



POWER MARKET REPORT FOR JUNE 15, 2007

NATURAL GAS MARKET NEWS

The Federal Reserve Bank reported today that U.S. industrial production remained basically unchanged in May at 81.3% of capacity. Market expectations had been for a 0.2% expansion. Natural gas sensitive industries saw a 1.18% gain over the previous month but on a year on basis it was off 0.18%. The primary metals and glass sectors posted the largest declines on the year of 3.5% along with the agricultural chemical sector, which was off 10.5%.

NOAA forecasters confirmed today that this spring was the fifth warmest on record for the contiguous United States.

Generator Problems

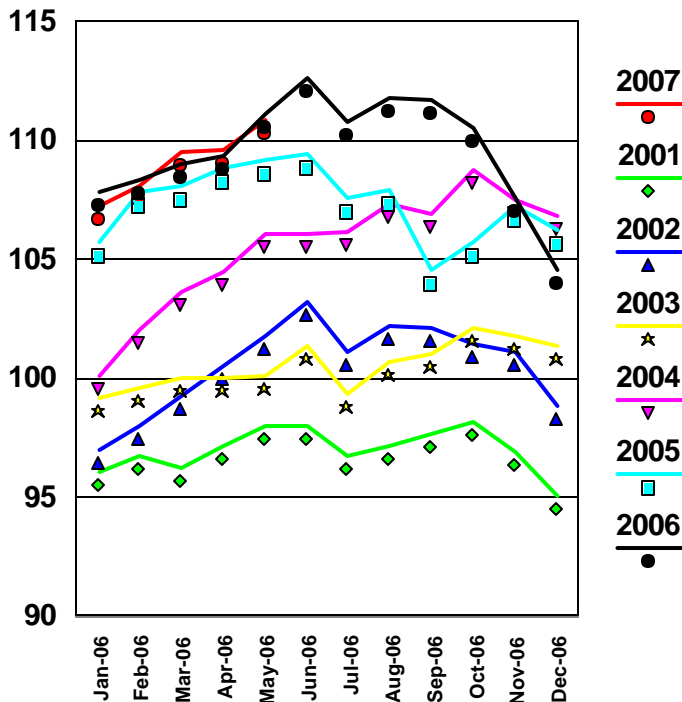
SPP – Entergy’s 966 Mw River Bend nuclear unit remained at 81% of capacity.

MAIN – Exelon’s 1162 Mw LaSalle nuclear #2 unit was back at full power this morning up 18% from Thursday’s levels.

MAPP – Wisconsin Energy’s 512 Mw Point Beach #1 nuclear unit was taken off line this morning for repairs to a feed water pump

The NRC reported that 94,254 Mw of nuclear capacity is on line, down 0.7% from Thursday, and up 4.32% from a year ago.

**US Industrial Production Index
Major Nat Gas Consuming Sectors
Basis Federal Reserve & DOE/EIA Stats**



Also today government forecasters appeared to once again be moving toward calling for a fairly widespread section of the nation will see above normal temperatures over the next 6-14 day period. As a result of ridge building over the west, above normal temperatures should be found in the desert Southwest, across the Rockies and Plains into the Great Lakes and the interior Northeast. But confidence in these forecast remains poor given the poor model agreement and only fair agreement among the forecasting tools.

Southern Star Central Gas Pipeline announced that it is developing a new interstate natural gas pipeline project that would connect the developing Fayetteville Shale production basin in Central Arkansas to the Kinder Morgan Rockies Express Pipeline in Audrain County, MO. The company is conducting a non-binding open season beginning today through July 20th to gain an understanding of interest for Firm Transportation Service for this project.

Baker Hughes reported that for the week ending June 15th the number of natural gas rigs search for gas in the U.S. stood at 1484 up 19 on the

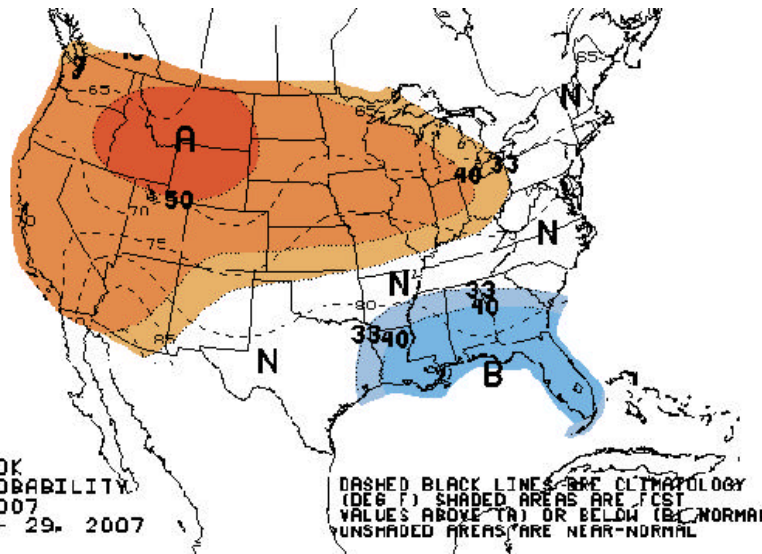
week.

