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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 6, 2009

NATURAL GAS MARKET NEWS

Gazprom said today that the Ukraine cut off three key gas pipelines to Europe Monday night and is threatening to further reduce supply to Western Europe. Gazprom said that as a result of its dispute with the Ukraine it was only supplying a quarter of what it usually delivers to Europe. Meanwhile the Ukraine denied the charges and accused Russia of cutting its gas shipments. The Ukraine said it had not in any way not carried out its transit obligations, and it was prepared to fulfill all of its obligations if Russia increased gas supplies. Earlier in the day on Tuesday Bulgaria, Turkey, Macedonia, Greece and Croatia had said their gas flows had been halted, creating what Bulgaria called a "crisis situation" especially given the recent colder than normal temperatures throughout Europe. Meanwhile Russia warned that lower pipeline flows could lead to technical problems with the Russian gas export pipeline network. Russia said it was ready to resume talks with the Ukraine. The Ukraine said the head of its state energy firm, Naftogaz, would travel to Moscow to discuss a solution to the standoff on January 8th. The dispute between the two countries has resulted in U.K natural gas prices jumping 27% as well as pushing oil prices higher. The EU said that the current situation "is completely unacceptable" and that the two parties should resume negotiations at once. The prior disruption of supply caused by a pricing dispute between the two parties back in 2006 resulted in Russia stopping Ukrainian gas exports for three days.

Generator Problems

NPCC –OPG's 490 Mw Nanticoke #1 coal fired unit was shut for short term maintenance Tuesday. The company also reported that oits 494 Mw Lambton #2 coal fired power plant was also shut down for maintenance.

WSCC – Energy Northwest's 1200 mw Columbia Nuclear Generating unit was at 92% capacity down 8% from Monday.

MAPP – Xcel Energy's Monticello nuclear unit was at 92% capacity this morning, up 75% from Monday.

The NRC reported this morning that 96,227 Mw of nuclear generation capacity was on line, down 0.1% from Friday's level and 3.4% higher than the same time a year ago.

The U.S. economic news continued to appear bleak today. The U.S. Commerce Department reported this morning that U.S. factory orders plunged at a much greater than expected rate of 4.6% in November, the fourth straight monthly decline. This was the first time factory orders had fallen for four consecutive months since the government began assembling the data in its current form back in 1992. The market expectations had been for a drop of only 2.5%. Later in the day, Alcoa said it would curtail metal production by 18% and cut some 15,200 jobs to save cash and reduce costs. The reduced operations will be mostly centered in the United States and Europe. Finally the FOMC released their December meeting minutes and it showed the Fed recognized that the economic outlook will remain weak for some time, with the potential for "substantial" downside risks. The Fed staff was looking for GDP to fall much more sharply in the first half of 2009 than previously anticipated, before recovering slowly in the second half of 2009. GDP growth was not seen returning until 2010.

Norway's StatoilHydro announced today that it had started gas production at its Yttergryta subsea field in the Norwegian Sea four months ahead of schedule. They noted that the new subsea development will help maintain the production flow from the big Aasgard field, and the production from the new field will be regulated by demand on Aasgard.

Kitimat LNG has received interest for a stake in the company. The company is currently developing a LNG export facility in British Columbia. The company also noted it has received interest for gas capacity in and off take of LNG from the plant. The company had originally looked to develop an import facility as well but scrapped those plans in September, to focus on an export terminal to take advantage of the higher LNG prices in Asia. The plant has a provisional start up date of 2013.

