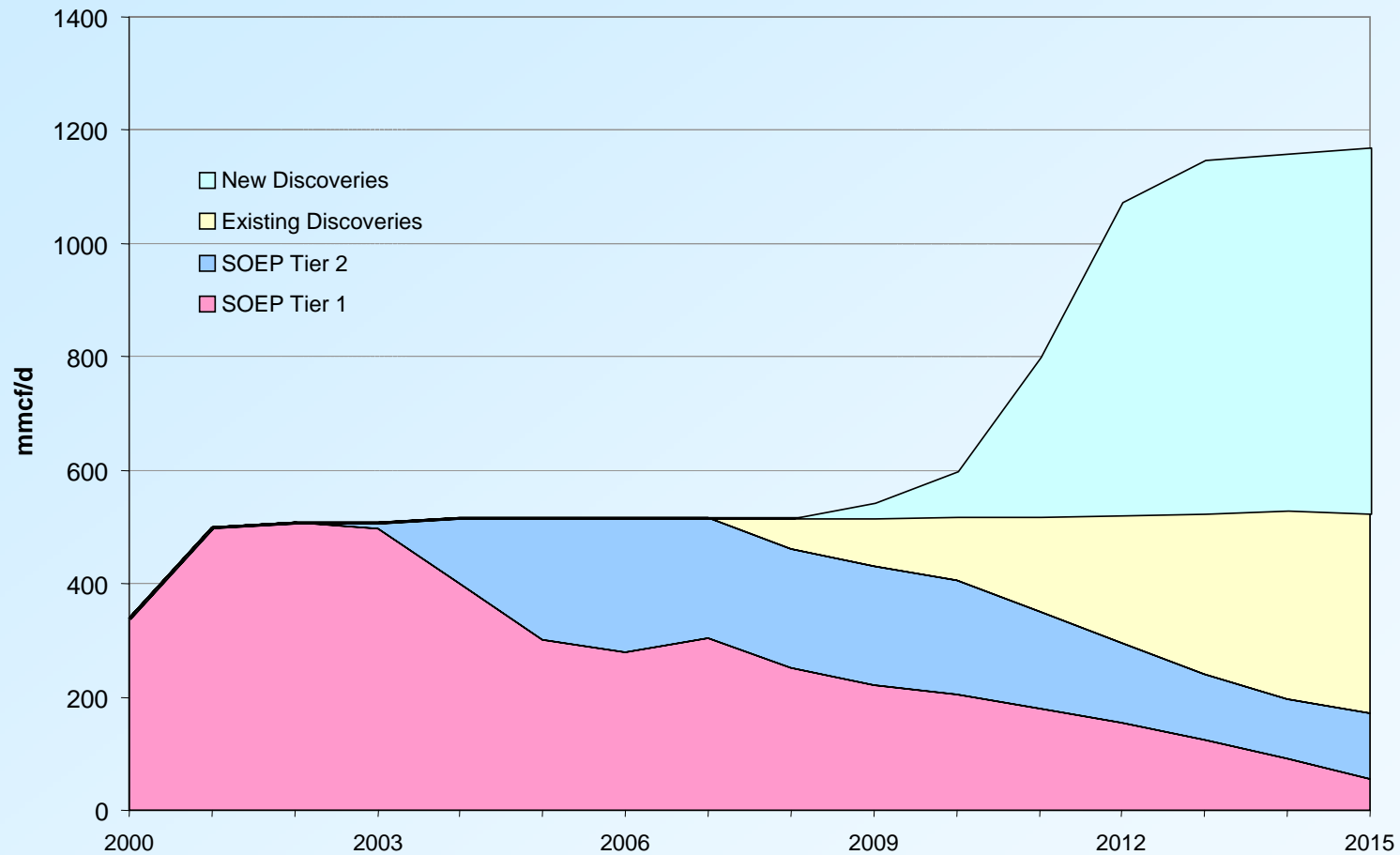
Gas Market Developments

- Negative short-term E&P outlook
- Need for accelerated storage injections
- Genco emphasis on optionality
- High volatility / thin or negative spark spreads
- Value through opportunism in bulk power sector

