

Argus US Electricity

Incorporating the Energy Market Report



Power Market Prices and Analysis

Issue 11-034

18 February 2011

Day-ahead peak prices							
Trade date 18-Feb-11							
	\$/MWh	Price*	Change	Low	High	MW	Trades
East	NY G	48.00	7.25	47.50	48.50	-	-
	PJM W	39.00	3.25	38.50	39.50	-	-
	NE Pool	47.50	9.50	47.00	48.00	-	-
ERCOT	Houston	33.00	0.00	32.50	33.50	-	-
	North	31.87	-1.55	31.10	32.00	275	6
	South	34.00	0.16	33.50	34.50	-	-
	West	32.00	-1.00	31.50	32.50	-	-
Midwest	Cinergy	31.75	2.25	31.25	32.25	-	-
	N. Ill.	32.00	1.00	31.50	32.50	-	-
	PJM AD	32.75	-0.25	32.25	33.25	-	-
Southeast	Entergy	28.50	1.25	28.00	29.00	-	-
	Southern	28.00	-0.25	27.50	28.50	-	-
West	COB	33.27	0.82	32.50	34.00	150	6
	Four Corners	31.55	-1.05	31.15	31.75	75	3
	Mead	34.00	0.73	34.00	34.00	175	4
	Mid-C	28.96	-2.47	27.75	33.00	2,615	100
	Mona	34.00	3.00	33.50	34.50	-	-
	NP 15	36.00	0.25	35.50	36.50	-	-
	Palo Verde	31.77	0.52	31.00	32.25	425	14
	SP 15	36.50	0.25	36.00	37.00	-	-

Day-ahead off-peak prices							
Trade date 18-Feb-11							
	\$/MWh	Price*	Change	Low	High	Volume	Trades
East	NY G	38.50	6.00	38.00	39.00	-	-
	PJM W	34.00	5.00	33.50	34.50	-	-
	NE Pool	35.00	5.00	34.50	35.50	-	-
ERCOT	Houston	17.00	-1.25	16.50	17.50	-	-
	North	18.00	-1.46	17.50	18.50	-	-
	South	18.25	-1.75	17.75	18.75	-	-
	West	15.00	2.00	14.50	15.50	-	-
Midwest	Cinergy	20.00	0.50	19.50	20.50	-	-
	N. Ill.	18.00	0.75	17.50	18.50	-	-
	PJM AD	26.50	0.75	26.00	27.00	-	-
Southeast	Entergy	20.00	2.75	19.50	20.50	-	-
	Southern	21.00	2.00	20.50	21.50	-	-
West	COB	17.75	-7.25	17.25	18.25	-	-
	Four Corners	18.50	-5.75	18.00	19.00	-	-
	Mead	20.75	-4.25	20.25	21.25	-	-
	Mid-C	16.13	-6.24	14.00	17.75	2,575	87
	Mona	17.00	-6.00	16.50	17.50	-	-
	NP 15	21.50	-6.25	21.00	22.00	-	-
	Palo Verde	20.00	-4.00	19.50	20.50	-	-
	SP 15	22.00	-5.75	21.50	22.50	-	-

* When MW and trade number are blank, the low/high/price represent bid/ask/assessment. When MW and trade number have values, low/high/price represent low trade, high trade and volume-weighted average

News

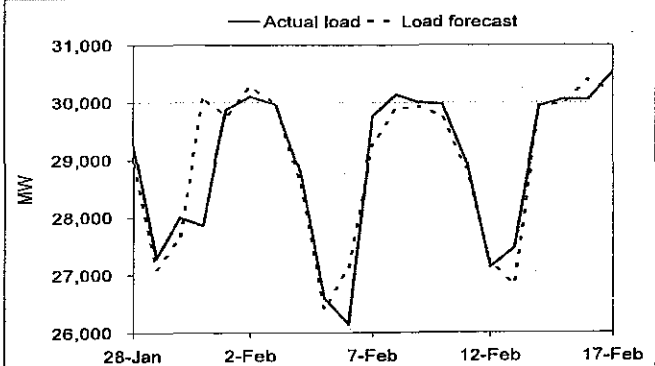
• Portland General Electric (PGE) said this week it has entered into a memorandum of understanding (MOU) with the Bonneville Power Administration (BPA) that will enable the two organizations to coordinate the development of electrical transmission facilities and substations in Oregon. **The MOU will permit PGE and BPA to share confidential information and consider joint development of transmission projects that would help state utilities meet renewable energy standards.**

• A Fishermen's energy affiliate wants to certify its proposed demonstration offshore wind farm as a generator of New Jersey offshore renewable energy credits (OREC). Fishermen's Atlantic City Wind Farm this week filed a petition with the New Jersey Board of Public Utilities seeking approval of the electric rates it plans to charge for power from a six-turbine wind farm off the coast of Atlantic City. The company also asked the board to approve it as a generator of ORECs, to help finance the facility.

• The US House of Representatives today voted to bar the Environmental Protection Agency from enforcing limits on greenhouse gas emissions from stationary sources for the remainder of fiscal year 2011.

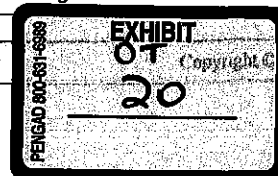
Note to subscribers: Due to the Presidents Day holiday, Argus US Electricity will not be published on Monday, 21 February. The next issue will be on Tuesday, 22 February.

CAISO peak load: Actual vs forecast



Inside

- Industrial use fuels Duke load 2
- Dark spreads buckle under downward price pressure 5
- Hydro output eases in Northwest 8
- Colder weather boosts gas 11



East Markets

• Duke Energy said weather-normalized customer load increased approximately 2pc in 2010, driven by a 7pc increase in its industrial customer base. Residential and commercial customer classes were flat for the year. During a fourth quarter 2010 earnings call, chief financial officer Lynn Good said although the company saw an increase in total customer load compared to 2009, **it expects 2007 pre-recessionary levels not to return until about 2015.** Duke expects 2,700MW of new capacity to come online by 2013 through the completion of Edwardsport, Cliffside, Buck and Dan River power plants. Buck is expected to be in service later this year, while the rest are expected to go online in 2012.

• Dominion Resources has re-filed an application with the Independent System Operator (ISO) New England to close its 745MW Salem Harbor coal-fired power station in Massachusetts by June 2014. A Dominion spokesman said the company does not wish to keep the plant going if it is unable to recover the costs of complying with environmental regulations that begin in 2014. A previous application to the ISO to recover the costs was rejected by the system operator. **The ISO has 90 days to complete a reliability study to determine whether the Salem plant is needed to ensure the reliability of the grid.** If it determines the plant is needed for reliability, Dominion will try to renegotiate the recovery of costs of complying with environmental regulations through an increase to its rates, said a spokesman. Dominion originally notified the ISO in October last year that it did not want the Salem plant to participate in the system operator's forward capacity auction for June 2014-May 2015.

• **Dark spreads across several northeastern hubs fell into negative territory this week as eastern coal markets pulled back under pressure from lower natural gas prices.** The off-peak day-ahead spark spread for a 10mmBtu/MWh coal plant delivering power to New England fell 15pc to end the week at -\$7.58, according to Argus assessments. The peak is down 96pc to 42¢. The peak spark spread for efficient natural gas generation stands at a \$3.11 premium to coal. In New York Zone A, the peak dark spread is down 107pc to -\$0.28. New York Zone G's peak dark spread is down 65pc to \$7.99. Despite the fall, the region's dark spark is at a \$2.96 premium to natural gas.

• Power trader DC Energy won the rights to transmit the largest share of power (18,328MW) at a fixed cost in the ISO New England's March 2011 financial transmission rights auction. Louis Dreyfus Energy Service won the second largest share (16,558MW), followed by DB Energy Trading (6,426MW). NextEra Energy Power Marketing paid the highest price for financial transmission rights, **paying \$433.27 to sink 1MW of peak power to the Springfield network node in Massachusetts.**

• Dominion Virginia Power restarted its 799MW Surry Unit 2 reactor in Virginia after idling the unit for the past two weeks to repair a valve in the coolant system. **The reactor was operating at 59pc of capacity today.** Progress Energy's 900MW Shearon Harris Unit 1 reactor in North Carolina was running at full capacity after its output was reduced to 63pc yesterday.

