



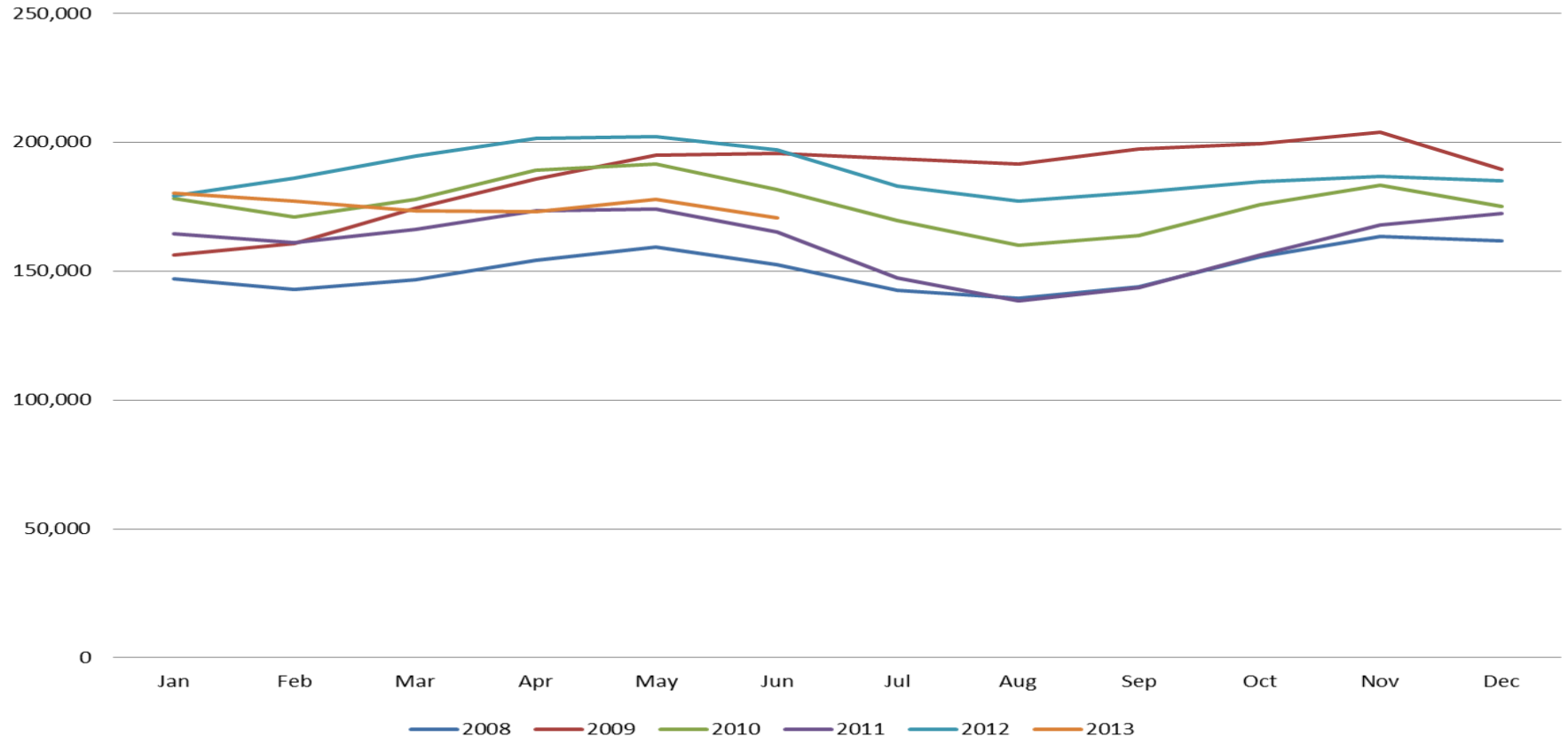
Utility Segment Update RETAC Meeting

September 19, 2013

Utility Coal Inventory Levels

Electric Power Sector Coal Stocks

Thousand short tons



Source: EIA Coal Stocks Data



Y/Y Comparison RETAC Utility Members Inventory Levels - Verbatim

- Still high but much lower than last year
- We're comfortable with our current hedge position
- Currently 50 – 60 days on the ground and growing, looking for off site storage opportunities
- Our inventory levels have returned to normal and we don't anticipate any problems for the remainder of the year