Changing Continental Supply Dynamics

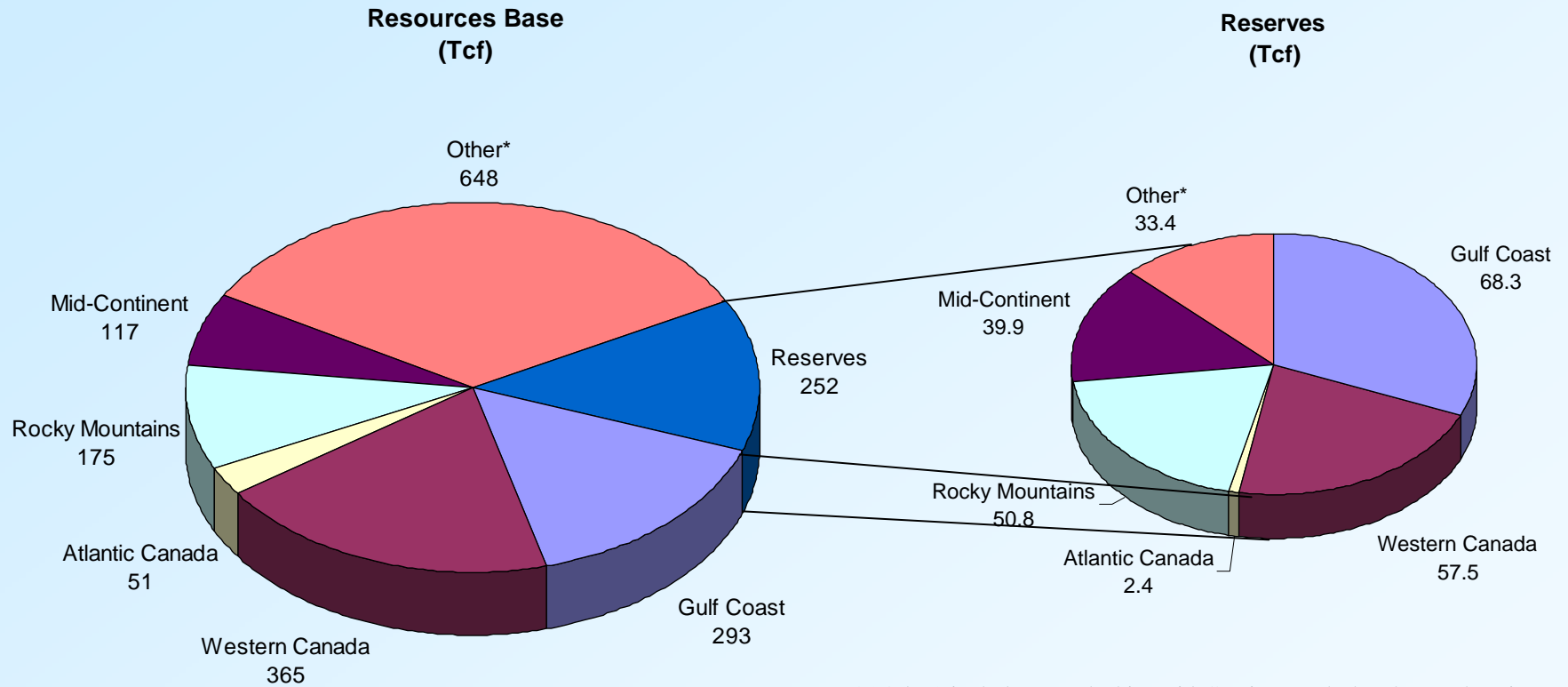
- Maturation of existing producing basins
 - Running hard to maintain production levels
 - Gulf Coast
 - Onshore and shallow water production flat to declining
 - WCSB
 - Declining production from shallow wells in the east
 - Growth from deeper more expensive wells
 - Atlantic Canada
 - Strong long term potential / not another Gulf Coast

LAI Outlook on Scotian Shelf Production



Sources: Shell Canada, Nova Scotia Department of Energy, Canadian Superior Energy, LAI Estimates

