



POWER MARKET REPORT FOR JULY 7, 2008

NATURAL GAS MARKET NEWS

As Tropical Storm Bertha became a hurricane this morning, forecasters revised their expected path for the storm to move northwestward and then northward away from the U.S. mainland and it appeared to erase the bullish fears that were in the marketplace at the end of last week. While the track forecast for the storm remained basically unchanged throughout the day, forecasters though were scrambling in updating their forecasts for the strength of the storm. While this morning's update had the storm basically only reaching 80 knot winds within 36 hours, by the 5 PM update forecasters suddenly had pegged the storm had reached Category 3 status and would see 100 knot winds remaining in place for at least another 12 hours.

The U.S Coast Guard today has issued a waterway suitability report for the proposed Jordan Cove Energy LNG terminal, finding the International Port of Coos Bay, OR could not

Generator Problems

SERC – Southern's 876 Mw nuclear unit #1 at the Hatch nuclear power plant was at only 3% of power this morning down 94% from Thursday. The unit tripped off line over the weekend, but operators were restarting the unit this morning.

ERCOT – Luminant's coal fired Unit #4 at the Sandow Steam Electric Station was in start up this morning. The unit went off line on June 27th for unplanned maintenance work.

SPP – Entergy's 988 Mw Arkansas Nuclear One Unit #2 nuclear unit was at full power this morning rebounding 38% from Thursday's operating levels as operators completed repairs on a tube leak.

NPCC – OPG's 490 Mw coal fired Unit #2 at the Nanticoke power station returned to service Sunday. The unit had been off line since June 30th.

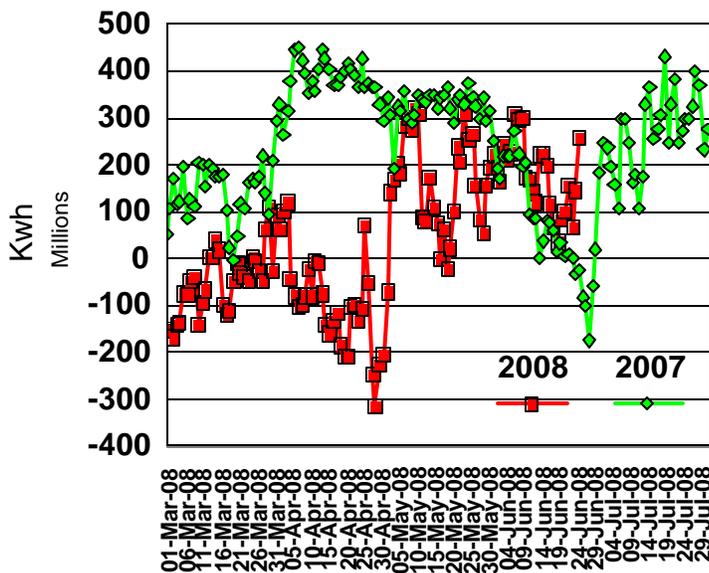
WSCC – AES Corp's 480 Mw natural gas fired Unit #8 at the Redondo Beach generation unit was shut on Sunday for unscheduled maintenance.

Energy Northwest's 1200 Mw Columbia Generating nuclear station returned to full power this morning after operating at 85% of capacity for nearly a month.

The NRC reported that 97,645 Mw of nuclear capacity is online, down 0.3% from Thursday and up 2.1% on the year.

UK Daily Interconnector Pipeline Net Flows

Positive Value = Net Flow to Europe from UK



handle LNG tanker traffic currently but pending certain navigational, security and safety measures were enacted then a positive report is possible.

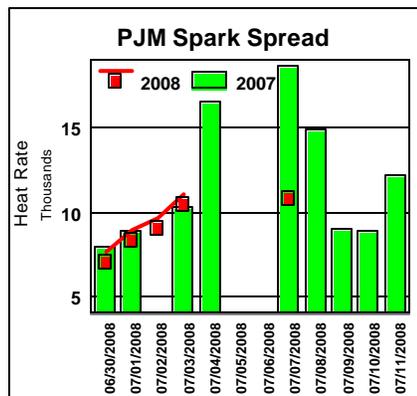
Broadwater Energy LLC and Broadwater Pipeline LLC have filed an administrative appeal with the Department of Commerce, asking the agency to overturn New York State

regulators opposition to its LNG terminal project and pipeline in Long Island Sound.

BHP Billiton and its partner Woodside Petroleum said today that it Neptune project in the deepwater of

the Gulf of Mexico has finally produced its first oil and gas production, following a three month delay in its start up due to structural corrections that had to be made to the platform. The platform has a production capacity of 50,000 b/d of oil and 50,000 Mcf/d of natural gas.