Rumors swirled around the market today that the NYMEX was allegedly in talks with potential suitors to sell itself. The New York Stock Exchange, CME and the Deutsche Boerse were seen as potential partners. But unnamed sources

said that no bankers have yet been hired to advise the NYMEX on a possible sale and that discussions are likely to accelerate after July 9th when shareholders of the CBOT vote on its potential acquisition by the CME.

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	1,242,500	\$7.583	\$0.105	(\$0.751)	(\$0.139)	(\$0.636)
Chicago City Gate	330,000	\$7.338	(\$0.076)	(\$0.603)	(\$0.257)	(\$0.393)
NGPL- TX/OK	465,100	\$7.070	(\$0.133)	(\$0.871)	(\$0.314)	(\$0.657)
SoCal	1,022,000	\$6.642	(\$0.345)	(\$1.299)	(\$0.526)	(\$0.914)
PG&E Citygate	744,300	\$7.126	\$0.032	(\$0.815)	(\$0.149)	(\$0.671)
Dominion-South	426,100	\$7.987	\$0.091	\$0.046	(\$0.090)	\$0.192
Transco Zone 6	232,800	\$8.179	\$0.180	\$0.238	(\$0.001)	\$0.311

While there is currently an area of showers and thunderstorms over the northwestern Caribbean, that has the a few forecasters watching for potential tropical development, none of the global forecast models currently show this system developing into a tropical system. But this system is expected to hang around and drift



northwestward over the weekend. But the National Hurricane Center has noted at midday that this system has become less organized over the past 24 hours as surface pressures are rising in the area. As a result the NHC cancelled reconnaissance aircraft that had been previously scheduled for today to investigate the area. They saw no tropical cyclone formation in the Atlantic basin for the next 48 hours.

Independent producer Teton Energy said Friday that it had expanded its hedging program in order to further develop producing assets and increase borrowing under its credit facility with its banks. The company said that it sells most of its gas in the Piceance Basin at index prices for the Colorado Interstate gas hub. Teton entered a fixed price swap at a strike price of \$5.78 per Mmbtu for 30,000 Mmbtu/month for July through October for a total of 480,000 Mmbtu. The company in November 2006 had hedged 360,000 Mmbtu for calendar 2007 by buying at \$6.00 put and selling a \$7.25 call.

PIPELINE MAINTENANCE

Panhandle Eastern Pipeline said that there will be an outage on the Glenarm 200 Line from Gate Valve 205 to Gate Valve 206 in order to perform a DOT Relay beginning June 18th and lasting for 20 days. Capacity will be limited to 1300 Mmcf/d.

