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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 14, 2010

NATURAL GAS MARKET NEWS

CFTC Commissioner Bart Chilton said this morning prior to the agency's announcement of a new position limit proposal for the market, that it will err on the high side, since it does not want to damage the market, by prompting migration to unregulated OTC markets. At midday the CFTC released their proposed regulation on position limits. It calls for limits on crude oil, natural gas, heating oil and gasoline and would be similar to position limits currently in pace in agricultural markets. Limits would be set across the same contract month groupings: all months combined, single month and spot month. Limits will apply to aggregate position in futures and options combined, plus mini-sized contracts in the same commodity. The cumulative, all months' limits would cap traders at 10% of the open interest of the first 25,000 contracts and 2.5% of the open interest beyond 25,000. The single month limit would be two-thirds of the aggregate cap. The position limits would be calculated off of the prior year's month-end open interest. If the limits applied to light, sweet crude contracts today, the cap would be 98,100 combined contracts. Limits in the spot month would hold investors to 25% of the open interest in the future for physical delivery. A trader with spot month cash settled contracts could hold five times as many contracts as long as they held no physically settled contracts in the spot month. The CFTC said that if the rules were applied today it would impact only the 10 biggest position holders. It appears that the rules would be less strenuous than the NYMEX's so called accountability levels" already in place. Bona fide hedgers would be able to apply for exemptions but swap dealers would no longer receive confidential hedge exemptions that allow them to exceed position limits, and instead would need "limited risk management exemptions" that would be reviewed monthly by the commission and made public after six months. The CFTC's acting director of market surveillance said these proposals would have prevented the collapse of the hedge fund, Amaranth as well as would have limited the growth of ETFs last year such as the U.S. Natural Gas Fund and the U.S. Oil Fund. But CFTC Commissioner Michael Dunn noted that until the CFTC has the authority to regulate the OTC market, then limits on the regulated exchanges may drive traders to move their positions to the OTC market. The proposed position limits will now be open to public comment for 90 days before a final rule is imposed.

Generator Problems

NPCC – OPG's 490 Mw Nanticoke #4 coal fired power plant returned to service this morning. The unit had been taken off lin on Wednesday. Unit #7 at the facility though was taken off line overnight.

Entergy's 620 Mw Vermont Yankee nuclear unit was at 86% power this morning, off 14% from yesterday.

Entergy's 1020 Mw Indian Point #2 nuclear unit has reconnected to the regional grid and was at 83% power this morning, up 81% from yesterday.

PJM – PPL 's 1150 Mw Susquehanna #2 nuclear unit was at 94% power this morning, up 9% from yesterday.

FRCC – FPL has restarted its 693 mw Turkey Point #4 nuclear unit was warming back up and was at 2% power this morning. The unit tripped off line back on January 11th.

MISO – NPPD's 791 Cooper nuclear unit was at 70% capacity this morning down marginally from yesterday.

SERC – Duke Energy reported that both of its 1100 Mw units at the McGuire nuclear unit ramped up to 99% power this morning. Both units had been running at half power over the last day or so.

The NRC reported today that 91,133 Mw of nuclear generation was on line this morning, up 2.2% from yesterday and off some 4.4% from the same time a year ago.

EIA Weekly Report	01/08/2010	01/01/2010	Change	01/08/2009
Producing Region	906	1006(r)	-100	899
Consuming East	1532	1678(r)	-146	1478
Consuming West	414	434	-20	372
Total US	2852	3276(r)	-266	2749

Pennsylvania Governor Rendell said he will seek to impose a natural gas wellhead tax that would become effective July 1st, as he sees no need to nurture the natural gas industry in the state any longer. He noted that natural gas companies are seeking 5200 well permits within the state in the Marcellus shale region, up from 1984 permits in 2009.

