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POWER MARKET REPORT FOR JULY 23, 2007

NATURAL GAS MARKET NEWS

An estimated 18 million acres offshore Texas will be up for lease in late August when the Interior Department's Minerals Management Service (MMS) holds the first sale in its five year (2007-2012) Outer Continental Shelf (OCS) leasing program.

British Gas, the retail arm of UK utility Centrica, has launched a new gas and electricity retail product that links prices to the wholesale market. The tariff would guarantee that customer's bills be reviewed every quarter, tracking wholesale commodity prices and reflecting these movements in customers' energy bills every quarter.

Bottlenecks on the Spanish natural gas grid are to prevent full utilization of the Reganosa LNG import terminal at Mugardos in the northwest Galicia region until at least 2010. The regasification plant is expected to run at only 31% of capacity in 2007 and at 89% of capacity in 2008 and 2009, and reach 100% in 2010. The terminal, which began operating in May, has a capacity of 412,800 cu m/hour. Also projected for completion in the fourth quarter of 2010 is the 800,000 cu m/hr Musel LNG import terminal in Gijon in the neighboring Asturais region that is being developed by Enagas.

Generator Problems

FRCC- Florida Power and Light said its 760 Mw Turkey Point #4 nuclear unit is offline today. The unit was operating at full power on Friday. Turkey Point #3 remains at full power.

PJM – Exelon's 636 Mw Oyster Creek nuclear unit restarted this weekend and ramped output to 70% capacity today.

WSCC – Arizona Public Service's 1,270 Mw Palo Verde #1 nuclear unit continues to increase production, reconnecting to the grid and ramping up to 95% capacity by this morning. Palo Verde #3 saw output drop to 82% this morning, down from full capacity on Friday. Palo Verde #2 remains at full power.

The NRC reported that 96,303 Mw of nuclear capacity is on line, up 0.53% from Friday, and off 0.94% from a year ago.

PIPELINE RESTRICTIONS

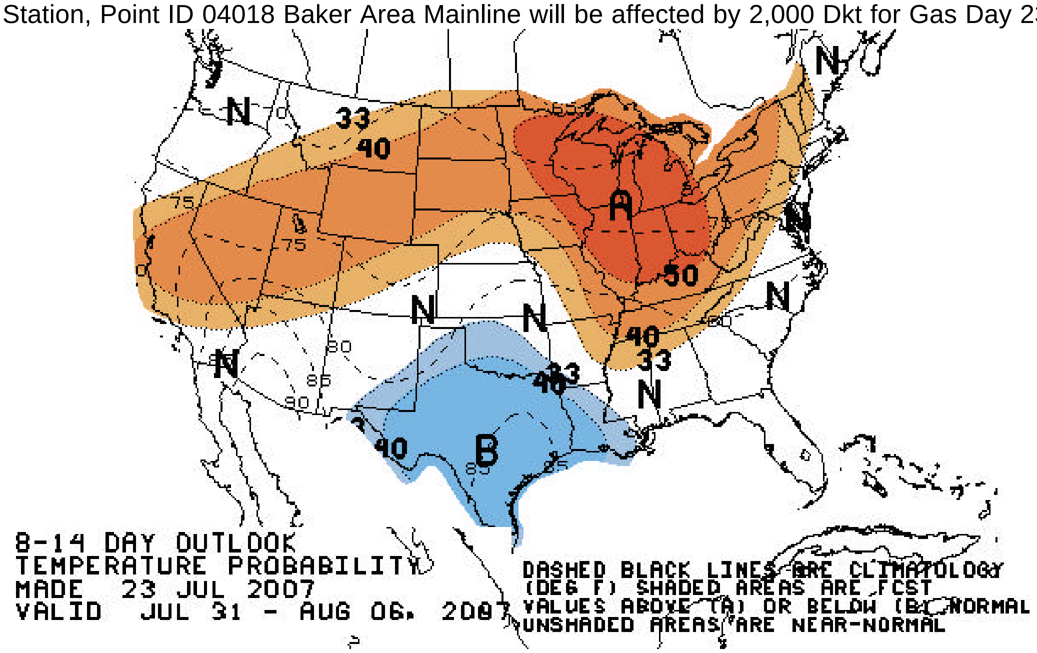
TransColorado Gas Transmission said that the force majeure declared at the Mancos Compressor Station on July 21 remains in effect today. TransColorado said it is still experiencing mechanical problems at its Mancos Compressor Station. Personnel have been working all weekend on the compressor. Continuing for the Intraday 1 Cycle for gas day, today, Monday, the previously posted reduced levels through Segment 250 (Dolores CS to Mancos CS) to 395,000 Dth/d and through Segment 220 (Whitewater CS to Olathe CS) to 345,000 Dth/d. At the new level of scheduled quantities, Primary Firm, secondary in-path firm will be limited and secondary out-of-path firm, ITS/AOR will be unavailable.

Columbia Gas Transmission Corp. said that due to pigging between Clementsville and Stanton Compressor stations, the Delhi Constraint Point is being reduced to a total cpacity of 1,790,000 Dth. This reduction is effective with the July 24 gas day until further notice.

