



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 11, 2011

NATURAL GAS MARKET NEWS

North America

The U.S. Climate Prediction Center (CPC) reported this morning that for the week ending July 9th it estimated cooling degree day totals for the week reached 87 CDD on a populations weighted basis. This was 26% warmer than normal and 2% warmer than the same week a year ago. For the current week, the CPC estimates the U.S. will experience 90 CDD, some 23% warmer than normal and but equal to the same cooling demand from the same week a year ago.

Generation Outages

NPCC – OPG's 515 mw Pickering #4 nuclear unit was shut down on Saturday evening. The company also reported this morning that all four of its nuclear reactors at the Darlington nuclear power plant were operating near full power.

SPP – The 1166 Mw Wolf Creek nuclear unit was back at full power on Monday. The unit had been at 75% power on Friday.

The NRC reported this morning that some 95,537 Mw of nuclear generation was online, up 0.6% from yesterday and only 0.5% above levels recorded a year ago.

The National Hurricane Center noted this morning that while there was a tropical wave located some 550 miles east of the southern Windward Islands that was moving westward at 15-20 mph. Forecasters only assigned a 10% chance that this system would develop into a tropical depression within the next 48 hours as it was expected to pass through area of unfavorable environmental conditions. While the tropics were expected to be relatively quiet this week, the GFS model was raising the possibility that an area of low pressure could form in the far eastern Atlantic by late this week. Other models have yet to show an agreement with this forecast though.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		<small>(As of 12:30 PM)</small>		Moving Avg
Henry Hub	639,900	\$4.353	\$0.114	\$0.074	\$0.138	\$0.117
Chicago City Gate	545,700	\$4.433	\$0.190	\$0.154	\$0.089	\$0.129
NGPL- TX/OK	779,700	\$4.300	\$0.145	\$0.021	\$0.044	\$0.022
SoCal	667,900	\$4.424	\$0.182	\$0.145	\$0.081	\$0.189
PG&E Citygate	789,500	\$4.572	\$0.129	\$0.293	\$0.028	\$0.339
Dominion-South	831,400	\$4.542	\$0.266	\$0.263	\$0.165	\$0.188
USTrade Weighted	21,630,300	\$4.443	\$0.239	\$0.164	\$0.14	\$0.117

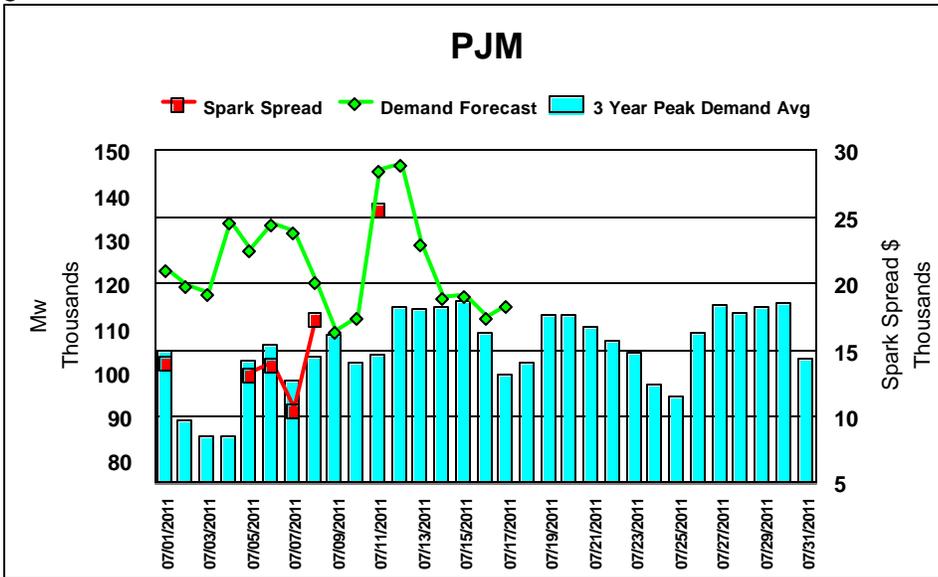
International

Italy's biggest utility Enel is trying to overturn a court ruling from May that blocked a 2.5-billion euro project to change an oil-fired power station into a coal

fired power plant. Enel hopes the court will overturn it's previous ruling, which, would allow Enel to build a LNG import terminal in Sicily next year.

