



POWER MARKET REPORT FOR MAY 31, 2007

NATURAL GAS MARKET NEWS

Dr. Gray and his Colorado State tropical weather forecasting team released their latest update on their Atlantic 2007 hurricane season forecast. They reiterated their April forecast which calls for above average tropical activity this year with 17 named storms and nine hurricanes. The group continues to look for a 74% probability that a major hurricane (Category 3 or higher)

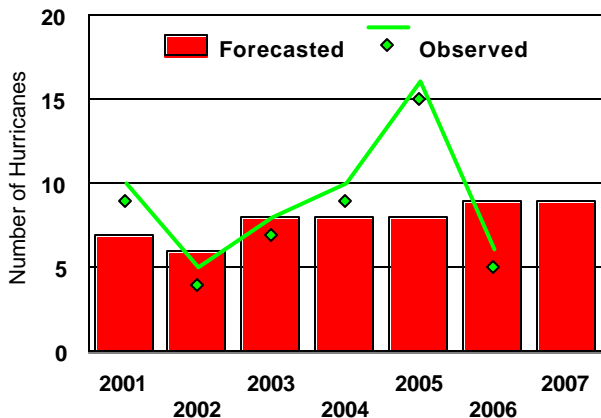
EIA Weekly Report

	05/25/2007	05/18/2007	Net chg	Last Year
Producing Region	768	740	28	766
Consuming East	970	905	65	1162
Consuming West	315	301	14	304
Total US	2053	1946	107	2232

*storage figures in Bcf

will make land fall somewhere along the U.S. coast line (vs an average over the last century of 52%) with the Gulf Coast from Florida Panhandle westward to Brownsville, TX seeing a 49% chance of landfall for a Category 3 or higher storm. The past 100-year average is 30% chance of a landfall in this area. Last year was only the 12th time since 1945 that no hurricane landfalls were recorded along the U.S. coastline. Since 1945 there has been only to

**Colorado State Hurricane Forecast
Versus Actual Observed Hurricanes
Number of Hurricanes**



Generator Problems

NPCC NYPA's 264 Mw Unit #2 at the Blenheim-Gilboa pumped storage hydro power station returned to service over the mewmorial day holiday weekend. The unit had been offline since September 2006.

Entergy's 1019 Mw Indian Point #2 nuclear station had restarted and was at 25% capacity. The unit had tripped off line on May 28th.

FRCC – FPL's 693 Mw Turkey Point nuclear unit #4 was up to 78% of power this morning, up 38% from Wednesday morning's level.

PJM – PSEG's 1130 Mw Salem #2 nuclear power plant was restarted and was at 7% of power this morning. The unit has been shut since May 24th.

PSEG's 1061 Mw Hope Creek nuclear unit was restarted and at 1% of capacity this morning. The unit tripped off line on Tuesday.

SERC – Duke Energy's 846 Mw Oconee #2 nuclear uni has exited its refueling outage and was at 42% of capacity this morning. The unit had gone off line on April 28th for refueling.

