



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 17, 2007

NATURAL GAS MARKET NEWS

NOAA said today that it is "increasingly likely" that La Nina weather conditions will develop over the next several months, but the length and duration of the event is not clear at this time. The NOAA released their longer term forecasts and it looks for the June-August period to see warmer temperatures over the western U.S., the Rio Grande valley, the Gulf and Atlantic coasts. Meanwhile forecasters at AccuWeather said today that they saw hotter than normal temperatures across a large part of the U.S. , including the most heavily populated areas of the Northeast. Joe Bastardi, the chief long range forecaster said he sees the second half of the summer being the hottest with most of the Northeast, the Great Lakes region and the Midwest will experience the warmest temperatures relative to normal. He also warned that historically the similar heat waves of the 30's, 40's and 50's saw more frequent landfall of hurricanes on the U.S. coastlines.

NOAA also reported that the contiguous U.S. temperature for April overall held to near average despite the month starting off with a record cold outbreak. Globally though April was the third warmest on record.

The FERC today said that its analysts saw a new peak-day record set this month for LNG imports, and they expect this growth to continue into this summer. The FERC noted that low natural gas prices in Europe has helped to push this wave of LNG imports into the U.S. and that they expect this import flow will be reduced as the winter heating season begins in Europe. The agency noted that interim data indicates that a one day record for LNG imports was set on May 10th at roughly 4.4 Bcf. The agency noted that all operating U.S. terminals have contributed to the growth, including the recent addition of the Excelerate Energy's Gateway LNG terminal located off the coast of Florida.

Gulfstream Natural Gas announced today that it will conduct an open season from June 1 through August 31st to

	EIA Weekly Report			Last Year
	05/11/2007	05/04/2007	Net chg	
Producing Region	717	695	22	730
Consuming East	838	777	61	1059
Consuming West	287	275	12	277
Total US	1842	1747	95	2067

*storage figures in Bcf

Generator Problems

WECC – SCE's 1080 Mw San Onofre #3 nuclear unit was back to m98% of capacity this morning, up 21% from Wednesday.

Operators at the 1270 Mw Palo Verde #1 nuclear unit expect to take the unit offline May 21st for scheduled refueling and maintenance. The unit was still at full power this morning though.

ECAR – Consumers Energy reported it was at full power this morning following its restart on Monday.

MAPP – The 538 Mw Prairie Island #1 nuclear unit has restarted but remained at only 1% of capacity.

The NRC reported that 86,723 Mw of nuclear capacity is on line, down 0.02% from Wednesday, but up 2.47% from a year ago.

gauge market interest in the expansion of its existing natural gas pipeline into Florida. The new service from the mainline expansion is anticipated to be available in the latter half of 2011. Up to 750,000 dekatherm per day of incremental firm transportation service will be made available through the open season.

National Grid said Thursday that it would go ahead with its \$615 million third phase expansion of its Isle of Grain, Kent LNG import terminal. The expansion will increase total capacity to 14.8 million metric tons per year of LNG throughput by the winter of 2010-11.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,133,500	\$7.694	\$0.074	(\$0.509)	(\$0.070)	(\$0.494)
Chicago City Gate	525,900	\$7.718	\$0.026	(\$0.307)	(\$0.164)	(\$0.300)
NGPL- TX/OK	599,100	\$7.423	\$0.036	(\$0.602)	(\$0.154)	(\$0.572)
SoCal	859,600	\$7.296	\$0.012	(\$0.729)	(\$0.178)	(\$0.598)
PG&E Citygate	580,800	\$7.671	\$0.053	(\$0.354)	(\$0.137)	(\$0.304)
Dominion-South	736,800	\$8.238	\$0.097	\$0.213	(\$0.093)	\$0.228
Transco Zone 6	289,400	\$8.296	\$0.090	\$0.271	(\$0.100)	\$0.324

Dow Jones reported this morning that its latest monthly survey of market analysts showed that prices for the 2Q07 should average \$7.35 up 4.2% from last month's survey. The same survey looks for prices in the 3Q07 to average \$7.40, up 1.6% from last month's estimate, while the 4Q07 and 1Q08 estimates remained unchanged at \$8.00 and \$7.50 respectively.

