



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 25, 2011

NATURAL GAS MARKET NEWS

North America

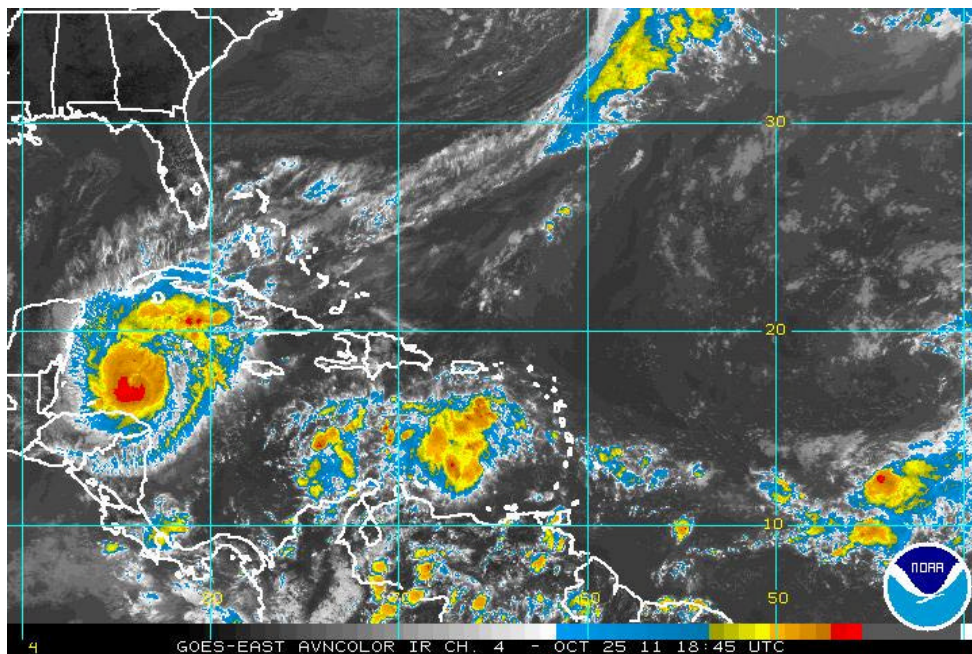
Hurricane Rina strengthened to a Category 2 on Tuesday morning with winds of 100mph. The storm is expected to strengthen over the next few days potentially becoming a Category 3 within 24 hours and maybe a Category 4 late Wednesday night into Thursday as it nears Cozumel and Cancun. Predicting the path of the hurricane is very difficult because the trajectory will be determined by how much interaction the storm has with land over the next 48 hours. Elsewhere in the Atlantic 97L will have a chance for development over the next several days before the storm is expected to weaken as it nears Rina.

Generation Outages

SERC - Tennessee Valley Authority's Unit 1 at the Brown Ferry nuclear power plant was lowered to 50% power on Tuesday from full power on Monday.

FRCC - Turkey Point's ramped up its Unit 3 to 91% early on Tuesday from 59% on Monday.

The NRC reported this morning that some 79,549 Mw of nuclear generation was online, down 1.4% from yesterday and up some 0.1% the same day a year ago.



The Port of Pascagoula's cargo tonnage increased by 27% in the third quarter when compared to 2010 due to an increase in LNG coming into the Gulf LNG Energy's Bayou Casotte terminal. It has been reported that 132,075 tons of LNG went through the terminal in the third quarter.

Private weather forecaster WSI said today that they expect the November-January period to average cooler than normal in all of the northern and eastern U.S., with above normal temperatures confined to the southwestern and south central U.S. The private forecaster said that "while most of the major climate signals, including ocean temperatures in the major Northern Hemispheric basins and the tropical Pacific, are again suggesting a cold winter, there are numerous indications that the cold will not be as extreme as it was during the last two winters." The forecaster noted that the current state of the oceans are almost identical to that observed on October 2008, which was only a moderately cold winter. The forecaster also noted that we have finally emerged from the unusually long lull in solar activity that

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likely contributed to the extreme nature of recent winters. The forecaster is looking for a 6% reduction in heating demand relative to last winter, but should still average 5% colder than normal.