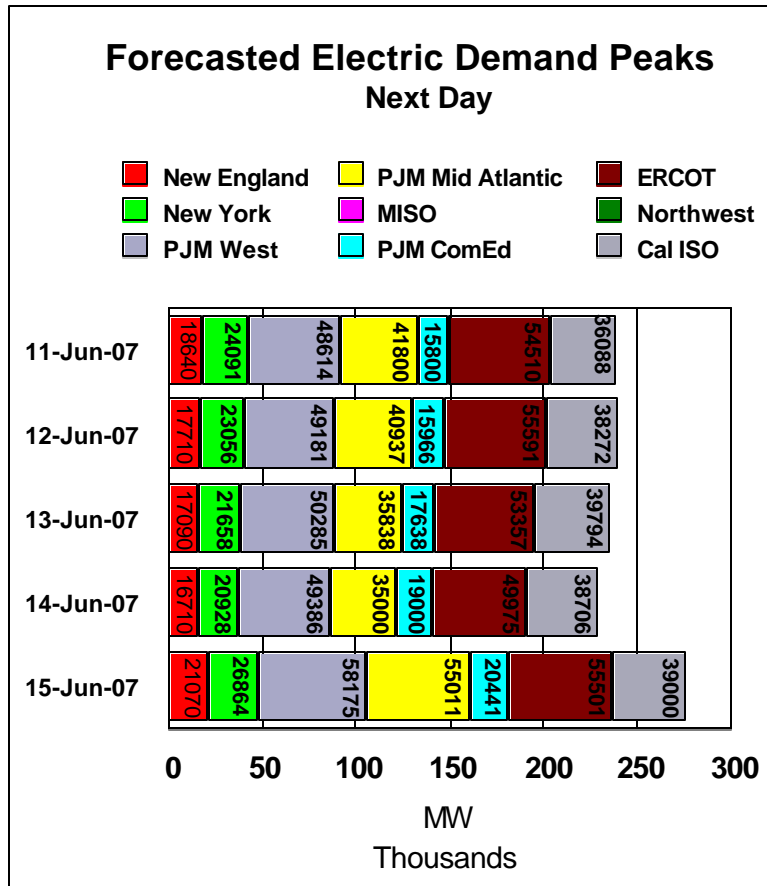
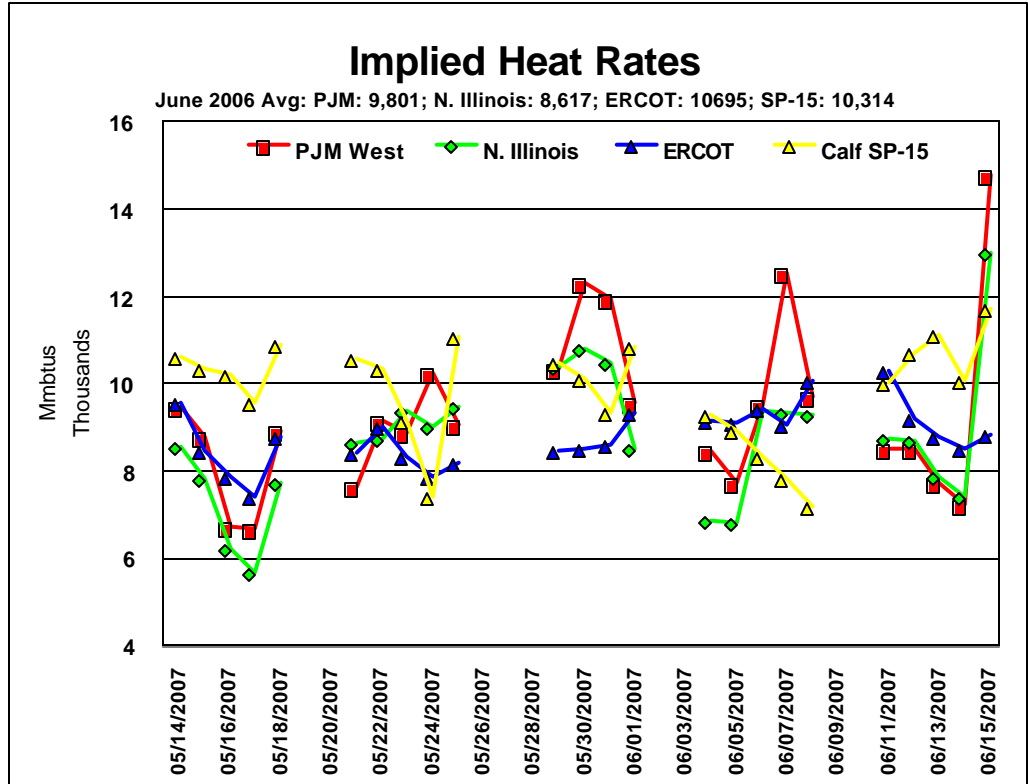
ANR Pipeline said it has extended the unplanned engine repairs at its Sandwich CS located in Illinois. At this time the company said it would accept only Firm Primary nominations through the area and this restriction will remain in effect through June 22nd.

ELECTRIC MARKET NEWS

U.S. coal production for the week ending June 9th totaled 21.329 million tons down 2.5% from the previous week and down 3.5% from the same week a year ago. Year to date coal production is running 2.8% below a year ago.

CPS Energy has proposed to build a 200 Mw natural gas fired peaking power plant at its Braunig Lake Station in Texas to meet the growing power demand of the San Antonio region.

Tondu Corp said today that it is now opting to build a natural gas fired



power plant near Corpus Christi instead of 600 Mw integrated gasification combined cycle unit because of the high cost of IGCC technology. The company has modified its application with Texas regulators to start a simple cycle natural gas plant of about 125 Mw. The IGCC plant would have cost the company they estimate \$1.5 billion to build and would have taken 5 years to complete. The simple cycle unit they feel will be in service early next year.

