



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 22, 2011

NATURAL GAS MARKET NEWS

The Climate Prediction Center today said that it looks for U.S. heating demand this week on a gas home heating customer weighted basis to be 182 HDD some 1.6% less than normal and 8.5% less than the same week a year ago

Transco Gas Pipeline reported that it has declared force majeure due to the closure of two of its seven underground natural gas storage caverns at the Eminence Storage Field in Covington County, Mississippi. Caverns #1 and #3 were closed late last week when leaks were discovered. Due to the force majeure declaration, the storage field was capable of providing 70% of contracted capacity and 92% of contracted deliverability. The daily injection capacity was not affected.

TransCanada said today that it was meeting all customer demand following the rupture on its main gas line in Ontario on Saturday. The company said it has been able to route natural gas shipments on its Line #1, following the rupture of Line #2. The company was waiting for investigators to allow repair crews on the site. Spot gas prices in New York though surged some \$6.00 per Mmbtu as a result of the pipeline problem and the return of colder temperatures to the region.

PetroHawk reported this morning that its natural gas production in the fourth quarter of last year averaged 65,141 mmcf up 8.3% from the prior quarter and 23% higher than the same quarter a year ago.

Quicksilver Resources reported today that its preliminary estimates for natural gas production in 2010 averaged 355 Mcf/d up 9% from 2009.

BP said Tuesday that it plans to sell its stakes in all the gas fields it operates in the southern North Sea, including pipeline infrastructure and the Dimlington gas-receiving terminal by the end of 2011.

Generation Outages

NPCC – OPG's 494 Mw Lambton #3 coal fired unit returned to service late Sunday. The unit had been taken off line on Thursday.

OPG's 490 Mw Nanticoke #7 coal fired power plant was shut Friday.

Entergy's 685 Mw Pilgrim nuclear unit was shut early Sunday to allow operators to repair the cooling water system. The unit had been at full power prior to the shut down.

SERC – Dominion's 799 Mw Surry #2 nuclear unit which exited its outage on Friday, has been at 98% power for the past three days.

Southern's 860 Mw Farley #2 nuclear unit ramped back up to full power over the weekend.

ERCOT – AEP's 528 Mw Welsh #3 coal fired unit is expected to be restarted over the next several days. The unit was shut on January 27th for scheduled maintenance.

ECAR - AEP's 1060 Mw Cook #1 nuclear unit ramped up to full power by early Saturday from 66% power registered on Friday.

WSCC – SCE's 109=80 Mw San Onofre #3 nuclear unit was at 95% power this morning. The unit had been restarted on Friday following at outage that began on October 10th.

The NRC reported this morning that some 93,000 Mw of nuclear generation capacity is online, up 0.2% from yesterday and some 2.1% higher than the same day a year ago.

of the pipeline problem and the return of colder

The move is seen as an attempt by the company to focus its efforts on the central and northern parts of the North Sea and Norway.

Natural Gas Cash Market						
	ICE Next Day Cash Market					
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	337,200	\$3.894	\$0.057	\$0.054	\$0.399	\$0.096
Chicago City Gate	650,300	\$4.088	\$0.072	\$0.248	\$0.095	\$0.138
NGPL-TX/OK	859,500	\$3.822	\$0.098	(\$0.018)	\$0.121	(\$0.108)
SoCal	398,900	\$3.967	\$0.106	\$0.127	\$0.129	\$0.008
PG&E Citygate	1,129,500	\$4.121	\$0.104	\$0.281	\$0.127	\$0.167
Dominion-South	428,300	\$4.039	\$0.061	\$0.199	\$0.084	\$0.105
USTrade Weighted	18,143,900	\$4.276	\$0.376	\$0.436	\$0.40	\$0.096

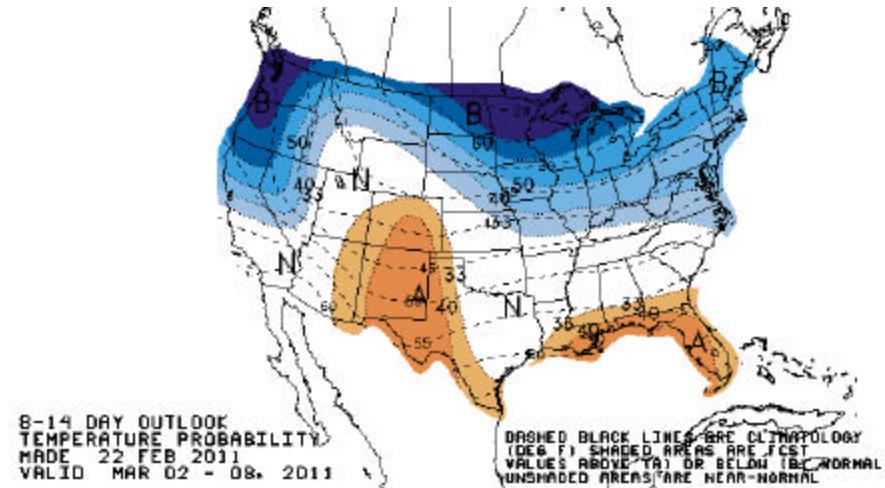
Italy's industry minister has called a meeting of its emergency gas committee for Wednesday morning, following growing concern over gas imports from Libya amid the

political unrest there. Italy's junior energy minister said this morning that Italy was ready to utilize its strategic gas stocks if imports are interrupted. Meanwhile Eni reported that gas supplies from the Greenstream pipeline from Libya have been suspended, but that it was able to meet the gas demand from its customers from other supplies. The company said that it would progressively empty the pipeline, in order to secure the line. The European Commission though said on Tuesday that Italy has sufficient gas to supply customers.

