



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 18, 2010

NATURAL GAS MARKET NEWS

The U.S. Environmental Protection Agency said on Thursday it will begin to take a closer look at the environmental and human health impact of shale gas drilling. The study is expected to take months to complete and is expected to examine the potential dangers of hydraulic fracturing. The agency has allocated \$1.9 million for the study. The House Energy and Commerce Committee is conducting its own investigation into the effects of fracking. Legislation is also pending in the House that would require oil and gas companies to disclose the chemicals that they use.

Chinese state media reported that China is considering adjusting its gas pricing by introducing a benchmark price based on a complicated weighted average that would calculate a weighted average price for domestic and imported gas from fields where production started before 2009, and a weighted average for gas from fields at home and abroad that started after that,

then derive a weighted average from those averages. The last average price, plus pipeline costs, would make up benchmark city gate gas prices for each region. City gate prices would be linked to prices of alternative fuels including international crude prices, domestic LPG, gasoline and diesel and then would be adjusted twice a year in the first two years and six times a year after that. The

EIA Weekly Report

	03/12/2010	03/05/2010	Change	03/12/2009
Producing Region	562	548	14	697
Consuming East	770	789	-19	681
Consuming West	283	289	-6	278
Total US	1615	1626	-11	1655

*storage figures in Bcf

Generator Problems

PJM - Exelon's 1179 Mw Limerick #1 nuclear unit was at 93% power this morning, unchanged from yesterday. The facility though is expected to be taken off line on March 21st for a scheduled refueling outage.

SERC – Calpine's 782 Mw natural gas fired Decatur Energy Center was shut this week following a transformer fire.

Operators at Dominion Power's 917 Mw North Anna #2 nuclear unit are preparing to shut the unit on March 21st for a refueling and maintenance outage.

ERCOT & SPP – The coal fired Martin Lake Unit #3 was taken off line today for maintenance.

Entergy's 836 mw Arkansas Nuclear One unit #1 is being prepared to be shut on March 21st for a refueling and maintenance outage.

The coal fired Unit #2 at the Big Brown Steam Electric Plant was undergoing maintenance this morning .

Entergy's 1268 Mw Grand Gulf nuclear unit ramped up to 98% power this morning, up from 58% recorded yesterday.

STP Nuclear is preparing to shut its 1250 Mw South Texas Nuclear #2 unit for a planned 34 day refueling and maintenance outage beginning on March 22nd. The unit though continues to operate at full power

The NRC reported that there was some 83,680 Mw of nuclear power generated today, up 0.6% from yesterday and 5.6% lower than a year ago.

government was expected to raise gas prices late year or early this year with the startup of the landmark central Asian gas pipeline that brings gas to China from Turkmenistan but the pressing need for this price increase was blunted by limited inflows from the pipeline to date.

Austria's OMV denied speculation today that talks were underway on seeking to combine the South Stream and Nabucco pipeline projects.

