



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 3, 2008

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported at midday that 14.9% of offshore production in the Gulf of Mexico still remains offline following the impacts of Hurricane Gustav and Ike. It is estimated that 20.9% or 1.544 bcf/d of natural gas production is also still off line. Over the past two weeks some 18,306 b/d of crude oil production and just 261 MMcf/d of natural gas output was restored.

Tenaska said it plans to repurchase the interests in its North American natural gas marketing arm currently owned by affiliates of AIG, which is being restructured. Tenaska hopes to find another marketing partner for the business by next year.

The incoming Obama administration reportedly has decided to shelve its ideas of placing a windfall profit tax on oil and natural gas companies due to the recent steep slide in energy prices over the past two months.

PIPELINE RESTRICTIONS

Transco Pipeline is issuing a system wide imbalance operational flow order until further notice starting on Friday in order to ensure its ability to manage imbalances on its system resulting in part from a prior pipeline rupture in Appomattox, Virginia.

Generator Problems

NPCC – Constellation Energy's 1120 Mw Nine Mile point #2 nuclear unit was at 80% capacity this morning off from full power recorded yesterday.

MRO – Exelon reported that its 1163 Mw LaSalle #1 nuclear unit returned to full power this morning up 18% from Tuesday.

SERC – Carolina Power & Light's 895 Mw Robinson nuclear unit was back to full capacity this morning, up 6% from Tuesday.

Progres Energy's 938 Mw Brunswick #1 nuclear unit is at 92% capacity this morning, up just 1% from yesterday.

TVA's 1065 Mw Browns Ferry #1 nuclear unit was at 38% capacity this morning up 19% from yesterday.

The NRC reported this morning that 91,846 Mw of nuclear generation capacity was on line, up 0.3% from Monday and 2.45% higher than the same time a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	762,700	\$6.480	(\$0.204)	\$0.023	(\$0.229)	(\$0.392)
Chicago City Gate	744,300	\$6.630	(\$0.060)	\$0.173	(\$0.024)	(\$0.044)
NGPL- TX/OK	873,500	\$5.787	(\$0.239)	(\$0.670)	(\$0.203)	(\$0.668)
SoCal	256,700	\$5.425	(\$0.235)	(\$1.032)	(\$0.199)	(\$1.076)
PG&E Citygate	547,100	\$6.270	(\$0.256)	(\$0.187)	(\$0.220)	(\$0.169)
Dominion-South	218,900	\$6.835	(\$0.063)	\$0.378	(\$0.027)	\$0.348
USTrade Weighted	15,872,600	\$6.051	(\$0.265)	(\$0.406)	(\$0.23)	(\$0.392)

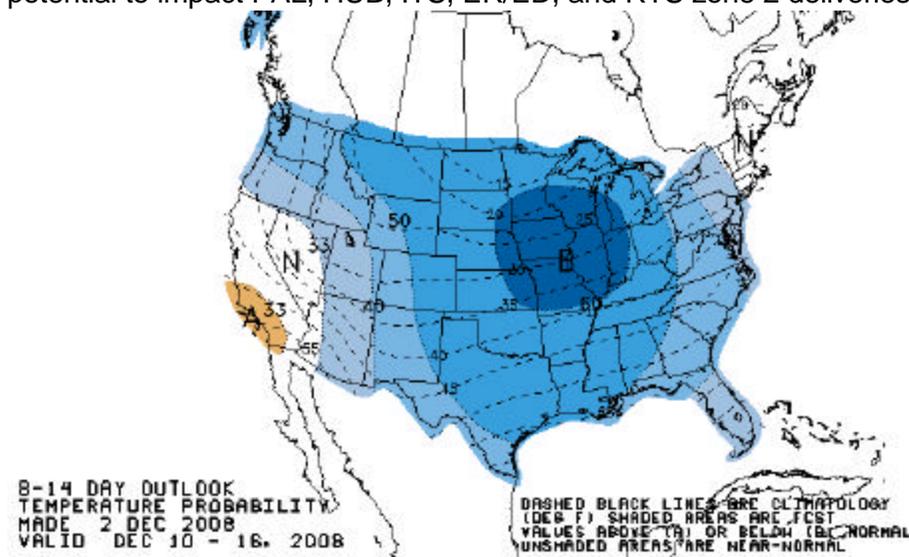
Natural Gas Pipeline Co said that for Wednesday's gas day and until further notice, Columbia Gulf-Pecan Lake is at capacity for deliveries. ITS/AOR and