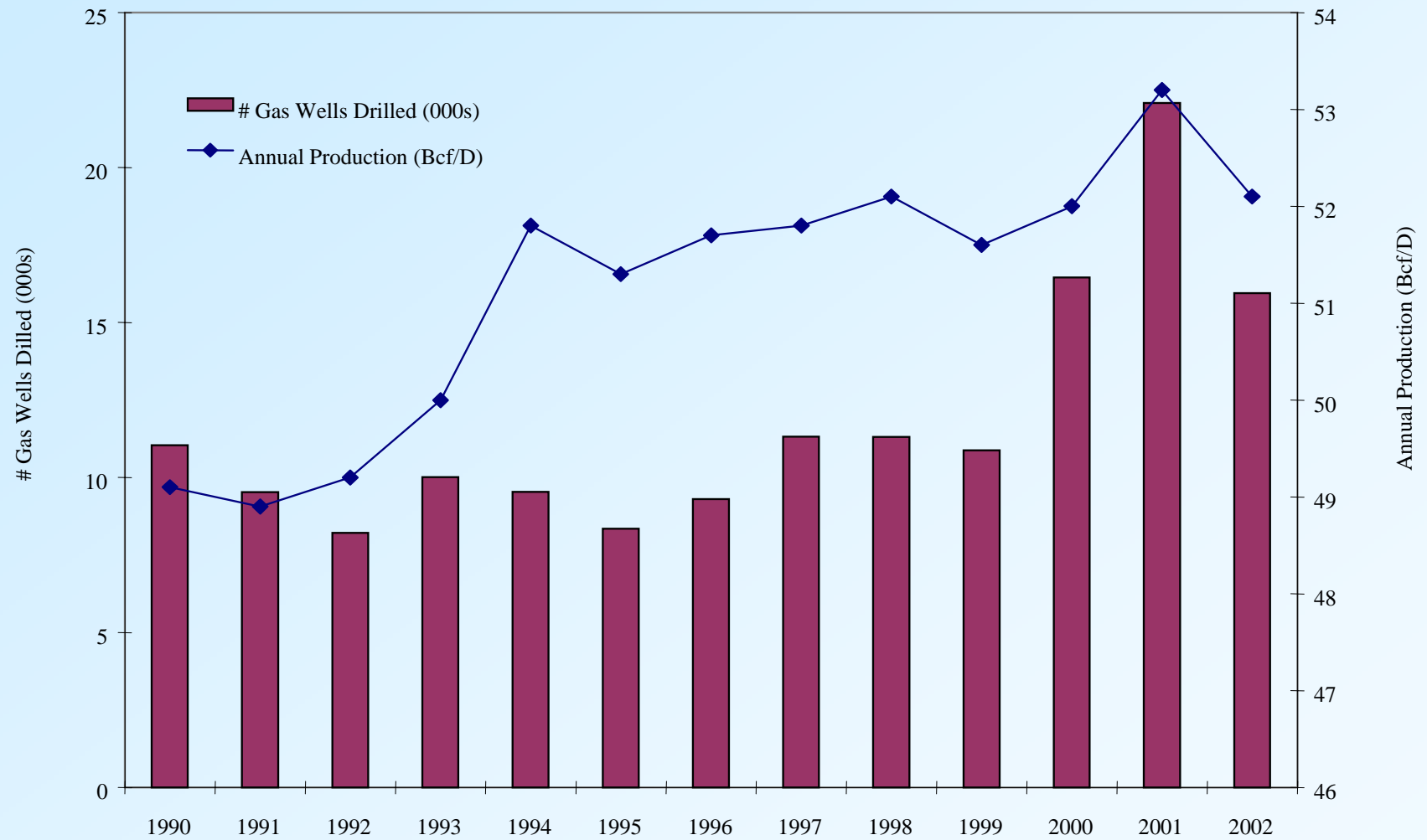
North American Natural Gas Supply



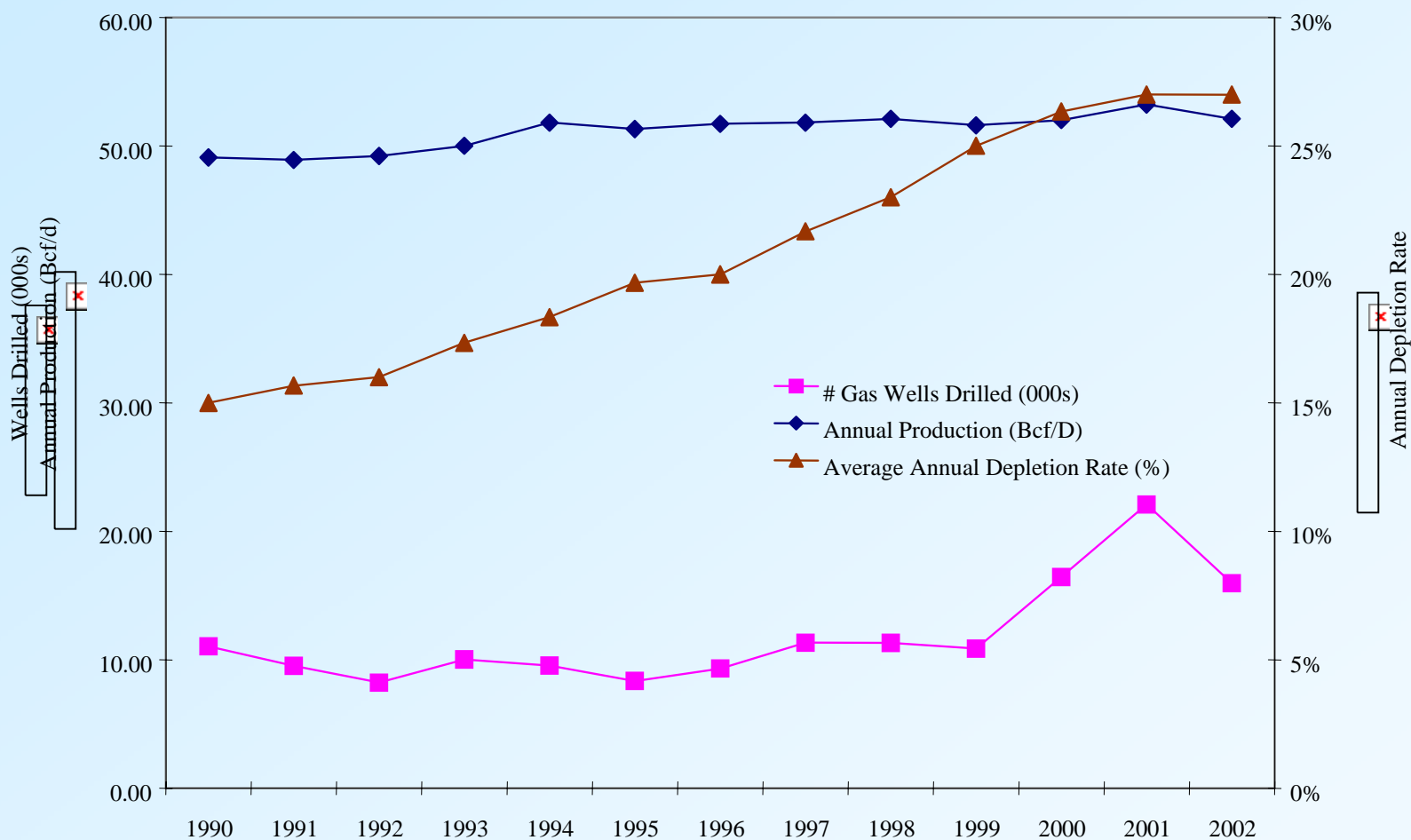
Sources: EIA, CAPP, Canadian Potential Gas Committee

* "Other" includes Appalachia, Mid-Continent, Alaska, the Mackenzie Corridor, the Pacific Coast, other frontier regions of Canada and coalbed methane reserves and resources