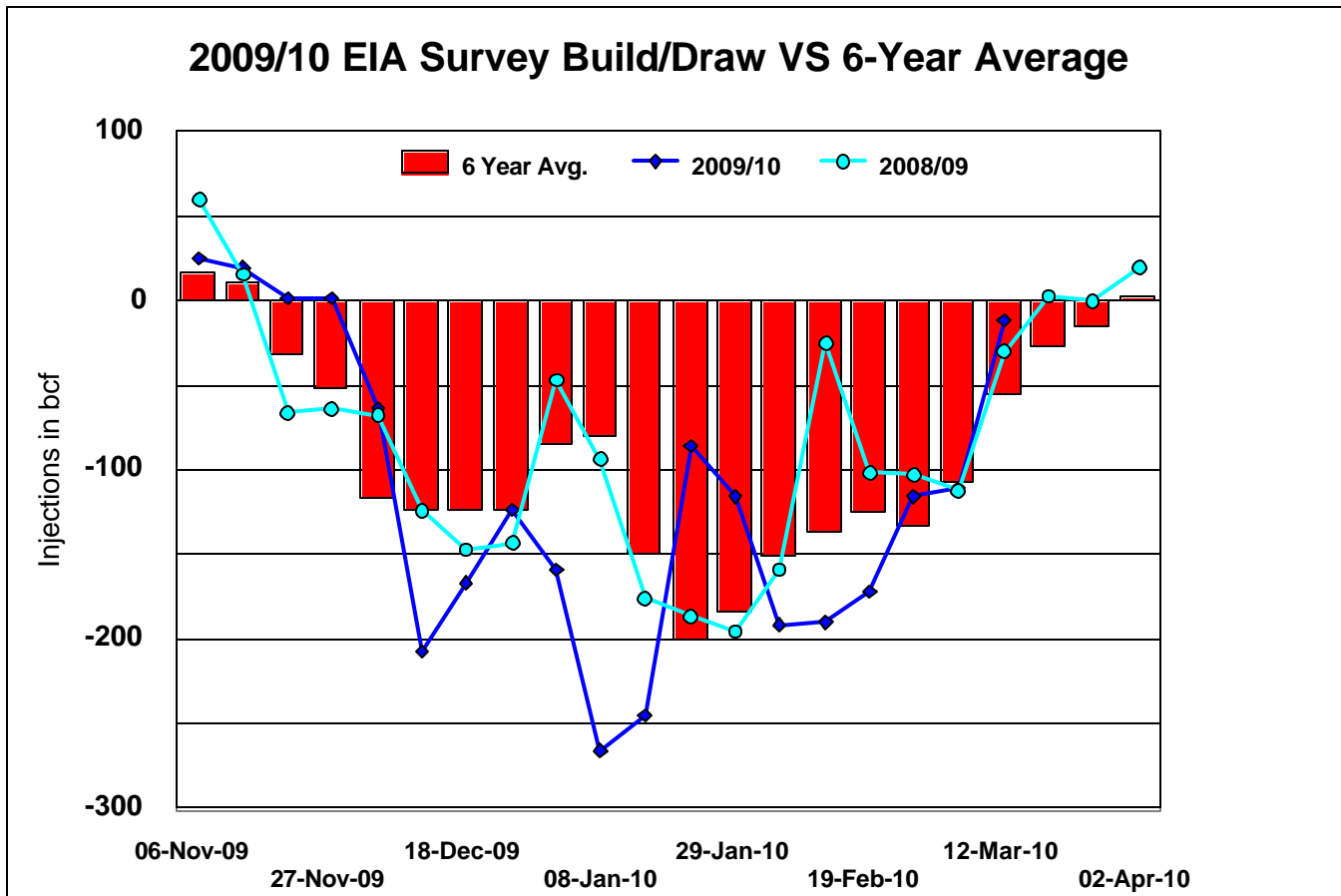
National Weather Service released their latest long-term forecasts today. They see the current El Nino event easily lasting at least through April and as a result it calls for above normal temperatures for much of the western U.S. in the April-June period, while the above normal temperatures were likely for portions of the northern and southern Great Plains and the Gulf Coast. For April the NWS sees the southeast and Gulf Coast continuing to see above normal temperatures while the Great Lakes, northern New York and New England as well as the Pacific Northwest should experience warmer than normal temperatures.

Canadian Gas Association			
Weekly Storage Report			
	12-Mar-10	05-Mar-10	13-Mar-09
East	75	74.5	61.9
West	191.4	191.2	132.4
Total	266.5	265.7	194.3

storage figures are in Bcf

Algeria's Berge Arzew LNG tanker was reportedly due to arrive at the Isle of Grain terminal on March 21st.

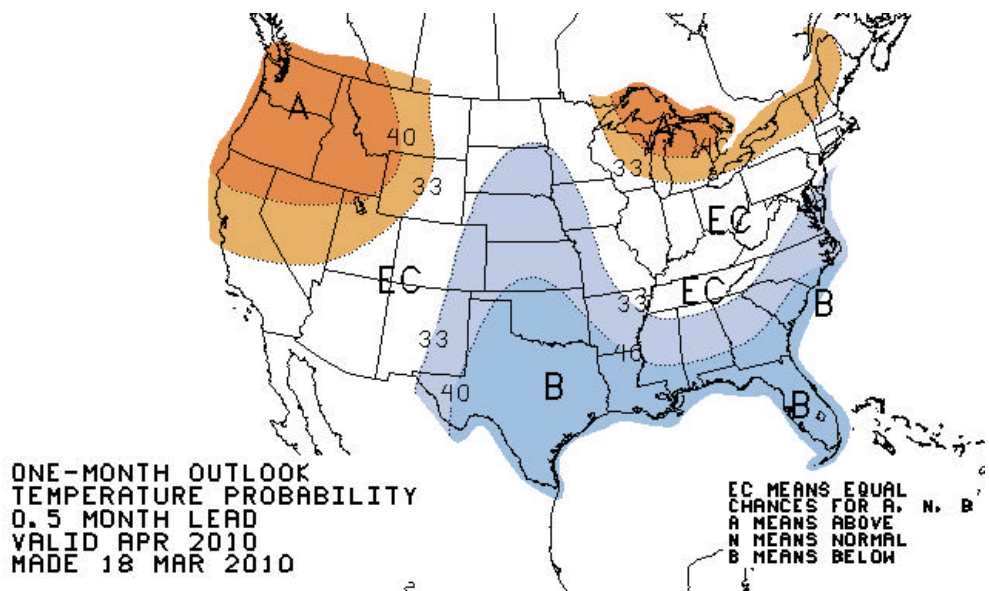
The FERC said it has begun its review of Paiute Pipeline's proposed 2010 expansion project. The company in January filed plans to expand its South Tahoe lateral in Nevada. The \$2.4 million project would provide approximately 2,265 Dth/d in new firm transportation capacity to the state. The FERC will take public comment until April 22nd on the proposal.



