



Putting Power in Your Hands

The **BULL & BEAR REPORTsm** provides a summary on factors affecting energy price movement. Many factors, some unknown and unknowable, affect energy prices. Some factors are "bullish" predicting price increases; other factors are "bearish" predicting price decreases. These factors change quickly and market participants may view these factors differently. For market commentary, visit: [Ritterbusch](#), [Enerfax](#), [FutureSource](#) or [EIA Website](#).

ENERGY MARKET PRICE DATA

BULLISH

Weekly NG Low: \$2.39

Weekly NG High: \$2.684

| DAILY SETTLES | NATURAL GAS (NG) | CRUDE OIL (CL) | | HEATING OIL (HO) | | MTBELVUEPROPSWAP | OPEC BASKET | |
|---------------------------|---------------------|---------------------|----------|---------------------|----------|---------------------|-------------|-----------|
| | \$/MMBtu | \$/Barrel | \$/MMBtu | \$/Gallon | \$/MMBtu | \$/Gallon | \$/MMBtu | \$/Barrel |
| NYMEX Report Date | | | | | | | | |
| Mon., Feb. 13, 2012 | \$2.431 | \$100.91 | \$17.347 | \$3.1650 | \$22.852 | \$1.2150 | \$13.279 | \$117.19 |
| Tues., Feb. 14, 2012 | \$2.532 | \$100.74 | \$17.318 | \$3.1650 | \$22.852 | \$1.2100 | \$13.224 | \$116.63 |
| Wed., Feb. 15, 2012 | \$2.415 | \$101.80 | \$17.500 | \$3.1920 | \$23.047 | \$1.2080 | \$13.202 | \$117.95 |
| Thurs., Feb. 16, 2012 | \$2.567 | \$102.31 | \$17.588 | \$3.210 | \$23.177 | \$1.206 | \$13.180 | \$118.13 |
| Fri., Feb. 17, 2012 | \$2.684 | \$103.24 | \$17.748 | \$3.189 | \$23.025 | \$1.201 | \$13.126 | \$118.60 |
| Next Contract Settle Date | Mon., Feb. 27, 2012 | Tues, Feb. 21, 2012 | | Wed., Feb. 29, 2012 | | Wed., Feb. 29, 2012 | | NA |

Market Commentary Prices first thing on Monday morning tested support at \$2.395, remaining above the previous week's low price at \$2.39. The market rallied on Tuesday morning, up near \$2.57, and held most of these gains through the day but Wednesday's action gave it all right back again as we tested the \$2.40 support one more time. This support held and prices stood in the mid \$2.40's on Thursday morning as the EIA storage report was released. The report of 127 bcf withdrawn provided a lift to a market expecting something closer to 120 bcf. Prices moved up nearly a dime on the initial news and maintained that level as the day closed near \$2.57. Friday morning was the real story as prices rallied again, pushing \$2.70 early in the morning and then moving up again to trade the high price of the week at \$2.733 near midday. This rally likely benefited from a more normal to below normal weather forecast but announcements of further production cuts and some fund short covering didn't hurt either. The week ended at \$2.684, a gain of \$0.207 (over 8%) from the previous Friday. Next winter's average strip price gained over \$0.08 to end at \$3.635. This once again demonstrates the new flexibility in the link between nearby prices, driven by "in your face" over-supply issues, and medium forward prices based more on longer term trends and expectations. The March futures contract has 6 trading days left, expiring a week from today, and if prices can hold on until we get past this last winter month then we could have more room to the upside as the futures market starts trading the first prompt storage injection contract next week. We start the new week down a few pennies. Links: [Price Graph](#), [BSEE](#) & [OPEC](#)

