

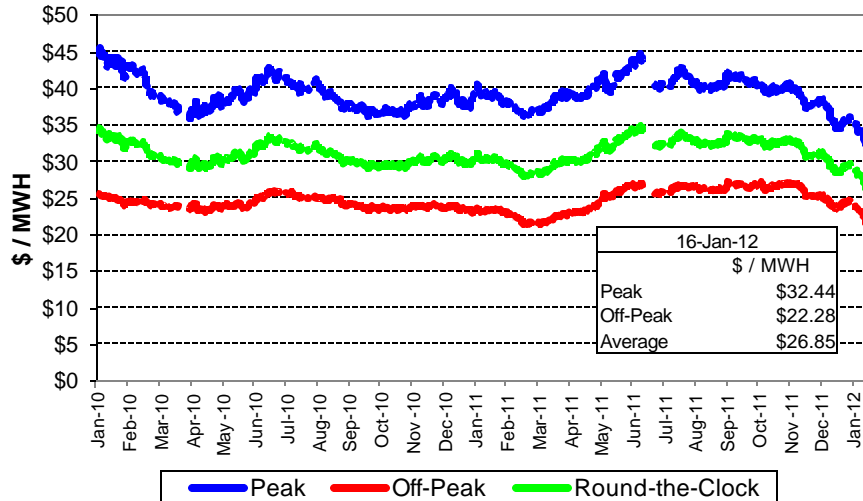
NEU Electric and Natural Gas Price Update

Electric: Short-Term Outlook

NYMEX Northern Illinois Hub forward prices for the February 2012 to January 2013 period were \$26.85 per MWH (2.685¢ per kWh) on January 16, 2012. Forward peak prices were \$32.44 per MWH and off-peak prices were \$22.28 per MWH. These prices are down about \$4.50 per MWH from forward prices on December 1, 2011. Current forward prices are at a low that has not been seen since early 2000's.

PJM ComEd Zone Day-Ahead hourly index prices in December averaged \$27.43 per MWH, an increase of \$1.43 from the November average price of \$26.00 per MWH. Day-Ahead index prices are averaging about \$28.60 per MWH for the January 1, 2012 to January 16, 2012 period.

