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NATURAL GAS & POWER MARKET REPORT FOR APRIL 23, 2010

NATURAL GAS MARKET NEWS

Baker Hughes reported today that for the current week the number of rigs searching for natural gas in the United States fell for the first time in 17 weeks, dropping to 956 rigs, down 17 from the previous week.

Bloomberg News reported today that drilling in U.S. shale gas formations may tumble as companies run short of cash after prices for the fuel have been depressed below break even costs for more than a year. The chairman of EQT Corp, the largest producer in the Appalachian basin said today that producers typically need prices of $6.50-$7.00 per Mmbtu to make a reasonable return, but gas prices have not been that high since December 2008. But he noted that his company could keep drilling even at current prices, partly because it acquired leases before land costs jumped.

New York State Department of Environmental Conservation said Friday that applications to drill in the watersheds of New York City and Syracuse using hydraulic fracturing would be subject to a case-by-case environmental review process, separate from the DEC's ongoing review of drilling in the state's Marcellus Shale rock formation. Although the DEC's new ruling is not an outright ban on shale gas drilling, the new rules create high regulatory hurdles that make it all but impossible for companies to drill in the watersheds.

Generator Problems

NPCC- Calpine's two units at the Greenfield natural gas fired power plant were shut early Friday. The 212 Mw Unit #1 and the 517 Mw Unit #4 were both shut.

PJM – PPL's 1140 Mw Susquehanna #2 nuclear unit dropped to 18% power Friday morning, down 47% from Thursday The sister unit, Unit #1 was shut on Thursday for a short outage as workers were conducting a routine post refueling equipment tests.

FRCC – FPL's 839 Mw St. Lucie #2 nuclear unit has exited its recent outage and was back up to 98% power this morning.

SERC – Duke Energy's 1100 Mw McGuire #1 nuclear unit returned to full power this morning, up 26% from yesterday.

Southern Nuclear has increased production at both reactors at the Hatch nuclear power plant. Unit #1 was at 50% power this morning, up 2% from Thursday while Unit #2 was at 96% power up 1% from the day before.

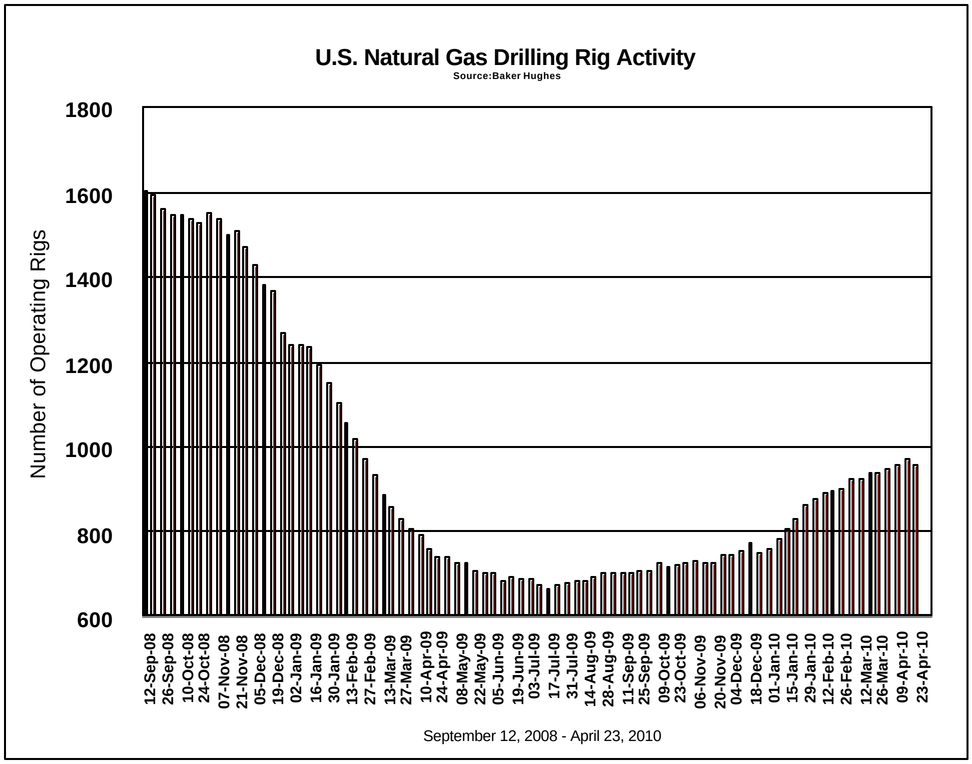
The NRC reported that there was some 77,583 Mw of nuclear power generated today, up 0.6% from yesterday and off 4.6% from a year ago.

