



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JUNE 4, 2007

NATURAL GAS MARKET NEWS

As Tropical Barry moved up the eastern seaboard this morning, the rest of the Atlantic basin remained fairly quiet with no major areas of interest, which is typical for this time of June. Forecasters appear to feel that the Atlantic basin will remain quiet for this week. But one private forecaster noted that the strength of the tropical waves that are currently coming off the continent of Africa is typically not seen until the August and September time frame so thus bears watching in coming weeks.

A survey from the World Energy Council published Monday showed that its survey of 50 senior energy executives, 80% of those surveyed said U.S. natural gas prices would be in the \$10-\$15 range over the next 5 year. They also looked for growing U.S. LNG imports will become an important factor in gas prices in three years. 80% of this group did not expect that the

Generator Problems

MAPP – FPL's 580 Duane Arnold nuclear unit ramped up to 97% of capacity this morning up from 57% of power recorded on Friday.

PJM – PSEG's 1130 Mw Salem #2 has exited its repair outage and was back to 92% of capacity on Monday morning. The unit was shut down on May 24th and was at only 7% of capacity on Friday.

PSEG's 1061 Mw Hope creek nuclear unit was back at full power this morning. On Friday the unit was only at 25% of power following a trip off line on May 29th due to an electrical problem with a feed water pump.

SERC – Duke Energy's 846 Oconee #2 nuclear unit was back to full power Monday morning, up 40% from Friday's levels.

Duke Energy's 1100 Mw McGuire #1 nuclear unit was at 79% of capacity, up 34% from Friday's levels.

TVA's 1155 MW Browns Ferry #1 nuclear unit was back online today and at 44% of capacity, up 34% from Friday and reconnected to the grid for the first time in over 20 years.

SPP Entergy Nuclear's 836 Mw Arkansas Nuclear One #1 unit returned to full power this weekend after restarting last Tuesday.

ERCOT – TXU's 750 Mw Monticello #3 coal fired unit was expected to be back on line today, following repairs to a leaking crossover safety relief valve that took the unit down on Friday.

TXU's 545 Mw Sandow #4 coal fired unit tripped off line on Sunday but is expected to be restarted later today

WSCC – APS's 1247 Mw Palo Verde #3 nuclear unit was back to full power as of this morning. Operators had reduced output to 40% of capacity to repair a water leak problem.

PG&E's 1100 Mw Diablo Canyon #1 nuclear unit was back to full power this morning up 39% from Friday's level.

Canada – OPG's 515 Mw Pickering nuclear unit #7 was taken off line for a short maintenance eperiod today.

OPG's 490 Mw Nanticoke #3 coal fired unit returned to service by early Monday. The unit was shut on May 23rd.

The NRC reported that 93,716 Mw of nuclear capacity is on line, up 5.08% from Friday, and up 2.29% from a year ago.

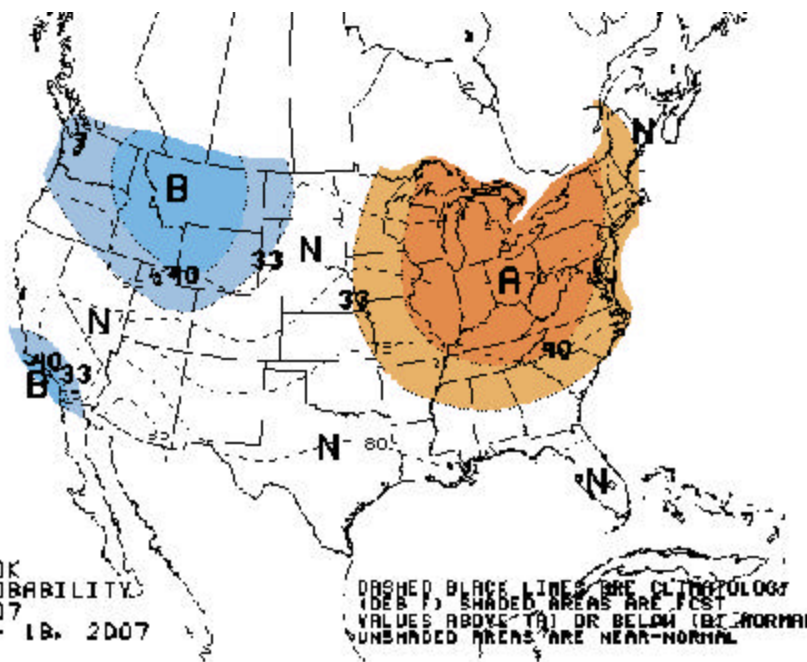
adoption of any international standards for emissions control. On the oil side of the market more than 65% expected oil prices to remain in a range of \$60-\$80 per barrel range.

