



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 23, 2011

NATURAL GAS MARKET NEWS

North America

Tropical Storm Ophelia is weakening due to high wind shear. The storm is expected to downgrade to a tropical depression within the next 24 hours. If it is able to survive through the weekend it would experience favorable conditions for development early next week.

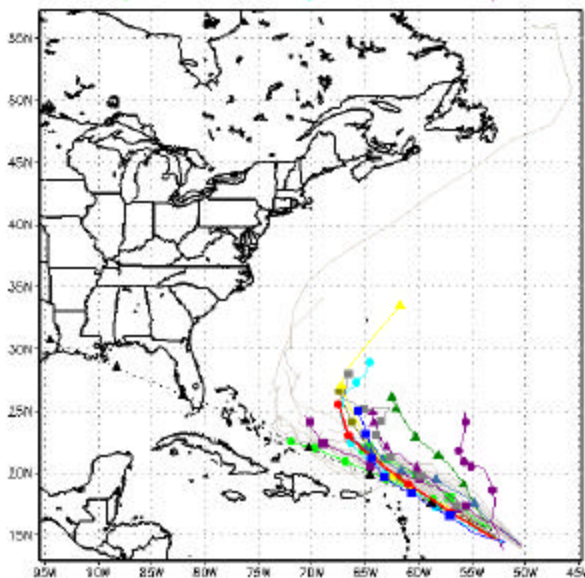
Elsewhere, there is little activity in the Gulf of Mexico, there is a tropical wave off the coast of Africa that has the potential for development next week and a tropical wave in the southwestern Caribbean Sea is creating a concentrated area of convection but is unlikely to develop before reaching land.

Generation Outages

ERCOT American Electric Power Company Inc plans to restart its Unit 1 at the Welsh coal-fired power plant. The 528MW unit was shut on September 21st for maintenance.

The NRC reported this morning that some 88,419 of nuclear generation was operating this morning, basically unchanged from yesterday but still off some 2.9% from the same day a year ago.

XTRP 23/1800Z B4MD 23/1800Z GFIL 23/1200Z AVND 23/0600Z CMC 23/1200Z
 TVCN 23/1200Z B4MH 23/1800Z UKH 23/1200Z ADMN 23/0600Z APVY 23/0600Z
 NHC 23/1500Z B4ME 23/1800Z NOPS 23/1200Z HWRP 23/1200Z CLFS 23/1200Z



storm_16
 weather@wind.gov
 23-Sep 14:38EDT

NHC Advisories and County Emergency Management Statements supersede this product. This graphic should complement, not replace, NHC discussions. If anything on this graphic causes confusion, ignore the entire product. For full info, see <http://my.sfwmd.gov/sfwmd/common/images/weather/plots.html>



Exxon Mobil continues to buy acreage in the Utica shale in Ohio but company executives have yet to release the specifics of the latest gas deal.

Baker Hughes is reporting that the number of rigs drilling for natural gas in the United States has remained unchanged from the prior week at 912.

International

Hindustan Petroleum Corp Ltd. is planning to build a terminal on India's east coast to import LNG due to a shortage of gas in the country. The company has

already invested in pipeline projects to transport the gas as it seeks 5 million tons to help run the countries refineries.

