ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 19, 2009

NATURAL GAS MARKET NEWS

The United States Natural Gas Fund on June 5th asked U.S regulators for permission to boost the number of shares it can issue to 1.2 billion from 200 million. The SEC is still considering the request.

Generator Problems

NPCC – OPG's Nanticoke #3 and 36 coal fired units returned to service this morning.

The NRC reported this morning that 94,818 nuclear generation capacity was on line, down 0.1% from yesterday and off 2.3% from the same time a year ago.

Baker Hughes reported today that the number of drilling rigs searching for natural gas in the United States rose by seven to 692 rigs. This was the first gain in the rig count in seven months. It appears the rig increase may have come as a result of increased activity in some prolific shale plays such as Haynesville or Marcellus.

The FERC on Friday issued the draft environmental impact statement for El Paso's proposed Ruby Pipeline Project. The proposed project would have a capacity of transporting 1.5 million Dth/d of gas from the Rocky Mountains to the U.S. West Coast.

The U.K. Meteorological Office released its updated forecast for the tropical Atlantic hurricane season today. It calls for only six tropical storms, well below last year's 15 named storms as well as the long term seasonal average of 12.4 storms.

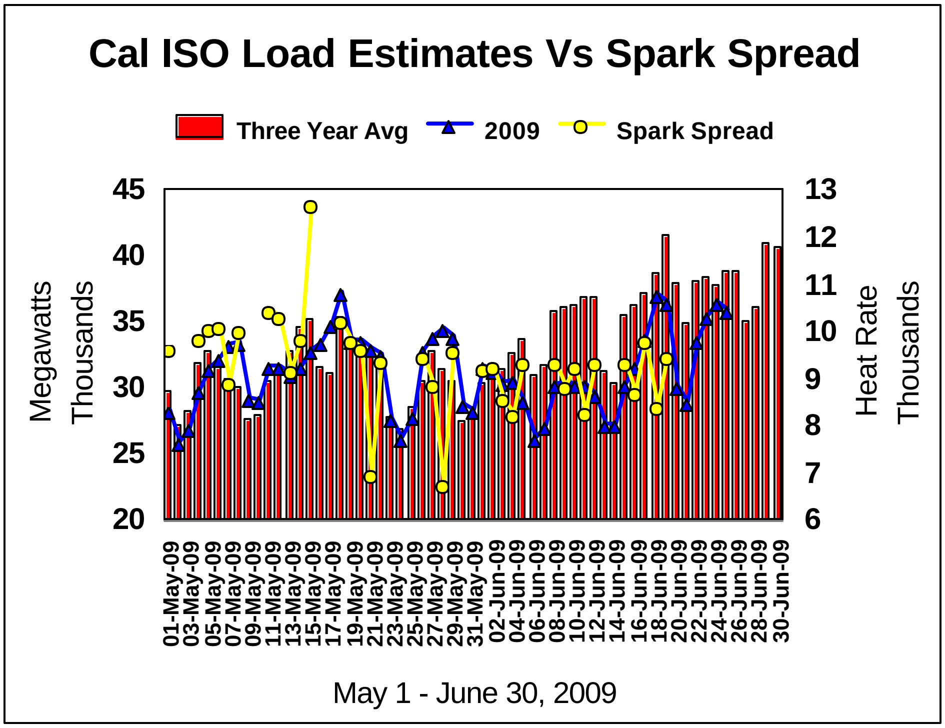
The FERC Friday approved Kinder Morgan Louisiana Pipeline's request to begin service on the bulk of a 135 mile 42 inch pipeline that will carry LNG from Cheniere LNG's 2.6 bcf Sabine Pass import terminal to multiple pipelines.

The House Appropriations Committee Thursday approved a $32.3 billion spending bill that calls on the EPA to review the risks of hydraulic fracturing pose on the nation's drinking water.