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	1,612,200	\$7.730	\$0.164	(\$0.715)	\$0.040	(\$0.547)
Chicago City Gate	555,200	\$7.688	\$0.313	(\$0.433)	\$0.079	(\$0.334)
NGPL- TX/OK	877,300	\$7.366	\$0.200	(\$0.755)	(\$0.034)	(\$0.611)
SoCal	791,000	\$7.301	\$0.628	(\$0.820)	\$0.394	(\$0.751)
PG&E Citygate	581,300	\$7.537	\$0.311	(\$0.584)	\$0.077	(\$0.440)
Dominion-South	410,100	\$8.266	\$0.170	\$0.145	(\$0.064)	\$0.337
Transco Zone 6	245,600	\$8.349	\$0.166	\$0.228	(\$0.068)	\$0.553

U.S. Commerce Department reported that new factory orders in April rose a smaller than expected 0.3%, the weakest showing since January. March orders though were revised upward by 1% to a 4.1% gain. Durable goods orders though were up 0.8%. Later in

the day the Federal Reserve Bank of Chicago said it saw U.S GDP which this year should average 2.3% growth rate will rebound in 2008 by growing by 3.0%. Industrial production, which is seen growing by just 2.3% this year will bounce back and expand by 2.8% in 2008.

The FERC on Friday denied requests by the government of New Brunswick, Canada, to suspend indefinitely consideration of two proposed LNG terminals in Maine, despite Canadian concerns about LNG tanker traffic through the Head Harbor Passage.



Dominion Resources said Monday that it would sell most of its oil and gas exploration and production properties to Loews Corp and XTO Energy for \$6.5 billion as part of its continuing plan to focus on its power business.

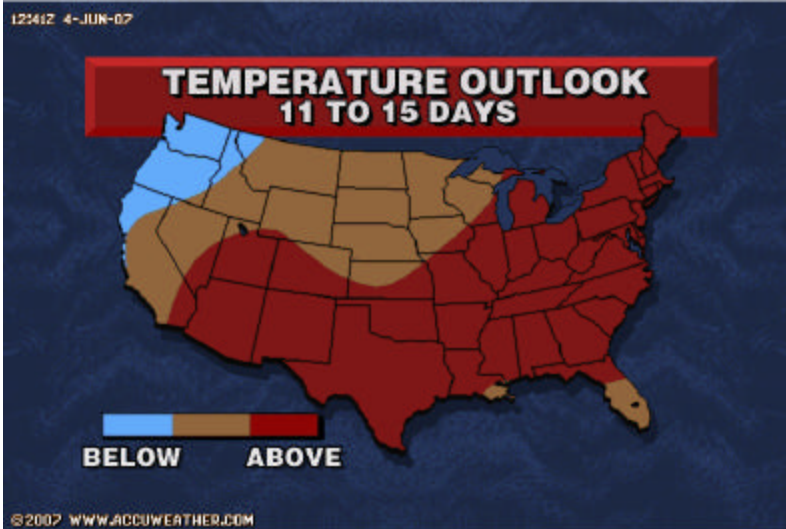
Tenaska Power Fund and Houston based eCORP LLC today announced plans

to develop a new high-performance natural gas storage facility near Uniontown in southwestern Pennsylvania. The facility will initially have 17.5 bcf of working gas capacity.

The InterContinental Exchange announce today that it has entered into an agreement to acquire ChemConnect's commodities trading business. ChemConnect is an electronic trading platform established 10 years ago for the natural gas liquids and chemicals markets and features commodities including ethylene, propylene and benzene.

