### Location: via email only

| Monthly Ex-CPIM Hedge Portfolio Update | Harold |
|--|--------|
| Natural Gas Market Update              | Harold |
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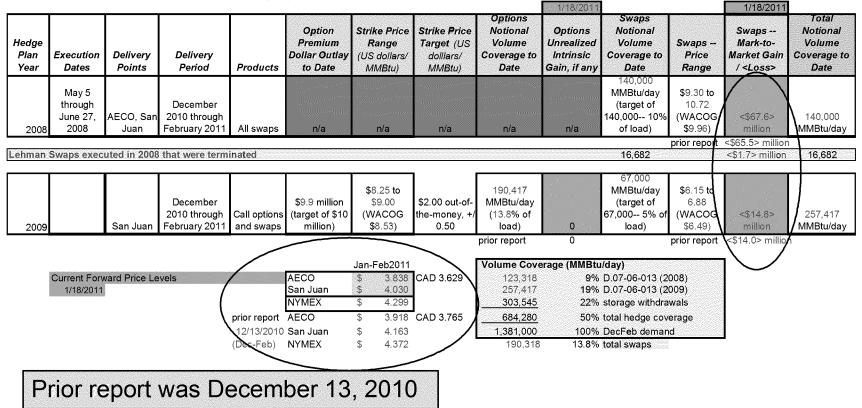
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1

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

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



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Pacific Gas and

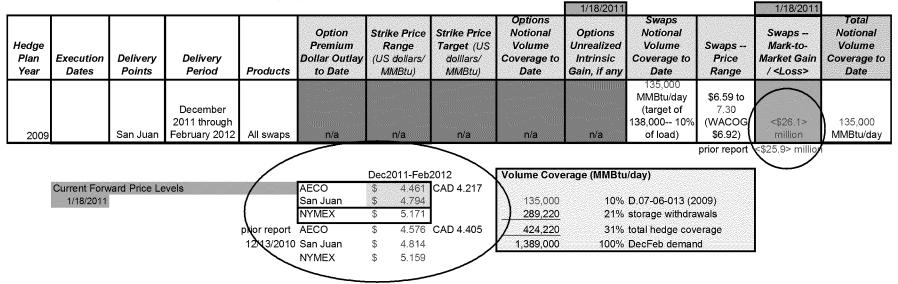
Electric Company.

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

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



### Prior report was December 13, 2010

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# Natural Gas Market Update

- The NYMEX prompt month January NYMEX is currently trading around \$4.22/MMBtu (1/21/2011), 50c above month-ago levels. A colder-thannormal winter nationwide and stable rig counts have provided some nearterm 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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