

Controlling Montana's Energy Future



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Commercial Energy of Montana

for the

**GOVERNOR'S ENERGY
CONFERENCE**

October 18, 2005





Agenda

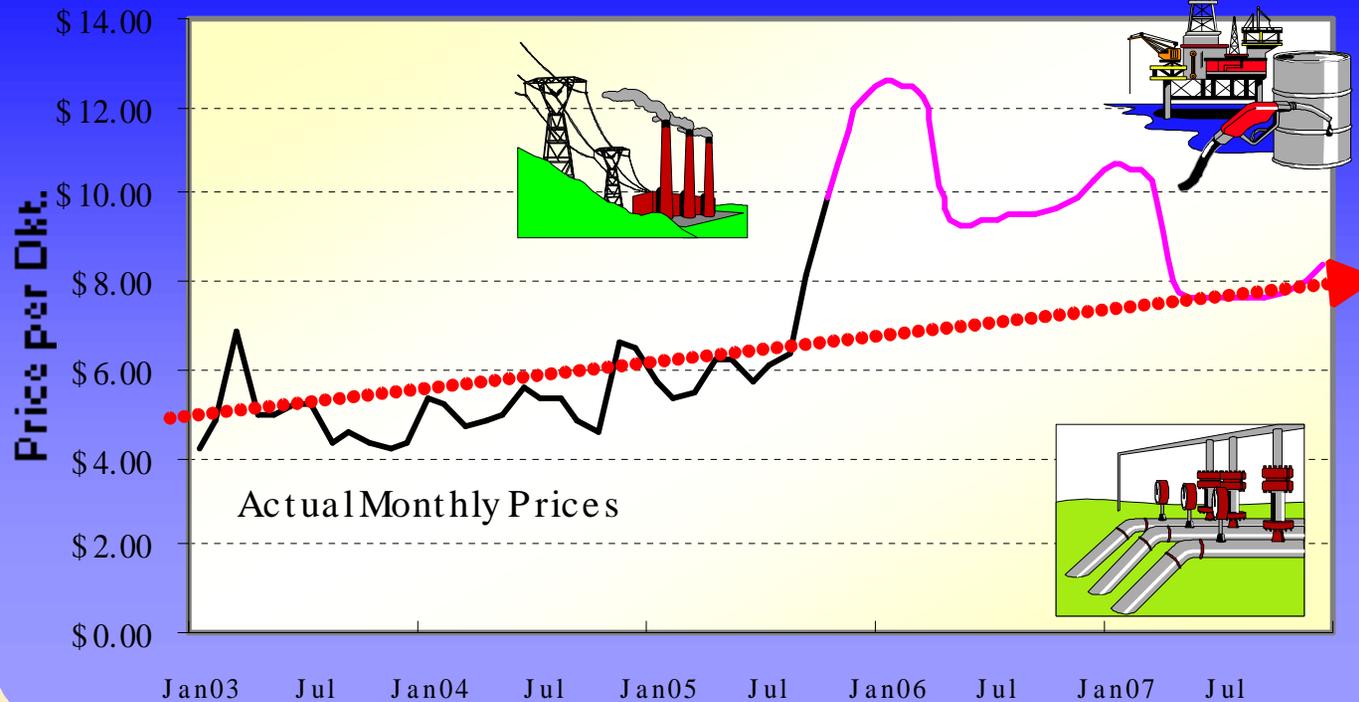
- t **NATIONALLY** – *Natural Gas Prices Exploding*
- t **MONTANA** – *Net Exporter of Natural Gas*
- t **PROBLEM** – *Our Interests are not Aligned*
- t **SOLUTIONS** – *We Can Solve This*
- t **Q&A**