PIPELINE MAINTENANCE

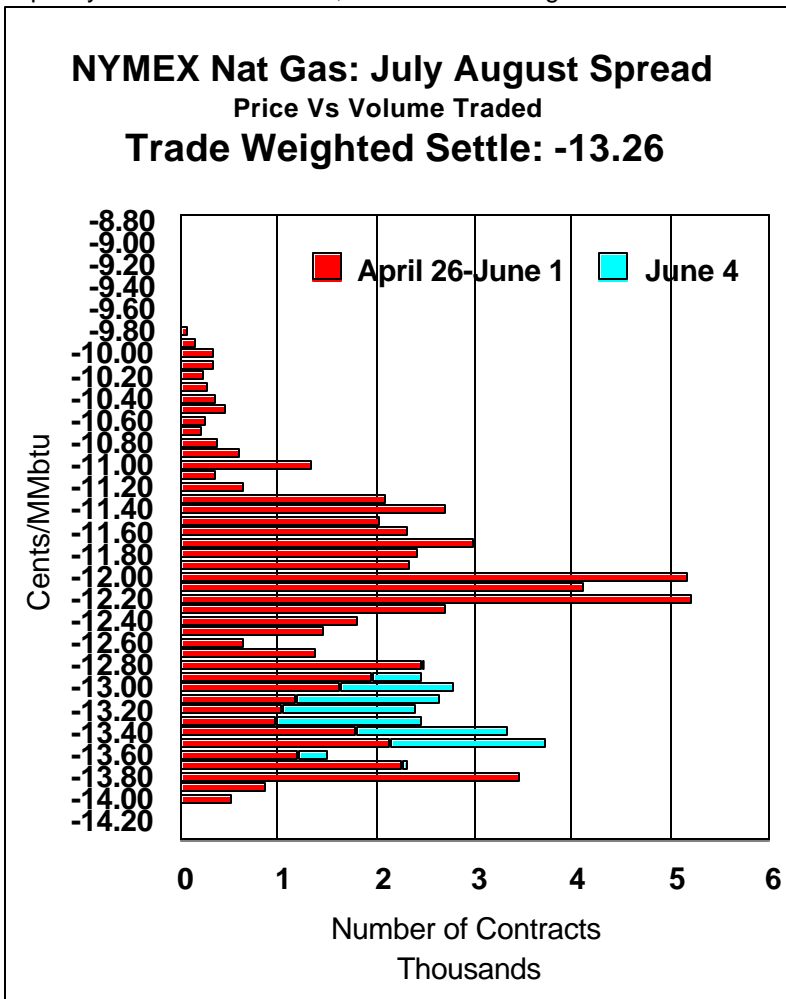
PG&E California Gas Transmission said that on the Redwood Path, the installation of a pig receiver will begin on June 6th and will reduce capacity to 94% on Wednesday, 95% on Thursday and 97% on Friday. On the Baja Path, unplanned outages at the Kettleman compressor K-1 as well as the Hinkley compressor K-11 has reduced capacity to 932 mmcf/d or 84% of capacity for today but work is expected to be completed by the end of the day.



The company reported that starting June 5-22nd the Hinkley compressor K-12 will undergo alignment and capacity will be reduced to 84% or 932 Mmcf/d.

Northern Natural Gas Company said it has two maintenance projects scheduled to begin today. The company said that it will perform planned pipeline maintenance on the TOS 83401 Lateral on the Matagorda Offshore Pipeline System and will continue through June 15th. The work will cause Mustang 739/740 to be shut in and capacity will be zero. The company also noted that the Oakland unit 20 Marrs Turbine will go down today through June 10th for bi-annual compressor maintenance and inspections. Deliveries east of Oakland may be

impacted depending on quantities nominated. The Oakland station will be impacted by approximately 200,000 Mmbtu and thus and overall capacity will be limited to 1,200,000 mmbtus. The company also reported that the Spearman Compressor Station has experienced an unplanned repair issue with the #4 Dehydration Heat Exchanger. This has caused the company to call a force majeure on the Spearman Cargray System. As a result capacity will be limited to 60,000 Mbtu/d through June 9th.



ANR Pipeline confirmed that due to an engine failure, it had begun unplanned maintenance at its St. John Compressor Station. The work has resulted in capacity in total St. John (w-E) being lowered by 115 Mmcf/d. Based on current nominations along Michigan legs, it is anticipated that reductions will result in the curtailment of IT and Firm Secondary nominations.

National Fuel Gas Supply said it was shutting down the Lamont Station today to install new piping to the cooling system. The work is expected to last only one day and be back in operation Tuesday. The company also noted that production flowing into the stripping plant at Roystone was too high and it was required to cutback by 25% the volume flowing through the compressor there until a bigger compressor can be installed there in the next two weeks.

PIPELINE RESTRICTIONS

FGT said that due to the 90-degree temperatures expected for Florida today, it was notifying customers in its Market Area that it was issuing an Overage Alert Day at 25% tolerance.

Texas Eastern said it has scheduled and sealed nominations flowing through Batesville. Increases in nominations for

receipts sourced between Little Rock and Batesville for delivery downstream of Batesville will not be accepted.

Tennessee Gas Pipeline said that at Station 32, it had restricted through approximately 18% of Supply to Market Secondary Out of Path nominations. At the Niagara River Meter it restricted through 100% of Supply to Market Secondary Out of Path nominations. The company though did say that due to reduced nominations it was accepting increases for nominations pathed from meters along the Carthage Line Lateral.