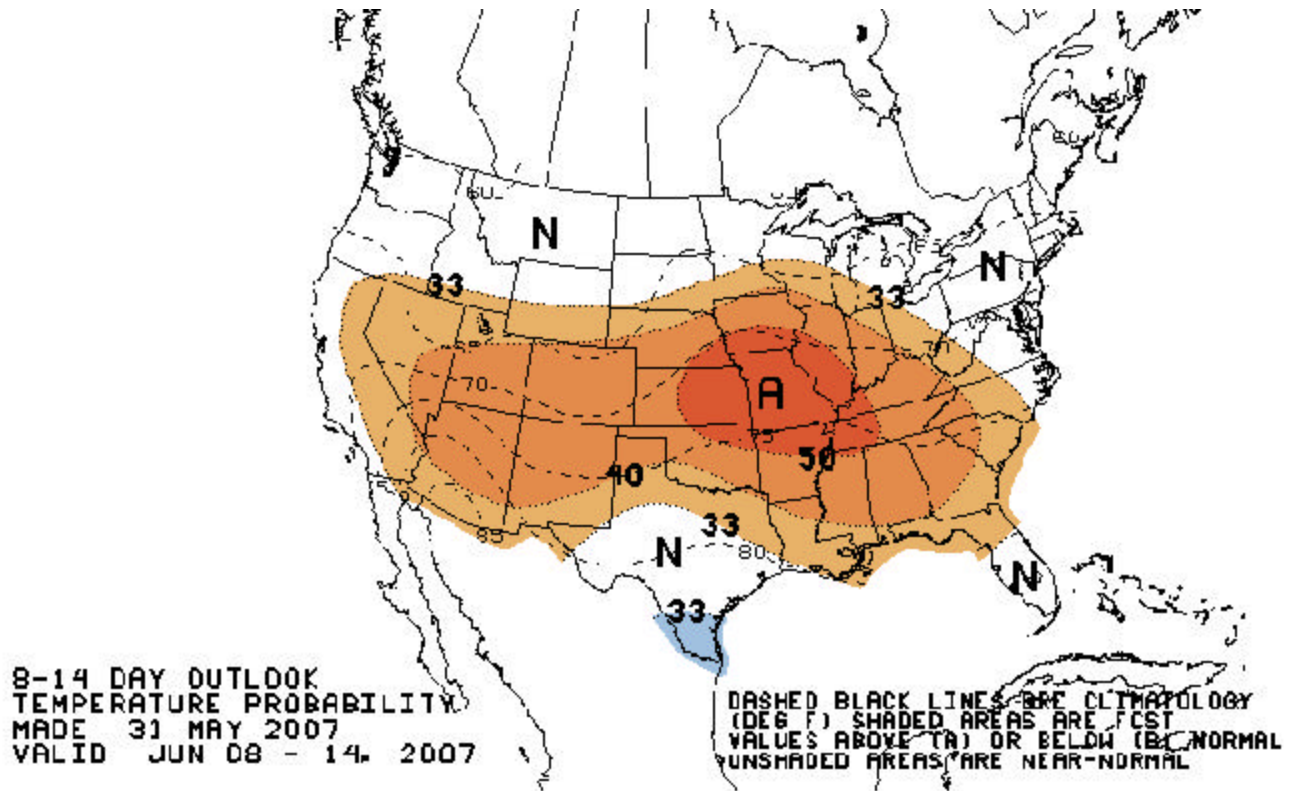
ERCOT – TXU's 545 Mw coal fired Sandow Unit #4 is expected to be restarted Thursday through Friday. The unit was taken off line for planned work back on May 22nd.

WECC – PG&E's 1100 Mw Diablo Canyon #1 nuclear unit was at 48% of capacity this morning, up 20% from yesterday.

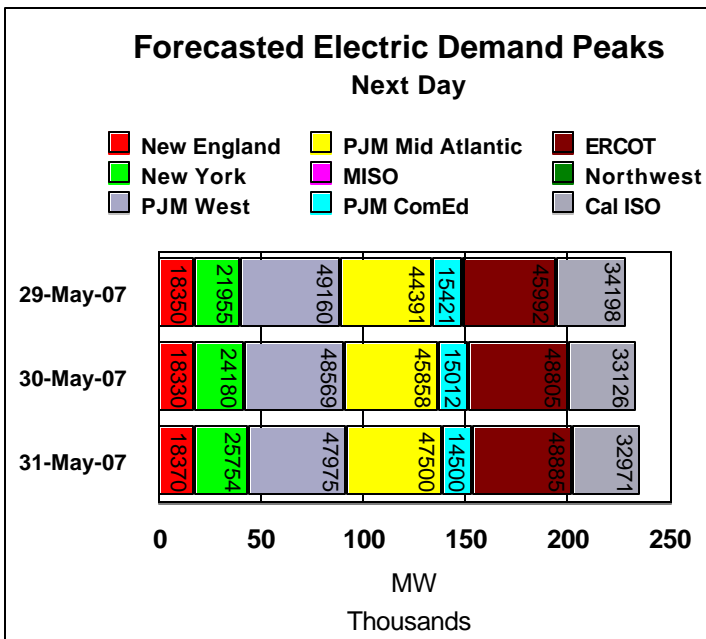
The NRC reported that 87,311 Mw of nuclear capacity is on line, up 1.28% from Tuesday, and down 2.54% from a year ago.

consecutive year periods where hurricanes did not make landfall, 1981-82 and 2000-01. The group currently sees neutral ENSO conditions. They expect either cool neutral or weak to moderate La Nina

conditions to be present during the upcoming hurricane season. Tropical and North Atlantic sea surface temperatures remain well above their long period averages. The group will update their forecast again on Friday, August 3rd.



