

the Pilot

A newsletter for customers
of Clearwater Gas System **SPRING 2004**

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www.clearwatergas.com

From Main to Meter

Energy that you can depend on!

To many folks, the natural gas industry is a huge, complex industry, remote from their daily lives. But for the millions of customers who rely on gas to provide hot water, cook their food, dry their clothes, heat their homes and pools and fuel their businesses, the natural gas industry begins and ends with their local distribution company (LDC).

According to a recent study by the Gas Technology Institute most consumers view the distribution system as the most visible of the three industry segments that deliver natural gas from the wellhead to the consumer. In fact, to most end-users, local distribution *is* the system since its the entity that delivers the gas right to their home or business. The other parts of the industry – production, processing, gathering, transmission – are also vital but are largely invisible to the consuming public.

Clearwater Gas System (CGS), your local distribution company, distributes natural gas by delivering to various interconnection points along transmission pipelines that serve as energy highways, transporting natural gas from gathering points in the Gulf region where natural gas is produced. These delivery points are called “gate stations,” and mark the point where, LDCs take ownership of the natural gas that they deliver via gas “mains” to end-user customers.

Currently, Clearwater Gas operates over 700 miles of gas mains along the Pinellas-Pasco Suncoast area. This underground distribution system delivers natural gas to the homes and businesses that we serve. We diligently conduct annual maintenance inspections to ensure the safety of our pipelines, and leak detection, line operation testing and other key measurements to assess our pipeline’s performance. As a “full service” gas utility,

CGS provides gas appliance sales and service, installation of inside gas piping, domestic and commercial gas equipment service, construction and maintenance of underground gas mains and service lines, and 24-hour emergency response to any gas emergency within the Clearwater Gas service area.

With over 80 years of experience in the natural and propane gas utility business, Clearwater Gas prides itself on being a competitive, and public-minded service utility. We are committed to providing the highest level of safety, and strictly adhere to standards set by the federal Office of Pipeline Safety and the Pipeline Safety Improvement Act that regulate the operational safety of local gas distribution companies.

Our commitment to continuous improvement practices is dedicated to improving human safety, human health, and the environment through sound business and management practices to benefit you, our customers, our community and our employees.

From production wells in remote places to homes and businesses in our neighborhoods, Clearwater Gas is proud of its role as a part of America’s natural gas industry - operating a safe, reliable energy delivery system that is a model for the world.

The natural gas that we use in the Tampa Bay area comes from other parts of the U.S., mainly from wells in Texas and Louisiana. Delivering natural gas to your home or business does not impact old growth forests here in the U.S., or delicate rainforests in other parts of the world.

Natural Gas Energy Update

By Chuck Warrington, Managing Director and Executive Officer, Clearwater Gas System

Natural gas prices have remained elevated over the past two years mostly due to supply concerns and high crude oil prices. Wholesale natural gas prices exceeded \$5.00 per million Btu (MMBtu) for most of 2003 and early 2004. Prices are expected to continue to remain high and price volatility will characterize the energy markets on a daily basis.

Over the past five years there's one phrase that keeps being iterated over and over in the gas market - there's not enough supply to meet the growing demands across the country. Efforts are underway to address this problem, however, many areas of the U.S. that have large supplies of gas in the ground are off limits to drillers due to federal regulations. Many of the existing well fields are being "drained" at a rapid pace due to the growing demand.