**NYMEX N. Illinois Hub Electric Prices
12-Month Forward Prices Through 1/16/12**

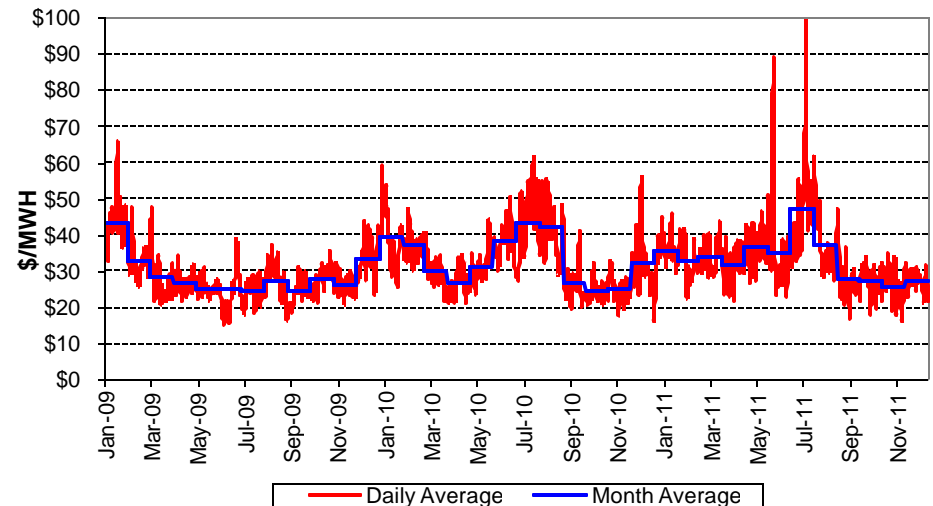


PJM Day-Ahead and Real-Time Prices ComEd Zone

	ComEd Zonal Price - \$/ MWH						Daily Nat Gas
	Day-Ahead LMP		Real-Time LMP				
Jan-11	\$35.80	\$41.82	\$30.85	\$36.08	\$42.58	\$30.73	\$4.68
Feb-11	\$33.12	\$38.63	\$28.11	\$33.96	\$40.31	\$28.19	\$4.36
Mar-11	\$33.93	\$38.66	\$29.28	\$33.11	\$38.65	\$27.67	\$4.11
Apr-11	\$31.90	\$39.33	\$25.40	\$33.55	\$40.56	\$27.42	\$4.35
May-11	\$36.79	\$46.49	\$28.80	\$37.94	\$52.12	\$26.25	\$4.41
Jun-11	\$35.45	\$46.49	\$24.90	\$33.70	\$43.75	\$24.10	\$4.64
Jul-11	\$47.57	\$62.98	\$35.94	\$47.50	\$61.99	\$36.56	\$4.49
Aug-11	\$37.40	\$45.45	\$29.52	\$38.26	\$47.66	\$29.05	\$4.14
Sep-11	\$28.23	\$35.95	\$21.47	\$26.97	\$32.68	\$21.98	\$3.96
Oct-11	\$27.43	\$34.81	\$21.35	\$26.38	\$32.26	\$21.55	\$3.67
Nov-11	\$26.00	\$32.52	\$20.31	\$25.38	\$31.20	\$20.29	\$3.50
Dec-11	\$27.43	\$31.95	\$23.36	\$26.42	\$31.43	\$21.92	\$3.33
Cal '10	\$33.37	\$41.11	\$26.62	\$33.35	\$41.73	\$26.04	\$4.46
Cal '11	\$34.01	\$41.97	\$26.98	\$34.79	\$43.18	\$27.43	\$4.14

* NERC Hours (6 AM TO 10 PM)

**PJM Day-Ahead Prices for ComEd Zone
Daily Average Hourly Prices Through 12/31/11**



NEU Electric and Natural Gas Price Update

Natural Gas: Short-Term Outlook

The Energy Information Administration (“EIA”) reported in its January 10, 2012 Short-Term Energy Outlook that Henry Hub prices in 2012 will average \$3.53 per MMBtu, almost \$0.50 lower than the 2011 average price of \$4.00. In January 2011 the EIA had predicted that 2011 natural gas prices would average \$4.02 per MMBtu. Prices in 2013 are expected to average \$4.14 per MMBtu.

The EIA predicts that natural gas consumption will average 68.1 Bcf per day, an increase of 2.0% from 2011 consumption. The largest increase will be in the electric generation sector. This should be no surprise since natural gas prices are low allowing gas generation to compete with coal. Natural gas consumption in 2012 is expected to increase to 69.1 Bcf per day.

Estimated natural gas production in 2011 grew by 4.5 Bcf per day. This was the second largest year-over-year production increase in U.S. history. This production increase was driven by shale gas extraction. Expected production growth is 2.2% in 2012 and 1.0% in 2013.

Natural gas storage at the end of December was 3.47 Tcf, a record high for that time of the year. The unusual warm weather and increased production contributed to the record inventory level. The EIA is expecting natural gas storage to remain high and that storage levels at the end of October will set high inventory records for both 2012 and 2013.

2012 Winter Weather Update

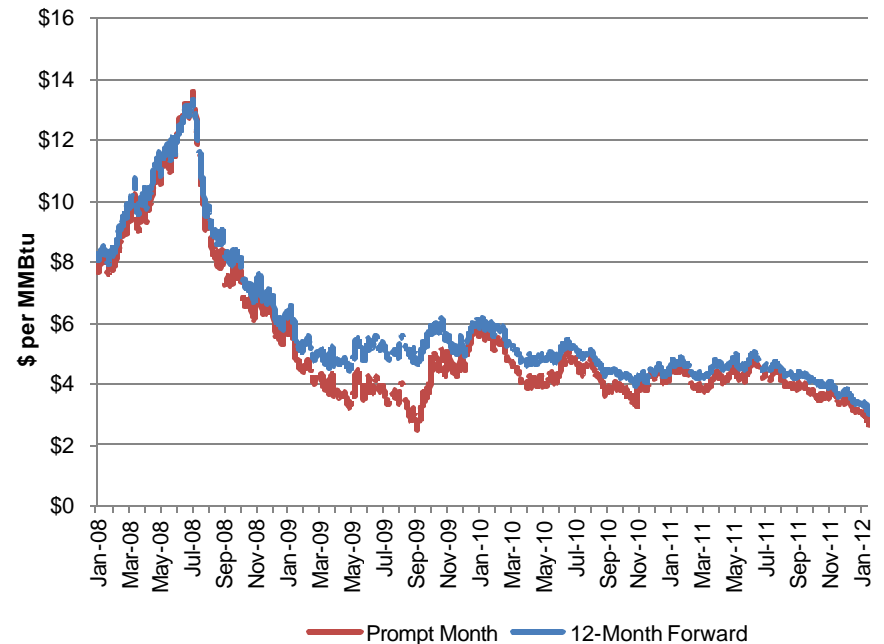
NOAA had predicted below average temperatures and above average participation (snowfall) for the Great Lakes area. As of mid-January temperatures have been above normal and there has been no significant snow accumulation. NOAA's temperature outlook for February 2012 indicates enhanced probabilities of above normal temperatures for Midwest.

