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Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 5, 2009

NATURAL GAS MARKET NEWS

The National Weather Service reported this morning that last week heating demand in the U.S. was some 12% below normal. The NWS expects the current week ending January 10th heating demand for natural gas will be off 9.8% from normal levels. Weather forecasts this morning show that the eastern half of the nation would see below normal temperatures over the 6-15 day period and some longer-term forecasts have temperatures moderating in that region at the end of the month.

Analysts at Sun Trust Robinson Humphrey in Houston estimates that industrial demand for natural gas, adjusted for weather, over the final week of December was some 500 million to 1 bcf less than a year ago.

Analysts at Raymond James & Associates said in a research note to customers today that they do not feel it is likely for natural gas prices to rebound in 2009, but as the drilling rig count finally begins to post significant declines by 2010, coupled with the U.S, economy expected to be rebounding, it could result in natural gas prices averaging $8.00 per Mcf, well above the $5.00 price target it expects for 2009.

Generator Problems

NPCC – OPG's 490 Mw Nanticoke coal fired Units #4 and #8 returned to service today. Both units had been shut on December 29th.

OPG's 494 Mw Lambton #2 and #3 coal fired power units were shut early Monday.

MAIN – AmerGen Energy's 1022 Mw Clinton nuclear unit was at 97% capacity this morning, up 17% from late last week.

ERCOT – Luminant's 750 Mw Martin Lake #2 coal fired unit was expected to be restarted today. The unit had been shut back on December 30th.

WSCC – TransAlta's 406 Mw Sundanace #4 coal fired unit in Alberta was shut down on January 4th

MAPP – Xcel Energy's 572 Mw Monticello nuclear unit was at 75% power. The unit had been at 40% capacity as it performed work on a feed water pump.

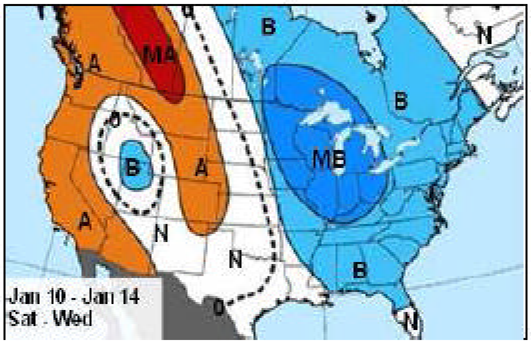
The NRC reported this morning that 96,245 Mw of nuclear generation capacity was on line, up 0.2% from Friday's level and 0.3% higher than the same time a year ago.

Dominion reported that its expansion at the Cove Point LNG terminal facilities went into service on New Year's Day. A company spokesman though declined to outline when the expanded facility would receive its first LNG shipment.

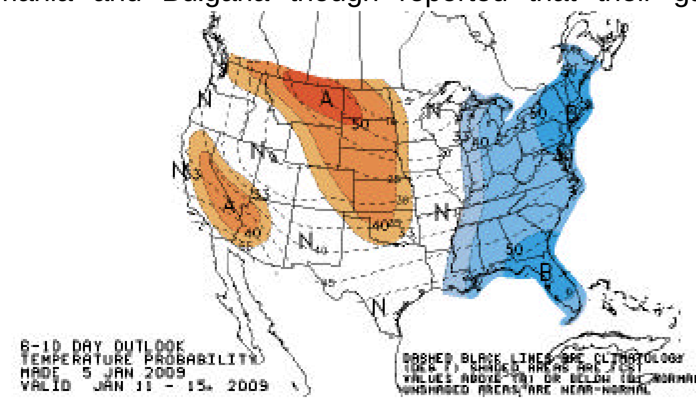
The Royal Canadian Mounted police today said that its investigators believe the partial destruction of a metering shed at a wellhead site near Tomslake, BC was caused by a deliberate explosion and is the latest in a recent series of minor explosions in the area directed at Encana Corp facilities.

Maritimes & Northeast Pipeline today asked the FERC for authorization to start up its Phase IV expansion by January 15th. The project doubles the capacity of the existing pipeline service and will support service from the Canaport LNG import terminal that is expected to be fully operational sometime this quarter.

