



Merchant Energy Closes Debt Financing Deal For East Cheyenne

Phase 2 Expansion of ECGS Underway

Merchant Energy Holdings (MEH), LLC, a Quantum Energy portfolio company, has closed on the debt financing for the East Cheyenne Gas Storage (ECGS) Facility with Macquarie Group, through its subsidiary Macquarie Bank Limited. The financing is structured as a 5-year, \$62 million Term Loan. Loan proceeds will be used to fund the Phase 2 expansion of the Facility in Peetz, Colorado. The expansion, which includes 9 new inj/with. wells, 2 monitoring wells, and 1 water disposal well along with additional compression and surface processing

Want to learn more about MEH and the latest developments at ECGS?

Visit our newly updated Website at:

www.eastcheyenne.com

facilities, will bring the injection/withdrawal capability to over 200 MMCF/D. ECGS expects 8 BCF of working gas capacity to be available for the 2013 injection season, and the ultimate working gas capacity in the West Peetz reservoir to exceed 14 BCF. ECGS expects to complete Phase 2 construction in May 2013.

ECGS - Open Season For Capacity Available 2013

ECGS will be conducting a non-binding open season in the first quarter of 2013 for up to 8 BCF of firm storage working gas capacity. The capacity will be available either on a short-term or longer term basis, depending on customer requirements. If your company is interested in bidding for the capacity, please contact either Scott Smith or Kevin Legg (contact info provided on Page 3). Additional information about the open season will be posted on our website during the 1st Quarter of 2013.

Inside this issue:

Western LDC Forum	2
Park and Loan Opportunities	2
Operations Profile	3
Marketing Contacts	3

East Cheyenne Gas Storage wishes everyone a joyous and prosperous holiday season. Thank you to our existing customers for making our project a success!!!

INSIDE FERC - NEED FOR ADDITIONAL WEST GAS STORAGE

INSIDE FERC CITES ECGS PRESENTATION SUPPORTING NEED FOR INCREASED NATURAL GAS STORAGE CAPACITY IN THE WESTERN U.S. DUE TO GAS-FIRED POWER GENERATION GROWTH

Scott Smith, Sr. VP and Chief Commercial Officer of MEH, recently spoke at the Western LDC Forum in Los Angeles suggesting the need for additional natural gas storage in the Western U.S. due to the change in legislation in Colorado that requires the shut-down of coal-fired generation in favor of natural gas-fired generation. Inside FERC, as part of their Oct. 26th report, highlighted the change in Colorado law (Colorado Clean Air Clean Jobs Act) and cited the presentation made by ECGS as support for one of the future market drivers for more storage in the region. In addition, the state requirements mandating increased use of renewable energy resources, mainly wind energy, also will require additional gas-fired generation to support those mandates, and thus increase the need for additional gas storage. ECGS is ideally situated to address the growing gas usage profile for the Front Range, and for the expected increase in gas production associated with the continued development of the Niobrara shale.

Hub Services Deals - Winter 2012-2013

OPPORTUNITIES FOR BOTH PARK AND LOAN

ECGS has been actively parking both day gas and baseload gas this Fall for Winter 2013 withdrawal. Opportunities exist for additional parking activity and the possibility of temporary short-term loans as the colder weather moves into the Western trading region this winter. ECGS has been providing Hub Service opportunities both at the Cheyenne Hub and at the ECGS interconnect with Trailblazer pipeline (Point 45401) in Logan County, CO. If you are interested in learning more about these opportunities, please contact ECGS.



Tightening a check valve cap



Elkhorn Welders

Operations Profile - KJ Ko, Hub Services Representative



Keunjung (KJ) Ko is a Hub Service Representative of Merchant Energy Holdings, LLC and is responsible for East Cheyenne Gas Storage operations including managing volume nominations, customer inventory, pipeline nomination confirmations, customer nomination interface, customer and contract management, pad gas purchase plans and Hub Service availability. Mr. Ko also serves as market and financial analyst for Merchant Energy Holdings, LLC. He is responsible for market assessments, competitor monitoring and analysis, project financial analysis, deal structuring and due diligence support. Prior to joining Merchant Energy Holdings, LLC, Mr. Ko served as Consultant with Black & Veatch Management Consulting. He was responsible for analysis of natural gas industry structural models and gas

marketing strategies, valuation of gas pipeline and storage market, business strategy, M&A due diligence, asset optimization, and litigation support. In his free time, he enjoys writing, reading, and fishing. Mr. Ko holds a B.A. in economics from University of Texas at Austin.

Marketing Contacts

Scott Smith—Chief Commercial Officer
10370 Richmond Avenue, Suite 510
Houston, TX 77042
(713) 403-6472 (Office)
(713) 409-4007 (Cell)
ssmith@mehllc.com

Kevin Legg—VP Marketing
10901 W. Toller Drive, Suite 200
Littleton, CO 80127
(720) 351-4004 (Office)
(303) 386-5352 (Cell)
klegg@mehllc.com

KJ Ko—Hub Service Representative
10370 Richmond Avenue, Suite 510
Houston, TX 77042
(713) 403-6449 (Office)
(713) 591-5300 (Cell)
kko@mehllc.com

