



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 22, 2011

NATURAL GAS MARKET NEWS

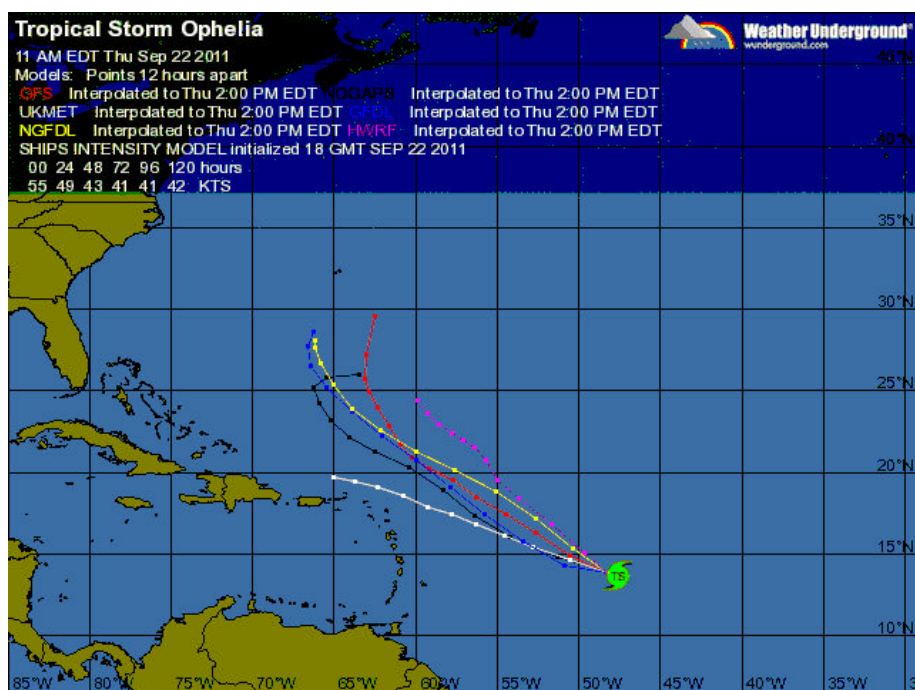
North America

Tropical Storm Ophelia strengthened overnight with winds speed increasing to 65mph. The storm has continued to move west at 13 to 14mph and is expected to weaken overnight. Moving forward Ophelia may strengthen in 4-5 days before turning north-northeast next

Generation Outages

MRO - Entergy Corp's Palisades nuclear power plant finished exiting an outage and was operating at full power early on Thursday from 72% power on Wednesday.

The NRC reported this morning that some 88,340Mw of nuclear generation was operating this morning, up 0.4% from yesterday but still off some 3% from the same day a year ago.



week. Invest 99L was located near Puerto Rico early on Thursday tracking west. There are favorable conditions for this system but due to high shear the storm is not expected to undertake any tropical development. Elsewhere in the Atlantic, a tropical wave has been sighted off the coast of Africa and it will need to be monitored next week for possible development.

An Exxon Mobil sub sea salt water pipeline ruptured in the Gulf of Mexico about one mile south of Dauphin Island. 280 million cubic feet per day of gas production has been shut

in and the pipeline was being depressured early on Thursday. The company is currently investigating the cause of the leak and is trying to identify what material leaked from the pipeline. Exxon Mobile has not issued a timeline for when production may resume.

Canadian weekly natural gas in storage rose 3.7% for the week ending on September 16th from the previous week. Weekly storage is down to 85.7% full from 88.6% full a year ago.

EIA Weekly Report

	09/16/2011	09/09/2011	Change	09/16/2010
Producing Region	1003	981	22	1026
Consuming East	1753	1695	58	1811
Consuming West	445	436	9	492
Total US	3201	3112	89	3330

*storage figures in Bcf

International

Chevron Corp has received governmental approval from the Australian government to proceed with its Wheatstone LNG project in Western Australia. Chevron is expected to make the final investment decision on the \$25 billion project on Monday after reviewing the 70 plus conditions the government attached to its approval. The project includes building a 25mtpa LNG plant and a domestic gas plant.

The first phase will have an initial capacity of 8.9mtpa of LNG and a domestic gas plant.

