



July 21, 2011

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

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OFFICE OF THE
SECRETARIAT

Re: Rule Certification. New York Mercantile Exchange, Inc. Submission #11-288: Notification Regarding the Listing of Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly Basis Futures Contract for Globex Electronic Trading and for Clearing through CME ClearPort®

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly Basis futures (Code PPE, Chapter 1107) for electronic trading on CME Globex and for submission for clearing through CME ClearPort® beginning at 6:00 p.m. on Sunday, July 24, 2011 for trade date Monday, July 25, 2011.

The proposed contract will be traded at differential to the Henry Hub Natural Gas futures (NG) contract. Upon expiration, the contract will be physically delivered at the PPEC NYMEX Pool on a daily basis. The delivery price shall be at the final settlement price of the Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly Basis futures plus the final settlement of the Henry Hub Natural Gas futures contract for the same contract month. We believe this contract will complement the Exchange's existing natural gas futures contracts.

Specification Summary:

- **Commodity Code:** PPE
- **First Listed Contract:** August 2011
- **Delivery Period:** The delivery period shall be for delivery over a specified calendar month, as provided in the PPEC Tariff, whereby transaction sizes for trading in any specified calendar month shall be the whole number multiples of the number of calendar days in a specified calendar month.
- **Listing Period:** 24 consecutive months
- **Contract Size:** 2,500 MMBtu.
- **Termination of Trading:** Trading shall cease at 11:30 a.m. (Eastern Prevailing Time) on the business day prior to first day of the delivery period.
- **Minimum Price Fluctuation:** \$0.0025 per MMBtu.
- **Rule Chapter:** 1107
- **CME Globex and CME ClearPort Hours:**
Sunday 6:00 p.m. – Monday 11:30 a.m. (5:00 p.m. – 10:30 a.m. Chicago Time/CT);
Monday – Friday 1:00 p.m. - 11:30 a.m. (12:00 p.m. – 10:30 a.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT)

• **Fee Schedule:**

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	NA	NA	NA	NA	
Globex	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25
ClearPort		\$1.25		\$1.25	

Processing Fees			Additional Fees and Surcharges	
	Member	Non-Member	EFS Surcharge	NA
Cash Settlement	NA	NA	Block Surcharge	NA
Futures from E/A	NA	NA	Facilitation Desk Fee	\$0.20
	House Acct	Cust Acct		
Options E/A Notice	NA	NA		
Delivery Notice	\$0.00	\$0.00		

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act. There were no substantive opposing views to the proposal. This contract will be effective on July 25, 2011.

Should you have any questions concerning the above, please contact Brad Leach at (212) 299-2609 or bradford.leach@cmegroup.com. Alternatively, you may contact the undersigned at (212) 299-2207, (347) 463-5347 or Felix.Khalatnikov@cmegroup.com.

Sincerely,

/s/Felix Khalatnikov
Dir & Assoc General Counsel

Attachments: Contract terms and conditions
Cash market overview and analysis of deliverable supply

Chapter 1107
Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly
Basis Futures

1107.01 SCOPE

The provisions of the rules set forth below (the "Rules") shall apply to all natural gas bought and sold for future delivery on the Exchange (the "Contract") with delivery at the facilities of Pine Prairie Energy Center, LLC ("PPEC").

1107.01A PRODUCT PLACEMENT

As a condition precedent to trading any Contract, the Clearing Member ("Clearing Member") transacting a Contract is responsible to ensure that the Buyer and Seller of such Clearing Member, or the Clearing Member if such Clearing Member is acting for its own account, shall have a valid PPEC NYMEX Pooling and Imbalance Service Agreement for the PPEC NYMEX Pooling and Imbalance Service and a valid PPEC Hub Services Agreement, as such terms are defined below.

1107.02 DEFINITIONS

For the purpose of this Chapter, the terms set forth below shall be defined as follows:

(A) "Natural Gas" means merchantable natural gas that meets or exceeds the quality specifications set forth in the PPEC Tariff.

(B) "Btu" (British thermal unit) means the amount of heat required to raise the temperature of one (1) pound avoirdupois of pure water from fifty-eight and five tenth degrees (58.5) Fahrenheit to fifty-nine and five tenths degrees (59.5) Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute. MMBtu shall mean one million (1,000,000) Btu.

(C) "Business Day" means any day that is not a Saturday, Sunday or a legal holiday on which the commercial banks in New York, New York are not open for business.

(D) "Day" shall have the meaning assigned the term in the PPEC Tariff.

(E) "PPEC Facilities" refers to natural gas storage caverns, pipeline, compression and appurtenant facilities owned and operated by PPEC all located in Evangeline, Acadia and Rapides Parishes, Louisiana.

(F) "PPEC NYMEX Pool" means the virtual, intra-system point on the PPEC Facilities within the PPEC Pine Prairie Hub at which a Seller will deliver its scheduled quantities for physical delivery under its PPEC NYMEX Pooling and Imbalance Service Agreement, transfer of title will take place to Buyers, and Buyers will receive scheduled quantities for physical delivery under PPEC NYMEX Pooling and Imbalance Service Agreements.

(G) "PPEC Hub Services Agreement" means a Hub Services Agreement under PPEC's Tariff.

(H) "PPEC NYMEX Pooling and Imbalance Service" means the scheduling and title transfer service, along with the imbalance service described in Rule 13, all of which is provided by PPEC as part of the PPEC NYMEX Pooling and Imbalance Service as defined in the PPEC Tariff.