South Korea's state-run Korea Gas Corp (KOGAS) is the world's biggest corporate buyer of LNG said in a filing with the stock exchange that it sold 2.07-million tones of LNG domestically in June, an increase of 17 percent from the previous year.

Royal Dutch Shell, Mitsubishi, and Iraq have indefinitely postponed the planned signing of a \$12 billion gas deal.



Thailand's state run gas supplier PPT announced plans to buy 2.5 million tones of LNG in the spot market between 2012 and 2014. To meet the demand of LNG in Thailand, which, uses natural gas for about 70 percent of it's energy has also made plans to start to importing 1 million tones for the new \$800 million terminal within 12 months with the first delivery due before the end of July.

According to local port authority the Al Aamriya LNG is scheduled to arrive at UK's Dragon LNG terminal on July 18 from Qatar.

Nigeria's long delayed Brass LNG project has moved a step closer to reality as it opened for bids for engineering, procurement and construction contracts late last week.

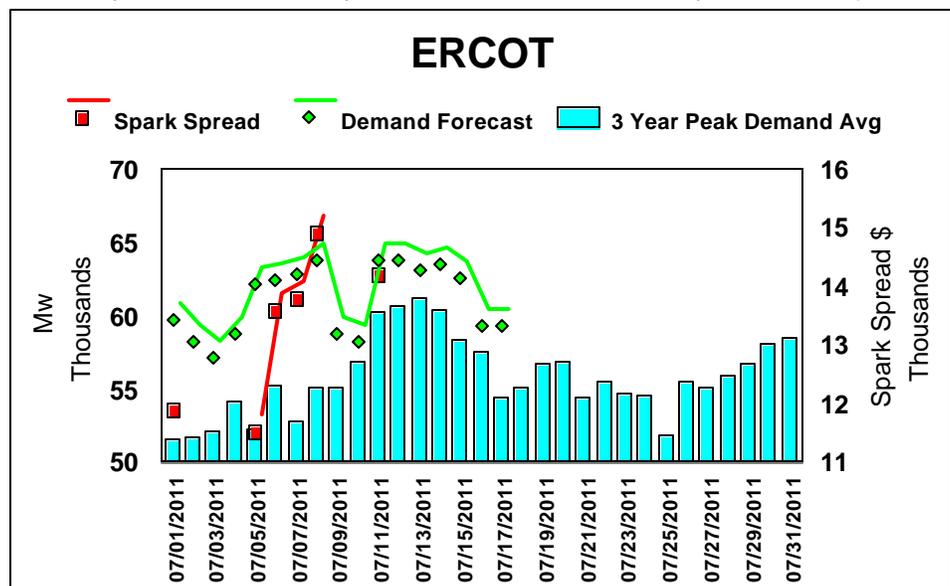
Iran is planning to increase oil production from it's southern region to 3 million barrels a day by investing \$18 billion toward the development of its oil and gas fields in a 5 year plan ending in 2015.

ELECTRIC MARKET NEWS

The Japanese government hopes to continue the recovery from the Fukushima disaster by turning on the nuclear reactors that have been shut down for safety concerns. Although many plants have passed the initial stages of safety checks only 19 of the country's 54 reactors are currently in use despite the national government urging local governments to turn the reactors on. The government said on Monday that it hoped the idled reactors could resume operations after passing the initial stage of stress tests.