Map illustrates Europe's major natural gas pipelines. Ukraine is the main route for Russia's gas exports to western Europe, with more limited amounts going via Belarus. *SOURCE: Inogate (EU oil and gas transport co-operation programme)*

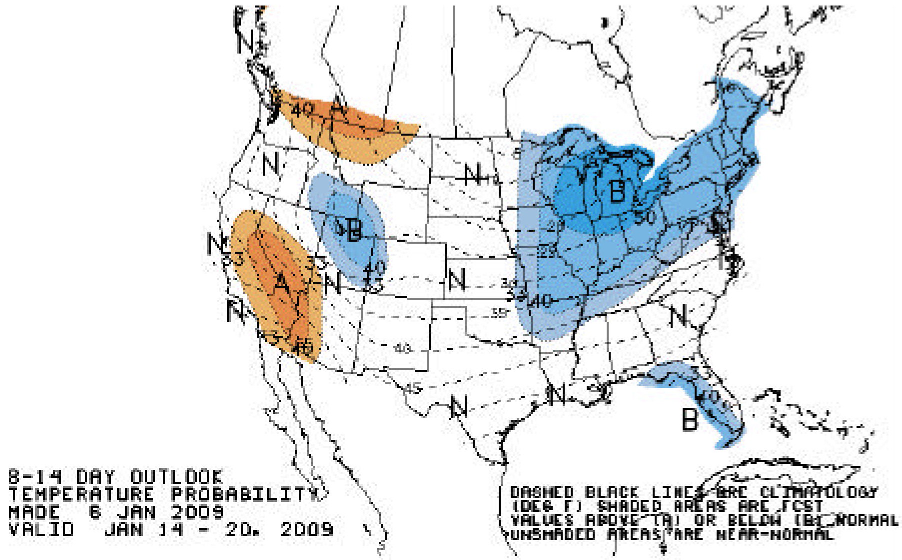
Pemex said today that it plans to build a natural gas processing plant to handle new supplies from the Chicontepec basin that is currently under development. The plant will have a proposed capacity of 200 million cf/d. Pemex is just beginning production from the oil and gas field and it looks to produce 1 bcf/d of natural gas from the region by 2016.

Natural gas analysts Ed Kott and Ed Morse at LCM Commodities called for natural gas prices to remain depressed in 2009 as the weak global economy continues to erode demand. They called the domestic demand destruction, especially in the industrial sector should weaken gas prices in the second quarter even more than most expect. They look for the loss of industrial demand in the first quarter due to plant closings will result in a loss of 1.3 bcf/d versus a year ago given normal weather conditions. They felt the overall loss in demand could reach 2 bcf/d when residential and commercial demand destruction is factored in. They noted that the residential sector, which saw significant foreclosures over the past several months, would cause a lower demand from this sector.

PIPELINE RESTRICTIONS

NGPL said effective for today and until further notice, it has limited capacity for gas going northbound through Segment 27. Segment 27 is located in the Gulf Coast Mainline Receipt Zone. ITS/AOR and Secondary out of path Firm transports are at risk of not being fully scheduled. The company also reported that effective for today and until further notice it is at capacity for gas going northbound through Segment 13 in Iowa. ITS/AOR and Secondary out of path Firm transports are at risk of not being fully scheduled.

KMIGT said effective today and until further notice it is at capacity for delivered quantities to NNG Milligan. Based on the current level of nominations, IT/AOR and secondary quantities are at risk of not being scheduled.

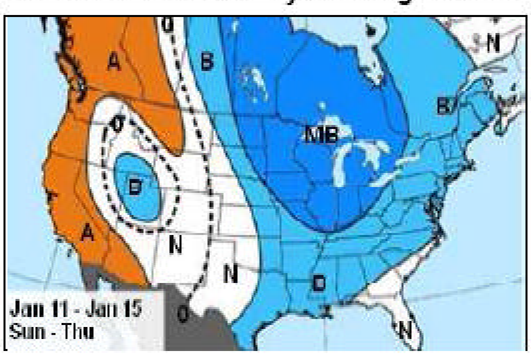


CIG said it was concerned about the performance of the Cathedral interconnect and may place an underperformance cap on the point for Cycle3 for today's gas day and Cycle 1 for Wednesday

PIPELINE MAINTENANCE

Gulf South Pipeline said that scheduled maintenance on the Marksville Compressor Unit #4 is continuing and is anticipated to be completed by March 1st. Capacity through the Marksville Compressor Station could be reduced by as much as 150,000 Dth during the work. The company also announced that it has begun unscheduled maintenance at the Montpelier Compressor Station Unit #3. The work is expected to last for 6-8 weeks. Capacity through the station could be reduced by as much as 75,000 Dth.