The January 2012 NYMEX natural gas futures price closed at \$3.084 per MMBtu, down \$0.280 from the December 2011 settlement price of \$3.364 per MMBtu. The closing twelve-month forward NYMEX price for the January 2012 to December 2012 period was \$3.348 per MMBtu compared to \$3.664 per MMBtu last month. Adding the forward NYMEX Chicago swap basis of \$0.076 per MMBtu to the forward NYMEX price shows a Chicago forward price of \$3.424 per MMBtu for the January 2012 to December 2012 period.

Natural gas prices are currently near the historical 10-year low. On January 26, 2002 the NYMEX twelve-month forward was \$2.372 per MMBtu. The NYMEX prompt month on January 26, 2002 (February 2002) was \$1.908 per MMBtu.

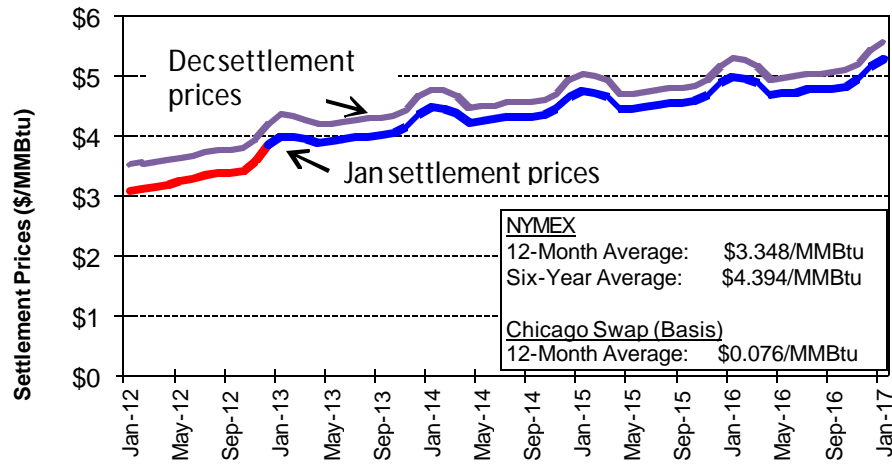
Natural gas prices, storage volumes and rig counts are summarized in the following graphs.

**NYMEX Natural Gas Forward Prices
Through January 17, 2012**



NEU Electric and Natural Gas Price Update

NYMEX Natural Gas Settlement Prices on Last Trade Day of December 2011 and January 2012 Contracts



Utility Natural Gas Supply Costs (\$/Therm) – Jan. 2012

Gas Supply Costs:	Peoples Gas	North Shore	NICOR
Bundled Gas Supply Cost	\$0.4190	\$0.4765	\$0.4397
Commodity	\$0.3679	\$0.3771	\$0.3885
Non-Commodity Charge	\$0.0583	\$0.0994	\$0.0512
Demand	\$0.2318	\$0.3555	\$0.5884
Environmental Surcharges			
Rider 11, Peoples and North Shore	\$0.0034	(\$0.0040)	
Rider 12, NICOR - Small C&I			\$0.0029
Rider 12, NICOR - Large C&I			\$0.0008
Rider VBA - Balancing Adjustment	\$0.0080	\$0.0051	
Infrastructure Cost Recovery (ICR)			
Surcharge Percentage (a)	1.170%		
Hub Service Credit - Sales	(\$0.0072)		
Hub Service Credit - Transportation	(\$0.0022)		
NICOR Transportation Service Adj.			(\$0.0003)
NICOR, Rider 5 Storage Adj. Factor			\$0.0003