Forward markets																			\$/MWh	
	PJM West				NEPOOL				New York A				New York G				New York J			
	Peak			Off-Peak	Peak			Off-Peak	Peak			Off-Peak	Peak			Off-Peak				
	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Price	
Mar-11	43.85	14.17	7.55	35.50	46.25	16.22	9.25	37.45	37.65	8.88	4.05	32.25	49.15	16.95	16.85	38.90	53.90	22.68	40.40	
Apr-11	43.65	14.74	7.05	33.50	46.20	17.43	8.60	37.00	37.10	7.70	3.30	31.90	48.85	17.31	14.05	37.65	51.60	21.78	39.15	
May-11	43.65	14.32	7.45	32.90	44.85	15.45	0.05	35.95	37.20	8.96	1.90	30.25	47.50	17.47	5.10	36.25	52.75	22.44	37.85	
Jun-11	47.80	18.12	10.70	33.75	46.30	16.69	1.10	35.50	38.85	10.64	3.15	31.25	52.50	22.05	9.30	37.50	59.50	28.84	39.60	
Jul-11	57.30	27.34	19.60	36.90	55.65	25.34	9.25	39.40	44.70	14.53	8.50	34.15	63.55	32.61	19.35	41.90	73.50	42.28	46.15	
Aug-11	56.90	26.73	20.00	37.15	54.90	24.66	10.10	39.20	44.40	14.23	8.90	34.05	63.35	32.34	19.95	41.30	73.35	42.06	46.00	
Spr-11	43.75	14.49	7.35	34.50	46.25	16.85	1.95	37.20	37.40	8.28	2.10	32.05	48.05	17.18	5.65	38.25	52.80	22.28	39.75	
Sum-11	57.30	27.20	20.40	37.05	55.30	25.06	9.80	39.40	44.70	14.53	9.20	34.15	63.35	32.34	19.95	41.90	73.50	42.21	46.15	
Q4-11	44.65	11.54	7.15	35.65	50.20	11.91	3.90	40.75	39.35	5.25	3.55	32.65	51.35	14.39	7.25	39.65	56.35	18.97	41.60	
Win-12	51.15	10.62	13.25	43.45	61.00	11.30	14.60	50.40	43.35	7.79	7.45	35.95	62.50	16.16	18.30	49.50	71.75	22.33	51.50	
Spr-12	46.00	12.61	7.90	37.25	48.00	13.70	1.20	39.25	37.60	3.51	1.40	33.00	49.85	13.87	5.25	40.00	58.85	20.29	47.25	
Sum-12	58.80	25.76	19.40	38.50	56.45	22.43	7.85	41.00	44.50	10.48	7.20	36.95	64.40	29.54	17.90	42.25	75.65	40.58	49.50	
Q4-12	45.75	10.05	7.65	36.75	51.25	9.67	4.45	41.40	39.95	2.22	3.75	33.25	52.20	12.16	7.60	39.75	57.70	17.03	41.25	
Win-13	53.85	11.50	15.15	46.00	62.75	10.74	15.75	51.50	44.60	5.68	7.90	37.55	64.15	16.13	19.35	47.60	72.55	20.89	54.95	
Cal-12	50.45	15.45	12.05	39.00	54.20	15.77	7.10	43.00	41.35	6.21	4.95	34.80	57.25	19.10	12.25	42.90	65.25	26.40	47.40	
Cal-13	51.40	14.58	12.20	40.25	57.45	16.71	9.65	45.20	42.25	4.45	5.05	35.95	59.75	19.71	14.15	44.60	66.60	25.44	49.10	
Cal-14	54.15	15.44	14.05	42.00	56.60	13.41	8.20	46.10	43.85	3.88	5.85	36.50	61.75	19.75	15.65	45.95	67.95	24.20	51.35	
Cal-15	57.55	18.56	16.45	45.00	60.30	16.90	11.20	48.80	46.85	4.50	7.95	38.50	63.45	20.96	16.75	48.85	71.95	27.36	52.10	

East Markets

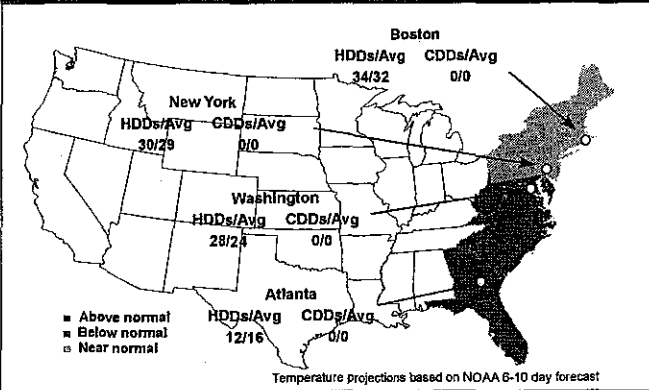
Spot natural gas in \$/mmBtu

Location	Average	Low	High
Col Gas Appalachia	3.940	3.910	3.970
Dominion South Point	3.975	3.950	4.060
Florida Gas zone 3	3.880	3.840	3.910
Texas Eastern zone M3	4.285	4.100	4.430
Transco zone 4	3.805	3.750	3.875
Transco zone 6 NY	5.040	4.980	5.150

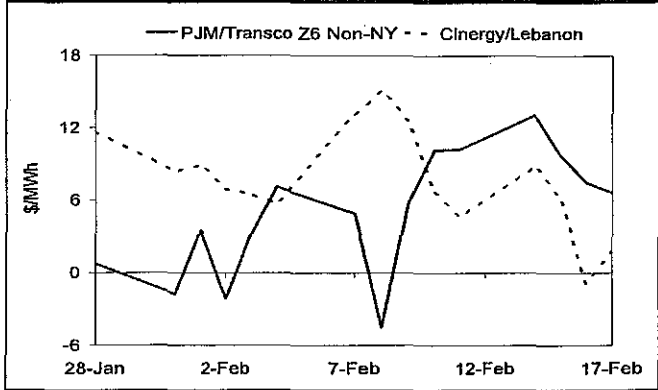
Forward natural gas in \$/mmBtu

Location	March	Apr 2011-Jun 2011	Apr 2011-Oct 2011
Columbia Gas App.	4.006	4.019	4.232
Dominion South Pt.	4.066	4.061	4.257
Florida Gas Zone 3	3.906	—	4.211
Texas Eastern M-3	4.366	4.211	4.427
Transco Zone 4	3.872	—	4.142
Transco Zone 6 NY	4.656	4.231	4.472

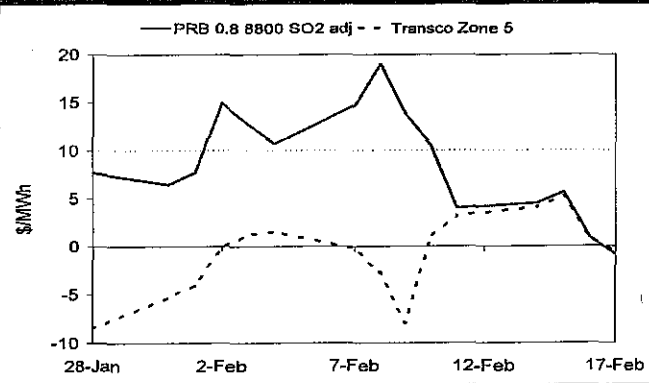
Degree days outlook vs temperature: 24-Feb