The FERC Thursday gave preliminary approval to a 270 mile Southeast Supply Header project. The \$800 million pipeline would move gas from east Texas and north Louisiana to the Southeast and Northeast markets. The FERC still must consider environmental impacts of the project before deciding whether to give final approval to the project. The pipeline is projected to be in service by 2008.

The Bank of Montreal said the trading loss was 50% more than originally forecast. It is expected to record pretax losses of C\$680 million or \$618 million from trading natural gas compared with an April 27 forecast of between C\$350 million and C\$450 million.

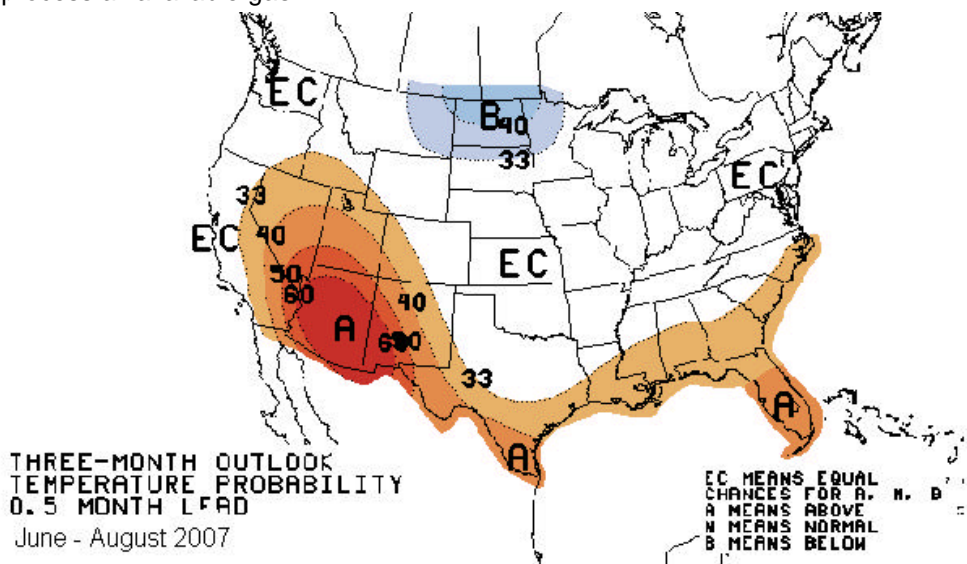
PIPELINE MAINTENANCE

Panhandle Eastern announced two maintenance outages today. It reported that there will be an outage at the Glenarm 300 line from Gate Valve 307 to the Tuscola Station for anomaly repairs beginning May 20th. Duration of the outage is expected to be four days, with capacity reduced limited to 1300 Mmcf/d. The other outage will be for hydrostatic testing on the 300 line from Haven station to Gate Valve 302 beginning May 29th lasting for 18 days. Capacity through Haven will be limited to 1220 mmcf/d.

Westcoast Energy said it has completed maintenance work on the Acid Gas Preheater and thus the Fort Nelson Gas Plant is now available to process all available gas.

National Fuel Gas Supply announced a revision for its completion date for Line K maintenance that began back on April 30th. It is now scheduled to run through May 22nd. The company does not anticipate this work to affect any shippers or services at this time.

Gulf South Pipeline said it has been informed by Enterprise Texas Pipeline that maintenance/shut in at Sinton has been extended through May 24th. The work had been expected to be completed by May 18th.