Hess Corporation announced today that they will proceed with the development of Tubular Bells, a deep water oil and gas project operated by Hess in the Gulf of Mexico. The field discovered in 2003, will be developed through three subsea production wells and two water injection wells from two subsea drill centers tied back to a third party owned spar production facility. Drilling is expected to begin 2012 with production initially beginning in 2014. Annual gross production is expected to peak in the range of 40,000-50,000 b/d and 200 million cubic feet per day. Meanwhile Williams Partners announced today that it has signed multiple agreements with Hess and Chevron to provide production handling, export pipeline, oil and gas gathering and gas processing services in the Tubular Bells field development.

Encana Corporation officials said this week that the long awaited production from its Deep Panuke offshore field should begin to flow by the end of the second quarter of next year at 200 MMcf/d.

International

Yemen LNG has finished making repairs on its feed pipeline to the Balhaf export terminal and has increased security to prevent future attacks. The plant plans to restart operations on October 26th. All planned tanker loadings in November will be upheld and all loadings that were cancelled in October have been rescheduled for January. The plant has been closed since October 15th.

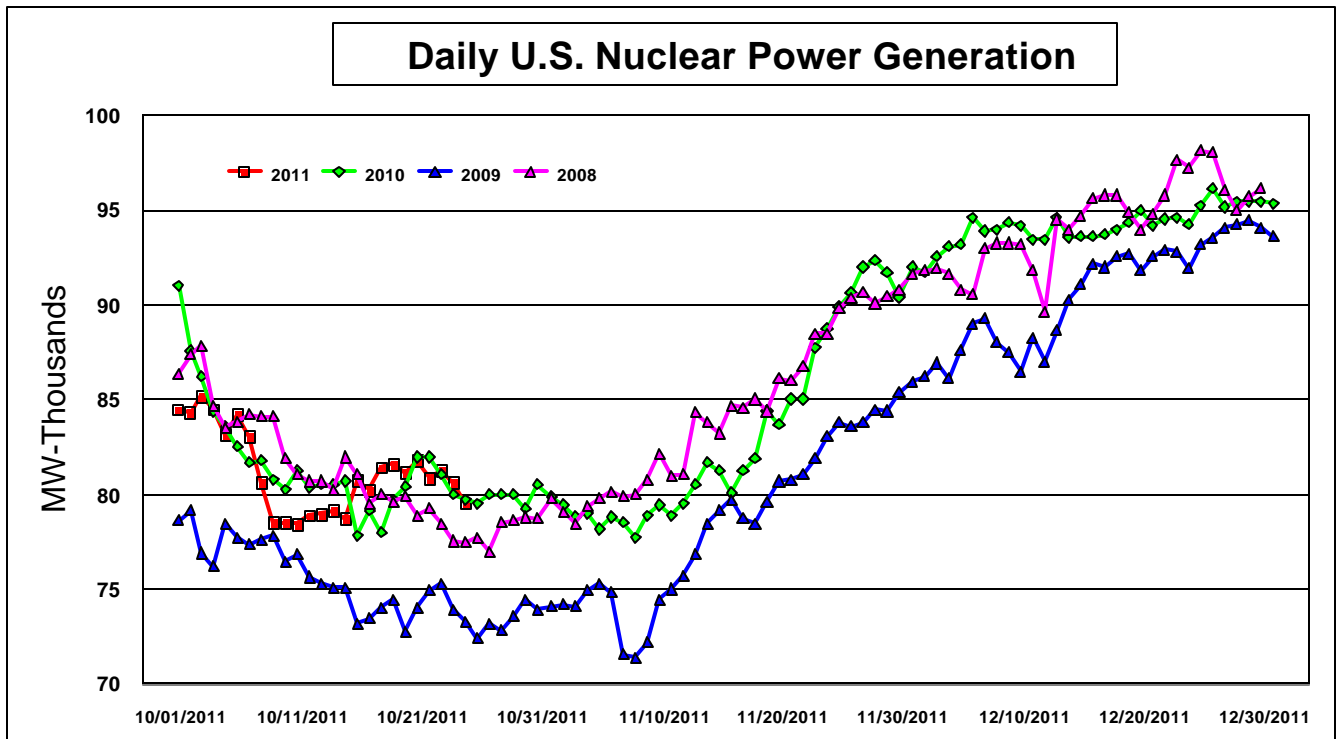
Azerbaijan and Turkey have signed a natural gas purchase deal on Tuesday for gas extracted from the Shah Deniz field. The new agreement may give a potential boost to the Nabucco pipeline which is currently competing with two other bidders to ship gas supplies from Azerbaijan to Europe. Although details of the deal have not been announced it has been reported that Azerbaijan was trying to sell 6 bcm of gas per year from the second phase of the Shah Deniz field and to ship 10 bcm to European customers via Turkey.