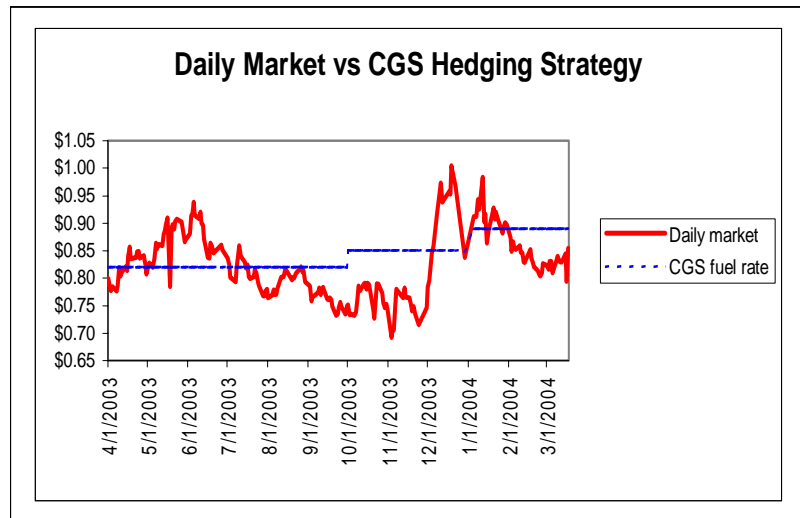
A good example of the supply/demand imbalance is the increased rate of withdrawal in the winter. When the country experiences colder than normal weather, the demand for gas increases significantly and causes inventories to drop causing an imbalance in supply and demand.

Here are some of the major factors that affect supply and demand:

- **Electric Generation** – Since natural gas is used primarily for electric generation in the

summer, this can lower the rate of storage injections if a greater amount of gas is being used up by power plants. There has been a significant increase in natural gas-fired power plants in the past five years.

- **Weather** – Prices usually rise if weather forecasts call for a cold winter and/or hot summer. Basically, a hot summer dictates low storage injections and cold winters equate to large withdrawals. The overall effect is a shortage of supply and high prices. In addition, the threat of hurricanes can cause production shutdowns causing supply shortages.
- **Gas Production** – The U.S. oil and gas rig count has increased by about 25% over last year. A higher number of production rigs means increased supply going into the market place, thus lowering prices.
- **Crude Oil** – Currently crude oil prices are near \$40/barrel. Natural gas prices closely follow the crude oil market, which, in turn, has inflated natural gas prices by about \$1.00 per million Btu (MMBtu), or 10 cents per therm.
- **Terrorist concerns** – Any time new terrorist acts/threats are reported, most financial and commodity markets (including natural gas) swing significantly.



This item is hard to place a dollar amount on. It's an ongoing concern for years to come.

The bottom line is Clearwater Gas System (CGS) closely monitors the gas markets to determine the best purchasing strategies to benefit our customers. We strive to keep our rates as stable as possible during times of high volatility. This strategy consists of a blend of purchasing long-term fixed-priced gas supply contracts along with daily (spot market) gas. Depending on the market conditions, CGS sometimes purchases up to 80% of our requirements at a fixed price so our customers do not have to experience a "rollercoaster" effect on their monthly bill.

The graph above illustrates our monthly gas fuel rate over the past 12 months compared to what our cost would be if we purchased 100% on the daily market. Our hedging program significantly reduces price volatility, protecting consumers from drastic changes in commodity prices. Whether you're a residential customer or a commercial user, it's important to be able to budget your energy costs effectively. Even with the increased cost of natural gas, it's still a value over electricity and we don't expect that to change anytime in the future.

It's unknown if energy prices will ever return to the levels we experienced in the 90's, but at CGS it is our goal to continue to deliver safe, reliable, and stable-priced natural gas to your business or home.

A Cup Above the Rest

Did you know that coffee is one of the world's most popular beverages? Some claim it is the most widely consumed liquid in the world aside from water. Coffee's success as a beverage is undoubtedly due to its rich aroma and taste as well as its "pick-me-up" effects. Coffee lovers come to associate the energizing lift of the caffeine with the richness and aroma of the beverage that delivers it. *Aah*, the aroma!

The aroma is what drew me into the Tarrazu manufacturing plant on Calumet Street in Clearwater. During my facility tour, owner and operator, Terry Davis showed me everything I ever wanted to know about the coffee roasting process. As we entered the aromatic roasting area of the warehouse I discovered that natural gas plays an important role in transforming raw coffee into the brown gold that fuels our morning routines.

The coffee roasting process involves turning a tasteless green

bean into a lively aromatic roasted coffee. With the help of a gas-fired roaster, coffee beans are saturated with energy until the heat absorption capacity of the beans is maximized. At a critical point just before the beans would burn, the roaster operator reduces the heat and then gradually increases the bean temperature. Finally, at the end of the roasting process, the bean temperature is allowed to drop about 350 degrees as quickly as possible as the roasted beans are cooled.

