



POWER MARKET REPORT FOR SEPTEMBER 17, 2008

NATURAL GAS MARKET NEWS

The NYMEX said Wednesday that it has lifted the force majeure on contracts for natural gas delivery in August and September.

The U.S. Coast Guard reported at midday that the Eugene Island 397 natural gas platform was missing following Hurricane Ike passing through the Gulf of Mexico. The platform was part of the 28 platforms missing or destroyed that was reported by governmental officials yesterday. The Eugene Island 397 platform accounted for 25% of the 82 MMcf/d of lost production reported by the MMS.

Generator Problems

SERC – TVA's 1155 Mw Browns Ferry #2 nuclear unit was at 21% of capacity. The unit had been at full power yesterday.

NPCC – Entergy's 620 Mw Vermont Yankee nuclear unit slipped to 57% of capacity and had been at full power on Tuesday.

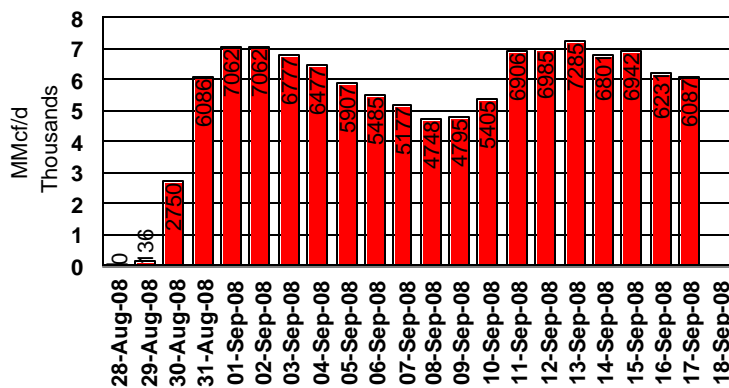
WECC – APS' 1247 Mw Palo Verde #3 nuclear unit was offline this morning after running at full power on Tuesday.

According to the NRC some 92,121 Mw of generating capacity was in operation in the U.S. this morning, some 2.6% lower than Tuesday, and 0.33% lower than same time a year ago.

The U.S. Minerals Management Service reported at midday that slight gains were made in returning shut in production from the Gulf of Mexico over the past day. The MMS reported that some 1,246,470 b/d of crude production remains shut in, down 17,260 b/d from yesterday. Some 144 MMcf/d of offshore natural gas production returned to service since yesterday, leaving 6.087 bcf/d still off line.

USG Offshore Nat Gas Production Shut-ins

Total 115.104 Bcf Shut In



The DOE reported that 13 U.S. natural gas plants with a total capacity of 5.28 bcf/d are operating at reduced or normal levels while 19 natural gas plants with a total capacity of 9.42 bcf/d remain shut in.

Conoco reported that its UK North Sea Murdoch gas field has halted gas exports due to planned maintenance.

The NYMEX said this morning that AIG remains a "clearing member in good

standing" on the exchange. The CME late Tuesday said it was allowing AIG to execute block trades in some agricultural futures on the Chicago Merc and Chicago Board of Trade "for the purpose of

liquidating a portion of AIG's open positions" to "protect the orderly functioning of the market." ICE meanwhile said it has no direct exposure to AIG since the company is not clearing member.

Barclay's PLC would become the third largest U.S. futures brokerage company under plans to acquire a parcel of assets from Lehman Brothers Holdings inc for \$1.75 billion.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	506,700	\$7.819	\$0.063	\$0.117	(\$0.319)	(\$0.967)
Chicago City Gate	589,500	\$6.463	\$0.379	(\$1.239)	(\$0.038)	(\$0.920)
NGPL- TX/OK	502,300	\$5.494	\$0.316	(\$2.208)	(\$0.101)	(\$1.518)
SoCal	751,700	\$6.099	\$0.003	(\$1.603)	(\$0.414)	(\$1.348)
PG&E Citygate	448,700	\$6.566	\$0.119	(\$1.136)	(\$0.298)	(\$0.915)
Dominion-South	135,800	\$7.775	\$0.035	\$0.072	(\$0.382)	\$0.320
USTrade Weighted	12,318,700	\$6.340	\$0.098	(\$1.362)	(\$0.32)	(\$0.967)

Sempra Energy said today that given the ongoing disruptions in the financial markets with the bankruptcy of Lehman Brothers and the financial problems at AIG and Constellation Energy, the company said its total exposure, including its share of the joint-venture commodity business, is expected to be less than \$20 million.