(I) "PPEC NYMEX Pooling and Imbalance Service Agreement" means the agreement between a Seller or Buyer and PPEC for PPEC NYMEX Pooling and Imbalance Service.

(J) "PPEC Tariff" means PPEC's currently effective FERC Gas Tariff, as such tariff may be filed with the Federal Energy Regulatory Commission from time to time.

(K) "Unqualified Party" means a Buyer or Seller of a Clearing Member, or a Clearing Member if such Clearing Member is acting for its own account, which does not have a valid PPEC NYMEX Pooling and Imbalance Service Agreement for the PPEC NYMEX Pooling and Imbalance Service or a valid PPEC Hub Services Agreement.

1107.03 REFERENCE TO BUYER AND SELLER

The term "Buyer" shall mean the customer of a Clearing Member buying the Contract or the long Clearing Member if such Clearing Member is acting for its own account. The term "Seller" shall mean the customer of the Clearing Member selling the Contract or the short Clearing Member if such Clearing Member is acting for its own account.

1107.04 CONTRACT UNIT

The Contract unit shall be 2,500 MMBtu. Transaction size shall be restricted to whole number multiples of the number of days in the delivery period.

1107.05 GRADE AND QUALITY SPECIFICATIONS

Natural Gas meeting the specifications set forth in the PPEC Tariff as then in effect at the time of delivery shall be deliverable in satisfaction of the Contract delivery obligations.

1107.06 DELIVERY PERIOD

Trading shall be conducted in Contracts providing for delivery in such period as shall be determined by the Exchange.

The Contract delivery period shall be for delivery over a specified calendar Month, as provided in the PPEC Tariff, whereby transaction sizes for trading in any specified calendar month shall be the whole number multiples of the number of calendar days in a specified calendar month.

1107.07 PRICES AND MINIMUM FLUCTUATION SIZE

The Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly Basis Futures shall be traded at a differential to the Henry Hub Natural Gas Futures contract. Prices shall be quoted in US (\$) dollars and cents per million British thermal units (MMBtu). The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no price fluctuation limitation.

1107.07A PRICE OF DELIVERY

Delivery under the Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly Basis Futures shall be at the final settlement price of the Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly Basis Futures, plus the final settlement of the Henry Hub Natural Gas Futures contract for the same contract month.

1107.08 TERMINATION OF TRADING

Trading of the Contract shall cease at 11:30 a.m. on the Business Day prior to the first Day of the delivery period ("Termination of Trading"). In the event that the originally listed Termination of Trading date is an Exchange holiday, Termination of Trading will occur on the Business Day immediately prior. Any Contracts remaining open after the Termination of Trading must be delivered in accordance with Rule 1107.10.

1107.09 CONTRACT DELIVERY

(A) Contract Delivery shall take place at the PPEC NYMEX Pool pursuant to a Buyer's or Seller's previously executed PPEC NYMEX Pooling and Imbalance Service Agreement. It is a Seller's obligation to perform an intra-system delivery at the PPEC NYMEX Pool and it is the Buyer's obligation to have the ability to receive such intra-system delivery at the PPEC NYMEX Pool. Delivery shall be made in accordance with the PPEC Tariff and all applicable Federal, State and Local laws and regulations. PPEC shall confirm the satisfaction of the delivery by notifying the Exchange. Title will transfer in the aggregate from all Sellers to all Buyers at the PPEC NYMEX Pool.

The Seller shall provide Natural Gas which is free from all liens, encumbrances, unpaid taxes, fees and other charges.

(B) All Contract deliveries made in accordance with these Rules shall be final and there shall be no appeal.

(C) A Buyer's or Seller's delivery obligation resulting from a position in any or all of Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas contracts shall be offset, in whole or in part, by the Exchange. For example, a Daily/Weekend contract may be used to offset one Day of the delivery obligation of a BALMO or Monthly contract with the Buyer or Seller, as appropriate. Buyer or Seller shall be responsible for any financial obligation arising from the value differential created by the position offset. Any remaining delivery obligations resulting from open positions following Termination of Trading must be delivered or received in accordance with Rule 1107.10.

1107.10 DELIVERY PROCEDURE

(A) POOL NOMINATION

Following the Termination of Trading, the Exchange will, on behalf of each Seller and Buyer of a Contract that is not netted, submit a PPEC NYMEX Pool nomination to PPEC by 12:30 p.m. on

each Business Day for such Contracts going to physical delivery. A PPEC NYMEX Pool nomination shall include party (Seller or Buyer), respective Clearing Member, quantity, receipt or delivery, as applicable, and PPEC Contract number information provided by the Exchange to enable PPEC to commence the process of scheduling the PPEC NYMEX Pooling Service for any quantities going to physical delivery. A PPEC NYMEX Pool nomination may represent only a portion of the information necessary for PPEC to schedule quantities for physical delivery and, therefore, is not a substitute for the responsibility of any Buyer or Seller to submit the required information for receipt and delivery, respectively, of any physical gas on the PPEC Facilities, as provided in 1107.10(B).

Each Seller's Clearing Member and Buyer's Clearing Member agrees that the Exchange will act on its behalf for the expressly limited purpose of submitting the PPEC NYMEX Pool nomination for all quantities that go to physical delivery, that PPEC may rely upon the PPEC NYMEX Pool nomination for the purpose of scheduling the PPEC NYMEX Pooling Services under PPEC NYMEX Pooling and Imbalance Service Agreement, and that all affected customers will waive, as against PPEC, its officers, directors, servants, and agents any claim, demand or cause of action it might have as a consequence of PPEC's reliance upon a Pool Nomination furnished by the Exchange for PPEC to schedule natural gas quantities for physical delivery.

