



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 23, 2011

NATURAL GAS MARKET NEWS

North America

China may try to buy LNG from the US in the future as an alternative to Russia. Russia and China signed an initial gas agreement in 2006 to build two pipelines to annually transport 68 bcm/y but negotiations have not gone smoothly due to disagreements over price. Estimates show that the breakeven cost for US Gulf Coast LNG delivered to China would be approximately \$11.6/MMBtu.

International

GDF Suez of France has joined other European utilities in entering talks with Gazprom to renegotiate the price of oil-indexed gas supply contracts. Oversupply in Europe from an increased number of LNG imports has caused wholesale prices to slip below oil-indexed contracts meaning European gas buyers are purchasing gas for a higher price than what they can sell it for.

Eustream, Slovakia's gas pipeline network operator intends to invest almost 400 million euros over five years to improve the countries pipeline infrastructure. Eustream also plans to construct a 113km gas link with Hungary to improve liquidity in the region and increase access to new suppliers. Commissioning of the pipeline is expected to occur in 2014.

EIA Weekly Report

	11/11/2011	11/11/2011	Change	11/19/2010
Producing Region	1247	1242	5	1240
Consuming East	2091	2091	0	2070
Consuming West	514	510	4	519
Total US	3852	3843	9	3829

*storage figures in Bcf

Qatar does not plan to increase production of LNG unless there are convincing studies to do so, the country currently exports 77 million tons per year. The country does however plan to increase its annual exports of LPG from 10 million tons to 11 million tons in 2012 and 12 million tons in 2013.

Cyprus decided on Wednesday to launch a new hydrocarbon licensing round despite Turkey's protest. Cyprus plans to off the rights of up to 12 offshore blocks. It is estimated that it would take the country six weeks to prepare the necessary documents and invitations for public submission of proposals to be published. Companies would then have three months to proposals to consultants.

Turkey's state energy firm TPAO and Shell have signed an accord for hydrocarbon exploration and production in the Mediterranean and southeastern coast of Turkey. Terms of the deal stipulate that

Generation Outages

ERCOT STP Nuclear Operating Co's Unit 2 at the South Texas nuclear power plant increased to 58% power early on Wednesday from 15% power on Tuesday when the unit started to exit a refueling outage.

SERC- The 1,268MW Grand Gulf nuclear power plant owned by Entergy Corp has started to ramp up power following repair's on one of the stations feedwater pumps. The plant was operating at 69% capacity early Wednesday morning. Entergy Corp's Arkansas Nuclear 1 power reactor increased from 12% power to 47% power early on Wednesday. The plant unit was shut on October 17th and started to exit the outage on Monday. Unit 1 at the Oconee nuclear plant owned by Duke Energy Corp increased to 95% power early on Wednesday from 55% capacity on Tuesday.

NPCC- Dominion's Unit 3 at the Millstone nuclear power plant began to exit an outage and increased to 25% power early on Wednesday. The unit had been shut for planned refueling since October 10th.

The NRC reported this morning that some 86,408 Mw of nuclear generation was online, up 1.79% from yesterday and down 2.61% from the same day a year ago.

Shell will conduct seismic work off the coast of Antalya until 2012 and begin production in 2014. TPAO has a 70% stake in production and Shell has a 30% stake.

Korea Gas Technology Corporation is interested in building a multi-billion euro LNG terminal in Romania as a part of a joint project to build a LNG terminal in Georgia and Romania. The firm estimates that the Romanian terminal with a capacity of 4 bcm would cost 5 billion euros to build.