The roaster is also the main source of gaseous by-products, including alcohols, aldehydes, organic acids, and nitrogen and sulfur compounds. As these emissions are mixed together, smoke is formed. This smoke is burned off via a gas burner chamber, that uses high heat to break down the odor and smoke and convert it into water vapor and carbon dioxide. "The gas burner chamber serves as an excellent air pollution device which also helps to improve air quality," explained Davis. "Prior

to converting to a natural gas burner chamber, we were using a propane gas application, but due to customer demand and overwhelming growth we upgraded to a more energy efficient natural gas application."

In addition to its coffee manufacturing business, Tarrazu recently opened a newly designed coffee house, New Harmony, at 1951 Drew Street catering to the gourmet coffee lover. New Harmony will offer a variety of coffee events such as a professional taster's laboratory and roasting classes.

Since its doors opened in 1999, Tarrazu has grown into a midsize coffee manufacturing business fulfilling coffee orders for private labels and café houses nationwide. "Coffee is an international business and Clearwater isn't a big coffee town but we have built a great relationship with some of the bigger players within the industry," says Terry Davis.



Tarrazu's 60 kilo roaster fulfills over 4,000 coffee orders per month.

Tarrazu Coffee is well on its way to becoming a world-class coffee icon. Currently, Tarrazu operates only one shift consisting of 10 employees who work five days a week outputting approximately 4,000 cans of coffee per month. Terry is planning to expand his business within the coming year by adding a second shift.

The next time you pour a cup of java, take a moment to savor the richness and remember that the beverage that you enjoy is the result of a long and eventful journey made possible by dedicated coffee roasters such as Tarrazu, who take the time and care to bring you one of life's little pleasures - full of flavor and aroma.



Tarrazu's new coffee house, New Harmony, caters to the gourmet coffee lover.

For more information on gas energy for commercial and industrial applications, please call Clearwater Gas Sales at (727) 669-1958.

Building on a Strong Foundation, *Naturally*

Nearly a half-century ago, four Schickendanz Brothers founded a business reflecting strong family ties and traditions. What began as a family business soon evolved into a strong corporate enterprise with a continuing commitment to the basic values and formulas of a traditional hard-working, family operation.

From its original roots in Toronto, Canada, Schickendanz soon expanded to other markets including the United States. Headquartered in Toronto, Canada and employing over 100 people, Schickendanz has offices in West Palm Beach, Tampa Bay, and Calgary, Canada. Locally, the Schickendanz Brothers have built several Tampa Bay communities, such as Countryside Palms, Wyndtree Villas and Wyndgate in New Port Richey and Hammock Pine Condos in Countryside, among others.

Schickendanz recently unveiled plans for a new upscale “maintenance free” community in New Port Richey, just north of

the Pinellas/Pasco line. The Sabals at Wyndtree will feature sixty-one townhome units that will include two, three, four, and six home clusters for privacy and individuality. Homeowners will enjoy gated entry, a heated community pool and a boardwalk that meanders through the spectacular wooded preserve. Floor plans will range from 2,071 to 2,283 square feet and all homes will be equipped with energy efficient natural gas appliances including a dryer, range, tankless water heater and grill option.

“The townhome market is unique in itself and adding an all gas option complements our maintenance free layout. Many of our customers prefer gas over electric appliances, and the new tankless water heater seems to be a big hit with our customers,” states Tom Gorecki, Project Manager.

With interest rates projected to remain low, home buyers are opting for more square footage, less yard work and more privacy

– all often associated with townhome ownership. “Most of our potential home buyers are looking to downsize or prefer a maintenance-free environment,” says Gorecki. Reliable low maintenance gas appliances are the perfect solution in providing homeowners years of trouble-free operation.

The Sabals at Wyndtree are moderately priced in the low \$200’s and offer three bedrooms with 2.5 baths, a family room, a kitchen with breakfast area and a two-car garage. To checkout a Schickendanz community, please visit their website at www.thesabalstownhomes.com or stop by the Sabals Wyndtree model at 1175 Robellini Drive in New Port Richey.

