



POWER MARKET REPORT FOR OCTOBER 2, 2007

NATURAL GAS MARKET NEWS

The National Hurricane Center reported that the broad upper low has moved over the Eastern Gulf. This low pressure is getting a little better organized off the Southwest coast of Florida, as upper level winds are becoming more favorable. Forecasts call for a subtropical or tropical depression forming in the next couple of days as the system drifts westward. Models generally take the system onshore over the western Gulf Coast on Friday. Elsewhere, a couple of tropical waves continue to move closer toward the Lesser Antilles, though moderate wind shear should keep any systems from getting organized for the next few days.

The La Nina weather phenomenon in the eastern Pacific will likely extend the Atlantic hurricane season this year, with four more storms forming and two becoming hurricanes. The Colorado State University hurricane research team

Generator Problems

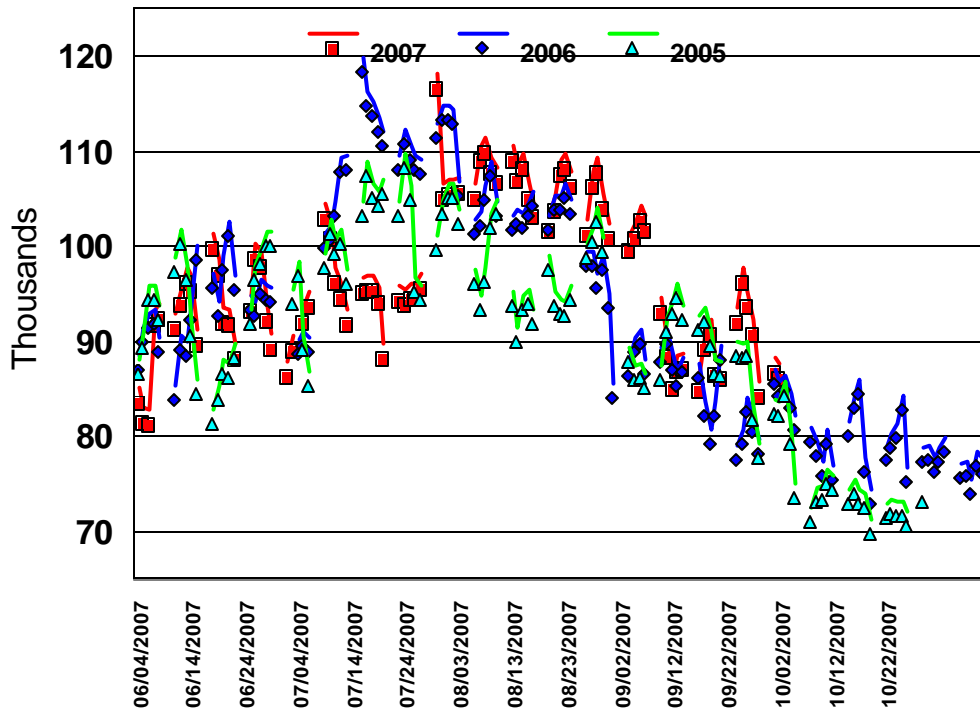
ERCOT – TXU Corp.'s 575 Mw Big Brown #1 coal-fired power station shut to fix a boiler tube leak.

CANADA – Ontario Power Generation's 490 Mw Nanticoke #2 coal-fired power station shut for work by early today. The unit is expected to return to service in about a week.

The NRC reported that 84,947 Mw of nuclear capacity is on line, up .07% from Monday, and up 4.77% from a year ago.

boosted its season forecast from 15-17 storms, of which six would be hurricanes. Thirteen storms have already formed this year and four of those have become hurricanes. The CSU forecasters said typically the end of the season is marked by rising wind shear, a difference in wind speeds at different altitudes that can tear apart hurricanes. But the formation of the cool-water La Nina phenomenon in the eastern Pacific could change that pattern this year. With this phenomenon, the end of the Atlantic basin hurricane season will likely be extended this year.

Major Gas Generating Regions Non-Nuclear Load Profile



U.S. Gulf of Mexico oil and natural gas producers said today that stormy weather west of the Florida Keys was not expected to impair offshore production.

