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NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 25, 2010

NATURAL GAS MARKET NEWS

The US Commerce Department said durable goods orders increased by 3% in January to $175.75 billion, the largest gain since July, after an upwardly revised 1.9% increase in December. New durable goods orders excluding transportation unexpectedly fell 0.6% last month after increasing 2% in December.

The US Labor Department reported that the number of initial claims for unemployment increased unexpectedly to 496,000, up 22,000 in the week ending February 20th. The four week moving average of new claims increased by 6,000 to 473,750 on the week. The Labor Department also reported that the number of continuing claims increased by 6,000 to 4,617,000 on the week.

Generator Problems

NPCC – Power at Entergy's 838 Mw FitzPatrick nuclear power unit was at full capacity, ramping up from 88% on Wednesday. The unit's output was curtailed on February 19th due to a control rod sequence exchange and fuel route integrity testing.

SERC –Grand Gulf's 1,207 Mw nuclear reactor, in MS was returned to full capacity, up from 82% on Wednesday. A reason for the reduction was not yet given.

Duke Energy Corp's 846 Mw Oconee nuclear unit 3 ramped its power to 96% of capacity on Thursday, up from 89% capacity on Wednesday.

Duke Energy's Catawba 1 nuclear reactor in No. CA has resumed full power, up from 60% on Wednesday. The unit was shut from full power early Feb 18 to inspect and repair a water leak.

The NRC reported that there was some 92,297 Mw of nuclear power generated today, up 0.9% from yesterday and 2.67% higher than a year ago.

An analyst said the need for LNG in the US will become greater as traditional drilling continues its rapid decline and shale gas is not prepared to completely fill the void. He said shale gas is being produced at a rate of about 10 bcf/d and overall US supply is 60 bcf/d. However traditional drilling is falling at a rate of about 25% or 15 bcf/d. New LNG production facilities are expected to come online in the second half of 2010, with as much as 10 bcf/d more LNG reaching the market this year compared with last year.

Delays are expected on two of Centrica's UK gas storage projects. Centrica's Caythorpe facility, with capacity of 7.5 bcf, is now slated to open in the winter of 2012/13. It was originally expected to open in the winter of 2011/12. The Bains site, with capacity of 20 bcf, which was expected to open 2011/12, is now expected to open in the winter of 2013/14. The company's 60-bcf Baird project is still expected to open for winter 2013/14.

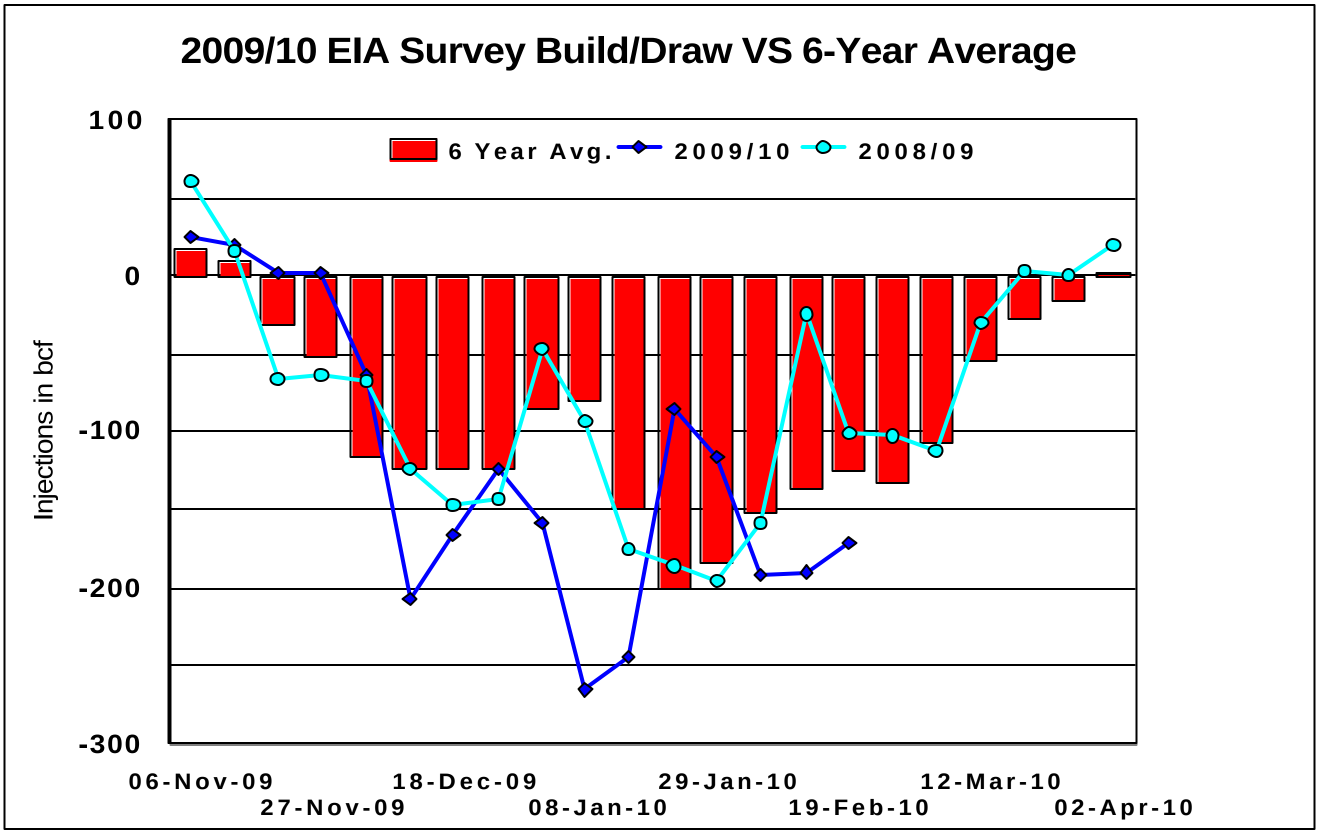
EIA Weekly Report

	02/19/2010	02/12/2010	Change	02/20/2009
Producing Region	607	673	-66	725
Consuming East	935	1030	-95	886
Consuming West	311	322	-11	298
Total US	1853	2025	-172	1909