Market Price October 2005

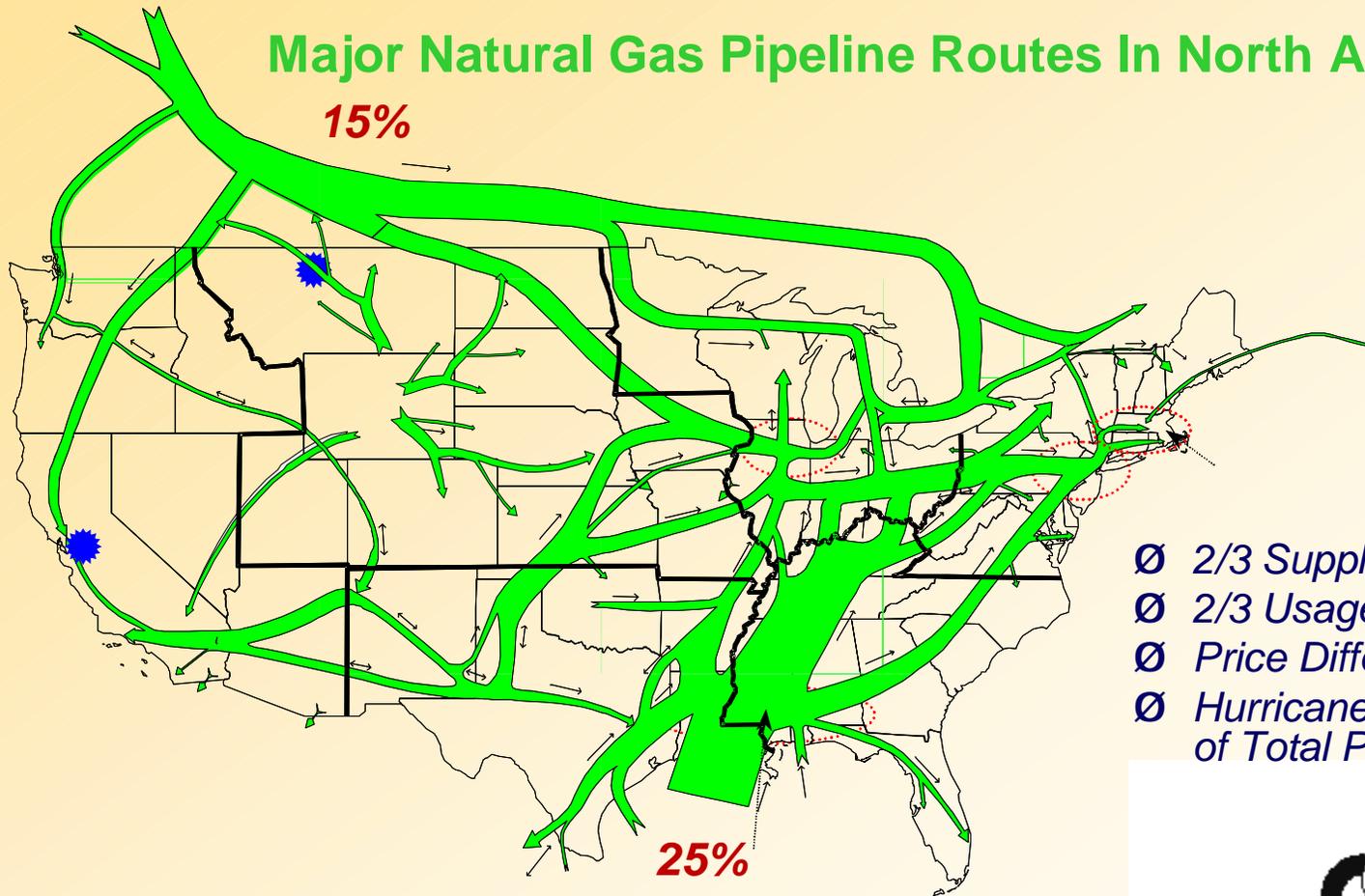
Monthly Gas Price in Montana





Flow of Natural Gas

Major Natural Gas Pipeline Routes In North America



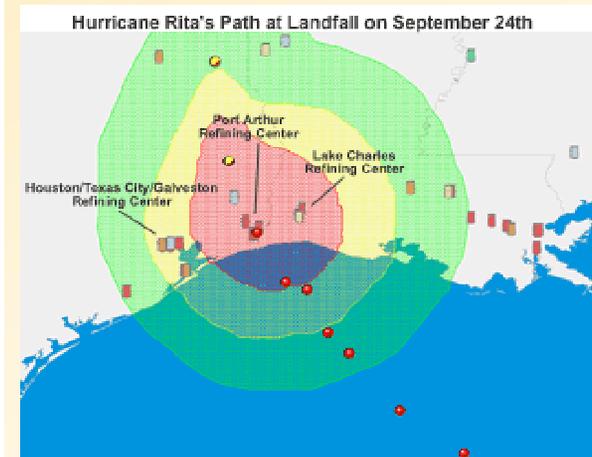
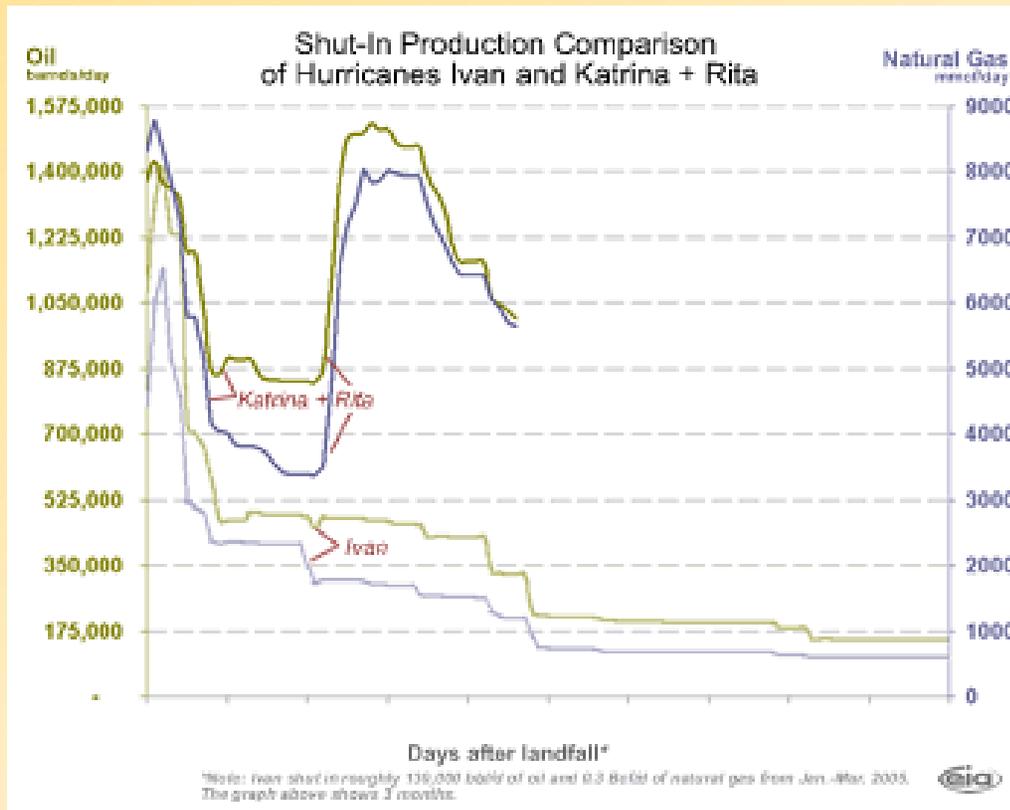
- Ø 2/3 Supply in West
- Ø 2/3 Usage in East
- Ø Price Differentials
- Ø Hurricanes cost 10% of Total Production



Source: Energy Information Administration, Gas Transportation Information System, Natural Gas Pipeline State Border Capacity Database. Brian Jeffries. *House Task Force on Affordable Natural Gas*. Colorado Field Hearing, August 25, 2003.