U.S. Drilling and Production

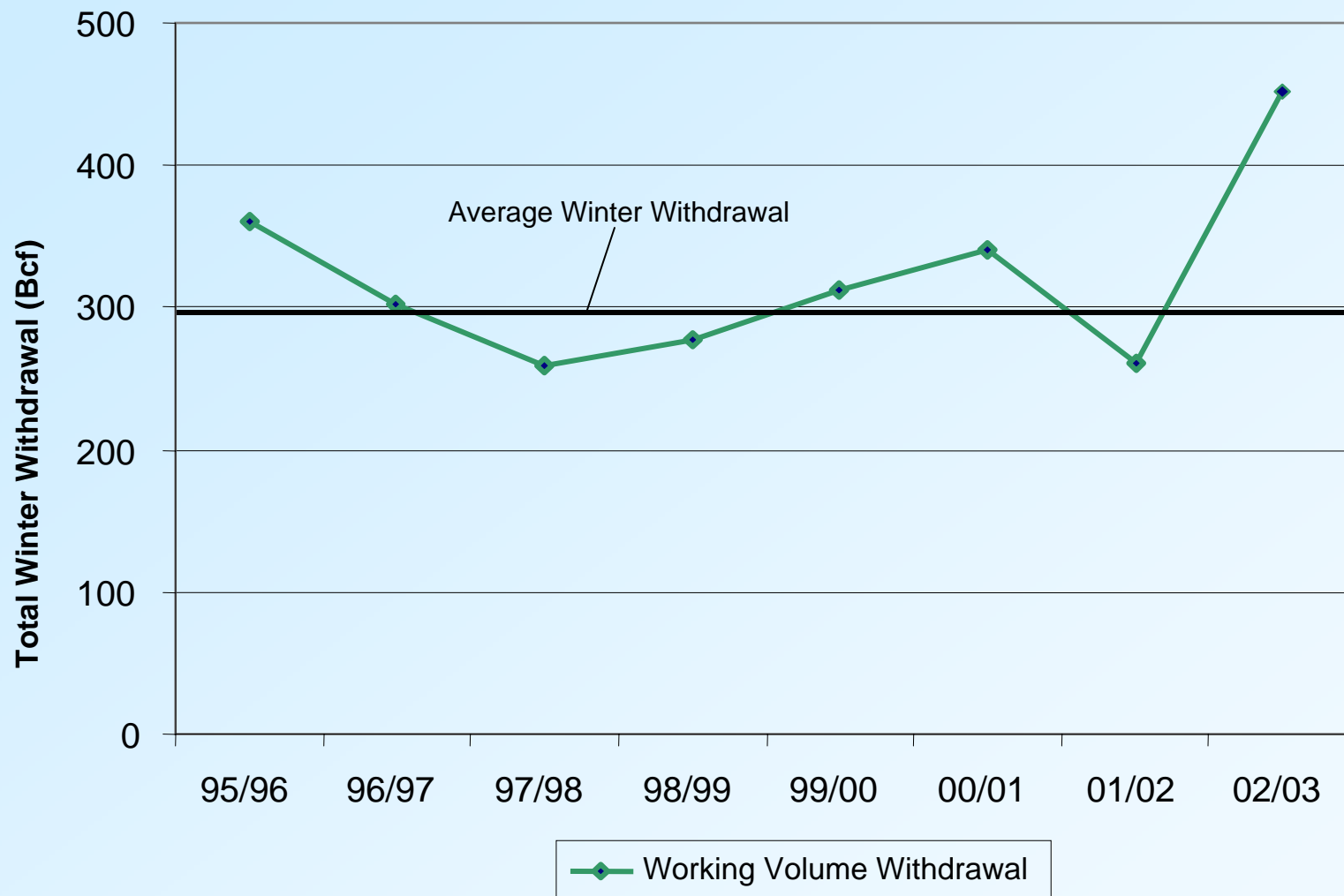


U.S. Drilling, Production & Depletion Trends

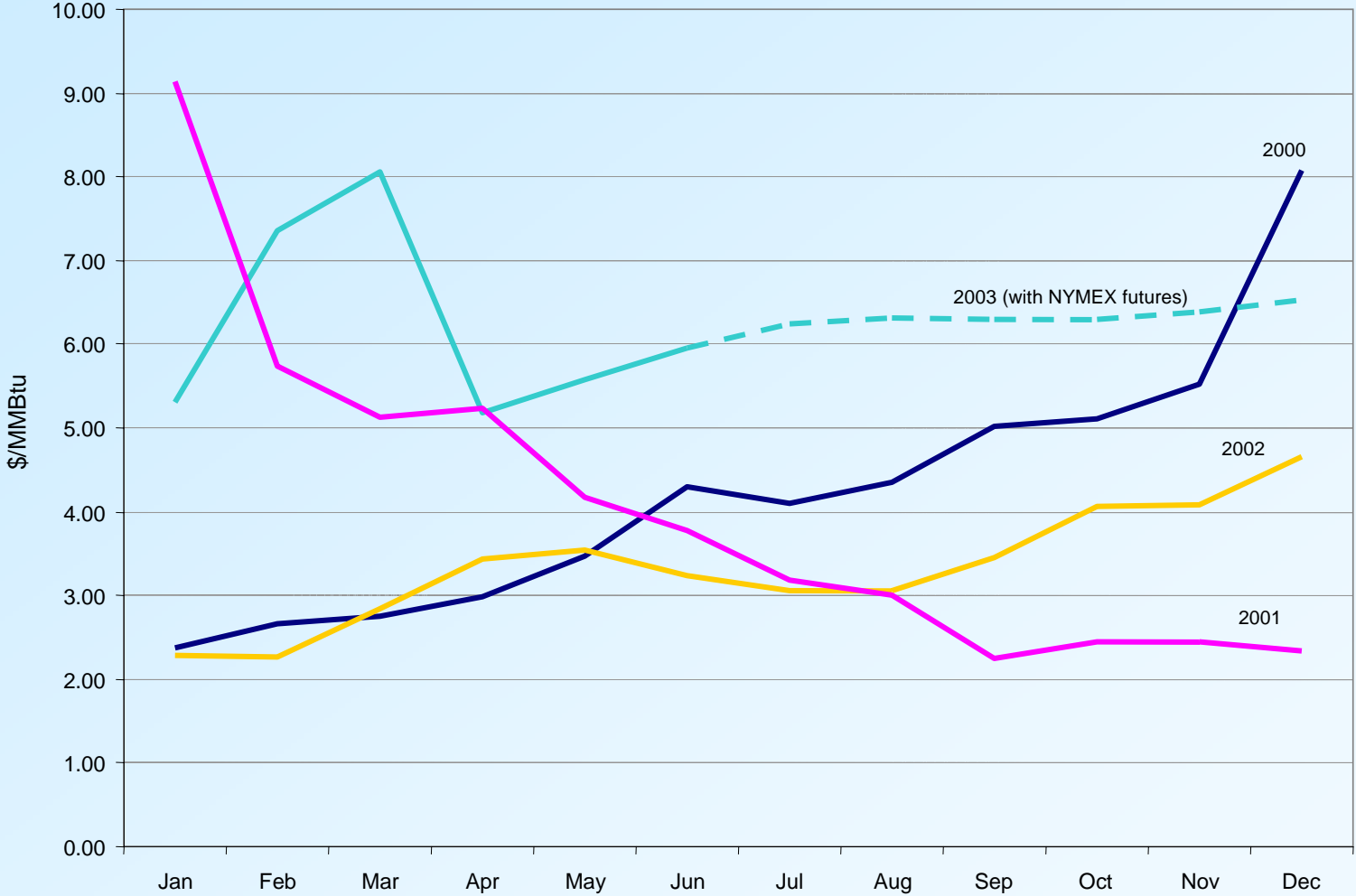


Sources: EIA, EOG Resources, Salomon Smith Barney Exploration & Production Group