GAS STORAGE DATA – EIA

NEUTRAL

Weeks Left in Injection Season (5-year average): 5

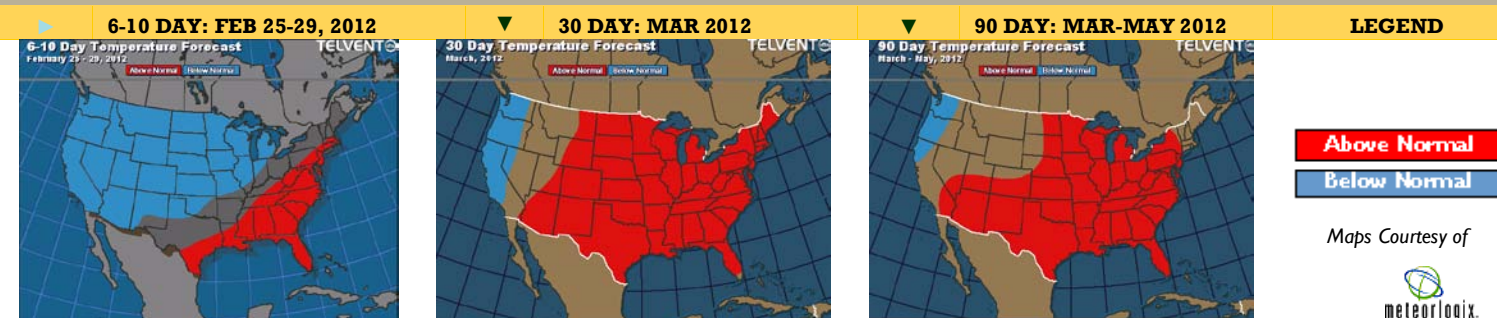
| REGION | WEEK | TOTAL | PERCENT | COMPARISON | DATE | EXPECTATION | 2012 | 2011 | 5-yr AVG | Vs. '11 | Vs. 5-yr |
|-----------|------|-------|---------|---------------|---------|--------------|------|------|----------|---------|----------|
| Eastern | -83 | 1,329 | 63.3% | Previous Week | 2/9/12 | -80 to -95 | -78 | -233 | -188 | +714 | +714 |
| Western | -7 | 381 | 72.4% | Last Week | 2/16/12 | -115 to -125 | -127 | -81 | -168 | +817 | +765 |
| Producing | -37 | 1,051 | 83.2% | Next Week | 2/25/12 | -100 to -115 | -106 | -85 | -127 | +820 | +770 |
| Total: US | -127 | 2,761 | 71.0% | 2 Weeks Ahead | 3/1/12 | | | | | | |

This past week's -127 BCF storage withdrawal was below most analysts' expectations. If the storage estimate is correct, inventories as of Feb. 10 will total 2,769 trillion cubicfeet, about 39% above the five-year average and 42% above last year's level for the same week. At 2,761 current storage is +817 BCF (+42.0%) above last year and is also +765 BCF (+38.3%) above the five-year average for this time of the year. Links: [Storage Report](#), [BSEE](#) & [EIA Site](#)

WEATHER FORECASTS

BEARISH

2/21/12



The 6-10 day forecast is calling for warmer-than-normal temperatures across the East Coast, with a large patch of colder temps across the western portion of the US. The 30-day Meteorlogix forecast calls for warmer-than-normal temperatures over most of the country. The 90-day forecast calls for warmer-than-normal temperatures over the most of the nation and colder temps along the Northwest. Links: [6-10 day forecast](#), [30- & 90- day forecast](#).

HEATING DEGREE DAYS

BEARISH

2/21/12

| WEEKLY DATA | 2012 ¹ | 30-yr AVG ² | 2011 | STD vs. AVG ³ | STD vs. 2011 ³ |
|------------------|-------------------|------------------------|------|--------------------------|---------------------------|
| Feb. 19-25, 2012 | 153 | 123 | 123 | 13.8% Warmer | 14.7% Warmer |
| Feb. 12-18, 2012 | 182 | 198 | 145 | 30.0% warmer | 36.7% warmer |
| Feb. 5-11, 2012 | 190 | 209 | 244 | 9.1% warmer | 22.1% warmer |

Last week was 13.8% warmer than normal and 14.7% warmer than last year. The week ahead is forecast to be 24.4% colder than normal and 24.4% colder than last year. Links: [CDD](#), [HDD](#), [HDD Monthly](#), [HDD explanation](#)

ROTARY RIG COUNT

BULLISH

2/17/12

| RIGS | 2/17/12 | 2/10/12 | CHANGE | YEAR AGO | CHANGE |
|--------|---------|---------|--------|----------|--------|
| U.S. | 1,994 | 1,989 | + 5 | 1,713 | + 281 |
| Canada | 705 | 709 | -4 | 636 | + 69 |
| Total | 2,699 | 2,698 | + 1 | 2,349 | + 350 |

Rig counts were up in the US and up in Canada this past week. Overall, North American rig counts are up +350 compared to this time last year. Links: [Rig Chart](#) & [Baker-Hughes](#)

