

Market Insight

Tuesday, August 30, 2011

MARKET ANALYSIS	Summary	Opinion
	<p>Electric and natural gas futures prices have fallen significantly, and are currently at some of the lowest levels we have seen this year. The September natural gas contract settled at \$3.857, under the \$4.00 price floor. Production seems relatively unaffected by the recent hurricane, however, it has led to a temporary decrease in demand for fuels (given the 5 million homes without power). This has contributed to downward movement.</p> <p>Spot power prices in most of PJM continue to remain low and below last year's settlements.</p> <p>Hurricane threats continue along the East coast, especially in the Gulf region. Various emission regulations are being discussed which could impact production and generation capabilities. Stay tuned in coming weeks for updates.</p>	<ul style="list-style-type: none"> Short-term: Markets will balance: (1) attractiveness of pricing (upward pressure as people buy), (2) average temperatures and lack of news (downward pressure). Short-term should remain in general region short-term. Mid-term: Potential for increased hurricane activity as the season continues. Hurricane threats adversely impact prices. Long-term: Market likely to be stressed in both directions by: economic recovery, natural gas export options, environmental options, and shale gas extraction. We believe that the market has extreme volatility risk based on the outcome of some of these decisions, likely in the upward direction.

NATURAL GAS	12 Month Future Strip	Next Month (Prompt) & Future Strip Prices																																																																							
	<p>A 12 month natural gas strip is an equal average of the next 12 months of prices.</p>	<table border="1"> <thead> <tr> <th></th> <th>Oct-11</th> <th>12 Month</th> <th>24 Month</th> <th>36 Month</th> <th>Percentile</th> </tr> </thead> <tbody> <tr> <td>Price</td> <td>\$3.86</td> <td>\$4.19</td> <td>\$4.47</td> <td>\$4.69</td> <td>100%</td> </tr> <tr> <td>Percentile</td> <td>8%</td> <td>2%</td> <td>1%</td> <td>1%</td> <td>90%</td> </tr> <tr> <td>Minimum</td> <td>\$2.51</td> <td>\$3.93</td> <td>\$4.35</td> <td>\$4.47</td> <td>80%</td> </tr> <tr> <td>25th</td> <td>\$4.28</td> <td>\$4.68</td> <td>\$4.94</td> <td>\$5.10</td> <td>70%</td> </tr> <tr> <td>50th</td> <td>\$4.60</td> <td>\$5.12</td> <td>\$5.68</td> <td>\$6.03</td> <td>60%</td> </tr> <tr> <td>75th</td> <td>\$7.27</td> <td>\$6.71</td> <td>\$7.16</td> <td>\$7.38</td> <td>50%</td> </tr> <tr> <td>Maximum</td> <td>\$13.73</td> <td>\$13.33</td> <td>\$12.59</td> <td>\$12.03</td> <td>40%</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>30%</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>20%</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>10%</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0%</td> </tr> </tbody> </table> <p>Prices on 8/29/11; percentiles since 2008; Prompt is Oct since 2008.</p>		Oct-11	12 Month	24 Month	36 Month	Percentile	Price	\$3.86	\$4.19	\$4.47	\$4.69	100%	Percentile	8%	2%	1%	1%	90%	Minimum	\$2.51	\$3.93	\$4.35	\$4.47	80%	25th	\$4.28	\$4.68	\$4.94	\$5.10	70%	50th	\$4.60	\$5.12	\$5.68	\$6.03	60%	75th	\$7.27	\$6.71	\$7.16	\$7.38	50%	Maximum	\$13.73	\$13.33	\$12.59	\$12.03	40%						30%						20%						10%					
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VOLATILITY	Next Month (Prompt) Natural Gas	Recent Prices, Next Month (Prompt) Natural Gas																																																											