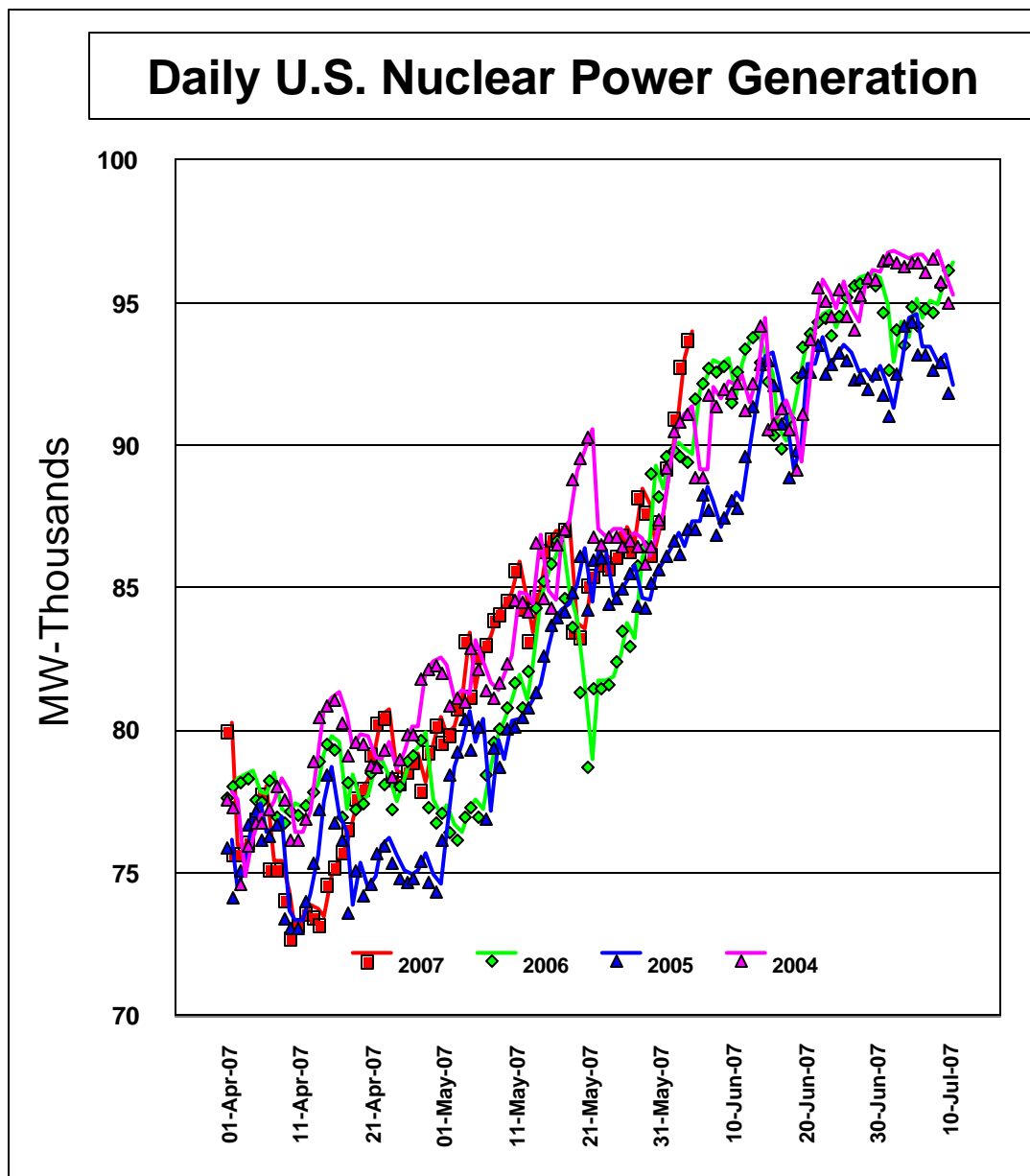
ELECTRIC MARKET NEWS

An annual survey by NUS Consulting found that the average price for electricity for large industrial and commercial customers in the U.S. rose by 4.7 since May 1st of last year. For the period of May 2005 - April 2006, prices rose by nearly 11%. The survey found yet again that customers in California, New York and Maryland pay some of the highest electricity prices in the country, despite being in deregulated markets.

S&P today lowered Commonwealth Edison's corporate credit rating to BB from BBB- because recent activity in the state legislature suggests a renewed push to freeze electric rates for Illinois customers.