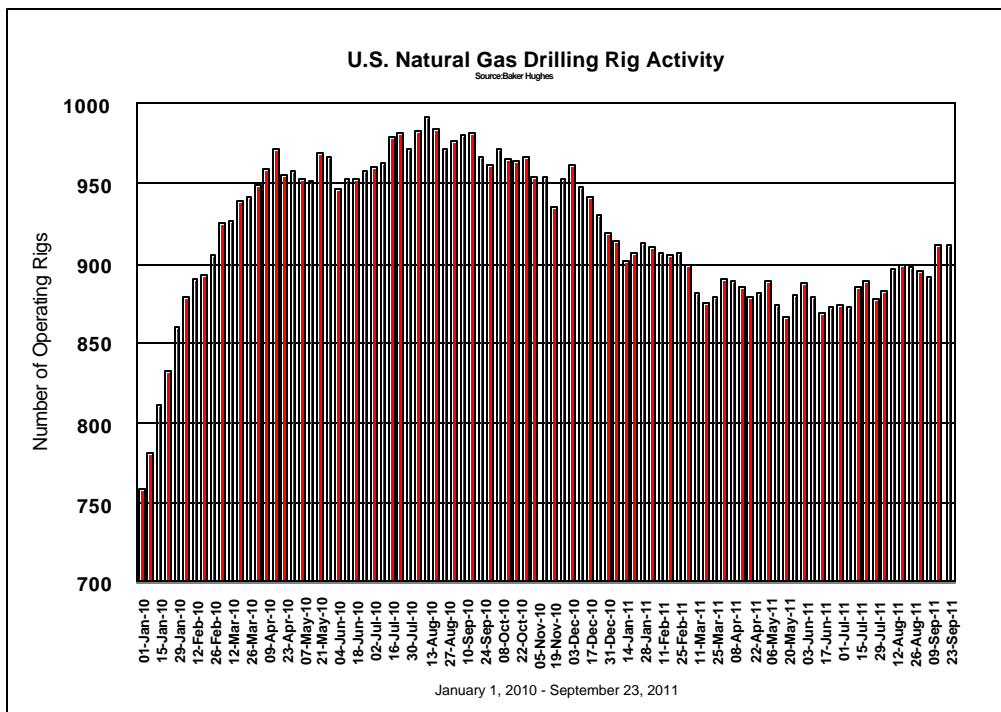
The Libyan firm Sirte Oil has resumed gas output from its Assoumoud and Hateiba gas fields in eastern Libya. The supplies have been shipped domestically to coastal power plants in Benhazi and Zuetina and internationally to Egypt.

A 5.2 mtpa LNG project in Angola is making good progress and is on track to start commercial operations by February of 2012. The project is scheduled to supply 1.3 bcm/d of LNG to an import terminal in Pascagoula, Mississippi but due to large LNG price disparities the terminal will attempt to search for buyers in Asia.

Norway's Statoil ASA has received approval from the Norwegian Petroleum Directorate to use a new gas pipeline for the Troll field. It is expected that the pipeline will go into production on October 1, 2011 and have a lifetime of 50 years.

| 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 | 869,600 | \$3.736 | \$0.016 | \$0.015 | \$0.000 | \$0.044 |
| Chicago City Gate | 372,300 | \$3.818 | \$0.017 | \$0.097 | \$0.019 | \$0.088 |
| NGPL- TX/OK | 696,500 | \$3.685 | \$0.025 | (\$0.036) | \$0.027 | (\$0.059) |
| SoCal | 754,500 | \$3.928 | (\$0.026) | \$0.207 | (\$0.024) | \$0.233 |
| PG&E Citygate | 620,000 | \$4.101 | (\$0.030) | \$0.380 | (\$0.028) | \$0.395 |
| Dominion-South | 678,800 | \$3.811 | (\$0.014) | \$0.090 | (\$0.012) | \$0.118 |
| USTrade Weighted | 18,166,000 | \$3.757 | (\$0.002) | \$0.036 | \$0.00 | \$0.044 |

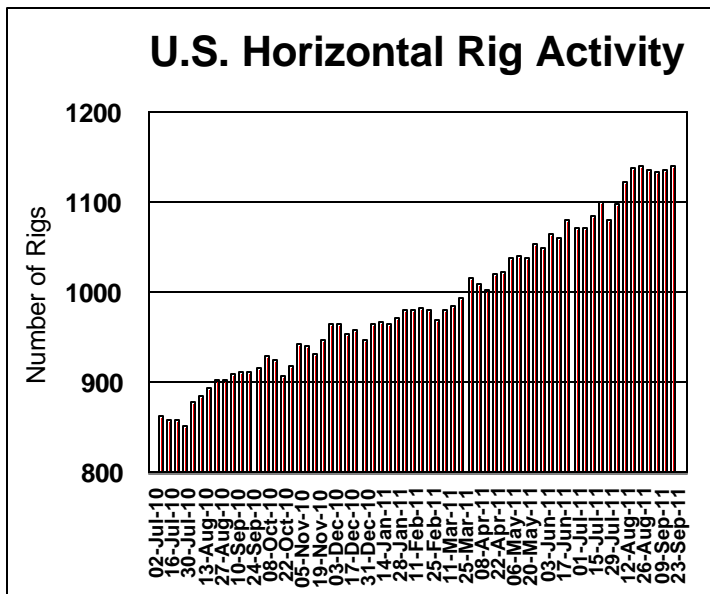
The Netherlands open its first liquefied gas terminal in Rotterdam on Friday. The terminal is expected to have a carrying capacity of 12 bcm with the ability to expand to 16 bcm in the future. Vopak owns a 42.5% stake in the project and officials speaking that the terminal's opening ceremony said they want to expand the terminal and turn it into an important gas hub in Western Europe when it stops being a net exporter in about 15 years.