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	1,718,200	\$12.955	(\$0.044)	\$0.035	\$0.860	(\$0.712)
Chicago City Gate	886,600	\$12.856	\$0.272	(\$0.064)	\$0.840	(\$0.418)
NGPL- TX/OK	684,300	\$12.333	\$0.054	(\$0.588)	\$0.622	(\$0.876)
SoCal	1,105,200	\$12.555	\$1.091	(\$0.365)	\$1.659	(\$1.036)
PG&E Citygate	955,000	\$12.618	\$0.415	(\$0.303)	\$0.983	(\$0.796)
Dominion-South	355,900	\$13.658	(\$0.031)	\$0.738	\$0.537	\$0.492
USTRade Weighted	22,888,800	\$12.572	\$0.292	(\$0.348)	\$0.86	(\$0.712)



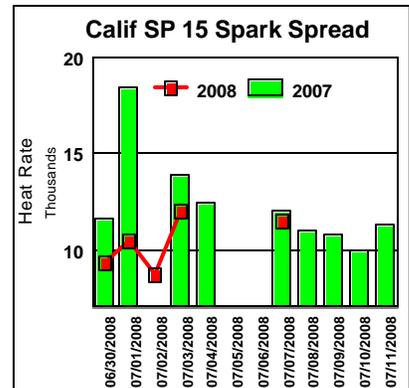
The gas pipeline connecting Britain with Belgium was expected to switch to UK import mode at midday today for the first time since early May.

PIPELINE RESTRICTION

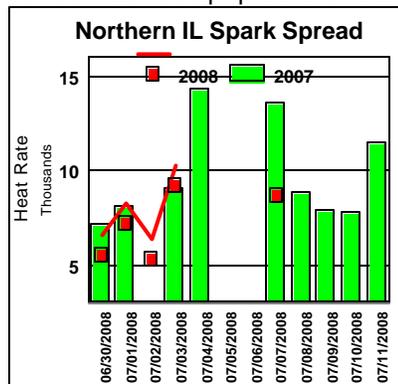
FGT warned today that given the forecast for warm temperatures in its Market Area starting Tuesday and lasting into the week, it may be forced to issue an Overage Alert Day during this period.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it has scheduled maintenance at the Bistineau Storage Dehydration Plant beginning July 10th and lasting for 15 days. The maximum storage withdrawals will be reduced by 450,000 Mcf/d for the duration of the work. Based on current operating conditions, the company does not anticipate any affect to nominations utilizing the facility.



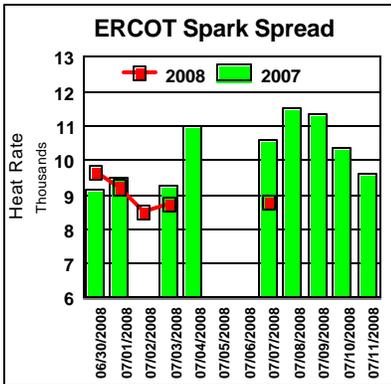
Trunkline Gas Company said that there will be an outage on the Kaplan 300-1 Line beginning July 11th and lasting for 5 days. The work is to install the Kinder Morgan Louisiana interconnect. Capacity for deliveries to Henry Hub High Pressure-TGC-Sabine, Sabine Henry Hub, as well as all Centerville delivery points may be limited. Also all Terrebonne receipt point locations upstream of the outage will be impacted as well.



Alliance Pipeline reported that it will have to maintenance projects this week. They will carry out routine inspections on the AB47 Carson Creek Lateral Meter/Compressor Station Unit #1, which resulted in the unit being off line for 10 hours on July 8th. Station capacity will be reduced to 335 e3m3/day. Inspection at AB 21 Teepee Creek Lateral Compressor Station on July 9th will reduce capacity at this facility to 984 e3m3/day.

Westcoast Energy said that maintenance at the Fort Nelson Gas Plant is scheduled to begin today and last through Friday. The repairs to fix a tube leak will require a 100% Firm Residue Constraint for the period. The company also said that a system-wide OFO that went into effect on July 2 remains in place,

Northwest Pipeline said it was conducting testing along its line between the Caldwell and Baker compressor stations. As a result primary firm nomination requests have exceeded the available capacity of 416,000 Dth/d



ELECTRIC MARKET NEWS

Genscapre estimated today that power generation in the U.S> for the week ending July 3rd was up 1.58% from the previous week and up 7.68% from the same week a year ago.