Northeast Storage Withdraw Trends

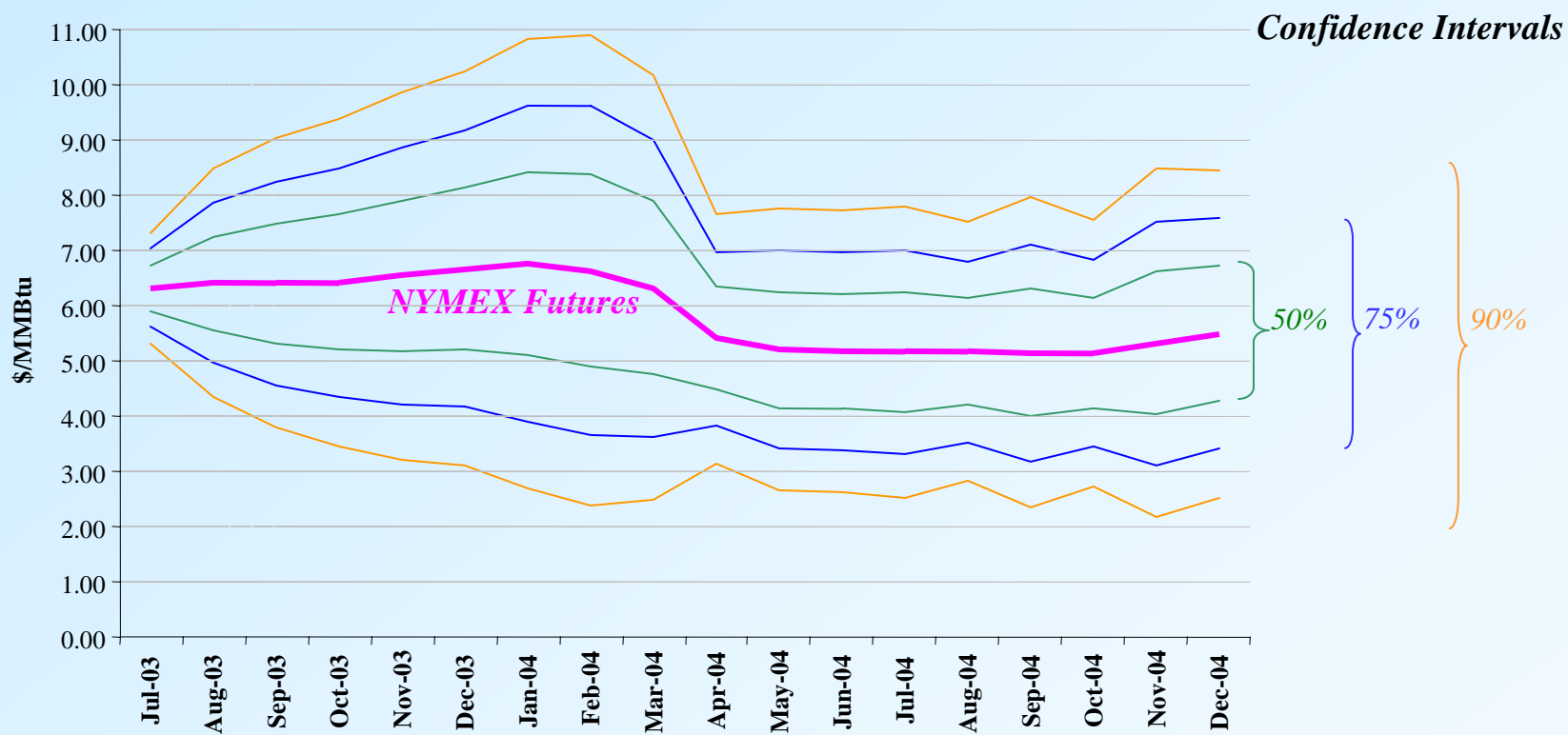


Henry Hub Prices

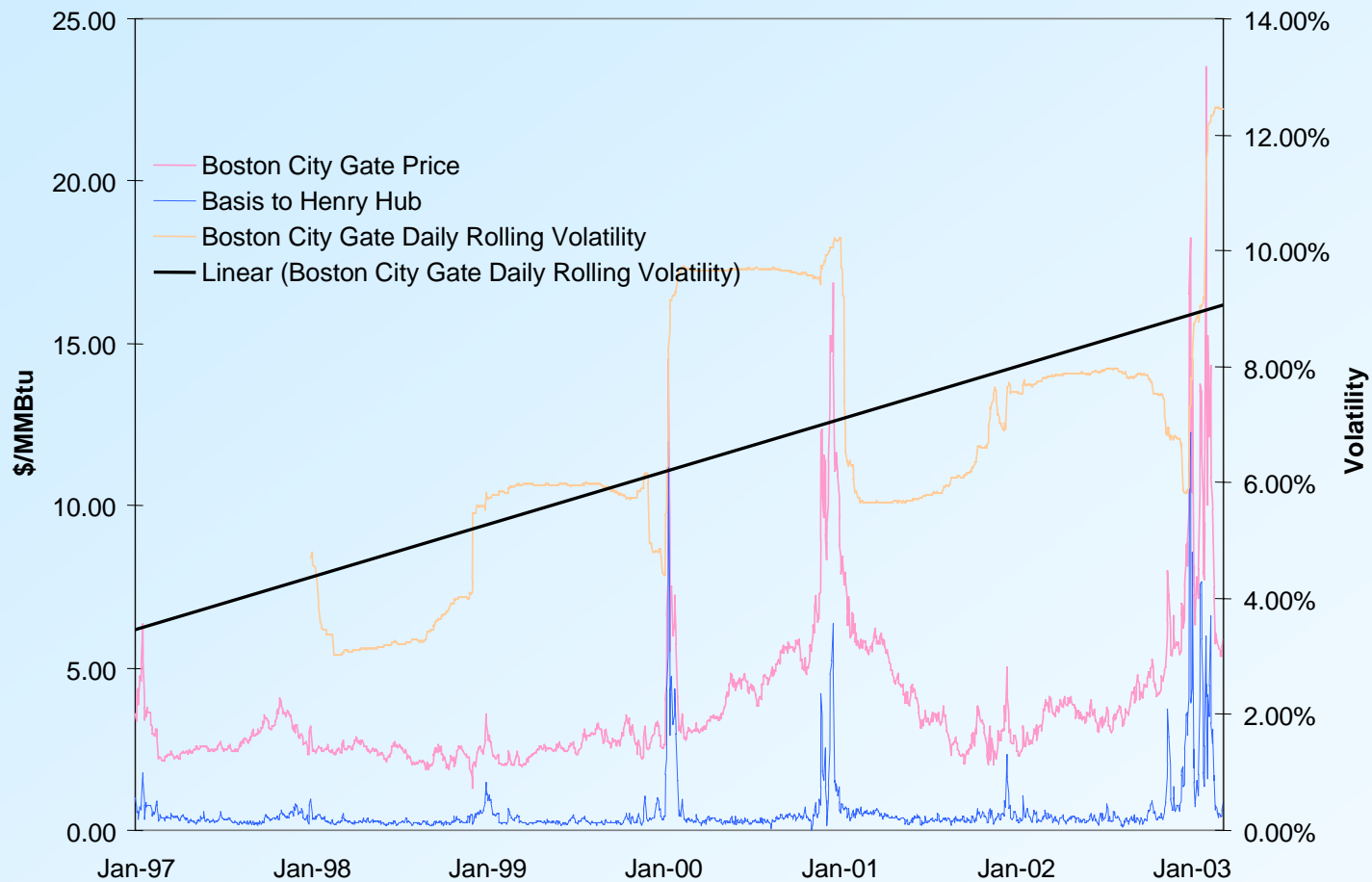


Henry Hub Volatility Outlook

Based on 6/10/03 NYMEX Futures & Options

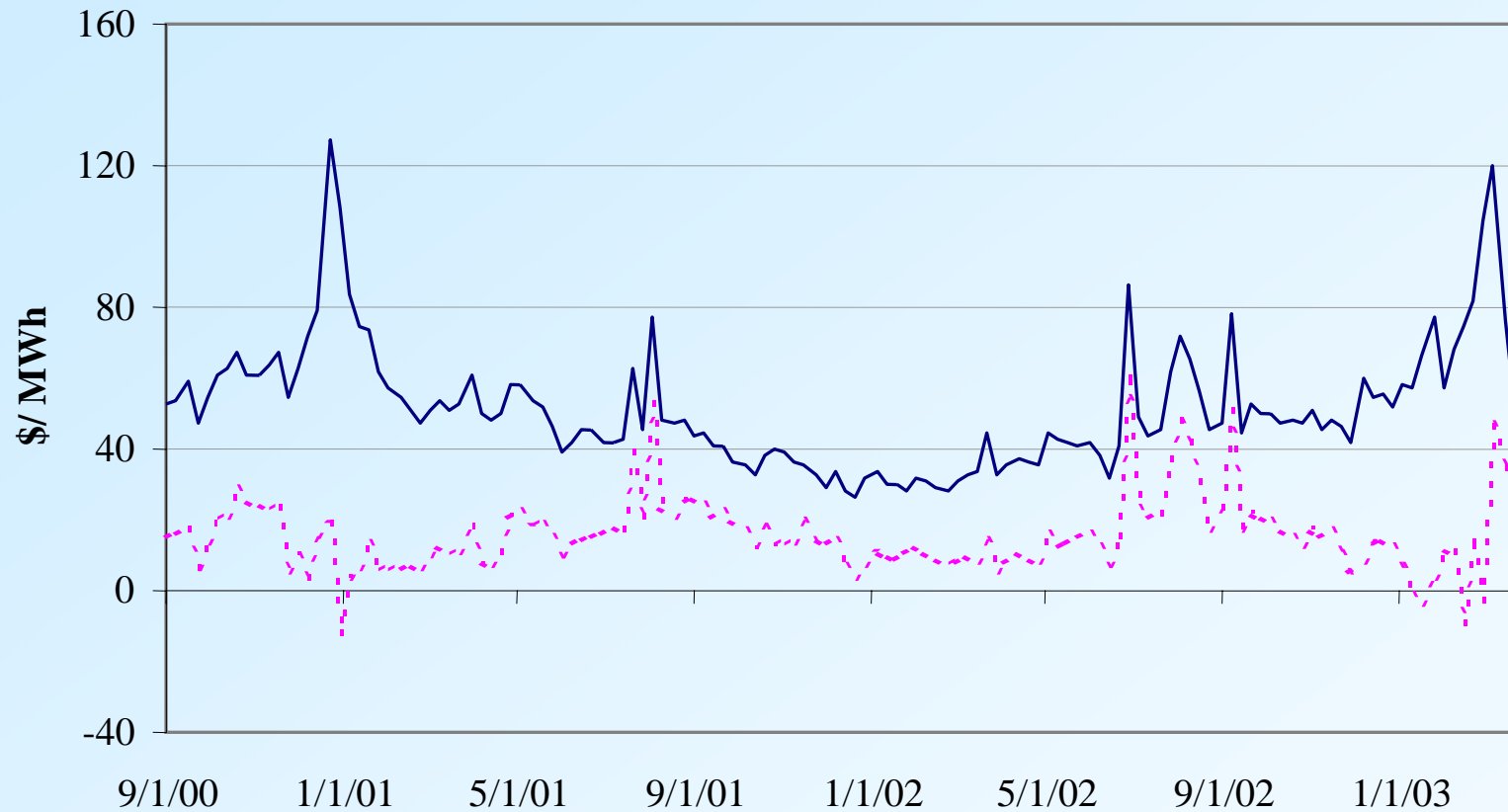