The PPEC NYMEX Pool nominations are for notification purposes only and in no way obligate the Exchange or CME Group as agent for delivery.

Each Buyer and Seller is responsible to notify the Exchange's clearing house ("Clearing House") no later than the end of the Evening nomination cycle of PPEC of any discrepancy in the netted quantity in the PPEC NYMEX Pool nomination, and in turn, each Buyer and Seller shall notify the Clearing Member of such Buyer or Seller of the reported discrepancy as soon as practicable. In the event that the Clearing House was not notified of such discrepancy, or in the event that the Clearing House was notified of such discrepancy after the end of the Evening nomination cycle of PPEC, then the original nomination under the PPEC NYMEX Pool nomination shall remain in effect.

(B) TRANSPORTATION AND OTHER NOMINATIONS

If a PPEC NYMEX Pool nomination has been submitted on behalf of a Seller or Buyer, the Seller or Buyer is responsible for (i) arranging transportation from or to the points of receipt and delivery between the PPEC NYMEX Pool and the interconnecting upstream and downstream natural gas pipelines or to or from PPEC storage, and (ii) submitting an appropriate nomination to PPEC to permit PPEC to schedule the receipt and delivery of the quantities specified in the PPEC NYMEX Pool nomination. Sellers shall be responsible for nominating transportation and related services from points of receipt on the PPEC Facilities to the PPEC NYMEX Pool. Buyers shall be responsible for nominating transportation and related services from the PPEC NYMEX Pool to points of delivery on the PPEC Facilities. Failure to submit an appropriate nomination will be deemed to be either a Non-Delivery or Non-Receipt under Rule 1107.13, and NYMEX Pooling Imbalance Service shall apply and the applicable amount shall be charged.

1107.11 TIMING OF DELIVERY

Delivery shall take place ratably in conformance with PPEC's operating procedures over the delivery period of the Contract.

1107.12 DELIVERY MARGINS AND PAYMENTS

(A) For the purposes of this Rule 1107.12,

(1) "Payment Date" shall mean two Business Days following confirmation that delivery has occurred. If such day is an Exchange holiday, the Payment Date shall be the following Business Day.

(B) For delivery that will take place on a Business Day, by 9 a.m. on the delivery Day, the Buyer's Clearing Member shall obtain from the Buyer delivery margin equal to the full value of the Contract to be delivered on that Business Day. For delivery that will take place on a Day that is not a Business Day, by 3 p.m. on the Business Day prior to the delivery Day, the Buyer's Clearing Member shall obtain from the Buyer delivery margin equal to the full value of the Contract to be delivered on the following non-Business Day. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and, shall be

drawn in favor of the Exchange. Upon confirmation of payment to the Seller's Clearing Member, Buyer's Clearing Member shall release full delivery margin to the Buyer.

(1) Payment shall be performed in accordance with instructions provided by the Clearing House to Clearing Members.

(C) The Seller's Clearing Member will receive the full Contract value on the payment date. Upon receipt of payment, the Seller's Clearing Member shall notify the Exchange.

(D) The Seller's Clearing Member shall obtain from the Seller margin in the amount fixed, from time to time, by the Exchange.

(E) The Buyer's Clearing Member and the Seller's Clearing Member shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the Business Day following notification to the Exchange that delivery and payment have been completed.

(F) FEE FOR PPEC NYMEX POOLING SERVICE. The PPEC NYMEX Pooling Service shall be contracted by Seller and Buyer, respectively, pursuant to the PPEC NYMEX Pooling and Imbalance Service Agreement at the per-MMBtu rate specified in the PPEC NYMEX Pooling and Imbalance Service Agreement.

1107.13

INVOCATION OF, AND PAYMENT FOR, PPEC NYMEX IMBALANCE SERVICE

(A) "Non-Delivery" by a Seller and "Non-Receipt" by a Buyer shall mean a failure to comply with nomination requirements under Rule 1107.10 or failure to deliver or receive Natural Gas under the PPEC NYMEX Pooling Service. "Non-Delivery" by a Seller and "Non-Receipt" by a Buyer will occur in the event there is an imbalance, as determined by PPEC, at the close of the Intraday 1 nomination cycle. The Non-Delivery or Non-Receipt quantities (in MMBtu) will equal the imbalance quantity. For each instance of Non-Delivery or Non-Receipt, subject to the terms of the PPEC Tariff and the PPEC NYMEX Pooling and Imbalance Service Agreement, PPEC will fulfill the PPEC NYMEX Pool nomination by either receiving or delivering, as applicable, the imbalance quantities of natural gas to satisfy the PPEC NYMEX Pool nominations. The charge under the PPEC NYMEX Pooling and Imbalance Service Agreement shall be an amount equal to 1.0 times the highest Common gas price in the United States as reflected in the "Daily Price Survey" published in Platts "Gas Daily" for the prior Day, current Day or next Day (whichever yields the highest dollar amount), multiplied by the imbalance quantities.

(B) The imbalance quantity shall be based on the daily activity report received from PPEC, pursuant to Rule 1107.15, to be due, without limiting the right of the respective Seller or Buyer to seek recovery of any disputed amounts pursuant to the procedures set forth in the PPEC Tariff.

(C) In the event of an imbalance resulting from a service interruption within the PPEC NYMEX Pool, neither Buyer's Clearing Member nor Seller's Clearing Member shall be subject to charges under its customer's PPEC NYMEX Pooling and Imbalance Service Agreement.