Northern Natural Gas has asked the FERC for authorization to abandon a compressor station in Finney County, Kansas, on the Hugoton system saying the facility has not been needed since August 2007.

PIPELINE MAINTENANCE

Gulf South said it would perform system compressor maintenance at the Whistler Junction Compressor Station beginning the morning of March 24th and lasting for 6 hours. Capacity on index 300 Mobile 30-inch pipeline could be reduced by as much as 75,000 Dth during this maintenance. Based on system operations and nominations that the company does not anticipate any impact to its shippers.

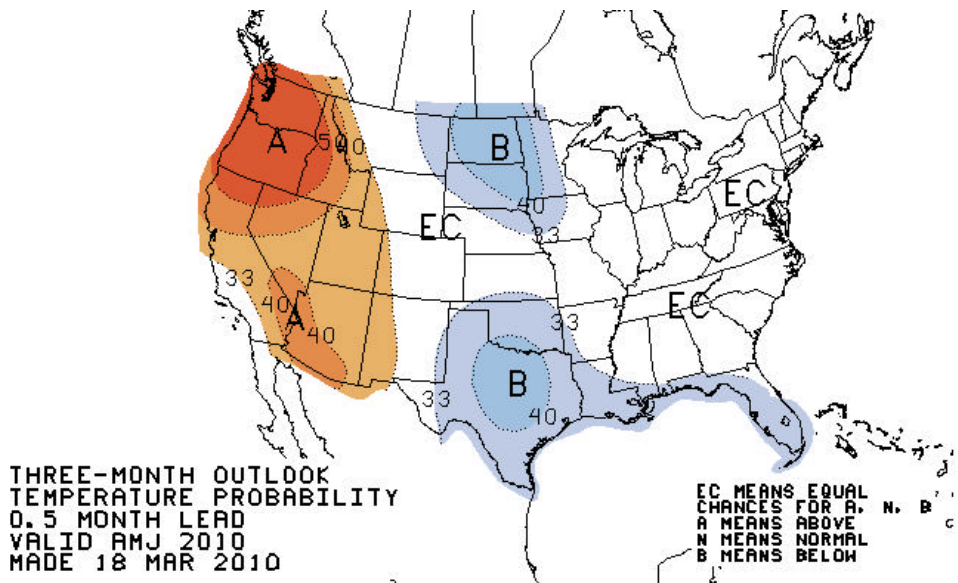


PIPELINE RESTRICTIONS

PG&E has issued a system wide operational flow order for March 19th due to high inventory. A 5% tolerance was set.

ELECTRIC MARKET NEWS

U.S. Senator John Kerry said yesterday that the Senate is close to wrapping up talks ahead of introducing a compromise climate change bill, possibly by next week. Senator Kerry has been working with Senators Graham and Lieberman on legislation that would set an economy wide cap and trade direction to reducing carbon pollution. But



there have been reports that the senators are looking at just having a cap and trade program for the power industry, with a possible transportation/oil industry tax on carbon.

The NRC sent a special inspection team to FirstEnergy's 879 Mw Davis Besse nuclear plant to look into indications of cracks in multiple reactor vessel head nozzles. The plant is currently shut for maintenance. Prior to the news of needed vessel head repairs, the unit had been expected back in service by early April.

MARKET COMMENTARY

The natural gas market broke through the lower end of the downward price channel that it has been contained within of the past four weeks, as traders received the news that this week's storage report came in basically 20 bcf less than most market analysts had been expecting. Volume today was very strong with the spot contract posting its most active trading session since February 16th. While the \$4.00 price barrier was not reached today it appears that this price target is within reach over the next couple of trading sessions. We would look for the spot contract to find support at \$3.996, (the gap in the spot continuation chart since September 28th) followed by \$3.822. But given the extreme oversold nature of this market we would look for the market to make a quick attempt to reach the \$4.00-\$3.996 early tomorrow. If this price target is not achieved then we feel a minor technical rebound may be in the cards before another attempt to test this support level is made. We see resistance at \$4.22 followed by \$4.50, \$4.618, \$4.79 and \$4.967

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