Hurricane Effect



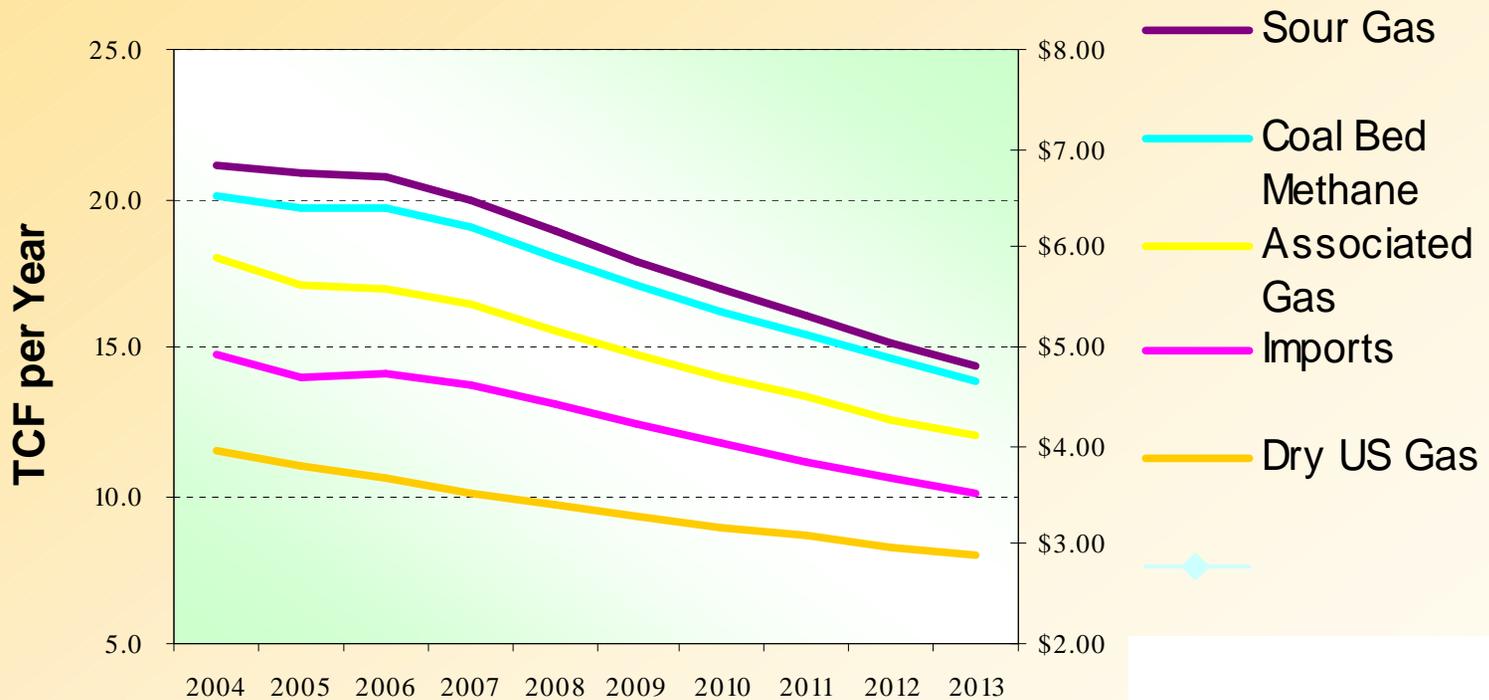
Courtesy of EIA as of 10/14/05





Declining Production

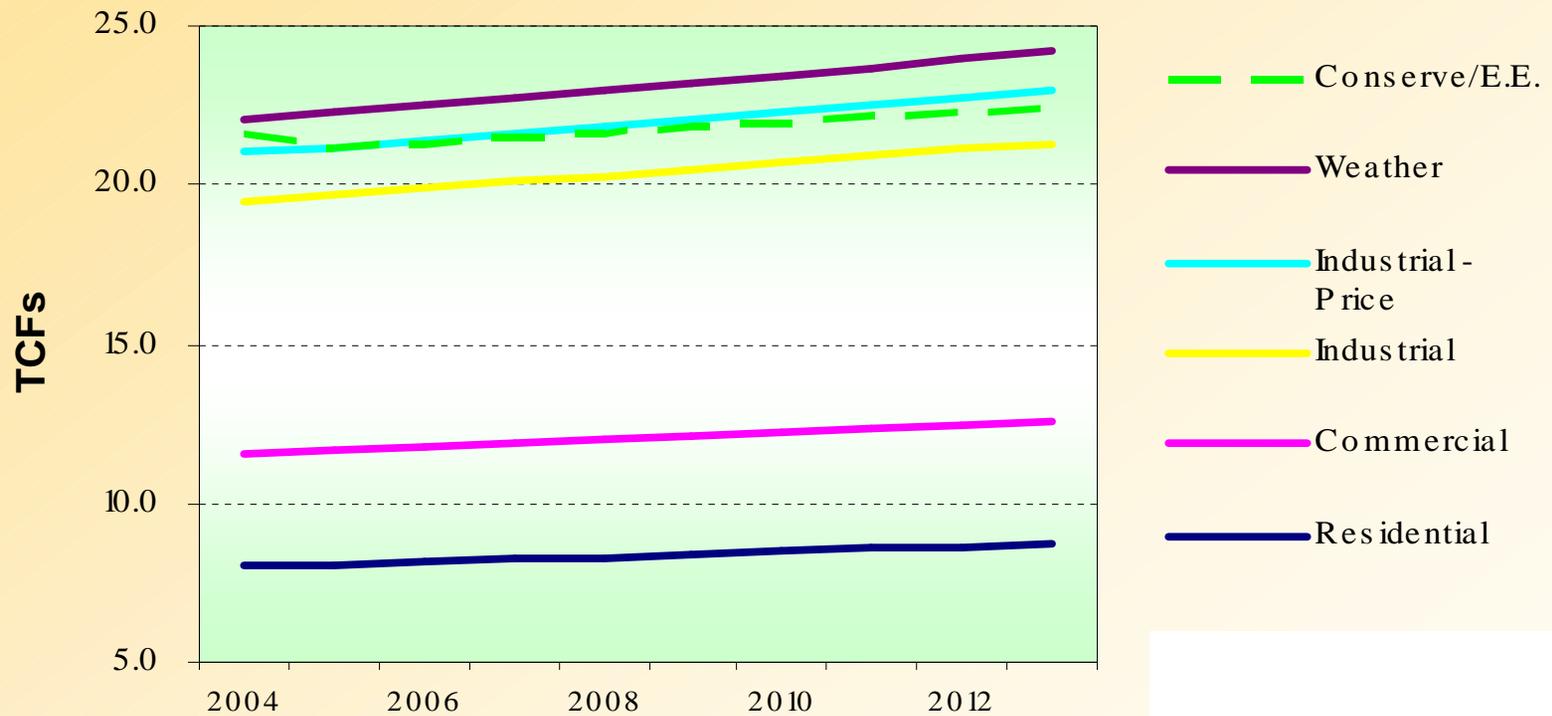
Natural Gas Deliveries without New Sources





Rising Demand

US DEMAND FOR NATURAL GAS





Harms from Higher Prices