(a) Applied to distribution charges (customer, meter, demand, and commodity)

Natural Gas Price Summary Comparison January 2012 (\$ per MMBtu)

	Burner-Tip \$/MMBtu	Local Distribution (a)
NYMEX Final Settlement Price	\$3.084	
NYMEX Chicago Basis	\$0.226	
Chicago City-gate Price (b)	\$3.310	
<u>Peoples Gas Burner-Tip Price</u>		
Rate 2 - Utility Supply Service	\$6.036	\$2.726
Rate 4 - Utility Supply Service	\$5.784	\$2.474
Rate 4 - Utility Supply Service	\$5.667	\$2.357
Rate 2, SST, 50% Standby	\$5.444	\$2.134
Rate 4, LST, 50% Standby	\$5.003	\$1.693
Rate 4, LST, 50% Standby	\$4.879	\$1.569
<u>North Shore Burner-Tip Price</u>		
Rate 2 - Utility Supply Service	\$5.642	\$2.332
Rate 3 - Utility Supply Service	\$5.414	\$2.104
Rate 2, SST, 50% Standby	\$4.181	\$0.871
Rate 3, LST, 50% Standby	\$3.835	\$0.525
<u>NICor Burner-Tip Price</u>		
Rate 6 - Utility Supply Service	\$4.658	\$1.348
Rate 7 - Utility Supply Service	\$4.690	\$1.380
Rate 76, 0% Standby (c)	\$3.778	\$0.468
Rate 77, 0% Standby (c)	\$3.822	\$0.512

(a) Local distribution charge = burner-tip less city-gate price. Includes all taxes, city fees and gas loss costs.
 (b) NYMEX last day settlement price plus NYMEX Chicago basis swap last day settlement price.
 (c) Assumes 31 days storage in place of standby service.



NEU Electric and Natural Gas Price Update

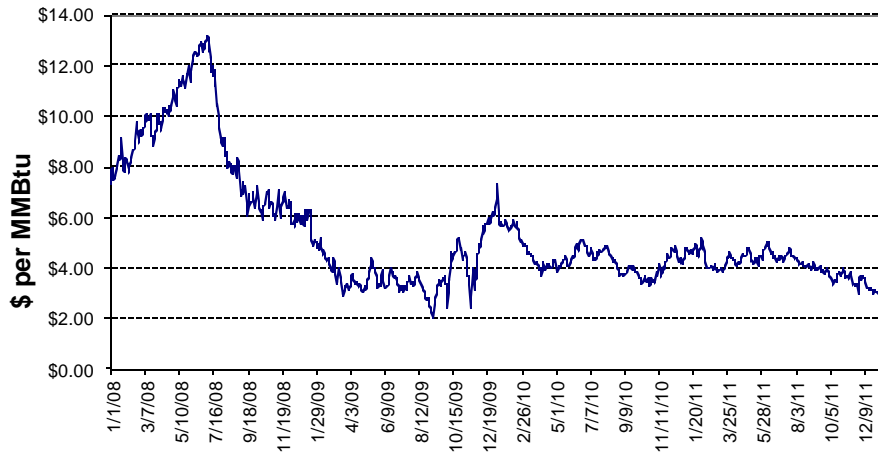
The Chicago citygate natural gas price reported by Intercontinental Exchange ("ICE") for January 2012 was \$3.31 per MMBtu, down \$0.41 from the December 2011 price of \$3.72 per MMBtu. Daily prices in December 2011 averaged \$3.33 per MMBtu, down \$0.27 from the average price of \$3.50 per MMBtu in November 2011. Daily prices in January (through 1/16/12) have averaged \$2.96 per MMBtu.

Chicago prices from January 2011 are summarized in the adjacent table.