Reuters reported that Argentina would close one of its two LNG terminals next month for expansion work that will increase the capacity at the facility by 40%. The plant located in the port city of Bahia Blanca south of Buenos Aires, will increase processing capacity to 17 million cubic meters per day from the current capacity of 12 million cubic meters. The facility is expected to be closed from the end of October until December.

The Cuadrilla Resources announcement on Wednesday that it has found 200 tcf of gas in Lancashire has drawn mixed results from politicians, environmentalists and industry experts. Politicians are excited about the new discovery as it will create jobs but environmentalists are weary of the prospects of fracking and its potential harm to the environment. Industry experts have expressed doubt on the validity of the size of the find. They say that the sight has not yet been independently verified and the company has not yet drilled enough wells to get a proper estimate.

UK's South Hook LNG terminal is expecting the Al Sadd LNG tanker to arrive on September 28th from Qatar.



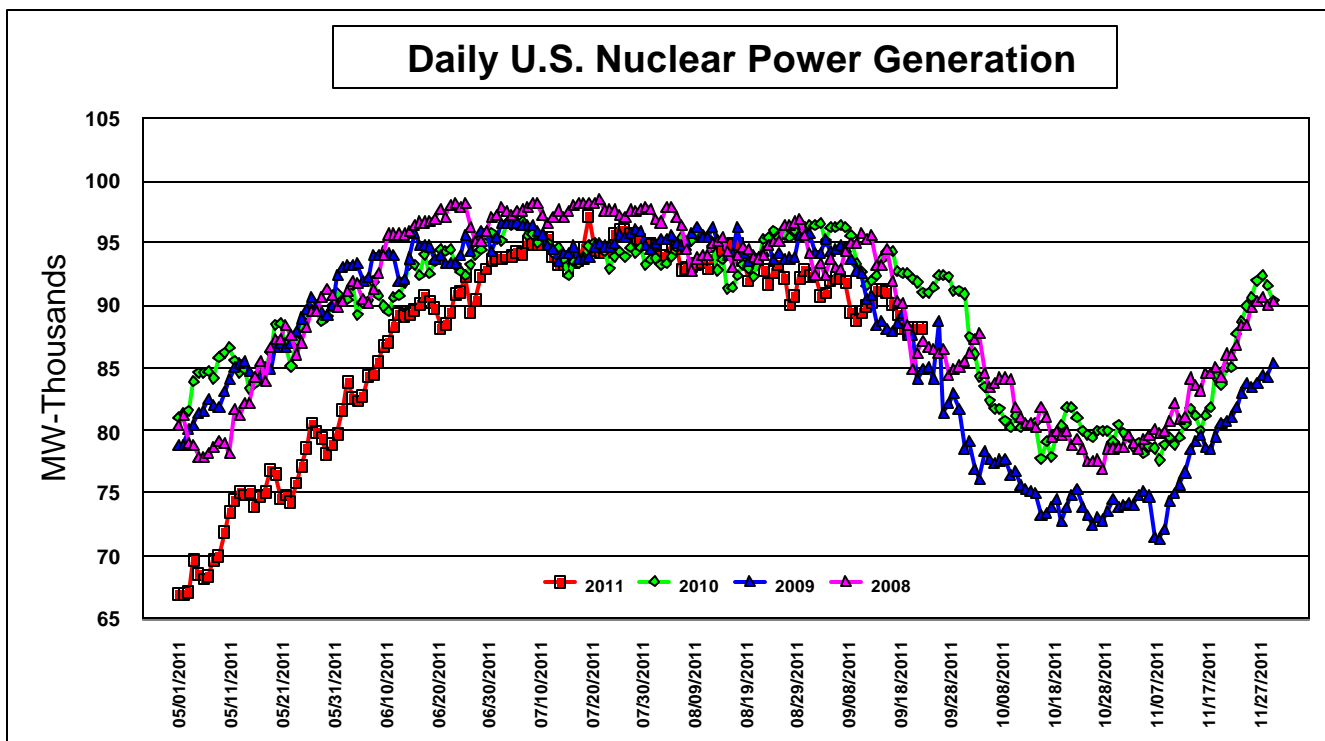
ELECTRIC MARKET NEWS

The U.S. Northwest River Forecast Center said today that it expects the water flow through the Dalles Dam will be 134% of normal, down 1% from its projection 10 days ago for the April- September period.