*storage figures in Bcf

The Qatari LNG tanker, Al Jassasiya, with capacity of 145,000 cubic meters, is expected to arrive at Belgium's Zeebrugge terminal on Mar. 10.

In an effort to better prepare for future storage, China CNPC, the country's top oil



and gas producer, plans to build 10 gas storage facilities by 2015. Capacity at these facilities is expected to be 22.4 billion cubic meters of natural gas and will be mainly located in gas source and consumption centers. The volume would be approximately 20 percent of China's total gas demand last year.

Britain's South Hook liquefied natural gas terminal said the gas flow increase from the terminal was due to testing during the phase two commissioning stage. National Grid data showed flows reached about 65 million cubic meters/day Thursday afternoon from 38 mcm/day early Thursday. Phase two is expected to be completed in the first quarter of 2010, and South Hook will be able to supply a total of 21 billion cubic meters a year when completed.

Azerbaijan's SOCAR said negotiations with Turkey on gas supplies, key for Europe's planned Nabucco pipeline, were near completion. It said the launch of phase two production at the Shakh Deniz deposit would not be delayed. SOCAR currently estimates production will begin in 2016. The Shakh Deniz gas deposit has total estimated reserves of about 1.2 trillion cubic meters and should produce 7.6 billion cubic meters this year compared with 6.2 bcm in 2009.

Russia's Energy Ministry reported that Russia's gas transit to Europe through Ukraine doubled in January to 10.2 billion cubic meters from 4.7 billion in the same month last year. The ministry gave no explanation for the increase but gas supplies to Europe were cut in January during a three week standoff between Russia and Ukraine over debts and prices.

Russian pipe company OMK said it finalized a deal to supply pipes to the second phase of the Nord Stream gas pipeline project. The 1,220 kilometer second leg of the pipeline will run under the Baltic from Vyborg in Russia to Lubmin in Germany. The first leg was tendered in 2007 and is scheduled to begin operations in 2011.

Canadian Gas Association Weekly Storage Report	19-Feb-10	12-Feb-10	20-Feb-09
East	90	104.6	85.1
West	202.8	212.6	175.6
Total	292.7	317.2	260.7

storage figures are in Bcf

China's CNPC said its first West-East pipeline linking northwestern Xinjiang to eastern Shanghai pumped 18.6 billion cubic meters of natural gas last year after five years of operations. The volume amounts to 22% of China's total domestic gas production last year at about 83 bcm.

PIPELINE MAINTENANCE

Tennessee Gas Pipeline Co. has completed work between MLV 535-1 and MLV 542-1. The company said the final section of pipe is being placed into service this morning. Pine Springs Road meter number 02-0807 will be allowed to begin flow once a nomination is scheduled at the meter.

Gulf South will perform compressor maintenance at the Marksville Compressor Station on unit 2 beginning March 8th for 14 days. Capacity through the Marksville Compressor could be reduced by as much as 150,000 Dth during the maintenance period. The company also said the pigging maintenance on Index 381-24, scheduled to start April 19th, has been rescheduled to start May 11th. The work is expected to continue for about five days. The pipeline will be taken out of service for the duration of the maintenance. Additionally, the pipeline maintenance at Index 130 in Tanipahoa Parish, Louisiana, scheduled to begin March 1st, has been tentatively rescheduled to start May 1st. The work is expected to continue through May 15th. During the maintenance, pipeline pressures could be reduced to below normal levels, affecting location 22182 FGT Montpelier/St. Helena.

MARKET COMMENTARY

The natural gas market posted a high of $4.854 and traded lower in overnight trading on Globex. It remained pressured early in the session amid a sharp sell-off in the oil market and negative economic news, with the Labor Department reporting that the number of initial claims for unemployment benefits increased unexpectedly by 22,000 on the week. The natural gas market traded to $4.745 ahead of the release of the EIA natural gas storage report before it traded back to $4.854 on the mostly neutral report, which showed a draw of 172 bcf on the week. The market however retraced its gains once again and sold off to a low of $4.743 by mid-day amid the sharp losses seen in the oil complex. It traded mostly sideways and settled down 9.2 cents at $4.767.

The natural gas market is seen remaining pressured as traders focus on moderating temperatures over the next three weeks. A private weather forecaster is calling for normal to above normal temperatures across the northern part of the US through March 11th. Also, the latest economic reports continue to cast doubts about the strength of the economic recovery and until there is supportive economic news, the market's gains will remain limited. Technically, the market is seen finding support at its low of $4.743 followed by $4.709, $4.671, $4.65, $4.595 and $4.558. Resistance is seen at $4.82, $4.86, $4.894, $4.952 and $5.011.