

# CHAG Agenda

January 21, 2011

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*Location: via email only*

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Monthly Ex-CPIM Hedge Portfolio Update	Harold
Natural Gas Market Update	Harold

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# Ex-CPIM Hedge Portfolio Update (unaudited)– Winter 2010-2011 (report date 1/18/2011)

## WINTER 2010-2011 (ex-CPIM hedges)

Hedge Plan Year	Execution Dates	Delivery Points	Delivery Period	Products	Option Premium Dollar Outlay to Date	Strike Price Range (US dollars/MMBtu)	Strike Price Target (US dollars/MMBtu)	Options Notional Volume Coverage to Date	1/18/2011	Swaps Notional Volume Coverage to Date	Swaps -- Price Range	1/18/2011	Total Notional Volume Coverage to Date
									Options Unrealized Intrinsic Gain, if any			Swaps -- Mark-to-Market Gain / <Loss>	
2008	May 5 through June 27, 2008	AECO, San Juan	December 2010 through February 2011	All swaps	n/a	n/a	n/a	n/a	n/a	140,000 MMBtu/day (target of 140,000-- 10% of load)	\$9.30 to 10.72 (WACOG \$9.96)	<\$67.6> million	140,000 MMBtu/day
Lehman Swaps executed in 2008 that were terminated										16,682	prior report <\$65.5> million	<\$1.7> million	16,682
2009		San Juan	December 2010 through February 2011	Call options and swaps	\$9.9 million (target of \$10 million)	\$8.25 to \$9.00 (WACOG \$8.53)	\$2.00 out-of-the-money, +/- 0.50	190,417 MMBtu/day (13.8% of load)	0	67,000 MMBtu/day (target of 67,000-- 5% of load)	\$6.15 to 6.88 (WACOG \$6.49)	<\$14.8> million	257,417 MMBtu/day
									prior report 0	prior report <\$14.0> million			

Current Forward Price Levels  
1/18/2011

Jan-Feb2011		
AECO	\$ 3.838	CAD 3.629
San Juan	\$ 4.030	
NYMEX	\$ 4.299	
prior report	AECO \$ 3.918	CAD 3.765
12/13/2010	San Juan \$ 4.163	
(Dec-Feb)	NYMEX \$ 4.372	

### Volume Coverage (MMBtu/day)

123,318	9% D.07-06-013 (2008)
257,417	19% D.07-06-013 (2009)
303,545	22% storage withdrawals
684,280	50% total hedge coverage
1,381,000	100% DecFeb demand
190,318	13.8% total swaps

Prior report was December 13, 2010

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# Ex-CPIM Hedge Portfolio Update (unaudited)– Winter 2011-2012 (report date 1/18/2011)

## WINTER 2011-2012 (ex-CPIM hedges)

Hedge Plan Year	Execution Dates	Delivery Points	Delivery Period	Products	Option Premium Dollar Outlay to Date	Strike Price Range (US dollars/MMBtu)	Strike Price Target (US dollars/MMBtu)	Options Notional Volume Coverage to Date	1/18/2011	Swaps Notional Volume Coverage to Date	Swaps -- Price Range	1/18/2011	Total Notional Volume Coverage to Date
									Options Unrealized Intrinsic Gain, if any			Swaps -- Mark-to-Market Gain / <Loss>	
2009		San Juan	December 2011 through February 2012	All swaps	n/a	n/a	n/a	n/a	n/a	135,000 MMBtu/day (target of 138,000-- 10% of load)	\$6.59 to 7.30 (WACOG \$6.92)	<\$26.1> million	135,000 MMBtu/day

prior report <\$25.9> million

Current Forward Price Levels		Dec2011-Feb2012		Volume Coverage (MMBtu/day)		
1/18/2011		AECO	\$ 4.461	CAD 4.217	135,000	10% D.07-06-013 (2009)
		San Juan	\$ 4.794		289,220	21% storage withdrawals
		NYMEX	\$ 5.171		424,220	31% total hedge coverage
prior report		AECO	\$ 4.576	CAD 4.405	1,389,000	100% DecFeb demand
12/13/2010		San Juan	\$ 4.814			
		NYMEX	\$ 5.159			

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# Natural Gas Market Update

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- The NYMEX prompt month January NYMEX is currently trading around \$4.22/MMBtu (1/21/2011), 50c above month-ago levels. A colder-than-normal winter nationwide and stable rig counts have provided some near-term price support, notwithstanding ample production and storage.
- Bullish factors:
  - Some signs of increased economic activity and sentiment and resulting industrial demand
  - Longer term gas needs for electric generation
- Bearish factors:
  - Production and rig counts continue to be strong, although there are some indications that conventional dry gas production will be reduced in 2011
  - Gas storage levels nationwide through the week ending January 14, at 2.7 Tcf, slightly above year-ago and the 5 year average.
- Winter 2011-2012 and 2012-2013 are between \$5.23 and \$5.45 (NYMEX), 0-20c higher than a month ago due partly to stabilizing North American gas production and a more positive economic outlook going forward.

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