

# NEU Electric and Natural Gas Price Update

## Electric: Short-Term Outlook

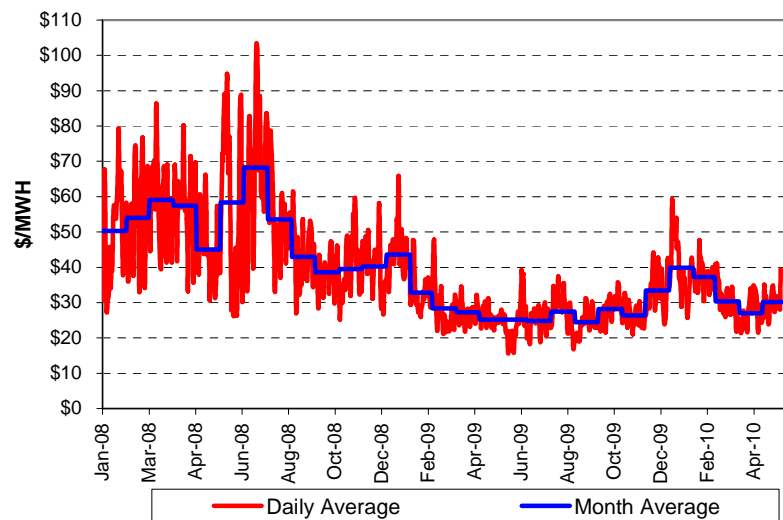
NYMEX Northern Illinois Hub forward prices for the June 2010 to May 2011 period are approximately \$30.8 per MWH (3.08¢ per kWh). Peak prices are about \$39.1 per MWH and off-peak prices are about \$23.9 per MWH. PJM Chicago Zone Day-Ahead hourly index prices in April averaged \$27.0 per MWH and Real-Time prices averaged \$26.3 per MWH. For the period May 1, 2010 through May 24, 2010, ComEd Day-Ahead prices are averaging about \$30.1 per MWH. Supplier margins, distribution costs, and PJM costs (transmission, capacity, ancillary, balancing operating reserve) must be added to these costs to obtain a ComEd metered cost.