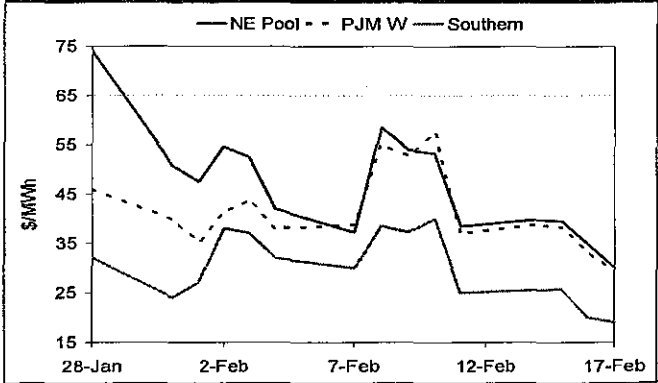
Implied gas spark spreads



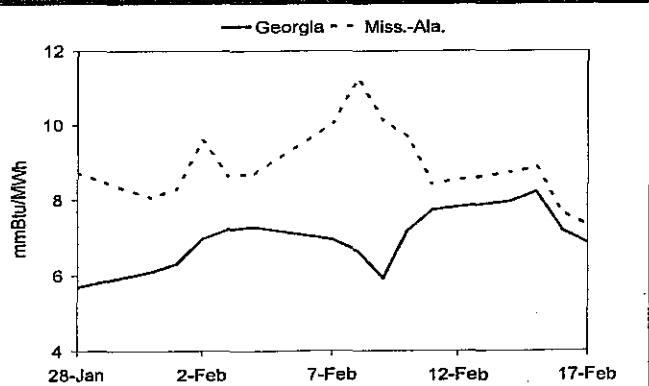
Southern spark spreads



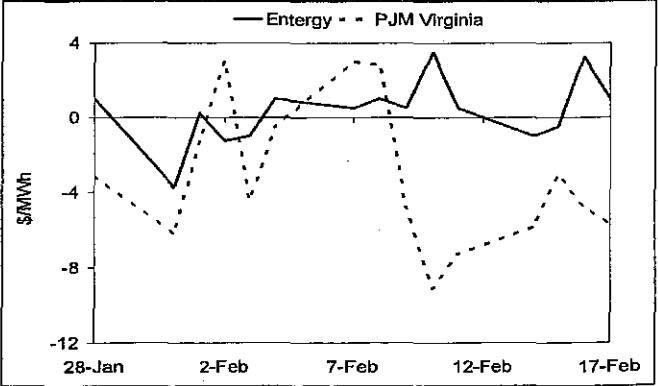
Off-peak



Southern peak implied gas heat rate



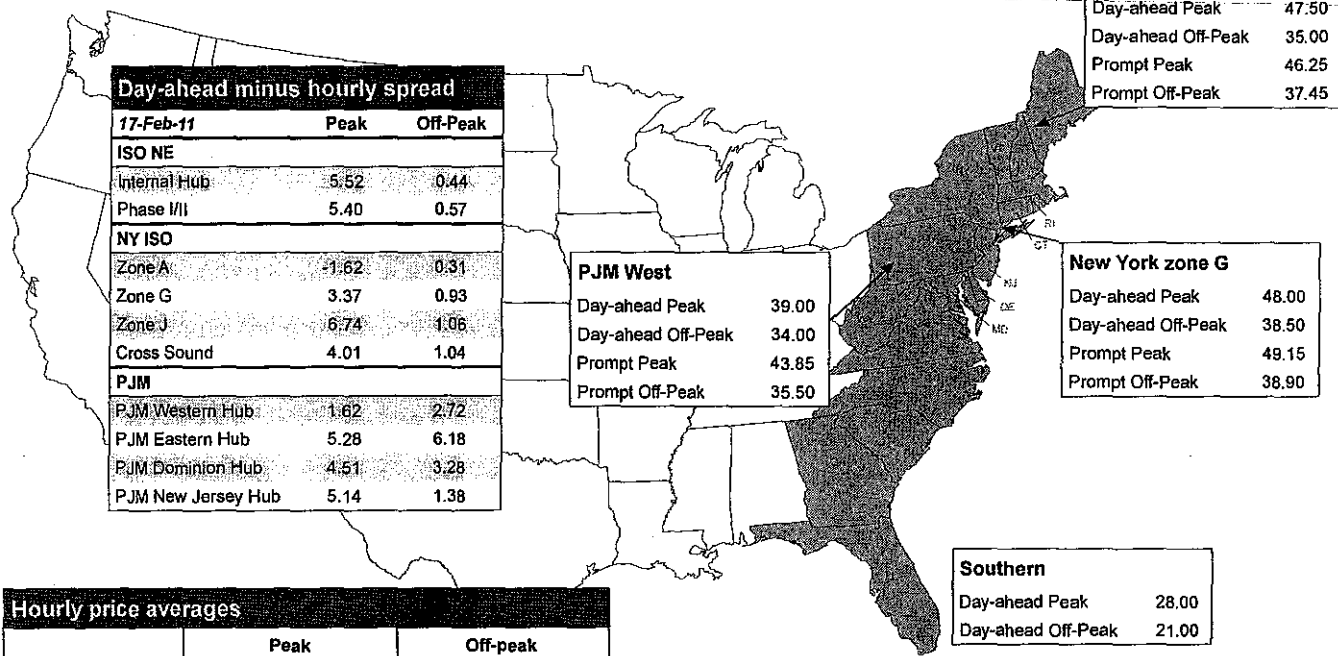
SoCo day-ahead spreads



East Prices at a Glance

\$/MWh

Day ahead markets for 18-Feb-11



	Peak		Off-peak	
	17-Feb-11	16-Feb-11	17-Feb-11	16-Feb-11
ISO NE				
Internal Hub	35.36	53.51	34.19	39.43
Phase I/II	34.32	51.97	33.43	38.51
NY ISO				
Zone A	34.80	40.97	30.40	34.86
Zone G	40.63	49.90	33.57	39.22
Zone J	40.88	50.23	33.54	39.28
Cross Sound	39.82	48.12	32.93	38.33
PJM				
PJM Western Hub	35.63	35.06	30.53	35.04
PJM Eastern Hub	38.19	37.39	30.17	36.66
PJM Dominion Hub	35.00	36.96	31.53	35.18
PJM New Jersey Hub	37.60	36.57	34.44	35.92

	SO ₂	RGGI	All credits
Peak			
Nepool	49.56	49.41	51.47
New York G	48.55	49.91	50.46
PJM West	39.55	40.91	41.46
Off-peak			
Nepool	37.06	36.91	38.97
New York G	39.05	40.41	40.96
PJM West	34.55	35.91	36.46
24-hour emissions-adjusted pricing, all credits			
Nepool	45.40	45.24	47.31
New York G	45.38	46.74	47.29
PJM West	37.88	39.24	39.79

	New England	NY G	PJM West	Cinergy	AEP Dayton	Northern Illinois	Southern
New England	—	-0.50	8.50	15.75	14.75	15.50	19.50
NY G	0.50	—	9.00	16.25	15.25	16.00	20.00
PJM West	-8.50	-9.00	—	7.25	6.25	7.00	11.00
Cinergy	-15.75	-16.25	-7.25	—	-1.00	-0.25	3.75
AEP Dayton	-14.75	-15.25	-6.25	1.00	—	0.75	4.75
Northern Ill	-15.50	-16.00	-7.00	0.25	-0.75	—	4.00
Southern	-19.50	-20.00	-11.00	-3.75	-4.75	-4.00	—

Sources: ISOs, Argus assessments

Central Markets

• **Day-ahead peak and off-peak prices at key midwest hubs fell 11pc on average over the past week as warmer weather lessened heating demand.** The steepest decline was at the Northern Illinois hub, where the daily off-peak price dropped 22pc to end the week at \$17.25/MWh, according to Argus assessments. The peak fell 7pc to \$31. Cinergy saw a steep fall in off-peak day-ahead with the price of prescheduled for today clocking in at \$19.50, down 18pc over the week. The peak declined 10pc to \$29.50. PJM AD off-peak went down a modest 25¢ to \$25.75. The peak day-ahead is down 8pc to \$33.

• Dark spreads in the Southern Company control area and in Entergy fell into negative pricing territory this week as coal prices came under pressure from lower natural gas prices and warmer weather. The off-peak spark spread for a 10mmBtu/MWh coal plant in Southern went down 17pc to come in Friday at -\$13. The peak day-ahead price fell 151pc to -\$3.74. The spark spread for efficient natural gas-fired generation also declined, but still outperformed the dark spread. The peak spark declined 177pc to -\$2.60. Entergy's peak spark spread for a 10mmBtu/MWh coal plant fell 92pc to \$1. The off-peak slid into negative territory, finishing the week down 355pc to -\$9. The spark spread for natural gas went down 223pc to -\$3.91.

• **Knightsdown Municipal Electric Utility in east-central Indiana said in a state filing yesterday that it forecasts a 17pc increase in its wholesale power purchases from Indiana Municipal Power Agency (IMPA) between April and May of this year and a 25pc increase from May to June.** The utility expects

to purchase about 6,000MWh from IMPA over the 3-month period.

• Renewable Energy Systems (RES) Americas said yesterday that it has completed construction of the 60MW Flat Water Wind Farm located in Richardson County, Nebraska, and Nemaha County, Kansas. The project will be owned and operated by Flat Water Wind Farm, LLC, a partnership of Gestamp Wind North America and Banco Santander, S.A. **Omaha Public Power District has contracted for the output from the wind farm.**

• Southern Co. will seek to delay new air quality regulations and may even seek congressional intervention, the company's chief operating officer said yesterday. Speaking on a panel in Washington, DC, this week, Anthony Topazi said **Southern may ask Congress to grant utilities more time to comply with the onslaught of new regulations plans to issue over the Environmental Protection Agency (EPA) over the next three years.** He said utilities will not be able to comply with the timeframes mandated by court orders. He also warned against widespread coal-to-gas swaps, saying that the country "cannot be reliant on any one fuel, especially natural gas."

