



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 30, 2010

NATURAL GAS MARKET NEWS

The CME reported that effective for trade date Monday, December 20th it would list onto CME Globex its existing Henry Hub Natural Gas Look-Alike Penultimate Financial Futures contract (HP). The contract will be listed on Globex for the nearby 12-month period, on a rolling basis, with the January 2011 contract month as the first listed month. The contract will remain available for trading on the NYMEX floor and for clearing on CME Clearport.

The New York State Assembly on Monday gave final approval to a six-month moratorium on issuing drilling permits for natural gas hydraulic fracturing. The bill calls for no drilling permits to be issued until at least May 15, 2011. The State Senate approved the bill back in August. The legislation now must be signed by Governor Patterson by the end of the year to go into effect. He is expected to sign the legislation. The extension of the moratorium was

Generation Update

NPCC – OPG's Nanticoke #6 coal fired power plant returned to service.

Dominion's Millstone #2 nuclear reactor ramped up to 7% power this morning, up from just 1% power on Tuesday.

SERC – Duke Energy's Catawba #1 nuclear unit returned to full power this morning, up 35% from Tuesday morning's levels.

FRCC – NextEra's Turkey Point #4 nuclear reactor returned to full power today after falling to 50% power on Tuesday.

Progress Energy reported that it has again delayed the return to service of its Crystal River reactor.

WECC – The Intermountain 2 coal plant was shut reportedly for maintenance.

PG&E's Diablo Canyon #2 nuclear unit started to ramp up early Wednesday after dipping to 50% in order to facilitate the cleaning of debris from the ocean water cooling system.

The NRC reported today that some 91,963 Mw of generating capacity was online today, up 1.7% from yesterday and 6.7% higher than the same day a year ago.

| 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 | 817,600 | \$4.211 | \$0.048 | (\$0.057) | (\$0.112) | (\$0.064) |
| Chicago City Gate | 954,000 | \$4.372 | (\$0.047) | \$0.104 | (\$0.144) | \$0.084 |
| NGPL- TX/OK | 662,600 | \$4.111 | \$0.010 | (\$0.157) | (\$0.087) | (\$0.273) |
| SoCal | 425,900 | \$4.234 | (\$0.104) | (\$0.034) | (\$0.201) | (\$0.038) |
| PG&E Citygate | 6,598,600 | \$4.458 | (\$0.096) | \$0.190 | (\$0.193) | \$0.323 |
| Dominion-South | 318,200 | \$4.443 | \$0.116 | \$0.175 | \$0.019 | \$0.021 |
| USTrade Weighted | 22,954,800 | \$4.261 | (\$0.015) | (\$0.007) | (\$0.11) | (\$0.064) |

driven by legislators desire to give state and federal agencies longer time to review the potential health impacts from the fracking procedure.

Natural gas oversupply will

extend into the coming ten years, the International Energy Agency's chief economist Faith Birol said today. Natural gas prices will also rise to \$7 MMBTU, supported by growing demand from China and the Middle East and retirement of coal generating facilities worldwide, Birol said.

JP Morgan Chase has traded 20 physical cargoes of liquefied natural gas since it started doing so nearly a year ago, said Andrew Slocum, executive director of LNG marketing and trading at JP Morgan.