## PJM Day-Ahead and Real-Time Prices ComEd Zone

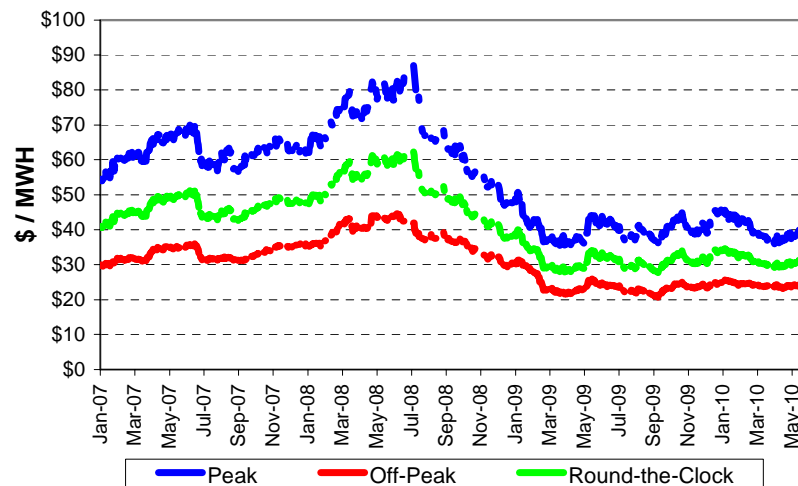
	\$ / MWH						Daily Nat Gas \$/MMBtu
	Day-Ahead LMP			Real-Time LMP			
	Mo Avg	Peak **	Off-Peak	Mo Avg	Peak *	Off-Peak	
Jan-09	\$43.63	\$50.93	\$37.63	\$42.47	\$49.47	\$36.71	\$5.59
Feb-09	\$32.82	\$38.23	\$27.90	\$33.53	\$39.72	\$27.91	\$4.48
Mar-09	\$28.35	\$34.85	\$22.49	\$26.92	\$33.45	\$21.04	\$3.54
Apr-09	\$27.21	\$32.55	\$22.10	\$27.13	\$32.62	\$21.89	\$3.36
May-09	\$25.82	\$32.66	\$20.19	\$25.97	\$33.74	\$19.57	\$3.71
Jun-09	\$24.65	\$32.54	\$17.11	\$25.72	\$34.73	\$17.09	\$3.61
Jul-09	\$24.78	\$30.61	\$19.08	\$24.99	\$29.86	\$20.22	\$3.31
Aug-09	\$27.45	\$33.30	\$22.64	\$27.81	\$34.06	\$22.66	\$3.21
Sep-09	\$24.51	\$29.60	\$20.06	\$24.65	\$29.07	\$20.78	\$3.04
Oct-09	\$28.26	\$33.67	\$23.81	\$28.02	\$33.85	\$23.22	\$4.31
Nov-09	\$26.36	\$31.82	\$22.00	\$26.55	\$31.16	\$22.88	\$3.79
Dec-09	\$33.42	\$40.02	\$27.49	\$34.86	\$42.24	\$28.23	\$5.53
Jan-10	\$39.89	\$47.33	\$34.27	\$38.52	\$46.36	\$32.59	\$5.98
Feb-10	\$37.19	\$43.23	\$31.70	\$36.84	\$42.19	\$31.98	\$5.47
Mar-10	\$30.31	\$35.89	\$24.84	\$28.77	\$35.02	\$22.64	\$4.46
Apr-10	\$26.99	\$33.84	\$20.44	\$26.28	\$34.85	\$18.09	\$4.09
Cal '08	\$50.50	\$66.24	\$36.74	\$49.38	\$65.70	\$35.11	\$8.82
Cal '09	\$28.94	\$35.06	\$23.61	\$29.05	\$35.35	\$23.55	\$3.95
Cal '10	\$33.56	\$39.78	\$28.00	\$32.55	\$39.33	\$26.48	\$4.96

\* NERC Hours (6 AM TO 10 PM)

## PJM Day-Ahead Prices for ComEd Zone Average of Daily Hourly Prices Through 5/24/10



## NYMEX N. Illinois Hub Electric Prices 12-Month Forward Prices Through May 21, 2010 \*



\* ComEd prices are about \$2 per MWH higher than NI-Hub prices. Peak prices are based on NERC wholesale pricing periods (6AM to 10 PM, M-F).



# NEU Electric and Natural Gas Price Update

## Natural Gas: Short-Term Outlook

The Energy Information Administration ("EIA") reported in its May 11, 2010 Short-Term Energy Outlook that Henry Hub natural gas prices should average about \$4.48 per MMBtu in 2010, up \$0.04 from the expected price of \$4.44 per MMBtu reported in its April report. The EIA expects prices in 2011 to average \$5.34 per MMBtu. Annual consumption is expected to increase by 3% in 2010 over 2009 volumes of 64.4 Bcf per day. A slight decline in consumption of 0.4% is anticipated in 2011.

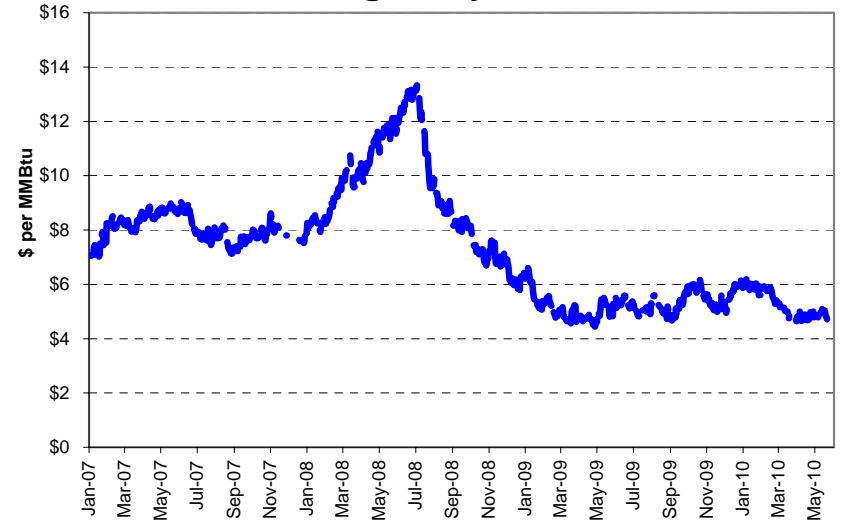
The EIA continues to predict that prices will remain in the current \$4.40 range for the next few months. At the current price the EIA indicated a potential decline in drilling activity over the next few months which could result in higher prices in 2011. Because of lower natural gas prices, natural gas is presently accounting for a higher share in electric power generation. This is expected to continue through 2010.