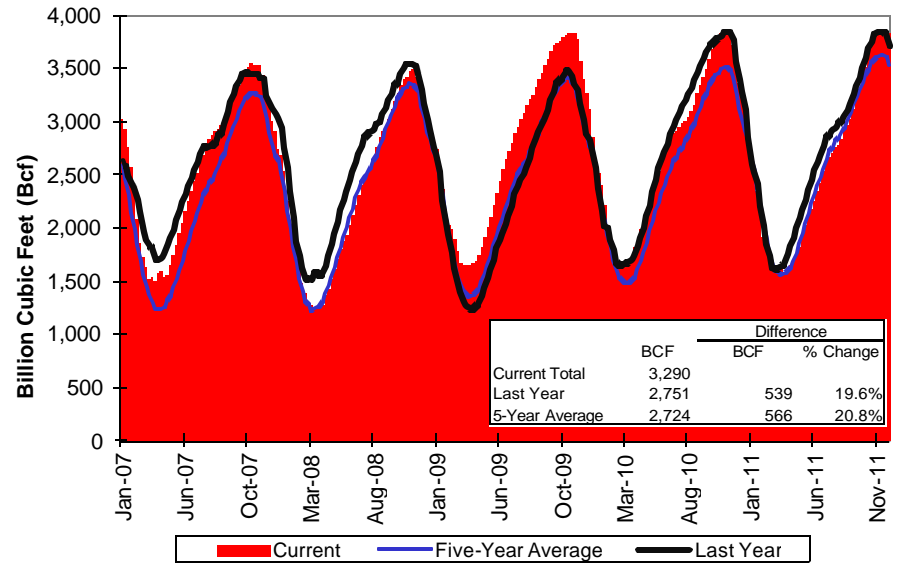
ICE Natural Gas Index Prices
\$ per MMBtu

Month	Average Daily	Monthly Index
Jan-11	\$4.68	\$4.39
Feb-11	\$4.36	\$4.62
Mar-11	\$4.11	\$3.95
Apr-11	\$4.35	\$4.40
May-11	\$4.41	\$4.49
Jun-11	\$4.64	\$4.39
Jul-11	\$4.49	\$4.37
Aug-11	\$4.14	\$4.50
Sep-11	\$3.97	\$3.96
Oct-11	\$3.67	\$3.92
Nov-11	\$3.50	\$3.83
Dec-11	\$3.33	\$3.72
Jan-12	\$3.31	\$3.31

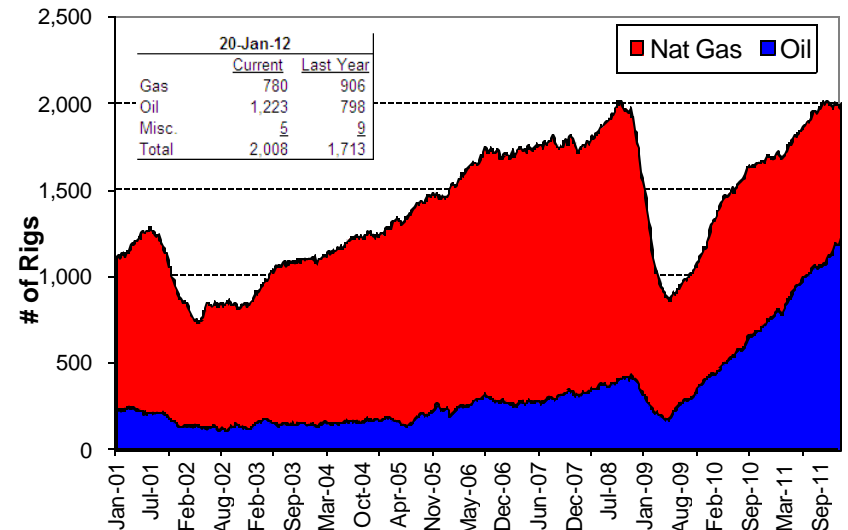
Daily Chicago Natural Gas Prices
January 1, 2008 through January 16, 2012



EIA Weekly Storage Report
January 2007 through January 13, 2012



Natural Gas Rig Count Through January 20, 2012



NEU Regulatory Issues

Overview of ComEd's Proposed Rate DSPP, Delivery Service Pricing and Performance

On November 8, 2011 Commonwealth Edison Company ("ComEd") filed a petition with the Illinois Commerce Commission ("Commission or ICC") requesting approval of proposed Rate DSPP, Delivery Service Pricing and Performance. Proposed Rate DSPP is a "formula-based" rate where rates will increase each year. Senate Bill 1652 requires the ICC to approve Rate DSPP by May 31, 2012 under an expedited hearing schedule.