• **The most recent National Weather Service (NWS) six- to-10-day forecasts calls for seasonally normal temperatures for most of the Great Lakes region over the 24-28 February period.** Below normal temperatures are expected to prevail in the Great Plains during that timeframe, while south central states can expect to be warmer than usual.

Forward markets																	\$/MWh
	Cinergy				Northern Illinois				PJM AD				ERCOT North				
	Peak			Off-Peak	Peak			Off-Peak	Peak			Off-Peak	Peak			Off-Peak	
	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Coal Spark	Price	
Mar-11	34.75	6.05	6.15	26.00	34.25	6.32	13.85	21.90	37.50	5.79	7.00	30.25	38.70	12.10	15.80	26.25	
Apr-11	34.65	5.81	6.05	24.85	34.15	6.78	13.55	19.40	36.75	7.35	5.15	27.65	35.45	8.71	12.55	25.80	
May-11	34.75	5.49	3.85	23.05	34.10	6.24	11.60	19.70	37.35	7.81	9.15	27.95	36.50	9.34	13.50	29.15	
Jun-11	36.95	7.27	5.75	24.35	36.60	8.32	13.70	21.10	40.35	11.16	11.85	27.75	40.55	12.97	17.15	22.05	
Jul-11	43.40	13.23	11.30	26.20	44.15	15.52	20.55	25.10	47.15	17.40	17.75	31.85	48.15	20.22	24.55	26.40	
Aug-11	43.40	13.23	12.60	26.20	44.15	15.24	21.25	25.10	47.15	17.68	18.95	31.85	48.95	20.67	25.75	25.85	
Spr-11	34.70	5.93	3.80	24.75	34.20	6.55	11.50	20.60	37.20	6.61	9.00	29.00	34.50	7.83	11.50	24.60	
Sum-11	43.40	13.23	11.90	26.20	44.15	15.38	21.25	25.10	47.15	17.54	18.35	31.85	48.55	20.41	25.35	26.20	
Q4-11	34.75	2.48	2.75	24.45	33.65	2.43	10.55	20.40	38.40	6.34	9.00	29.15	35.65	5.89	12.55	24.00	
Win-12	38.40	3.61	6.10	28.50	39.40	5.52	16.30	25.35	42.10	5.00	12.40	39.40	39.75	7.41	16.35	30.35	
Spr-12	36.65	2.70	4.15	26.75	37.05	4.57	13.75	22.70	39.35	3.72	9.45	33.35	39.60	7.17	15.10	28.10	
Sum-12	45.50	11.48	12.50	30.45	45.30	12.96	21.40	26.55	47.40	13.87	16.50	41.10	51.15	19.30	27.15	29.25	
Q4-12	36.15	0.94	3.35	26.75	36.80	2.15	13.50	22.55	39.55	3.85	9.65	32.95	38.85	5.39	15.35	27.05	
Win-13	40.60	4.06	6.90	28.90	40.45	3.42	16.95	26.70	43.25	2.72	12.95	40.25	41.20	5.64	17.40	31.35	
Cal-12	39.15	4.78	6.45	28.10	39.65	6.54	16.25	24.30	42.10	7.10	12.00	36.70	42.10	9.80	18.50	28.70	
Cal-13	40.65	4.81	7.15	28.75	40.80	5.10	17.00	24.80	44.40	6.74	13.60	37.00	43.95	9.23	19.95	31.75	
Cal-14	44.00	6.83	9.70	31.90	43.15	4.86	19.05	26.60	47.80	7.90	16.30	39.00	48.90	12.01	24.50	34.00	
Cal-15	48.50	9.86	13.40	33.20	47.00	8.29	22.40	29.80	52.20	10.20	20.00	41.00	52.80	14.02	28.00	37.00	

Central Markets

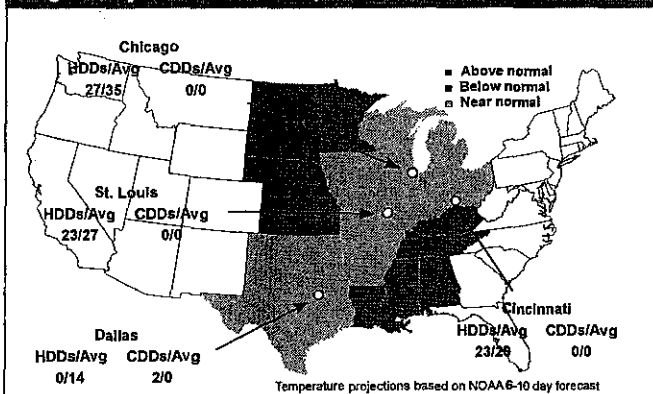
Spot natural gas in \$/mmBtu

Location	Average	Low	High
Chicago Citygates	4.010	3.950	4.160
Houston Ship Channel	3.770	3.755	3.800
Mich Con Citygates	4.095	4.080	4.180
NNG Ventura	3.945	3.915	4.000
Panhandle OK Mainline	3.660	3.640	3.680
Waha	3.720	3.660	3.820

Forward natural gas in \$/mmBtu

Location	March	Apr 2011-Jun 2011	Apr 2011-Oct 2011
Chicago Citygates	4.006	—	4.146
Houston Ship Channel	3.844	3.830	4.067
Mich Con Citygate	4.216	—	4.287
Northern, Ventura	4.062	—	3.992
Panhandle Eastern	3.915	—	3.852
Waha	3.998	3.699	3.945

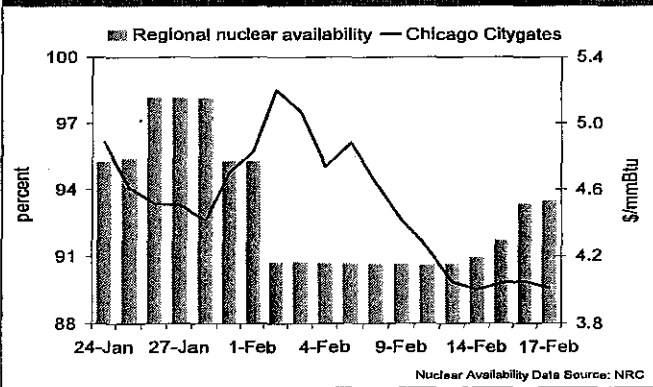
Degree days outlook vs temperature: 24-Feb



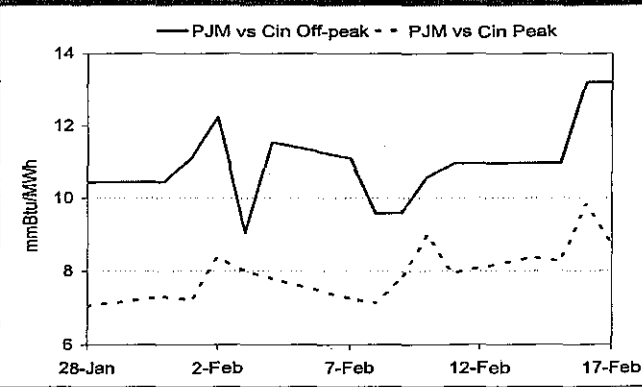
ERCOT day-ahead nodal prices

19-Feb	Peak (\$/MWh)	Off-peak (\$/MWh)
Hubs		
Houston	25.78	16.51
North	26.23	16.74
South	26.30	16.48
West	15.33	7.86
Load zones		
Houston	25.78	16.50
North	26.26	16.68
South	27.71	16.61
West	15.37	7.51
Hub average	23.41	14.40
Bus average	24.37	15.66

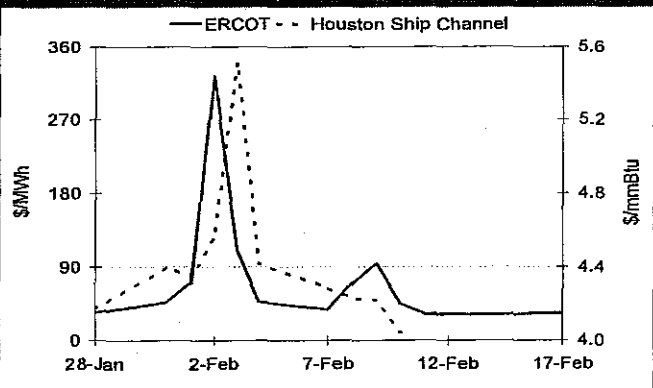
Nuclear availability vs Chicago Citygates



