



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 7, 2011

NATURAL GAS MARKET NEWS

North American

El Paso Pipeline Partners said it would buy an additional 22% stake in Southern Natural Gas Company from El Paso Corporation for \$587 million. The deal increases El Paso Pipeline's interest in SNG to 82% and gives it a 45-day option to acquire up to an additional 3% for about \$80 million.

The U.S. Climate Prediction Center this morning estimated that for the current week ending March 12th, the U.S. should see 152 HDD recorded on a gas home heating customer weighted basis, this would be some 5% less than normal but nearly 17% more than the same week a year ago.

Husky Energy reported that it had a natural gas well in Alberta that suffered an explosion today. The gas well was at total depth and stimulation operations were starting at the time of the blast.

International

Port officials reported that the LNG Imo Gas tanker is due to arrive from Nigeria at the Milford Haven terminal on March 22nd.

Fujian Development and Reform Commission said that the province would speed up preliminary work on two LNG reserve projects this year. The province is home to one of China's three operational LNG imports terminals.

National Grid reported today that starting Tuesday it would begin pumping gas from the Partington LNG facility near Manchester into the grid in an effort to use the gas before its quality deteriorates below the limits necessary for delivery into the U.K. gas network. Partington contains less than 13 million cubic meters of gas or about one percent of the U.K.'s storage stocks. No plans have been made to refill the storage facility, which is scheduled to cease commercial storage operations in May 2011.

Generation Outages

NPCC- OPG's 490 Mw coal fired Units #5 and #6 at the Nanticoke power plant exited their recent outage and were back in service today.

OPG's 215 Mw coal fired Atikikan power plant was shut over the weekend and is expected to remain off line until December 7th.

MRO – Xcel Energy's 572 Mw Monticello nuclear unit was shut this morning for planned refueling.

SERC – Progress Energy's Brunswick #2 nuclear unit was taken off line today for planned maintenance.

Southern's 1150 Mw Vogtle #1 nuclear unit was taken off line today for planned maintenance.

FPCC – NextEra's 693 Mw Turkey Point #3 nuclear unit was taken off line today.

PJM – First Energy's 846 Mw Beaver Valley #2 nuclear unit was taken off line today. The unit had been at full power on Saturday.

PPL's 750 Mw Montour #2 coal fired power plant was taken off line late Friday and remained off line due to a fire. The company was investigating the cause of the fire.

The NRC reported this morning that some 84,870 Mw of nuclear generation capacity is online, down 1.2% from yesterday but some 1.2% less than the same day a year ago.

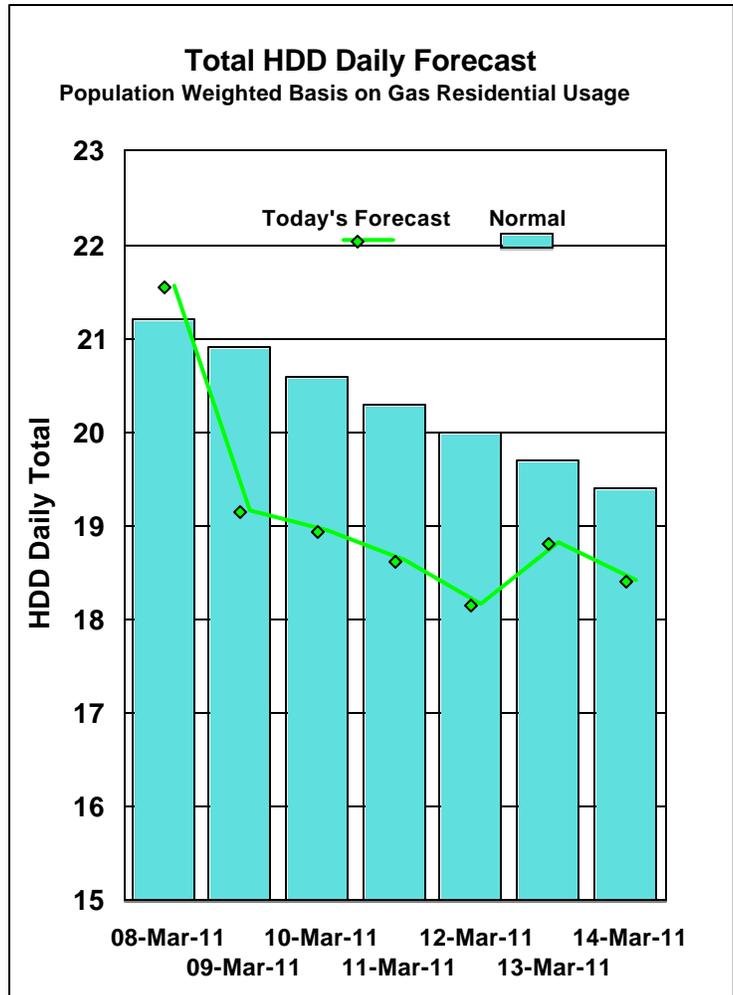
Poland's gas monopoly said Monday that it would restart full deliveries of natural gas to the Polish refiner PKN Orlen. Deliveries had been reduced earlier this month due to critically low inventories of gas.

ELECTRIC MARKET NEWS

Genscape reported today that U.S. power output for week ending March 3rd fell 1.6% from the prior week and was 6.9% lower than the same week a year ago.

The European Commission reportedly will propose tomorrow trimming surplus emissions permits from the European Union's carbon market from 2013-2020. While there had been some disagreement between energy and climate departments of the Commission, it appears the climate department has prevailed and the EU will look to remove 500 million to 800 million EUAs from 2013-2020.

Progress Energy said it is looking to restart one of two damaged coal fired power plants at its Crystal River power plant later this month. A large transformer fire in mid-January at the facility shut two of the four coal units. Unit #1 is expected to be brought back into service first with Unit #2 coming back on line in April.