For more information on energy efficient natural gas appliances, please call Clearwater Gas Sales at (727) 669-1958.



Kitchen view of the Sabals townhomes in New Port Richey.

The “maintenance free” community will offer three bedrooms with 2.5 baths, a family room, a kitchen with breakfast area and a two-car garage.

Gas Safety and You !

At Clearwater Gas System (CGS), safety is our top priority. Since 1923, we have provided safe, reliable economical gas service to our customers. We routinely inspect and maintain over 700 miles of gas lines in our service territory. We diligently comply with regulations of the federal Office of Pipeline Safety and the provisions of the Pipeline Safety Improvement Act that require natural gas distribution companies to periodically inform the public regarding issues of pipeline safety.

While CGS works to ensure the safe operation of our system, we need your help:

Call before you dig! Florida Law requires homeowners and excavators to call Sunshine State One Call at (800) 432-4770 at least 2 full days prior to digging so that utilities may mark any underground facilities.

Keep meter and LP tank areas clear.

In case of an emergency, crews may need to access shut-off valves near gas meters and propane tanks. Keeping these areas clear helps keep you safe.

If you smell gas, call us! An odorant is added to give natural gas a “rotten egg” smell to help detect leaks. If you smell gas, or think you have come in contact with a buried gas line, please call Clearwater Gas System **Emergency Service at (727) 462-6633**. A dispatcher is available 24 hours a day, 7 days a week.

Mark Tranter named Employee of the Year

On February 5, 2004, the Clearwater Gas System (CGS) Leadership Team recognized Mark Tranter as the CGS Employee of the Year for 2003.



Mark, who has been employed with CGS for approximately 21 years, has played a key role in building a cohesive team in our north service territory, where he supervises ten employees.

Mark's outstanding leadership skills are evident by the numerous compliments that he

receives from his peers and various new homebuilders in the north service territory. Mark has a very special way of going the extra mile for both internal and external customers. For instance,

Mark's excellent communication and organizational skills have greatly improved the workflow schedule for the North Area team. As a result, scheduling conflicts have been reduced and installations are completed on time.

In addition to being named the CGS Employee of the Year, Mark was named as the June 2003 Employee of the Month by the City of Clearwater. Mark was also chosen by the Florida Natural Gas Association as the Operating Person of the Year for 2003.

gotGAS?

Now is the time to schedule your annual service for your gas appliances. For \$59.00 a certified gas technician will perform a safety check, adjust pilots and ensure your gas appliances are operating efficiently. Call Clearwater Gas today at 727-562-4900, x7419 to schedule your annual maintenance. *Additional parts and installation charges may apply.*

contact us

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industry news

Clean coal technology and the President.

The Department of Energy is implementing President Bush's \$2 billion, 10-year initiative to develop an improved generation of coal-based electric power and pollution control technologies that will be environmentally superior to the technologies used in today's power plants.

Natural gas cars top green list.

Honda's natural-gas powered Civic GX is the greenest

vehicle of model year 2004, according to the American Council of an Energy Efficient Economy (ACEEE), followed closely by the three hybrid-electric models: the Honda Insight, the Toyota Prius, and the Honda Civic Hybrid.

Florida schools first in nation to use "Utility Report Card."

Florida's schools are the first in the nation to demonstrate the web-based "Utility Report Card," which tracks, evaluates

and charts energy consumption in schools. First implemented by Walt Disney World Resort to track energy consumption throughout the parks and resorts, the modified software tool allows school districts to pinpoint energy use and expenditures.

New technologies boost oil and gas production off California Coast.

A suite of new technologies is

enabling independent oil and gas producer Venoco Inc. to find and tap into previously overlooked oil deposits in the Santa Barbara Channel while improving the environmental impact of production systems.

Sources: Office of Fossil Energy, Smart Communities Network, Gas Industry News, Department of Energy



CERTAIN RESTRICTIONS APPLY. Coupons are valid only at the Clearwater Gas Showroom and must be presented at time of purchase. This offer may not be combined with other promotional offers. Call Clearwater Gas at (727) 669-1958 for further details. Prior sales excluded.

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