



POWER MARKET REPORT FOR MAY 27, 2008

NATURAL GAS MARKET NEWS

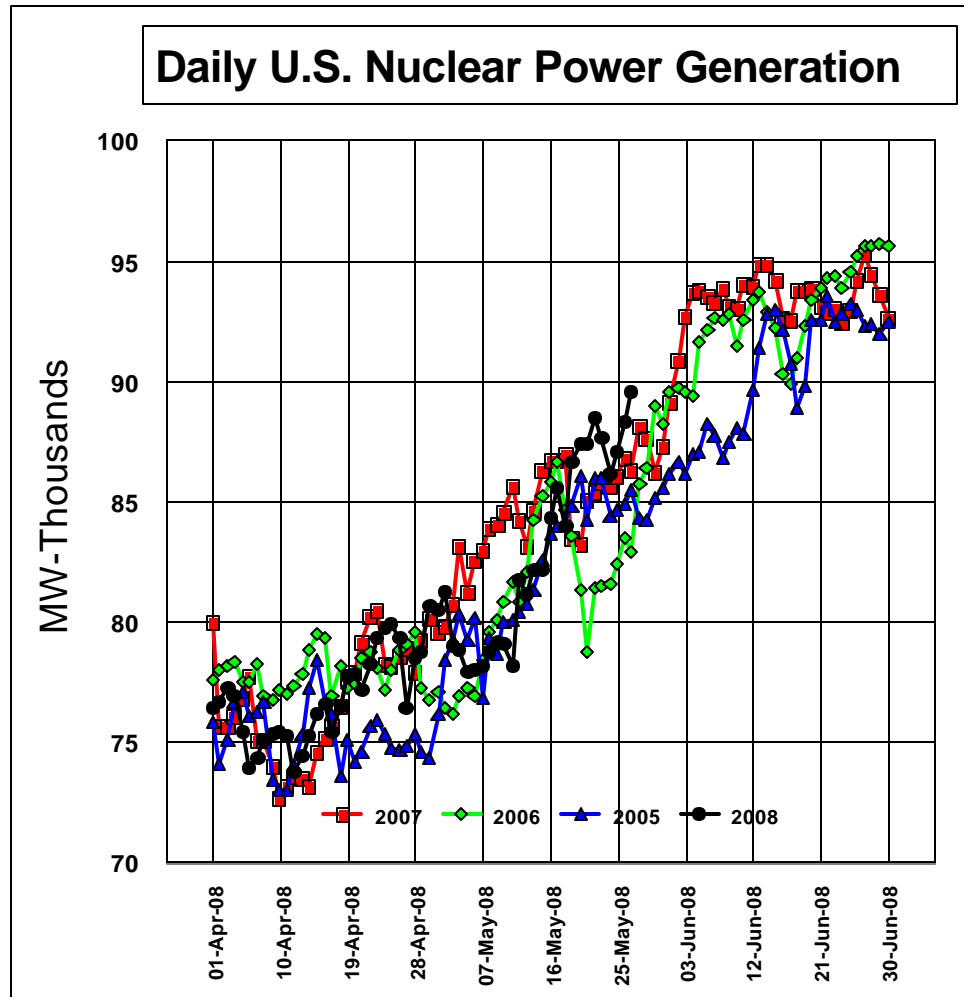
Private weather forecasters today were raising the possibility that the first tropical weather system of the Atlantic 2008 Hurricane Season could be forming later this week in the western Caribbean. AccuWeather forecasters were looking for the potential of a tropical depression forming in the area and then drifting into the southern or central Gulf of Mexico early to the middle of next week.

Enterprise Products this morning announced that the huge Independence Hub natural gas production platform in the Gulf of Mexico remains shut in as repairs on the associated Independence Trail pipeline continued. There had been a growing amount of market chatter that the platform had been restarted and that volumes had begun to flow along the pipeline, but the company sought to dispel these by directly saying "...repairs are ongoing. The line is shut in and there are no volumes flowing." The company said it was sticking with its revised estimate of the first half of June for restart.

The Consumer Confidence Index for May was reported to be at its lowest level since October 1992.

