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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 2, 2007

NATURAL GAS MARKET NEWS

Houston-based Linn Energy LLC and a group of investors have made a deal to acquire Dominion Resources Inc.'s natural gas heavy Midcontinent properties, located primarily in Oklahoma, for $2.05 billion. With the announcement, Dominion now has sold or agreed to sell all of the exploration and production (E&P) operations that it plans to divest from its portfolio.

Are natural gas prices going to drop to $6/Mcf at the Henry Hub or even lower? Maybe yes, maybe no, said the usually bullish Raymond James & Associates Inc. energy analysts, who Monday cut their full-year 2007 gas forecast to $7.08 from $7.70.

A House committee is looking into allegations by BP employees that the company has allowed natural gas in a Prudhoe Bay processing plant to reach a level that is almost double the size of the facility's design capacity.

Storm watchers are tracking a tropical wave that emerged from the west coast of Africa late last week. The wave is still way out in the Atlantic, but the combination of heavy thunderstorms, a slight counterclockwise spin and water temperatures warm enough to support tropical development warrants a careful eye of the system.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company said that on June 30, a Force Majeure event occurred at Station 302 in Montgomery County, Texas (Segment 25 of Natural's Texok Zone). Repairs are currently ongoing but the outage duration is unknown at this time. Effective on the Timely Cycle for July 2 and continuing until further notice, ITS/AOR and Secondary out-of-path transports will not be scheduled. Additionally, Primary Firm and Secondary in-path transports are at risk of not being fully scheduled.

PIPELINE MAINTENANCE

National Fuel Gas said that the Roystone Station

Generator Problems

ECAR – FirstEnergy's 1,260 Mw Perry nuclear unit shut over the weekend. The unit was operating at 55% just ahead of the outage.

ERCOT – TXU Corp.'s 750 Mw Martin Lake #2 and #3 coal fired power units restarted following repairs to boiler tube leaks.

MAIN – Exelon Generation's 1,120 Mw Braidwood #1 nuclear unit ramped up to full capacity today. The unit was operating at 26% capacity on Friday. Braidwood #2 continues to operate at full power.

NPCC – Constellation Energy's 495 Mw Ginna nuclear unit reduced output to 55% capacity over the weekend. The unit was operating at full power on Friday.

SERC – Progress Energy's 938 Mw Brunswick #1 nuclear unit returned to full capacity. On Friday, the unit was operating at 71% power. Brunswick #2 continues to operate at full power.

Dominion Resources' 925 Mw North Anna #2 nuclear unit tripped shut on Friday following a turbine issue. North Anna #1 remains at full power.

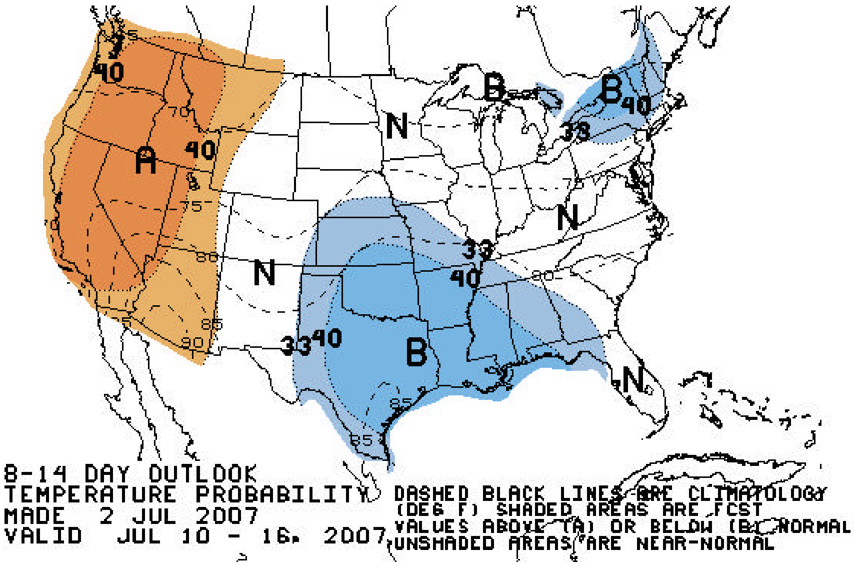
Progress Energy's 710 Mw Robinson #2 nuclear unit reduced output to 85% capacity, down from full power.

WSCC – Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit exited an outage and ramped up to 96% today. On Friday, the unit was warming up at 2%. San Onofre #3 continues to operate at full power.

Energy Northwest's 1,200 Mw Columbia nuclear unit restarted and ramped up to 20% capacity.

AES Corp.'s 495 Mw Alamitos #6 natural gas fired power station shut for unplanned reasons.

The NRC reported that 94,011 Mw of nuclear capacity is on line, up .43% from Friday, and unchanged from a year ago.



Maintenance will begin today at 8:00 AM ET. By the start time of the maintenance, producers on the following lines will be required to cut their production by 50%.

PG&E California Gas Transmission announced two capacity reductions due to maintenance projects this week on the Baja Path. Through July 3, the Hinkley compressor K-12 will see capacity reduced to 932 MMcf/d due to alignment, as well Kettleman compressor K-2 will have an unscheduled outage during the maintenance. Also, from July 4 to August 6, Hinkley compressor K-12 will undergo alignment maintenance and capacity will be reduced to 932 MMcf/d.

MARKET COMMENTARY

The natural gas market opened 16 cents weaker to start the holiday week. Today's 25-cent range saw the August contract drop to last Thursday's low of 7.551 early in the session, as moderate temperatures dominate major consuming regions. With the turn around in the oil complex to positive territory, natural gas rebounded off its lows to an intra day of 7.80 for the August contract before settling down 0.9 cents at 6.764.

With unsupportive weather seen through mid-July and storage at fairly healthy levels, we see the natural gas market consolidating at these levels but looking to make new lows to the 6.40 level. Expectations for this week's storage report, are a little bullish compared to the five-year average given last week's minor heat wave. The street is looking for a build of 70 to 80 Bcf and the five-year average injection for this report is 85 Bcf. However, the following week's report will reflect the current mild weather and the decreased commercial and industrial demand given the holiday week, meaning there will be more gas available for storage. We see support at $6.60, $6.50, $6.40 and $6.20. We see resistance at $6.85, $7.00, $7.60 and $8.00.