ECONOMIC NEWS

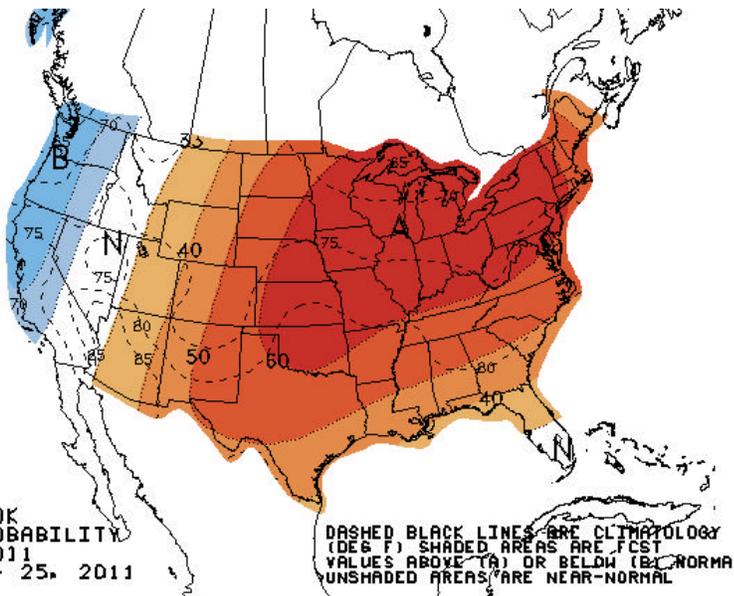
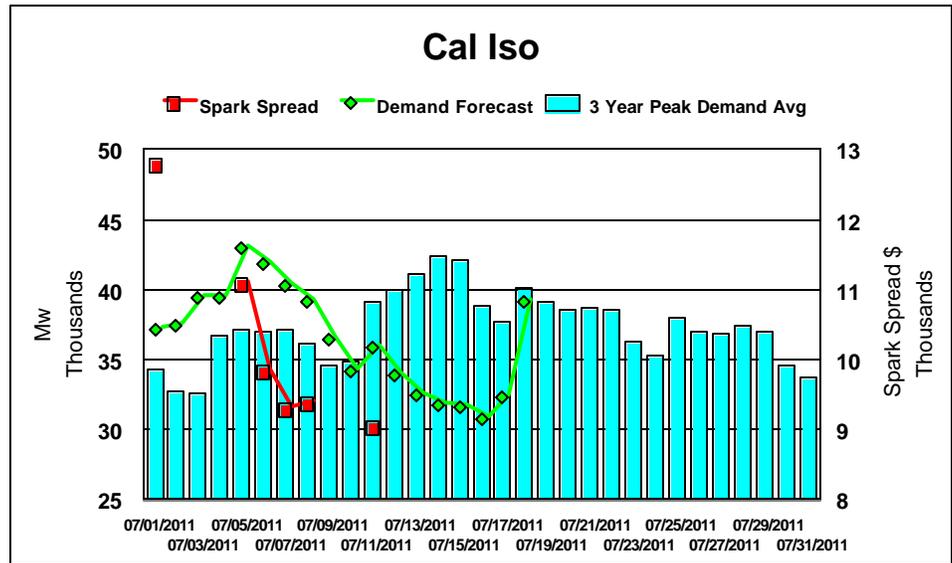
The head of China's National Energy Administration, Liu Tienan said energy consumption controls must occupy a prominent place in domestic policymaking in



the coming years, with primary consumption already exceeding 3.2 billion tons of coal equivalent in 2010. He said China's limited environmental capacity and issues such as energy security, made it necessary to impose restraints on energy use.

China's Premier Wen Jiabao said stabilizing prices remains the top priority for the government. He added that China will maintain its current economic policies.

China's annual inflation accelerated to a three year high in June, increasing the chances that the central bank will continue raising interest rates. The consumer price index for June increased 6.4% on the year. Meanwhile China's import growth fell sharply to its slowest pace in 20 months in June due to the broad impact of monetary tightening on the economy. Import growth fell to a 19.3% annual pace from May's 28.4%.