The NYMEX announced today margin changes for its natural gas; Henry Hub swap, swing swap and penultimate swap; natural gas penultimate and last day financial; and NYMEX miNYTM natural gas futures contracts, effective the close of business May 28th. Margins on the first and second months of the large contracts for customers will see margins go to \$10,125, up 3.4%. Customer margins on the third and fourth months will grow by 6.7% to \$10,800. Margins for the fifth through ninth month will stand up at \$11,475 per contract, up 9.7%

Palomar Gas Transmission said Monday that it was



moving ahead on a nonbinding open season to gauge interest in capacity from shippers seeking to move Rocky Mountain natural gas into markets in the Willamette Valley of northwest Oregon.

Nigeria's oil producing state of Akwa Ibom signed a \$12 billion deal with Centrica to build a new LNG plant in the southwestern part of the state.

Turner Investment Partners in its latest research report estimates that due to high energy prices coupled with new cost effective drilling techniques is driving new exploration activities in shale formations across the country. The group estimates that new shale-gas discoveries in Pennsylvania, Kentucky, Louisiana and Oklahoma may result in 23 bcf/d of new production by 2013. The company noted that increasing use of natural gas by utilities could provide a base for prices and could contribute to demand rising by 20% over the next ten years.

The FERC today approved CIG request to begin construction of a new natural gas storage project in Adams County, CO.

PIPELINE RESTRICTIONS

NGPL said over the weekend that the Enterprise Ryan Gulch interconnect with TransColorado was placed into service effective May 24th.

PIPELINE MAINTENANCE

Northwest Pipeline said the originally scheduled pig run between Moab and Pleasant View compressor stations originally scheduled for May 26th has been moved to May 28th. Available capacity will be down 40% to 249,000 Dth/d. A second pig run scheduled for May 31st has been moved to June 2nd. The company also reported that a pig run scheduled for May 28th between Cisco and Moab Compressor stations is now set for May 31st. Capacity will be reduced by 30%.

ANR Pipeline said over the week end it began unplanned engine repairs at the Sandwich CS. The company said it would only accept firm primary nominations through the Sandwich East – CFTP and

Generator Problems

NPCC – Bruce Power's 822 Mw Unit #7 Bruce B nuclear unit returned to service over the weekend. The unit had been shut down on May 23rd.

OPG's 535 Mw oil and gas fired Lennox Unit #1 was taken off line earlier today.

OPG's 494 Mw Unit #3 at the Lambton coal fired power plant returned to service Tuesday morning. The unit was out of service since May 22nd.

OPG's 515 Mw Pickering #5 nuclear unit was taken off line on Monday for testing and maintenance.

The NRC is monitoring an Unusual Event declared this morning at the Millstone 2 nuclear power plant.

PJM – FirstEnergy's 864 Mw Beaver Valley #2 nuclear unit was at 75% capacity this morning, up 58% from Friday's level.

MAIN – Exelon's 1120 Braidwood #2 nuclear unit was 8% from Friday and was back to full power this morning.

MAPP – NPPD 800 Mw Cooper nuclear unit was back to full power this morning up 14% from Friday.

ERCOT – Luminant's 750 Mw Monticello coal fired Unit #3 is expected to be restarted tomorrow. The unit has been off line since April 19th.

Luminant's 575 Mw Big Brown coal fired Unit #2 tripped off line yesterday but was expected back in service shortly.

AEP's 675 Mw Pirkey coal fired power plant is expected to be restarted this week after being taken off line to fix a boiler tube leak.

Luminant's 545 Mw Unit #4 at the Sandow coal fired power plant was taken off line May 26th for repairs on a tube leak.

WSCC- Calpine's 530 Mw Sutter natural gas fired power plant returned to service late Friday.

Dynegy's 739 Mw Unit #7 at the Moss Landing natural gas fired power plant returned to service on Friday after being off line for two days.