t *Quality Job Destruction*

- *Aluminum Industry*
- *Fertilizer Plants- - - Farmers*
- *Chemical Plants*

t *Consumer Pass Through*

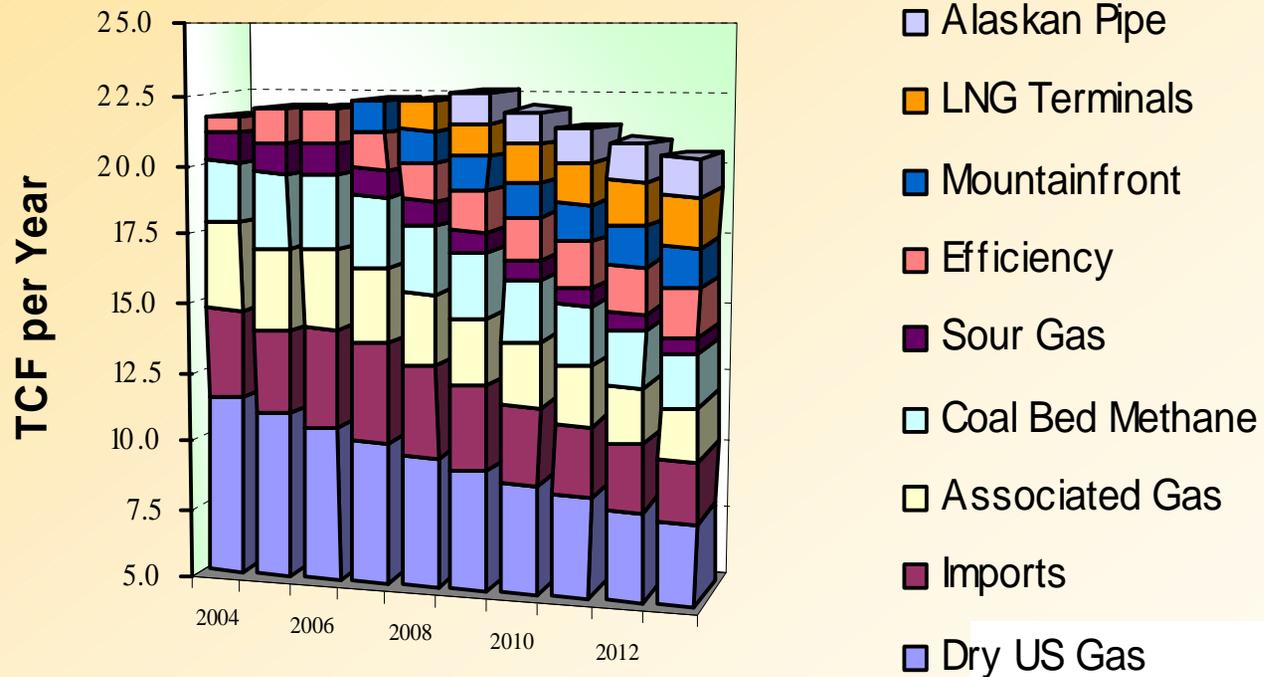
- *Healthcare*
- *Construction (cement/timber/foundries)*
- *Food & Housing (grocery/hotels/apartments)*