TECHNICAL ANALYSIS

NEUTRAL

2/21/12

| TYPE | TREND | SUPPORT | RESISTANCE |
|---------|-------|---------------|---------------|
| Daily | ▲ | \$2.53 \$2.60 | \$2.77 \$2.88 |
| Weekly | ▶ | \$2.42 \$2.49 | \$2.77 \$2.88 |
| Monthly | ▶ | \$2.00 \$2.23 | \$2.82 \$3.00 |

A decisive break above the 2.740 to 2.770 zone targets a further short covering rally up to the 2.850 - 2.880 zone. Expect formidable resistance up there. But first it must clear the 2.740 - 2.770

SPECULATIVE TRADERS

NEUTRAL

2/14/12

| COT REPORT | | NATURAL GAS | | | NAT GAS + SELECTED* GAS SWAPS | | |
|---------------|---------|-------------|-----------|---------|-------------------------------|-----------|---------|
| Period | Date | Position | Total | Percent | Position | Total | Percent |
| This Week | 2/14/12 | -126,157 | 1,262,254 | -9.99% | 8,438 | 3,688,352 | 0.23% |
| Last Week | 2/7/12 | -126,846 | 1,256,019 | -10.10% | 6,789 | 3,597,756 | 0.19% |
| Previous Week | 1/31/12 | -126,903 | 1,203,330 | -10.55% | 9,117 | 3,484,451 | 0.26% |

COT report showed net bearish length virtually unchanged on both a futures and futures and options combined basis. At around 127,000 lots net short, we continue to feel that the hedge funds, etc have plenty of ammunition to reload into the short side of this market. *Futures only for four contracts adjusted to futures equivalents: NYMEX natural gas futures, NYMEX Henry Hub Swaps, NYMEX Henry Hub Penultimate Swaps and ICE Henry Hub Swaps. Links: [COT Chart](#) & [CFTC Web](#)

KEY ECONOMIC INDICATORS

NEUTRAL

2/13/12

| INDICATOR | LINK | TREND | J-12 | D-11 | N-11 | O-11 | S-11 | A-11 | J-11 | J-11 | M-11 | A-11 | M-11 |
|----------------|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Confidence | News | ▼ | 61.1 | 64.8 | 55.2 | 40.9 | 46.4 | 44.2 | 59.2 | 57.6 | 61.7 | 66.0 | 63.8 |
| Retail Sales | News | ▲ | 0.4% | +0.1% | +0.4% | +0.6% | +1.1% | 0.0% | +0.5% | +0.1% | -0.2% | +0.3% | +0.4% |
| ISM Index | News | ▲ | 54.1 | 53.9 | 52.7 | 50.8 | 51.6 | 50.6 | 50.9 | 55.3 | 53.5 | 60.4 | 61.2 |
| Factory Orders | News | ▲ | | +3.0% | +4.3% | -0.7% | +0.7% | -0.4% | +4.1% | -1.3% | +1.9% | -2.7% | +2.5% |
| Unemployment | News | ▶ | 8.3% | 8.5% | 8.7% | 9.0% | 9.1% | 9.1% | 9.1% | 9.2% | 9.1% | 9.0% | 8.8% |
| Inflation | News | ▲ | +0.2% | +0.1% | +0.2% | +0.1% | +0.1% | +0.2% | +0.2% | +0.5% | +0.2% | +0.2% | +0.1 |
| INDICATOR | LINK | TREND | Q4-11 | Q3-11 | Q2-11 | Q1-11 | Q4-10 | Q3-10 | Q2-10 | Q1-10 | Q4-09 | Q3-09 | Q2-09 |
| GDP | News | ▲ | +2.8% | +1.8% | +1.3% | +1.9% | +3.1% | +2.6% | +1.7% | +3.7% | +5.6% | +2.2% | -0.7% |
| Productivity | News | ▲ | +0.7% | +1.9% | -0.7% | +1.8% | 2.6% | +2.3% | -1.8% | +3.6 | +6.9% | +7.2% | +6.5% |

Consumer prices rose the most in four months in January as the price of gasoline jumped, highlighting a growing concern that higher energy costs could slow the economic recovery. In a report that might also give the U.S. Federal Reserve some pause over the possibility of easing monetary policy further, the Labor Department said on Friday its Consumer Price Index rose 0.2 percent last month. The gain was just below analysts' expectations of a 0.3 percent increase. Stripping out food and energy for the so-called core reading, prices rose 0.2 percent, which was in line with expectations. However, the report showed the rate of core price increases in the twelve months through January unexpectedly climbed to 2.3 percent.