Natural gas storage through May 14, 2010 was 2,165 Bcf compared to 2,092 Bcf a year ago, and about 17% higher than the five-year average of 1,857 Bcf. Warmer than normal temperatures, along with favorable natural gas prices in March and April caused storage injections to be above injections last year and the five year average. The EIA does not expect total storage inventories to exceed last years record volume of 3,837 Bcf.

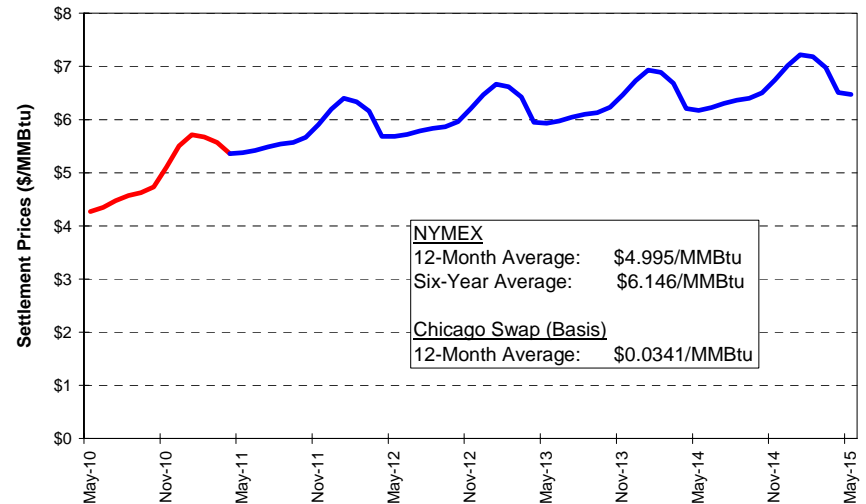
Progressive Energy Solutions reported in its April 16 price update that one of the factors affecting natural gas supply and prices is the increasing supply of shale gas. The following website link provides an excellent short presentation on shale gas drilling techniques.

<http://www.pamarcellus.com/web/>

## NYMEX Natural Gas Forward Prices Through May 21, 2010



## NYMEX Natural Gas Settlement Prices on Last Trade Day of May 2010 Contract



# NEU Electric and Natural Gas Price Update

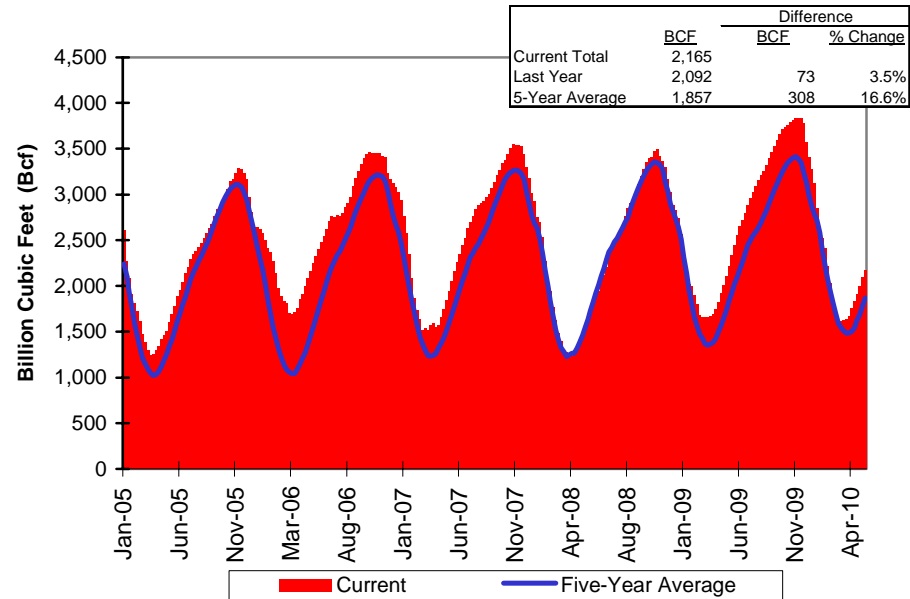
## Utility Natural Gas Supply Costs – May 2010 \$ per Therm