1107.14

UNQUALIFIED PARTY PENALTY

(A) In the event an Unqualified Party holds a short open position after 11:30 a.m. on the business day prior to the first day of delivery, (1) the short position held by such Unqualified Party shall be assumed by a third party as approved by the Exchange, and (2) the Unqualified Party's Clearing Member shall pay to the third party through the Exchange an amount per MMBtu per day through the next trading day or the end of the delivery period, whichever is earlier, equal to the higher of (i) difference between 1.0 times the highest Common gas price in the United States as reflected in the "Daily Price Survey" published in Platts "Gas Daily" for the current Day and the invoice price, or (ii) difference between the approved third party's documented actual cost of procuring and delivering (through the use of transportation and/or storage services) the natural gas required to meet the delivery obligation of the assumed short position and the invoice price.

(B) In the event an Unqualified Party holds a long open position after 11:30 a.m. on the business day prior to the first day of delivery, (1) the long position held by such Unqualified Party shall be assumed by a third party as approved by the Exchange. and (2) the Unqualified Party's Clearing Member shall pay to the third party through the Exchange an amount per MMBtu per day through the next trading day or the end of the delivery period, whichever is earlier, equal to the (i) difference between 1.0 times the highest Common gas price in the United States as reflected in the "Daily Price Survey" published in Platts "Gas Daily" for the current Day and the invoice price, plus (ii) any amount by which the approved third party's documented actual cost of disposing of the natural gas required to meet the delivery obligation exceeds the value calculated for (i). The "cost of disposing" shall include any negative difference between the price received by the third party on resale of such

gas and the settled price of the assumed long position and any out-of-pocket transportation and storage costs incurred by the third party to facilitate such resale, provided such resale occurs no later than the next business day.

(C) In the event an Unqualified Party holds a short or long open position after 11:30 a.m. on the business day prior to the first day of delivery and the open position is not assumed by a third party as approved by the Exchange, then the Unqualified Party's Clearing Member shall be subject to Exchange Rule 7B14. In no event shall the penalties assessed under Exchange Rule 7B14 be less than the penalties assessed under Rule 227.14(A) or Rule 227.14(B), as applicable.

1107.15 DAILY REPORT OF DELIVERIES OR RECEIPTS

A report specifying each Buyer's or Seller's deliveries or receipts accomplished on any Day under Contracts for which PPEC NYMEX Pool nominations have been supplied by the Exchange shall be provided to the Exchange by PPEC, broken down to show that quantities actually delivered, quantities netted, and quantities covered by means of the NYMEX Imbalance Service or other PPEC Storage Service Agreement. The report will be submitted by 2 p.m. on any delivery Day (or, for a Day that is not a Business Day, by 2 p.m. on the next following Business Day). Each Buyer and Seller is entitled to seek from PPEC a similar daily activities report of such entity's specific daily delivery activities. Each Buyer and Seller shall be deemed to have consented to PPEC disclosure to the Exchange of its customer-specific information in this regard,

1107.16 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity, or accuracy of any document or instrument delivered pursuant to these Rules.

1107.17 EXCHANGE FOR RELATED POSITION

Any Exchange for Related Position (EFRP) transaction shall be governed by the provision of Exchange Rule 538. An EFRP will not be permitted after Termination of Trading.

1107.18 FORCE MAJEURE

(A) DEFINITIONS. As used in this Rule 1107.18, and without prejudice to any definition of similar terms included in the PPEC Tariff, the following terms, as well as variations thereof, shall have the meanings described below.

(1) "*Force Majeure*" shall mean circumstances (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which are beyond the control of the Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in this Chapter. Whether circumstances exist constituting *Force Majeure* shall be determined by the delivery group as provided for in these Rules; provided, however, that other than with respect to PPEC NYMEX Pooling and Imbalance Service, and absent other circumstances constituting *Force Majeure*, non-performance or the non-clearance of any nomination for transportation service pursuant to an interruptible transportation service agreement, or interruption of service pursuant to an interruptible service agreement shall not constitute *Force Majeure*.

(2) "Party" means a Buyer's Clearing Member or Seller's Clearing Member and "Parties" means both a Buyer's Clearing Member and Seller's Clearing Member.

(B) DELIVERY GROUP

(1) *Force Majeure* shall be determined by the delivery group as empanelled by the Chief Regulatory Officer.

(2) The Chief Regulatory Officer will determine when to convene the delivery group, which will determine if *Force Majeure* circumstances hold as soon as practicable:

- (a) when the Chief Regulatory Officer is advised that a *Force Majeure* may have occurred;
- (b) upon the written request of both the Buyer's Clearing Member and Seller's Clearing Member; or
- (c) if any Party notifies the Exchange that circumstances constituting *Force Majeure* prevent the performance of payment obligations at the time and site designated by the parties.

(3) Upon a finding of *Force Majeure*, the delivery group shall determine what actions are to be taken, including:

- (a) modifying the method or timing of delivery or payment; or
- (b) referring the matter to the Chief Regulatory Officer for consideration of recommending emergency action.

1107.19

EXCLUSION OF LIABILITY

Except as specifically provided in the rules (and to the extent permitted by law), the Exchange accepts no liability in connection with this futures contract, its performance, non performance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, the Exchange shall not be responsible for or shall have any liability whatsoever to any Buyer or Seller for the availability, suitability, unavailability or malfunction of nomination system or any part thereof; the performance or non-performance by PPEC of its respective obligations under the PPEC Tariff or otherwise; any act or omission of any operator of nomination system or any part thereof; any performance or non-performance by the Exchange in relation to its serving as a provider of pipeline nominations; any performance or non-performance by the Exchange in relation to its serving as a party to the deliveries, and the Exchange shall under no circumstances be liable for any indirect or consequential loss or loss of profits. Additionally, nothing in these Rules will constrain the Clearing House from performing its duties under Chicago Mercantile Exchange Inc. Rule 802.