The consortium behind the Nabucco natural gas pipeline said Friday that it has started a tender process for the procurement of material needed to build the pipeline. The group noted the tender process is "prequalification process" that will help it identify "the most eligible" suppliers of long lead items needed for the construction of the pipeline. The group is still targeting construction to begin at the end of 2011, if final investment decisions are reached by the end of this year. If this timetable is followed gas could begin to flow along the pipeline in 2014.

The U.S. Commerce Department reported today that durable good orders in March fell a surprisingly 1.3% vs. an upward revision in February by 0.2% to a gain of 1.1%. Market expectations for the March number had been for a gain of 0.3%. Separately, the Commerce Department said sales of new homes increased by 27% in March to a seasonally adjusted annual sales pace of 411,000. It was the strongest month since last July and largest monthly increase in 47 years.

PIPELINE MAINTENACE

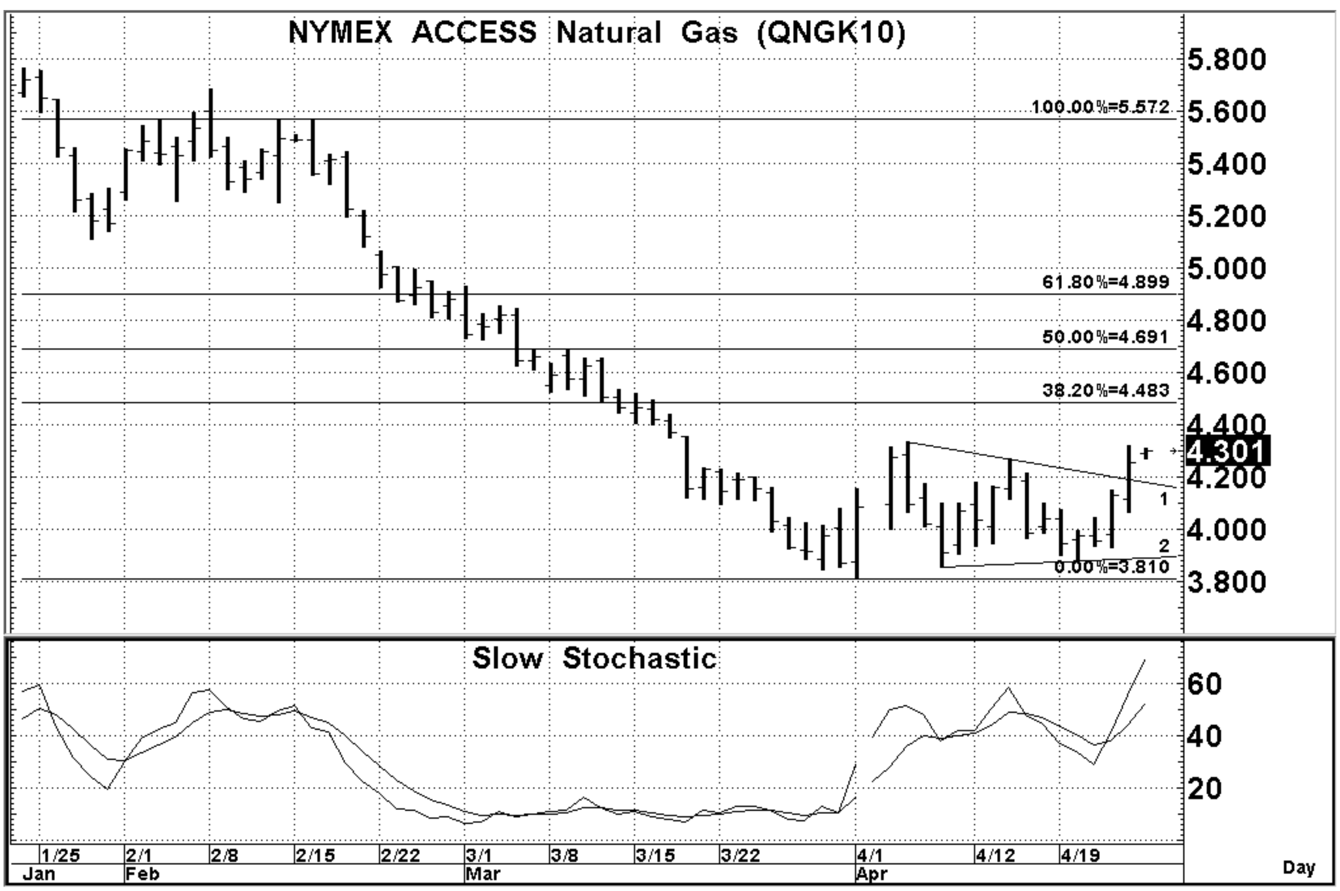
Gulf South said it was performing unplanned work on compressor Unit #1 at the Longview Compressor Station #2 for Friday. Capacity through the compressor station could be reduced by as much as 30,000 Dth during the work.