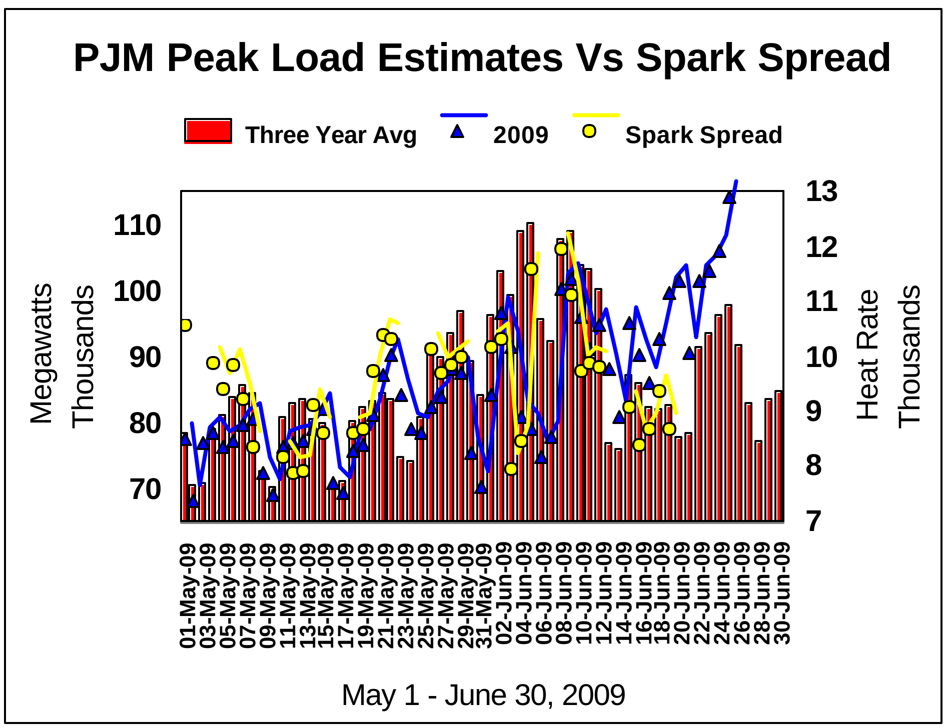
Natural Gas Cash Market
ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,098,200	$4.039	($0.146)	($0.018)	($0.097)	($0.407)
Chicago City Gate	554,400	$3.715	($0.272)	($0.342)	($0.204)	($0.283)
NGPL- TX/OK	682,300	$3.711	($0.165)	($0.347)	($0.097)	($0.370)
SoCal	212,500	$3.143	($0.269)	($0.914)	($0.201)	($0.892)
PG&E Citygate	354,200	$3.315	($0.298)	($0.742)	($0.230)	($0.709)
Dominion-South	264,300	$4.271	($0.064)	$0.214	$0.004	$0.100
USTrade Weighted	15,172,600	$3.722	($0.165)	($0.335)	($0.10)	($0.407)

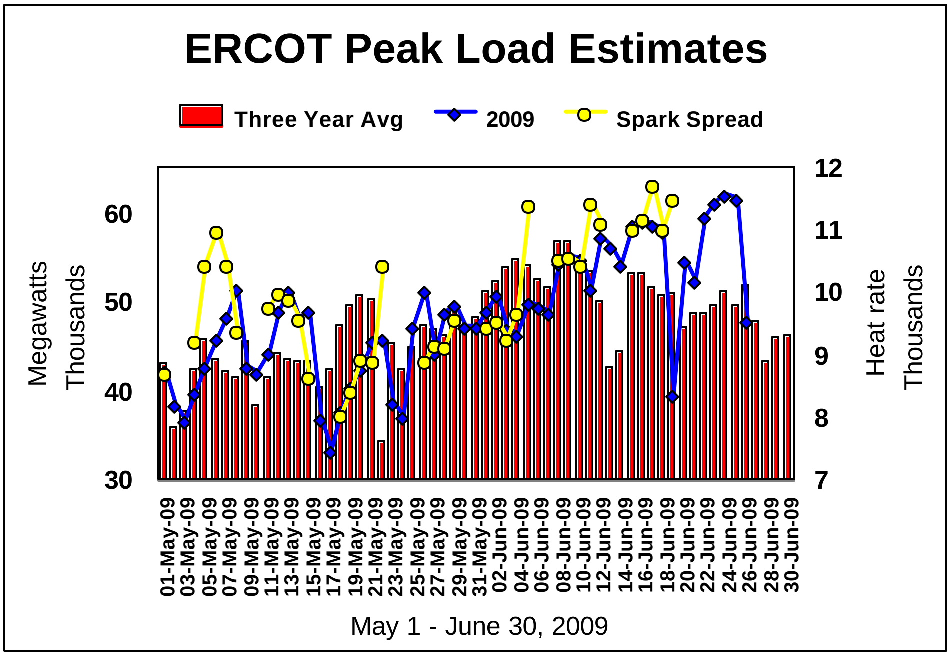
Ukraine's Prime Minister said today that her country would boost Russian gas imports in July. She noted the bill this month will mean it will pay Russia $250 million, but will jump to $1 billion in July. Basis current prices that would equate to imports of 0.94 bcm in june would then jump to 5bcm in July. She gave no indication where those funds would come from since this past month the country was forced to borrow from Western Europe just to pay last month's gas bill. The European Commission warned yesterday of a possible new gas shortage as soon as this summer and called for an investigation into whether it could drag on into winter. The commission urged both Gazprom and the Ukraine to reach a stable and long term arrangement to secure transit towards the E.U. The European Commission President said today it was not the responsibility of the European Union to help the Ukraine to pay for Russian gas imports, but suggested that the Ukraine approach European gas companies or international financial institutions for stop gap funding.