PIPELINE MAINTENANCE

Northern Natural Gas Company said that it will be conducting planned pipeline maintenance on the Palmyra to Hooper C Mainline at M.P. 47.64 from August 15 to August 19. In order to perform the maintenance, a segment of the mainline will be isolated. No interruption of service at delivery locations is anticipated during this maintenance process.

Williston Basin Interstate Pipeline said that due to unplanned maintenance at the Little Beaver Compressor Station, Point ID 04018 Baker Area Mainline will be affected by 2,000 Dkt for Gas Day 23.



El Paso Natural Gas Company has updated its work schedule for August. ON the North Mainline, long-term work on the Window Rock 1B crankshaft will keep the unit offline until further notice. On August 2 through August 3, EPNG will perform unit checks at Window Rock 6A. Leupp 1D component exchange is planned for August 5-9. Window Rock 2B unit checks will be performed August 6-8. The Navajo 'C' ESD/DOT will be performed August 8 while the Navajo 'D' ESD/DOT will last from August 8-9. A Leupp 2B mechanical inspection will go from August 13-15. EPNG will work on Leupp 11A power heads August 20-23. Window Rock 4A mechanical inspection will be done August 20-22. Navajo 1D liner check is planned for August 20-22. The Leupp 1B mechanical inspection is slated for August 27-29 and the Window Rock 7A component exchange is scheduled for August 27-30. At the San Juan Crossover, a Laguna #1 mechanical inspection is planned for August 6-8, a Bluewater ESD/DOT is planned for August 15, and the Lincoln liner check is scheduled for August 28-29. Looking at South Mainline maintenance, lines 1100 and 1103 will be seeing some August work. On Line 1100, EPNG will run cleaning pigs from Wenden to Ehrenberg on August 7-8 then a geometry pig between the points on August 9. On Line 1103, EPNG will run cleaning pigs Wenden to Ehrenberg on August 13-14, a gauge pig between the points on August 15 and a geometry pig on August 16. At Casa Grande 'B' a liner check is planned for August 15-16. At the Havasu Crossover, a 4,000-hour inspection is planned for Dutch Flat #2 August 13-14. At Eunice 'B' exhaust stack maintenance is planned for August 13-19.

Texas Eastern Transmission Corp. has updated its schedule for major outages during August through October. Pipeline replacements between Eagle and Lambertville will cause a reduction of capacity for gas flowing through Eagle June 15 through October 30. The entire lateral 41-A-6 on the Cameron system will be removed from service to remove a platform and other line maintenance July 25 through August 20. A highway relocation project between Gladeville and Tompkinsville will cause a restriction of capacity for gas flowing through Gladeville July 3 through August 17. A DOT pipe replacement between Clinton and Kosciusko will cause a restriction of capacity for gas flowing through Clinton August 3-18. A DOT pipe replacement will cause a major restriction of capacity for nominations flowing through Circleville September 5-9.

ELECTRIC MARKET NEWS

The California Independent System Operator said Monday's peak electricity demand will be strong at about 42,100 Mw. The Cal ISO showed that it is not expecting any problems meeting demand, barring unexpected shutdowns of power plants or transmission lines. The Cal ISO on Sunday showed peak demand for Monday afternoon will be about 2,450 Mw higher than last Monday, July 16. To make that much electricity would take four big – 600 Mw – natural gas power plants or more than two nuclear reactors.

The multi-year transmission project that will bring a second 138-kV line into McCall is in full swing this summer according to Idaho Power. The four sections under construction now include an eight-mile piece between Lake Fork Substation south of McCall and the Boulder tap line; a four-mile section from Boulder tap north to the

McCall Substation; a nine-mile section between New Meadows and Tamarack substations west of McCall; and some finishing touches on the 33-mile piece between Horse Flat and Starkey substations near Cambridge and Council.

Coal miner Peabody Energy and ConocoPhillips said they will team up to consider developing a commercial scale coal-to-substitute-natural-gas plant. The companies said the project would be designed to produce 50 billion to 70 billion cubic feet of substitute natural gas per year using ConocoPhillips' technology. They said it would be developed as a mine-mouth facility at a location where Peabody has access to large reserves and existing infrastructure, but did not specify at which mine it would be located.

MARKET COMMENTARY

The natural gas market blew past technical support levels overnight and into the outcry trading session, opening roughly 30 cents lower than Friday's close. Weather models, which had vacillated last week with regards to the degree of heat in the 11-15 forecast, showed some convincing continuity to start the week resulting in a cooler forecast and a void of any sincere support. The front month traded to its lowest level of the year, 6.001, before settling down 40.7 cents at 6.039.

Ample storage, quiet tropics and temperatures that fail to slow the injections have quelled any upside momentum. Early expectations for this week's EIA storage report, call for a build of between 70 and 80 Bcf. A build within this range, would continue to pad the surplus to the five-year average and would resume cutting the year-on-year-deficit, each by some impressive amounts. This week's data compares with a 51 Bcf five-year average build and a build of just 2 Bcf for the same week last year. We see support at 6.00, 5.892, 5.799, 5.70 and 5.598. We see resistance at 6.0935, 6.186 and 6.25. We see further resistance at 6.75 and 6.88.