The Canadian National Energy Board said that they look for Canadian natural gas production to decline by as much as 500 MMcf/d this year and will remain in a perpetual annual decline.



The Maritimes & Northeast Pipeline announced it will hold an open season June 8th through August 31st to gauge support for the system's second planned major expansion, named Phase V, which take effect in the 2010-2012 timeframe.

Gazprom and independent Russian gas producers Wednesday agreed to cut natural gas production this year due to warm weather this past winter. Gazprom said today that it had revised its production plan for 2007 down from 561 billion cubic meters to 557 Bcm. In 2006 the company produced 556 bcm up, 1 bcm from the previous year. Lukoil's president said that independents would reduce their production by up to 8%, but declined to provide an actual production number. The gas production cut will last until the third quarter of this year. Independents account for 16% of Russia's total natural gas output. Gazprom sources reportedly told a Russian business daily that the production moves were a way to

implement practices “similar to the mechanisms of the [planned] gas OPEC”. A spokesman for Gazprom however denied such intention.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,148,400	\$7.797	\$0.091	(\$0.404)	\$0.118	(\$0.450)
Chicago City Gate	447,500	\$7.716	\$0.039	(\$0.171)	\$0.114	(\$0.302)
NGPL- TX/OK	664,600	\$7.458	\$0.109	(\$0.429)	\$0.185	(\$0.561)
SoCal	1,277,200	\$7.282	\$0.066	(\$0.605)	\$0.141	(\$0.713)
PG&E Citygate	735,900	\$7.535	\$0.009	(\$0.352)	\$0.084	(\$0.406)
Dominion-South	403,200	\$8.316	(\$0.034)	\$0.429	\$0.042	\$0.455
Transco Zone 6	368,400	\$8.675	(\$0.016)	\$0.788	\$0.059	\$0.676

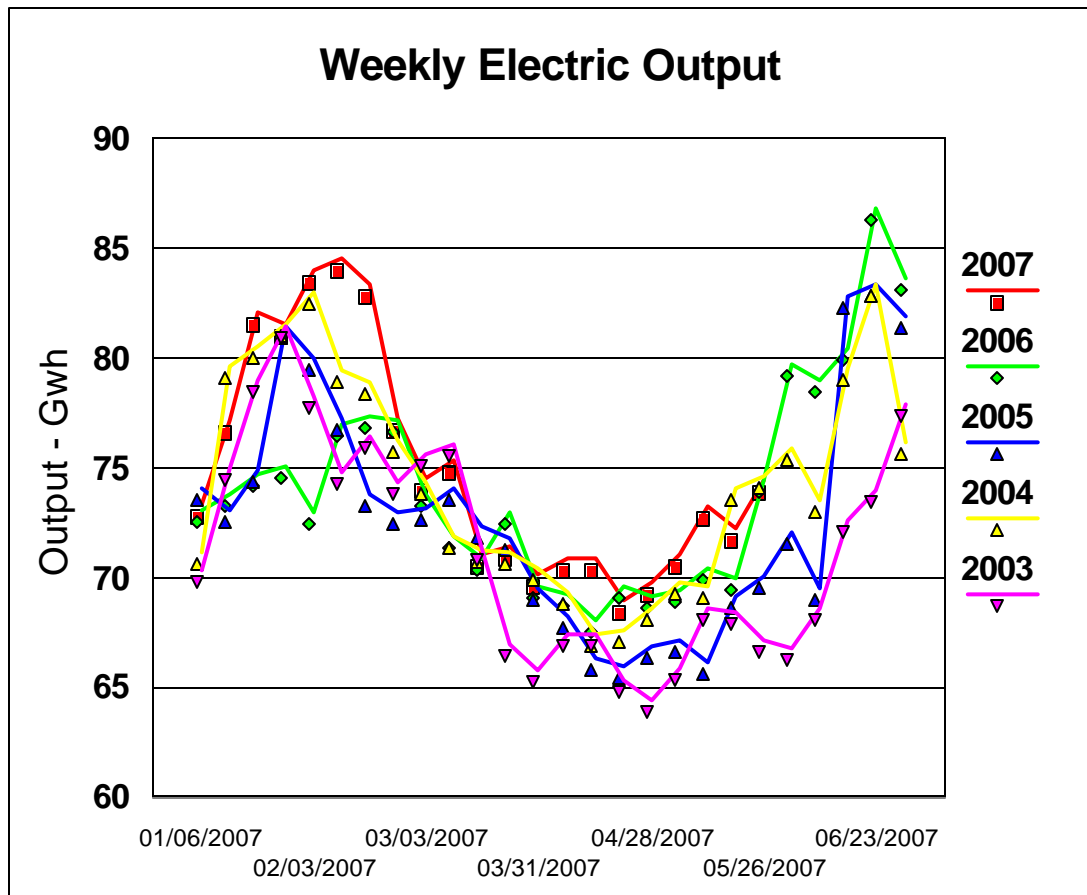
NorTex Gas Storage Company reported that it has begun construction of the Worsham-Steed Pipeline, a 63 mile 24-inch pipeline in North Texas. The line will move gas from the Barnett Shale gas play to its Worsham-Steed Gas Storage Facility.

