



POWER MARKET REPORT FOR JUNE 20, 2008

NATURAL GAS MARKET NEWS

While the tropics remained quiet this morning and look to remain so for the next week or so, one forecaster was noting that the next pulse or wet phase of the MJO (Madden-Julian Oscillation), similar to the one that existed in late May is seen moving into the Atlantic Basin in about 10-14 days. As a result they are looking for this to be a signal for an increase in overall tropical activity and development systems during the first half of July. This possibly could yield at least one or two named storms was the thinking of one private forecaster. This cycle typically will last for 45 days and usually the strongest tropical systems tend to develop when the MJO favors enhanced precipitation.

A senior Indonesian official said today the government is considering introducing a clause in contracts covering gas exported through pipelines, which will allow a percentage of the gas meant for exports to be shifted into the domestic market, when local industries need it. The clause would be put into new export contracts as well as contract extensions. The domestic price for gas is nearly 50% less than the current

Generator Problems

SERC – Duke Energy's 1,129 Mw Catawba nuclear unit started to exit a refueling outage and ramped up to 10% by early Friday. The unit was shut on May 3.

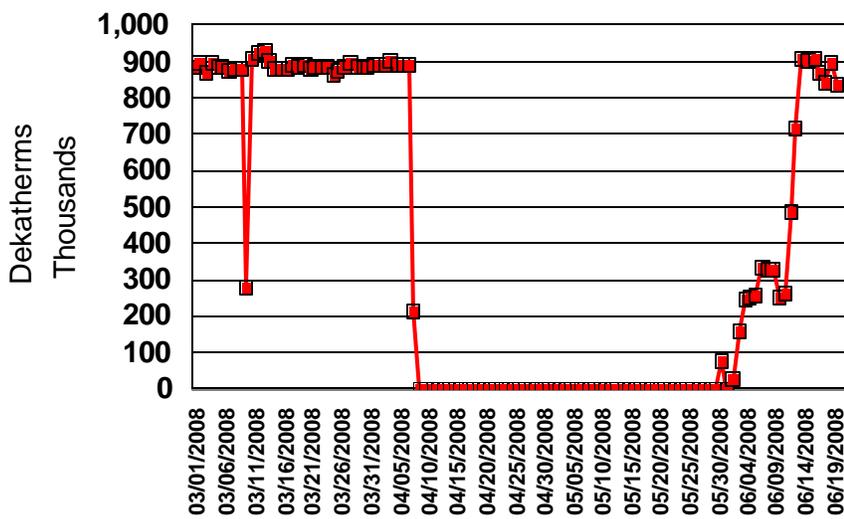
MAPP – OPPD's Fort Calhoun nuclear unit ramped higher by 23% over the last day and was as 53% of capacity this morning.

WSCC – SCE's 1,070 Mw San Onofre#2 nuclear unit cut its operations by 1% to 96% of capacity on Friday.

NPCC – OPG's 490 Mw coal-fired Nanticoke unit 5 returned to service on Friday after it was shut on June 16.

The NRC reported that 97,027 Mw of nuclear capacity is online, up 0.2% from yesterday and some 4.4% higher than the same date in 2007.

Independence Hub Natural Gas Receipts
Into The Tennessee Gas Pipeline Interconnect



March 1 - June 19, 2008

export price is for the fuel. The government aims to increase the portion of its gas output for domestic use to 40-50% from its current level of 30%.

PEMEX reported today that Mexico's natural gas production in May rose 2% to 6.851 bcf/d from April while gas impost in May decreased to 372.4 MMcf/d, a 8.4% decline from April.

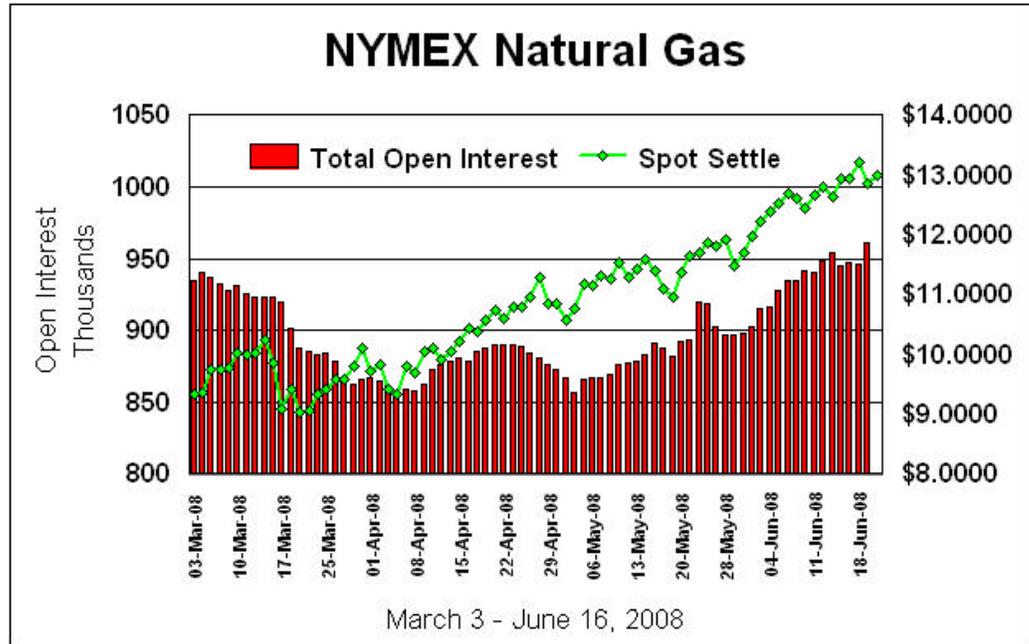
ELECTRIC MARKET NEWS

Barclays Capital in their daily commodity commentary said today that flooding in the Midwest has halted coal deliveries to utilities, possibly leading to an increase in off peak power prices in the MISO, PJM and SERC areas. They noted that