Japan's top LNG importers reportedly have finally struck a deal with the operators of the Qatargas 1 LNG project that ends a five-year-old dispute over the price of gas supplied into Japan. The group of Japanese importers brings in a combined 6 million metric tons per year of LNG. The new deal reportedly will end demands from the supplier to establish a direct link between the value of oil and the price paid for the LNG. It provisionally ties contract prices to official Japanese LNG import prices, which include spot purchases as calculated monthly by the Japanese Finance Ministry. In return, the consortium will retain some protection from strong spikes in oil prices in the new retroactive pricing formulas agreed with Qatargas 1.



Reuters reported that according to ship tracking services that Britain and Belgium will each take delivery of three more LNG cargoes before the end of this month.



Royal Dutch Shell announced it has made a promising gas discovery at its Gro prospect in the Norwegian Sea. The company noted it has the potential to be the largest find off Norway in years. Preliminary estimates put the find between 10 and 100 billion cubic meters of gas.

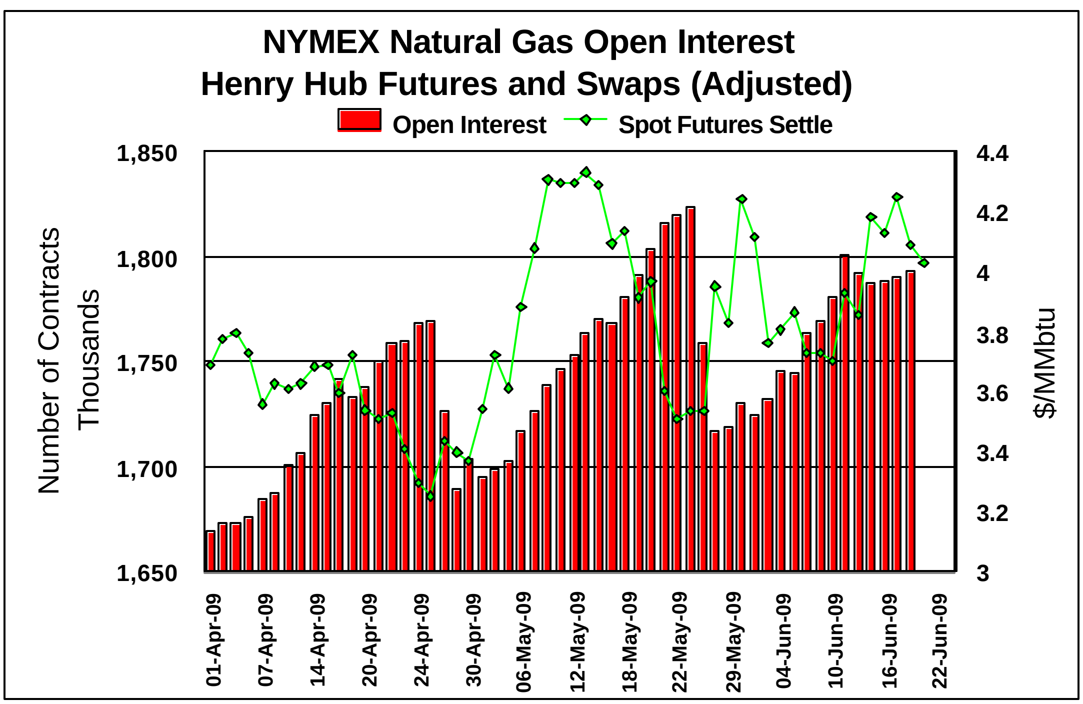
Woodside Petroleum CEO said Friday that the construction of the company's Pluto LNG project is more than 65% complete, and expects by the end of this year to see the construction to be around 85% to 90% complete. He still expects to see the first gas from the facility at the end of 2010. He said that significant additional LNG supply will be required to meet expected demand growth from 2015 onwards and he remains confident in the strength of future LNG demand. He also noted that the fifth LNG processing train at the North West Shelf joint venture is now producing above expected capacity.