1107.20

TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate New York prevailing time.

1107.21

NO CONFLICT

Nothing herein shall limit or modify the obligations of a Seller or Buyer under the PPEC Tariff or any PPEC Service Agreement.

CASH MARKET OVERVIEW

Pine Prairie Energy Center

Pine Prairie Energy Center (PPEC)¹, located in Louisiana, is a natural gas storage and pipeline system. PPEC owns and runs three natural gas caverns with total working gas storage capacity of 24 billion cubic feet (bcf). PPEC is regulated by the Federal Energy Regulatory Commission ("FERC") as an interstate pipeline. It also operates a pipeline system which includes an aggregate of 74 miles of 24-inch diameter pipe, directly connected to eight intrastate pipelines. The following FERC-regulated interstate pipelines are connected to PPEC: ANR Pipeline Company, Texas Gas Transmission Company, Florida Gas Transmission Company, Transcontinental Gas Pipe Line Corporation, Texas Eastern Transmission, Tennessee Gas Pipeline Company, Columbia Gulf Transmission Company and KM Louisiana Pipeline. The Total design interconnection capacity of the PPEC pipeline system, as of July 1, 2011, is 6.15 million dekatherm (Dth). The maximum storage withdrawal rate of the facilities is 2.4 bcf per day. PPEC primarily serves the natural gas market in Texas, Louisiana as well as Gulf of Mexico production.

Pine Prairie Energy Center (PPEC) Operationally Available Capacity, as of July 1, 2011

Location Name	Design Capacity	Operating Capacity
ANR Pipeline Company_ML2	600,000	600,000
ANR Pipeline Company_SE	600,000	600,000
Columbia Gulf Transmission_Mainline	797,000	797,000
Florida Gas Transmission Company_ZN2	400,000	400,000
KM Louisiana Pipeline	1,029,033	1,029,033
Texas Eastern Transmission_WLA	600,000	600,000
Tennessee Gas Pipeline Company _800L	600,000	600,000
Transcontinental Gas Pipe Line Corporation _ZN3	924,516	924,516
Texas Gas Transmission Company_SL	600,000	600,000

Imbalance Service

Similar to existing NYMEX PPEC daily delivered futures contracts, in order to enhance the physical delivery of the proposed contract, PPEC will offer an interruptible imbalance service which provides a backstop when a seller or a buyer is not able to make or receive the nominated amount of gas based on the open positions after proposed futures contracts terminate. In the event that a seller is not

¹ <http://www.pnglp.com/our-assets/pine-prairie-energy-center/>

able to fulfill the delivery obligation, PPEC will deliver the imbalance quantities to the buyer. The seller will then be responsible to return to PPEC the imbalance quantities of natural gas within three gas days. In the event that a buyer is not able to fulfill the delivery obligation, PPEC will receive the imbalance quantities from the seller. The buyer will then be responsible to withdraw the imbalance quantities of natural gas within three gas days. The fee rates of imbalance service are included in the PPEC NYMEX Pooling and Imbalance Service Agreement which was approved by the FERC (Federal Energy Regulatory Commission) on January 14, 2011.

Cash Market

Natural gas is a gaseous fossil fuel which is composed mainly of methane. It is one of the major sources of energy in the United States. Natural gas is broadly used across different industry sectors; from residential heating, to power generation. In addition, there are a various manufacturing uses for the commodity. Overall, about 25% of energy used in the U.S. came from natural gas in 2010 according to the Energy Information Administration (EIA)².

Production

Based on EIA data, the average monthly U.S. natural gas marketed production was 1,880 billion cubic feet in 2010. The average monthly natural gas marketed production in Louisiana was about 128 billion cubic feet (about 10% of national production), and the average monthly production of Federal Gulf of Mexico was approximately 187 bcf (about 10% of national production). The monthly production in Louisiana was around 115 billion cubic feet for 2008 and 129 billion cubic feet for 2009. In 2010, the monthly average production has increased 45% compared to 187 billion cubic feet year over year. The monthly production of Federal Gulf of Mexico offshore averaged about 193 billion cubic feet in 2008 and about 202 billion cubic feet in 2009. In 2010, the production decreased 8% to 187 billion cubic feet a month. Table I, below, presents data sourced from EIA on natural gas marketed production of Louisiana and Federal Offshore - Gulf of Mexico.

² http://www.eia.gov/energyexplained/index.cfm?page=natural_gas_use

Table I. Louisiana Natural Gas Marketed Production (million cubic foot)

