



Special Executive Report

DATE: April 6, 2011

SER#: 5688

SUBJECT: Activation of Three (3) Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Futures Contracts, Rule Amendments and Updated Listing Schedule for Monthly Futures

Please be advised that effective close of business Friday, April 8, 2011 for trade date **Monday, April 11, 2011**, the New York Mercantile Exchange, Inc. (NYMEX or Exchange) will activate the three (3) daily delivered PPEC futures contracts listed below for trading on CME Globex and for submission for clearing through CME ClearPort. Please be reminded that the new contract unit system configuration for each of the PPEC contracts listed below will be such that the contract size is 2,500 MMBtu and the minimum execution will be restricted to whole number multiples of the number of calendar days in the delivery period.

- Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Daily/Weekend Futures (chapter 227; commodity code **PPD**);
- Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas BALMO Futures (chapter 228; commodity code **PPB**); and
- Pine Prairie Energy Center (PPEC) Physically Delivered Natural Gas Monthly Futures (chapter 229; commodity code **PPM**).

The listing period for the three contracts is as follows and will be effective on trade date April 11, 2011:

- Daily/weekend futures **PPD**: up to 5 listed contract days per week. The first listed contract shall be the April 12, 2011 contract day.
- BALMO futures **PPB**: 1 listed contract month for the current month. The first listed contract shall be the April 2011 contract month.
- Monthly futures **PPM**: expanded from 1 contract month to 24 consecutive contract months with a strip trading functionality so that at any time, PPM will be available for one balance of season strip, two full season strips, one balance of calendar year strip and one full calendar year strip. The first listed contract shall be the May 2011 contract month.

In addition, the Exchange will implement additional rules to the contracts in order to: (a) provide additional clarification as to the liability of a clearing member; and (b) present the Exchange's actions under the scenario that an unqualified customer, meaning a party who is not a signatory to the PPEC NYMEX Pooling and Imbalance Service Agreement, executes a trade that results in an open position after the contract termination.

The rule amendments for the three PPEC futures contracts are presented below in blackline for your convenience and will be effective on trade date April 11, 2011.

(UNDERSCORE denotes addition; ~~STRIKETHROUGH~~ denotes deletion)

xxx.02

DEFINITIONS

(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.

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 XXX.14(A) or Rule XXX.14(B), as applicable.

For more information, please contact Patrick McKinnon at (713) 658-9299.