



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 26, 2007

NATURAL GAS MARKET NEWS

The Pennsylvania Public Utility Commission (PUC) has added CenterPoint Energy Services (CES) to its list of approved natural gas suppliers for large commercial, industrial and governmental consumers in several areas of the state.

FERC Friday issued a favorable draft environmental review of Kinder Morgan Louisiana Pipeline LLC's pipeline that would provide service from Cheniere LNG's Sabine Pass terminal now under construction in Cameron Parish, LA.

FERC Thursday denied a request of Calypso U.S. Pipeline LLC, a subsidiary of SUEZ Energy North America Inc., to begin construction of an offshore Florida pipeline before an affiliate has received regulatory approval to build a liquefied natural gas (LNG) terminal in the Bahamas and a connecting Bahamian pipeline. Calypso sought the authorization so that it could interconnect with an affiliate's proposed deepwater LNG port.

The NYMEX announced margin changes for natural gas futures effective at the close of business on January 29. Margins for the first month will remain the same. Margins for the second month will decrease to \$9,450 from \$10,125 for customers. Margins for the third month will decrease to \$8,100 from \$8,775 for customers. Margins for all other months will remain the same.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that it has restricted a portion of priority 3 nominations flowing through Stony Point compressor station for today. No increases for nominations flowing through Stony Point, except for Firm No-Notice nominations, will be accepted. Additionally, due shipper makeup nominations, or due pipe creation will not be accepted. AGT requires shippers to schedule receipts commensurate with anticipated deliveries, and point operators to perform to the level of scheduled volumes.

Centerpoint Gas Transmission issued an operational alert today, effective as of 9:00 AM CT tomorrow and until further notice. All parties are notified that, due to operational developments in the CEGT service area, in order to ensure CEGT's ability to meet its firm obligations, short imbalances and unauthorized overrun quantities on the system will not be permitted. Excess Contract Quantities penalties will be charged to all Shippers with unauthorized overrun quantities and to all Pool Managers with short imbalances, under their Service Agreements on a daily basis.

East Tennessee Natural Gas said that weather forecasts show cold temperatures across the entire East Tennessee system effective 9:00 AM ET January 28. ETNG will be implementing the following restrictions: no

Generator Problems

MAPP – Xcel's 600 Mw Monticello #1 nuclear unit returned to full capacity today. The unit was operating at 79% capacity yesterday after exiting an outage earlier in the week.

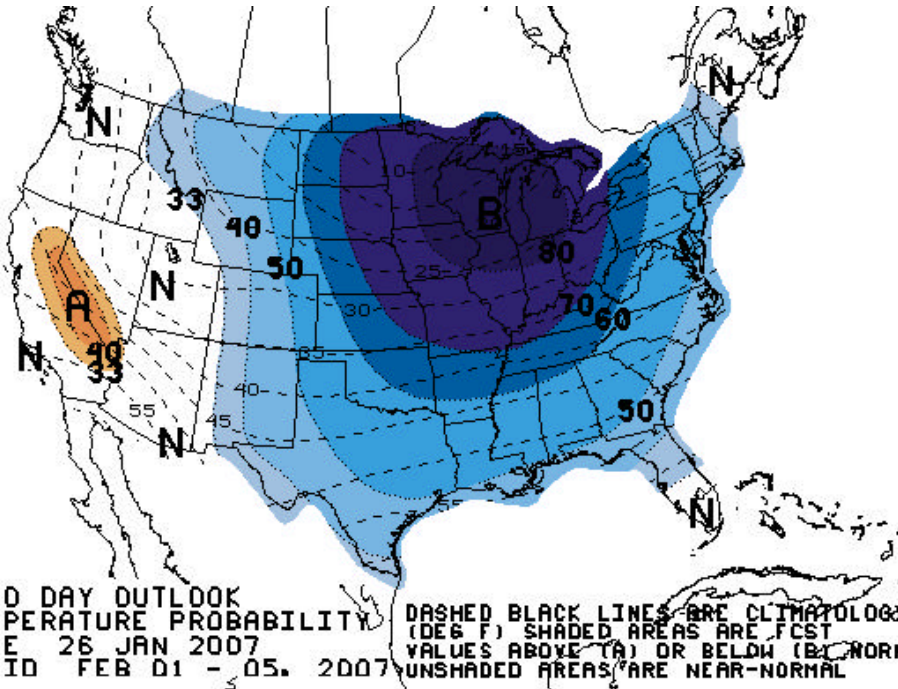
NPCC – FPL's 1,240 Mw Seabrook nuclear unit is offline at 15% this morning. The unit was operating at full power yesterday.