PIPELINE RESTRICTIONS

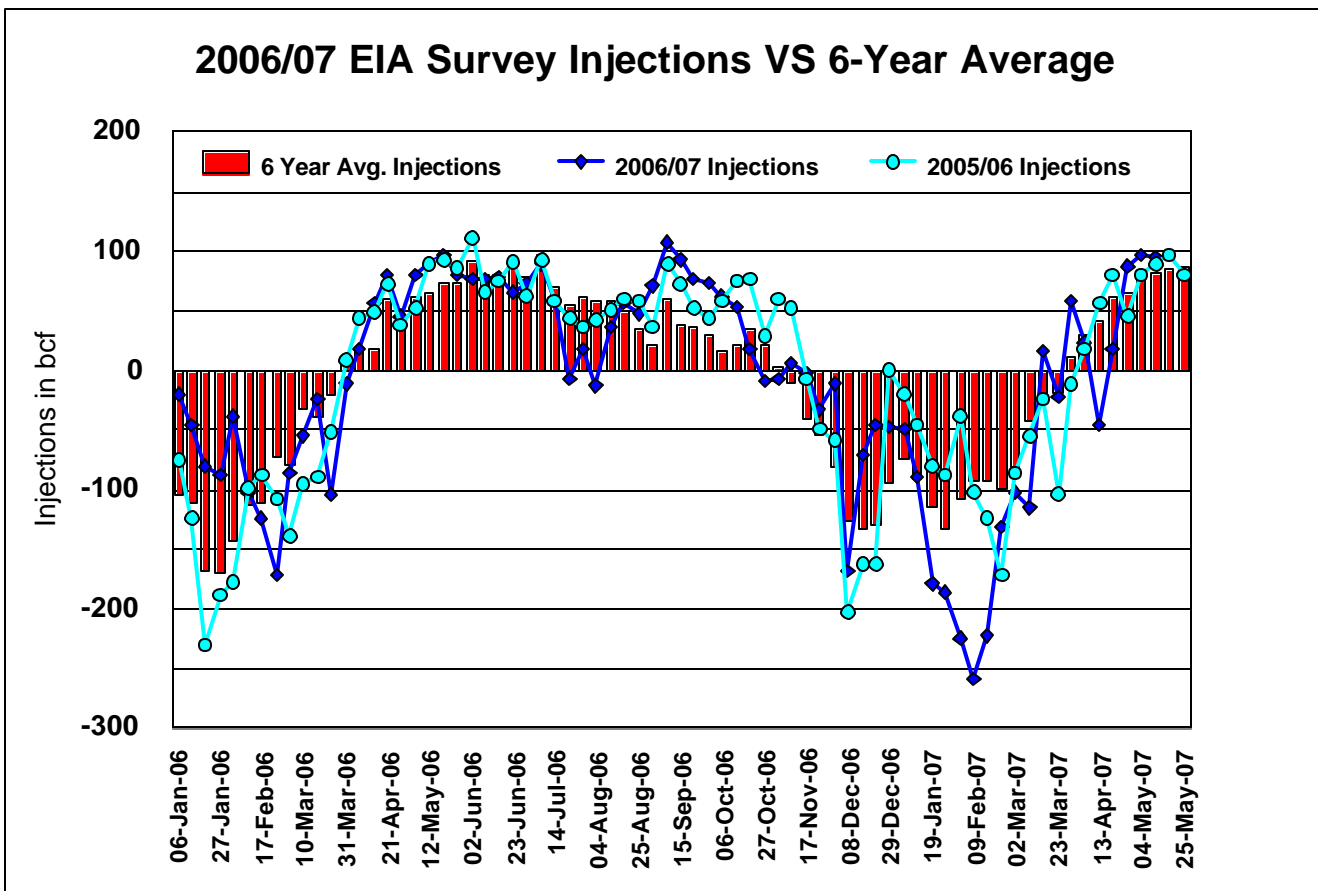
Williston Basin Interstate Pipeline announced that the constraint at 01010 Northern Border-Manning has been lifted.

TransColorado Gas Transmission said that until further notice Segment 220, 250, and 310 are listed as IT/AOR/Secondary at Risk.

KMIGT said that until further notice Segment 340 Ulysses, Segment 620 790 Rockport, Segment 773 (CO/KS to Herndon CS) and Segment 775 (Herndon to Solomon River) are at AOR/IT/Secondary at Risk. The company also warned that due to a continuing gas quality problem at the Holcomb meter portion of the Lakin Lolcomb interconnect, it will schedule to lower capacity and continuing until further notice, AOR/IT, Secondary-in-path, Secondary Out of Path and Primary quantities are at risk of not being fully scheduled.

NGPL announced it had capacity restraints today for Segment 13 (Station 107), Segment 14 (Station 109/110) and Segment 15 (Station 801) on the Amarillo system are at capacity. Segment 1 (Upstream of Station 155) has limited capacity. The company also reported that on its Gulf Coast system Segment 17 is at capacity.

