



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 11, 2009

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning was keeping a close eye on a non-tropical low pressure system centered around 400 miles south-southwest of Bermuda. While winds currently are near gale force, as the system moves northwestward it is expected to pass through an area of unfavorable upper level winds that should prohibit further development, but other forecasters are looking for this system to merge later in the week with the remnant of Tropical Storm Ida and create a dangerous nor'easter that will move up the eastern seaboard this weekend. Elsewhere the tropics remain quiet.

The U.S. Minerals Management Service reported this afternoon that as of midday today, according to the 30 companies reporting (some 13 less than yesterday) 401,120 b/d of crude production remained shut in, some 59,079 b/d less than Tuesday and only 0.532 bcf/d of gas production some 425 MMcf/d less than yesterday.

Anadarko Petroleum said this morning that it had resumed production at its Independence Hub and planned to restore production at its other facilities in the eastern U.S. Gulf of Mexico on Wednesday and Thursday.

Enterprise Products said the Independence Gas Hub, the largest natural gas processing facility in the U.S. Gulf of Mexico, had resumed output late Tuesday and was pumping 250 MMcf/d Wednesday morning. The company also reported that Viosca Knoll 817 and West delta 68 platforms were both operating normally.

Exxon Mobil said this morning that its crude and natural gas production in the Gulf of Mexico and Mobile Bay, Alabama withstood "minimal storm related impact" from Tropical Storm Ida. The company declined to elaborate on how much shut in output had already been restored. The company late Tuesday said that its Gulf operations were back to normal. Shell and Chevron also reported little or no damage to their facilities.

Generator Problems

NPCC – Bruce Power's 750 Mw Unit #4 nuclear unit returned to service this morning. The unit had been shut since September 5th for maintenance. Meanwhile Unit #6 nuclear unit was shut for short term maintenance.

FPL Energy's 1244 mw Seabrook nuclear unit was at 15% capacity, down 5% from yesterday.

PJM - PSE&G's 1130 Mw Salem #2 nuclear unit started to exit its refueling outage and was at 5% power this morning. The unit had been off line since October 14th.

MISO – NPPD's said its 791 mw Cooper Nuclear plant was at 70% power this morning up 17% from yesterday.

Exelon's 912 Mw Dresden #3 nuclear unit was at 98% capacity this morning, up 3% from yesterday.

WSCC – TransAlta Corp's 406 Mw Sundance coal fired Unit #5 in Alberta was shut yesterday. The unit had been dropping off line several times over the past few days.

PG&Es 1118 Mw Diablo Canyon #2 nuclear unit ramped up to 28% power. The unit had been shut since October 5th for refueling.

PG&E has restarted its 1122 Mw Diablo Canyon #2 nuclear and reconnected to the grid. The unit was at 28% power.

SERC – Southern's 883 Mw Hatch 32 nuclear unit was at 78% power this morning up 15% from yesterday.

El Paso said Wednesday that its natural gas flows on its Tennessee and Southern pipelines was expected to return to normal levels late Wednesday. The company said that the pipelines sustained no damage from the storm. Southern Natural Gas said the estimated reduction in supply as of 9 am this morning, due to the storm was 300 MMcf/d. Despite the supply impact, Southern's line inventory

remains at adequate levels and pressures remain steady across its market area.

| Natural Gas Cash Market | | | | | | |
|--------------------------|------------|---------|-----------|------------------|-----------|-------------|
| ICE Next Day Cash Market | | | | | | |
| | Volume | Avg | Change | Basis | Change | Basis 5-Day |
| Location | Traded | Price | | (As of 12:30 PM) | | Moving Avg |
| Henry Hub | 1,306,200 | \$3.593 | (\$0.162) | (\$0.916) | (\$0.137) | (\$0.738) |
| Chicago City Gate | 554,800 | \$3.593 | (\$0.127) | (\$0.916) | (\$0.160) | (\$0.700) |
| NGPL- TX/OK | 525,200 | \$3.437 | (\$0.104) | (\$1.072) | (\$0.137) | (\$0.863) |
| SoCal | 590,600 | \$3.571 | (\$0.044) | (\$0.938) | (\$0.077) | (\$0.797) |
| PG&E Citygate | 340,100 | \$4.278 | (\$0.046) | (\$0.231) | (\$0.079) | (\$0.191) |
| Dominion-South | 354,000 | \$3.743 | (\$0.104) | (\$0.766) | (\$0.137) | (\$0.542) |
| USTrade Weighted | 20,277,000 | \$3.599 | (\$0.104) | (\$0.910) | (\$0.14) | (\$0.738) |

