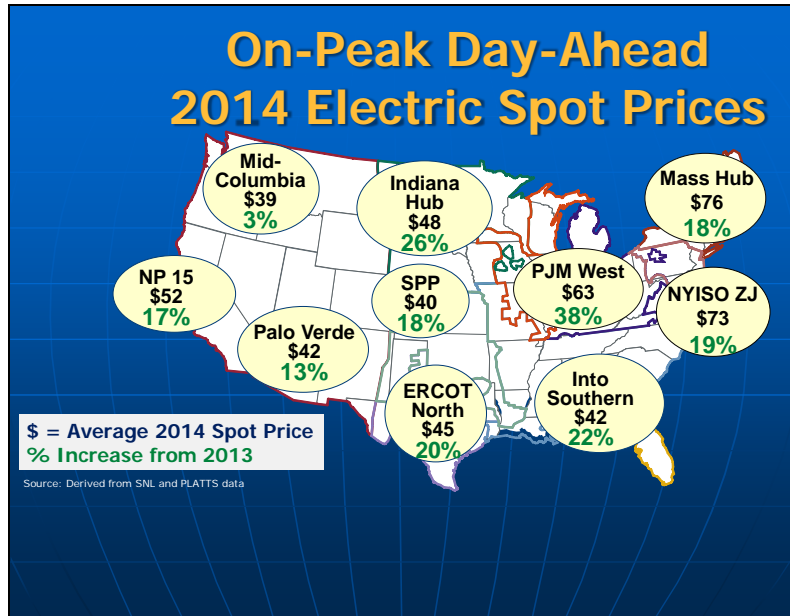




Good morning Chairman and Commissioners.

The Office of Enforcement's Division of Energy Market Oversight is pleased to present the 2014 State of the Markets Report. This report is staff's annual opportunity to share our assessment on natural gas, electric, and other energy markets developments during the past year to better inform the Commission's understanding of current and future trends.

Slide 11



Electricity average spot prices rose across the country in 2014, primarily driven by high prices in the first quarter.

Natural gas remained a major driver of electricity prices, with regional prices reflecting, in part, variations in natural gas prices. The largest increases were in PJM, where average on-peak day-ahead prices at the Western Hub rose 38 percent due to price spikes in the first quarter.

Prices in the Pacific Northwest, where increased hydro generation kept prices down, were the lowest in the country. CAISO had some of the lowest price increases in the country with average on-peak day-ahead prices rising by 17 percent. Prices remained modest in the Southeast throughout the year, averaging \$42/MWh at the Into Southern pricing point.