T. Boone Pickens said today that he has convinced the head of Wal-Mart to study the possibility of switching the company's huge fleet of delivery trucks from diesel to natural gas.

Anadarko Petroleum said today that it was repairing minor surface damage on its Constitution, Marco Polo, Gunnison, Nansen and Boomvang platforms in the Gulf of Mexico. It planned to have production at these facilities back on line as soon as possible and as pipelines and infrastructure permit.

PIPELINE RESTRICTIONS

Conoco reported that its Gulf Coast fractionator facility in Mont Belvieu, Texas is currently shutdown and it has been forced to reduce natural gas production in some areas of Texas due to restricted pipeline and fractionation capacity in the Gulf Coast region.

Southern Natural Gas declared a force majeure Wednesday at a connection point with Sabine Pipeline because of damage resulting from Hurricane Ike. As a result the company will only approve flows of up to 35,000 Dth/d at this station until repairs are complete. The company also reported that it has opened five additional receipt points on its pipeline for flow following their shutdown ahead of Hurricane Ike. Additionally the pipeline reported that the supply impact from the recent storms had dropped by 30,000 Dth/d to 400,000 Dth/d.

Spectra Energy today announced to date it has found no significant damage or effects to its facilities or operations as a result of Hurricane Gustav or Ike.

NGPL said that Compressor Stations 342 (Cameron Parish), 346 (Vermillion Parish), 302 (Montgomery County, Texas) and 343 (Liberty County, Texas) are shut down and not available for service. The company also said it has isolated a section of the Louisiana Line due to the discovery of leaks.

Sea Robin Pipeline said that its Erath Station did not sustain any damage and is operational.

FGT said it issued an Overage Alert Day with a 25% tolerance today in its Market Area.

PIPELINE MAINTENANCE

Southern Natural Gas Pipeline reported it will begin planned maintenance tomorrow September 18th on its pipeline between the Olga platform and the Toca Compressor Station and will last through October 7th.

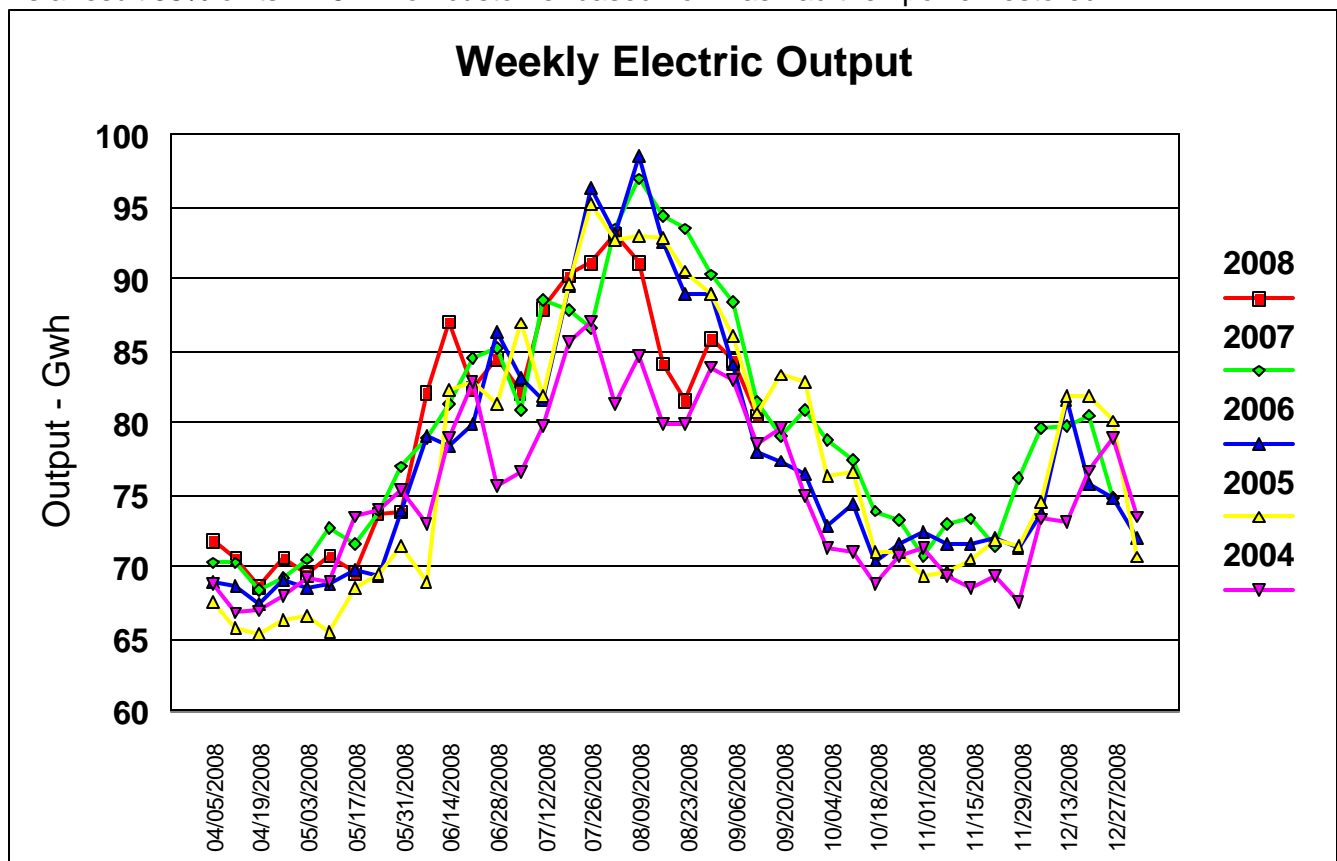
ANR Pipeline said that preliminary inspections of its facilities in the Southeast area of the Gulf of Mexico began yesterday.