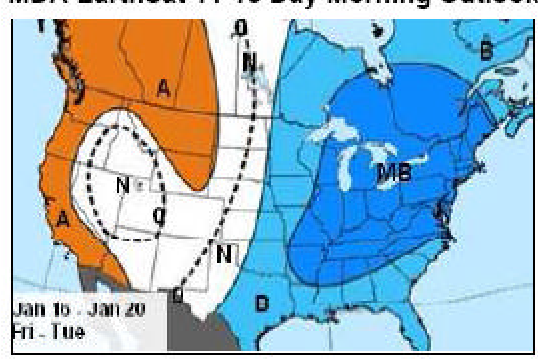
MDA EarthSat 6-10 Day Morning Outlook



Transco Pipeline said it is in the process of investigating possible damage to its 16-inch pipeline on the Southeast Louisiana Lateral between Eugene Island 129 and Ship Shoal 28. Transco expects that it will take several days to complete the investigation.

TransColorado Gas Transmission said it will be performing maintenance at its Mancos Compressor Station on January 8th. Capacity through Segment 220 will be limited to 365,000 Dth and capacity through Segment 240 will be limited to 415,000 Dth. Based on the current level of nominations, AOR/IT, secondary & primary FT quantities are at risk of not being fully scheduled.

MDA EarthSat 11-15 Day Morning Outlook



Alliance Pipeline said that corrective maintenance requires the Tampico Compression Station to be offline for two hours on January 7th. System throughput will not be impacted.

ELECTRIC MARKET NEWS

ERCOT, the Public Utility Commission of Texas and a group of Texas generators on Monday agreed on an interim nodal surcharge of 23 cents Mwh, which is well below the 38 cents per Mwh the operators sought last November. If approved the surcharge would go in effect on February 1st. If approved, ERCOT would bill the surcharge on a month-to-month basis in order to recover about $12 million of ongoing monthly development costs of the nodal implementation program. The interim surcharge will be in effect only until the commission approves a nodal surcharge based on its review of the revised nodal implementation schedule and budget, to be approved by the ERCOT board of directors, possibly in March 2009.

MARKET COMMENTARY

The natural gas market received possibly its strongest and most supportive weather forecasts this morning and again at midday that temperatures are expected to be below normal to much below normal over wide sections of the eastern two thirds of the nation from January 11 through January 20th. While these forecasts allowed prices to move into positive territory this morning and briefly break through the 40 day moving average for the first time since July 2008, the rally failed to attract follow through technical buying. It appeared the Commerce Department bearish report on factory orders at midmorning put the market back on the defensive and helped to keep prices in negative territory for the remainder of the day which resulted in the first negative settlement in three trading sessions.

We would look at tomorrow's price action as key tomorrow. If this market is unable to break above today's highs and settle there, we feel that the gains from the past week's price action will be erased over the near term, and even the arrival of cold temperatures will not rescue this market from making new lows as the month of January draws to a close, especially as many forecasters look for moderating temperatures to return before the month ends.

We would look for resistance tomorrow at $6.20-$6.24, followed by $6.404 and $6.569. More distant resistance we would see at $7.00. Support we see initially at $5.86 followed by $5.743, $5.625 and $5.59. Additional support we see at $5.47 and $5.245.

On the March – April spread we would look to be a scale up seller from 2.7 to a 1.2 March discount to the April contract. We would look for this spread to re-challenge the lows of 7-9 cents from last month before this month is out.