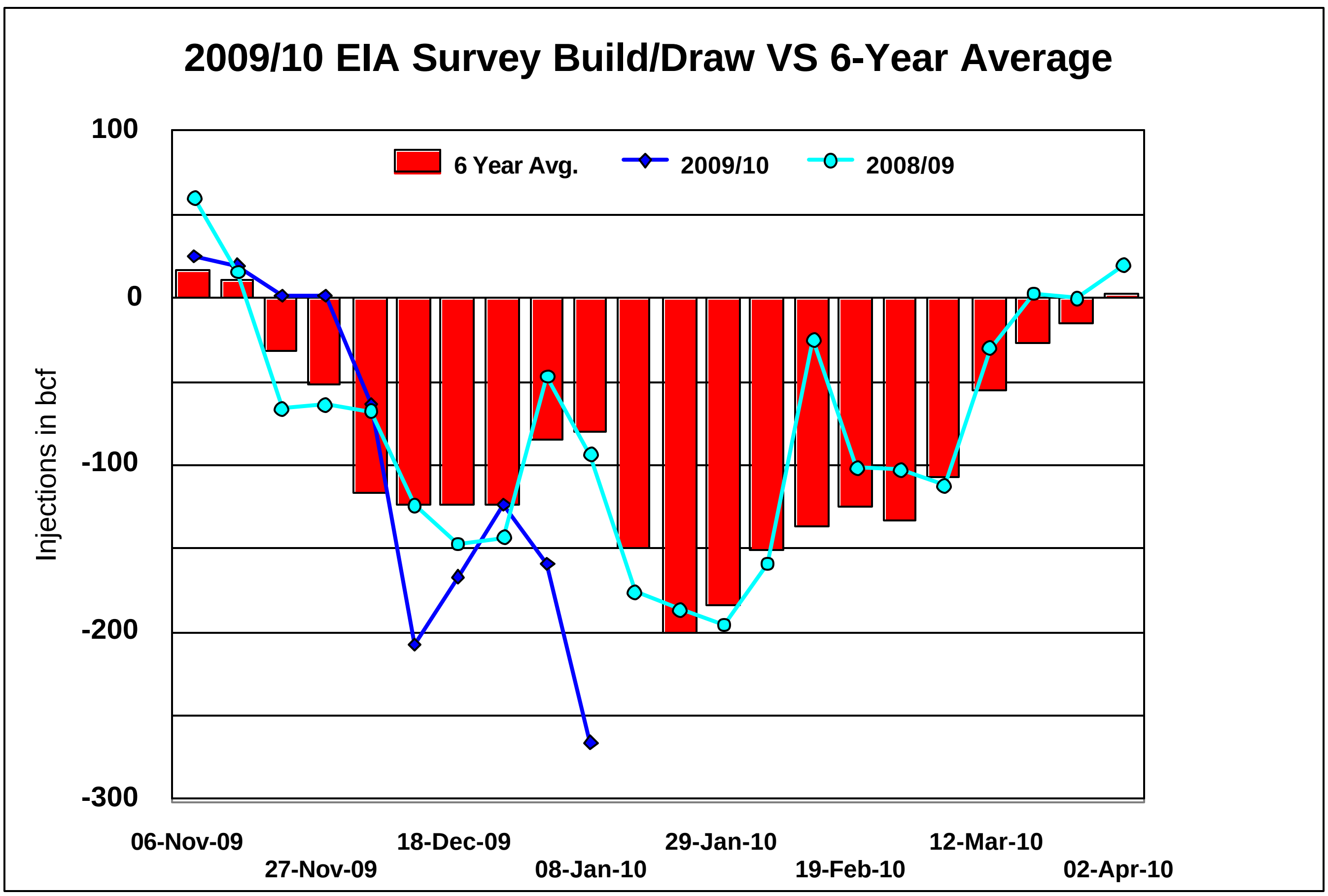
An El Paso official told an industry gathering today that the construction of new LNG production facilities around the world may cause an additional supply glut that could lead to another drop in natural gas prices. He estimated that 6 bcf/d of production and 3 Bcf/d of capacity would be coming on line in 2010. This is in addition to the 6 Bcf/d of capacity that came online in 2009. He noted that while Europe imported a lot of LNG last year, he expects the poor economy there may result in lower LNG imports this year, so this could lead to additional LNG imports into the U.S. this coming summer looking for a storage home.

Canadian Gas Association
Weekly Storage Report

	08-Jan-10	01-Jan-10	09-Jan-09
East	175.7	199.4	148.2
West	278.1	299.4	259.9
Total	453.8	498.5	408.1

storage figures are in Bcf

A Washington DC lobbyist for Kinder Morgan Energy Partners warned the natural gas industry that it must become engaged in the climate change legislative debate. He noted that as a result of the industry not being an active participant, the coal industry was able to help shape the House legislation last year that to the surprise of the natural gas industry, gave the coal sector a large number of allowances.