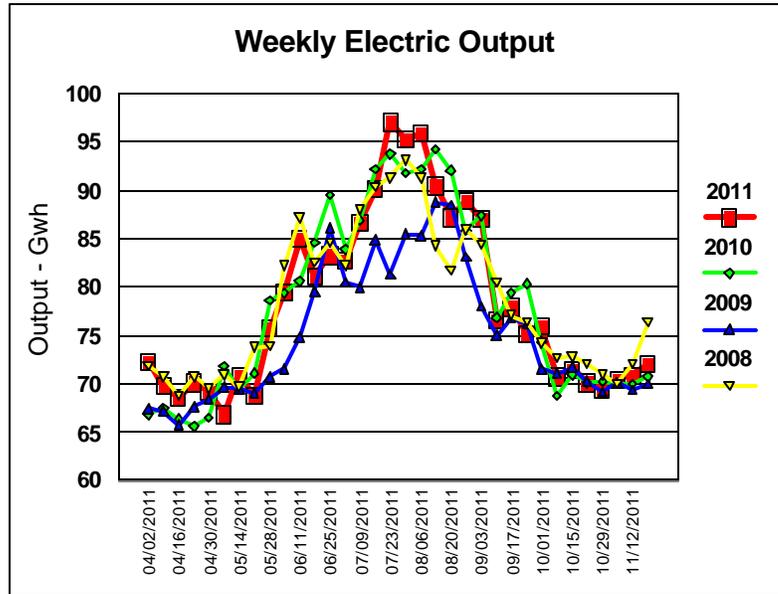
Electric Market News

The Canadian Nuclear Safety Commission (CNSC) said it will allow Bruce Power LP to start loading fuel into its 750MW Unit 1 at the Bruce A generating station. The CNSC believe that Bruce Power took appropriate measures to protect the health and safety of the public. The unit has been shut since 1997 for refurbishment.

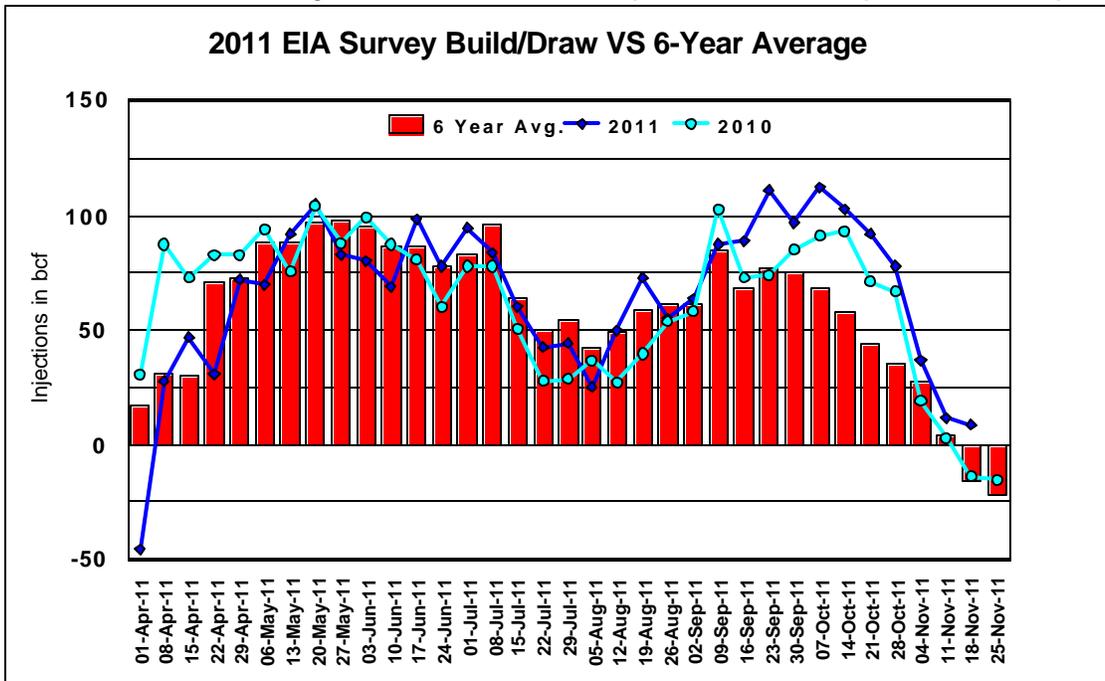
The US Northwest River Forecast Center said that projected water runoff at The Dalles Dam on the Columbia River fell to 99 percent of normal for January-July in a report released on Wednesday.