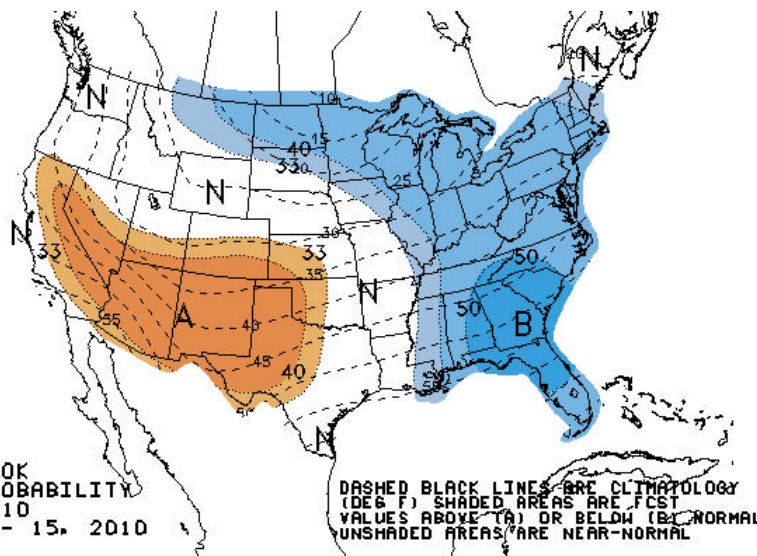
The UK-Belgium gas interconnector is scheduled to shut for maintenance for 15 days starting September 7, 2011, the operator said today. The 230-kilometer pipeline can transport 20 billion cubic meters per year between Bacton in Britain and Zeebrugge in Belgium and 25.5 bcm/yr in the other direction.

The new Peru LNG gas export plant will load 57 or 58 cargoes next year, representing about one cargo ever week, said Peru LNG's general manager Barbara Bruce today. The Peru LNG terminal began exporting LNG in June of this year and has the capacity to produce 4.5 million tons per year of LNG.

Repsol could send liquefied natural gas from the new Peru LNG export plant to Asia, the Spanish company's managing director of LNG said today. Two thirds of the project's production is earmarked for the Manzanillo terminal on Mexico's Pacific coast, which is expected to begin operations in Q4 2011.

Algeria believes the global gas market will recover from the current oversupply over the coming months as demand picks up, the country's energy minister told reporters today. A gas glut has put pressure on prices and is seen to continue for another 10 years despite rising demand, the International Energy Agency said last month.

Global liquefied natural gas demand will double by 2020, driven by increases in Asia, but supply will struggle to keep up over that period, GDF Suez's president of LNG said today. GDF Suez's Phillip



Olivier said difficulties in getting new production projects online will lead to a sellers' market in the future, which is a change from the buyers' market which currently exists due to ample supply. "New liquefaction projects remain very expensive and with permitting and (limited) availability to feed gas, financing remains quite problematic," Olivier told the CWC LNG conference in Barcelona.

Moreover, existing liquefaction plants will underperform due to increased domestic needs in exporting countries.

The Egyptian oil minister said today that Egypt's gas exports this year will be unchanged from 2009, as the low prices has hampered sales, while at the same time rising domestic demand for gas has been pulling on supplies. He noted that for the time being there is a reluctance to invest in expansion plans as price does not support further growth.

National Grid started commercial operations of the second capacity expansion project at its UK Isle of Grain LNG terminal today, the company said. The energy network operator finished the

commissioning of the new jetty one month after it received its first LNG delivery from Norway. National Grid said it was in discussions with a number of interested parties for a further terminal expansion, which could start in the winter 2015/2016.

Iraq expects to sign an initial contract for the Akkas gas field within days, a senior Iraqi official said today, after a delay due to a row between the oil ministry and local authority over exports. South Korea's KOGAS and Kazakhstan's KazMunaiGas won a deal on Oct. 20 to develop the western Akkas gas field, near the Syrian border, in Iraq's third energy auction since the 2003 U.S.-led invasion. But the initial signing, originally scheduled for Nov. 14, was postponed, Iraqi oil officials said the delay was to give the companies more time to look over the contract, amid a dispute between the Iraqi government and provincial officials over the deal.

State-run Indian Oil Corp expects to commission its planned liquefied natural gas terminal in south India in 2015-2016 as local production is unlikely to meet the growing demand of industries such as power and fertilizers, its chairman said today. The refiner will scout for partners for the Tamil Nadu project, on which work is yet to start, he said at an industry conference. India's current gas consumption is around 170 million standard cubic meters a day, out of which 142 million standard cubic meters are produced locally and the rest is imported, Oil Secretary S. Sundareshan said in July.

The British natural gas market remained firm today as cold temperatures was resulting in demand running some 100 mcm above normal levels. In addition the Met Office said their 16-30 day forecast is calling for temperatures to remain below normal for the period.