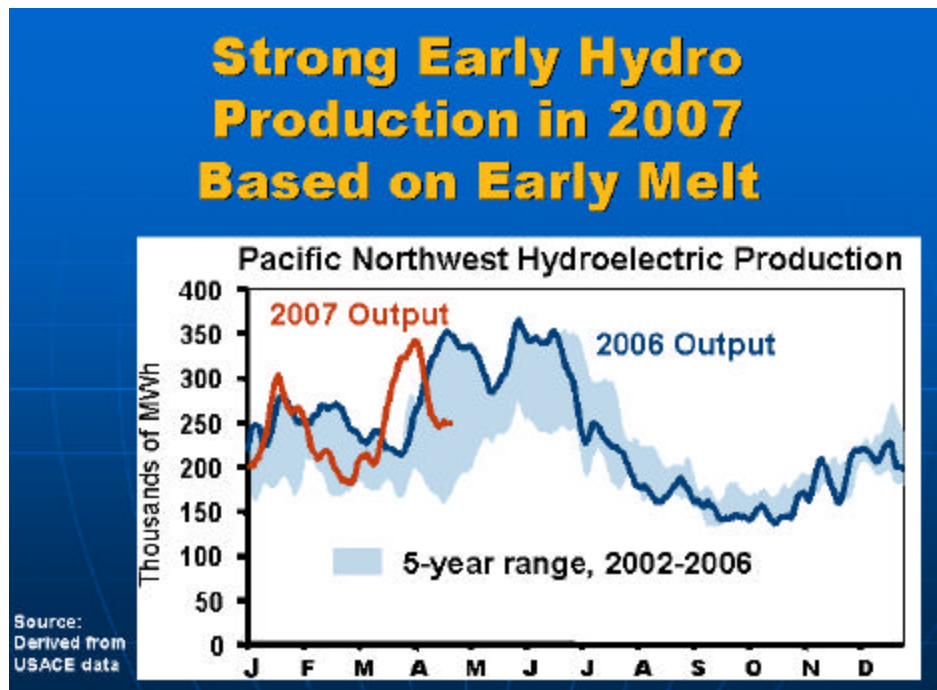
Tennessee Gas Pipeline reported this morning that at MLV 850 it restricted through 100% of Supply to Market Secondary Out of Path nominations; At the Niagara River Meter it will not accept any Supply to market increases sourced from the Niagara River Meter.



ELECTRIC MARKET NEWS

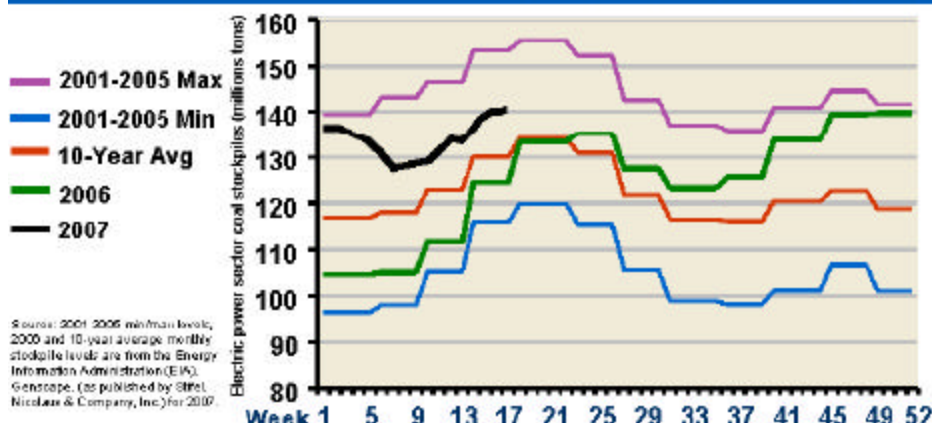
The president and CEO of Allegheny Energy said that the company's plan for future growth includes investing in transmission expansion, a transition to market based pricing and achieving top-quartile operating performance at its generating facilities.

The FERC market staff today released their 2007 Summer Energy Market Assessment. FERC analysts expect wholesale power prices to be higher this summer in all regions, due for the most part in higher natural gas prices. While generation additions over the past year have not been as robust as in past years, some regional transmission and natural gas transportation investments have increased the flexibility to meet load in critical areas such as Southern California, New England and Florida. The agency noted that while coal stocks have improved significantly, the driver of power price will be from natural gas and to a lesser degree residual fuel prices, especially in the east where fuel switching is a larger option for utilities.



