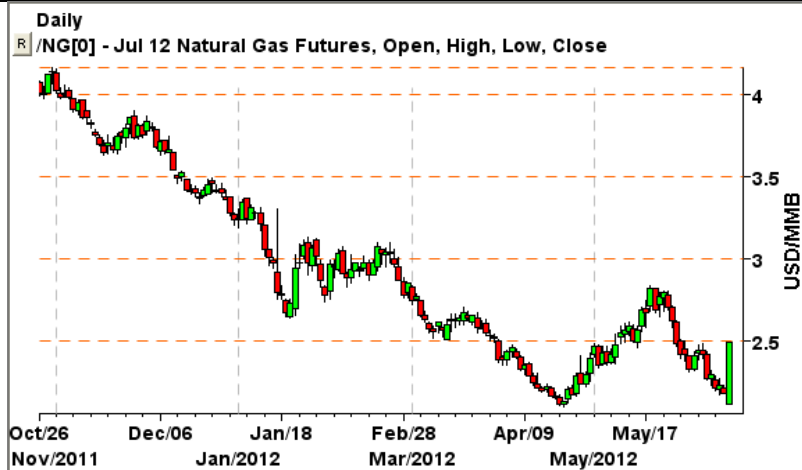


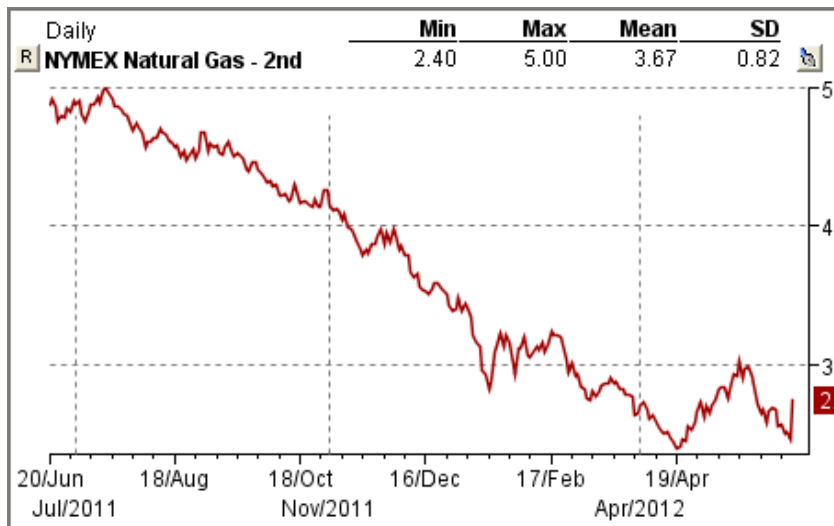


Overview

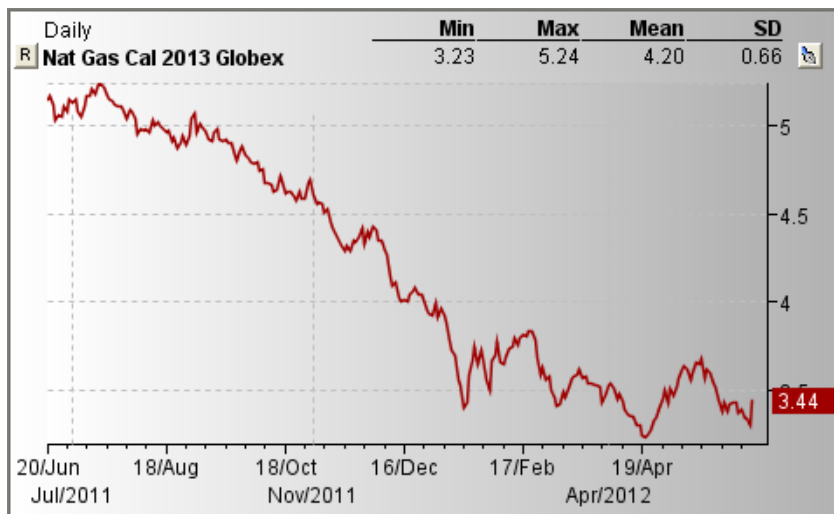
- On Wednesday 6/14/2012, the July 2012 NYMEX natural gas contract settled at \$2.495/MMBtu, \$.196/MMBtu higher than on 6/8/2012.



2nd half (July - December)
CAL 2012 closed
\$0.18/MMBtu higher than on
6/8/2012.



- CAL 2013 closed \$0.05/MMBtu higher than on 6/8/2012.