Inventory Reduction Strategies Employed

- Purchasing strategy modified to create flexibility
- Move contract purchases into 2014
- Leave current open positions unfilled
- Contract buyouts and resell opportunities are difficult in the short term due to poor market conditions

Railroads and Coal Suppliers

- Rail service has improved due to lower traffic volumes
- Some shippers report aggressive pricing in Illinois Basin rates
- Suppliers willing to discuss optionality and fixed/variable pricing structures
- Some evidence of flexible short term rail pricing

Impact of Low Natural Gas Prices

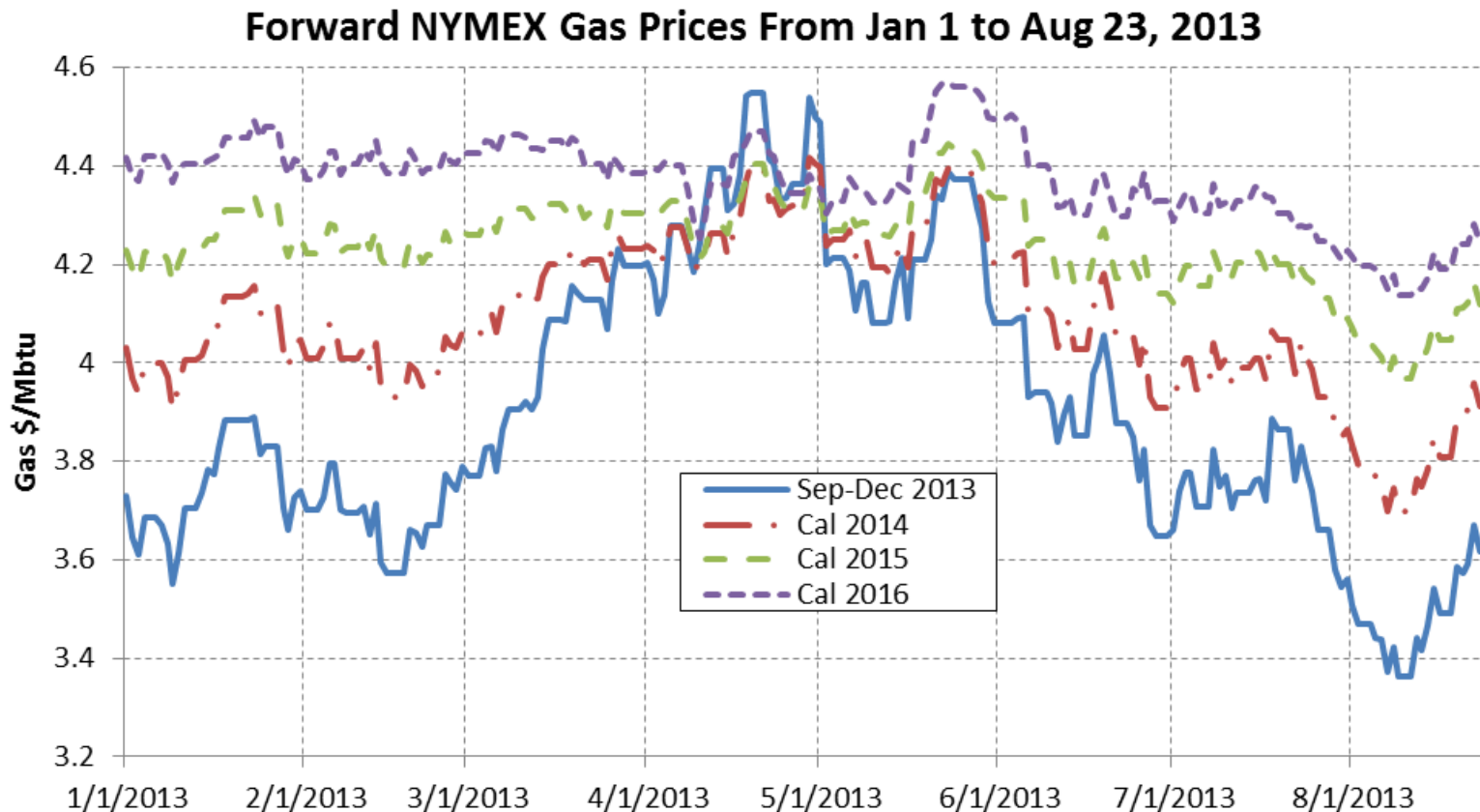
- Coal generation still being challenged (plant location and other variables)
- Gas combined cycle new build
- Capacity factors for base load coal increased slightly YTD August compared to 2012
- Capacity factors for gas combined cycle up about 20% YTD August compared to 2012 depending on location