Date	Louisiana Marketed Production in MMcf ³	Federal Offshore-Gulf of Mexico Marketed Production in MMcf ⁴	Total Marketed Production in MMcf
Jan-2008	116,750	241,064	357,814
Feb-2008	109,119	228,507	337,626
Mar-2008	117,523	239,263	356,786
Apr-2008	114,700	209,165	323,865
May-2008	121,073	208,428	329,501
Jun-2008	118,955	219,044	337,999
Jul-2008	123,401	230,193	353,594
Aug-2008	119,936	211,888	331,824
Sep-2008	88,164	61,961	150,125
Oct-2008	114,570	133,579	248,149
Nov-2008	116,842	157,377	274,219
Dec-2008	116,935	173,874	290,809
2008 Average	114,831	192,862	307,693
Jan-2009	117,724	195,525	313,249
Feb-2009	109,038	184,696	293,734
Mar-2009	121,175	207,335	328,510
Apr-2009	120,190	195,000	315,190
May-2009	126,861	203,298	330,159
Jun-2009	123,191	210,961	334,152
Jul-2009	130,019	223,920	353,939
Aug-2009	135,035	211,532	346,567
Sep-2009	132,683	200,721	333,404
Oct-2009	142,318	207,439	349,757
Nov-2009	143,288	190,220	333,508
Dec-2009	147,086	198,268	345,354
2009 Average	129,051	202,410	331,460
Jan-2010	157,587	201,639	359,226
Feb-2010	150,124	189,429	339,553
Mar-2010	173,696	208,786	382,482
Apr-2010	171,716	193,472	365,188
May-2010	184,138	193,665	377,803
Jun-2010	182,879	178,800	361,679
Jul-2010	191,654	179,379	371,033
Aug-2010	200,096	190,069	390,165
Sep-2010	198,496	177,066	375,562

³ EIA Monthly Louisiana Natural Gas Marketed Production Data

<http://www.eia.gov/dnav/ng/hist/n9050la2m.htm>

⁴ EIA Monthly Federal Offshore—Gulf of Mexico Natural Gas Marketed Production

<http://www.eia.gov/dnav/ng/hist/n9050fx2m.htm>

Date	Louisiana Marketed Production in MMcf	Federal Offshore-Gulf of Mexico Marketed Production in MMcf	Total Marketed Production in MMcf
Oct-2010	204,545	183,593	388,138
Nov-2010	209,053	170,806	379,859
Dec-2010	222,391	180,591	402,982
2010 Average	187,198	187,275	374,473
Jan-2011	226,144	180,074	406,218
Feb-2011	209,577	153,824	363,401
Mar-2011	246,748	170,101	416,849
Apr-2011	243,629	162,149	405,778

Inventory

Storage is an important market short term supply/demand indicator. Changes in inventory levels are used to offset imbalances between production and consumption. Natural gas is most commonly stored in underground facilities, such as depleted gas/oil reservoirs, aquifers and salt cavern formations. Table II below shows the underground storage levels of working gas in Louisiana. Storage ranged from about 401 billion cubic feet to about 619 billion cubic feet during the last three years. In 2010, the monthly average underground storage volume in Louisiana was approximately 514 billion cubic feet.

Table II. Louisiana Natural Gas in Underground Storage Volume (million cubic feet)

Date	Louisiana Natural Gas Underground Storage Volume (MMcf) ⁵
Jan-2008	441,485
Feb-2008	409,647
Mar-2008	400,748
Apr-2008	408,237
May-2008	426,746
Jun-2008	443,089
Jul-2008	459,331
Aug-2008	475,946
Sep-2008	464,882
Oct-2008	497,794
Nov-2008	506,816
Dec-2008	497,737
2008 Average	452,705
Jan-2009	452,507

⁵ EIA Monthly Louisiana Natural Gas Marketed Production Data
<http://www.eia.gov/dnav/ng/hist/n9050la2m.htm>

Date	Louisiana Natural Gas Underground Storage Volume (MMcf)
Feb-2009	431,435
Mar-2009	446,092
Apr-2009	468,629
May-2009	512,236
Jun-2009	525,006
Jul-2009	546,002
Aug-2009	559,792
Sep-2009	584,165
Oct-2009	592,970
Nov-2009	597,335
Dec-2009	544,794
2009 Average	521,747
Jan-2010	478,745
Feb-2010	424,400
Mar-2010	431,861
Apr-2010	456,821
May-2010	477,745
Jun-2010	499,720
Jul-2010	514,261
Aug-2010	522,673
Sep-2010	554,156
Oct-2010	604,482
Nov-2010	618,728
Dec-2010	585,028
2010 Average	514,052
Jan-2011	532,098
Feb-2011	480,824
Mar-2011	495,672
Apr-2011	508,687

Consumption

In 2010, the monthly U.S. natural gas delivered to customers was around 2,011 billion cubic feet⁶. Gas consumption of Louisiana has a monthly average of about 102 billion cubic feet, which is about 5% of the total national consumption. Below Table III contains the monthly natural gas consumption data for Louisiana. It ranged from about 74 billion cubic feet to about 114 billion cubic feet during the last three years and has an average of about 102 billion cubic feet in 2010.

⁶ http://www.eia.gov/dnav/ng/ng_cons_sum_dcunus_a.htm

Table III. Natural Gas Delivered to Consumers in Louisiana (million cubic foot)

Date	Louisiana Natural Gas Delivered to Customer (MMcf) ⁷
Jan-2008	103,499
Feb-2008	87,178
Mar-2008	92,983
Apr-2008	83,987
May-2008	93,179
Jun-2008	89,397
Jul-2008	101,784
Aug-2008	95,450
Sep-2008	77,869
Oct-2008	91,028
Nov-2008	89,145
Dec-2008	83,836
2008 Average	90,778
Jan-2009	88,393
Feb-2009	73,594
Mar-2009	82,385
Apr-2009	80,043
May-2009	84,201
Jun-2009	88,742
Jul-2009	92,298
Aug-2009	93,483
Sep-2009	86,783
Oct-2009	89,901
Nov-2009	86,479
Dec-2009	97,830
2009 Average	87,011
Jan-2010	108,313
Feb-2010	91,688
Mar-2010	99,322
Apr-2010	92,654
May-2010	101,038
Jun-2010	106,343
Jul-2010	109,515
Aug-2010	114,065
Sep-2010	101,963
Oct-2010	96,153
Nov-2010	92,194

⁷ EIA Monthly Louisiana Natural Gas Marketed Production Data
<http://www.eia.gov/dnav/ng/hist/n90501a2m.htm>

Date	Louisiana Natural Gas Delivered to Customer (MMcf)
Dec-2010	110,751
2010 Average	102,000
Jan-2011	112,552
Feb-2011	103,580
Mar-2011	101,321

Exports

Louisiana has been a net exporter of natural gas to other regions of the U.S. for decades. Table IV below contains the most updated selected natural gas movement data from EIA. According to the data, Louisiana has a net export of about 348 billion cubic feet in 2009. The average annual net exports from the last three available years was about 252 billion cubic feet.