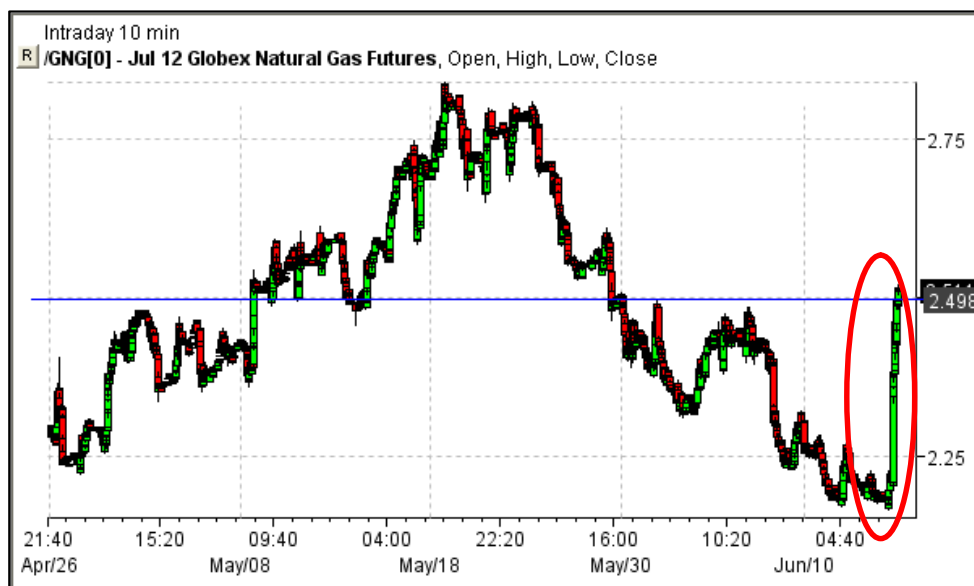




Closing Thoughts

NATURAL GAS – Prices rose sharply today, 6/14/12, as EIA's reported a smaller than expected increase in storage levels. The report narrowed the inventory surplus compared with last year for the ninth consecutive week.

The release caught traders by surprise as the market was expecting a higher injection compared to that of last year for the same week. This sparked a short covering and technical rally that never lost momentum throughout the day. The July-2012 rose 14% (see chart below), currently trading around the \$2.50/MMBtu resistance level.



Consistent with previous reports the table below shows factors that affect supply and demand:

Supply	Direction	Trend
While EIA expects year-over-year production growth to continue in 2012, the projected increases are occurring at a slower rate than in 2011, as low prices reduce new drilling plans.	Decrease	Bullish
So far this year, 586Bcf have been injected into storage, but last year 778Bcf were injected during the same time frame. Therefore, we have injected 75% of last year's level.	Decrease	Bullish
Working gas in storage stood at 2,944Bcf as of Thursday, 6/14/12, according to EIA estimates. This represents a net increase of 67Bcf from the previous week. Stocks were 708 Bcf higher than last year at this time and 666 Bcf above the 5-year average.	increase	Bullish
Baker Hughes data on Friday 6/8/2012 showed the gas-directed rig count dropped by 23 to 568. This number has not yet been representative of a slowdown in production due to associated gas from oil plays.	Decrease	Neutral
Demand	Direction	Trend
Projected consumption of natural gas in the electric power sector has grown by nearly 20% in 2012, primarily driven by the increased	Increase	Bullish



relative cost advantages of natural gas over coal for power generation in some regions (mainly in the Southwest). <i>Source: EIA</i>		
Growth in total natural gas consumption is expected to slow in 2013, with forecast consumption averaging 71.3Bcf/d (U.S. Natural Gas Consumption Chart). However, unlike 2012, growth in 2013 should be driven by consumption increases from the residential, commercial, and industrial sectors. <i>Source: EIA</i>	Increase	Bullish
NOAA's current 6-10 day forecast is calling for above normal temperatures in the Midwest and Northeast; however, forecasts have shifted to cooler temperatures during the past couple of days indicating cooling demand during the early summer season.	Decrease	Bearish
As prices reach \$2.50/MMBtu the economics favor burning coal, so we expect utilities to switch back to coal, which will put a lid on prices.	Decrease	Bearish

In short, the Bulls and the Bears are fighting within a \$2.20/MMBtu and \$2.50/MMBtu range. We believe that weather will play an important role the next couple of weeks as it relates to price swings within this range. We are seeing a pattern where the market perceives gas under \$2.20/MMBtu as undervalued. By the same token, prices above \$2.50/MMBtu will face significant head winds as utilities switch back to coal. The final piece of the equation as we approach the heart of the summer season has to do with market expectations reaching maximum capacity limitation before the end of the injection season. We continue to have a neutral outlook, and recommend observing support levels as technical buy signals. Buy the dip strategy is still in place.

ERCOT Heat Rates- 2012 summer heat rates (July & August) have been volatile and increased during the past week; however, today's spike in natural gas prices will most likely provide good buying opportunities for customers seeking a heat rate product.

Contact: *Your Acclaim representative to discuss how to take advantage of current price shifts.*

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