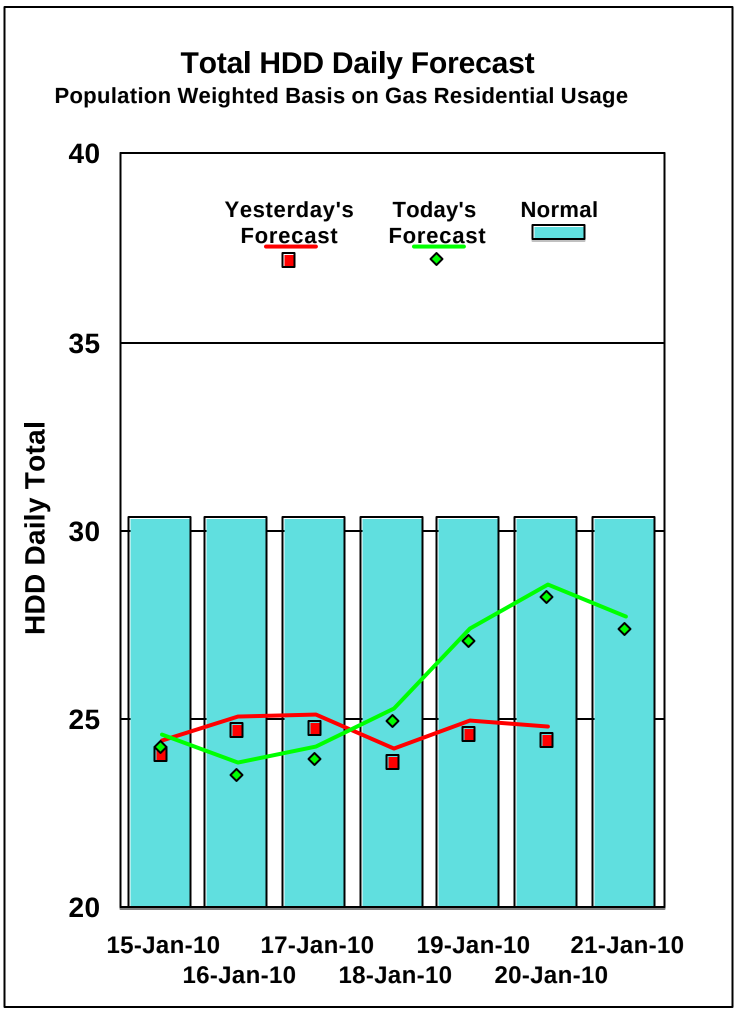


Korea Gas Corp said today it sold 3.65 million tones of LNG in December up 22% from a year earlier. Sixty-four percent of the gas was used for household and business consumption, while the remainder went to power generation.

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	802,800	$5.768	$0.158	$0.224	$0.348	$0.273
Chicago City Gate	578,700	$5.859	$0.194	$0.315	$0.362	$0.279
NGPL- TX/OK	511,200	$5.590	$0.167	$0.046	$0.335	$0.082
SoCal	474,000	$5.843	$0.185	$0.299	$0.353	$0.190
PG&E Citygate	748,500	$6.067	$0.168	$0.523	$0.336	$0.373
Dominion-South	205,700	$5.969	$0.071	$0.425	$0.239	$0.581
USTrade Weighted	19,493,900	$5.798	$0.180	$0.254	$0.35	$0.273

Goldman Sachs today said it was maintaining its price outlook for oil and natural gas. It sees oil prices averaging $90 per barrel in 2010 with natural gas futures averaging $6.00 per Mmbtu. It sees price in 2011 rising to $110 for the crude oil and $6.50 for the gas as improving developed market growth to increase demand.

Chinese Customs officials said today that China is stepping up its efforts to increase imports of natural gas to meet growing demand and to reduce pollution levels. Officials noted though that these efforts short term are hampered by the lack of sufficient storage facilities. China imported 4.98 million metric tons of gas in the January-November period, up 58.6% from a year earlier. These imports supplemented 77.3 billion cubic meters of production during the same period.



The FERC said today that it will allow Centerpoint Energy Gas transmission to sell some pipeline facilities to Centerpoint Energy Field Services and to abandon its Hobbs Compressor Station.

KMIGT yesterday asked the FERC for authority to begin expanded storage service in February at its Huntsman Storage Complex in order to serve Atmos Energy Corp on an expedited basis.

The Commerce Department this morning reported that U.S. business inventories rose 0.4% in November, due to rising wholesale and manufacturing stockpiles. Market expectations had been for 0.3% increase. The Commerce Department also reported that U.S. retail sales slipped by 0.3% in December, after a 1.8% jump in November.