On October 26, 2011 the Illinois Legislators voted to override Governor Quinn's veto of Senate Bill 1652 (SB 1652) and it became law. Senate Bill 1652 allows ComEd to invest \$2.6 Billion in smart grid technologies and grid modernization over the next 10 years, and recover the costs using a formula-based rate. A trailer bill (House Bill 3036) was also passed on October 26 and signed by Governor Quinn in December. HB 3036 lowers the rate of return for ComEd and includes more stringent performance standards. Rate DSPP was developed and filed with the ICC in compliance with SB 1652 and HB 3036.

ComEd's proposed Rate DSPP tariff is 170 pages and complex. The tariff contains a series of formulas, rather than rates, which are used to set new rates each January 1. Much of the cost data to populate the formulas in Rate DSP will come from ComEd's FERC Form 1 filed annually with FERC. SB 1652 included language describing the formulas and sources for the costs to update the formulas.

Every year by May 1 ComEd must file with the ICC updated rates that will become effective the following January. The ICC has 45 days to review the filing and either approve the rates or hold additional hearings. The review process must be completed within 240 days (prior to the following January 1). The following table summarizes the filing schedule for Rate DSPP.

Rate DSPP – New Rates Approval Schedule

Initial Approval Process

ICC Approval for Rate DSPP	May 31, 2012
New DSPP Rates	June 1, 2012
New 2013 DSPP Rates	January 1, 2013

Annual Process after January 1, 2013

Annual Formula Update Filing	By May 1
Updated DSPP Rates	Following January 1

ComEd's Rate DSPP filing includes updated costs to populate the Rate DSPP formulas effective on January 1, 2013. These costs are based on ComEd's 2010 Cost of Service Study. The rate increase on January 1, 2013, as filed by ComEd, will be approximately \$200 Million over rates approved by the Commission on May 24, 2011. The Commission's Final Order in ComEd's 2010 rate proceeding (Docket No. 10-0467) granted ComEd a \$156 Million (7.61%) rate increase and was based on ComEd's 2009 Cost of Service Study.

The lower rate of return provisions of HB 3036 cause rates for the period after Rate DSPP is approved until December 31, 2012 to decrease by about \$54 Million per year as compared to rates approved in May 2011.

The hearing schedule to approve Rate DSPP is summarized below.

Hearing Schedule

Staff and Intervenor Direct Testimony	Jan. 12, 2012
ComEd Rebuttal Testimony	Feb. 2, 2012
Staff and Intervenor Rebuttal Testimony	Feb. 13, 2012
ComEd Surrebuttal Testimony	Feb. 29, 2012
Hearings	Mar 9-13, 2012
Initial Briefs	Mar. 27, 2012
Reply Briefs	Apr. 10, 2012
Proposed Draft Orders	Apr. 11, 2012
Administrative Law Judges Proposed Order	May 1, 2012
Briefs on Exceptions	May 9, 2012
Deadline for Commission Action	May 31, 2012



NEU Regulatory Issues

Details of Senate Bill 1652

Illinois Senate Bill 1652 allows ComEd and Ameren to make smart grid technology and grid modernization investments over the next 10 years. ComEd is allowed to invest \$2.6 Billion and Ameren is allowed to invest \$0.625 Billion over the next 10 years. SB 1652 allows these investments to be recovered under a “formula-based” rate that is updated annually.

ComEd initially requested approval in its 2007 rate increase proceeding for approximately \$0.9 Billion in smart grid updates. This request was denied by the ICC and ComEd began the process to seek legislative approval.

Key provisions of SB 1652:

- Allows an electric utility serving 1 million customers (**ComEd**) to invest over \$2.6 Billion in modernization projects, training facilities, and smart grid upgrades;
- Allows a combined electric and natural gas utility serving 1 million electric customers and 500,000 natural gas customers (**Ameren**) to invest over \$635 Million in modernization projects;
- Allows use of a “Performance-Based Formula Rate” to recover costs;
- Capital investment for modernization, training and smart grid is in addition to average capital expenditure for the 2008 to 2010 period;
- 2.5% annual rate cap for residential customers based on a per kWh cost including commodity, surcharges and taxes. There is rate no cap protection for non-residential customers;
- Job creation requirements. ComEd must create 2,000 full-time jobs during the program’s peak year;

- Increased performance standards that ComEd must meet. Failure to meet these standards will cause Rate DSPP to be halted;
- Increased reporting requirements to ensure ComEd is meeting SB 1652 requirements and standards.