PIPELINE RESTRICTIONS

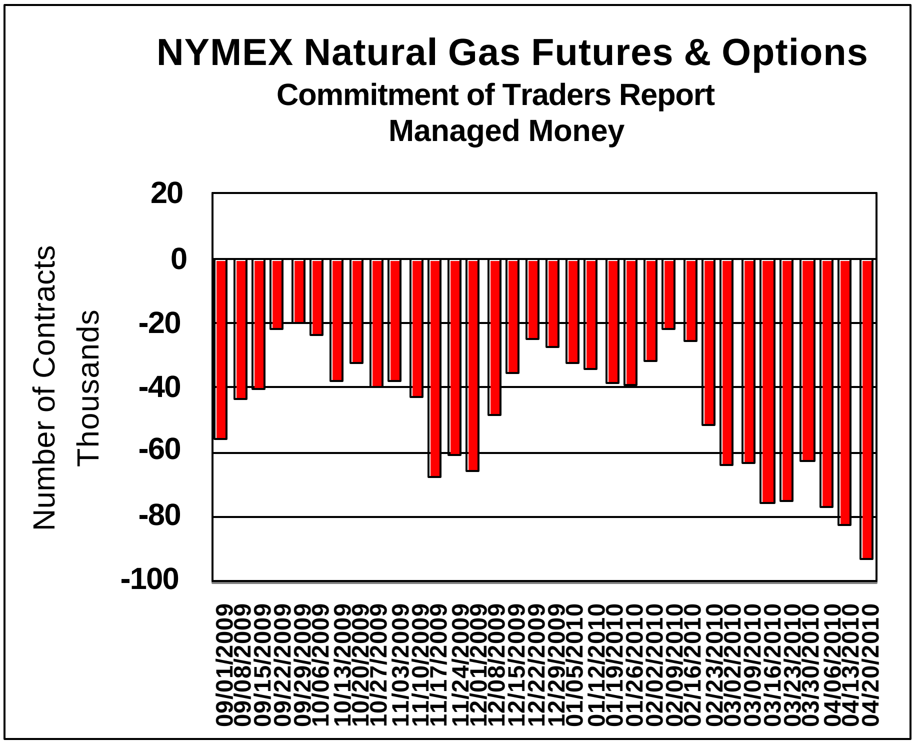
PG&E has issued a system wide OFO for April 24th, due to expected high inventory. The company set a 20% tolerance requirement.

Tennessee Gas Pipeline said that it was expecting to restrict through approximately 62% along the Niagara Spur Backhaul.



ELECTRIC MARKET NEWS

The EIA reported late yesterday afternoon that U.S. coal production for the week ending April 17th stood at 21.6 million short tons, basically flat from a week earlier but 6.8% higher than the same week a year ago.



MARKET COMMENTARY

The natural gas market today took the positive news of the surge in new homes sales in March, by the most in almost five decades, as the second strong bullish fundamental signal in just 24 hours and sent prices trending higher at midmorning. The bullish momentum continued and was re-enforced at midday when prices breached a small three week trend line at $4.193, as well as the market receiving news this afternoon that the Baker Hughes drilling rig count posted its first decline in 17 weeks, allowing prices to make a challenge of the highs of the month at $4.334.

With three trading days left in the May contract, we feel that this market will make several attempts still to breach the $4.334 high from April 6th given the Baker Hughes news from Friday afternoon. But we feel that while some bears may take some profits off the table allowing prices to run back up towards the $4.50 area we feel that any push above this level would need strong confirmation again next week in a supportive inventory report coupled with another bullish Baker Hughes drilling report, not to mention a supportive Natural Gas Monthly Report, which is anticipated to show potentially a revised production number that may be more supportive as well.

Thus we feel there are a lot of pieces of the puzzle that must fall in place for the bears to exit their positions and convert to the bullish outlook for this market. We see initial resistance Monday at $4.334 followed by $4.483-$4.534, $4.691 and $4.85-$4.899. Minor support we see at $4.153, $4.101 and $4.058, with more significant support at $4.00, $3.89 and $3.81.

This afternoon's Commitment of Traders Report appears to show that commodity funds increased their net short position in the natural gas futures, swaps and options by nearly 12,000 contracts to a new eight-month high. This selling pressure appears to coincide nicely with the sell off nearly 40 cents during that reporting period. But any reduction of this position over the next week will undoubtedly lend support to market values. Since Monday combined open interest in the Henry Hub futures and swaps has fallen on a combined and adjusted basis 32,443 lots, while prices have jumped 38 cents.