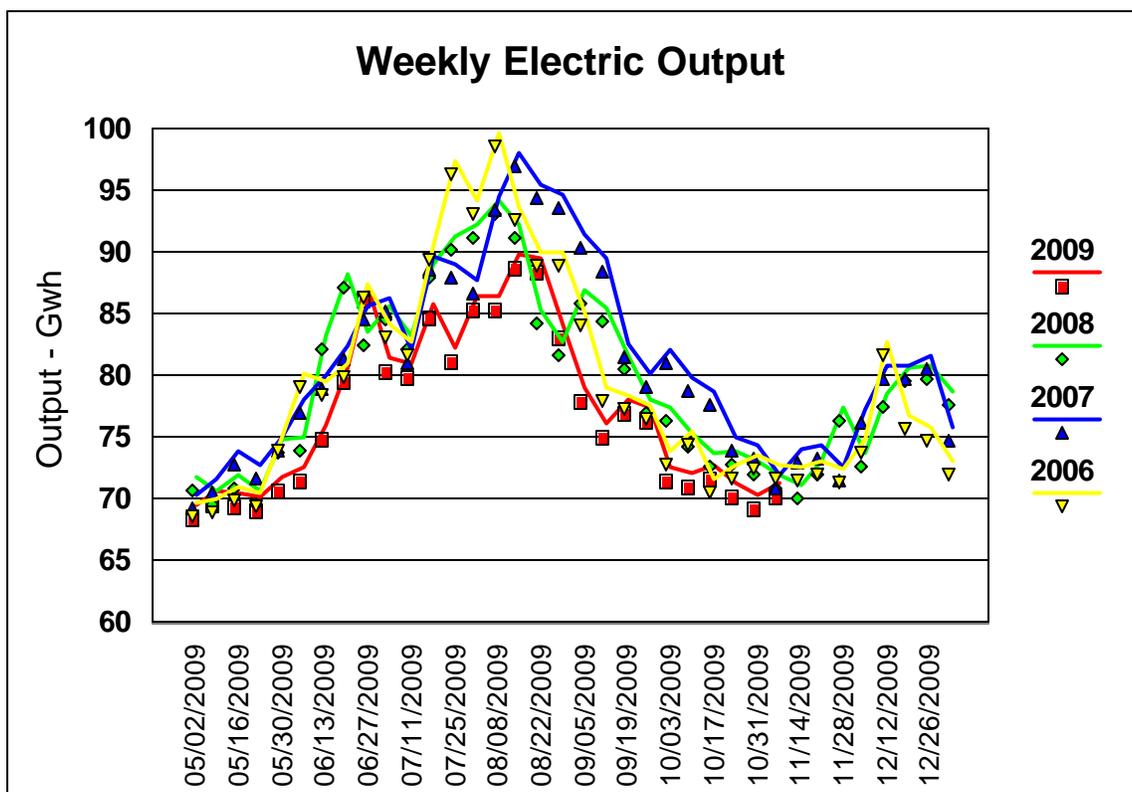
Transco said today that its Mobile Bay natural gas processing plant

was processing between 100 –200 MMcf/d with volumes increasing after the plant shut due to lost production from Tropical Storm Ida. The company noted that the plant did not sustain any damage from the storm. The plant has a capacity of 700 MMcf/d.