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	923,000	\$3.617	\$0.009	(\$0.037)	(\$0.010)	(\$0.037)
Chicago City Gate	738,700	\$3.886	\$0.099	\$0.232	\$0.046	\$0.185
NGPL- TX/OK	517,000	\$3.555	\$0.022	(\$0.099)	(\$0.031)	(\$0.106)
SoCal	431,700	\$3.668	(\$0.077)	\$0.014	(\$0.130)	(\$0.027)
PG&E Citygate	1,043,500	\$3.879	\$0.063	\$0.225	\$0.010	\$0.154
Dominion-South	574,800	\$3.724	\$0.052	\$0.070	(\$0.001)	\$0.039
USTRade Weighted	21,105,700	\$3.650	\$0.043	(\$0.004)	(\$0.01)	(\$0.037)

Iranian officials are engaged in talks with Chinese companies to help finance the construction of a LNG plant. Officials also said that work on units 1 and 2 of the Iran LNG plant has started and once completed it will add 21mtpa of production capacity. Moving forward Iran plans to export 30% of its LNG to European countries and increase its share in global markets to 10%.

The Iran-Pakistan pipeline project is expected to be completed soon. Iran is almost done with its side of the project and now Pakistan will have to finish construction to help curb the current energy crisis in Pakistan

Russia's gas export chief has said that Gazprom will soon make a decision about building a third LNG train at the Sakhalin 2 project. The Sakhalin 2 is Russia's only active LNG project producing 10 mtpa. The third train would have the ability to increase capacity by 50%. If Qazprom decides to expand the project stakeholders including Shell, Mitsui & co. and Mitsubishi would have a preferential right to participate in the expansion.



Lukoil is planning to increase gas output by more than 40 bcm over the next ten years.

Sonatrach plans to launch two LNG trains within the next two years in Algeria. The company will open a unit in Skikda with an estimated output of 5.4 mpta in 2012 and a unit in Arzew with a capacity of 7.4 mpta in 2013.

The Trinidad and Tobago National gas company does not plan on opening a fifth LNG train in the near future but has not ruled out producing gas from the Loran/Manatee field which it owns a 27% stake with Venezuela owning the rest. The field is estimated to hold 8 tcf.

Following the reelection of Argentina's president the country is planning to import a record volume of LNG in 2012. State owned energy company Enarsa is planning a tender for a minimum of 60 LNG cargoes in 2012.

ELECTRIC MARKET NEWS

Duke Energy has come to an agreement to reduce electric prices by about 11% or about \$14 per month in Ohio starting in 2012. Duke Energy also plans on transferring its generation to an affiliate by 2014 to help increase competition and supply consumers with power from a competitive auction as soon as 2012.