Azerbaijan state energy company, SOCAR said today that has no preference over competing gas pipeline projects that are seeking to transit Azeri gas to Europe. But the company called for a firm commitment to build one of these lines and it must be made by this year. SOCAR said that the decision on which project to supply will be made by the consortium of Shah Deniz partners on a commercial basis depending on netback values of the current proposals of the buyers. SOCAR has no intention of supply gas to all three proposed projects.

China reported that it had found 594.5 bcm of proven natural gas reserves in 2010, down nearly 18% from the prior year.

The LNG tanker, the Excelerate, is expected to arrive from Qatar at the South Hook terminal on March 1st according to port officials.



The Polish deputy environmental minister said today that ongoing investments in Poland are expected to yield a credible estimate within 3-4 years, of shale gas reserves the country may hold, with viable shale production beginning by 2020.

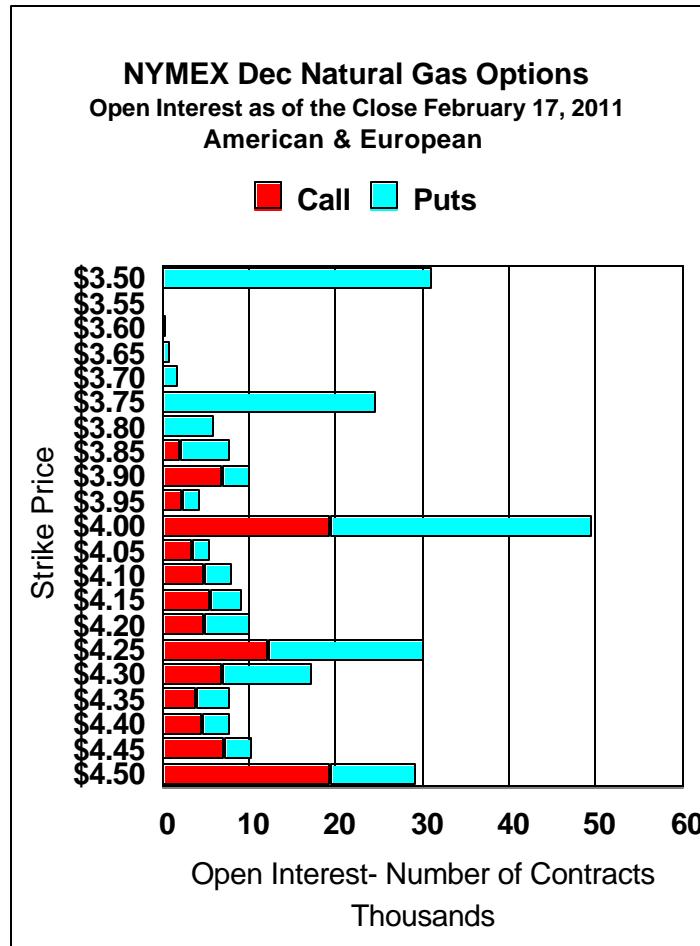
The Australian government on Tuesday gave the environmental approval for ConocoPhillips and Origin Energy's \$35 billion coal seam-gas project in Queensland state, clearing the way for a final investment decision on the project.

ELECTRIC MARKET NEWS

Genscape reported that it has estimated U.S. power output for the week ending February 17th fell 9.8% from the prior week and was 8.8% less than the same week a year ago.

ECONOMIC NEWS

The S&P/Case Shiller composite index of single family home prices in 20 metropolitan areas fell by 0.4% in December from November on a seasonally adjusted basis. For the year 2010, prices fell by 2.4%.



The US Conference Board said its index of consumer confidence increased to 70.4 in February from a revised 64.8 in January. It was the highest level since February 2008. The expectations index increased to 95.1 in February while consumer expectations for inflation in the coming 12 months increased to 5.6% from 5.5% in January.

MARKET COMMENTARY

While spot natural gas prices in the UK rose to a new 16-month high on Tuesday, the U.S. natural gas futures market moved in the opposite direction as the March contract slipped to a new three month low at midday, as it appeared a move lower as oil prices appeared to retrace some of their overnight gains and updated weather forecasts that appeared to shrink the size of the nation that may see below normal temperatures over the next 8-14 day period.

While prices did post an outside trading session today, prices in the afternoon still returned to levels they finished last week at. The March option contract expires on Wednesday and it would seem that prices may be attracted toward either the \$3.75 or

\$4.00 strike levels, where the most open interest is shown. We feel the greater likelihood is that without a significant change in the weather forecast tomorrow, the price movement most likely will be towards the \$3.75 price level. We see initial support tomorrow basis the March contract at \$3.824 followed by \$3.75, \$3.71, \$3.656 and \$3.41. Resistance we see at \$3.989-\$3.997 followed by \$4.149, \$4.206, \$4.324 and \$4.441.

Despite the President's Day holiday this week, the EIA Natural Gas Storage report will be released as usual on Thursday at 10:30 a.m EST.

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