	<p>Recent high/low/closing of the next month's natural gas price (prompt) vs. 5 day moving average.</p>	<table border="1"> <thead> <tr> <th>Last 5 Days</th> <th>Mon 8/29</th> <th>Fri 8/26</th> <th>Thu 8/25</th> <th>Wed 8/24</th> <th>Tue 8/23</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>\$3.93</td> <td>\$3.96</td> <td>\$3.98</td> <td>\$4.03</td> <td>\$4.05</td> </tr> <tr> <td>Close</td> <td>\$3.86</td> <td>\$3.93</td> <td>\$3.93</td> <td>\$3.92</td> <td>\$3.99</td> </tr> <tr> <td>Low</td> <td>\$3.83</td> <td>\$3.90</td> <td>\$3.87</td> <td>\$3.91</td> <td>\$3.87</td> </tr> <tr> <td>True Range</td> <td>\$0.10</td> <td>\$0.11</td> <td>\$0.11</td> <td>\$0.12</td> <td>\$0.17</td> </tr> <tr> <th>Previous 5 Days</th> <th>Mon 8/22</th> <th>Fri 8/19</th> <th>Thu 8/18</th> <th>Wed 8/17</th> <th>Tue 8/16</th> </tr> <tr> <td>High</td> <td>\$3.93</td> <td>\$3.97</td> <td>\$4.00</td> <td>\$3.98</td> <td>\$4.04</td> </tr> <tr> <td>Close</td> <td>\$3.89</td> <td>\$3.94</td> <td>\$3.89</td> <td>\$3.93</td> <td>\$3.93</td> </tr> <tr> <td>Low</td> <td>\$3.85</td> <td>\$3.90</td> <td>\$3.84</td> <td>\$3.89</td> <td>\$3.90</td> </tr> <tr> <td>True Range</td> <td>\$0.14</td> <td>\$0.08</td> <td>\$0.15</td> <td>\$0.09</td> <td>\$0.14</td> </tr> </tbody> </table> <p>True range is the maximum movement between the high, low, and previous day's close.</p>	Last 5 Days	Mon 8/29	Fri 8/26	Thu 8/25	Wed 8/24	Tue 8/23	High	\$3.93	\$3.96	\$3.98	\$4.03	\$4.05	Close	\$3.86	\$3.93	\$3.93	\$3.92	\$3.99	Low	\$3.83	\$3.90	\$3.87	\$3.91	\$3.87	True Range	\$0.10	\$0.11	\$0.11	\$0.12	\$0.17	Previous 5 Days	Mon 8/22	Fri 8/19	Thu 8/18	Wed 8/17	Tue 8/16	High	\$3.93	\$3.97	\$4.00	\$3.98	\$4.04	Close	\$3.89	\$3.94	\$3.89	\$3.93	\$3.93	Low	\$3.85	\$3.90	\$3.84	\$3.89	\$3.90	True Range	\$0.14	\$0.08	\$0.15	\$0.09
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WEATHER	6 Day Forecast: Newark, NJ	6-10 Day Temperature Deviation (vs. Average)																																																																									
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INDEX/LMP PRICES	Current vs. 5 Year Average	Actual Prices by Zone																																							
	<p>PJM West Hub Price History</p>	<table border="1"> <thead> <tr> <th></th> <th>PSE&G</th> <th>JCP&L</th> <th>PECO</th> <th>N.Y.C.</th> </tr> </thead> <tbody> <tr> <td>Today</td> <td>\$38.64</td> <td>\$38.47</td> <td>\$37.36</td> <td>\$43.24</td> </tr> <tr> <td>vs. Last Month</td> <td>-27.75</td> <td>-27.93</td> <td>-31.00</td> <td>-25.59</td> </tr> <tr> <td>Last Week</td> <td>\$42.72</td> <td>\$42.70</td> <td>\$43.54</td> <td>\$52.11</td> </tr> <tr> <td>This Month</td> <td>\$46.28</td> <td>\$46.12</td> <td>\$46.62</td> <td>\$52.70</td> </tr> <tr> <td>Last Month</td> <td>\$66.39</td> <td>\$66.40</td> <td>\$68.36</td> <td>\$68.83</td> </tr> <tr> <td>Last 90 Days</td> <td>\$55.51</td> <td>\$55.45</td> <td>\$56.54</td> <td>\$59.76</td> </tr> <tr> <td>Year to Date</td> <td>\$53.25</td> <td>\$52.52</td> <td>\$52.36</td> <td>\$58.60</td> </tr> </tbody> </table> <p>All prices are flat averages of all 24 hours. Expressed in \$ / MWh. Data as of 08/30/2011</p>		PSE&G	JCP&L	PECO	N.Y.C.	Today	\$38.64	\$38.47	\$37.36	\$43.24	vs. Last Month	-27.75	-27.93	-31.00	-25.59	Last Week	\$42.72	\$42.70	\$43.54	\$52.11	This Month	\$46.28	\$46.12	\$46.62	\$52.70	Last Month	\$66.39	\$66.40	\$68.36	\$68.83	Last 90 Days	\$55.51	\$55.45	\$56.54	\$59.76	Year to Date	\$53.25	\$52.52	\$52.36
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