



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 13, 2010

NATURAL GAS MARKET NEWS

Apache Corp reported that it has shut in wells that flow to the processing facilities on the EC2 platform off of Louisiana due to a fire on the platform. The platform has been evacuated. Production processed at the platform total 7.7 mcf/d of natural gas and 850 b/d of oil.

Gassco reported that the Kaarstoe, Norwegian gas processing plant was back operating at full capacity since Tuesday afternoon. The unit had gone down over the weekend due to icing.

Saudi Aramco said today that preliminary engineering and design work on the country's biggest gas plant should be completed by the first quarter of next year. The project would process 2.5 bcf/d of natural gas from the Arabiyah and Hasbah offshore non-associated gas fields. Supplies from this plant would be used for power generation and industrial needs, outside of petrochemical needs.

Azerbaijan may export over 8 bcm of natural gas in 2010, according to the head of the state energy firm. The country produced 25 bcm of gas in 2009 and hopes to produce 27.2 bcm in 2010.

Poland's gas monopoly, PGNiG still has not reached any agreement in its talks today with Gazprom over higher level of gas deliveries Talks are still ongoing.

National Grid reported today that pipeline flows from Norway into the British market have continued to improve and were back to normal today running above 70 mcm. This coupled with 6 LNG cargoes expected to be delivered into the British market over the next two weeks has helped push gas prices for Thursday down to 36 pence per therm (\$5.80 per mmbtu) with February prices falling to 34.25 pence and March to 33.50 pence. The outlook for temperatures to continue to moderate has also helped push prices lower.

Generator Problems

NPCC – Entergy's 1020 Mw Indian Point #2 nuclear unit returned to service Tuesday night and had ramped up to 30% capacity by Wednesday morning.

Entergy's 620 Mw Vermont Yankee nuclear unit was back at full power this morning, up 11% from yesterday.

OPG's 490 Mw Nanticoke #4 coal fired unit was shut early Wednesday. The unit was expected to be off line for approximately one week.

OPG's 494 Mw Lambton #2 coal fired unit was shut for maintenance work early Wednesday morning.

PJM – The Susquehanna #2 nuclear unit was at 85% capacity this morning down 9% from yesterday.

MISO – NPPD said its 781 Mw Cooper nuclear unit was at 73% power this morning up 1% from Tuesday.

SERC – Duke Energy's 1100 Mw McGuire #1 and #2 nuclear units were reduced to 53% and 46% respectively this morning. Both units had been at full power on Tuesday.

Progress Energy's 937 Mw Brunswick #1 nuclear unit was back at full power up 9% from Tuesday.

WSCC – APS' 1270 Mw Palo verde #2 nuclear unit was off 40% from yesterday and stood at 60% capacity.

The NRC reported today that 89,171 Mw of nuclear generation was on line this morning, down 1.8% from yesterday and off some 7% from the same time a year ago.

Statoil said today that it looks to maintain steady production from its core Norwegian shelf operations over the next decade. It sees oil and gas fields declining by 4-5% per year and as a result seeks to keep capital spending high to find new reserves as well as improve recovery rates from existing fields. The company confirmed it would shutdown its Snoehvit LNG facility for one month this summer to replace the last heat exchanger at the plant.

| 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 | 991,600 | \$5.610 | \$0.040 | (\$0.102) | (\$0.149) | \$0.529 |
| Chicago City Gate | 739,700 | \$5.666 | (\$0.049) | (\$0.046) | (\$0.198) | \$0.515 |
| NGPL- TX/OK | 770,000 | \$5.423 | (\$0.026) | (\$0.289) | (\$0.175) | \$0.410 |
| SoCal | 297,000 | \$5.658 | \$0.046 | (\$0.054) | (\$0.103) | \$0.387 |
| PG&E Citygate | 641,100 | \$5.899 | \$0.037 | \$0.187 | (\$0.112) | \$0.389 |
| Dominion-South | 211,200 | \$5.899 | (\$0.086) | \$0.187 | (\$0.235) | \$0.823 |
| USTrade Weighted | 22,139,700 | \$5.617 | \$0.000 | (\$0.095) | (\$0.15) | \$0.529 |

The Alaska Gas Pipeline LLC said late Tuesday that it would begin its open season in April for capacity on a pipeline that would tap North Slope gas reserves for shipment to the