PIPELINE RESTRICTIONS

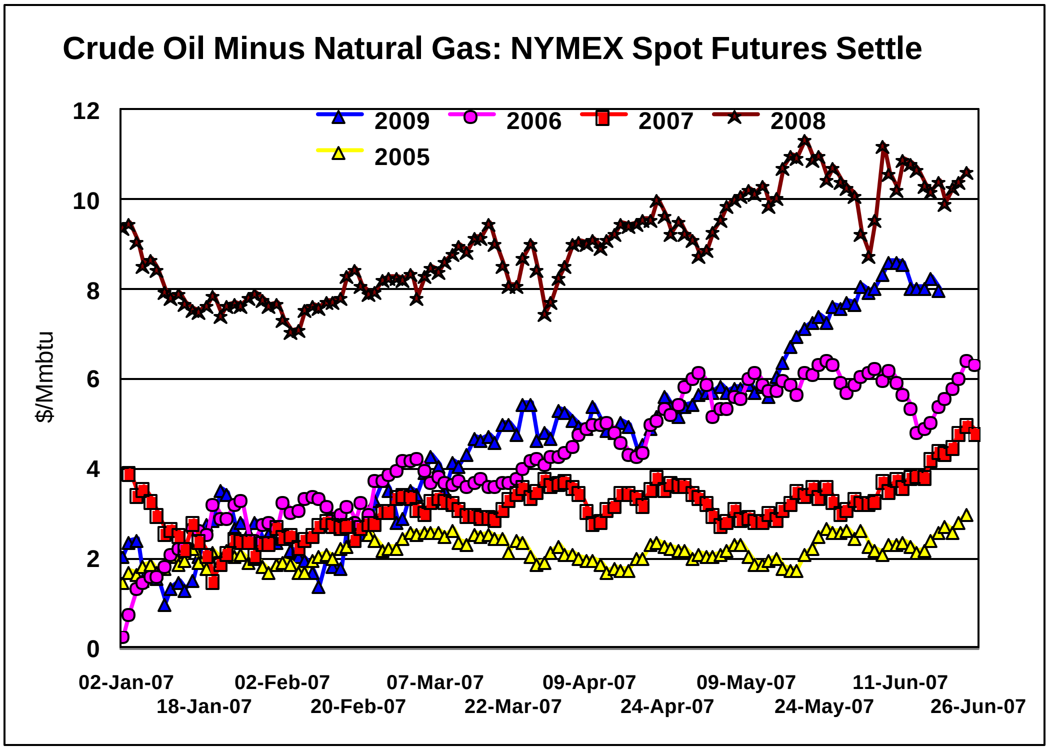
FGT said due to warm temperatures forecasted for its service territory for the next three days and utilization of FGT capacity is high; the company is extending an Overage Alert at a 25% tolerance.

PIPELINE MAINTENANCE

Gulf South Pipeline said it has completed system maintenance at the Goodrich Compressor Station on Units #4,5 and 6 ahead of schedule. The work began on June 15th and was expected to last about seven days.



Alliance Pipeline said the Taylor Junction compression station will be offline for eight hours for maintenance on June 24th. Capacity will be lowered but determined at a later date.



Alliance Pipeline said that minor maintenance would require the Albert Lea, Alameda and Morinville Compression stations to be off line for four hours on June 24th. System throughout (AOS) is not likely to be impacted but will be determined closer to the outage date.