ELECTRIC MARKET NEWS

Dominion retail announced it has closed on the purchase of Cirro Energy. As a Texas retail electric provider Cirro Energy supplies about 2.3 million MWh annually to more than 50,000 residential and commercial customers in Texas. With the closing Dominion Retail now will provide service to 1.7 million customers across 12 states.

FirstEnergy reported that it has restored power to approximately 883,000 customers across Ohio and Pennsylvania. As of midday some 117,400 customers are still without power in those two states.

CenterPoint Energy reported that it has restored power to 750,000 customers over the last three days. As a result 38% of its 2.26 million customer based now has had their power restored.



Entergy reported this morning that it has cut outages relating to Hurricane Ike to 50% while total outages including those from Hurricane Gustav are now 79% complete.

The Department of Energy reported this morning that about 3 million customers remained without power across 7 states, with 1.9 in Texas and 1 million in Ohio and Kentucky.

Constellation Energy today reaffirmed that its \$2 billion credit facility remains in effect despite the financial upheaval of the past couple of days. It reiterated its credit exposure to financial institutions is limited. The company said that it has retained Morgan Stanley and UBS as it pursues potential strategic partners and reaffirmed its 3Q2008 earnings outlook. Market analysts have been concerned at the company's exposure, since it has one of the largest commodities trading operations among power companies and market rumors had been rampant that the banks were going to pull the \$2 billion credit facility. Last month the company's executives said they would address concerns about its commodities business by selling upstream natural gas assets, while selling or recapitalizing its international coal and freight business. The company has also said it would possibly seek a joint venture for its commodities business.

The Edison Electric Institute reported that for the week ending September 13th power production in the United States fell by 4.6% from the prior week to 80,537 Gwh. This power output level was some 1.3% less than the same week a year ago. For the first 37 weeks of 2008 power production has been averaging some 0.5% less than the same point last year.

MARKET COMMENTARY

The natural gas market today finally took off and was able to break out of a two-week congestion pattern as prices finished up 63 cents in the October contract. This was the largest single day gain in value in the spot contract since October 29th of last year. Prices continued to escalate after the close and into the new Globex trading session this evening as prices broke above the \$8.00 price level for the first time since September 2nd. The March April spread also broke out of its sideways trading pattern and settled at its highest value since the end of August. Volume was excellent today with over 242,000 futures being booked on the day. The penultimate contract traded 53,250 lots while the Henry Hub swaps contract saw 147,012 lots changing hands.

While we expect the next several EIA Storage Reports will be providing support to the market, the financial market fears, such as the value of the dollar, gold and oil will probably have the greatest impact on this market over the next several days. But if these factors stabilized we continue to think the natural gas fundamentals are sound and can support higher prices. We see initial resistance tomorrow at \$8.13, and \$8.17, followed by \$8.44 and \$8.88. Support we see at \$7.457, \$7.263, \$7.02-\$7.00, \$6.83 and \$6.738. More distant support we see at \$6.474.

Market expectations for Thursday's EIA Natural Gas Storage Report appear to range between a 50-75 bcf build, with the consensus falling around a 61-62 bcf build. For the same week a year ago stocks built by 63 bcf while the five year seasonal build is for an 88bcf increase in inventories.