The American Public Power Association and the National Rural Electric Cooperative called on the FERC to order the WECC to rescind or amend its "Supplemental Registration Criteria" that would extend mandatory reliability standards to many more entities. The groups said these standards are inconsistent with the NERC criteria for which entities must register to comply with the mandatory standards.

North to South capacity along the California-Oregon AC is expected to hold steady at 4200 Mw through late next week while capacity on the Pacific DC would drop from 2600 on Friday to 1000 Mw on Monday.

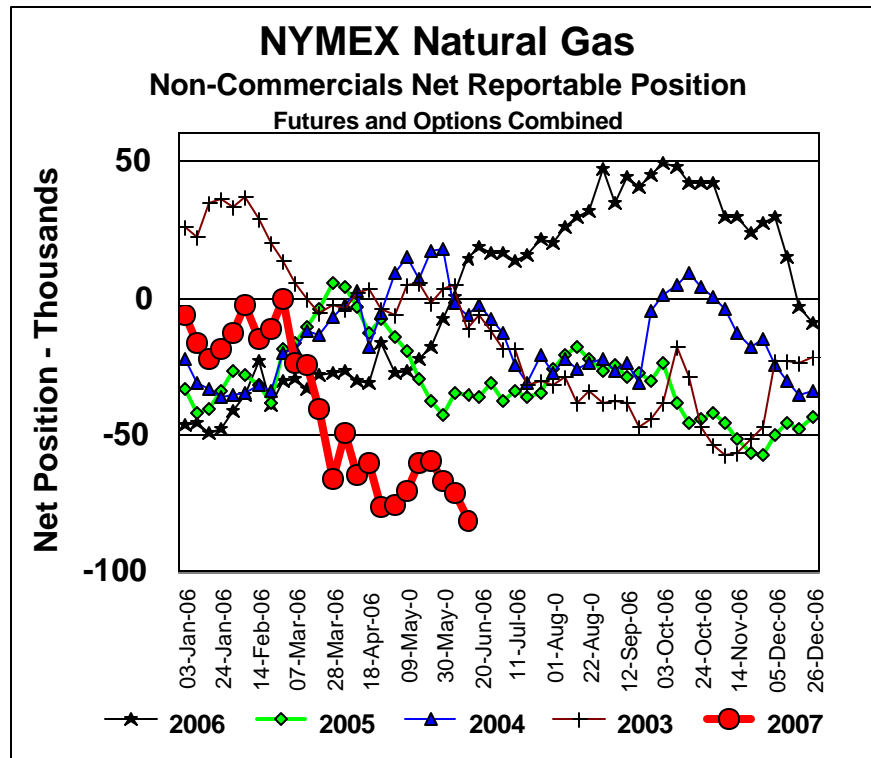
MARKET COMMENTARY

The expectations for higher electrical loads next week especially in the east sent power prices jumping and pulling natural gas prices higher. Natural gas prices also received a boost at midday from updated temperature outlooks that were released that were supportive as above normal temperatures were once again forecasted for much of the nation over the 6-14 day period. In addition some minor discussion was bantered about over the possibility that the unsettled weather in the Caribbean could develop into something over this weekend. This tropical threat though seemed to be dispelled at midday by several private forecasters as well as by the NHC which canceled its aircraft reconnaissance of the area and the updated global forecasting models which all downplayed the threat from this weather system. Volume

was excellent with just under 130,000 lots traded. Open interest reported at midday showed a third consecutive trading session in which open interest increased, signaling new longs coming into the market. Over the three sessions total open interest has grown by a combined 26,234 futures contracts.

This afternoon's Commitment of Traders Report showed that for the week ending June 12th, non-commercials appear to have increased their net short position by 11,282 lots in the futures market and by 10,346 lots in the combined futures and options position. The combined futures and options net short position by non-commercials is now at an all time high and clearly is a warning flag that this market has explosive potential for short covering at any clear sign of a weather threat to offshore production facilities in our minds.

Well our price outlook for today was quickly trashed once yesterday's highs were breached right at the start of the morning session. We would look for traders to start out Monday by looking at the updated temperature forecasts. If there is any appearance of a moderation in the temperature outlook it should prompt a little selling that could push prices back down. We would look for initial support at \$7.843, \$7.795-\$7.79, \$7.736, \$7.66 and \$7.549. Resistance we see Monday at \$8.017, \$8.041, \$8.067 as well as \$8.152 and \$8.287.



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