ELECTRIC MARKET NEWS

The Illinois state House of Representatives has approved Tenaska's Taylorville coal plant.

North America should have enough power for winter peak heating demand, according to the organization which ensures the reliability of North America's bulk power system. North American Electric Reliability Corp projected a rise to 47 percent this winter for reserve margins from last year's 32.5 percent.

Power production in the continental United States for the week ended November 27 rose 3.2 percent from the same week last year to 70,827 gigawatt hours, according to data released Wednesday by the Edison Electric Institute. The Pacific Northwest showed the largest year-on-year percentage gain in output, jumping 19.9 percent to 3,989 GWh. The Southeast, meanwhile, showed the largest of only two regional losses in output, sliding 1.6 percent to 18,112 GWh, EEI said.

The CME said today that effective December 6th, it will launch two new financially settled Alberta electricity swap futures contracts for trading on the NYMEX floor and for submission for clearing through Clearport. The contracts are Alberta Power Pool Calendar Day Swap Futures (AOD) and Alberta Power Pool Calendar Month Swap Futures (AOM).

ECONOMIC INDICATORS

The US Labor Department reported that US productivity increased more than previously expected in the third quarter. Nonfarm business productivity increased at a 2.3% annual rate in the third quarter compared with a previous estimate of 1.9%. US productivity fell by 1.8% in the second quarter.

The Institute for Supply Management reported its Purchasing Managers' Index fell to 56.6 in November from 56.9 in October.

ADP reported that private sector payrolls continued to expand in November by 93,000. Economists were expected private sector payrolls to increase by 70,000 in November. The estimated change in employment for October was revised to show an increase of 82,000 compared with the previously reported 43,000.

The US Commerce Department reported that spending on US construction projects unexpectedly increased in October. Construction spending increased by 0.7% to a seasonally adjusted annual rate of \$802.32 billion compared to the prior month. Spending on US residential projects increased by 2.4% to \$240.32 billion after increasing by 0.7% in September.

JP Morgan Global Manufacturing PMI increased to 53.9 in November from 53.7 in October.

The China Federation of Logistics and Purchasing said the country's official purchasing managers' index increased to a seven month high of 55.2 in November from 54.7 in October. Separately, HSBC's China Purchasing Managers' Index increased in November to an eight month high. The index increased to 55.3 from 54.8 in October.

MARKET COMMENTARY

The natural gas market today while falling into negative territory at mid morning, as private weather forecaster EarthSat released their temperature outlook for January and February which showed that most of the nation could experience above normal temperatures which would result in HDD on a gas weighted basis running some 5.9% less than normal in January and February, bounced back as midday short term weather forecasts again changed and now were calling for the very cold conditions in the east during the 6-10 day period will last through the 11-15 day period. The afternoon rally in the January natural gas futures resulted in prices retracing basically 50% of the sell off from the past week.

Market expectations for tomorrow's EIA natural gas storage report appear to be centered around a draw of 25-26 bcf. For the same week a year ago stocks were pulled down by an adjusted 2 bcf while the five year seasonal average is for a 36 bcf decline.

While this afternoon's forecast models appeared to point to the colder than normal temperatures from the 6-10 day period over the eastern half of the nation remaining in place for the 11-15 day period, the extent of these colder temperatures does not appear to be as severe though. This coupled with long term forecasts that are calling for January and February to be nearly 6% warmer than normal, sure does not appear to lay the ground work for a runaway bullish market. Prices though may hold at current levels for a short period of time given the return of colder than normal temperatures for much of the nation for the next week. We look for resistance tomorrow to be found at \$4.325 followed by \$4.366 and \$4.487-\$4.515. Support we see at \$4.235, \$4.176-\$4.164, \$4.126-\$4.106.

The March April spread also posted a strong rebound today retracing nearly 55% of its recent sell off, on good volume, with over 10,000 spreads changing hands today on Globex. This spread we look to see resistance tomorrow at 4.2 cents followed by 4.5, 5.0 and 5.8 cents. We continue to look for the spread to move into negative territory. In coming weeks.

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