



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR MARCH 11, 2009

NATURAL GAS MARKET NEWS

ConocoPhillips and BP Plc plan to bring their proposed natural gas pipeline in Alaska into service by 2019. The Denali pipeline is expected to begin accepting bids for gas transportation in 2010. The pipeline will bring 2 bcf/d of gas from Alaska's North Slope to Alberta, Canada. The companies may also build a 1,500 mile pipeline extension from Alberta to Chicago.

Separately, ConocoPhillips plans to continue investing in unconventional natural gas basins and has built up positions in Louisiana's Haynesville and Texas' Eagle Ford shale reservoirs.

Ukrainian Prime Minister, Yulia Tymoshenko, said that the Ukraine government will adopt a 2009 financial plan on Wednesday for national gas and oil company, Naftogaz to ensure smooth payment for imports of gas from Russia. According to the Ukraine media, Naftogaz could have a deficit amounting to 9.5 billion hryvnias (\$1.2 billion) in 2009, which it hopes to cover with government help. After a three-week cutoff of supplies of Russian gas to European customers in January, Naftogaz signed a contract with Russian giant Gazprom calling for a move to world prices.

Kuwait Petroleum Corp is seeking to develop non-associated gas fields in Kuwait to help it meet its rising energy needs. Kuwait is also close to agreeing on a deal to import liquefied natural gas from Qatar during the summer.

Gas demand in Spain fell 22.7% in February, from the same month in 2008 due to weak consumption by industry and electricity generators, according to distribution company Enagas. Enagas has reported that demand for gas in February was 33,129 gigawatt-hours, which is equivalent to about 3.15 billion cubic meters (bcm), and that the fall from February 2008 was 205 in seasonally adjusted terms. Domestic and industrial demand for natural gas fell by 10% or a seasonally adjusted 7%, despite the fact that February was a colder month than last year, Engas said.

Generator Problems

SERC – Duane Arnold Energy Center's nuclear power plant is at 98% capacity this morning, up from the 93% level held on Tuesday.

Entergy Nuclear has trimmed production to 86% power at its 930 MW Arkansas Nuclear One unit 2, down from the 100% rating held on Tuesday.

MAAC – Entergy Nuclear Northeast has shut down its 1,025 MW Indian Point 3 nuclear unit, cutting the unit's production from full capacity late Wednesday. The unit was shut for refueling and is on a 24-month refueling cycle.

MAPP – Nebraska Public Power District has restarted its 791 MW Cooper Nuclear Station, warming up the unit at just 1% capacity this morning, according to the Nuclear Regulatory Commission.

The NRC reported this morning that 87,735 Mw of nuclear generation capacity was on line, down 1.25% from Tuesday and up 1.66% from the same time a year ago.

The U.K. lower house of parliament's Business and Enterprise Select Committee said Wednesday it was "disappointed" by the government's response to its warnings on wholesale gas price volatility and the lack of sufficient investment in gas storage facilities. The government cited gas and electricity network National Grid PLC's (NGG) recent 10-year statement identifying 17 commercial gas storage projects, which are at various stages of development.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company, a unit of Kinder Morgan Pipeline Company, said effective for today's gas day and until further notice, it is at capacity for gas going northbound through segment 27. Separately, effective for today's gas day and until further notice, it has limited capacity available for gas going southbound through Segment 16 (CS #812) in Atoka County, OK. Limited ITS/AOR and Secondary out-of-path Firm transports are available. Also, effective for today's gas day and until further notice, Gulf South Goodrich has limited capacity for deliveries. Limited ITS/AOR and Secondary out-of-path Firm transports are available. Midwestern Herscher Kankakee has capacity available for deliveries. ITS/AOR and Secondary Firm transports are available.

PG&E California Gas Transmission said that it has issued a customer-specific operational flow order for today's gas day due to low inventory. When an OFO or EFO has been called, customers' supplies are required to be within the tolerance requirement of daily usage to avoid noncompliance penalties.