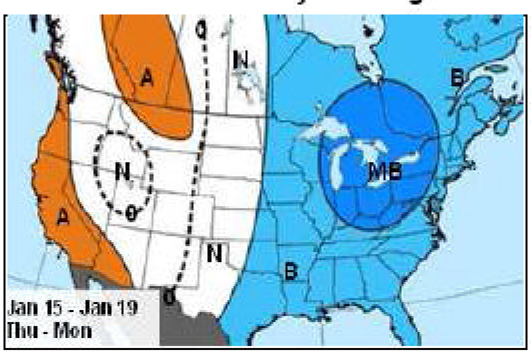
MDA EarthSat 6-10 Day Morning Outlook



The European Union was seeking to help defuse the gas-pricing dispute between Russia and the Ukraine, as gas supplies to the Ukraine remained halted for the firth day in a row. The EU said it felt supplies to European Union industries remains safe for now. Gazprom on Sunday raised its demands for a gas price to $450 per 1,000 cubic meters of gas, substantially higher than where the two sides were negotiating around late last week. While Germany, France and Austria this morning reported that they were receiving their normal supplies of Russian natural gas via the pipeline running through the Ukraine, Romania and Bulgaria though reported that their gas supplies have dropped, as have Hungary, Poland, Slovakia and the Czech Republic have noticed lower shipments via the Ukraine. Gazprom over the weekend accused the Ukraine over the weekend of illegally siphoning off Russian gas after the company cut off its gas supplies to the Ukraine. This afternoon Russian Prime Minister Putin ordered Gazprom to immediately cut gas pumped via Ukraine to Europe in response to the Ukraine's alleged siphoning from pipelines. The Ukrainian state run energy firm Naftogaz, said Monday that the Moldovan unit of Gazprom had been siphoning off transit gas destined for southern Europe. This has resulted in 10 milion cubic meters a day of gas being cut. Late in the day Naftogaz said it had been notified by Gazprom that it would cut transit supplies to Europe by 65.3 million cubic meters a day.

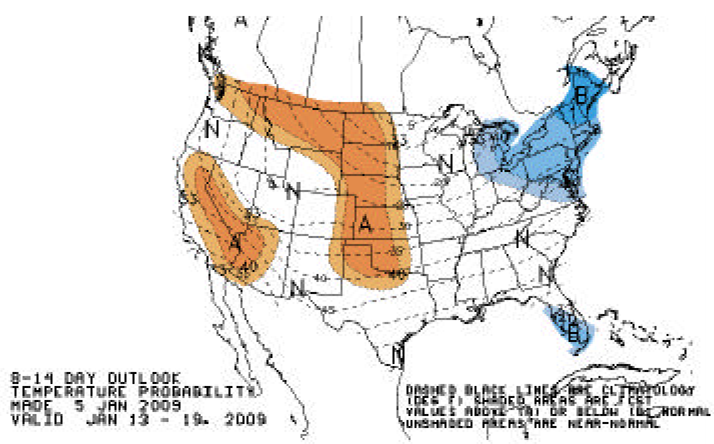


MDA EarthSat 11-15 Day Morning Outlook



Norway pledged Monday to sell its surplus natural gas to EU markets as Russian supply fears swept across the continent today. StatoilHydro, Europe's second largest gas producer said it was producing near full capacity and most of its exports were locked into long term deals though.

The Nabucco pipeline consortium said it expects an intergovernmental agreement and an EU exemption decision in the first quarter of this year. The planned 2050-mile pipeline would transport gas from the Caspian region via Turkey and the Balkans into Austria.



Chesapeake Energy said on Monday it raised $412 million from the sale of gas output and assets in the Anadarko and Arkoma basins to investors of Argonaut

Private Equity. The gas was valued at $4.20 per Mcf from the assets of proved reserves of 98 bcfe and current production of 60 million million cfe per day.

Trans Energy announced today that it had completed its fourth vertical well in the Marcellus Shale region and was awaiting connection to a sales line.

Indonesia's LNG output will drop to 349 cargoes in 2009 down 10 cargoes from 2008 as a result of expected lower natural gas supply.