Secondary Firm transports are at risk of not being fully scheduled. The company also reported that effective today and until further notice, Texas Eastern Transmission Cameron is at capacity for deliveries. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled.

Cheyenne Plains Gas Pipeline said it has lifted the force majeure at the Douglas Compressor Station. The unit, which went down on November 25th was originally not expected back into service until December 5th. The company also said it has lifted the force majeure at the Niobrara Compressor Station following the completion of repairs.

PIPELINE MAINTENANCE

Iroquois will take the Dover Compressor Station offline starting Monday, December 8th to facilitate some necessary unplanned maintenance. The outage is anticipated to last for six days and has the potential to impact PAL, HUB, ITS, ER/ED, and RTS zone 2 deliveries.



Southern Natural said that as previously posted it currently has one of its pipelines isolated between the Olga Platform and Toca Compressor Station for maintenance and that several impacted points: Bayou Gentilly, Delacroix, and Cox Bay will return to service on December 5th. These points had been expected back in service originally on November 14th and then November 21st, but weather delays had delayed repairs.

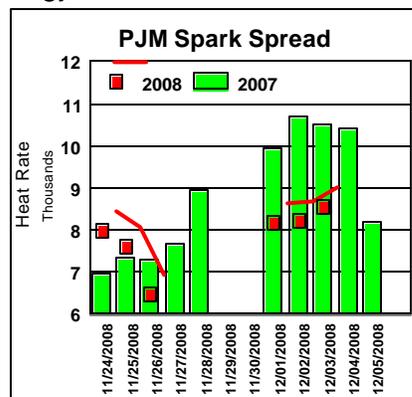
The company also reported that the following points are also anticipated to be shut in sometime in early December due to additional pipeline maintenance: Quarantine Bay, American Bay, Enbridge Interconnect and TSEGG.

ELECTRIC MARKET NEWS

Electricite de France SA increased its bid for half of Constellation Energy's nuclear business to \$4.5 billion. The proposal includes a \$1 billion cash investment in preferred stock and an option for the U.S. utility to sell to EDF non-nuclear assets of as much as \$2 billion. MidAmerican Energy earlier this year agreed to buy all of Constellation for \$4.7 billion.

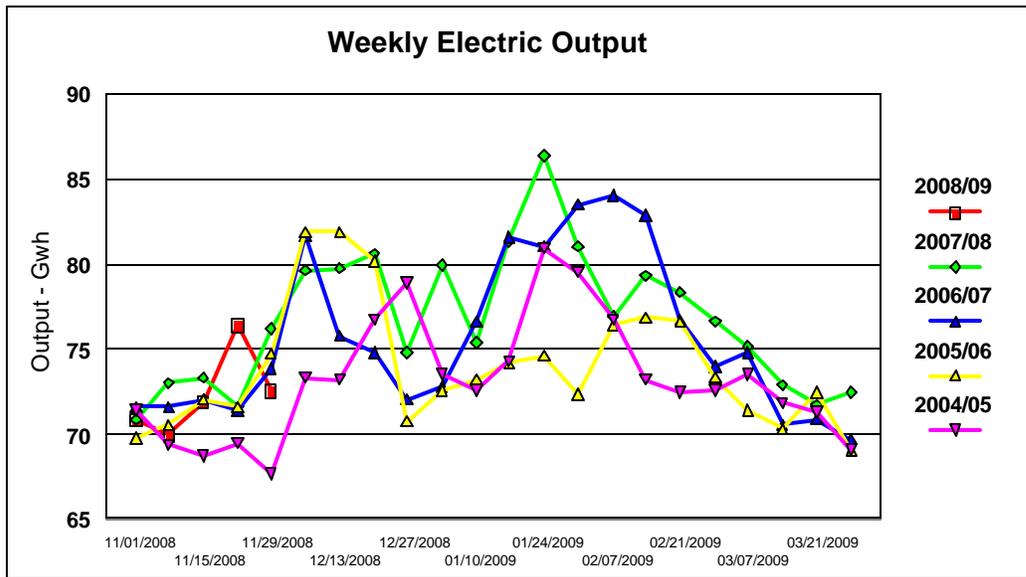
TVA issued RFP's for up to 2000 Mw of power from renewable and clean energy sources by June 1, 2011. The company is looking for proposals to be returned by January 16, 2009. The TVA is looking to contract for the power from 1 to 20 years.