The North American Electric Reliability Corp reported today that they expect there will be a reliable supply of electricity this summer in the U.S. barring a sustained heat wave with humidity. The NERC though noted that there are region areas of concern, such as Southern California, metropolitan areas of Connecticut and British Columbia. It also noted areas of improvement over last year were the following: The U.S. Southeast, where more than \$1.2 billion in transmission infrastructures were invested over the last year; Boston area saw two 345 kV transmission lines that have gone into service over the last nine months that has allowed best access to import 1000 Mw; Southwest Connecticut can import 230 Mw more because of a 345 kV line from Bethel to Norwalk that went into service last October; Texas has been able to reduce congestion, which has allowed it to turn off inefficient generating units.

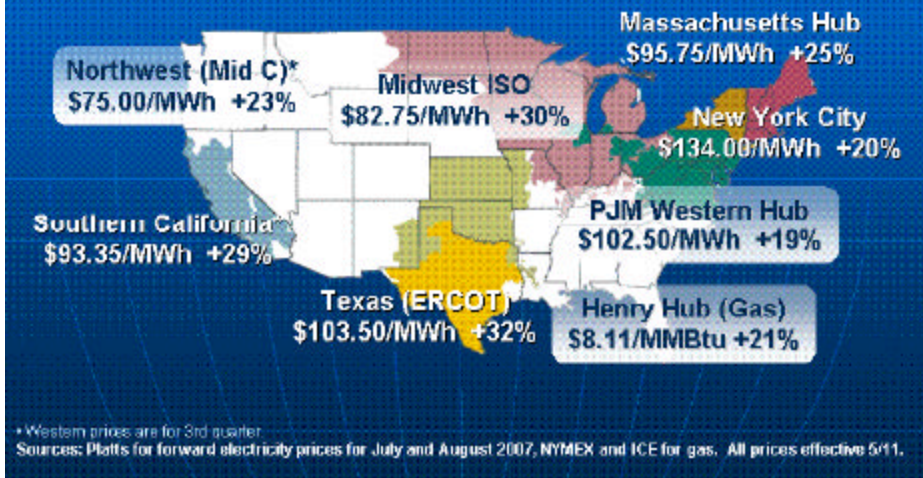
Coal Stocks Up From 2006, Though Long-term Concerns Remain



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Summer 2007 Forward Prices Now Higher Than 2006 Actual Prices

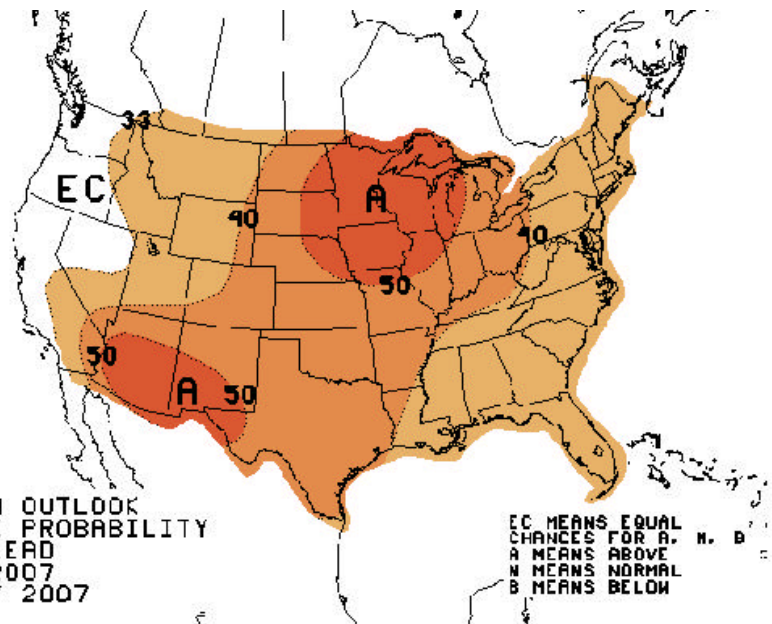


commercial scale. The company is looking to see if it is feasible to build a 600 Mw power plant using "clean" coal methods. The utility is seeking regulatory approval to commit \$52 million from customer rates in a two year period of study. No site has been target for the potential plant. Company officials said the plant could be located anywhere in the West, including California. California which receives upwards of 20% of its power from coal plants outside the state, passed a law last year which banned new power contracts for the import of electricity from conventional coal plants outside the state.