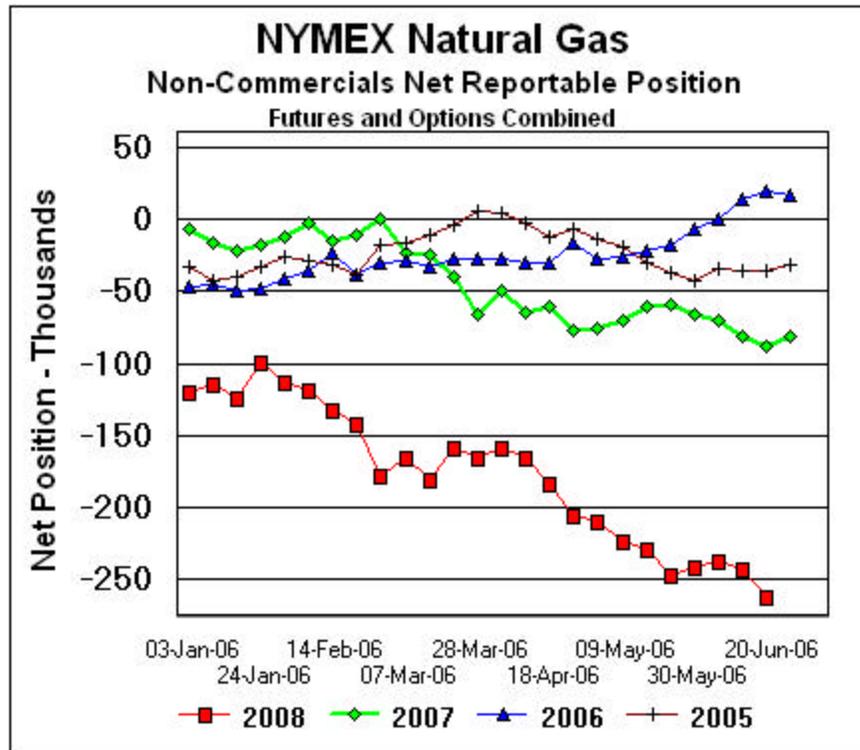
Norfolk Southern and Union Pacific had both halted coal shipments or declared force majeure as a result of the flooding. They noted that spot coal prices have rallied as a result of the rail problems despite eastern coal plants holding over 40 days of forward supply of coal.

The Illinois attorney general's office this week filed a motion asking the FERC to take a harder line with Edison Mission. The state attorney general's office contends that a

unit of Edison International, a major generator and seller of power, continues to employ a strategy known as withholding that restricts the supply of generation to power markets. The apparent continuation of this strategy has occurred despite the company promising federal regulators more than three years ago that it would stop the practice. The FERC just last month had fined the company \$9 million for the company's staff misleading FERC investigators over its pricing practices over the past several years. The American Public Power Association, a group of publically-owned not for profit utilities welcomed the state action.



Cal ISO today restricted maintenance operations at generating and transmission facilities on Friday in northern and southern California as warm temperatures boosted air conditioning demand in the state. Cal ISO forecast electricity demand could reach 46,657 Mw Friday afternoon.



Genscape's U.S coal burn index fell 2% for the week ending June 19th on cooler weather in the east. The coal burn index was 4% less than a year ago.

US Democratic presidential candidate Barack Obama said it was worth investigating the further development of nuclear power but added that it "was not a panacea" for US energy woes. He noted that nuclear power does not emit greenhouse gases and therefore the US should consider investing research dollars into whether nuclear waste can be stored safely for its reuse. His Republican opponent, John McCain has proposed a big push for nuclear power, saying if he is elected as president he would put the country

on course to build 45 new nuclear reactors by 2030.

MARKET COMMENTARY

Once again a Friday trading session in the natural gas market, especially during the summer, and traders were unwilling to push this market in either direction. As a result, the market posted its second straight Friday inside trading session. Today's price action was well within yesterday's trading range as traders seemed equally ambivalent of testing either the highs or the low from yesterday, instead keeping 15-16 cents away from yesterday's pricing extremes.

Monday though we would look for this market to make a move and part of this may be dependent of the direction of oil prices. But we feel that any downward move in oil prices will not be fully matched by natural gas prices, as natural gas seeks to reduce its discount relative to crude prices, but likewise any upside move without a tropical threat we feel will see natural gas lose value to oil.

We see support for natural Monday at \$12.78, \$12.625-\$12.61, \$12.39. Additional support we see at \$12.225 and \$12.163. Resistance we see at \$13.19, \$13.35, \$13.39 and \$13.595.

The latest Commitment of Traders report showed that non-commercials in the natural gas market increased their net short position by 6,839 lots to 73,399 contracts. The combined futures and options report also showed that the funds add to their net short position by 19,138 contracts to 261,813, a new record short position. The funds have likely continued to add to their short position in recent days. It is interesting to note the large build in natural gas open interest following Thursday's sharp sell off. Open interest built by a total of 14,947 lots as shorts returned to the market, with a decline of 20,509 lots in the July contract while the August contract saw a build of 20,208 contracts. Open interest also saw builds for next winter.