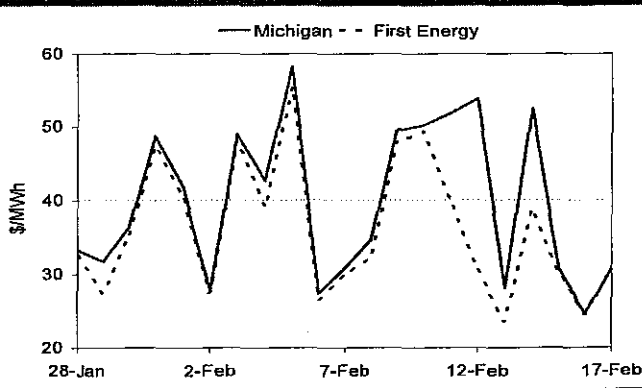
PJM AD vs Cinergy heat rates



ERCOT and Houston Ship Channel daily pricing

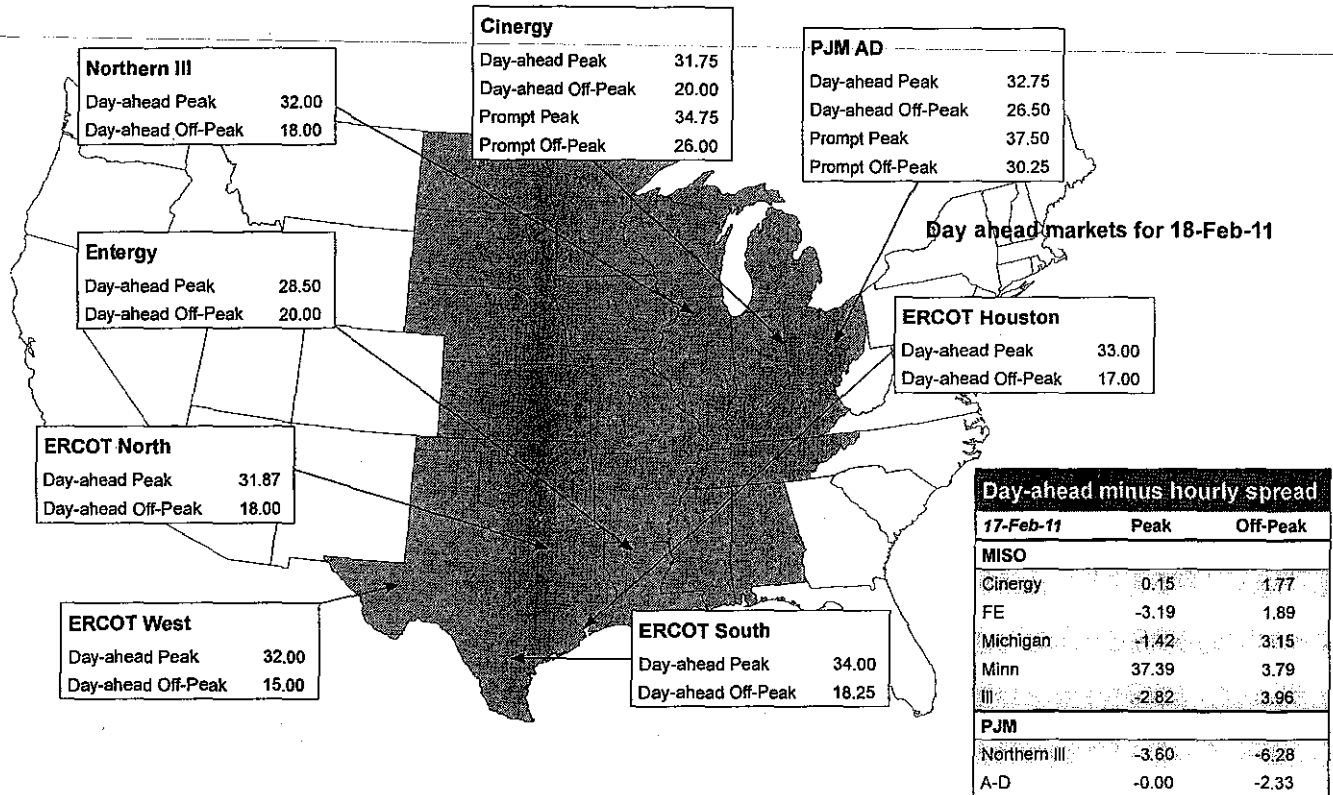


Average peak price



Central Prices at a Glance

\$/MWh



Emissions-adjusted day-ahead power prices			
	SO ₂		24-hour average
	Peak	Off-peak	
Cinergy	32.30	20.55	28.38
Northern Ill	32.52	18.52	27.86
PJM A-D	33.30	27.05	31.22
Entergy	28.64	20.14	25.80
ERCOT			
	SO ₂	Voluntary RECs	All credits
Peak			
Houston	33.14	34.10	34.24
South	34.14	35.10	35.24
North	32.01	32.97	33.11
West	32.14	33.10	33.24
Off-peak			
Houston	17.14	18.10	18.24
South	18.39	19.35	19.49
North	18.14	19.10	19.24
West	15.14	16.10	16.24
24-hour emissions-adjusted pricing, all credits			
Houston	29.64	30.60	30.74
South	30.72	31.68	31.82
North	29.22	30.18	30.32
West	28.30	29.27	29.40

Hourly price averages				
	Peak		Off-peak	
	17-Feb-11	16-Feb-11	17-Feb-11	16-Feb-11
MISO				
Cinergy	27.10	23.50	18.48	19.99
FE	30.89	24.49	18.84	23.64
Michigan	30.75	24.62	19.31	30.94
Minn	-18.45	20.06	-0.04	13.87
Ill	26.83	22.76	12.65	17.61
PJM				
Northern Ill	34.10	32.79	24.03	25.24
A-D	34.00	32.68	29.08	29.73

Day-ahead peak spreads						
	Cinergy	Northern Ill	PJM A-D	PJM West	Entergy	Southern
Cinergy	—	-0.25	-1.00	-7.25	3.25	3.75
Northern Ill	0.25	—	-0.75	-7.00	3.50	4.00
PJM A-D	1.00	0.75	—	-6.25	4.25	4.75
PJM West	7.25	7.00	6.25	—	10.50	11.00
Entergy	-3.25	-3.50	-4.25	-10.50	—	0.50
Southern	-3.75	-4.00	-4.75	-11.00	-0.50	—

Sources: ISOs, Argus assessments

West Markets

- Western wholesale day-ahead power markets traded Tuesday deliveries three days ahead of normal today, and despite the uncertainty of scheduling so far in advance, peak prices were little changed day over day. **Off-peak prices tumbled on the lack of inclusion of the daytime flows included in the Sunday/Monday package**, likely losing ground on declines at the northwest interties into the California ISO.

- Near-term forward peak contracts for delivery into inland southwest hubs firmed up this week after sharp declines at the start of the month. *Argus* yesterday assessed March peak power at \$33.90/MWh at Mead and \$31 at Palo Verde. At both hubs the prompt is down 11-12pc for the month, but is little changed over the week, reflecting greater stability in forward prices for northwest power. Southwest generators have recently faced unusual winter competition from northwest generation in the day-ahead market. Mild regional temperatures and early snowmelt has translated into spring-like surplus output from hydroelectric dams in the Bonneville Power Administration (BPA), driving west coast wholesale power prices to levels more characteristic of June than mid-winter.

- Hydroelectric production in the BPA area let up this week despite increased loads in the region, indicating that colder weather – especially at higher elevations – has eased run-off from snowmelt. **Output from federal dams in the northwest averaged 12,178MW from 14 to 17 February, according to BPA data.** This compares with averages of more than 13,200MW for 8-10 February and 13,775MW during the last week of January.

- **Weather conditions this week have improved snowpack conditions in the lower Columbia River Basin**, according to data from the US Natural Resources Conservation Service (NRCS). Snow water equivalent (SWE) in the Willamette reporting area is currently 76pc of normal compared with 66pc late last week. Stations in the Lower Columbia/Hood River area are reporting SWE at 62pc of normal, against 56pc a week ago. Deschutes area SWE is 85pc of historical average. Last week it was at 78pc. Private forecaster Weather 2000 earlier this week predicted that “copious” rain and snow was in store for the Pacific coast, Cascades, and Rockies as the jet stream pivots to bring colder, wetter weather to the broad region.