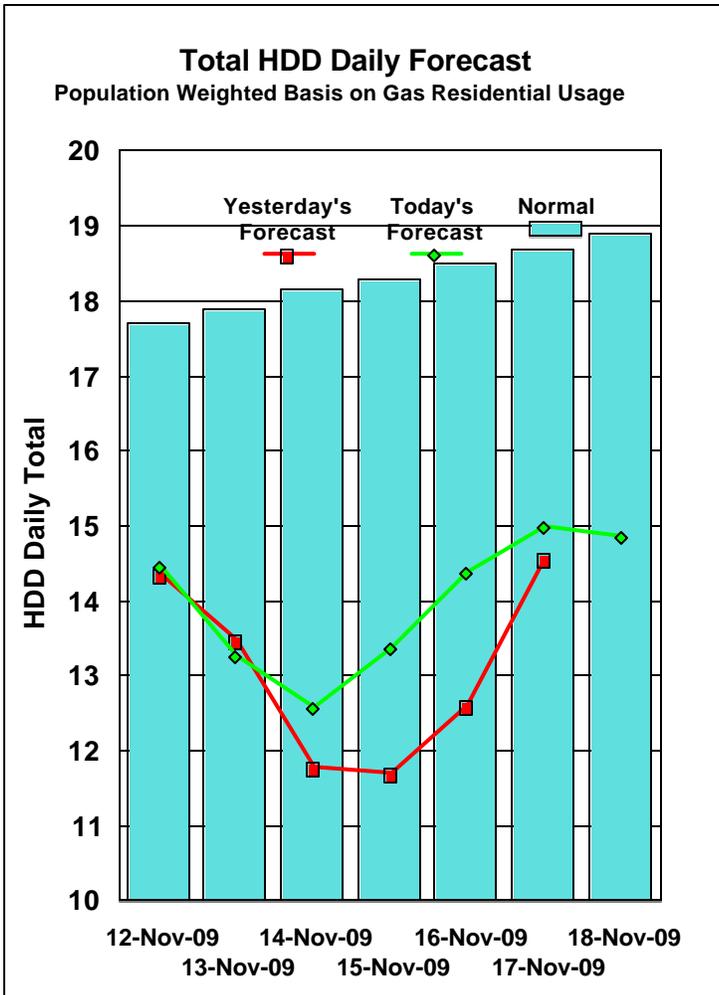
Russian Prime Minister Putin said Wednesday that it would reduce gas transit to Europe if Ukraine were to start siphoning off gas from transit pipelines.

The Ukrainian Prime Minister said today that Russia would not impose fines on the Ukraine for buying

less gas than it promised at the start of the year and has agreed to the volumes to be bought next year. The prime minister said that such cooperation would allow the Ukraine to guarantee both payment for Russian gas and the transit of gas to the European Union.



The Ukraine's Finance Minister said today that his country's economy and currency market could withstand any pressures should the IMF delay the \$3.8 billion bailout tranche. The IMF has suspended



its \$16.4 billion standby program after the Parliament passes a bill earlier raising the nation's minimum wage, which the government opposed and said would cost an additional \$10 billion by the end of next year. Deputy Prime Minister Nemyrya said yesterday the country would use the IMF's Special Drawing Rights, which are unlinked to the bailout, to pay for gas in November but that future payments may be at risk if the program is not restarted.

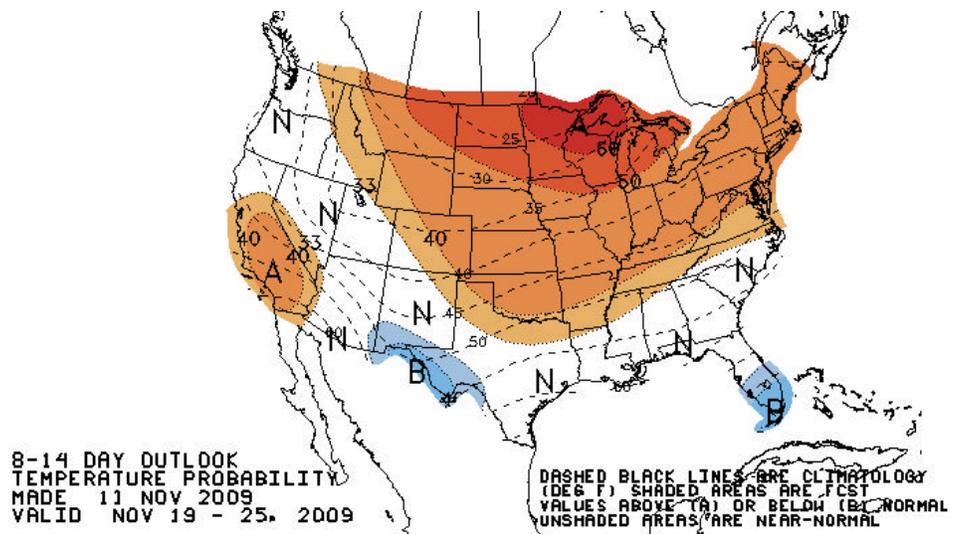
Woodside Petroleum Ltd said on Wednesday that it has awarded contracts for front-end engineering and design work on the planned expansion of its Pluto LNG project in Western Australia. The studies are expected to be completed in the second half of 2010.

Nigeria's foreign ministry said today that Nigeria would ban gas flaring starting January 2010. Nigeria the world's second biggest gas flarer after Russia accounts for 13% of the gas flared worldwide. The government said the nation would be able to save enough gas for its local needs and also meet demands for the West African gas pipeline as well as the Trans-Saharan gas project.