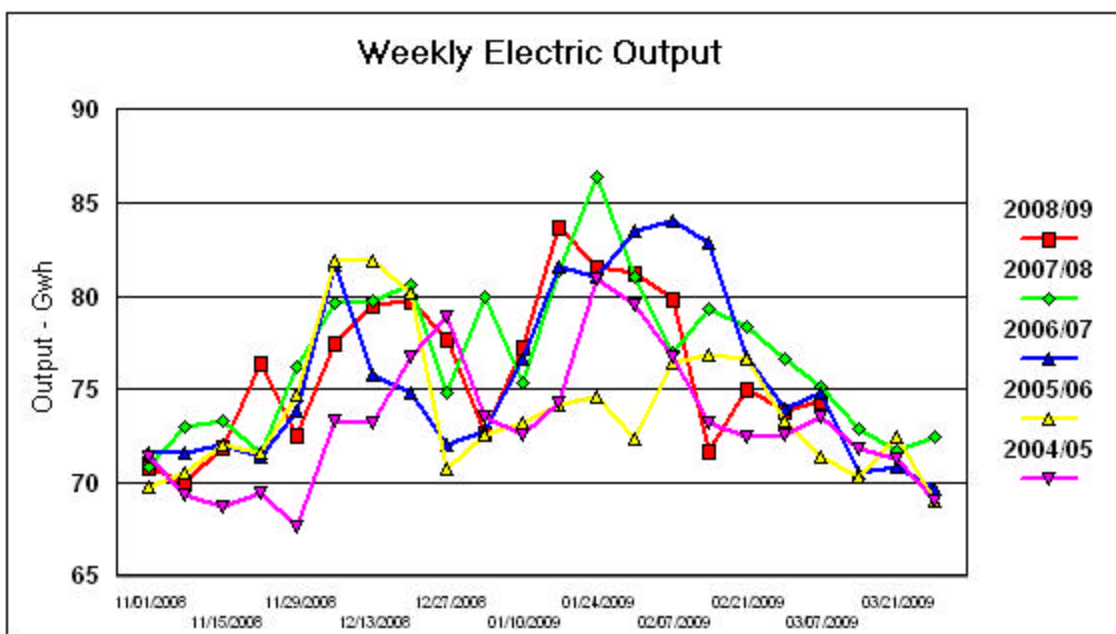
TransColorado Gas Transmission Co LLC is at capacity for delivered quantities through Segment 230, Olathe CS to Redvale CS for Wednesday's gas day and until further notice. AOR/IT & Secondary out-of-path quantities are at risk of not being scheduled.

PIPELINE MAINTENANCE

ANR Pipeline, a unit of TransCanada, said it will continue unplanned pipeline maintenance at its EI 30 location in the Southeast Area Fuel Segment (SE-4) due to a possible leak. EI 30 will be shut-in until further notice.

Wyoming Interstate Company, a unit of El Paso, said it will shut-in the Thunder Creek Meter Station tomorrow for six hours to investigate excessive pressure drop across the meter tube. Flow will go to zero during this outage. The daily capacity will be reduced from 405.0 MMcf/d to 303.0 MMcf/d.

Kern River Gas Transmission Co said Mojave Pipeline Operating Co will conduct pigging operations on a 26 mile section of the pipeline between the bifurcation point and the Sycamore delivery meter, a seven mile section between Sycamore and



the Mt. Poso delivery meter and a four mile section between Mt. Poso and the Kern Front delivery meter on March 16-24. Impact to scheduled volumes and operations in general is expected to be minor.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that US power generation in the week ending March 7th fell by 1.10% on the year but increased by 0.8% on the week to 74,365 Gwh. For the 52 weeks ending March 7th, electricity output fell by 1.5% on the year to 4,043,539 Gwh.

US Energy Secretary Steven Chu said the department will establish a panel to develop a comprehensive plan this year to handle the disposal of radioactive wastes from nuclear power plants. US President Barack Obama's budget plan, if approved, would halt the development of the proposed nuclear waste dump at Yucca Mountain in Nevada. He said he did not believe scrapping the Yucca Mountain site would cause the NRC to delay licensing for nuclear plants because there are interim storage options available.

Beacon Power Corp announced that the US DOE has completed its formal environmental review of Beacon's proposed 20 Mw frequency regulation plant in Stephentown, New York and determined the plant will not have a significant effect on the human environment. The proposed plant will provide frequency regulation services by absorbing energy when it is abundant, storing it in a flywheel energy storage system and injecting it back as necessary to help the grid maintain electricity frequency within a desired range.

Spain's demand for electricity fell by 8.4% in February; while hydroelectric generation jumped by 215%. Wind power generation also increase after more wind parks entered service.

MARKET COMMENTARY

The natural gas market posted a lower high and lower low during today's session as it remained pressured. The market traded to a high of \$3.909 early in the session but erased its gains amid the sharp sell off in the oil market. The natural gas extended its losses to 4.9 cents as it posted a low of \$3.791, a level not seen since November 14, 2002, when the market posted a low of \$3.78. It retraced some of its losses and remained range bound during the remainder of the session. The natural gas market settled down 4.2 cents at \$3.798.

Market expectations for Thursday's EIA Natural Gas Storage Report range from a 76 bcf to a 110 bcf withdrawal, with an average withdrawal estimate of 98 bcf. For the same week last year, stocks fell an adjusted 113 bcf, while the five year average withdrawal is 91 bcf.

We would look for the EIA's storage report to drive the market during the remainder of the week. Technically, the market is still seen trending towards the \$3.50 level. The market is seen finding support at \$3.791, \$3.765, \$3.715 and \$3.638. Resistance is seen at \$3.874, \$3.909, \$3.951 and \$3.992. More distant resistance is seen at \$4.159.