- Starting next month the California ISO (Caiso) will begin using the SoCal CityGate natural gas delivery point for the calculation of gas components of the projected proxy for generators located in the SP-15 area. The ISO says it performs the calculation on or around the 22nd of every month, and then publishes in its master file the gas price component of the projected proxy cost for generation. This price is then used to calculate the upper limit of the registered startup and minimum load cost for the subsequent month. **The change, which is a result of Caiso’s bidding and mitigation stakeholder process, becomes effective 1 March.** Caiso says that at the same time it will additionally begin using the daily spot market prices at SoCal CityGate for calculation of the daily proxy cost value for SU and ML for units in SP15 fuel regions that have elected the proxy cost option.

Forward markets																	\$/MWh		
	Mid-Columbia				Palo Verde				SP-15				NP-15			Mead			
	Peak			Off-Peak	Peak			Off-Peak	Peak			Off-Peak	Peak		Off-Peak	Peak		Off-Peak	
	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Coal Spark	Price	Price	Gas Spark	Price	Price	Gas Spark	Price	
Mar-11	29.25	3.14	9.75	23.00	31.25	4.65	8.35	22.75	35.45	8.57	18.35	24.65	36.00	7.79	26.00	33.35	6.33	23.90	
Apr-11	26.75	1.27	7.25	19.00	31.50	4.69	8.60	19.50	33.25	6.58	16.15	17.40	33.75	5.61	18.75	35.25	8.30	16.40	
May-11	19.25	-5.88	-0.15	8.50	33.50	6.13	8.10	20.50	32.75	6.01	8.65	18.75	33.25	5.04	19.50	36.00	8.77	19.00	
Jun-11	16.00	-8.50	-4.20	5.00	33.00	7.31	7.30	21.50	33.25	6.30	8.75	20.30	35.00	6.65	19.75	35.95	9.28	20.80	
Jul-11	32.15	7.86	11.95	25.25	41.75	15.22	15.55	27.50	44.00	16.07	19.20	29.50	41.75	12.77	29.25	45.25	17.67	26.75	
Aug-11	37.00	12.43	17.20	25.50	42.00	15.40	16.40	27.75	44.25	16.04	19.95	29.75	42.00	12.74	29.50	44.50	16.71	30.75	
Q2-11	20.70	-4.78	1.10	10.60	32.80	5.99	7.40	20.50	33.25	6.58	9.15	18.85	34.00	5.86	19.35	35.75	8.80	23.10	
Q3-11	36.00	11.57	16.20	25.50	42.00	15.47	16.40	27.50	44.50	16.43	20.20	29.50	42.00	12.88	29.25	45.50	17.78	30.25	
Q4-11	37.25	7.64	17.35	32.00	37.00	6.90	11.20	28.25	41.50	11.89	16.90	31.50	41.75	10.67	33.00	39.25	9.22	30.75	
Q1-12	38.50	6.09	18.40	34.50	39.00	6.73	13.10	30.50	46.50	14.51	22.00	35.75	45.25	11.79	36.75	45.25	12.98	33.00	
Q2-12	26.25	-2.66	6.15	16.00	38.25	7.38	12.25	23.25	42.75	12.30	18.05	26.00	41.25	9.68	26.50	41.00	10.13	21.10	
Q3-12	46.00	17.37	25.40	33.75	49.15	19.12	22.45	33.00	58.00	26.71	32.40	40.00	54.25	21.84	40.75	47.25	16.24	37.00	
Q4-12	47.45	14.27	27.35	41.30	41.75	8.08	15.75	34.00	54.50	21.32	29.80	41.75	54.50	20.20	43.00	46.00	12.40	37.00	
Q1-13	53.10	17.33	32.70	34.15	57.25	21.76	30.95	38.25	60.00	24.79	35.10	41.00	59.75	23.98	41.00	58.50	22.94	37.50	
Cal-12	39.55	8.75	19.35	31.40	42.05	14.33	15.95	30.20	50.45	22.45	25.55	35.90	48.80	19.40	36.75	44.90	16.76	32.00	
Cal-13	45.00	11.47	24.40	34.50	47.50	15.79	21.00	33.50	58.00	26.22	32.70	40.50	56.00	22.96	41.25	50.25	18.26	36.00	
Cal-14	48.50	10.56	27.60	37.25	50.75	16.45	23.85	34.75	62.50	28.06	36.70	42.50	60.50	24.73	43.25	54.50	19.85	37.25	
Cal-15	51.25	13.38	29.95	39.75	53.75	17.70	26.45	36.50	65.75	29.21	39.55	45.25	63.25	25.52	46.00	57.00	20.25	39.00	

West Markets

Western generating unit outages

Capacity	Unit	Owner	Fuel	Begins	Reason
11,076	Total CAISO units curtailed	various	various	NA	planned and unplanned
336	Alamitos 4	AES	gas	17-Feb-11	planned
498	Alamitos 5	AES	gas	1-Feb-11	planned
820	Big Creek	SCE	hydro	4-Jan-11	@ 333 MW, planned/unplanned
322	Central La Rosita 2	InterGen	gas	18-Feb-11	planned
407	Helms PGP 1	PG&E	hydro	28-Oct-10	planned
933	Hyatt-Thermalito	CDWR	hydro	9-Aug-10	@ 313 MW, planned/unplanned
756	Moss Landing 7	Dynegy	gas	24-Jan-11	planned
1,126	San Onofre 3	SCE	nuclear	7-Oct-10	planned
590	Sunrise Aggregate 2	Edison Mission	gas	7-Jan-11	planned

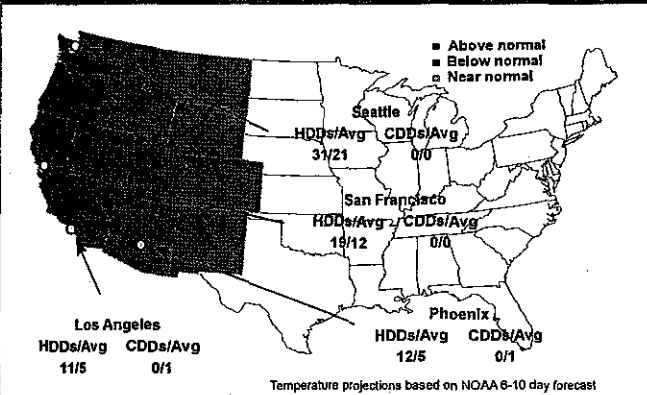
Spot natural gas in \$/mmBtu

Location	Average	Low	High
PG&E Citygates	4.015	4.000	4.050
Stanfield	3.825	3.800	3.840
SoCal Gas Co	3.860	3.850	3.870
El Paso San Juan Basin	3.725	3.720	3.760
El Paso Permian Basin	3.735	3.720	3.770
El Paso, South Mainline	3.885	3.850	3.930
Northwest Sumas	3.835	3.805	3.850
Northwest Wyoming	3.705	3.690	3.730

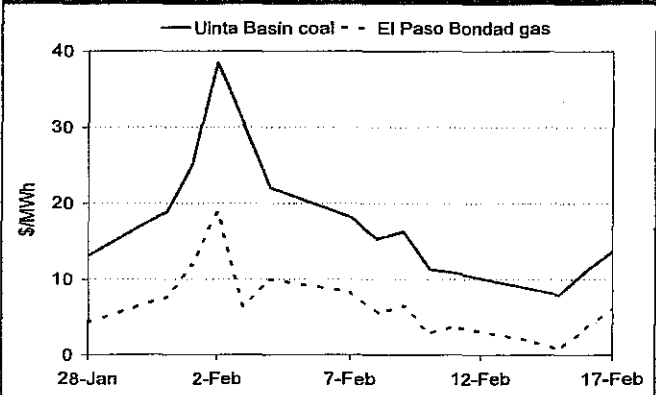
Forward natural gas in \$/mmBtu

Location	March	Apr 2011-Jun 2011	Apr 2011-Oct 2011
El Paso Permian	3.736	3.639	3.892
El Paso San Juan	3.686	3.571	3.807
Northwest Wyoming	3.646	3.471	3.717
Northwest PL at Sumas	3.721	3.409	3.665
PG&E Citygates	4.056	3.954	4.180
SoCal Gas	3.851	3.756	4.005

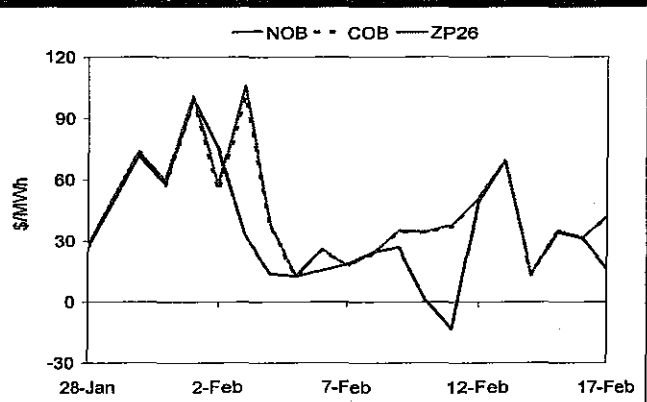
Degree days outlook vs temperature: 24-Feb