Table IV. Annual Louisiana Natural Gas Net International & Interstate Receipts (million cubic foot)

Date	Net International and Interstate Receipts ⁸
2007	-224,530
2008	-185,240
2009	-348,193
Average	-252,654

Prices

The proposed contract will be traded at differential to the Henry Hub Natural Gas futures (NG) contract. Upon expiration the contract will be physically delivered at the PPEC NYMEX Pool on a daily basis. The delivery price shall be at the final settlement price of the Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly Basis futures plus the final settlement of the Henry Hub Natural Gas futures contract for the same contract month.

Table V below provides monthly natural gas city gate price in Louisiana for the last three years, as well as the end of month settlement prices of NYMEX Henry Hub Natural Gas futures contract. For the period from January 2010 to April 2011, the City-Gate natural gas price in Louisiana showed high volatility ranging from \$3.83 to \$11.84 per thousand cubic feet, or \$3.73 to \$11.53 per MMBtu. For the

⁸ EIA Annual Net Louisiana Natural Gas Net International & Interstate Receipts
http://www.eia.gov/dnav/ng/hist/na2902_sla_2a.htm

same period, the end of month NYMEX Henry Hub Natural Gas futures prices varied from \$2.977 to \$13.353 per MMBtu.

Table V. Natural Gas Citygate Price in Louisiana (Dollars per thousand cubic feet) and NYMEX Henry Hub Natural Gas Price (Dollars per MMBtu)

Date	Natural Gas City gate Price in Louisiana (Dollars per Thousand cubic feet) ⁹	Natural Gas Citygate Price in Louisiana (Dollars per MMBtu) ¹⁰	NYMEX Henry Hub Natural Gas Price (Dollars per MMBtu)
Jan-2008	\$ 8.48	\$ 8.26	\$ 8.074
Feb-2008	\$ 9.74	\$ 9.48	\$ 9.366
Mar-2008	\$ 9.09	\$ 8.85	\$ 10.101
Apr-2008	\$ 10.13	\$ 9.86	\$ 10.843
May-2008	\$ 10.77	\$ 10.49	\$ 11.703
Jun-2008	\$ 11.70	\$ 11.39	\$ 13.353
Jul-2008	\$ 11.84	\$ 11.53	\$ 9.119
Aug-2008	\$ 11.74	\$ 11.43	\$ 7.943
Sep-2008	\$ 11.76	\$ 11.45	\$ 7.438
Oct-2008	\$ 8.73	\$ 8.50	\$ 6.783
Nov-2008	\$ 7.51	\$ 7.31	\$ 6.510
Dec-2008	\$ 8.18	\$ 7.96	\$ 5.622
2008 Average	\$ 9.97	\$ 9.71	\$ 8.905
Jan-2009	\$ 7.95	\$ 7.74	\$ 4.417
Feb-2009	\$ 6.86	\$ 6.68	\$ 4.198
Mar-2009	\$ 6.26	\$ 6.10	\$ 3.776
Apr-2009	\$ 5.32	\$ 5.18	\$ 3.373
May-2009	\$ 4.62	\$ 4.50	\$ 3.835
Jun-2009	\$ 4.81	\$ 4.68	\$ 3.835
Jul-2009	\$ 4.37	\$ 4.26	\$ 3.653
Aug-2009	\$ 4.12	\$ 4.01	\$ 2.977
Sep-2009	\$ 3.83	\$ 3.73	\$ 4.841
Oct-2009	\$ 4.99	\$ 4.86	\$ 5.045
Nov-2009	\$ 6.54	\$ 6.37	\$ 4.848
Dec-2009	\$ 6.65	\$ 6.48	\$ 5.572
2009 Average	\$ 5.53	\$ 5.38	\$ 4.198
Jan-2010	\$ 6.88	\$ 6.70	\$ 5.131
Feb-2010	\$ 6.76	\$ 6.58	\$ 4.813
Mar-2010	\$ 6.04	\$ 5.88	\$ 3.869
Apr-2010	\$ 4.99	\$ 4.86	\$ 3.920
May-2010	\$ 5.08	\$ 4.95	\$ 4.341

⁹ EIA Natural Gas City Gate Price by State

http://www.eia.gov/dnav/ng/ng_pri_sum_a_EPG0_PG1_DMcf_m.htm

¹⁰ Numbers are calculated based on the conversion factor of 1,027 Btu per cubic foot provided by EIA.

http://www.eia.doe.gov/kids/energy.cfm?page=about_energy_conversion_calculator-basics