Woodside Petroleum, a LNG producer in Australia is

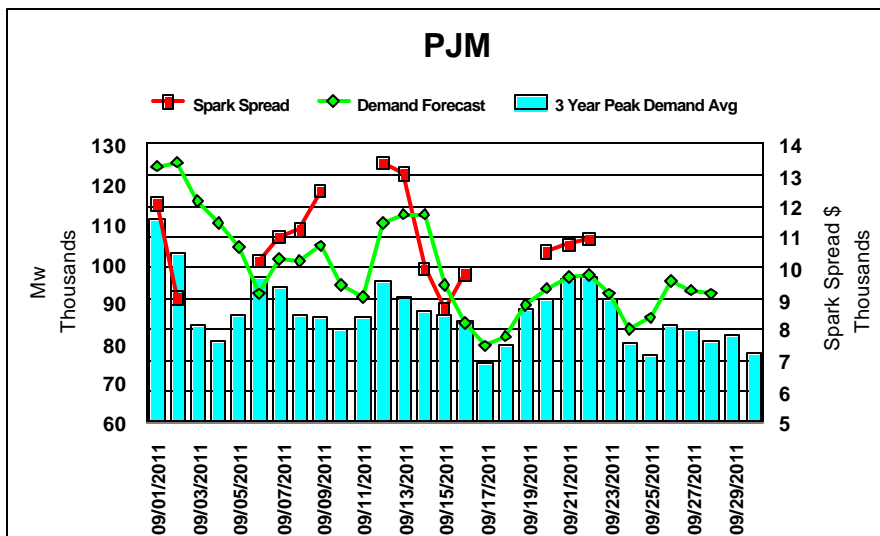
seeking to charter one or more LNG tankers from 2013 onward as its current fleet of three ships will not be able to handle the extra capacity produced from the Pluto LNG project when it starts production in 2012.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,010,700	\$3.720	(\$0.063)	(\$0.003)	(\$0.042)	\$0.043
Chicago City Gate	393,000	\$3.801	(\$0.078)	\$0.078	(\$0.051)	\$0.080
NGPL- TX/OK	704,300	\$3.660	(\$0.053)	(\$0.063)	(\$0.026)	(\$0.065)
SoCal	667,400	\$3.953	(\$0.063)	\$0.230	(\$0.036)	\$0.226
PG&E Citygate	590,500	\$4.131	(\$0.055)	\$0.408	(\$0.028)	\$0.394
Dominion-South	935,900	\$3.825	(\$0.063)	\$0.102	(\$0.036)	\$0.120
USTrade Weighted	19,616,800	\$3.759	(\$0.069)	\$0.036	(\$0.04)	\$0.043

Japanese company Sumitomo Corp. released a statement saying that it has not plans to invest in LNG projects in the United States despite having a memorandum of understating with an American firm. Sumitomo Corp blames the uncertainty in global LNG prices for not investing. The company does however plan to invest in the US shale gas industry.

Kansai Electric Power of Japan has increased its projections of LNG consumption between June and September from 900,000 tonnes June estimate to 1 million tonnes.

Indonesia released a statement saying that it has a surplus of LNG and can export extra supply to countries like Japan if they lack supply. Indonesia is the world's third biggest LNG exporter but has seen its exports decrease this year due to an increase in domestic demand.



The Nabucco pipeline project is currently scheduled to come online in 2017 after being postponed several times and may be delayed again if it is built at all. A spokesman for the pipeline said that the projects final completion date would depend on when supply contracts can be agreed upon and when the supplies will actually be delivered.

Romania plans to increase its gas tariff for industrial consumers by about 8% in October. Household gas tariffs will remain constant from there current level until at least 2012. The moves come amid international pressure as Romania pledged to liberalize its gas and power markets by 2015 in order to receive a 5 billion euro package led by the IMF.

Eni has agreed to sell its stakes in Transitgas (974.7 million Swiss francs) and TENP (60 million euros) to Fluxys.

Despite opposition from gas companies the French Energy Minister announced via Twitter that gas rates will not increase for households after October 1st however, gas rates for businesses are expected to increase by 4.9%.

BP's Teeside gas terminal in the UK restarted on Thursday after being closed since September 7th due to a power outage. Gas flow through the terminal was slightly below 5 Mmcm/d on Thursday.

ELECTRIC MARKET NEWS

First Solar Inc will not be able to meet a deadline to receive a federal loan guarantee for its 550MW Topaz plant. The company said that the California power plant was unable to process all of the government's requirements before the September 30th deadline. First Solar received conditional approval for the \$1.9 billion loan but will not have to secure a buyer for the plant and secure a new source of funding.