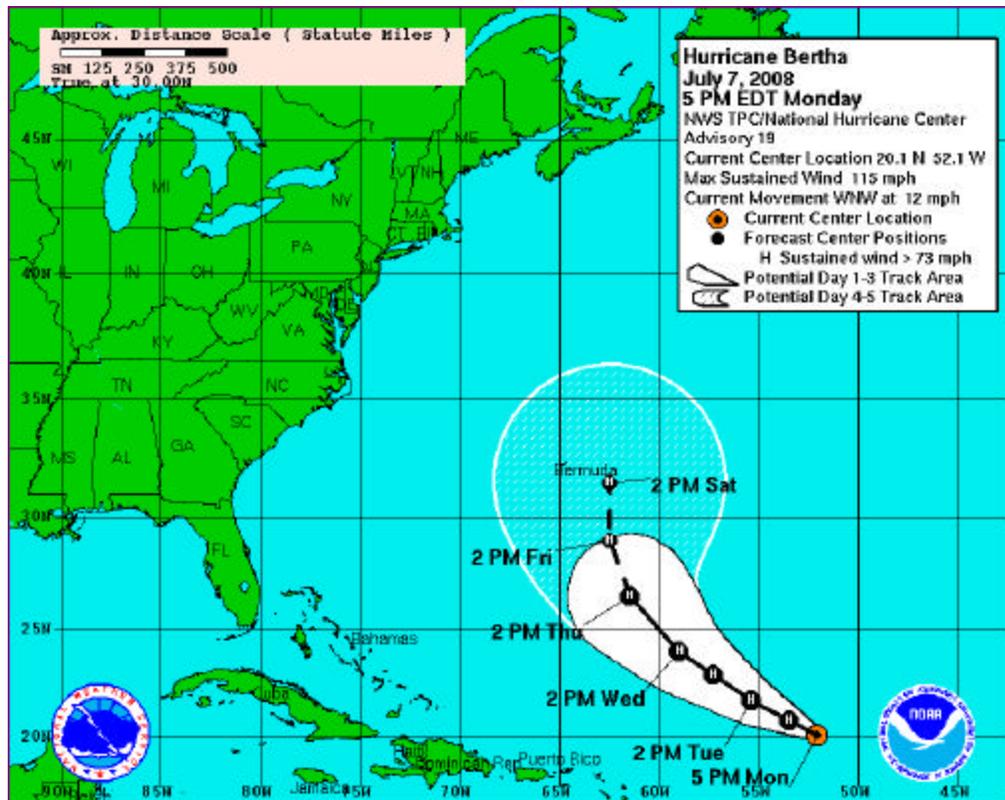
Connecticut's Governor Rell said over the weekend that part of the money raised through the Regional Greenhouse Gas Initiative should go to ratepayer relief if allowance prices exceed a certain level, such as \$5 per ton.. Her state is one of ten states participating in the carbon dioxide emissions cap-and-trade program. The first allowance auction is scheduled for September 10th.

New York City Mayor Bloomberg said today that New York City will spend \$2.3 billion to reduce greenhouse gases emitted by municipal buildings and operations in orde to cut the emissions by 30% in 2017.

PSE&G today filed for an increase in transmission rates as a result of significant additional investment in the utility's electric transmission system. The company's last rate increase was in 1997.

MARKET COMMENTARY

Once again the end of a trading week inside trading session in the natural gas market, is followed by a volatile trading session to start the trading week. This morning the traders who flocked to this market late on Thursday looking to hold a long position going into the holiday weekend with a tropical system roaming in the Atlantic, rushed to exits this morning as the threat to the production areas of the Gulf of Mexico had basically been erased. In addition the long liquidation in the oil markets, driven by a stronger dollar and a ratcheting down of the Iranian tensions, did little to provide comfort to the bulls. As a result prices tumbled throughout the morning and did not find support until midday as prices approached the four-month trend support line, which today in the August contract stood at \$12.84. For the remainder of the session the market basically moved in a sideways pattern, but still settled at its lowest level since June 25th.



This afternoon the CFTC reported that non-commercials continued to increase their net short position in the natural gas market for the week ending July 1st by 20,630 in their futures only report and by 21,826 lots in the combined futures and options report. This record net short position shows that given a true tropical threat to USG natural gas production this market could experience an explosive short covering rally. But without that weather threat this market appears to have reached a point on who will be the new sellers for this market? As a result we continue to look for opportunities to buy this market, especially given the relative discount that this market

currently has to the overbought oil markets as well. Ideally we would love to be a buyer below \$12.00 but realistically we feel the \$12.60-\$12.35 is a level to consider, especially to trigger buying call spreads for the hurricane season. We would look for support tomorrow to start at \$12.89-\$12.867, followed by \$12.71, \$12.61 and \$12.44. Additional support we see at \$12.35, \$12.01 and \$11.954. Resistance we see at \$13.187, \$13.284 and \$13.38-\$13.40. Additional resistance we see at \$13.69, \$13.839 and \$14.106.