Gas Supply Costs:	Peoples		
	Gas	North Shore	NICOR
Bundled Gas Supply Cost	\$0.4475	\$0.4509	\$0.4099
Commodity	\$0.4030	\$0.3797	\$0.3627
Non-Commodity Charge	\$0.0445	\$0.0712	\$0.0472
Demand	\$0.1953	\$0.2929	\$0.5329
Environmental Surcharges			
Rider 11, Peoples and North Shore	\$0.0052	\$0.0238	
Rider 12, NICOR - Small C&I			\$0.0026
Rider 12, NICOR - Large C&I			\$0.0005
Rider VBA - Balancing Adjustment	\$0.0084	(\$0.0571)	
Hub Service Credit	(\$0.0007)		
NICOR Transportation Service Adj.			(\$0.0010)
NICOR, Rider 5 Storage Adj. Factor			\$0.0001

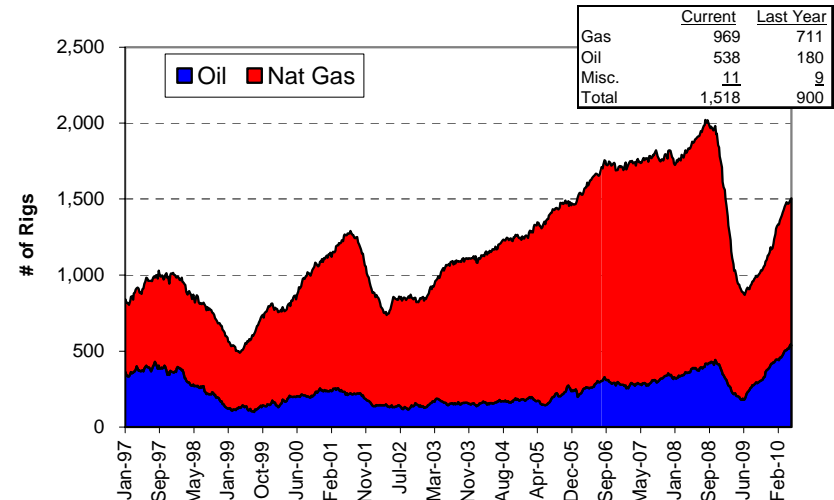
Chicago citygate natural gas prices reported by Intercontinental Exchange ("ICE") for the January 2009 to May 2010 period are summarized in the adjacent table. The May 2010 index price of \$4.29 per MMBtu is \$0.29 per MMBtu higher than the reported April 2010 index price. Daily prices in May 2010\*, (through May 21, 2010) have averaged \$4.17 per MMBtu which is about \$0.12 lower than the May 2010 monthly index price.