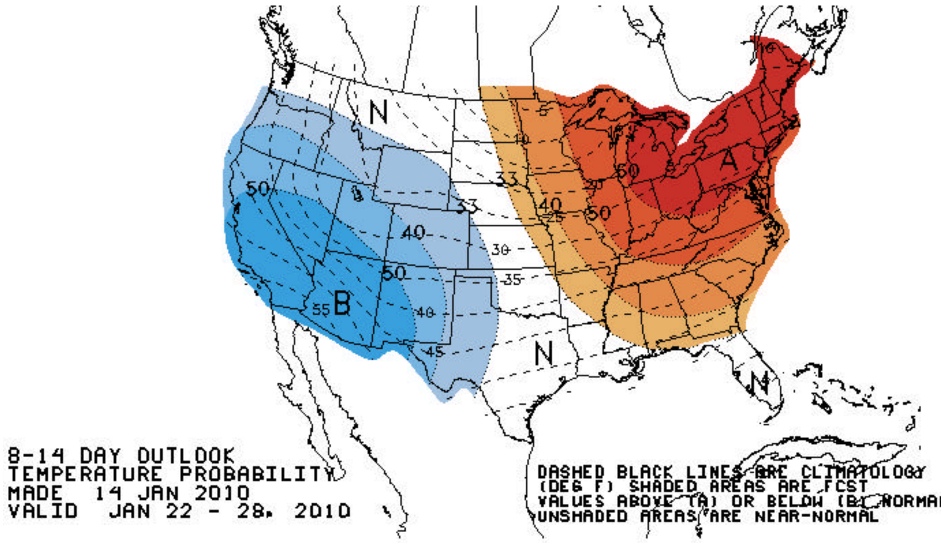
The Department of Labor reported that the number of new claims filed for jobless benefits unexpectedly increased last week by 11,000 to 444,000 for the week ending January 9th.

PIPELINE RESTRICTIONS

SONAT announced today that it had

canceled the capacity allocation that was implemented back on January 3rd.

NGPL said that effective for gas day January 14th and continuing until further notice Columbia Gulf Chalkey and NNG Mills have limited capacity available for deliveries. Limited interruptible transportation service/authorized overrun and secondary firm transports are available.

