



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 10, 2008

NATURAL GAS MARKET NEWS

Raymond James warned today in a research note to customers that even a cold winter this heating season, the 2009 natural gas price outlook continues to look very ugly given the current over supply in the market. They continue to see a price collapse in 2009.

The National Weather Service reported this morning that nationwide heating demand for natural gas for the week ending November 15th is seen running at 7% less than normal but still higher than the same week a year ago by 13%. So far this heating season it has

Generator Problems

NPCC – OPG's 515 Mw Pickering #4 nuclear unit was shut early Monday for maintenance work.

OPG's 490 Mw coal fired Nanticoke #1 power station returned to service Monday. The unit had been offline since November 6th.

Entergy's 535 Mw Vermont Yankee nuclear plant was restarted this weekend and was at 23% power this morning.

NYPA's 1056 Mw Blenheim Gilboa pumped storage hydro power station returned to service.

PJM – PSEG 1174 Mw Salem #1 nuclear unit remained in hot standby early Monday. The unit was taken off line back on November 14th for refueling.

MRO – Ameren's 1190 Mw Callaway reactor exited its refueling outage and was at ramping up to 70% power this morning. The unit which was at 1% of capacity on Friday had gone off line back on October 10th.

Xcel Energy's 593 Mw Prairie Island #2 nuclear unit was at full capacity this weekend up from 83% power on Friday.

ERCOT – Luminant's 575 Mw coal fired Big Brown Unit #1 power station was shut over the weekend for maintenance.

SERC – Progress Energy's 937 Mw Brunswick #2 nuclear unit was shut early Monday morning. The unit had been at full power on Friday. The unit though has been restarted and was at 25% power at midday.

Duke Power's 846 Mw Oconee #3 nuclear unit dropped to 25% power early Monday. The unit had been at full power on Friday.

Progress Energy's 710 Mw Robinson #2 nuclear unit exited its refueling outage and was at 88% capacity this morning.

Dominion Power's 925 Mw North Anna #1 nuclear unit was back to full power, up 15% from Friday.

Operators at TVA's 1127 Mw Sequoyah #2 nuclear unit stopped the unit's restart Sunday evening due to a dropped control rod. The unit was being restarted from an unplanned outage that began back on November 3rd.

The NRC reported that some 80,774 Mw of nuclear generating capacity was online this morning, up 0.7% from Friday but down 4.3% from the same day a year ago.

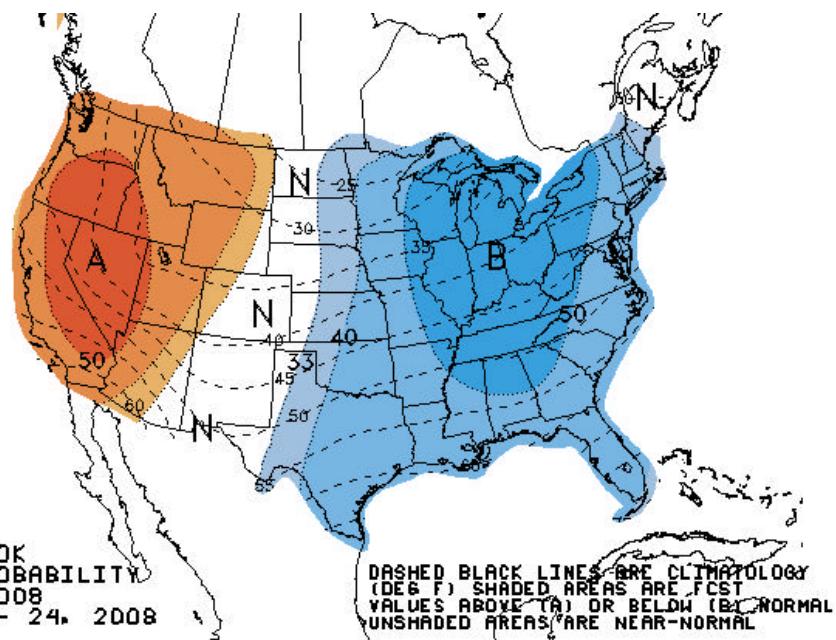
been 19% warmer than normal. For the past week heating demand for natural gas nation wide was estimated at 32-33% less than normal and also by the same amount from a year ago.

Private weather forecaster Planalytics this morning noted that the upcoming cold surge would result in temperatures running 8-16 degrees below normal next week.

Centrica reported that the current shipment of LNG from Qatar is a one off delivery and not part of a wider supply agreement. The cargo is part of a commissioning cargo for National Grid's expanded Isle of Grain terminal.

Sempra Energy said the total cost to develop the Rockies Express natural gas pipeline has jumped 36% to \$6 billion because of rising labor and permitting costs on the eastern leg of that line. The company last month reported that the start up date on

the 683-mile eastern portion of the pipeline was delayed by five months until November 2009 because of delays in winning regulatory approvals and permits.



A former vice president from ConocoPhillips told an industry function in Dubai today that Russia will eventually become involved in a natural gas producers cartel. He noted that Russia's participation "may not be happening as an official announcement but will eventually be happening internally".