Platt's reported today that a consortium of eight Japanese power and gas utilities has finalized a new price formula that will apply to the 2007-2008 and 2008-2009 fiscal years and makes minor adjustments to the provisional agreement that covered the October 2007 to March 2008 period with its existing LNG supply contract with Australia's North West Shelf. The consortium is contracted to import a combined 7.33 million mt/year over the August 1989 to March 2009 period. For April 2009 and beyond, the Japanese consortium members will be importing LNG individually. Under the final price formula, the Japanese buyers could see a stronger correlation between the Japanese Customs Cleared crude price and LNG import prices when oil prices hover significantly above $29 per barrel

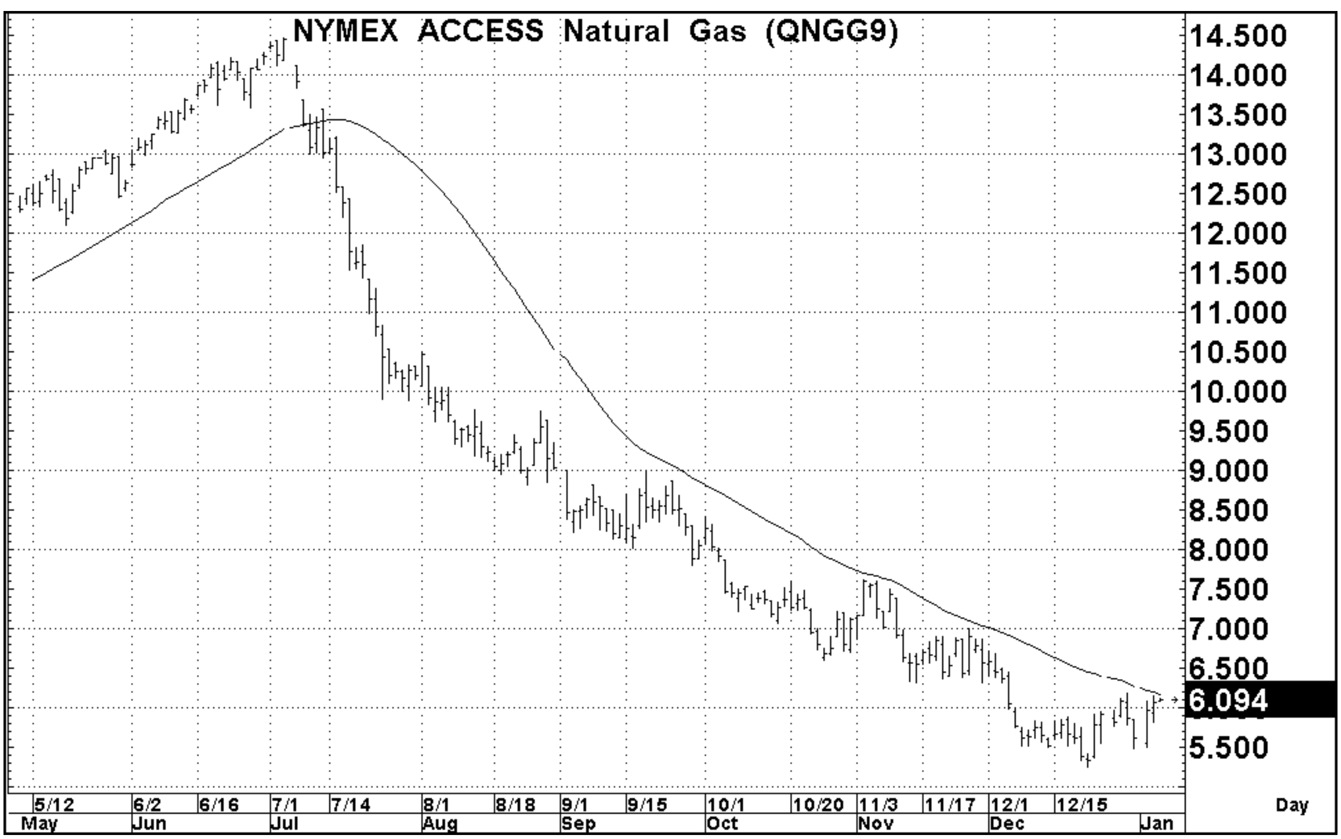
PIPELINE RESTRICTIONS

CIG said it is extending the force majeure at the Niobrara Compressor Station as repairs continue. The station is expected to be back in service by Tuesday.

PIPELINE MAINTENANCE

El Paso Natural Gas said it will conduct leak repair on Line 1200 Tuesday.