Increased Volatility in New England



Source: Bloomberg Daily Gas Prices

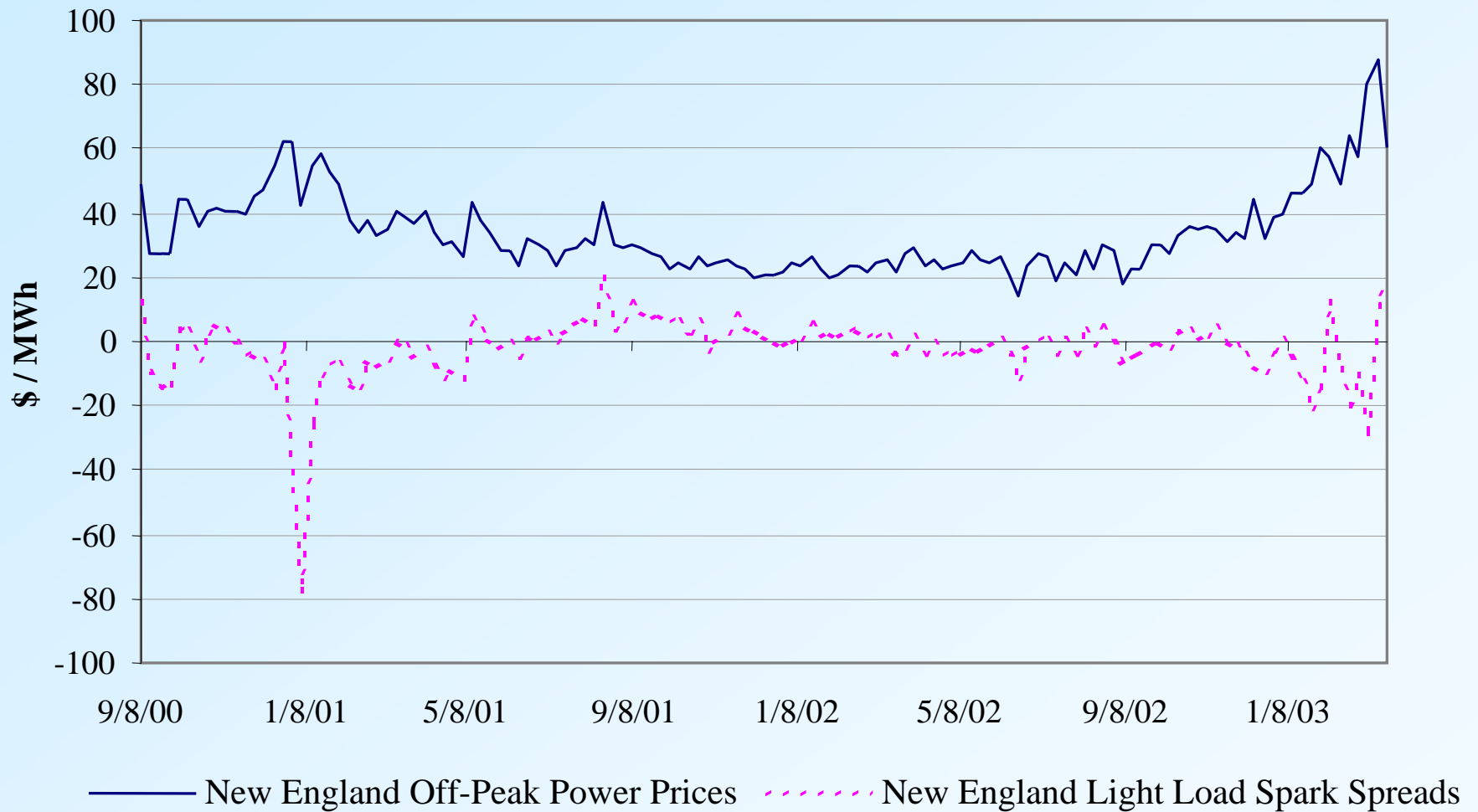
Heavy Load Spark Spreads in New England



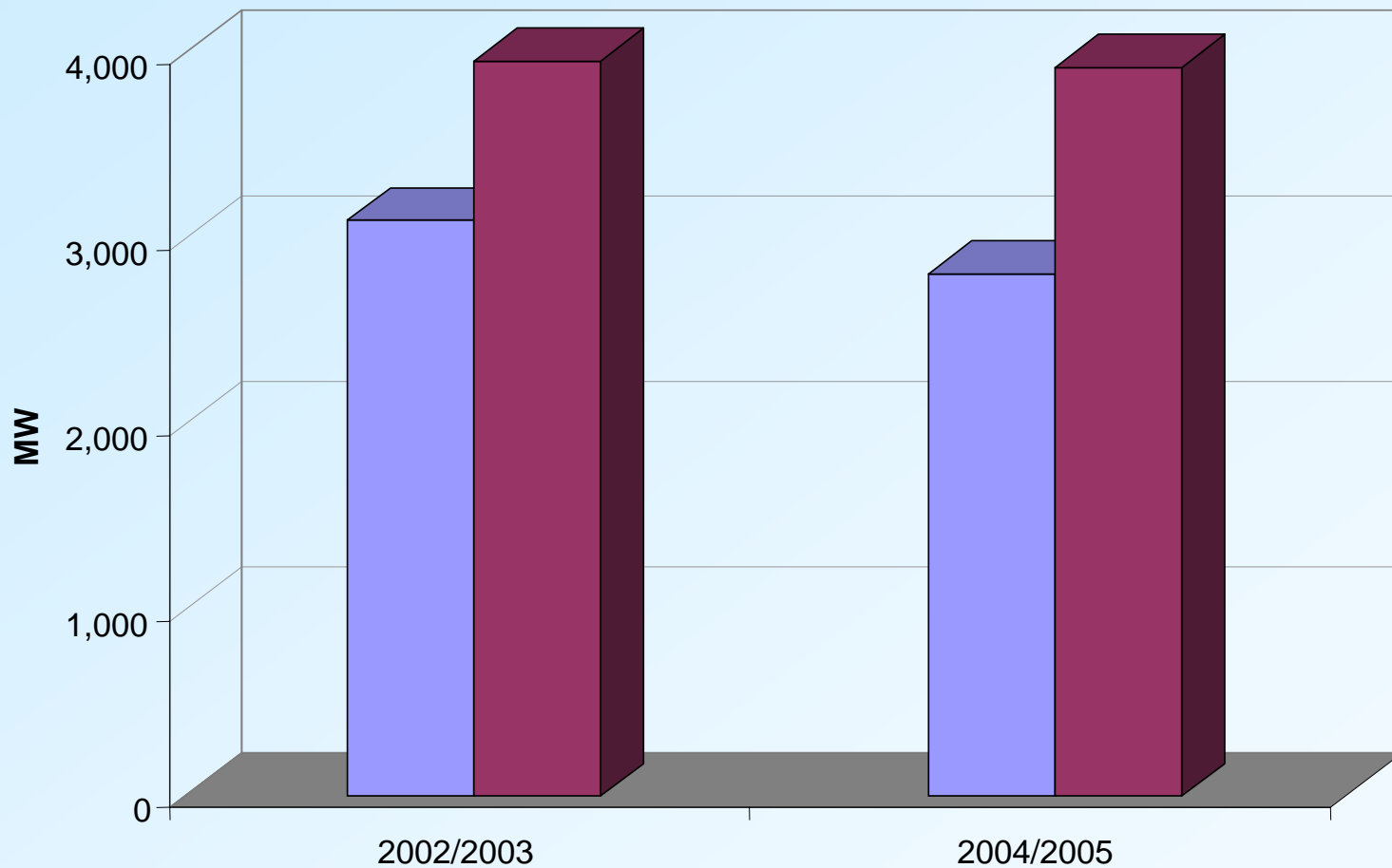
— New England Peak Power Prices

