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ENERGY EXPERTS SAY WE SHOULD BRACE OURSELVES FOR THE NEXT HOT COMMODITY TO RAPIDLY RISE... NATURAL GAS

Prices are up 20% -- expect even higher rates for the winter season

TORONTO – It's the last thing on anyone's mind – but some experts say we'd be wise to save now, even set money aside to get through the winter heating season as the dog days of summer give us more than heat waves, they'll eat up our natural gas supplies.

Some local utilities have announced increases by a staggering 20% and, according to En-Pro International Inc., a leading commodity price consulting firm, it's going to go up even more when the colder weather hits.

The rising cost of commodities will have far reaching effects on businesses and consumers as the cost of living rises and the biggest burden is the cost of energy.

A hot summer, mixed with a sure-to-be-active hurricane season in the gas producing regions in the Gulf of Mexico, and natural gas prices may easily climb by another 50%. This could mean about \$500 a year to the average homeowner.

En-Pro's Senior Vice-President, John Kiemele says, "It makes good sense to prepare for what lies ahead. Some parts of the country have already gone through the first heat wave of the season, and the forecast calls for one of the hottest summers on record. Of course that means an increase in natural gas demands because air conditioning uses electrical power and natural gas is increasingly being used to run electrical generators."

"While natural gas rates have been increasing the prices don't really reflect the price of energy today. The reason they are not already higher is because of sizable inventory levels of natural gas in the eastern United States and due to mediocre summers and winters over the past few years. As a result, consumption has been lower than normal and demand dropped," adds Kiemele.

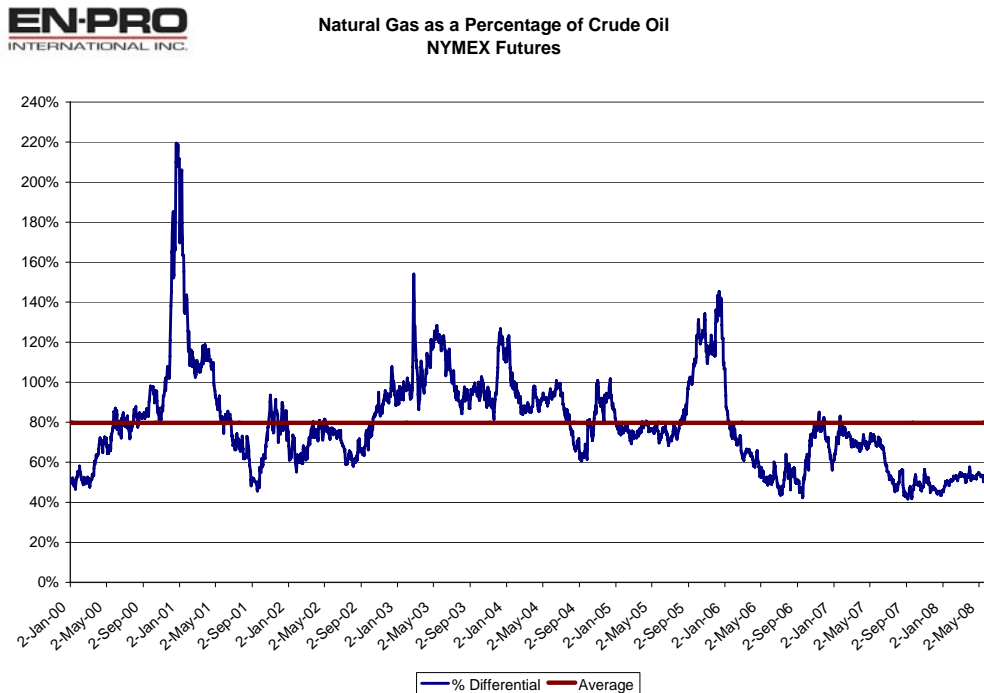
But healthy inventories could change quickly – especially if the prediction of a long, hot summer is accurate because when the weather is hot, available supplies go to meet electricity loads rather than replenish inventories.

En-Pro's Senior Commodity Cost Advisor, Deighton Jarrett, closely monitors natural gas and electricity prices, he says, "As there's not enough pipeline capacity to bring enough gas east to meet peak winter loads, there must be adequate storage available to supplement it during the winter months."

"When natural gas supplies are routed to electricity generating stations in the U.S. markets the build-up of inventories is slower than markets would like, and this causes prices to run-up. In fact, the only reason natural gas prices are not higher today is due to the inventories that are still in the mid-range of the five-year average for this time of year."

Kiemele adds, "Since last year, crude oil price futures have risen by 114% whereas natural gas futures are up by only 66%. Historically, natural gas futures like to maintain a level that is about 80-90% of the price of crude oil. Currently, they are just 53% of the price, so take away the inventory cushion and natural gas prices are going to soar."

This chart illustrates gas futures as a percentage of crude oil and you can see the alarming disconnect that has occurred.



“We can’t rely on bountiful Alberta either because we no longer have as much natural gas available to leave the province of Alberta. The oil sands projects are taking more gas supply all the time to retrieve the oil from the sands.”

Even if the crude oil train begins to crash that’s no guarantee natural gas prices will fall. Given its current undervalued state, it would require inventories to be plentiful, weather to be modest and hurricane threats to diminish – a tall order that is unlikely to be met.

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