Generation New Resources/Retirements

- **New Resources**
 - Natural gas capacity accounted for 20 GW of the more than 30 GW added in 2012, this was more than three times the amount announced in 2011
 - More than 13 GW of wind capacity added in 2012, about 3 GW more than the previous record set in 2009
 - The photovoltaic industry (solar) added 2 GW of capacity in 2012, 20% more than the previous year
- **Retirements**
 - Industry retired more than 9 GW of coal capacity in 2012, which is comparable to the coal retirements of last five years combined

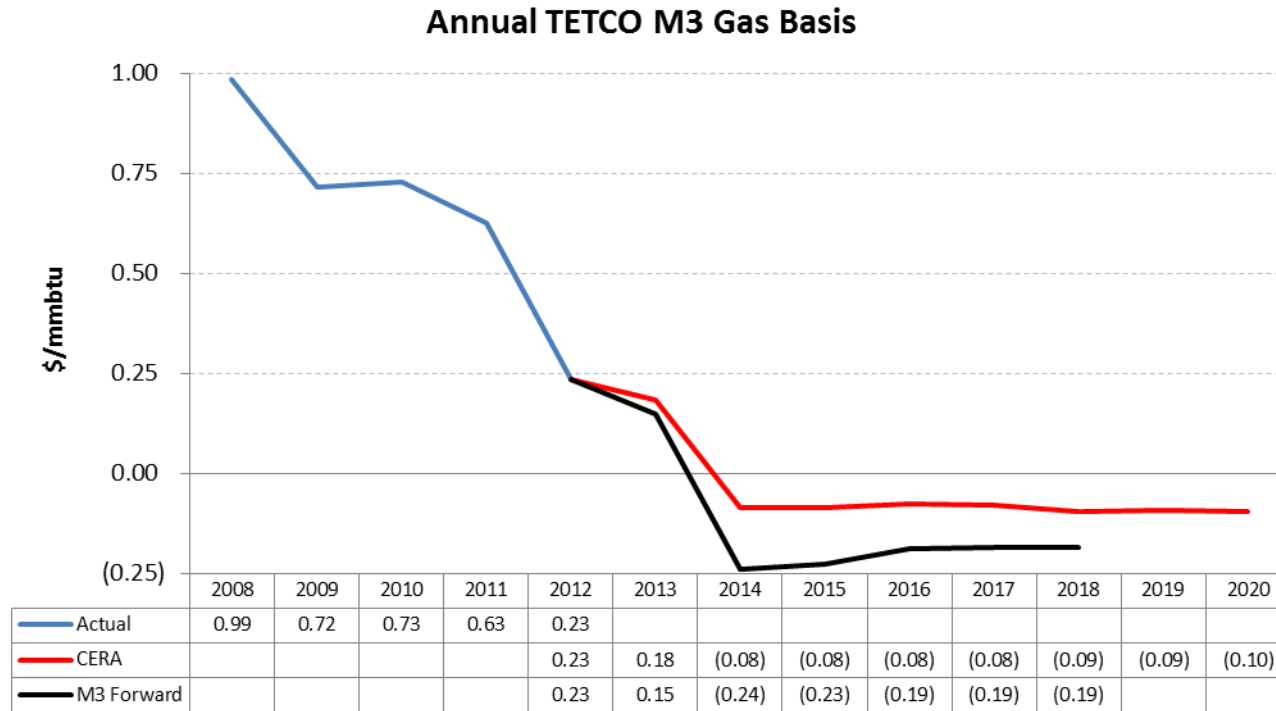
* Source from Edison Electric Institute (EEI)

NYMEX Forward Price Trend



From the beginning of March through the end of April, the balance of 2013 forward market has increased substantially more than the later cal's. Since April, some contango has come back to market but overall prices have fallen.