The line will also interconnect with Energy Transfer’s “Old Ocean” Pipeline; Enterprise Product’s “North Texas Pipeline” and Atmos Energy’s “Line x” Pipeline. Construction which began on May 21st is scheduled to be completed by August with an in service date of September 2007. The line will initially have a capacity of 450,000 Mcf/d that will be expanded to 650,000 Mcf/d. Initially 300,000 Mcf/d of the capacity will be reserved for injection and withdrawals from the Worsham-Steed Gas Storage Facility. The storage site is being expanded to hold up 16 bcf of high deliverability, multi-cycle gas storage capacity. A second expansion of the storage facility is slated for 2008, which boost capacity to 23 bcf.

Dominion Resources said today that it would merge its Consolidated Natural gas Company unit into the parent holding company in an effort to cut costs and streamline its corporate structure. The move is expected to take place during the second and third quarter.

PIPELINE RESTRICTIONS

Texas Eastern reported for today it has scheduled and sealed nominations flowing through Batesville and St. Francisville. Additionally the company has forced balanced all long TABS-1 pools in STX, ETX and M1 24 inch.



Williston Basin Interstate Pipeline Company said that 01010 Northern Border-Manning is in pipeline capacity constraint through today and that penalties will be imposed.

Tennessee Gas Pipeline said that for today's gas day Carthage Line lateral it expected to restrict through approximately 11% of Supply to market Secondary Out of Path nominations. At Station 827 it anticipated restricting through approximately 20% of Supply to Market Secondary out of Path nominations. At the Leidy Meters it anticipates restricting through approximately 55% of Supply to Market Secondary Out of Path nominations.