Large Customer Concerns

The major concern for large customers is the **unknown** cost impact and cost savings benefits. There is also limited opportunity to challenge the investment costs and annual rates through a shortened review process.

Commission Issues Final Order Peoples Gas and North Shore Rate Increase Proceeding ICC Docket Nos. 11-0281 and 11-0280

On January 10, 2011 the ICC issued its Final Order in the Peoples Gas and North Shore rate increase proceeding. The Final Order allows Peoples Gas to increase rates by \$57.8 Million (11.4%) and North Shore to increase rates by \$1.9 Million (2.5%). The approved rate increase for Peoples Gas is lower than the rate increase recommended by the Administrative Law Judges (“ALJs”) in their Proposed Order. The ALJs recommended a \$59.1 Million (11.65%) increase for Peoples Gas and \$1.5 Million (2.00%) increase for North Shore. Peoples Gas was seeking a \$125.0 Million increase (25.3%) and North Shore was seeking a \$8.7 Million increase (11.5%).

Peoples Gas and North Shore’s Cost of Service Studies for allocating costs among customer classes were approved by the ICC. This is the same cost allocation currently used by Peoples Gas and North Shore.

The most significant change for transportation customers is the approval of new Rider SST, Subscription Storage Transportation Service. This is a new stand-alone storage service allowing customers to buy only storage service. This new service will become effective on May 1, 2012.



NEU Regulatory Issues

Peoples Gas and North Shore - Continued

Storage service is presently bundled with standby service and a customer must contract for standby service in order to obtain storage service. Standby service includes the cost for firm interstate pipeline capacity. The cost of Rider SST service is not yet available but customers should be able to lower their costs by contracting for only storage service. Beginning on May 1, 2012, standby service options will be either new Rider SST or 100% standby service under Rider FST.

In approving Rider SST, the ICC rejected complex monthly storage and injection rules proposed by Peoples Gas and North Shore. Intervenors argued that these additional rules were unnecessary and would make storage service problematic from a daily and monthly management perspective. A customer's maximum daily withdrawal from their Allowable Storage Bank (AB) on any Critical Supply Shortage Day shall be the lesser of (i) the customer's AB balance at the beginning of the day or (ii) the quantity of gas determined by multiplying the customer's AB times 2.5% (2.6% for North Shore). Monthly withdrawals during the November through March period will be limited to 1/3 of the customer's AB.

The ICC also approved Rider VBA, Volume Balancing Adjustment, as a permanent rider. This rider was approved in 2008 as a four-year pilot program. Under Rider VBA, the companies add a line item surcharge or credit to ensure no under-collection or over-collection of revenue. Rider VBA is only applicable to residential and small commercial/industrial customers.

Both Peoples Gas and North Shore filed new rates with an effective date of January 17, 2012. A summary comparison of the new distribution rates follows.

Peoples Gas Distribution Rates			
Rate 2	Prior	Final Order	% Inc.
Customer Charge			
Up to 700 CFH	\$22.30	\$25.20	13.0%
Over 700 CFH	\$76.00	\$92.40	21.6%
Over 3000 CFH	\$188.20	\$235.60	25.2%
Distribution (¢ per Therm)			
First 100 therms	30.615¢	30.167¢	-1.5%
Next 4,900 therms	13.084¢	10.122¢	-22.6%
Additional	10.554¢	8.190¢	-22.4%
Rate 4			
Customer Charge			
	\$680.00	\$481.00	-29.3%
Demand (¢ per Therm)			
	58.634¢	59.700¢	1.8%
Distribution (¢ per Therm)			
	4.023¢	3.752¢	-6.7%

North Shore Distribution Rates			
Rate 2	Prior	Final Order	% Inc.
Customer Charge			
Up to 700 CFH	\$18.00	\$23.10	28.3%
Over 700 CFH	\$58.00	\$69.00	19.0%
Over 2300 CFH	\$163.90	\$192.30	17.3%
Distribution (¢ per Therm)			
First 100 therms	13.794¢	10.284¢	-25.4%
Next 2,900 therms	7.112¢	6.410¢	-9.9%
Additional	5.715¢	5.558¢	-2.7%
Rate 3			
Customer Charge			
	\$645.00	\$477.00	-26.0%
Demand (¢ per Therm)			
	54.139¢	54.801¢	1.2%
Distribution (¢ per Therm)			
	1.529¢	1.690¢	10.5%

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