



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 19, 2010

NATURAL GAS MARKET NEWS

Baker Hughes reported that the number of rigs searching for oil and natural gas this week fell by 1 to 1,345. It stated that the number of rigs searching for natural gas increased by 2 to 893.

Talks regarding the purchasing of more flexible gas purchasing between Gazprom and Germany's E. ON Ruhrgas have been completed. Oil-gas price link has been the more standard practice for decades in the European pipeline gas market. The loosening of this practice is anticipated to encourage a more competitive trading environment to the benefit of customers. According to Gazprom Chief, Alexei Miller, the part of volumes to be decoupled from oil was "in the lower digit percentage area." Most gas reaching Europe via pipelines is index-linked to the price of oil, typically with a time-lag of some six months.

Generator Problems

NPCC – Entergy's 838 Mw nuclear powered unit was reduced to 64% of capacity. No reason was given for the reduction.

MAAC- Constellation Energy's Calvert Cliffs 825 MW #1 and 835 Mw #2 nuclear units were shut after automatically tripping due to a "valid actuation of the Reactor Protection Systems."

SERC – Southern's 883 Mw Hatch #2 nuclear unit was operating at 94% capacity this morning, up from a reduced level of 68% on Thursday.

FRCC – FPL Group Inc's 693 Mw Turkey Point 3 nuclear unit was operating reduced to 40% of capacity on Friday for maintenance work and other testing. The unit's output was cut from full power on Wednesday .

The NRC reported that there was some 9,729 Mw of nuclear power generated today, down 1.97% from yesterday and 0.53% higher than a year ago.

Over the coming weeks, 3 tankers are expected to arrive in Britain between the period of Feb 21-Feb25. The expected tankers are the Berge Arzew, Umm Slal and the Celestine River. Capacity of these tankers is 138,000, 240,000 and 145,000 cubic meters, respectively. The Ejan, with capacity of 145,000 cubic meters, is expected to arrive in Belgium on Feb 26.

LNG imports to the U.S. increased by approximately 100 Bcf or 29% in 2009 according to the U.S. Dept. of Energy's Office of Fossil Energy. Supplies came from five countries among which were Egypt, Trinidad and Tobago, Nigeria, Norway and Qatar. Supplies from Egypt tripled while Trinidad and Tobago remained the largest supplier to the U.S.

According to a report by Pan EurAsian Enterprises Inc., U.S. LNG imports could jump this spring. Citing last year's short-fall of imports to the U.S., Pan EurAsian said that it believes the U.S. may see excess cargoes heading to its shores. Unexpected demand overseas last year, partly caused by the Russian-Ukrainian dispute and the enhancement of Europe's ability to take in more LNG caused analysts to be off their mark. "None of those conditions are present today to suggest that Europe will again pick up the summertime slack in the LNG markets," the firm said.

The US Labor Department reported that US consumer prices increased in January and core inflation fell for the first time since 1982. The seasonally adjusted Consumer Price Index increased 0.2% in

January due to higher energy prices. The core CPI, excluding energy and food, fell by 0.1% on the month in January. It reported that consumer prices increased by 2.6% in January on an annual basis.

PIPELINE RESTRICTIONS

Until further notice, TransCanada has announced that the reopening of some of its meter stations will be delayed. Remaining shut are Muskeg Creek, Rainbow Lake South, Hay River South, Hay River, Assumption, Assumption 2, Lennard Creek, Basset Lake, Basset Lake South, Basset Lake West and Zama Lake.

NGPL has announced that effective immediately, it has capacity available for northbound flow through Compressor Station 309, Segment 27. Interruptible transportation service/authorized overrun and secondary out-of-path firm transports are available.

PIPELINE MAINTENANCE

Beginning on March 23, maintenance on Gulf South's Vixen Compressor Station will be performed. The maintenance will be on the turbine units and is expected to take approximately 14 hours. Based on system operations and nominations, the company does not anticipate any impact to shippers utilizing the Vixen Compressor Station.

ELECTRICITY NEWS

According to a report by Genscape, U.S. coal use decreased by 1% last week from that of the previous week. Compared to the same week last year, U.S. coal consumption was up 9% due to the recent cold weather and a slow economy, which was a factor in power demand and the need for generation from coal-fired power plants. Coal demand in the East was unchanged from last week but up 11% from the same period last year. In the West coal demand fell 6% on the week and was 10% lower than the same week a year ago.

MARKET COMMENTARY

The natural gas market continued to trend lower today after it broke out of its recent range during Thursday's trading range. The market posted a high of \$5.167 in overnight trading before it continued to sell off amid the weak cash prices. The market posted a low of \$5.008 in late morning trading. The market later retraced some of its losses and settled in a sideways trading range during the remainder of the session. It settled down 12.8 cents at \$5.044.

While the cold near term weather could lend some support to the market, the moderating trend in the extended forecasts and the approach of spring will likely keep the market pressured. The market is seen finding support at its low of \$5.008 followed by \$4.979, \$4.914 and \$4.82. Resistance is seen at \$5.06, \$5.138, its high of \$5.167 followed by \$5.232 and \$5.297.

The Commitment of Traders report showed that on an adjusted combined futures and options basis, commercials cut their net short position by 946 contracts to 115,087 contracts in the week ending February 16th while non-commercials cut their net long position by 769 contracts to 78,670 contracts. The disaggregated combined futures and option report showed that producers/merchants cut their net short position by 974 contracts to 31,018 contracts while swap dealers increased their net long position slightly by 273 contracts to 65,205 contracts. Meanwhile the managed money funds increased their net short position by 3,830 contracts to 25,270 contracts and other reportable cut their net short position by 2,736 contracts to 43,495 contracts on the week.

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