Historical and projected annual TETCO M3 gas basis



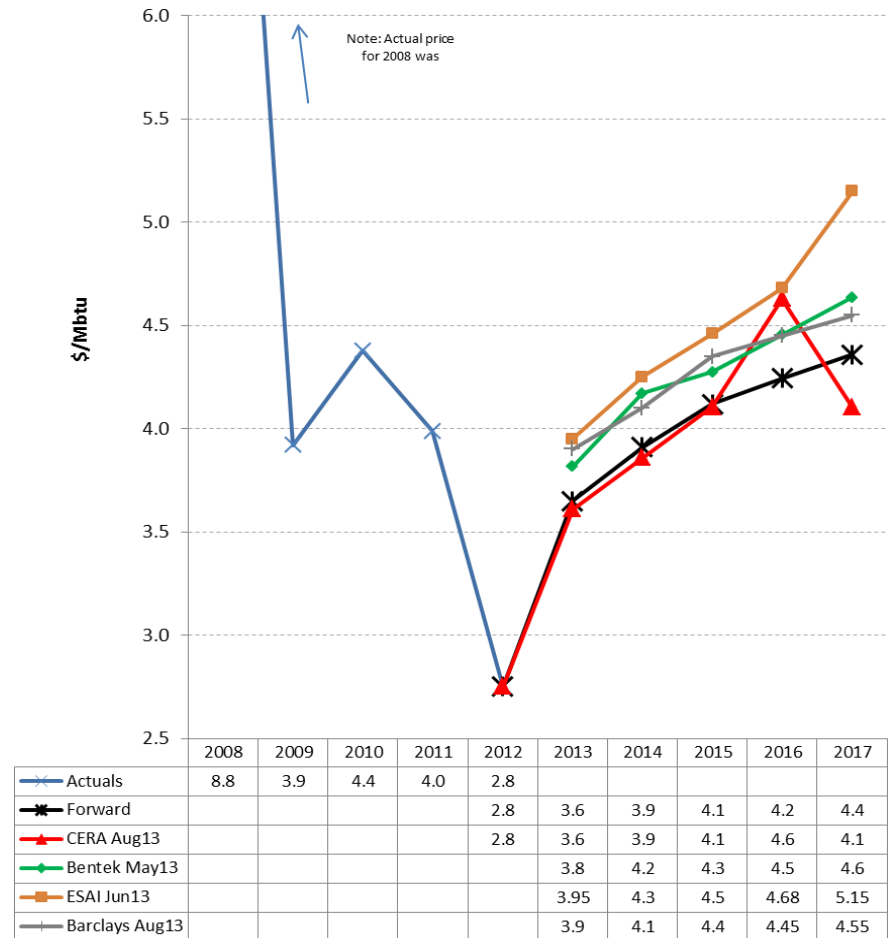
Most recent forward basis price collapse started in Jun 2013.



Henry Hub Annual Price Comparisons

- Forwards (8/23/13) – Since the beginning of May, some additional contango has come back in the long term forwards but prices are lower.
- CERA is now in line with forwards through 2015. Moderate bump in 2016 from MATS impact.
- BENTEK price projection assumes that increased drilling efficiencies, infrastructure improvements and substantial associated gas production will offset any production shortfalls from low gas rig counts. This price forecast (from May) is above current market.
- ESAI are more bullish than the market, especially when coal retirements and new LNG exports kick in.
- Barclays expects some industrial demand growth and coal retirement displacement offset by increased Marcellus production and lower overall well costs.