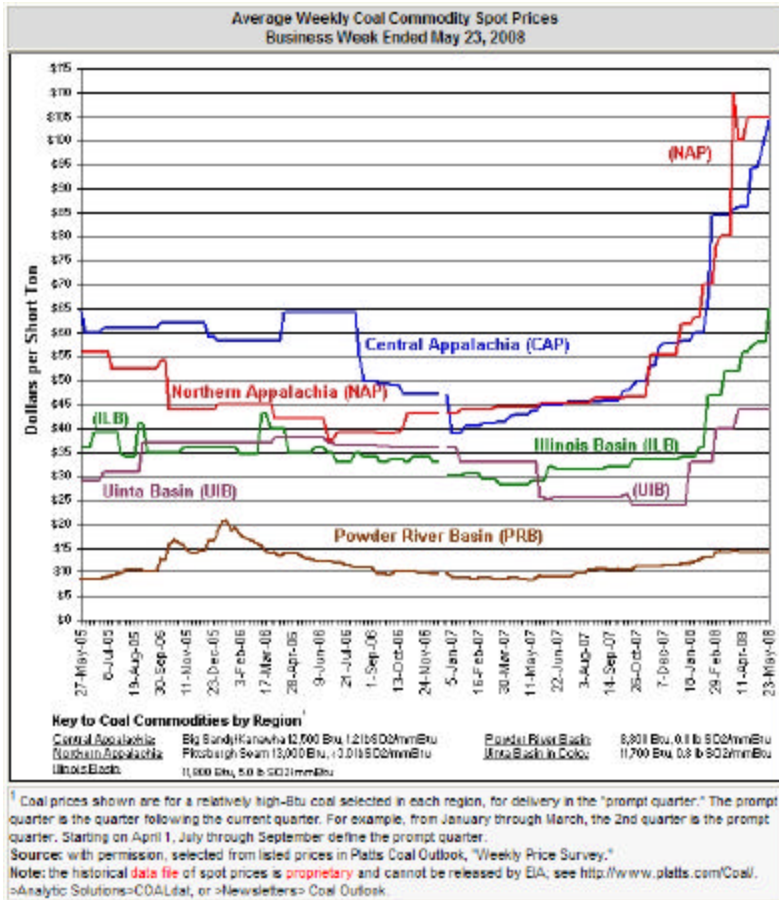
Complete Energy's 1008 Mw La Paloma natural gas fired power plant was shut on Monday afternoon.

SERC – TVA's 1121 Mw Watts Bar nuclear unit was restarted this weekend and was at 70% capacity this morning.

FRCC – FPL's St. Lucie #2 nuclear unit was reduced to 90% capacity this morning.

Progress Energy's 870 Mw Crystal River #3 nuclear unit was back to full capacity this morning, up 52% from Friday. Operations had been reduced since May 21st.

The NRC reported that 89,585 Mw of nuclear capacity is online, up 2.2% from Friday and up 2.2% on the year.



that this operational restriction would continue through May 31st.

Westcoast Energy said that due to a plant outage at the CNR Clearhills Plant on the McMahon RGT System for the remainder of this week, some 50 MMcf/d of Clearhills production will be diverted into the McMahon RGT system.

ELECTRIC MARKET NEWS

Genscape reported today that U.S. power generation in the week ending May 22nd rose 4.13% from the prior week and was 2.05% higher than for the same week a year ago.

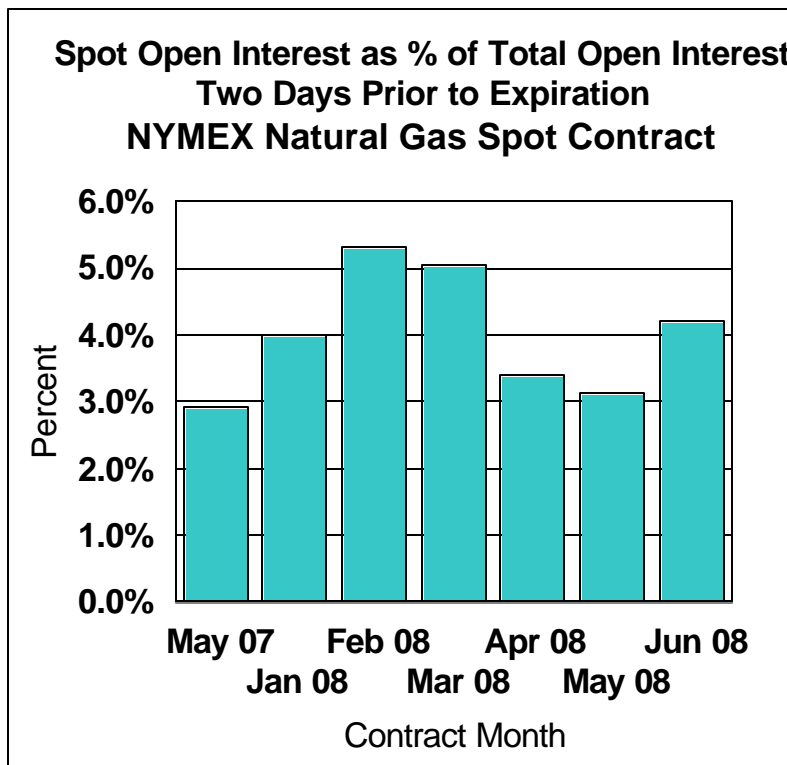
Genscape reported today that it had made an adjustment to its model for tracking U.S. utility coal stocks, and as a result it was sharply revising downward its estimate for last week's stockpile by 7 million tons and now stands at 153.4 million tons. The company said its estimate for last week's stock report was due to an over-estimation in barge deliveries and understated rail deliveries.