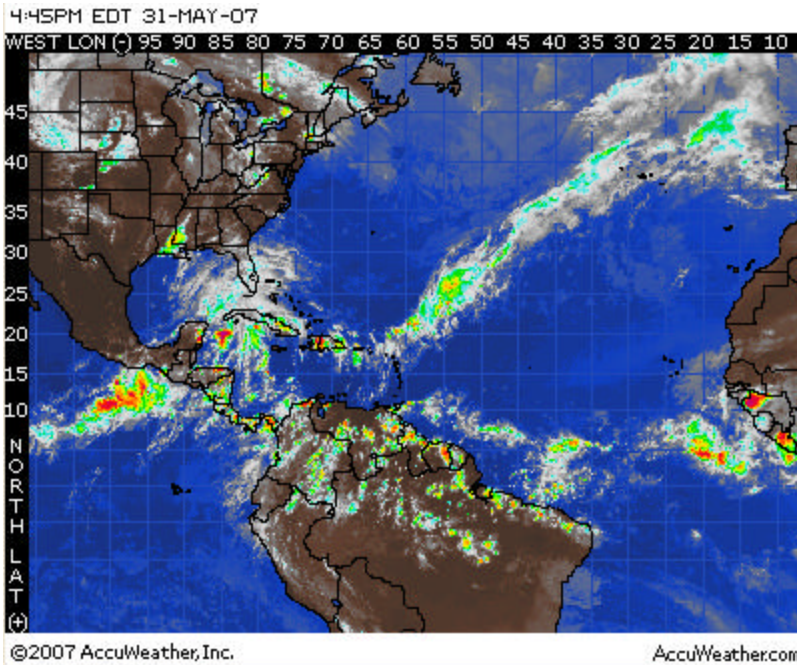
PIPELINE MAINTENACE

Northern natural Gas said that in order to perform maintenance on the TOS 83781 Lateral on the Matagorda Offshore Pipeline System (MOPS) from June 12-19th Matagorda 713 will be shut in for approximately two days. Ccapacity at this point will be zero.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that for the week ending May 26th, electric generation in the U.S. totaled 73,946 Gwh, up 3.14% from the prior week, but basically unchanged from the same week a year ago. For the first 21 weeks of 2007, electric generation is running some 3.8% higher than the same period a year ago.

President Bush today called on major developed and developing nations to commit to a "long-term global goal for reducing greenhouse gases and "mid-term" national GHG targets. Bush is looking for involvement by China, India, Brazil and about a dozen other countries would succeed the Kyoto Protocol, which expires at the end of 2012. He said the negotiations of an agreement should include the development of a "strong and transparent process for measuring each country's results in cutting GHGs. He also called for cuts in tariff barriers to encourage sharing environmental technology. The German Chancellor had been hoping to forge an agreement on climate change at the upcoming G8 meeting next week. U.S. Democratic leaders in Congress called the Bush plan as just a "re-warming" of old ideas instead of a necessary commitment to binding targets to cut emissions.



PacifiCorp said today that it would build more than 1200 miles of new 500 kV transmission lines originating in Wyoming and connecting into Utah, Idaho, Oregon and the desert southwest. Two lines are set for completion in 2014.

The EIA reported today that for the week ending May 26th, coal production in the U.S. reached 21.908 million tons, up 0.27% from the previous week, but 1.2% less than the same week a year ago. Year to date coal production this year is running 2.7% behind last years level.

The U.S. Northwest River Forecast Center today improved its water runoff forecast at the Dalles Dam on the Columbia River in Oregon through August. The Center now looks for water flow to be 93% of normal, up 1% from its May 17th. The Center kept

unchanged its estimate for water flows on the Snake River, which should be just 66% of normal. Water flows at the Grand Coulee Dam are estimated at 103% of normal up 1% from the previous estimate.

MARKET COMMENTARY

The natural gas market started the day trading session basically at unchanged levels before coming under a bit of pressure from the release of the storage report. While the triple digit gain in storage levels last week was seen as bearish, the market though rebounded shortly after the release of the report as stronger cash values helped to stabilize the futures market and allow it to drift back towards unchanged levels.

Despite getting closer to the end of the week, the forecasting models seem to be offering a wider choice for the potential development of anything of a tropical system in the Caribbean/US Gulf. AccuWeather this evening is looking for this system to move from the area just east of the Yucatan to Tampa, FL on its way to the Atlantic. The GFS model has this system just as a broad area of low pressure until it moves east of Florida. The Canadian model this morning was looking for this system to organize itself in the southeastern Gulf of Mexico but wind shear will keep this system from being a tropical storm before it tracks across Florida and Georgia on Saturday. The European model keeps the system in the Gulf of Mexico a bit longer and does not cross Florida until Sunday, but that wind shear issues will keep this storm as a non-tropical nature.

As a result our outlook for this market has not really changed from yesterday and that we look for this market to remain in an overall sideways trading pattern. We look for resistance tomorrow to be found at \$8.00-\$8.01 followed by \$8.036, \$8.103-\$8.118 and \$8.237. More distant resistance remains at \$8.395. Support we see at \$7.884, \$7.859, \$7.815 and \$7.771. More distant support we see at \$7.716, \$7.634 and \$7.55. We would look for the temperature outlook at the start of next week as the driving force for prices near term. Tonight's 8-14 day forecast appears could be supportive next week for prices.