¹ 2010 degree-day data, for next week, is a National Weather Service (NWS) forecast.

² The data is a 30-year average ending with the previous decade. Current average is for the period from 1971 through 2000.

³ STD percentage is comparison data is for the current heating season, starting with the first week of October 2009 through the current week.

ANALYST EXPECTATIONS

NEUTRAL

2/7/12

| | | | | GAS (HENRY HUB) – FORECAST PRICE | | | | | WTI CRUDE – FORECAST PRICE | | | |
|--------------|------|--------|-------|----------------------------------|--------|---------------|--------|-------|----------------------------|----------|---------------|----------|
| | | | | 2012 FORECAST | | 2013 FORECAST | | | 2012 FORECAST | | 2013 FORECAST | |
| ANALYST | NAME | DATE | TREND | NEW | OLD | NEW | OLD | TREND | NEW | OLD | NEW | OLD |
| US DOE - EIA | STEO | 2/7/12 | ▼ | \$3.35 | \$3.43 | \$4.07 | \$4.14 | ▶ | \$100.40 | \$100.25 | \$103.75 | \$103.75 |

Natural gas working inventories continue to set new record seasonal highs and ended January 2012 at an estimated 2.86 trillion cubic feet (Tcf), about 24 percent above the same time last year. EIA's average 2012 Henry Hub natural gas spot price forecast is \$3.35 per million British thermal units (MMBtu), a decline of about \$0.65 per MMBtu from the 2011 average spot price. EIA expects that Henry Hub spot prices will average \$4.07 per MMBtu in 2013. EIA expects the price of West Texas Intermediate (WTI) crude oil to average about \$100 per barrel in 2012, almost \$6 per barrel higher than the average price last year. EIA's forecast assumes that U.S. real gross domestic product (GDP) grows by 2.0 percent in 2012 and 2.4 percent in 2013, while world real GDP (weighted by oil consumption) grows by 2.9 percent and 3.7 percent in 2012 and 2013, respectively. *The next STEO will be released March 6, 2012.*

PETROLEUM COMPLEX – UNITED STATES – ENERGY INFORMATION ADMINISTRATION

NEUTRAL

EIA REPORT: 2/10/12

| FUEL | STOCKS ⁴ | TREND | Vs. LW ⁵ | TREND | Vs. '11 | FUEL | PRICE | TREND | Vs. LW ⁵ | TREND | Vs. '11 |
|-------------|---------------------|-------|---------------------|-------|---------|---------------------|-------|-------|---------------------|-------|---------|
| Crude Oil | 339.1 | ▼ | -0.2 | ▼ | -6.8 | Crude Futures WTI | 98.7 | ▲ | 0.83 | ▲ | 13.09 |
| Gasoline | 232.2 | ▲ | + 0.4 | ▼ | -8.9 | Gasoline Futures | 2.97 | ▲ | 0.061 | ▲ | 0.510 |
| Distillates | 143.7 | ▼ | -2.9 | ▼ | -17.6 | Heating Oil Futures | 3.18 | ▲ | 0.068 | ▲ | 0.486 |
| Propane | 46.43 | ▼ | -0.23 | ▲ | + 15.46 | | | | | | |

U.S. crude oil refinery inputs averaged 14.7 million barrels per day during the week ending February 10, 322 thousand barrels per day above the previous week's average. Refineries operated at 84.0 percent of their operable capacity last week. Gasoline production increased last week, averaging nearly 8.8 million barrels per day. Distillate fuel production decreased last week, averaging just under 4.4 million barrels per day. U.S. crude oil imports averaged about 8.8 million barrels per day last week, up by 343 thousand barrels per day from the previous week. Over the last four weeks, crude oil imports have averaged 8.7 million barrels per day, 168 thousand barrels per day below the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) last week averaged 548 thousand barrels per day. Distillate fuel imports averaged 132 thousand barrels per day last week. U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) decreased by 0.2 million barrels from the previous week. At 339.1 million barrels, U.S. crude oil inventories are in the upper limit of the average range for this time of year. Total motor gasoline inventories increased by 0.4 million barrels last week and are in the upper limit of the average range. Finished gasoline inventories increased while blending components inventories decreased last week. Distillate fuel inventories decreased by 2.9 million barrels last week and are in the middle of the average range for this time of year. Propane/propylene inventories decreased by 0.2 million barrels last week and are above the upper limit of the average range. Total commercial petroleum inventories decreased by 4.0 million barrels last week. Total products supplied over the last four-week period have averaged 18.3 million barrels per day, down by 4.6 percent compared to the similar period last year. Over the last four weeks, motor gasoline product supplied has averaged nearly 8.1 million barrels per day, down by 6.4 percent from the same period last year. Distillate fuel product supplied has averaged 3.7 million barrels per day over the last four weeks, down by 2.6 percent from the same period last year. Jet fuel product supplied is 2.1 percent lower over the last four weeks compared to the same four-week period last year. Link: EIA Site