The US government refused to alter solar energy company Solyndra's \$535 million loan because a new loan deal would not have helped taxpayers or the company. The Energy and Commerce committee will hold a hearing with Solyndra's top officials on Friday but they are expected to evoke their fifth amendment.

Kanasa Electric Power Co may need to ask its customers in Japan to use less power this winter as the prospects of reopening nuclear power plants that are idled for maintenance remains unclear.

The White House killed an increase into smog pollution regulation after pressure from Republicans. The EPA will continue to enforce Bush-era smog limits of 75 parts per billion.

ECONOMIC NEWS

The US Labor Department reported that initial unemployment benefit claims in the week ending September 17th fell for the first time in three weeks by 9,000 to a seasonally adjusted 423,000. It reported that the four-week moving average of new claims increased by 500 to 421,000. The number of continuing unemployment benefit claims fell by 28,000 to 3,727,000 in the week ending September 10th. The unemployment rate for workers with unemployment insurance for the week ending September 10th was unchanged at 3%.

The Leading Economic Index increased for the fourth consecutive month in August by 0.3% to 116.2 following a 0.6% increase in July.

The Federal Housing Finance Agency's monthly home price index in July increased 0.8% on a seasonally adjusted basis from a month earlier. US home prices increased in July for the fourth consecutive month. June's prices, which increased 0.7% from a month earlier, were revised down from an originally reported 0.9% increase. Compared with a year earlier, prices were still down 3.3%. July's index value was 184.7.

Euro zone industrial orders fell by more than expected in July. The European Union's statistics office Eurostat said new orders in the 17 countries using the euro fell 2.1% compared with June. Industrial orders increased 8.4% in July compared with a year ago.

Meanwhile consumer confidence in the Euro zone fell in September to -18.9 from -16.5 in August. In the wider 27 nation European Union, consumer sentiment fell to -19 from -16.8 in August.

Business activity in Germany grew at its weakest pace in more than 2 years. Markit's German composite output index fell to 50.8 in September from 51.3 in August. New orders fell for the third consecutive month. Germany's PMI fell to 50, a two year low.

Italy's government cut its growth forecasts through 2014 citing a weak macroeconomic environment. It cut its forecast for GDP in 2011 to 0.7% from 1.1% previously, 0.6% in 2012 from an earlier estimate of 1.3% and 0.9% in 2013 from a previous estimate of 1.5%.

China's manufacturing sector contracted for a third consecutive month in September while a measure of inflation increased. HSBC's China Flash Purchasing Managers' Index fell to 49.4 in September from August's final figure of 49.9. The PMI data showed the input price sub-index increased to 58.8 in September, a four month high. If manufacturers are paying more to produce goods, those higher costs could filter into consumer prices, driving up the inflation rate.

BNP Paribas dismissed the idea of the French government taking a stake in the bank amid market concerns about European banks' financial solidity as the sovereign debt crisis worsens.

Market Commentary

While most commodity prices and equity markets plunged lower today, the natural gas market was relatively stable with prices finishing the day not far from where prices were trading on late Wednesday afternoon. While the natural gas market did post some price volatility following the release of the EIA Storage Report, as prices moved down to \$3.662 a new 11 month low for the spot contract, the price swings were relatively modest for trading following the release of the storage report and the swings were short lived as most traders viewed the storage report as basically neutral for the October contract since the build was a few bcf less than market expectations had been. But the bulls could take little comfort from the report as total stocks of natural gas in the United States has now moved over 3.2 tcf. The build reported today helped once again to trim the inventory shortfall relative to last year to just 129 bcf and cut the gap to the five-year seasonal average to just 35 bcf, with more than a month left in the storage season. It appeared that this overall inventory situation weighed on the 12-month natural gas strip settled 5.9 cents lower on the day and as a result posted the lowest strip settlement since December 4, 2002. March-April spread also appeared to reflect concern over the storage builds as the spread dropped to new lows with the March premium over April trading to as low as half a cent, before settling back at only a penny premium.

With the October contract set to expire next Wednesday we do not expect that this contract month to have significant downside risk given the ability of natural gas to be relatively insulated to the general deflation in the commodity and equity markets today. But the November contract should be much more volatile as price direction will be driven by traders growing sensitivity to the temperature forecasts for late October and early November as these temperatures will set the tone for the start of the new winter heating season.

We see support for the spot contract tomorrow at \$3.662-\$3.656 followed by \$3.537, \$3.391 and \$3.212. Resistance we see at \$3.829, \$3.88 and \$3.932, with more significant resistance at \$4.009, \$4.143-\$4.167 and \$4.323.

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