The US installed over 1,200 Mw of wind power in the third quarter bringing the yearly total to 3,360 Mw. The US wind industry is expected to expand as the federal Production Tax Credit has created as much a \$20 billion a year in investment for the industry. There are currently more than 8,400 Mw of new wind energy currently under construction.

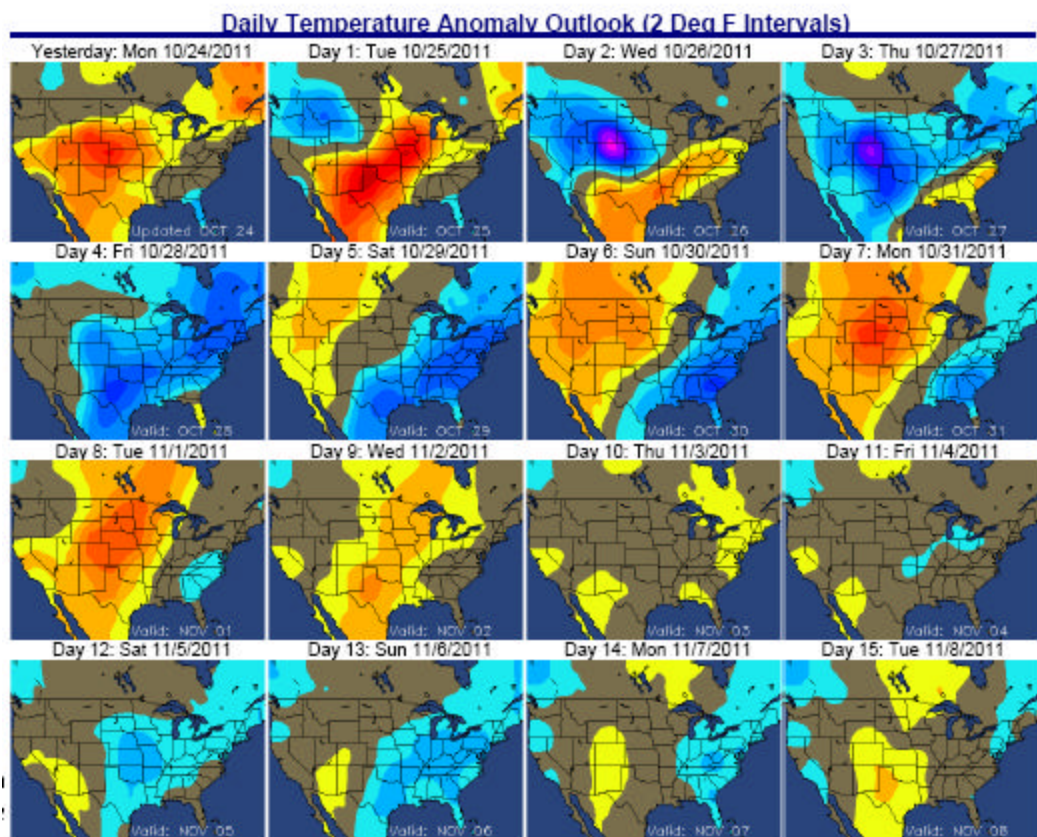
ECONOMIC NEWS

The Conference Board said US consumer confidence unexpectedly fell in October to its lowest level in two and a half years. Its index of consumer attitudes fell to 39.8 in October from an upwardly revised 46.4 in September. The present situation index fell to 26.3 from 33.3 while the expectations index fell to 48.7 from 55.1.

The Federal Reserve Bank of Richmond’s monthly manufacturing index stood at -6 in October, unchanged on the month.

The International Council of Shopping Centers and Goldman Sachs reported that US chain store sales in the week ending October 22nd fell by 0.8% on the week but increased by 2.4% on the year to 512.3.

According to the Federal Housing Finance Agency’s monthly home price index, home prices fell 0.1% on a seasonally adjusted basis from a month earlier. August’s index value was 183. Compared with a year earlier, prices were down 4%.