Panhandle Eastern said that as a result of recent inspections it will be operating the 200 Line between the Centralia and Pleasant Hill compressor stations at a reduced pressure while repairs are made. The work is expected to last two to three months

ELECTRIC MARKET NEWS

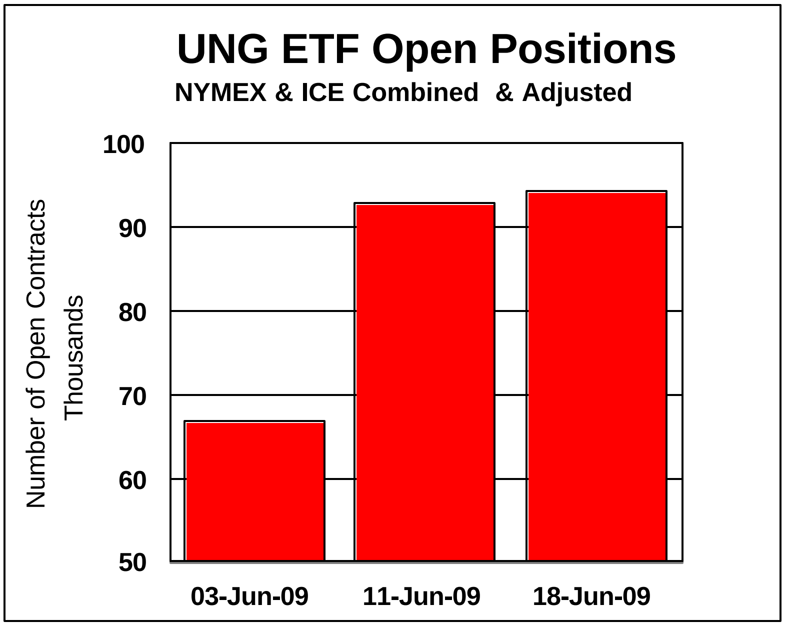
The Regional Greenhouse Gas Initiative administrators reported today that all the allowances offered in the carbon cap-and-trade program auction on Wednesday were sold, but clearing prices fell far below market expectations. 2009 allowances fell to $3.23 per short ton and $2.06 per short ton for 2012 allowances This was some 30 cents less in the 2009 allowances than was recorded at the last auction and nearly a dollar lower in the 2012 allowance. The administrators reported that 54 separate entities bid for the 2009 allowances with 13 entities submitting bids to buy 2012 allowances. Revenues from the auctions, held quarterly, go to the Northeast and Mid-Atlantic states involved to use to reduce greenhouse gas emissions. The program aims to reduce power generator emissions by 10% from 2009 levels by 2018.

Genscapre reported U.S. consumption of coal rose 2% from the previous week but it was still 13% less than the same week a year ago.

The EIA reported that U.S. production of coal for the week ending June 13th totaled 20.388 million short tons up 0.1% from the previous week but 3.4% less than the same week a year ago. Year to date production of coal is some 5.9% less than a year ago.

MARKET COMMENTARY

The natural gas market today settled lower for the fourth session out of the last five trading sessions. It appeared the bullish stampede of the past several weeks appears may have taken a holiday as volume in the natural gas ETF posted its smallest trading volume since June 2nd, as traders were met with not only another bearish hurricane forecast today but the prospects that production declines may be leveling off basis the Baker Hughes drilling rig numbers. The late day drop in oil prices did not hurt the bears in natural gas either. But natural gas values were still able to finish the week above $4.00 but we feel that with the prospects of a continued strong rate of injections of gas into storage coupled with no strong heat wave yet across the nation, this market next week should again breach this price level and once again make a run toward our price objective of $3.60.



We see support initially next week at $4.02-$4.01 followed by $3.945-$3.935. Additional support we see at $3.622, $3.65 and $3.39-$3.38. Resistance near term on Monday we see at $4.123, $4.156, $4.201 and $4.245-$4.267. More distant resistance we see at $4.328, $4.387, $4.575and $4.69.

This afternoon's Commitment of Traders Report appeared to show small net changes on the week. These were a net reduction in commercial reportable short positions by 6,021 lots for the week June 16th, while non-commercials decreased their net long position by 5072. But upon closer examination it appears during this period commercials were building their NYMEX gross position in natural gas by 32,172 lots on the long side while their short position grew by 26,151 lots. This was met by the non-commercials decreasing both their long and short positions.