ECONOMIC NEWS

Atlanta Fed President Dennis Lockhart said if a further rally in oil prices appeared to be pushing the US economy into recession the Federal Reserve would have to respond by easing monetary policy further.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	385,000	\$3.730	\$0.025	(\$0.126)	\$0.009	\$0.096
Chicago City Gate	756,300	\$3.886	\$0.038	\$0.031	(\$0.023)	\$0.123
NGPL- TX/OK	904,700	\$3.681	\$0.042	(\$0.174)	(\$0.019)	(\$0.125)
SoCal	455,600	\$3.725	\$0.022	(\$0.130)	(\$0.039)	(\$0.053)
PG&E Citygate	1,276,000	\$3.971	(\$0.007)	\$0.116	(\$0.068)	\$0.187
Dominion-South	405,800	\$3.928	\$0.048	\$0.073	(\$0.013)	\$0.150
USTrade Weighted	19,870,300	\$3.827	\$0.070	(\$0.028)	\$0.01	\$0.096

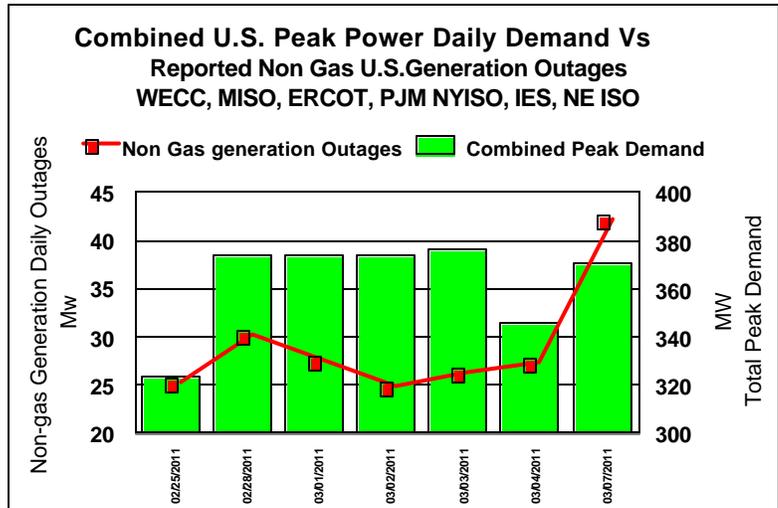
He said increasing commodity prices have largely been driven by market fundamentals. Separately, Chicago Fed President Charles Evans said increasing prices for oil and other commodities are largely the result of the growing global economy and turmoil in the Middle East, rather than US monetary policy to maintain low interest rates.

MARKET COMMENTARY

The natural gas today posted a strong rebound in values. It appears that as a result of Friday's lows holding early this morning just prior to the regular floor session, once the main trading session got underway, the dramatic jump in non-gas generating assets off line to start the week, and the

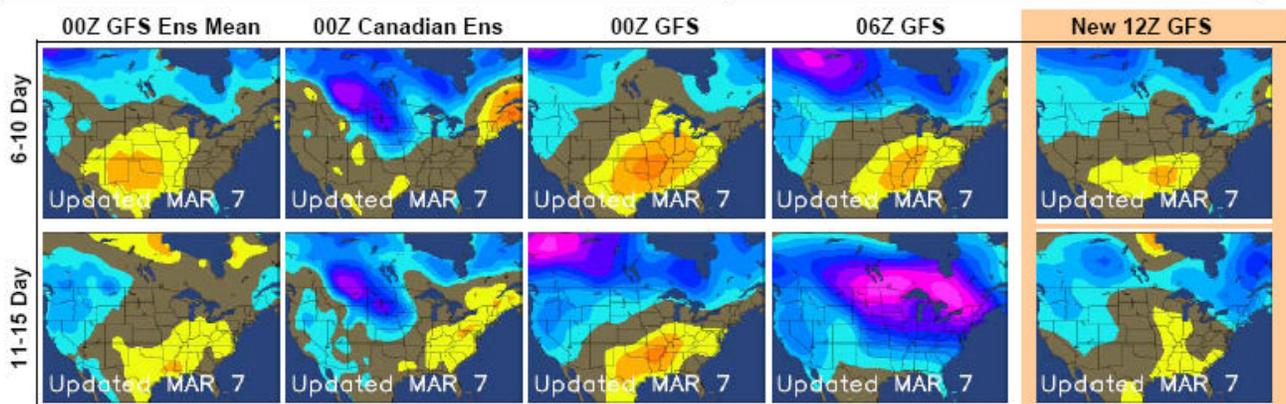
supportive drilling rig report from last week helped to trigger some short covering which allowed prices to retrace 38% of the past week sell off. Additional buying appeared to be unlocked early this afternoon as prices surged further and saw values finish the trading session at levels not seen since the start of March.

While power generation needs for gas may lend a helping hand to this market as the nuclear refueling season gets underway, we do not feel that it will be sufficient to start this market onto a new bull market, but rather some potential for additional short covering. Weather remains a minor issue, as temperature forecasts for the next two weeks appear to be basically slightly warmer than normal to normal.



We see initial resistance tomorrow at \$3.932 followed by \$3.959, \$4.10 and \$4.139. Additional resistance we see at \$4.17, \$4.265, \$4.305 and \$4.44. Support we see at \$3.731 followed by \$3.71, \$3.656, \$3.41 and \$3.255.

Forecast Model Comparison



10 Day Observed U.S. Population Weighted Temperature Anomalies and 15 Day Ensemble Forecast

Forecast lines are U.S. population weighted anomalies from 00Z GFS operational and ensembles. Red line is the forecast average.



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