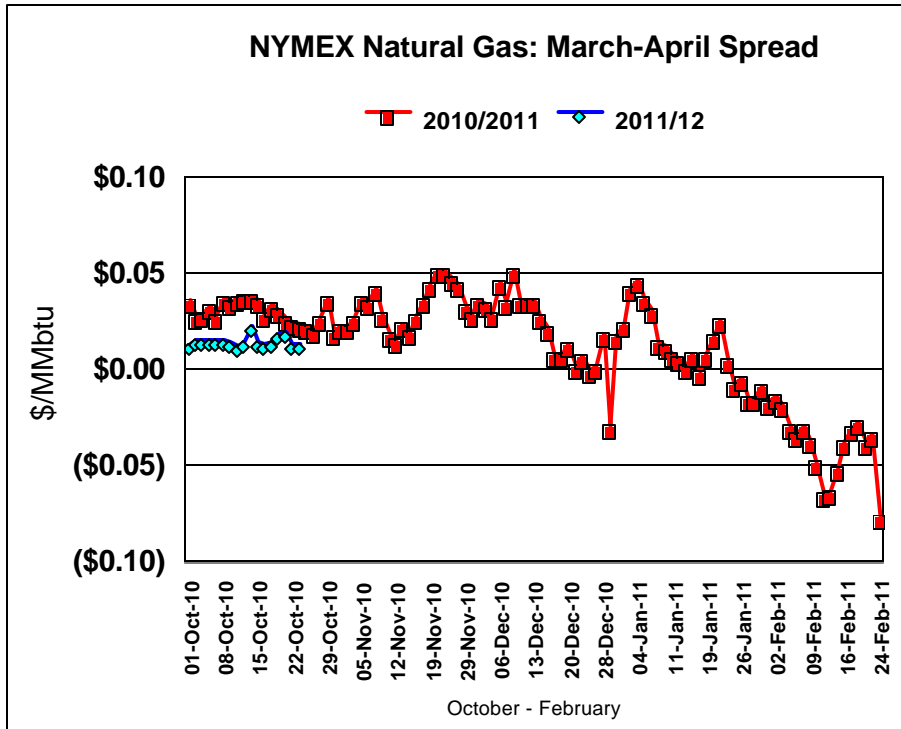
Deutsche Bank reported record performance in commodities trading in the third quarter. Its performance this year was in sharp contrast with most of its rivals, which reported weaker contributions and reduced risk exposure to commodities. Deutsche Bank did not disclose revenues in commodities trading but said it helped offset an otherwise mixed performance in sales and trading. Its average Value at Risk in all assets was 76.1 euros in the first nine months of the year, down from 95.6 million euros in 2010 of which VaR in commodities increased to 14.2 million euros from 12.7 million euros.

Market Commentary

The natural gas market finally began to show its sensitivity to weather forecasts as today’s morning and midday forecasts were trending toward lower temperature outlooks resulting in a trending upward price for natural gas futures. The result was the market posted an outside trading session as overnight

trading saw values slip below yesterday's settlement only to see prices began to reverse course and trend higher following the 6 AM temperature update and again being supported by colder forecasts at midday. At the close of trading the market settled up over a nickel and posted its highest settlement in over a week.

As long as this market is provided with an overall colder than normal forecast for the next two weeks then we would expect prices will attempt to test the upside, but do not expect a runaway to the upside.



We see minor resistance tomorrow at \$3.703 but the key point of resistance will be \$3.78-\$3.794 and this will need to be breached in order to generate an upswing in trading volume in order to test the next key resistance levels of \$3.85, \$3.926, \$4.05 and \$4.143. Support we see at \$3.60 followed by \$3.58 with more significant support at \$3.53 and \$3.446.

Despite the positive bounce in the flat price, the popular March-April spread continued to stagnate in a relative flat line nature. This spread though could offer a short term buying opportunity that could see a 4-5 cent bounce over the next several weeks if in

fact our heating demand does average colder than normal over the next several weeks.

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