Date	Natural Gas City gate Price in Louisiana (Dollars per Thousand cubic feet)	Natural Gas Citygate Price in Louisiana (Dollars per MMBtu)	NYMEX Henry Hub Natural Gas Price (Dollars per MMBtu)
Jun-2010	\$ 4.89	\$ 4.76	\$ 4.616
Jul-2010	\$ 5.19	\$ 5.05	\$ 4.923
Aug-2010	\$ 5.14	\$ 5.00	\$ 3.816
Sep-2010	\$ 4.22	\$ 4.11	\$ 3.872
Oct-2010	\$ 4.89	\$ 4.76	\$ 4.038
Nov-2010	\$ 5.01	\$ 4.88	\$ 4.180
Dec-2010	\$ 4.98	\$ 4.85	\$ 4.405
2010 Average	\$ 5.34	\$ 5.20	\$ 4.327
Jan-2011	\$ 5.02	\$ 4.89	\$ 4.420
Feb-2011	\$ 5.01	\$ 4.88	\$ 4.037
Mar-2011	\$ 5.12	\$ 4.99	\$ 4.389
Apr-2011	\$ 4.92	\$ 4.79	\$ 4.698

Over-the-Counter Market

There is an active over the counter market in natural gas. In the OTC market, the typical trade size of a natural gas contract is 2,500 MMBtu per day and the prices are quoted in \$0.0025 intervals. There are numerous participants in the natural gas OTC market including but not limited to, commercial participants, trading firms, and financial intermediaries. Listed below are the participants of the current PPEC market:

Firm	Interruptible
Anadarko Energy Services Company	Adams Resource Marketing Ltd
BP Energy Company	Anadarko Energy Services Company
Calpine Energy Services L.P.	Anadarko Energy Services Company
Chevron Natural Gas	BG Energy Merchants LLC
Cleco Power, LLC	BP Energy Company
CONOCOPHILLIPS Company	Calpine Energy Services L.P.
Credit Suisse Energy, LLC	Chevron Natural Gas
Dean Ventures Natural Gas Trading, LLC	CIMA Energy LTD
Iberdrola Renewables Inc	Colonial Energy Inc
Merrill Lynch Commodities Inc	ConocoPhillips Company
SEA JLA LLC	Credit Suisse Energy LLC
TEXON L.P.	Dean Ventures Natural Gas Trading LLC
Total Gas & Power North America Inc.	EDF Trading North America LLC
Virginia Power Energy Marketing	Enbridge Marketing US LP
Vitol Inc	Energy America LLC
Gavilon, LLC	Gavilon LLC

Firm	Interruptible
IBERDROLA RENEWABLES Inc	Hess Corporation
Hess Energy Trading Company LLC	Hess Energy Trading Company LLC
Iberdrola Renewables Inc	IBERDROLA RENEWABLES Inc
JP Morgan Ventures Energy Corporation	J.P. Morgan Ventures Energy Corporation
PNG Marketing LLC	JLA Energy LLC
Total Gas & Power North America Inc.	Macquarie Energy LLC
Vitol Inc	Merrill Lynch Commodities Inc
	MIECO INC.
	National Energy and Trade LP
	NextEra Energy Power Marketing LLC
	NJR Energy Services Company
	Noble Americas Gas and Power Corp
	Petrocom Ventures LTD
	Pine Prairie Energy Center
	PNG Marketing LLC
	SEA JLA LLC
	Sempra Energy Trading
	Sequent Energy Management LP
	Southwestern Energy Services Company
	Tenaska Gas Storage LLC
	Tenaska Marketing Ventures
	Texon L.P.
	Total Gas and Power North America Inc
	Twin Eagle Resource Management LLC
	Virginia Power Energy Marketing
	Vitol Inc

In addition to the groups of participants listed above, there is an extensive network of brokers, including those listed below, that are active participants in the natural gas OTC market.

Brokers
Prebon Energy
ICAP Energy LLC
TFS Energy LLC
CGS - Blue Flame Brokerage
Amerex BrokersLLC

ANALYSIS OF DELIVERABLE SUPPLY

The estimation of deliverable supply is a function of the production and net receipts. Using data supplied from EIA, Table I is used to estimate the total supply of natural gas. During 2010, the combined production of Louisiana and Federal Offshore Gulf of Mexico reached an average of approximately 374 billion cubic feet per month. This represents a 13% increase in average monthly production from the year prior. Furthermore, the combined production of Louisiana and Federal Offshore Gulf of Mexico during 2009 was an average of approximately 331 billion cubic feet per month or a 7.5% increase in average monthly production from the year prior. The data illustrates a steady increase in natural gas production in Louisiana and Federal Offshore Gulf of Mexico.

According to EIA data in Table IV above, the average net exports of Louisiana natural gas were 21 billion cubic feet per month during the last three available years 2007 – 2009. According to EIA data, net exports fluctuated during years 2007 – 2009. While net annual exports during 2009 were approximately 348 billion cubic feet, annual net exports were approximately 185 billion cubic feet in 2008, and approximately 225 billion cubic feet in 2007.

Using average exports for the last three available years, and the production of Louisiana and Federal Offshore Gulf of Mexico for 2010, we estimate that the average deliverable supply amounts to approximately 353 billion cubic feet per month. Using a conversion factor of 1,027 Btu per cubic foot, this converts to about 362,531,000 MMBtu per month.

The proposed spot month position limits for this contract are 150 contracts. For a month of 30 calendar days, the proposed spot month limits would represent 11,250,000 MMBtu per month and would be about 3% of the total deliverable supply. With regard to the PPEC system, the daily maximum storage withdrawal capacity is currently 2.4 billion cubic feet, or 1,280 futures contract-equivalents (contract size: 2,500 MMBtu). The proposed daily spot limit of 150 contracts represents 16% of the total daily maximum storage withdrawal capacity. The Exchange will aggregate positions of the proposed contract into its existing Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly Futures contract.