The Edison Electric Institute reported that for the week ending November 29th, U.S. power production reached 72,608 Gwh some 5% less than the prior week and also 5% below the same week a year ago. Year to date power production has been some 0.7% less than the same period a year ago.



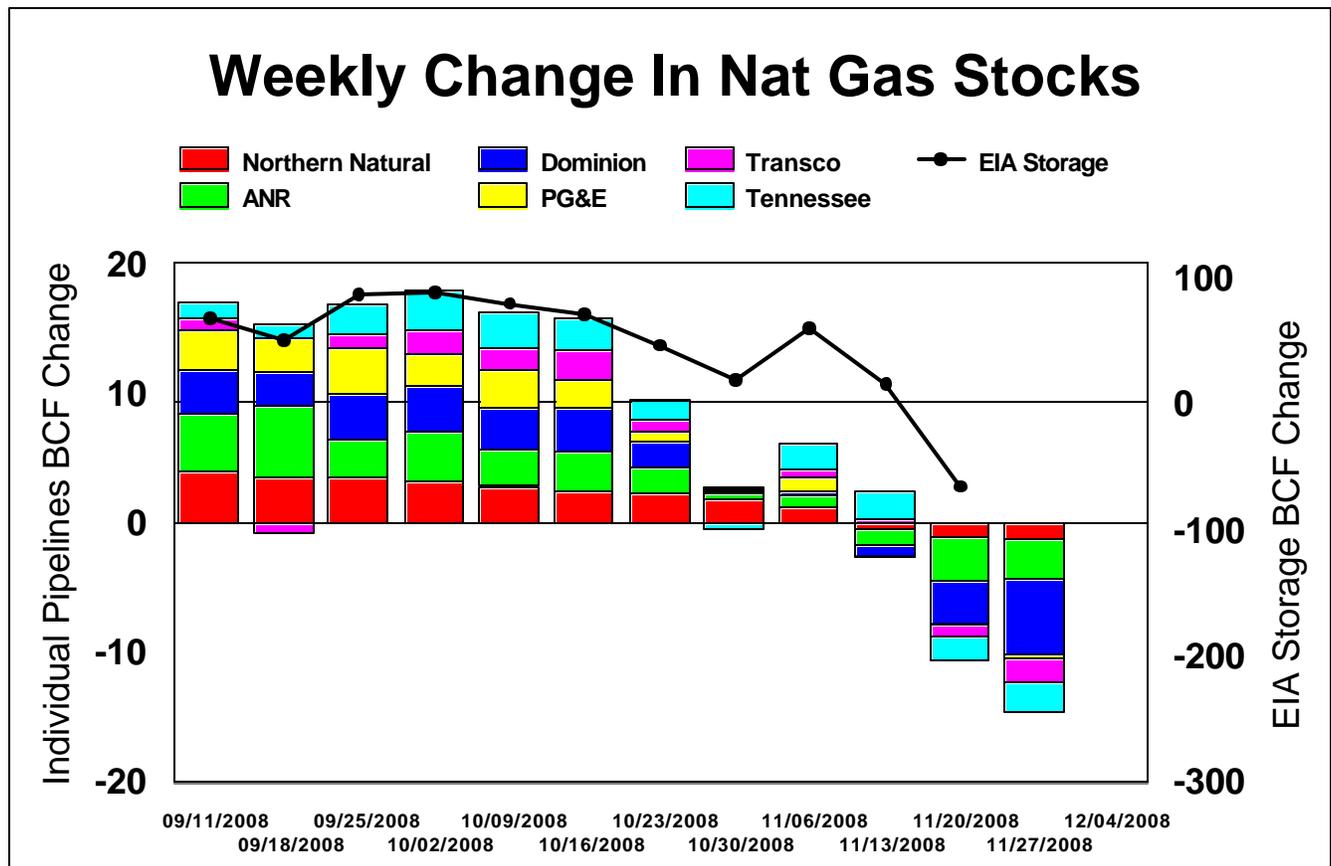
The EIA reported today that U.S. greenhouse gas emissions rose 1.4% last year on increased heating and cooling demand in buildings and as generation from hydropower sources fell.