OPEC & OIL COMPLEX INFORMATION

NEUTRAL

2/9/12

| OUTPUT | TREND | D-11 | N-11 | O-11 | S-11 | A-11 | J-11 | J-11 | M-11 | A-11 | M-11 | F-11 | J-11 |
|----------------|-------|----------|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Market Basket | ▼ | \$111.76 | \$107.34 | \$110.0 | \$106.2 | \$107.6 | \$106.3 | \$111.6 | \$109.0 | \$109.9 | \$118.1 | \$109.8 | \$100.2 |
| OPEC-11 Target | ▶ | 24.845 | 24.845 | 24.845 | 24.845 | 24.845 | 24.845 | 24.845 | 24.845 | 24.845 | 24.845 | 24.845 | 24.845 |
| OPEC-11 Output | ▼ | 28.153 | 28.099 | 27.965 | 27.213 | 27.235 | 27.288 | 27.203 | 26.874 | 26.402 | 26.173 | 26.209 | 27.379 |
| Iraq Output | ▼ | 2.745 | 2.723 | 2.686 | 2.637 | 2.661 | 2.631 | 2.641 | 2.702 | 2.679 | 2.631 | 2.637 | 2.638 |

Oil rebounded from a three-day low in New York after Greece's parliament approved austerity measures to secure an international bailout, easing concern Europe's debt crisis will worsen and curb fuel demand. Oil may extend gains after companies controlling more than 100 supertankers said they would stop loading cargoes from Iran, tightening sanctions on OPEC's second-biggest producer. Link: OPEC.org

GEOPOLITICAL UPDATE

Iran has halted oil shipments to Britain and France, the Oil Ministry said Sunday, in an apparent pre-emptive blow against the European Union after the bloc imposed sanctions on Iran's crucial fuel exports. The 27-nation EU accounts for about 18 percent of Iran's oil exports.

NUCLEAR REGULATORY COMMISSION

NEUTRAL

2/21/12

OUTAGE REPORTS

The following is a listing of power plants operating at less than 90% of generation capacity as of today: Calvert Cliffs 1, Limerick 1, Nine Mile Point 1, Seabrook 1, Brunswick 1, Crystal River 3, Hatch 1, Robinson 2, Saint Lucie 1, Turkey Point 3, La Salle 1, Prairie Island 2, Fort Calhoun, Grand Guld 1, San Onofre 2, San Onofre 3, South Texas 2, and Wolf Creek 1. Link: NRC

ELECTRIC OUTPUT – EEI

BEARISH

2/11/12

| OUTPUT | GWHr | PERCENT |
|--------|------|---------|
|--------|------|---------|

| | | |
|---------------|-----------|-------|
| Last Week | 75,852 | -8.6% |
| Year-to-Date | 457,212 | -8.0% |
| Last 52 Weeks | 4,025,232 | -1.7% |

Power output decreased -8.6% compared to the same week last year and is down -1.7% for the past 52 weeks.

⁴ Stocks are as reported by the Energy Information Administration and are shown in Million Barrels, or MB.

⁵ Change from previous week, or last week.

POWER PRICES

BEARISH

2/15/12

| ELECTRIC HUB | RTO | STATE | LMP PRICES - LAST WEEK | | | ELECTRIC HUB | FORWARD ON-PEAK PRICES* | | | | 2013 ON-PEAK HEAT RATE |
|--------------|--------|-------|------------------------|---------|---------|--------------|-------------------------|---------|---------|---------|------------------------|
| | | | MIN | MAX | AVG | | Q2 2012 | 2013 | 2014 | 2015 | |
| Indy Hub | MISO | IN | \$22.11 | \$45.00 | \$29.86 | Indy Hub | \$30.10 | \$35.40 | \$38.30 | \$41.45 | 9.415 |
| PJM West | PJM | PA | \$25.56 | \$75.25 | \$34.47 | PJM West | \$46.50 | \$44.25 | \$46.85 | \$49.25 | 11.769 |
| NY Zone A | NYISO | NY | \$21.88 | \$45.73 | \$29.73 | NY Zone A | \$32.70 | \$37.25 | \$39.35 | \$41.40 | 9.907 |
| NY Zone J | NYISO | NY | \$24.50 | \$76.32 | \$39.14 | NY Zone J | \$42.45 | \$51.10 | \$58.25 | \$61.30 | 13.590 |
| NI Hub | PJM | IL | \$20.32 | \$52.66 | \$28.33 | NI Hub | \$29.20 | \$35.65 | \$37.95 | \$39.70 | 9.481 |
| Mass Hub | ISO-NE | ME | \$25.00 | \$69.19 | \$36.18 | Mass Hub | \$33.45 | \$45.90 | \$48.25 | \$50.50 | 12.207 |

