ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 11, 2007

NATURAL GAS MARKET NEWS

The American Gas Association and the American Public Gas Association both expressed the general support today of the proposed rulemaking by the FERC to revise the transparency regulations for wholesale natural gas transporters and sellers.

Petal Gas Storage LLC is holding a nonbinding open season for 5 Bcf of firm capacity to be created through construction of a new salt cavern at its Petal, MS facility. An in service date of the 2Q2010 is projected.

Royal Dutch Shell announced Wednesday that it had signed a 25 year service agreement with Qatari officials that will give the company access to all of the LNG supplies from a new project set to supply the eastern U.S. by the end of the decade. Qatargas 4 project is seen producing approximately 1.4 Bcf/d of natural gas and some 24,000 b/d of LPG.

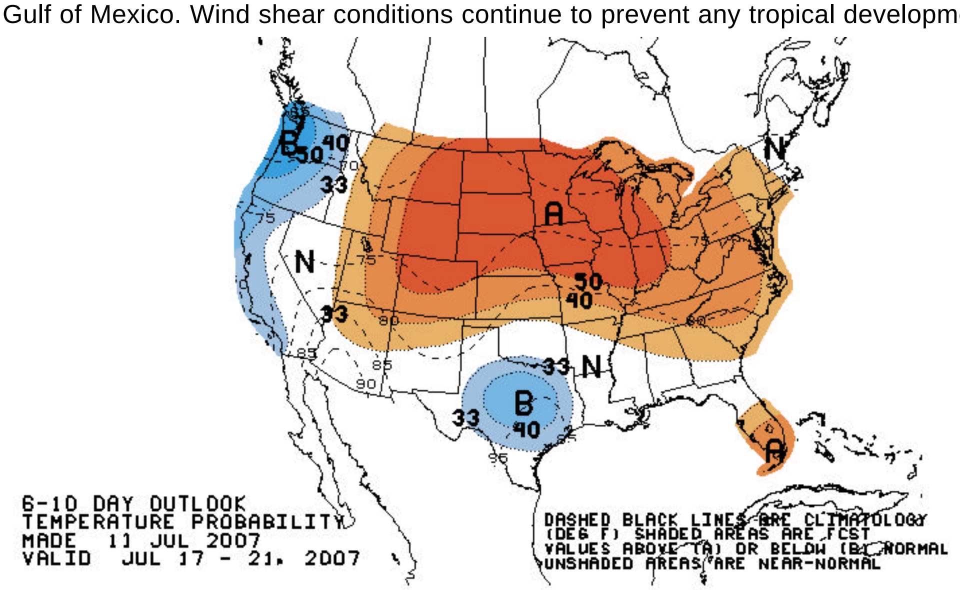
Generator Problems

NPCC – Entergy's 684 mw Pilgrim nuclear power plant was shut early Wednesday following a main turbine trip caused by a reactor scram. Operators hope to have the unit back in service by the weekend.

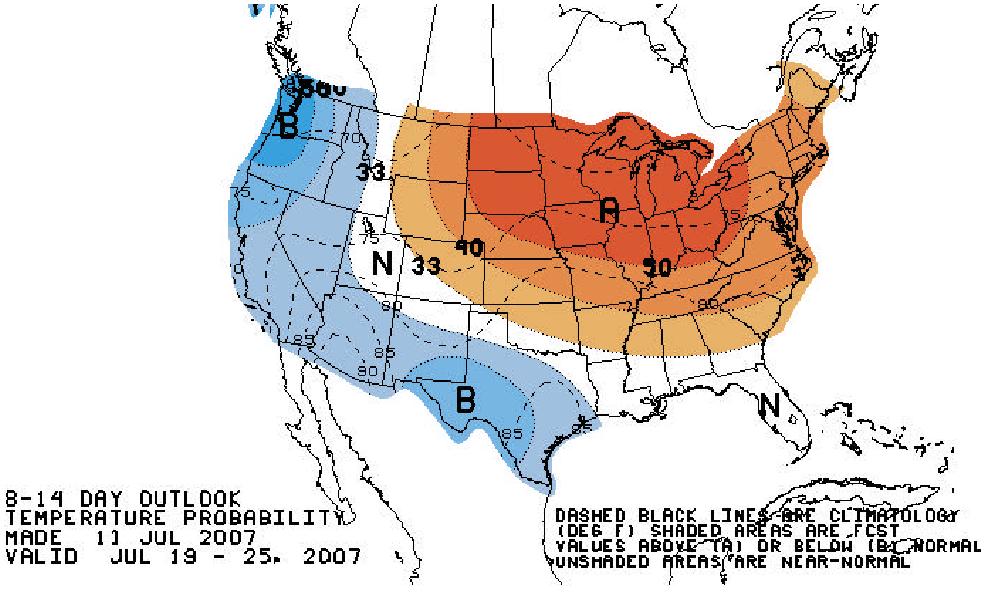
MISO – NIPSCO reported that it is working to restart one of four coal units that tripped offline late Tuesday at its R.M. Schafer Generating Station. The units have a total of 1600 mw of generating capacity, tripped off line following severe thunderstorms in the area that caused a transformer to fail. One unit was hoped to be back on line by Thursday with the other being phased back into service,