The Federal Energy Regulatory Commission approved rate incentives for two transmission projects proposed by Tallgrass Transmission LLC and Prairie Wind Transmission LLC to be built in the Southwest Power Pool Inc region. The transmission projects will allow for a significant



expansion in wind electricity generation in the south central US. Tallgrass proposes to build a two segment 765 KV transmission project in Oklahoma. The segments would run separately from Woodward, Oklahoma to the Texas and Kansas borders.

Entergy Mississippi Inc said it is encouraged that the office of the attorney general withdrew its



demand for 30 years' worth of information from the company. It said that attorney general's actions and allegations are irresponsible and without merit. It said its business practices are reviewed by the Federal Energy Regulatory Commission, the Mississippi Public Service Commission and other governmental regulatory agencies.

The NRC said it would meet with TVA officials tomorrow to discuss issues relating to construction and licensing of the unfinished Watts Bar nuclear plant's #2 unit. The unit I expected to be completed by 2013.

The NRC has accepted for review a combined license application for two new reactors at the Comanche Peak site in Texas.

MARKET COMMENTARY

The natural gas market this morning began to erode and finally broke below the lows of the prior two days as weaker crude oil prices coupled with weather forecasters unease and uncertainty on the 11-15 day temperature outlook may not be as brutally cold as expected at the start of the week. But the morning sell off was suspended as supportive oil inventory statistics released by the EIA helped to boost oil prices and allowed natural gas prices to climb back into positive territory. But this rally was short-lived and as midday forecasts still left uncertainty for many traders that the cold may not be severe enough to absorb ample inventories, prices moved back into negative territory.

Market expectations are for tomorrow's EIA Storage Report to show a draw of 67-69 bcf. The same week a year ago saw a decline of 66 bcf with the five-year seasonal average posting a 45 bcf drop. Our model though is calling for a slightly larger drawdown for the period, somewhere between 75-77 bcf.

We feel if our storage estimate is realized then this should lend some comfort to the bulls once again. But if the economic news remains grim and crude oil prices continue to spiral lower then the natural gas market will have a hard time to gain traction to the upside, despite the NWS forecasters this evening remaining fairly confident in their 8-14 day forecasts should be realized. This appears to be whole heartedly supported by Accuweather which sees the 6-10 outlook being even colder than most forecasters are calling for currently. We see initial support for the January futures at \$6.28 followed by \$6.225, \$6.166 and \$6.05. More distant support is at \$5.725. Resistance we see at \$6.46-\$6.48 followed by \$6.685, \$6.879 (the 40 day moving average) and \$6.978. The March April spread traded down to two cents this morning before staging a late morning rebound, but the spread still finished the day in negative territory for the second straight session. But we remain committed to being a scale down buyer of this spread, as we remain comfortable with the temperature outlook.