Annual Henry Hub Actual, Forward and Projected Spot Prices

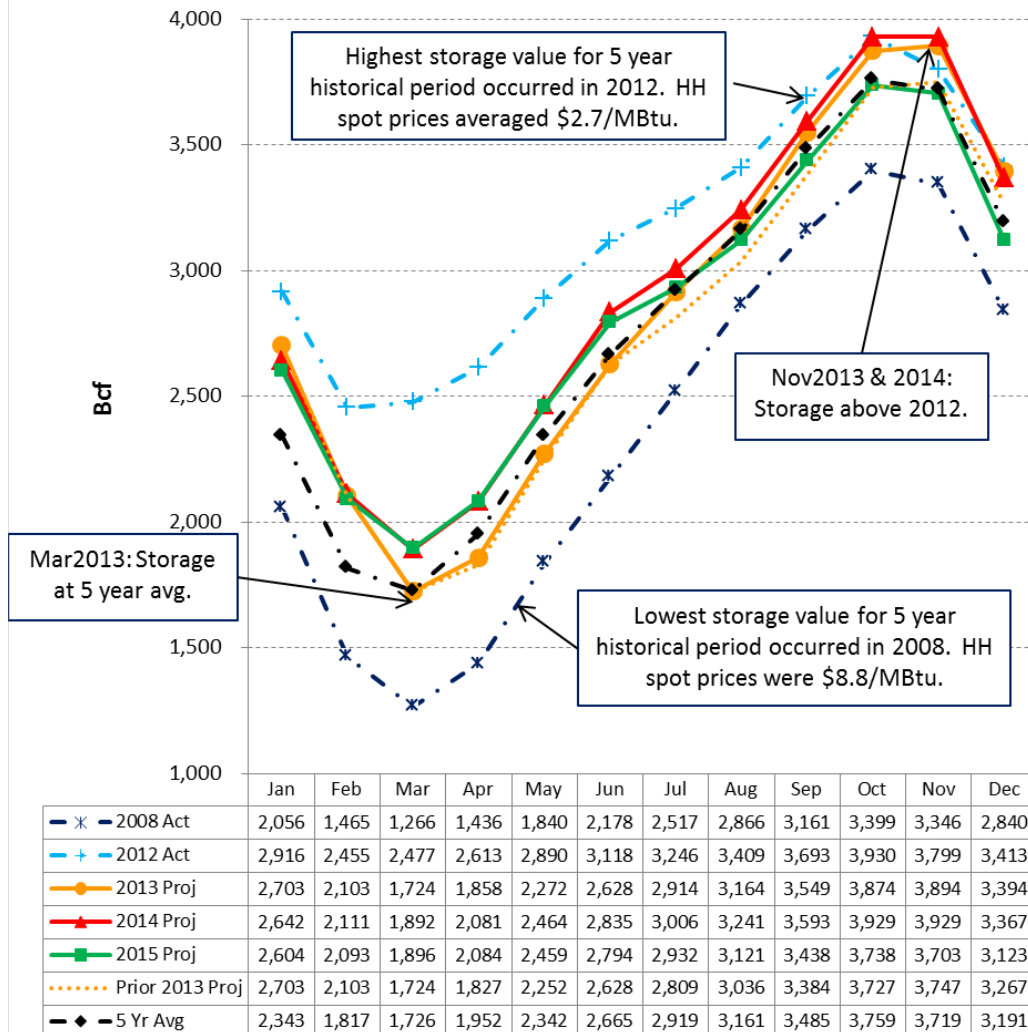


CERA Monthly Gas Storage Inventory

CERA's latest inventory balance:

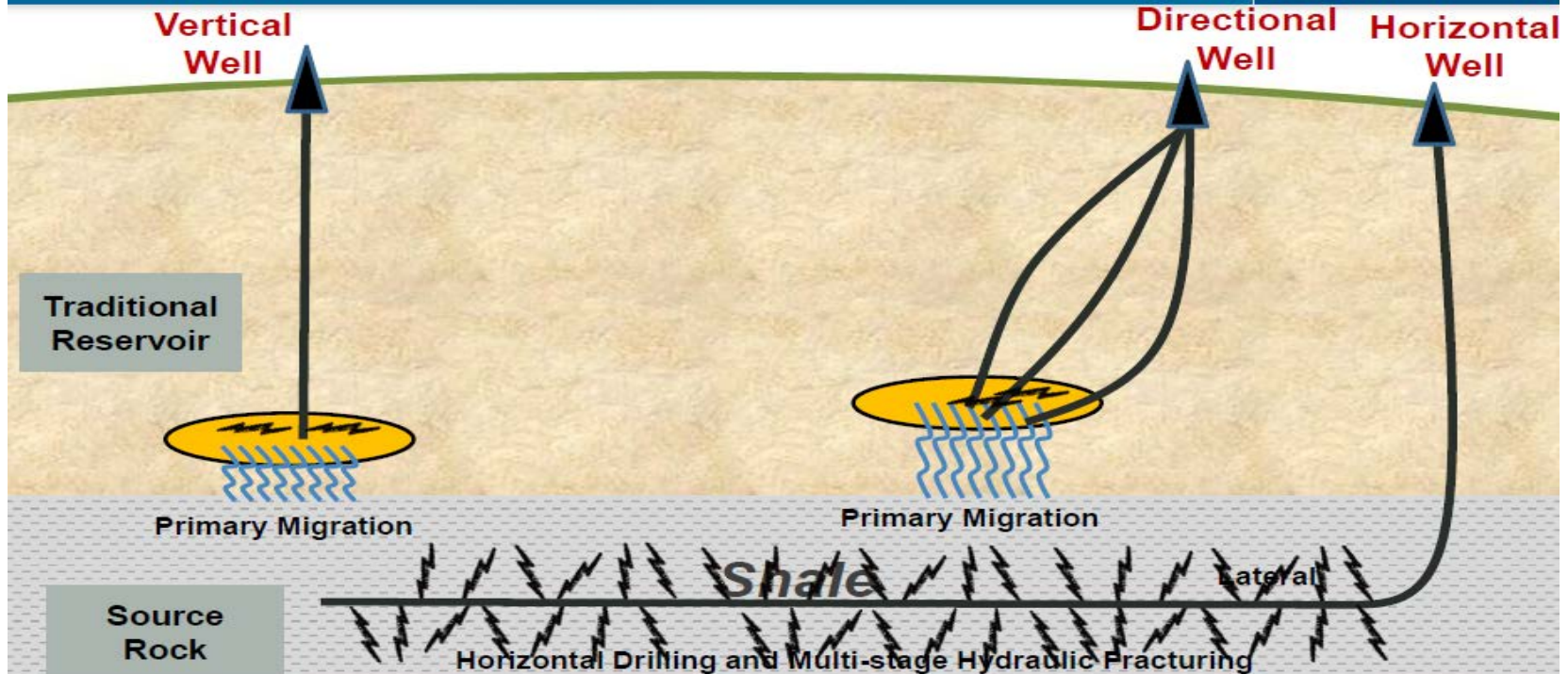
- Five year average storage levels are bounded at the low end by 2008 (pre Shale gale) and at the high end by 2012 (extreme oversupply following mild winter).
- March 2013 storage dropped to the 5 year average which is a total winter withdrawal of 2.2 Tcf. CERA's latest 2013 storage level projection (solid orange) now exceeds high end of range by Nov. Prior month projection for 2013 (dashed orange) had lower storage values.
- The all important Oct, 2013 storage has increased from 3,410 in May's projection to 3,874 now – a bearish signal.
- 2014 (red line) now stays above 5 year average and 2015 (green line) does not dip below 5 year average until Aug of that year.

CERA US 48 Nat Gas Inventories 2008 to 2015 (08/23/13 Update)



Shale Drilling

Shale Technology Accesses New Resources



- Exposes more of the reservoir to the well bore, improving access to reserves
- Increases permeability which promotes higher flow rate
- Can be applied to shales, tight sands and other low permeability formations

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A Thought About the Future

- The market will continue to experience change and evolution
 - Supply/Demand Balance
 - Coal production alignment/Coal inventory - dispatch
 - Gas production rationalization (Shale Gas)
 - Coal retirements and new gas generation build (Location)
 - Demand growth
 - Policy Balance
 - Policy agenda versus economy

Utility Segment Update