The NRC reported that 95,586 Mw of nuclear capacity is on line, down 0.68% from Monday, and off 0.65% from a year ago.

While the tropical Atlantic remained quiet this morning, but both the GFS and Canadian forecasting models did begin to look for some potential development of a tropical disturbance that is currently in the far eastern Atlantic. Currently these two models are looking for this system to move north of the Leeward Islands by Sunday and then potentially be northeast of the Bahamas by next Wednesday. Currently the projected path would not threaten the Gulf of Mexico. Wind shear conditions continue to prevent any tropical development that would threaten the Gulf of Mexico at this time.



U.S. regulators said on Wednesday that they expected Bear Stearns to be able to unwind the positions of its two troubled hedge funds without causing wider financial market distress. But the SEC's regulation director testifying before Congress today renewed the agency's call for global banks to improve their risk management practices regarding hedge funds. The Federal Reserve also noted that banks even with "…the



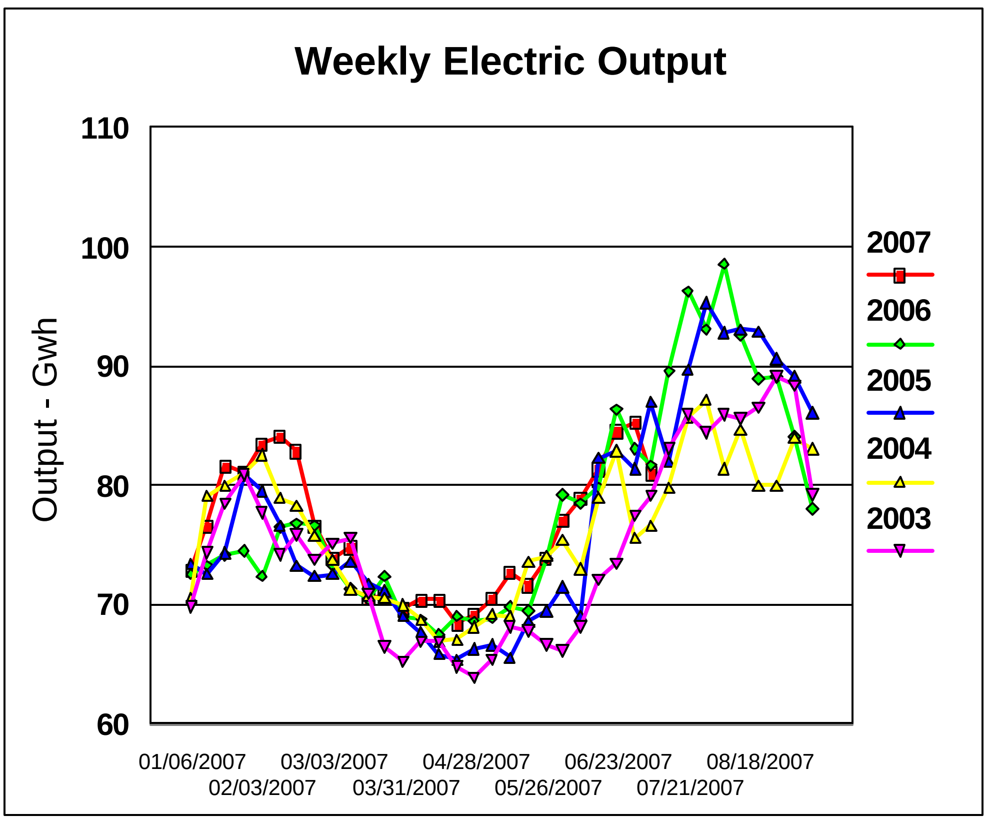
most sophisticated risk management practices must further strengthen their enterprise-wide systems to put the … principles fully in place." Congressman Frank said today that there "probably" will be legislation requiring U.S. hedge funds to retain information such as e-mail exchanges and trade records.

