

## MARKET EDGE

**Market Update****Is the Train Leaving the Station?**

As we head into February 2010, electricity and natural gas prices have moved up off their recent 5-7 year lows, but remain very attractive. In our experience, this can be a dangerous time for customers. It is easy to look in the rear-view mirror and hope the market will return to historic lows, but while you are looking back, the train may be leaving the station. We don't want you to miss the train. Taking positions as the market moves up can be a prudent approach. Sticking with a solid risk management strategy can yield long-term benefits. Let World Energy show you how.

**Around the Horn*****Fast Facts on State and Regional Energy Developments***

**CA** – Electricity customers should stand by and be ready to act once policy matters are ironed out to again allow competitive choice. Details should be finalized around April. Since there will be a cap to the percent of load switched, it will likely be a land-grab once policy is finalized. Contact World Energy now to begin prepping, including gathering historical data and defining your purchasing requirements. Customers can consider signing up for an index contract now with a start date of first meter read date (MRD) after “trigger,” with the trigger being the announcement of when the market will open up.

**CT** - In the Yankee and Southern CT gas markets, basis continues to be very cheap – 3rd percentile of the 52 week high/low range. We think this is a good time for customers to transact in this market.

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**DC** - A wholesale electricity RFP process was recently concluded which will impact rates beginning June 2010.

**DE** - A Delmarva power auction on January 25 will reset rates beginning June 2010.

**MA** - New electricity basic service rates for National Grid take effect in February. Commercial and Industrial customers behind all other MA utilities had new rates effective in January.

**MD** - Procurement for Type II power rates is occurring in mid-Jan, and procurement for Type I accounts will follow for the June 2010 - June 2011 service period.

**ME** - CMP and Bangor Hydro electricity rates will be reset effective March 1, 2010 based upon results from a January procurement.

**OH** - In addition to customers in First Energy territories, customers behind AEP should now consider shopping for competitive supply. World Energy sees sizable savings in this market compared to the utility rate.

**NJ** - A Basic Generation Service procurement will be held in February, resetting power prices for one third of the BGS load through a 36 month term effective June 2010.

**PA** - MetEd, Penelec electricity rates will be reset for the first half of 2011 based on results from a January auction. PennPower rates are reset effective June 2010 - May 2011 based on a wholesale purchase PennPower is making this month. PPL and PECO are procuring this month for the 2011 service period.

**RI** - Electricity rates will be reset effective April 2010 based on a mid-February procurement.

**PJM** - Customers with Demand Response capability should begin shopping for a Curtailment Service Provider "CSP" - but don't make a hasty decision. Despite what many CSPs are telling the marketplace, customers have beyond mid-February to make a choice.

Be nimble and opportunistic! Contact World Energy today at [marketedge@worldenergy.com](mailto:marketedge@worldenergy.com) to discuss how you can make the most of these market developments.

## Fundamentals

Though this winter has proved to be colder than usual, natural gas storage remains at above average levels with 2,607 Bcf in the ground as of the EIA storage report released 1/21/2010. A cold January has led to larger than average withdrawals, but the massive amount of gas in storage kept prices from shooting up. Prompt month prices have spiked as high as \$6.01 and dipped as low as \$5.45 during trading up to the week ending 1/22.

Bigger picture, the future of natural gas prices may hinge on how stories like the following unfold: As 2009 drew to a close, Exxon Mobil rocked the industry with its bid for natural

## Customer Quote

*"With World Energy, we were not only able to secure an electricity contract at approximately 10% below the utility's published rate for 2010, but also able to commit to 25% renewable energy, which is a win for our company, our employees, and the environment," said Gary King, Director, Manufacturing Development at General Dynamics Land Systems.*

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gas producer XTO Energy. The \$31 billion dollar bid has wide-reaching implications, affecting everything from the viability of natural gas as a bridge fuel, to hydraulic fracturing legislation, to the direction of the world's second largest company.

This investment would diversify Exxon's energy offerings, positioning it to become the largest natural gas producers in the U.S. XTO Chairman and Founder Bob Simpson sees this as a win for his company as well, citing that – post-acquisition – XTO would have the program management, research and development, and financial backing to maximize its market opportunities.

This acquisition is playing out against the backdrop of proposed legislation to limit or regulate hydraulic fracturing. Many of XTO's exploratory ventures are located in shale plays where the only means of extraction is hydraulic fracturing. Last week, Bloomberg news reported that Congress most likely will vote against limiting hydraulic fracturing, siding with energy industry experts who defend their practices against claims from environmentalists that fracturing threatens, among other things, ground water. If "fracking" remains un-regulated, the Exxon Mobile/XTO venture could point to a seismic shift in the role of fossil fuels in America's energy future.

## You Asked

### World Energy Answers Your Energy Market Questions

***Q: I am under contract through the end of the year. However, I see that energy prices are more attractive now than when I signed my current contract. Is it too early for me to go to market for my 2011 energy needs?***

A: Even if you are under contract through 2010 or longer, it is absolutely not too early to take advantage of this buyer's market. Many suppliers are aggressively marketing to customers with a contract start date sometime in 2011. As with most commodities, power prices typically are more expensive in the long term. However, since power prices are currently very low – near or at 2005 levels – customers are receiving extremely attractive pricing in auctions for a 2011 contract.

In addition, this is also a great time for customers in the PECO, Allegheny, and FirstEnergy territories in PA to begin thinking about their 2011 energy needs. With rate caps expiring at the end of the year, customers have an opportunity not only to beat the default utility rates next year, but also to lock in their supply contracts at a very low rate. Whatever your situation, this is a good time to take a proactive approach to meeting your future energy needs.

Note: We welcome your questions about energy markets and how to be more successful in them. If you have a question you would like us to address in a future issue, or have one you would like to discuss with World Energy immediately, please e-mail us at [marketedge@worldenergy.com](mailto:marketedge@worldenergy.com).

### Pricing Update

#### Natural Gas

In mid-December, Natural Gas prices began a spirited rally that went just a hair above \$6.00 p/Dth. Since then prices have traced out a high level consolidation digesting its market action in a tight range testing the new resistance level at 6.00 and new support at 5.50. This consolidation action sapped momentum, creating a negative divergence in the MACD. While this weakness was also marked by the MACD's drop through its signal line, it has recently curled back up and it wouldn't take much to cross (giving Natural Gas a positive pricing boost and confirming the start of a new Short Term bullish campaign). The major fundamental consideration of more than ample supply, however, suggests there isn't much elasticity in pricing and that barring some unforeseen event the 6.00 level may be difficult to breach convincingly.



#### PJM

The PJM Index has continued to trend higher as exemplified by the green trend line shown on the chart below. This demand-driven trend is generally aligned closely with temperature fluctuations in the region, and such is the case this winter season. The MACD, which has been in gear to the upside since it crossed its signal line in October, continues to indicate the increasing seasonal demand. The US Weather Service predicts much cooler than normal

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temperatures will overspread the region for much of the next 6-10 days which should result in pushing the Index even higher.

Looking out a bit longer in time (8 to 14 days) the Weather Service predicts temperatures will return to normal. View the 6-10 day predictive chart at this link: [www.cpc.noaa.gov/products/predictions/610day/index.php](http://www.cpc.noaa.gov/products/predictions/610day/index.php).