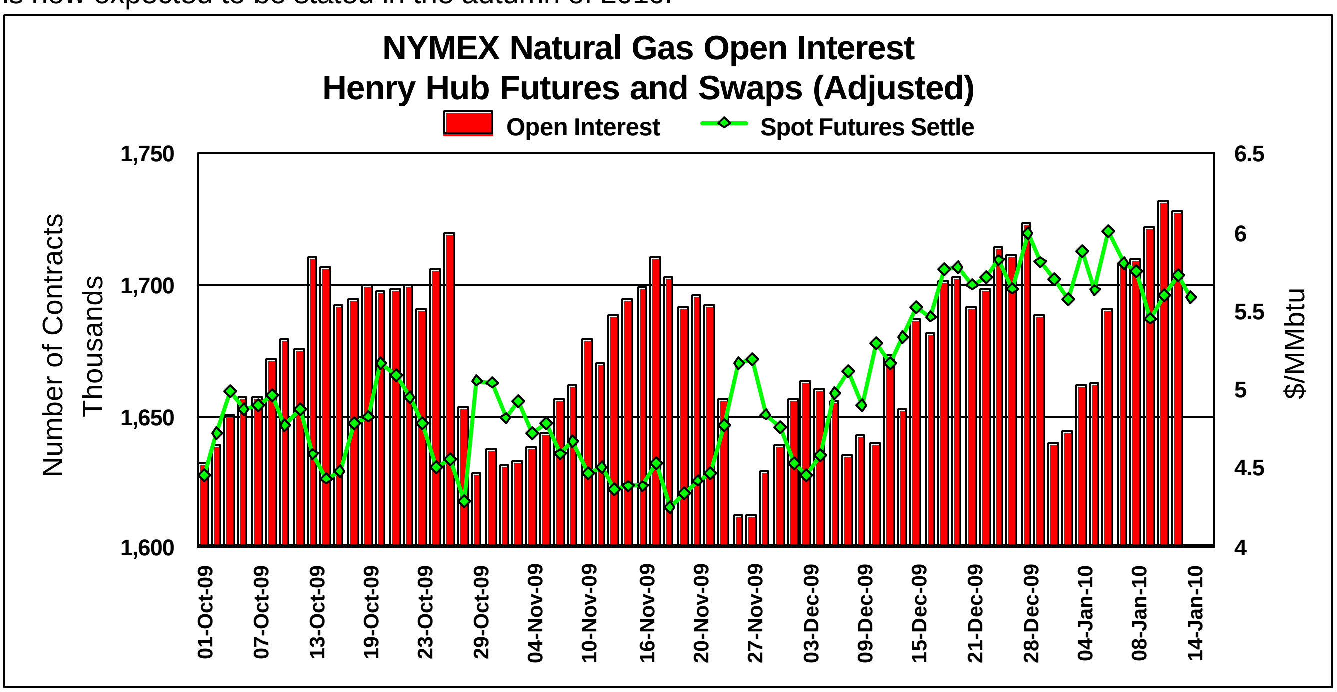


PIPELINE MAINTENACE

Gulf South Pipeline said it will be performing pigging maintenance on Index 270-94 beginning February 22nd and lasting for approximately one week. Little Gypsy Power will be shut in and unavailable for service for the duration of the work.

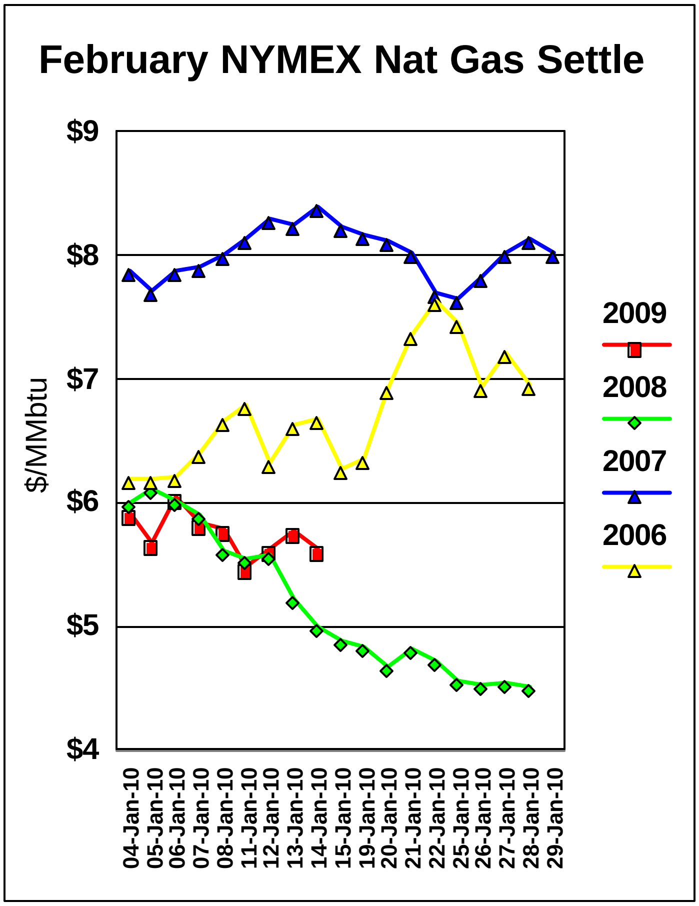
ELECTRIC MARKET NEWS

Great Plain's announced it was delaying the startup of its Iatan #2 coal plant by two months. The unit is now expected to be stated in the autumn of 2010.



MARKET COMMENTARY

The EIA released their weekly natural gas storage report this morning and despite it posting its largest weekly decline in stocks since January 28, 2008, the market sold off following the release of the report. The report in fact was slightly more supportive given the fact that the EIA quietly revised last week's storage levels by lowering 5 bcf from previously reported levels. Stocks currently stand at 103 bcf higher than a year ago levels and 121 bcf above the five-year seasonal average. But it appeared the shorts who exited the market yesterday, as supported by the decline in open interest by 3672 lots on a combined and adjusted basis for the Henry Hub futures and swap contracts returned to the market today feeling comfortable with re-establishing shorts after the report failed to reflect a record weekly drawdown as some had feared.



With the approach of significantly warmer temperatures over the next two weeks we feel that price pressure on spot cash prices will help to drag natural gas prices a bit lower. Last year saw a seasonal drawdown in stocks through the end of January, only to see the February contract break below the $5.00 level and spend the final week of trading ranging between $4.40 and $4.60. Current inventory levels are still over 100 bcf greater than a year ago with few strong economic indicators present showing that the industrial sector is roaring back to life. While we do not look for prices to fall as low as a year ago we still see some price pressure in the cards. We see support tomorrow at $5.483 followed by $5.432, $5.354, $5.297 and $5.114. Resistance we see at $5.80 followed by $5.946, $6.09-$6.10 and $6.30.