Creativity & Capital

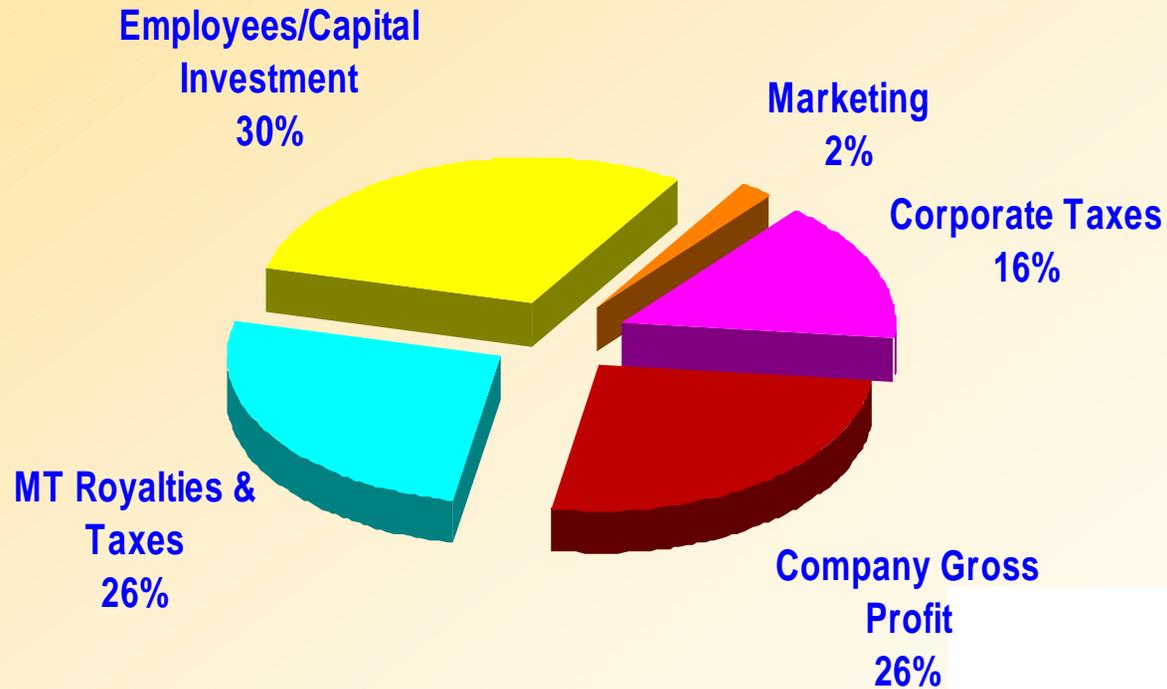
Natural Gas Deliveries to the U.S.