Economic News

The US Commerce Department reported that orders for durable goods continued to fall in October. It reported durable goods orders fell by 0.7% to a seasonally adjusted \$197.68 billion. Durable goods orders in September were revised down to a 1.5% drop from an earlier estimate of a 0.6% decline. Separately, the Commerce Department reported that consumer spending slowed in October as incomes increased at the fastest pace since March. Personal consumption expenditures grew by just 0.1% in October following a 0.7% increase in September. US incomes meanwhile increased by 0.4% last in October following a 0.1% increase in the prior month. The price index for personal consumption



expenditures increased 2.7% on a year on year basis in October but fell 0.1% on the month. The core PCE index increased 1.7% on the year in October.



The US Labor Department reported that initial unemployment benefit claims

increased by 2,000 to a seasonally adjusted 393,000 in the week ending November 19th. The four week moving average of new claims fell by 3,250 to 394,250. The report showed that the number of continuing unemployment benefit claims increased by 68,000 to 3,691,000 in the week ending November 12th. The unemployment rate for workers with unemployment insurance for the week ending November 12th remained flat at 2.9%.

The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity fell 1.2% in the week ending November 18th following a 10% drop the previous week.

The Federal Reserve Bank of Kansas City's monthly manufacturing index stood at 4 in November, down from 8 in October.

The Thomson Reuters/University of Michigan Surveys of Consumers' final November consumer sentiment index fell to 64.1 from 64.2 in the preliminary November report. However it is up from 60.9 in October.

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	717,100	\$2.836	(\$0.218)	(\$0.595)	(\$0.380)	(\$0.219)
Chicago City Gate	546,000	\$3.004	(\$0.346)	(\$0.427)	(\$0.386)	(\$0.119)
NGPL- TX/OK	680,600	\$2.747	(\$0.303)	(\$0.684)	(\$0.343)	(\$0.415)
SoCal	640,500	\$3.115	(\$0.395)	(\$0.316)	(\$0.435)	(\$0.017)
PG&E Citygate	733,700	\$3.608	(\$0.198)	\$0.177	(\$0.238)	\$0.374
Dominion-South	635,200	\$2.900	(\$0.304)	(\$0.531)	(\$0.344)	(\$0.256)
USTrade Weighted	19,209,700	\$2.924	(\$0.340)	(\$0.507)	(\$0.38)	(\$0.219)

Markit reported that private business activity in the euro zone fell for a third consecutive month in November. Its flash euro zone composite PMI increased to 47.2, marking its third month below the 50 level. Separately, industrial new orders in the euro zone registered their largest decline in September

since December 2008. It fell by 6.4%.

The HSBC flash manufacturing purchasing managers' index fell in November to 48, a low not seen since March 2009.

Market Commentary

The natural gas market traded lower in overnight trading ahead of the release of the EIA natural gas stock report. The market remained pressured following the start of the open outcry session and posted a low of \$3.352. However the market quickly bounced off its low and rallied to a high of \$3.483 upon the release of the natural gas inventory report, which showed a lower than expected build of 9 bcf. It erased some of its gains and settled in a sideways trading range ahead of the close. The natural gas market settled in positive territory for the third consecutive day, up 4.5 cents at \$3.46.

The natural gas on Friday will likely remain rangebound with light volume trading amid the Thanksgiving holiday weekend. While, today's report provided some support to the market, its gains are still seen limited amid the oversupply in the market and the lack of any real cold temperatures in the horizon. The latest 8-14 day forecast is showing normal temperatures for much of the country. The natural gas market is seen finding resistance at \$3.483, \$3.511, \$3.563 and \$3.642. Support is seen at \$3.42, \$3.38, its low of \$3.352 followed by \$3.301, \$3.285 and \$3.249.