* - This data represents a point-in-time snapshot of wholesale, non-transactable pricing taken on Thursday of the week prior to the Bull & Bear report date. Actual pricing is contingent upon load, usage, and product need, which varies by customer.

Market Commentary – On the week, peak power prices for the front month declined \$0.40 at PJM, \$1.00 at Mass Hub, \$0.10 at CinHub, \$0.35 at NiHub, \$0.85 at NY-A, and \$2.40 at NY-J. The prompt yearly peak strips closed fairly flat, ranging from a decline of \$0.11 to an increase of \$0.39 across our markets. The continuing decline in natural gas drilling rigs provided support to the power curve. A short covering rally in natural gas, prompted by concerns of forced production outage due to a Chesapeake “cash crunch”, also provided support the power curve. Additional support came from bullish natural gas storage report. Better than expected PPI, Housing Starts and Jobless claims numbers continue to show a slowly expanding US economy with expectations of increasing demand.

TERMS OF USE & DISCLAIMER

USE OF DATA: THE INFORMATION CONTAINED IN THIS DOCUMENT IS COMPILED FOR THE CONVENIENCE OF THE CUSTOMERS OF INTEGRYS ENERGY SERVICES, INC. AND IS FURNISHED WITHOUT RESPONSIBILITY FOR ACCURACY AND IS PROVIDED TO THE RECIPIENT ON THE CONDITION THAT ERRORS OR OMISSIONS SHALL NOT BE MADE THE BASIS FOR A CLAIM, DEMAND OR CAUSE OF ACTION. THE INFORMATION CONTAINED IN THIS DOCUMENT IS OBTAINED FROM RECOGNIZED STATISTICAL SERVICES AND OTHER SOURCES BELIEVED TO BE RELIABLE, HOWEVER WE HAVE NOT VERIFIED SUCH INFORMATION AND WE DO NOT MAKE ANY REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS. WHERE POSSIBLE, A LINK IS PROVIDED TO THE DATA SOURCE FOR YOUR CONVENIENCE. OPINIONS EXPRESSED BY THE DATA SOURCES MAY NOT BE CONSISTENT WITH ONE ANOTHER AND MAY NOT BE CONSISTENT WITH THE OPINION OF INTEGRYS ENERGY SERVICES, INC.

DISCLAIMER: THE INFORMATION PROVIDED SHOULD NOT BE CONSTRUED TO BE, AND DOES NOT CONSTITUTE AN OFFER TO BUY OR SELL OR A SOLICITATION OF AN OFFER TO BUY OR SELL ANY FUTURES, OPTIONS-ON-FUTURES, OR FIXED PRICE ENERGY PRODUCTS.

OFFICERS AND DIRECTORS: OFFICERS AND DIRECTORS OF INTEGRYS ENERGY GROUP (OR ONE OF ITS AFFILIATES) MAY HAVE POSITIONS IN FUTURES AND OR OPTIONS-ON-FUTURES REFERRED TO HEREIN AND MAY HEREAFTER MODIFY SUCH POSITIONS.

DISTRIBUTION: © 2011 INTEGRYS ENERGY SERVICES, INC. ALL RIGHTS RESERVED. THIS COPYRIGHTED PUBLICATION IS PROVIDED BY INTEGRYS ENERGY SERVICES, INC. AS A SERVICE TO ITS CUSTOMERS AND IT IS PROTECTED BY LAW. REDISTRIBUTING, DECOMPILING, AND/OR REPRODUCING ALL OR PORTIONS OF THIS DOCUMENT WITHOUT THE EXPRESS WRITTEN CONSENT OF INTEGRYS ENERGY SERVICES, INC. IS STRICTLY PROHIBITED.