Genscape reported that U.S. coal consumption this week fell 5% from last week and was 7% less than the same week a year ago.

Operators at the Energy NW Columbia nuclear unit said that the unit, which was restarted on Tuesday morning, following a five-month outage would remain at reduced operating rates while reactor systems are tested and only after this is completed will the

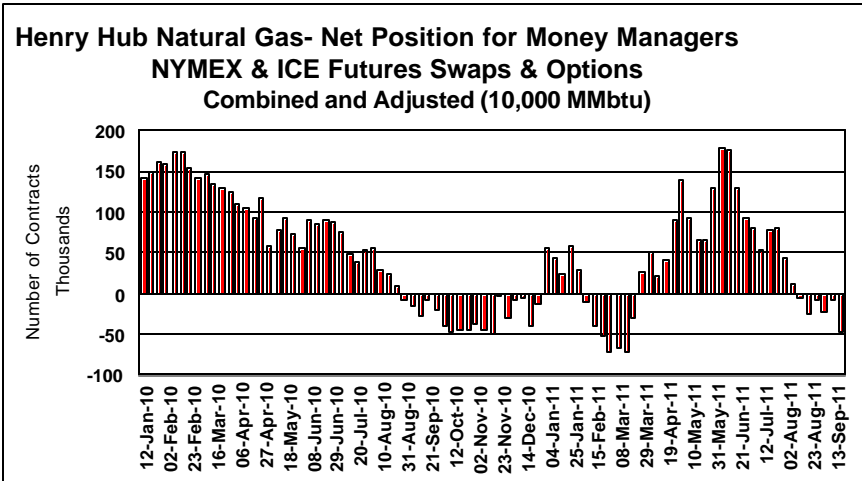
unit then power up and reconnect to the grid. The unit has remained at just 2% power for the past three days. The plant, which was shut back in April for its biennial refueling outage and condenser replacement work, was initially expected to be off line for only 80 days. The work was expected to increase the capacity of the facility by 12 Mw.



NRG Energy's Senior Vice President and Regional President for the Northeast, Lee Davis said today that his company is pursuing a plan to revamp an aging natural gas fired power plant in Astoria, NY that could provide 1040 Mw of efficient, combined cycle natural gas fired generation into the regional grid within 30 months. Politically the governor of new york is seeking to close the 2065 mw Indian Point nuclear facility when its 40 year operating licenses expire in 2013 and 2015. Entergy though is seeking