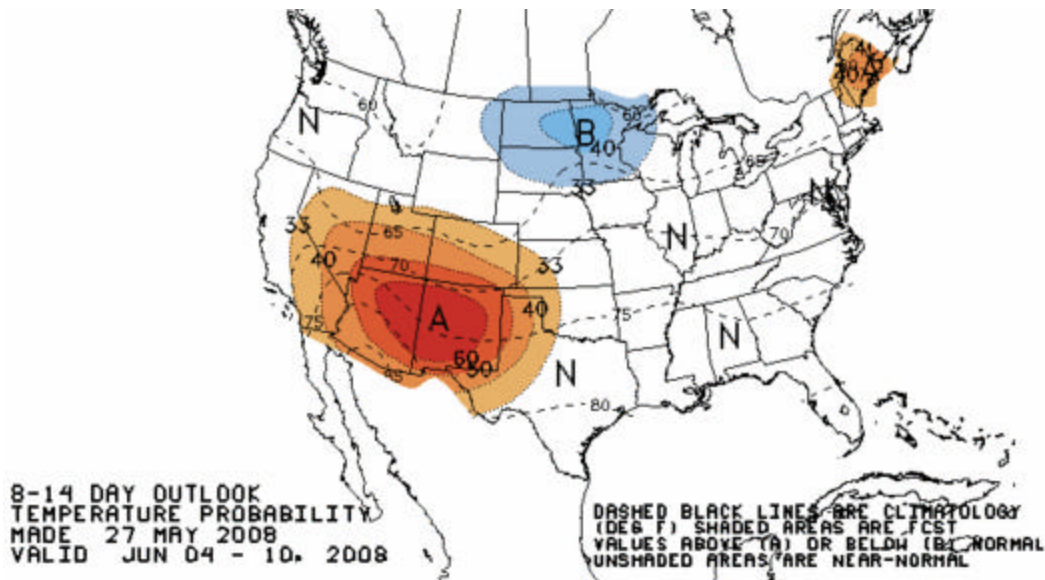
The FERC today approved a \$26.5 million settlement between Grant County,

Washington and the California Parties. The settlement resolves claims dating back to 2000-2001. Under the settlement CalPX will disburse \$11.5 million in unpaid receivables to Grant County, the balance being placed into an escrow account for ultimate allocation to all the settling participants.

MARKET COMMENTARY

The natural gas market today started out the session supported by rebounding cash values coupled with bullish news that the Independence Hub still had not returned to service and would not until the first half of June. In addition later in the morning private forecasters began issuing warnings of a potential tropical depression forming in the western Caribbean this week that could drift northward into the U.S. Gulf. Despite these bullish factors the June contract was unable to breach Friday's high and by the late afternoon moved into negative territory. But this sell off was minor in comparison to the significant contraction in oil prices.





With tomorrow being expiration day for the June contract and given a relatively significant open interest left open in the spot contract, tomorrow could be a volatile trading session, especially if oil prices remain on its roller coaster path. While we feel that this market should continue to take back some of the gains oil has made against it on a BTU basis, given ample nuclear

generation and a cooling demand that appears to be normal for the next two weeks, we should see flat prices eroding, especially if the market posts a second consecutive lower settlement, which should prompt the daily stochastics to roll over to the downside.

We see support tomorrow in the June contract at \$11.75, followed by \$11.616, \$11.471 and \$11.326. More distant and major support we see at \$11.193 and \$11.084. Resistance we see at \$12.006, \$12.085, \$12.211 and \$12.337.