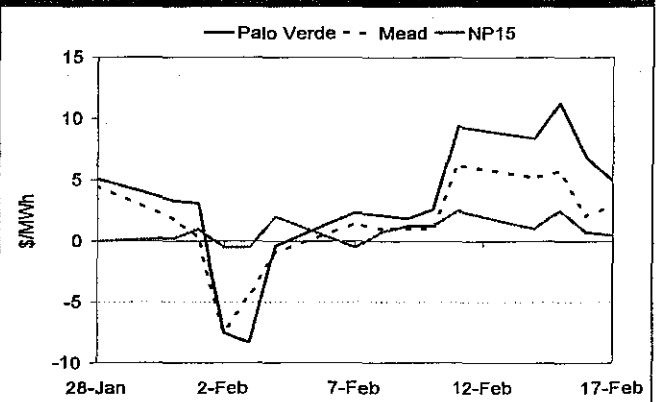
Four Corners spark spreads



Peak real-time prices CAISO

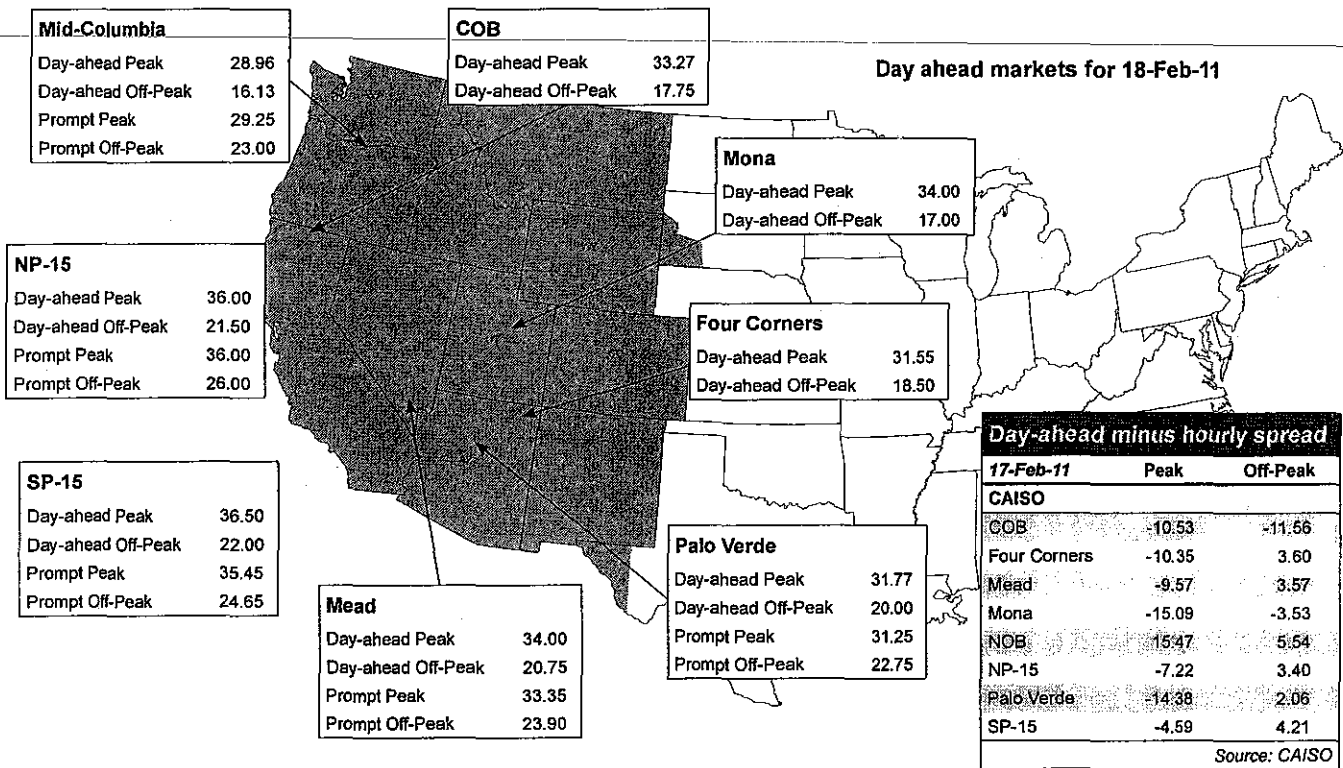


SP15 daily peak spreads



West Prices at a Glance

\$/MWh



	Hourly price averages			
	Peak		Off-peak	
	17-Feb-11	16-Feb-11	17-Feb-11	16-Feb-11
CAISO				
COB	41.58	31.30	13.93	27.60
Four Corners	37.20	31.17	6.90	27.31
Mead	41.63	31.64	13.93	27.68
Mona	42.09	30.57	14.03	27.36
NOB	16.25	31.28	14.66	28.04
NP-15	42.47	31.90	14.10	27.90
Palo Verde	40.88	31.18	13.69	27.31
SP-15	42.34	31.98	14.04	27.96

Source: CAISO

	Emissions-adjusted day-ahead power prices		
	SO ₂		24-hour average
	Peak	Off-peak	
COB	33.34	17.82	28.17
Four Corners	31.69	18.64	27.34
Mead	34.07	20.82	29.65
Mona	34.14	17.14	28.47
Mid-C	29.03	16.20	24.75
NP-15	36.07	21.57	31.23
Palo Verde	31.90	20.14	27.98
SP-15	36.57	22.07	31.73

Day-ahead peak spreads								
	COB	Four Corners	Mead	Mona	Mid-C	NP-15	Palo Verde	SP-15
COB	—	1.72	-0.73	-0.73	4.32	-2.73	1.51	-3.23
Four Corners	-1.72	—	-2.45	-2.45	2.59	-4.45	-0.22	-4.95
Mead	0.73	2.45	—	0.00	5.04	-2.00	2.23	-2.50
Mona	0.73	2.45	0.00	—	5.04	-2.00	2.23	-2.50
Mid-C	-4.32	-2.69	-5.04	-5.04	—	-7.04	-2.81	-7.54
NP-15	2.73	4.45	2.00	2.00	7.04	—	4.23	-0.50
Palo Verde	-1.51	0.22	-2.23	-2.23	2.81	-4.23	—	-4.73
SP-15	3.23	4.95	2.50	2.50	7.54	0.50	4.73	—

Source: Argus assessments

Markets

Colder weather boosts gas

Natural gas futures ended slightly higher today on book-squaring ahead of the long US holiday weekend and expectations for colder-than-normal weather later this month, despite booming domestic output.

Nymex gas for March delivery settled less than 1¢ higher at \$3.876/mmBtu this afternoon. The prompt month contract finished higher in three of the last five trading sessions and is off about 1pc, or 3.4¢, for the week. The 12-month calendar spread and the 2012 calendar both edged up less than 1¢ to \$4.234 and \$4.716, respectively.

Prices were buoyed today, the last day of trading before the President's Day holiday, as traders bought back previously sold contracts after selloffs earlier this week.

Illinois Basin 11,500 Btu/lb, 5.0lb SO₂/mmBtu coal gained \$1/short ton for prompt and term contracts, while 11,000 Btu/lb, 6.0lb SO₂/mmBtu gained 50¢.

Central Appalachia prices edged lower for 2011 terms but were generally flat for the outer years, where activity remains limited. Prompt-quarter CSX-delivered coal with a heat content of 12,500 Btu/lb and a sulfur content of 1.6lb SO₂/mmBtu is in the low \$70s/short ton after being in the mid-to-low \$70s/st last week. Appalachian barge and rail coals on the over-the-counter market fell amid slumping natural gas prices.

Nymex natural gas settlements			\$/mmBtu
Contract	Price	Change	Volume*
Mar-11 M1	3.876	0.008	71,826
Apr-11 M2	3.906	0.005	60,096
May-11 M3	3.976	0.008	21,498
Jun-11 M4	4.037	0.007	9,026
Jul-11 M5	4.095	0.008	3,554
Aug-11 M6	4.125	0.007	2,083
Sep-11 M7	4.135	0.005	1,535
Oct-11 M8	4.180	0.004	5,580
Nov-11 M9	4.376	0.005	965
Dec-11 M10	4.616	0.003	722
Jan-12 M11	4.748	0.006	1,955
Feb-12 M12	4.738	0.006	395
Mar-12 M13	4.678	0.009	693
Apr-12 M14	4.538	0.008	437
May-12 M15	4.568	0.009	38
June-12 M16	4.603	0.010	37
July-12 M17	4.644	0.010	34
August-12 M18	4.674	0.010	13
September-12 M19	4.680	0.010	12

*Volume data estimated by Nymex, subject to verification.