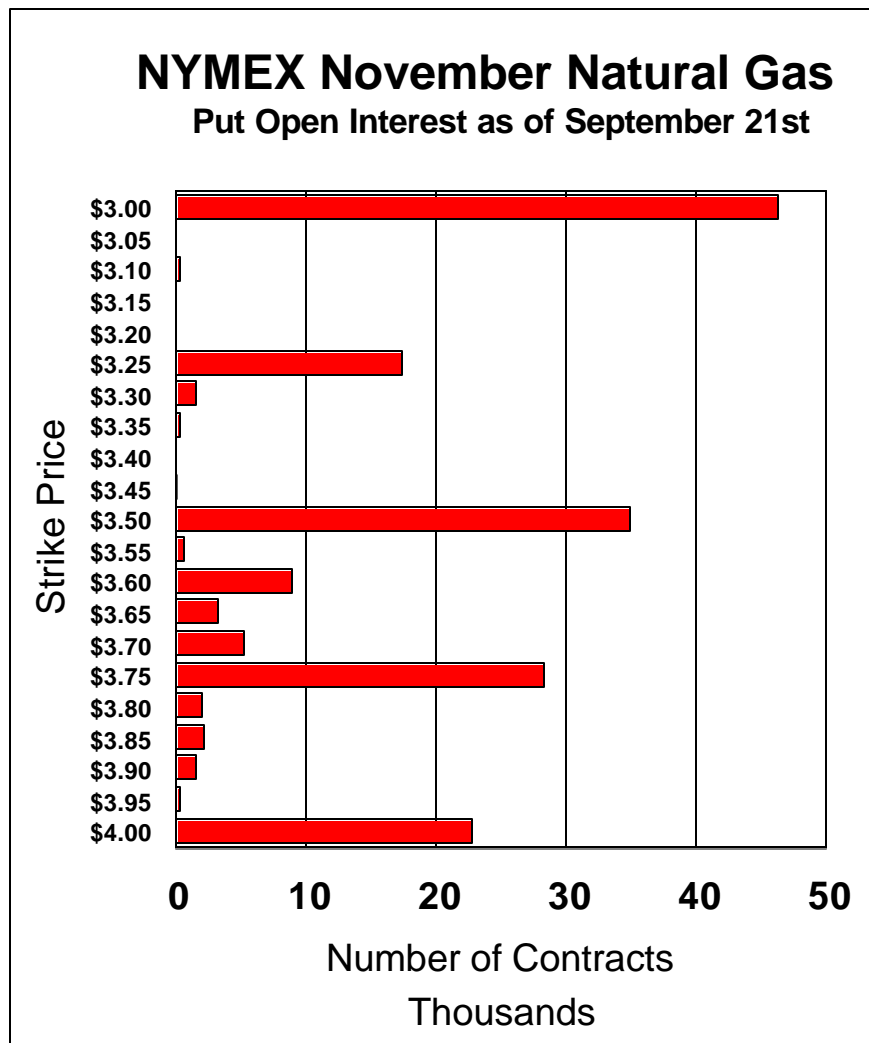
to gain renewal of its operating licenses for the plant. The facility currently supplies 25% of the power for the New York and Westchester power market. The removal of this supply source would have a significant price impact on customers if it were not easily replaced.

Solar panel installer SolarCity said it was informed by the Department of Energy that it will not be able to finalize the company's offer of a \$275 million loan guarantee by a September 30th deadline, due to increased documentation requirements imposed on the agency by Congressional investigators.



ECONOMIC NEWS

The Economic Cycle Research Institute said its Weekly Leading Index fell to 122.2 in the week ending September 16th from 122.8 the previous week, which was originally reported as 122.4. The index's annualized growth rate fell to minus 6.7% from minus 6.1% a week earlier.



IMF's chief Lagarde said downside economic risks are increasing.

Market Commentary

The natural gas futures market posted an inside trading session as market participants found little reason to push this market dramatically in either direction before the weekend. But prices did finish down on the day for the fourth straight session as the general economic malaise continues to hang over all commodity and equity markets. With little cooling or heating demand on the horizon and the inability of drilling activity to be choked off, there is little for the bulls to find comfort in.

This afternoon's Commitment of Traders Report released by the CFTC for the week ending September 20th, showed that commodity funds dramatically increased their net short position, by nearly 39,000 contracts on a combined and adjusted basis during the period via Henry Hub

futures, swaps and options on the NYMEX and ICE. It is a bit amazing that given this large of a bearish position swing that futures prices only lost 30 cents in value.

We continue to look for the October contract to escape the threat of any significant downside move before expiration but we do not discount the potential for the November contract to be susceptible to a downward price plunge that oil and other commodity markets have been experiencing in recent days. The November natural gas contract has some sizable trigger points that can unlock additional selling given the sizable open interest in these strike prices.

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