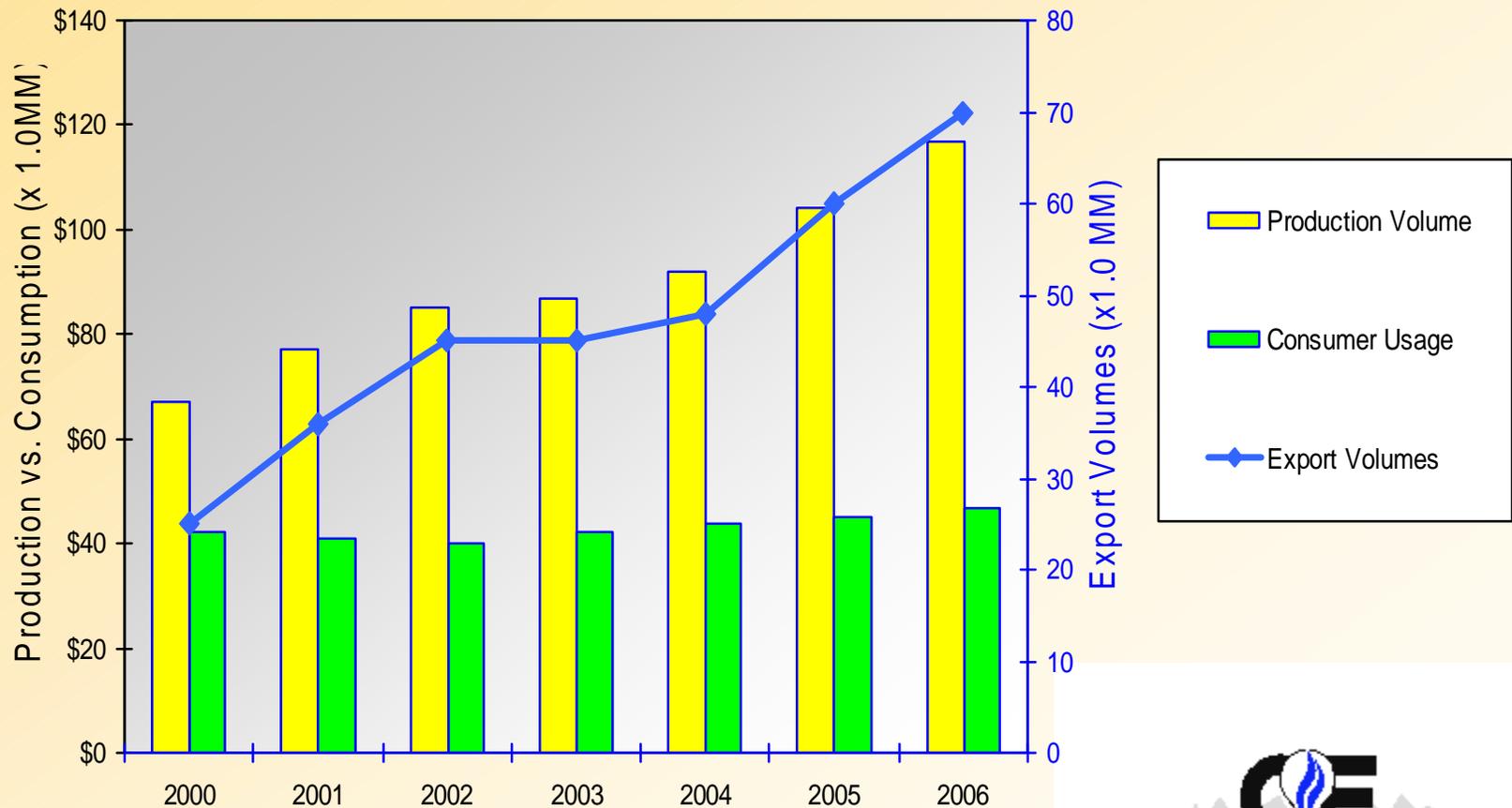
Where Does My Natural Gas Dollar Go?