ICE Natural Gas Index Prices \$ per MMBtu		
Month	Average Daily	Monthly Index
Jan-09	\$5.59	\$6.215
Feb-09	\$4.48	\$4.925
Mar-09	\$3.54	\$4.037
Apr-09	\$3.36	\$3.54
May-09	\$3.71	\$3.11
Jun-09	\$3.61	\$3.42
Jul-09	\$3.31	\$3.56
Aug-09	\$3.21	\$3.50
Sep-09	\$3.04	\$2.79
Oct-09	\$4.31	\$3.87
Nov-09	\$3.79	\$4.82
Dec-09	\$5.53	\$4.75
Jan-10	\$5.98	\$6.18
Feb-10	\$5.47	\$5.90
Mar-10	\$4.46	\$5.01
Apr-10	\$4.09	\$4.00
May-10	\$4.17 *	\$4.29

## EIA Weekly Storage Report January 2007 through May 14, 2010



## Natural Gas Rig Count Through May 21, 2010



# On-Going NEU Regulatory Issues

## Final Order Issued in Special Investigation of ComEd's Cost of Service Study

The Illinois Commerce Commission ("ICC") issued a Final Order in the special investigation of Commonwealth Edison Company's (ComEd's) Cost of Service Study (COSS). This special investigation began in September 2008 shortly after the ICC issued an order granting ComEd a 15% rate increase. In this 2008 rate proceeding (Docket No. 07-0566) ComEd was seeking to increase distribution rates for large over 10-MW size customers and over 10-MW high-voltage customers by 141% and 129%, respectively. Intervenors representing large over 10-MW size customers testified in the 2008 rate case that ComEd's COSS was deficient by improperly allocating costs to these customers. This deficiency caused ComEd to claim the need to significantly raise rates to large customers. The ICC recognized the deficiencies in ComEd's COSS and ordered a Special Investigation to review ComEd's COSS. Specifically ComEd was ordered to revise its COSS by:

- 1) Providing an updated COSS study that differentiates between primary and secondary voltage level;
- 2) Analyzing Customer Care costs to a residential customer taking service from a Retail Energy Supplier vs. a customer taking supply from ComEd;
- 3) Showing how usage impacts customer data management costs, installation costs, service drops, and customer information costs and whether factors other than the number of customers in a class should be taken into account in the assignment of these costs to rate classes;
- 4) Analyzing the allocation of uncollectible debt expense costs across all residential classes;
- 5) Showing how account ownership and maintenance responsibilities of street lighting in the City of Chicago and other municipalities impact costs and how these costs are allocated.

In the Special Investigation proceeding ComEd prepared a revised COSS separating primary and secondary service costs using engineering estimates and other assumptions to allocate costs among primary and secondary customers. Intervenors testified that ComEd's revised COSS continued to be flawed because of the use of estimates and assumptions. ComEd included the use of small size sampling of customers to make cost allocations, used engineering estimates, and an assumption that transformer costs should be allocated to only primary service customers. ComEd also failed to properly remove all customer care costs from base rates.

The Administrative Law Judge's ("ALJ's) Proposed Interim Order ("PIO") issued on February 1, 2010 found that ComEd's revised COSS continued to suffer deficiencies and questioned the validity of the study. ALJ's recommended that the Commission adopt an ICC Staff's proposal to resolve the deficiencies through a workshop process. The workshop process would be completed in six months from the date of a Final Order in this proceeding.

In its Final Order issued on April 21, 2010, the ICC agreed with the PIO that ComEd's COSS continues to be flawed. The ICC adopted the PIO language criticizing ComEd's approach to separating primary and secondary costs, and its approach to allocating residential Customer Care costs. The ICC also found that no rate increase should be implemented because of the questionable COSS.

The most significant deviation from the PIO, was that the ICC in its Final Order rejected the workshop process to resolve the deficiencies. Instead, the ICC ordered that ComEd revise its COSS based on the deficiencies found in the PIO and present these changes in its next rate case filing.

ComEd has announced its intent to file for an increase in the second or third quarter of 2010. Rate cases generally last about 11 months meaning the earliest new rates could be in effect would be mid 2011

### NEU Energy Price Update is prepared by:

Brad Fults, NEU Staff Support, Progressive Energy Solutions, LLC  
Email: bfults@progressiveenergyllc.com; Phone: 763-424-2377

Contact either Brad Fults or Charles Drake if you have questions about information in this bulletin or if you would like information about the NEU. Charles Drake can be reached at (630) 766-6677.