MARKET COMMENTARY

Despite the departure of Tropical Storm Barry from the scene over the week end, traders came into their offices this morning to find bullish weather news as they found confirmation of forecasts from late next week that air conditioning demand will move significantly higher over the next two weeks. Weather Derivatives this morning estimated that nationwide air conditioning demand will be 13% higher than normal for the next week starting Tuesday. This heat wave especially in the eastern half of the U.S appeared to be confirmed tonight by



AccuWeather and to a lesser extent by the NWS 8-14 day forecast, which shows this area will be above to much above normal.

NYMEX Nat Gas Options Most Active Strikes for June 4, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	7	7	P	7.5	06/26/2007	0.0705	5,610	39.97
LN	10	7	P	6	09/25/2007	0.129	4,500	56.93
LN	7	7	C	8.25	06/26/2007	0.2822	3,525	36.34
LN	11	8	P	6	10/28/2008	0.1557	3,000	37.47
LN	8	7	C	10	07/26/2007	0.1195	2,750	44.34
LN	7	7	P	8	06/26/2007	0.2195	2,575	40.64
ON	7	7	C	8	06/26/2007	0.41	2,404	38.74
LN	9	7	P	7.25	08/28/2007	0.2692	2,250	49.69
LN	7	7	C	8.5	06/26/2007	0.1881	2,245	37.24
LN	9	7	P	7.5	08/28/2007	0.3489	2,100	49.97
LN	7	7	P	7	06/26/2007	0.0153	2,100	39.99
LN	8	7	C	11	07/26/2007	0.0568	2,000	48.76
LN	7	7	C	9	06/26/2007	0.0754	1,905	38.63
LN	8	7	C	8.25	07/26/2007	0.539	1,900	36.37
LN	1	8	C	12	12/26/2007	0.8064	1,750	42.22
LN	8	7	C	8.5	07/26/2007	0.433	1,700	37.53
LN	9	7	C	10	08/28/2007	0.3024	1,600	47.34
LN	8	7	C	9	07/26/2007	0.2765	1,450	39.66
LN	10	7	P	5	09/25/2007	0.032	1,300	56.91
LN	7	7	P	7.25	06/26/2007	0.0341	1,300	39.76
ON	7	7	P	8	06/26/2007	0.22	1,297	38.76
LN	7	7	P	7.85	06/26/2007	0.1624	1,200	40.39
LN	2	8	C	14	01/28/2008	0.6419	1,050	47.82
ON	7	7	P	7.5	06/26/2007	0.071	1,009	38.76
LN	8	7	C	9.25	07/26/2007	0.2197	1,000	40.59
LN	1	8	C	15	12/26/2007	0.4162	950	49.14
LN	7	7	C	9.5	06/26/2007	0.027	900	39.76
LN	1	8	P	9.5	12/26/2007	0.9855	880	51.31
LN	9	7	P	6	08/28/2007	0.0498	850	49.24
LN	7	7	C	8	06/26/2007	0.4099	850	35.45
LN	10	7	C	11	09/25/2007	0.4007	820	56.52
LN	10	7	C	12	09/25/2007	0.2843	800	58.86
LN	9	7	C	11	08/28/2007	0.1929	800	51.68
LN	7	7	P	7.75	06/26/2007	0.1305	765	40.26
LN	12	7	C	15	11/27/2007	0.3053	750	51.47
LN	3	8	C	15	02/26/2008	0.5465	750	49.06
LN	2	8	C	15	01/28/2008	0.5436	750	50.02

While the weather forecasts this morning helped this market to open a few pennies better, the bulls did not gain momentum to the upside until the 20 day moving average and the highs of the past seven trading sessions were finally breached setting off a series of stops that that triggered buying that drove prices up to the \$8.20 level by midday. While prices moved into a sideways holding pattern for the afternoon the damage had been done to the bears position as over 133,000 lots traded in the natural gas market today.

This market we feel though got fundamentally ahead of itself as the weather has yet to arrive while at the same time U.S. nuclear generation jumped by over 5% from Friday's levels. As a result we feel that this market should pull back to potentially re-challenge the \$8.00 level, but we feel that the non-commercials net shorts may grow increasingly nervous over their large net short position in coming days and weeks and thus will prevent any prolonged sell off in prices. We see resistance tomorrow at \$8.20-\$8.21 followed by \$8.28, \$8.36 and \$8.395. More distant resistance we see at \$8.453 and \$8.697. Support we see at \$8.10, \$8.023, \$7.873 with more distant support at \$7.779 and \$7.689.