A U.S. District Court ordered a former telephone clerk that worked for Natural Futures LLC on the NYMEX natural gas floor to reimburse his employer $3.5 million to cover the cost of losing energy trades he had assigned illegally to the firm's account back in April 2005. The former clerk was also ordered to pay a civil penalty of $130,000 and was permanently banned from trading any commodity or registering with the CFTC to do business in the futures industry.

Brazoria Interconnector Gas Pipeline, a subsidiary of ConocoPhillips will launch Thursday a binding open season to determine interest in firm capacity of a 30.2 mile, 42-inch pipeline that could move up to 2.6 bcf/d of gas from Freeport LNG terminal to several intrastate pipelines.

ELECTRIC MARKET NEWS

American Electric Power late Tuesday said it would support legislation that is expected to be introduced Wednesday in the Senate that is seeking to cap U.S. emissions of greenhouse gases at 1990 levels by 2030. The bill would start with a 6.65 billion ton cap on GHG emissions by 2012 and tighten the cap by 1-2% each year before hitting 2006 levels by 2020 and then 1990 levels by 2030. The legislation would award emissions allowances based on GHG levels. Industry sectors would get 53% of the allowances but that amount would



decrease over time. An auction of 24% of the emission allowances would begin in 2012 and increase over time. In addition the legislation would offer a $12 per ton GHG "safety valve" price or a market price cap on emission allowances. The bill would also encourage carbon capture and sequestration on new and existing coal fired as it mitigates the cost of installing the new technologies with emission allowances. Meanwhile the European Climate Exchange reported today that total trading volume on its trading platform passed the 1 billion metric tons on Tuesday. The exchange said that open interest in all contracts stood at 117 million Mt.

The Governor of Florida is expected to sign executive orders that will impose strict new air pollution standards that aim to reduce green house gas emissions by 80% of 1990 levels by 2050. The orders would set new emissions targets for power companies, automobiles and trucks, as well as toughen conservation goals for state agencies and require state owned vehicles to use alternative fuels.

The Edison Electric Institute reported that for the week ending July 7th, electric production in the U.S. totaled 81,057 Gwh some 5% less than the previous week and some 0.8% less than the same week a year ago.

PJM Interconnection said today that consumers participating in demand response programs on Monday helped to save more than 1000 mw of power usage during the recent heat wave. PJM pays demand response participants when they reduce their power consumption.

MARKET COMMENTARY

The natural gas market started out the morning higher as bears appeared to remain absent from the market, as several unplanned generation outages appeared to lend support to the market. But prices failed to convincingly gain sufficient traction to break above the highs of last week at $6.845 and by midday the new forecast models appeared to moderate the temperature outlook and as a result the buyers from yesterday appeared to move to the exits and as a result prices eroded through the afternoon and basically ended the day down a dime. Open interest reported at midday showed that total open contracts in natural gas actually jumped by over 5,000 contracts on Tuesday, signifying not a short covering rally yesterday but rather new longs that came into the market. Volume today while not as large as yesterday was still good with over 123,000 lots traded.

Market expectations for tomorrow's EIA Storage Report appear to range between 80-105 bcf with an average injection rate of 94-96 bcf. For the same week a year ago domestic inventories rose an adjusted 86 bcf, while the five year season gain is for a 96 bcf build.

We are not ready to abandon our outlook from last night that this market could have established a near term bottom at $6.362. It feels to us that this market is aching to find a reason to buy the market, whether from an extended period of high cooling demand or the threat from a tropical system. But if tomorrow's storage report yields a 100+ bcf build in stocks that may be sufficient to send the recent new longs running in mass for the exits. And breach the basically triple bottom at $6.36. We see support at $6.563 followed by $6.548, $6.469, $6.392 and $6.362. More distant support we see at $6.207, $6.15, $6.00 and $5.74.