SERC – Entergy's 858 Mw Arkansas #2 nuclear unit shut yesterday afternoon from full power due to control element assembly misalignment. Arkansas #1 remains at full power.

Tennessee Valley Authority's 1,125 Mw Sequoyah #2 nuclear unit returned to full capacity today. The unit was operating at 12% capacity yesterday. Sequoyah #1 remains at full power.

The NRC reported that 94,826 Mw of nuclear capacity is on line, down .93% from Thursday, but .45% higher from a year ago.

secondary receipts upstream of station 3104; no secondary receipts upstream of station 3205; no secondary deliveries downstream of station 3313. Also, ETNG will implement its Maximum Allowable Delivery Service.



KM Interstate Gas Transmission said that due to significantly colder temperatures being forecast beginning January 27, KMITG is anticipating an increase in its load activity in the Nebraska and Kansas market areas east of Big Springs. KMITG is at capacity for deliveries through Segment 190 and will only schedule primary and secondary in-path quantities through Segment 190.

Natural Gas Pipeline Company said that effective today and until further notice, Florida-Vermillion is at capacity

for deliveries. ITS/AOR and secondary Firm transports are at risk. Florida-Vermillion is located in Vermillion Parish, Louisiana (Segment 24 of Natural's Louisiana Zone).

Southern Natural Gas Pipeline has projected the likelihood of implementing a Type 6 OFO for the following dates based on current receipts and projected deliveries. Today through the weekend there is the probability of UL for long or short imbalances; on January 29 there is the probability of UL for long and TCTC for short imbalances.

Texas Eastern Transmission said that it has restricted all IT-1 nominations sourced on the Leidy Line for deliveries off the Leidy Line. No increases in receipt nominations will be accepted on the Leidy Line. Additionally, no due shipper imbalance resolution and no due pipe creation will be accepted until further notice.

Williston Basin Interstate Pipeline Company said that several line sections are in pipeline capacity constraint for today's Timely Cycle. Penalties will be imposed at the following line sections: Cabin Creek-Dickinson; Dickinson-Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Belle Fourche-Recluse; Cleveland-Mapleton; Portal-Tioga; and Belle Creek-Manning. Williston said constraints will also be imposed on Northern Border-Manning.

PIPELINE MAINTENANCE

Natural Gas Pipeline Company said that it will extend its Wise County Lateral project by one day and that it is now a four-day through January 27. The project was first announced in October 2006. The remediation work being performed on the Wise County Lateral work will be completed by January 31. A four-day outage has been in effect through today is extended now through tomorrow.

Panhandle Eastern Pipe Line Company said that its Panhandle E-301 compressor will be taken out of service March 5 for installation of a new turbine control panel. The compressor is expected to be back in service April 16. During the project, the capacity through the Seiling segment will be limited to 280 MMcf/d. At this time, there is no anticipated impact to customer nominations.

Trunkline Gas Company said that it has rescheduled the Longville Station pigging project to run from January 27 through January 29. Trunkline will now be running cleaning pigs on the 2000-1 and 200-2 30-inch line and the 200-3 24-inch line to the Longville Station through today. There will be no anticipated impact to nominations.

Williston Basin Interstate Pipeline Company said that planned maintenance will be performed at the Glen Ullin Compressor Station through January 30. There is potential for capacity restrictions, however at this time the company does not anticipate any restrictions to the system.

MARKET COMMENTARY

The natural gas market opened 18.4 cents higher as the coldest day of the year gripped the Northeast. February natural gas traded between 7.03 and 7.20 as some short covering ahead of the weekend and firm cash prices supported futures. The market seems to be stabilizing near 7.00 and with mixed weather forecasts that vary as to how long the cold is going to stick around, that point will serve as a pivot between the bulls and the bears. The soon to expire February contract closed 27 cents higher at 7.175 and the March contract finished the day up 24.8 cents at 7.158.

Cold forecasts for the next two or three weeks have raised expectations that the glut that has plagued the bulls for more than a year will be trimmed, but ultimately the market remains very sensitive to weather and any milder forecast for the end of winter will see prices testing the lows. With February expiring on Monday, we could see a weakening in the market due to the expiring contract but then expect the March contract to reflect the cold temperatures that are expected through early February. We see support at \$7.00, \$6.90, \$6.30, \$6.00 and \$5.75. We see resistance at \$7.60, \$8.00 and \$8.45.