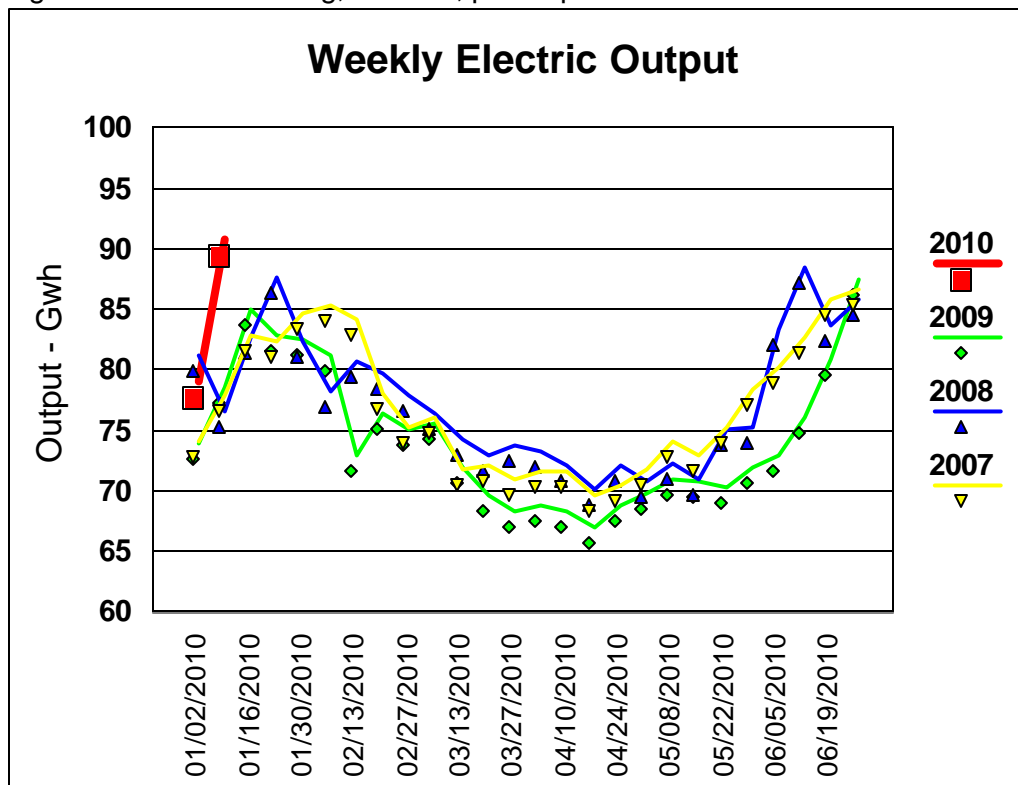
lower 48 states. The company is a joint venture between BP and ConocoPhillips.

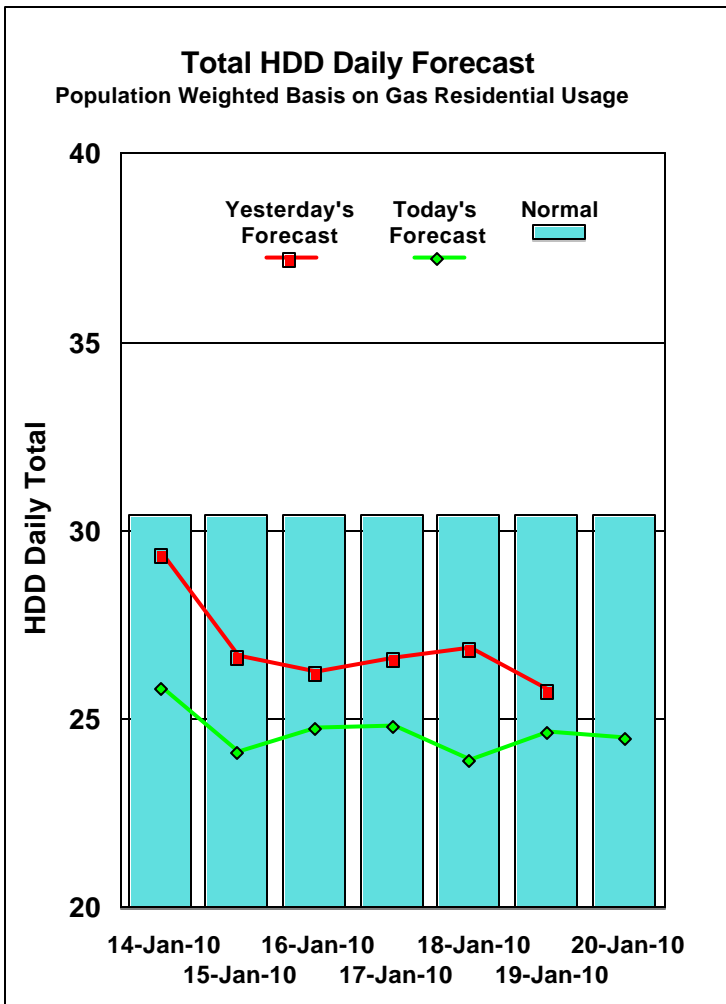
Apache Corp announced today it was buying control of the planned Kitimat LNG project on Canada's West Coast. The project would have a daily capacity of 700 million cubic feet and is slated to cost \$2.9 billion.