- - - New England Heavy Load Spark Spreads

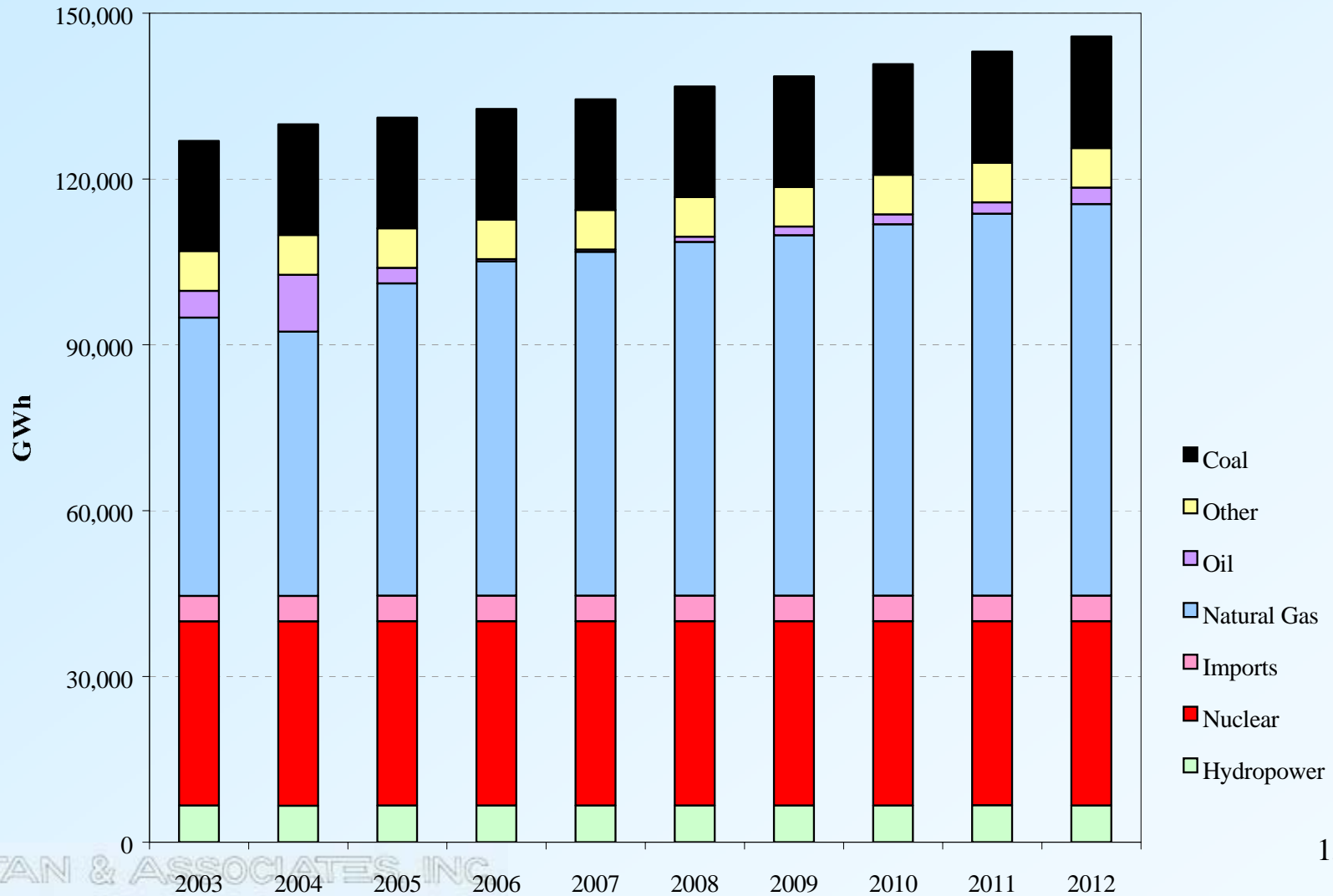
Light Load Spark Spreads in New England



Generation At-Risk in New England



Fuel Diversity for Generation in New England



Strategic Considerations

- Adverse market fundamentals (signal to suppliers)
- “G-force” price shocks
- Extreme price volatility
- Increased frequency of “supply squeezes” due to treadmill effect and storage constraints
- Reduced seasonality (here to stay)