† *If Produced in Montana*





Montana's Supply/Demand Balance

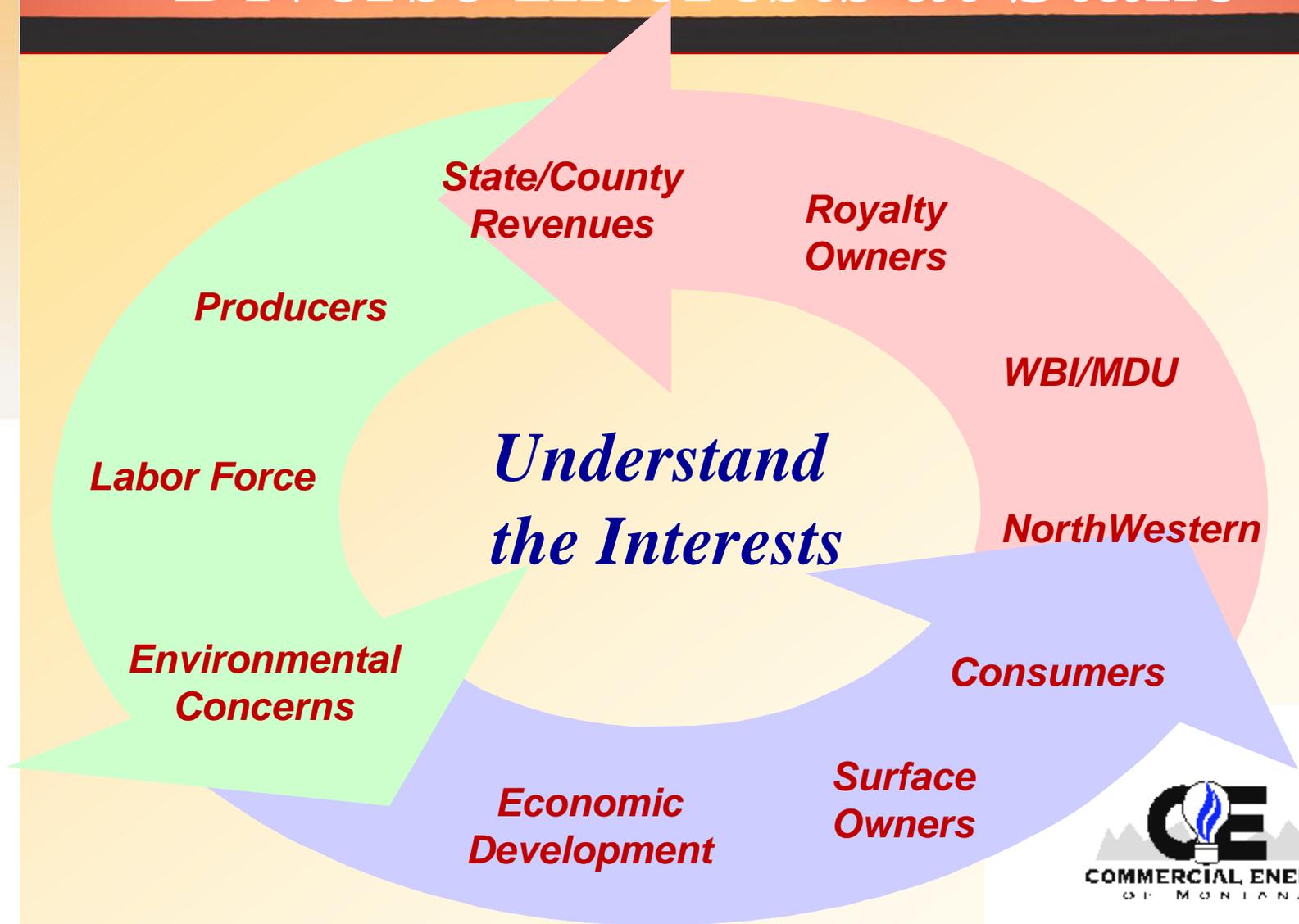




Growing Montana's Gas \$\$



Diverse Interests at Stake





Aligning Our Interests

Cap General Fund Severance Taxes

- Lock @ current year's budget \$100MM
- Refund Balance to Users thru Utility
- * \$70 M = \$2.00/mmbtu credit

Enhance Offsystem Transportation

- Free transport/pref right for in-state gas
- Firm service between WBI & NOR
- * Adds \$.30 to wellhead value

Encourage State Land Development

- Retract higher royalty rate
- Easements pay comparable rents
- * Demonstrates State commitment





Energy Scorecard

t The Players

- State/County ___ ___ ___
- Econ Dvlpmnt ___ ___
- ___
- Royalty ___ ___ ___
- Consumers ___ ___
- ___
- NorthWestern ___ ___
- ___
- MDU/WBI ___ ___ ___
- Environment ___ ___
- ___
- Surface Owners ___ ___
- ___
- Workforce ___ ___

The Plays

- 1) Cap General Fund/
Refund Balance
- 2) Enhance Offsystem
Options/Costs
- 3) Offer State Lands/
Walk the Talk





Commercial Energy hopes -

- *Working Together,
WE CAN!*

Thank you

October 18, 2005