Pennsylvania state officials reported that sixteen energy companies bid an average of \$4,020 an acre for access to six parcels totaling 32,000 acres of state forest in north central Pennsylvania at an auction on Monday. This was more than twice the cost per acre received in 2008.

A senior Bangladeshi official said that the country would import more LNG to meet its worsening gas shortage. The oil ministry said the country faced daily shortages of more than 250 MMcf/d, and this is threatening operations of gas fired manufacturing, fertilizer, power plants and domestic users.

East Timor today said it has rejected Woodside Petroleum's plan to develop the offshore Sunrise gas field. The plan by Woodside and its partners was to develop the offshore field without building an onshore LNG facility. Rather it called for piping the gas to an existing LNG facility in Darwin, Australia or to a floating LNG plant. As a result the East Timor government said without a change in position from





Woodside Petroleum, it may ask Malaysia's Petronas to develop the field. Under a 2007 treaty the development of the potentially 5.13 tcf natural gas field must be approved by both the Australian and East Timor governments.

The Russian news agency reported today that Russia would "actively" participate in the construction of the Turkish-Italian Samsun-Ceyhan gas pipeline.

The National Weather Service late yesterday reported that the December 2009 average temperature for the lower 48 states was 30.2 degrees, some 3.2 degrees below normal. It noted that no region during the month posted average temperatures above normal.

The CFTC is expected to unveil its long awaited proposals on Thursday on position limits in the commodity markets.

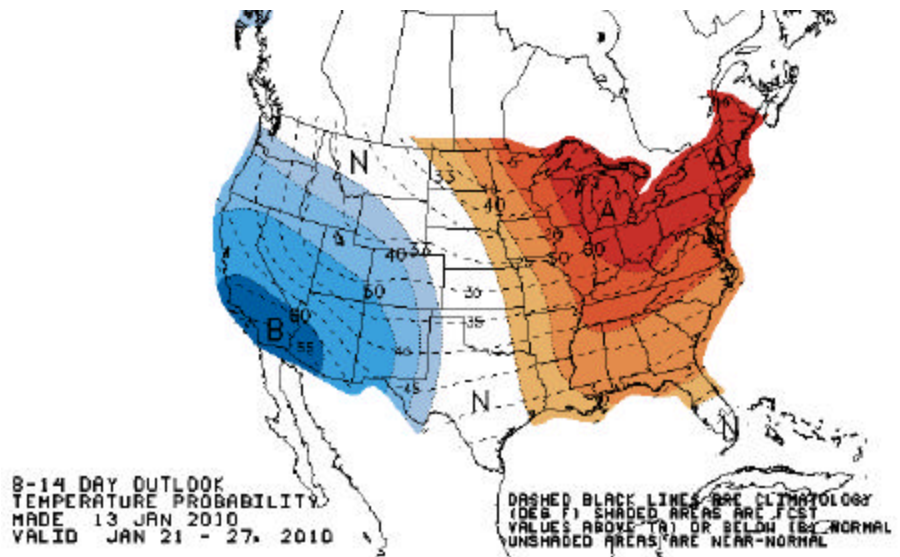
PIPELINE RESTRICTIONS

NGPL said that effective for today and until further notice its Columbia Gulf Chalkley delivery point was at capacity for deliveries. Interruptible transportation service/ authorized overrun and secondary firm

transports are at risk of not being fully scheduled.

SONAT said today that it has cancelled the Type 6 OFO that has been in force on its system since January 3rd.

Tennessee Gas Pipeline said that for today's gas day it has restricted the Leidy Delivery Meters to 43% of supply to market, and 14% of supply to market secondary out of the path nominations pathed for delivery to the Riverdale Delivery Meter. In addition the company restricted through approximately 92% of supply to market secondary out of path nominations pathed through STA 245 and 44% through STA 321. At MLV 355. Tennessee restricted through 100% of market supply secondary out of path



nominations.

PIPELINE MAINTENACE

ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that it estimated that for the week ending January 9^h power production in the U.S. reached 89,483 Mw, up 15.8% from the same week a year ago and up 15.1% from the prior week.