The ICE announced 40 new OTC cleared energy contracts on swaps and options that will be listed for trading for December 7th. For natural gas ICE will list Platts swap contracts including IF Columbia Gulf Mainline Basis, IF EP-Permian Index, GDD EP-Permian Swing, IF NGPL-Texok Index, GDD NGPL-Texoc Swing, IF NWP-Rockies Index, IF NWP-Sumas Index, IF Waha Index and GDD Waha Swing. In power the exchange will add PEPCO Zone DA LMP, Peak Daily, Zone DA LMP, Peak Month, Zone DA LMP, Off-Peak Daily, PEPCO Zone DA LMP, Off Peak Month, Mid C RT Mini Peak Monthly and Mid C RT Mini Peak Option (MDF).

PIPELINE MAINTENANCE

NGPL said it would be installing a new mainline valve and pressure regulators on its Gulf Coast #1 and #2 lines north of Station 303, which is located in Angelina and



Nacogdoches Counties in Texas. The work will require the company to operate the line at a reduced pressure through the affected area. The work will begin on November 12th and run through December 2nd on Line #2 and Line #1 will see work running from December 3^d through December 28th. The company does not expect any impact to shippers other than requiring the company to shut in HPL Angelina during the work.

PIPELINE RESTRICTIONS

El Paso Natural Gas said the probability of declaring a strained operating condition or critical operating condition has been set to high due to high line pack condition.

CGT has issued a system wide operational flow order in effect for gas day November 12th due to high inventory. Tolerance was set at 5%.

ELECTRIC MARKET NEWS

The California Energy Commission Tuesday proposed state approval of a 600 Mw natural gas fired power plant being developed in the San Joaquin Valley by Macquarie Group. The \$530 million combined cycle generating plant would be slated to begin construction in April 2010 with commercial operations beginning by June 2012.

The head of the FERC warned Tuesday that the CFTC should not go too far in its efforts to regulate power contracts by trying to regulate beyond current futures and OTC contracts and seek to regulate a firm transmission right, which is used to manage congestion on the electric grid within the nation's organized markets or RTO's. The FERC said this appears to be "completely outside their (CFTC) purview." The FERC chairman noted that FTRs are not traditional trading vehicles like soybeans or hog bellies. They are things integral parts of an entire electric market that FERC created "...and if the CFTC tried to exercise authority over this it would be a "detriment of the consumer".

The Edison Electric Institute reported that for the week ending November 7th power production in the United States stood at 70,170 Gwh, up 1.4% from the prior week but just 0.4% better than the same week a year ago.

An official with Duke Energy Indiana said the company has cancelled or deferred delivery of more than 4 million tons of coal in 2009 and 2010. The company in a filing with state regulators seeking a fuel cost adjustment noted that demand for electricity in 2009 has been below forecasts and as a result coal deliveries had exceeded consumption. As a result "coal inventory is at full or nearly full capacity at each of its coal fired generating stations in Indiana.

Advanced Power, a Swiss power plant developer, has filed a special permit application last week with New York State regulators in seeking to build a 1000Mw combined cycle natural gas plant some 70 miles north of New York City, in Dover, NY. The developer is seeking to begin construction by 2012 and the facility in commercial operations by 2014.

MARKET COMMENTARY

Despite the continued bearish weather forecasts for the next two weeks, the natural gas market early this morning basically held yesterday's lows (with the December contract posting 0.3 cents below yesterday's lows while the January through May 2010 contract saw a higher low) as the market appeared to take a breather in its relatively relentless march lower. Futures prices were able to settle modestly higher despite weaker cash market prices in what may have been modest profit taking on recent shorts., especially in front of the EIA storage report and a general bullish fever in the commodity markets, as gold continued to make new highs. In addition the 12 month strip which just yesterday was within 5 cents of the recent low recorded this past September also posted a higher settle today. The exchange at midday showed that open interest in the NYMEX futures contract increased on Tuesday for the sixth consecutive trading session, growing by a sizeable by 14,907 lots.

The EIA storage report, which is slated to be delayed by one day, due to the Veterans Day holiday, is expected to show a 15-20 bcf build. A year ago stocks rose an adjusted 54 bcf, with the five year seasonal average gain of 30 bcf.

Without a significant change in the weather forecast and the prospects of rebounding nuclear generation levels this market appears will see only modest rebounds that most likely will be short lived as traders will see them as selling opportunities. We see support tomorrow at \$4.43 followed by \$4.34, \$4.241 and \$3.996. Resistance we see at \$4.476, \$4.69, \$5.027, \$5.211 and \$5.395.

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