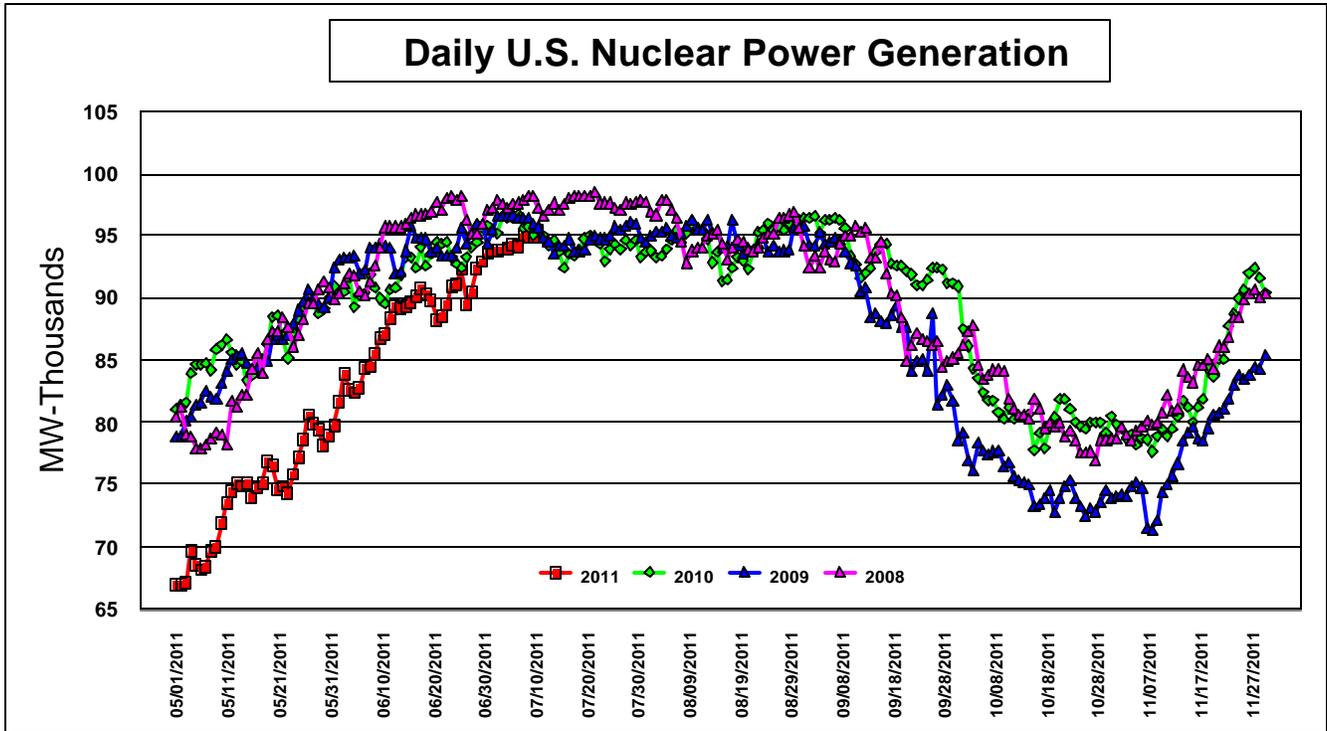
Greece's Finance Ministry said the government deficit widened by an annual 28% in the first six months of 2011, overshooting an interim target. The January-June budget gap widened to 12.78 billion euros or \$18.28 billion from 10 billion euros in the same period last year. The budget gap is also wider than the 10.37 billion euros target for the

first six months of the year.

MARKET COMMENTARY

The natural gas market today continued to rebound from last week's sell off as strong cooling demand east of the Rockies helped to push the cash and futures market higher. With the forecast showing that these warmer than normal temperatures would remain in place for much of the next two weeks it appears the bulls may remain in control of this market and basically keep the market in its trading range of \$4.45-\$4.15. Nuclear generation though has quietly returned back to levels equal to a year ago. This is the first time since early April that nuclear output this spring and summer has not been in deficit to year ago levels.

We would look for prices tomorrow to find resistance at \$4.375, \$4.41 and \$4.485, with support at \$4.235, \$4.182, \$4.064 and \$3.99.



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