



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 5, 2007

NATURAL GAS MARKET NEWS

Participation in natural gas customer-choice programs has slowed considerably over the years, even though buyers of gas from marketers paid less than local distribution company (LDC) customers in most months between 2002 and 2005, the Energy Information Administration said in a new report.

Dominion said it had extended its agreement to sell two natural gas utilities to Equitable Resources until at least September 1, adding that it and Equitable also agreed to further extend the termination date to November 1 if they are able to reach agreement to close the sale of Dominion Peoples earlier than the sale of Dominion Hope. Dominion Peoples serves about 357,000 homes and businesses in western Pennsylvania and Dominion Hope serves 116,500 homes and businesses.

BP Shipping took delivery this week of the British Emerald, the world's largest liquefied natural gas carrier, the first in a series of dual-fuel diesel-electric gas ships.

PIPELINE MAINTENANCE

Sabine Pipeline said that it began unplanned compressor repairs at the Henry Hub South Booster Station and will be removing a compressor from service until necessary repairs are completed. Sabine may be required to allocate nominations from Henry Hub receipts points requiring compression in order to match compression capabilities at the Henry Hub Facilities.

Gulf South Pipeline has extended maintenance at Goodrich Compressor Station #4 to July 18. Capacity through the Goodrich Compressor Station could be reduced by as much as 50,000 Dth for the duration of the maintenance. Gulf South also said that the Montpelier Compressor Station Unit #6 began maintenance July 4 for approximately 90 days. Capacity may be affected by as much as 75,000 Mcf/d during the project. Also, Bistineau Compressor Station Unit #4 is currently undergoing maintenance that may affect capacity by as much as 150,000 Dth through mid-July. Finally, Gulf South said that both units at Olla Compressor Station will undergo maintenance that may affect capacity by as much as 250,000 Dth/d beginning July 16 and lasting till July 29.

ELECTRIC MARKET NEWS

Duke Energy Carolinas said it plans to build two natural gas-fired combined-cycle plants in North Carolina, one at its Buck station in Rowan County and the other at its Dan River site in Rowan County. Each of the plants would have a capacity of between 600 and 800 Mw. If approved, the Buck plant would begin commercial operation in 2010 and the Dan River facility in 2011.

Generator Problems

ERCOT – TXU Corp.'s 575 Mw Big Brown #2 coal-fired power unit restarted following unplanned maintenance after the unit tripped due to a lightning strike.

NPCC – Constellation Energy Group's 497 Mw Ginna nuclear unit dipped to 68% by early today. On Tuesday, the unit was operating at full power.

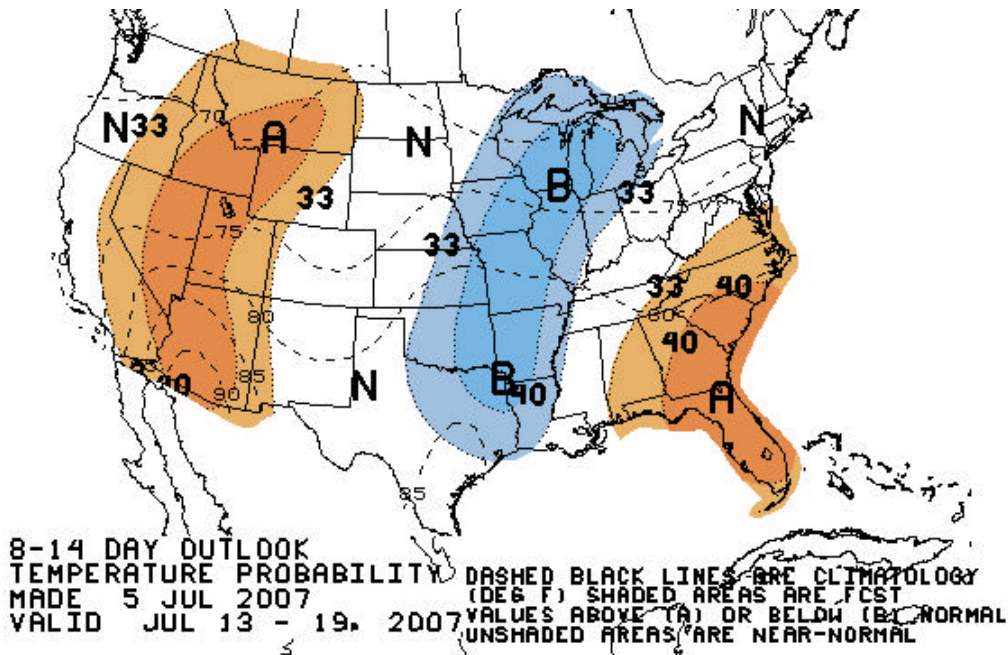
Entergy Nuclear's 670 Mw Pilgrim nuclear unit returned output to full power. On Tuesday, the unit was operating at 40% power.

SERC – Progress Energy's 710 Mw Robinson #2 nuclear unit ramped up to full power. On Tuesday, the unit was operating at 85% power.

WSCC – Calpine Corp.'s 530 Mw Sutter natural gas-fired power station returned to service after a two-month shutdown.

Mirant Corp.'s 682 Mw Pittsburg #7 natural gas-fired power station shut for unknown reasons.

The NRC reported that 95,032 Mw of nuclear capacity is on line, up .38% from Wednesday, and up .91% from a year ago.



A Power Watch is in effect in California through today, July 5, as the unusual and unrelenting heat wave gripping the West Coast is driving atypically high peak demand. According to most recent projections this morning, demand in California is called to reach almost 45,000 Mw today and 44,571 Mw on July 6. In addition, on Tuesday morning, a plane crash took down transmission lines near San Diego and overnight approximately 1,900 Mw of generation in Southern California tripped out of service.

The Canadian Government reported that Kettles Hill Wind Energy will be the first company to receive funding under the ecoEnergy for Renewable Power initiative. Kettles Hill Wind Energy is completing construction of a 63 Mw wind-power facility located five kilometers east of Pincher Creek, Alberta. When in full operation, the project is expected to produce 200,000 MWh of emissions-free power each year.

MARKET COMMENTARY

The natural gas market opened lower in line with weaker cash prices as cooling demand is below average in the key Midwest and Northeast markets. August natural gas again tested its recent lows, trading to a daily low of 6.56 following the release of the bearish oil stats. With continued light trading given the holiday week, natural gas spent the rest of the session struggling to get back above 6.60 support. The front month settled down 13.6 cents at 6.618, with the rest of the summer months being down about the same, but the winter months were off less, with January, February and March 9.5 cents on the session.

Expectations for tomorrow's EIA inventory report call for a build of between 70-90 Bcf with most looking for a build of 79 Bcf. A build on the low side near 70 Bcf would likely be perceived as bullish, though with quiet trading this week amid the July Fourth holiday, the number could slip right past without any strong market reaction. Conversely, if the storage data is above expectations (over 90 Bcf), the market could test 6.40 and below, as such a build would leave a healthy surplus in place as the market heads into the heart of summer. We see support at \$6.503, \$6.4165 and \$6.273. We see resistance at \$6.733, \$6.8765 and \$6.963.