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Argus North American Electricity Methodology

Prices are based on daily survey data received from the non-commercial departments of market participants. Day-ahead peak and off-peak volume-weighted price indexes and assessments are compiled based on this data. Argus publishes the total volume of trades reported, the number of transactions, the high price, low price, and the volume-weighted average price where sufficient data exists.

In low-liquidity markets when insufficient data is received to support a volume weighted index calculation (less than three trades of 25MW minimum each are received) a clearly marked price assessment is made. Volume and number of trades are left blank when an assessment is made.

Peak and off-peak electricity price indexes are based on data submitted daily to Argus voluntarily by the risk-management divisions or non-commercial departments of market participants.

All data submitted is treated confidentially and used only to establish the index or form a market price assessment. The Argus electricity index procedures are audited at least annually by the company's global compliance officer.

Only firm deals equal to or greater than 25MW are included in each index. Firm delivery means that a contract for liquidated damages in the event of non-performance is in place. Swaps, contracts for difference, and derivative-linked deals are not included but financially settled deals are included where the price does not diverge from what is observed in the physical market.

In low-liquidity markets, Argus publishes assessments based on an intelligent range of trade. Argus assesses the range within which electricity did or could have traded, based on actual deals and bids and offers throughout the trading day for next-day power, historical price relationships and other market conditions.

Assessments are clearly identifiable from volume-weighted average indexes. The volume and number of trades will be blank where an assessment is made.

News

MISO seeks RSG delay

The Midwest Independent System Operator (MISO) said this week that it asked the Federal Energy Regulatory Commission (FERC) to postpone its revenue sufficiency guarantee (RSG) redesign effective date from 1 March to 1 April.

RSG costs are the difference between the electricity a generation or load resource commits to produce or consume in the day-ahead market and what it produces or consumes in real-time. The ISO terms these differences "deviations" that are multiplied by the settlement price at each of those resources nodes to result in a dollar cost or charge.

These charges can be incurred by generators, imports, exports or load. Such payments are designed to compensate or penalize a resource that does not perform in the real-time market as scheduled in the day-ahead market.

Market participants such as Ameren and Northern Indiana Public Service began to file FERC complaints in August 2007, saying that some entities, or virtual suppliers, were not being charged RSG costs. A virtual supplier's offers and bids represent financial obligations and do not represent the actual scheduling or flow of electricity, and are an instrument used to arbitrage regional price differences.

FERC agreed with the complaints and ordered MISO in November 2008 to establish an interim rate that would allocate the costs to all resource types. It also ordered the ISO to file an indicative rate to more fully resolve the issue. The grid operator filed the indicative rate in February 2009, and it was approved in August 2010. But the resolution had the unintended consequence of dampening virtual trading.

The MISO's market monitor, Potomac Economics, said in June 2010 that RSG cost allocation issues have decreased virtual trading more in MISO than in other ISO markets and that virtual trading volume bottomed out in 2009.

The RSG-redesign is a third attempt at refining cost allocation issues by aligning cost with the causes of the cost and sorting

them into categories. The cause-linked categories established by the ISO redesign are constraint management, intra-hour demand change and day-ahead schedule deviations. MISO is also exploring a new pricing mechanism called extended locational marginal price that works some of these post-trade settled deviations back into the real-time price, creating a real-time price signal that will be transparent to all participants (FERC Docket EL07-86).

Transmission cost standards sought

A bill introduced yesterday aims to prohibit federal electricity regulators from spreading out the cost of transmission upgrades to customers that will not directly benefit from the projects.

Senators Bob Corker (R-Tennessee), Ron Wyden (D-Oregon), Lisa Murkowski (R-Alaska), Richard Burr (R-North Carolina), and Lindsey Graham (R-South Carolina) yesterday introduced the Electric Transmission Customer Protection Act, which they say will "protect consumers from footing the bill for energy projects that serve no benefit for their state or region." The bill would require the Federal Energy Regulatory Commission (FERC) to develop a standard for "measurable reliability or economic benefit" when distributing transmission costs across a region.

FERC is expected to finalize rules to reform transmission planning and cost-allocation requirements this spring. In June 2010, the commission issued a proposed rule that would require regions to consider state or federal public policy requirements, such as renewable portfolio standards, region-wide reliability issues and economic benefits when developing transmission plans and cost-allocation methods. FERC says it aims to ensure the costs for transmission projects that will have regional benefits are allocated fairly among all who will benefit from the project.

The senators yesterday said their bill would keep FERC from "socializing America's energy costs." The concern is that consumers in one state may be charged for transmission upgrades

Weekend peak prices							
Trade date for 18-Feb-11 for 19-Feb-11 to 21-Feb-11							
		\$/MWh	Price	Low	High	Volume (MW)	Trades
East	NY-G	43.00	42.50	43.50	-	-	-
	PJM W	39.25	38.75	39.75	-	-	-
	NE Pool	43.50	43.00	44.00	-	-	-
ERCOT	Houston	25.75	25.25	26.25	-	-	-
	North	30.25	29.45	31.00	1,705	14	-
	South	26.25	25.75	26.75	-	-	-
	West	15.25	14.75	15.75	-	-	-
Midwest	Cinergy	30.50	30.00	31.00	-	-	-
	N. Ill.	29.75	29.25	30.25	-	-	-
	PJM AD	33.00	32.50	33.50	-	-	-
Southeast	Entergy	24.25	23.75	24.75	-	-	-
	Southern	27.00	26.50	27.50	-	-	-

Weekend off-peak prices							
Trade date for 18-Feb-11 for 19-Feb-11 to 21-Feb-11							
		\$/MWh	Price	Low	High	Volume (MW)	Trades
East	NY-G	34.00	33.50	34.50	-	-	-
	PJM W	31.50	31.00	32.00	-	-	-
	NE Pool	36.00	35.50	36.50	-	-	-
ERCOT	Houston	16.50	16.00	17.00	-	-	-
	North	18.75	16.25	17.25	-	-	-
	South	16.50	16.00	17.00	-	-	-
	West	7.75	7.25	8.25	-	-	-
Midwest	Cinergy	24.25	23.75	24.75	-	-	-
	N. Ill.	24.00	23.50	24.50	-	-	-
	PJM AD	28.50	28.00	29.00	-	-	-
Southeast	Entergy	21.00	20.50	21.50	-	-	-
	Southern	22.25	21.75	22.75	-	-	-

News

that are only necessary to help another state meet its renewable energy mandate or some other public policy requirement.

The senators pointed to FERC's December 2010 approval of a cost-allocation method proposed by the Midwest Independent Transmission System Operator (MISO) that would create a new class of transmission projects — "multi-value projects" — that support renewable energy mandates or system reliability, or address economic issues across multiple transmission zones.

MISO would combine several multi-value projects into a portfolio, and spread the total costs across the entire grid. In approving MISO's proposal, FERC said the benefits of the projects would "conferred across the entire Midwest ISO in a manner that is commensurate with the costs incurred."

But the senators say the new cost-allocation method would not adhere to the Federal Power Act's "just and reasonable" standard. In a statement introducing the bill yesterday Murkowski, who serves as ranking member on the Senate Energy and Natural Resource Committee, said: "We need to remove road-blocks to improving the nation's transmission infrastructure, but those who do not benefit should not be saddled with the costs of upgrading the system."

Constellation buys NJ solar

Constellation Energy is buying a 7.8MW solar photovoltaic project in Vineland, New Jersey, from Community Energy Solar.

Constellation will finance, build, own and operate the facility, and expects it to begin delivering power this summer, the companies said in announcing the deal on 14 February. No price was disclosed.

Constellation will sell the power from the facility to Vineland Municipal Electric Utility through a 20-year contract. The power purchase agreement was for power only, said Brent Alderfer, chief executive of Community Energy, which had signed the contract prior to the sale. Constellation would retain any solar renewable energy certificates the project generates.

The 4.8MW West Vineland site and 3.0MW North Vineland site will generate a combined 10,000MWh/yr.

"By structuring solar projects as power purchase agreements, we can provide energy solutions that require no upfront capital from customers and provide them with fixed power costs that are less than projected market rates," said Michael Smith, senior vice president of green initiatives for Constellation Energy's retail business.