Alliance Pipeline said a routine inspection will require AB47 Carson Creek Lateral Meter/Compressor Station to be unavailable for 10 hours on January 6th. Station capacity will be reduced to 335 e3m3 per day



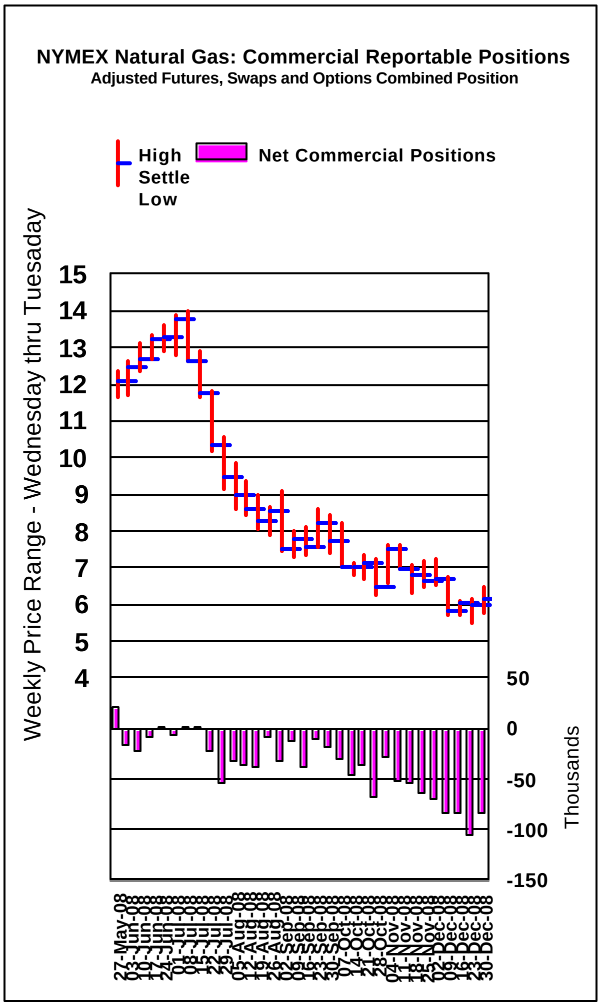
ELECTRIC MARKET NEWS

Genscape reported today that U.S. power output dropped 9.8% in the week ending January 1st from the prior week and was off some 12.37% from the same week a year earlier.

Dynegy and LS Power on Friday reached agreement on dissolving its joint merchant power venture. Dynegy said that under terms of the dissolution agreement it will acquire exclusive rights, ownership and developmental control of all repowering or expansion opportunities related to existing portfolio of operating assets. LS Power will acquire full ownership and developmental rights associated with various "Greenfield" projects as well as receiving $19 million in cash

MARKET COMMENTARY

The natural gas market today spent most of its trading day as an inside trading session, but late in the afternoon as news that Russia was cutting gas supplies transited through the Ukraine, the oil market rallied and dragged natural gas values higher. The February futures contract was challenging the $6.18 high established back on December 30th as well as the 40 day moving average at $6.195, before some profit taking kicked in and values retraced back toward the $6.10-$6.05 level going into the close and remained there for the remainder of the Globex trading session.



It appears to us that this market may try once again to break through this key resistance area tomorrow at $6.18-$6.20. The supportive midday private weather forecasts for the 6-10 and 11-15 day periods for below to much below normal temperatures for the eastern half of the nation coupled with escalating crude prices due to geo-political issues in Eastern Europe and in the Middle East could allow the bulls to finally see prices move through the 40 day moving average for the first time since early July of last year. We feel that a technical breach of this key resistance level could unleash technical buying that would allow the February contract move back into the $6.50-$7.00 price range, which we feel would be a key selling opportunity. We continue to look at the poor industrial demand for natural gas coupled with strong domestic production levels of natural gas will act as a cap on this market. In addition this evening's 6-10 and 8-14 day temperatures outlooks from the NWS was not as supportive as those coming from private weather forecasters.

This afternoon's Commitment of traders Report showed that for the period ending December 30th, commericials reduce their combined and adjusted futures, swaps and options by over 22,300 lots, the biggest contraction in their net short position since the week ending November 4th.