Duke Energy Carolinas said its customers' set an all time winter peak record for electricity usage on January 11th, as power demand reached 17,282 Mw. The previous record had been 16,968 Mw set last February 5th.

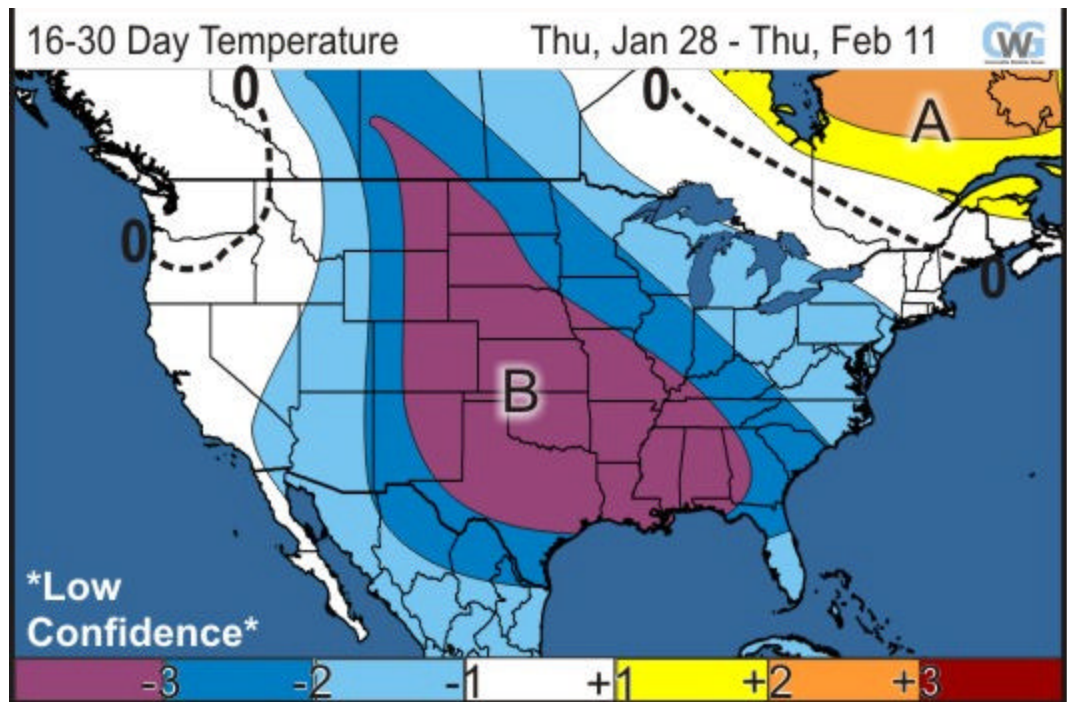
Arkansas' Department of Environmental Quality has recommended that the state's electric utilities be granted a waiver from meeting an upcoming emissions compliance deadline of October 15, 2013 until after the U.S. EPA finalizes the state's implementation for the rule. The state regulator said it would be impractical for utilities to update their facilities before definitive limits are set.

The U.S. Interior Department said on Wednesday that it will issue a final decision on the proposed offshore Cape Wind power project off the coast of Massachusetts by the end of April.

MARKET COMMENTARY

The natural gas futures market this morning saw prices erase most of the price rebound that was posted in the latter half of yesterday afternoon's trading session as near term temperature forecasts were seen as warmer than previously expected over the next week or so. But despite the market receiving yet another bearish inventory report from the oil market, the natural gas market began to rebound at mid morning breaking above the previous day's high for the first time in four trading sessions, prompting what appeared to be short covering that resulted in volume intraday to more than double from levels seen prior to the report's release. Fundamentally it appears that while some traders

were looking to lighten positions in front of tomorrow's EIA Storage Report, others were prompted to be on the buy side after some longer term private temperature forecasts, were warning that yet another push of colder air moving across the middle two thirds of the nation during the end of January and into the first 11 days of February. These forecasters were basing this forecast



of the negative Arctic Oscillator event based on a stratospheric warming event now underway. But one should not think that the forecast confidence in this outlook was set very low at this time.

We see resistance tomorrow at \$5.78 followed by \$5.82, \$5.868, \$6.003, \$6.108 and \$6.22. Support we see at \$5.68, \$5.515, \$5.432, \$5.354, \$5.298, \$5.162 and \$5.114

Market expectations' for tomorrow's EIA Storage report appear to be centered on a 255-260 bcf draw down. For the same week a year ago, storage levels dropped an adjusted 88 bcf, while the five year seasonal average is for a decline of 76 bcf.

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