NATURAL GAS RESTRICTIONS

Northwest Pipeline said it has experienced excessive banking on the system north of Kemmerer over the past few days. As a result, Northwest has very limited balancing flexibility remaining. To avoid having to entitle the system, Northwest is requesting all customers stay on rate or slightly draft the system until some balancing flexibility can be regained.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	850,400	\$7.066	\$0.465	(\$0.033)	\$0.442	(\$0.915)
Chicago City Gate	672,300	\$7.092	\$0.738	(\$0.007)	\$0.423	(\$0.729)
NGPL-TX/OK	683,100	\$6.740	\$0.655	(\$0.359)	\$0.340	(\$1.037)
SoCal	360,100	\$5.722	\$1.149	(\$1.377)	\$0.834	(\$1.928)
PG&E Citygate	272,000	\$6.682	\$0.688	(\$0.417)	\$0.373	(\$0.751)
Dominion-South	361,900	\$7.441	\$0.781	\$0.342	\$0.466	(\$0.034)
USTrade Weighted	15,209,400	\$6.575	\$0.757	(\$0.524)	\$0.44	(\$0.915)

Kern River Gas Transmission said that Williams and Enterprise were again able to deliver extra supply and line

pack has been posted as normal on the entire system. It noted though that the imbalance at the Pioneer receipt point remains high and therefore Kern River will continue to receive extra supply from Enterprise until the imbalance is reduced within tolerance.

NGPL said that until further notice it has capacity available for deliveries to Trunkline-Lakeside. ITS/AOR and secondary firm transport volumes are available. The company said that until further notice it has limited capacity available for receipts from Lone Star Bend, located on Segment 22 in the South Texas Zone. Limited ITS/AOR and secondary firm transports are available.

Northern Natural Gas said it has issued an OFO at Carlton Resolution beginning November 11th and until further notice.

CIG said it is concerned about the performance of the Echo Springs CIG and Medicine Bow WIC interconnects and may place underperformance caps on the point for Cycle 3 today and for November 11th. This could impact shipper nominations.

Gulf South Pipeline said that it has lifted the force majeure issued November 7th for Expansion Capacity Allocation Area 16 due to unscheduled maintenance at the Carthage Junction Compressor Station on turbine unit #5.

NATURAL GAS PIPELINE MAINTENACE

Discovery Gas Transmission said that it has cut out and removed the Hurricane Ike-damaged section of its 30 inch mainline and has delivered it to the repair contractor for further evaluation and testing. Meanwhile the company noted that its 18-inch lateral is undergoing additional surveys to assess the extent of damage and finalize repair plans. Repairs are expected to be completed within 30 days.

Alliance Pipeline said the one-hour of maintenance work originally scheduled for November 13th has been pushed back one day to November 14th at the Blueberry Hill compression station. System throughput and capacity should not be impacted but high lateral pressures are expected. The company also reported that a routine inspection would require Unit #2 at the Whitecourt Lateral Meter and Compressor station would be unavailable for eight hours on November 12th. Capacity will be reduced to 629 e3m3.

CIG said the Maxwell Meter Station will be out of service November 12th for maintenance. Volumes will go to zero during this outage.

SONAT said that as previously reported it currently has one of its pipelines isolated between Olga Platform and the Toca Compressor station for maintenance and that several impacted points; Bayou Gentilly, Delacroix and Cox Bay, will return to service around November 14th once the work is completed.

ELECTRIC MARKET NEWS

The North American Reliability Corp (NERC) warned that carbon reduction policies in the United States raises serious concerns about the continued reliability of the country's power grid. The NERC is concerned that the price of carbon would reduce coal-fired generation significantly around the country, especially over the short term. NERC noted that in the past year, it has seen a 20,000 Mw increase in planned gas fired generation over the 2008-2016 period, making it the default generation source for new generation. The NERC also noted that the bulk transmission system is not currently equipped to deliver renewable energy, with renewable generation facilities often in remote sites, far from populous load centers. As a way to mitigate these two issues, NERC said that demand side resources need to be regarded as a key element in any resource plan to reduce the need for new generation and power

lines. Renewed focus on demand response and energy efficiency is one of the most compelling reliability benefits of climate change initiatives when developed as part of a broader resource portfolio. It noted the current "patchwork" design of state action on renewable energy and climate change is proving problematic for many and therefore the federal government needs to develop a national climate change policy.

Genscape reported U.S. power output for the week ending November 6th fell by 4.75% from the week before and was 7.9% less from the same week a year ago.

NRG Energy, the second largest power producer in Texas, rejected an unsolicited \$6.1 billion takeover offer from Exelon Corp, citing Exelon's lack of secured financing a one reason for the rejection.

MARKET COMMENTARY

Traders were met this morning with temperature outlooks for the next two weeks that appeared a bit colder than those issued at the end of last week and as a result natural gas prices jumped back up toward the triple high of last week at \$7.343-\$7.36. But once again this market was unable to break through as oil prices quickly began to erode dragging natural gas values down with them. But natural gas was able to find support above the \$7.00 level and bounced back in the afternoon settling nearly a half dollar better on the day. This was the strongest settlement in the spot contract since mid September.

The market will still be driven by the weather forecasts. It appears traders are eager to see the start of the heating season with strong demand, but we continue to look for any break to the upside as a selling opportunity given that ample inventories and production should still limit price gains especially given the bleak industrial outlook for natural gas demand near term. We see key resistance at \$7.36 followed by secondary resistance at \$7.408, \$7.569 and \$7.829. More distant resistance we see at \$8.20-\$8.22. Support we see at \$6.99 followed by \$6.72, \$6.56, \$6.49. Additional support we see at \$6.33, \$5.99 and \$5.694.

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