The FERC today approved the assignment of over 700 Violation Risk Factors for

NERC's Reliability Standards. The agency also largely approved two orders on long term transmission rights in MISO and PJM. This approval should help set the stage for planning and expansion of the transmission grid.

American Transmission is proposing a project to build a new 345 kV electric transmission line in south central Wisconsin that will complete a connection to Illinois and allow local distribution companies access to the lower cost power produced in the region. A decision from the PSC is expected in 2008 and construction could begin late next year and be in service by 2010.



MARKET COMMENTARY

The natural gas market while starting out slightly on the defensive this morning off a couple of pennies, saw

the bulls return to this market following the release of the EIA storage report. While the report appeared to come in very close to market expectation with a 94 bcf build in stocks, the market seemed relieved it was not a triple digit build. This coupled with escalating oil prices, and long-range weather forecasts that called for another hot summer seemed to trigger the bulls to return to the market and resume buying that sent prices back over \$8.00. While oil prices kept rallying through the afternoon the natural gas market appeared to quiet down, but still settled above \$8.00 for the first time since April 12th, in the June contract. Volume on the day was good with 98,862 lots

booked on the day. The NYMEX reported at midday that open interest as of the close of May 16th, dropped for the first time in six trading sessions, dropping by 4266 contracts, in what appeared some weak longs exiting the market yesterday, that may very well have returned today.

We continue to feel though that this market will have a hard time pushing through the resistance at here at \$8.13-\$8.14 without oil prices heading significantly higher. We see further resistance at \$8.218, \$8.322 and \$8.504. Support we see at \$7.932, \$7.869, \$7.804, \$7.75 and \$7.658-\$7.646.

NYMEX Nat Gas Options Most Active Strikes for May 17, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	6	7	P	7.75	05/25/2007	0.0648	5,700	40.14
LN	6	7	P	7.5	05/25/2007	0.0218	4,679	39.87
LN	7	7	P	6.5	06/26/2007	0.0134	2,950	40.84
LN	3	8	C	15	02/26/2008	0.5638	2,500	47.99
LN	12	7	C	14	11/27/2007	0.385	2,500	47.10
LN	6	7	P	8	05/25/2007	0.151	2,201	40.53
LN	11	7	P	8	10/26/2007	0.5211	2,100	49.28
LN	11	7	C	18	10/26/2007	0.0991	2,050	58.02
LN	11	7	C	14	10/26/2007	0.2692	2,050	53.00
LN	7	7	P	5.5	06/26/2007	0.0003	2,000	40.61
LN	8	7	P	5.5	07/26/2007	0.0063	2,000	44.91
LN	11	7	C	12	10/26/2007	0.4426	1,700	47.84
LN	6	7	C	8	05/25/2007	0.2259	1,651	37.51
LN	10	7	P	6.5	09/25/2007	0.2249	1,500	54.13
LN	8	7	C	8.5	07/26/2007	0.5489	1,350	37.89
LN	10	7	C	11.5	09/25/2007	0.3701	1,300	54.88
LN	10	7	P	6	09/25/2007	0.1324	1,300	53.97
LN	12	7	C	11	11/27/2007	0.8515	1,250	39.99
LN	3	8	C	10	02/26/2008	1.5164	1,200	36.64
LN	6	7	C	8.5	05/25/2007	0.0541	1,175	39.68
LN	7	7	C	10	06/26/2007	0.0482	1,100	40.84
ON	6	7	P	7.75	05/25/2007	0.065	1,092	39.30
LN	6	7	C	8.25	05/25/2007	0.1164	1,025	38.57
LN	7	7	C	9.75	06/26/2007	0.0667	1,000	40.17
LN	7	7	P	6	06/26/2007	0.0027	1,000	41.37
LN	8	7	C	9.75	07/26/2007	0.2149	1,000	41.98
LN	10	8	C	20	09/25/2008	0.1342	1,000	38.78
LN	8	7	C	8.75	07/26/2007	0.4563	900	38.80
LN	11	7	P	7	10/26/2007	0.22	900	47.57
LN	10	7	C	10	09/25/2007	0.5802	864	49.23
LN	6	7	P	7.8	05/25/2007	0.0781	860	40.22
LN	6	7	C	8.65	05/25/2007	0.0325	800	40.26
LN	11	7	P	6	10/26/2007	1.0041	800	52.25