Enterprise Products Partners said production through the Independence Hub natural gas platform in the Gulf of

NYMEX Natural Gas Options Most Active Strikes for October 2, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp date	Settle	Volume	IV
LN	11	7	P	5.5	10/26/2007	0.0058	14,175	56.60
LN	11	7	P	6	10/26/2007	0.0269	11,558	56.18
LN	3	8	C	11	02/26/2008	0.3207	6,000	48.64
LN	11	7	P	6.5	10/26/2007	0.0861	5,400	55.47
LN	11	7	C	8	10/26/2007	0.2266	4,992	56.27
LN	12	7	C	9	11/27/2007	0.3259	4,460	49.71
LN	3	8	C	10	02/26/2008	0.4612	4,250	45.85
LN	11	7	C	9	10/26/2007	0.0685	3,895	60.08
LN	11	7	P	7	10/26/2007	0.2286	3,895	57.18
LN	4	8	P	6.5	03/26/2008	0.2696	3,800	42.36
LN	4	8	P	6.75	03/26/2008	0.3459	3,300	42.65
LN	3	8	P	8	02/26/2008	0.8131	3,125	51.28
LN	4	8	P	5.5	03/26/2008	0.0765	3,000	41.47
LN	1	8	C	9	12/26/2007	0.5408	2,850	44.64
LN	11	7	P	5	10/26/2007	0.0008	2,650	56.60
LN	3	8	C	8	02/26/2008	1.0256	2,625	38.08
LN	1	8	P	8	12/26/2007	0.5436	2,500	50.40
LN	1	8	C	10	12/26/2007	0.3135	2,300	48.05
ON	11	7	P	6	10/26/2007	0.027	2,134	55.18
LN	12	7	P	7	11/27/2007	0.1706	2,027	48.97
LN	12	7	P	6	11/27/2007	0.0329	1,850	49.87
LN	1	8	P	6	12/26/2007	0.041	1,800	47.20
LN	11	7	P	6.75	10/26/2007	0.1458	1,725	56.29
LN	1	8	C	8	12/26/2007	0.9357	1,660	40.10
ON	11	7	C	10	10/26/2007	0.024	1,509	66.56
ON	3	8	C	11	02/26/2008	0.322	1,500	52.67
LN	4	8	C	8	03/26/2008	0.7163	1,500	31.32
ON	11	7	P	6.5	10/26/2007	0.086	1,499	54.12
LN	11	7	C	8.25	10/26/2007	0.1692	1,405	57.26
LN	1	8	P	5.5	12/26/2007	0.0164	1,400	47.76
LN	12	7	C	8.5	11/27/2007	0.4597	1,375	47.52
LN	1	8	P	6.5	12/26/2007	0.0905	1,300	46.99
LN	1	9	C	12.75	12/24/2008	0.5663	1,250	32.36
LN	10	8	C	11	09/25/2008	0.6189	1,250	39.66
LN	12	7	P	6.5	11/27/2007	0.0809	1,250	49.35
LN	4	8	P	8	03/26/2008	0.9239	1,250	45.33
LN	11	7	C	8.5	10/26/2007	0.1254	1,230	58.19
LN	10	8	C	10	09/25/2008	0.7925	1,200	37.64
LN	4	8	C	12	03/26/2008	0.1013	1,200	40.94
LN	3	8	C	20	02/26/2008	0.026	1,200	62.22
LN	12	7	P	6.75	11/27/2007	0.1196	1,150	49.14

Mexico reached 440 million cubic feet per day as nine of its initial 15 wells worked toward full capacity of 1 Bcf/d by year-end. First production from the semi-submersible platform, which sits in 8,000 feet of water about 123 miles southeast of Biloxi, Mississippi, began in late July.

British Gas and power prices rose again as a drop in supplies left the gas system short of fuel and power plant outages kept electricity supplies tight. Centrica's South Morecambe gas field did not restart production after maintenance on Monday. November gas firmed .60 pence to 44.40 pence, off an earlier high of 45.90.

Start-up of the pioneering Norwegian Snohvit LNG project has been delayed slightly because of issues with the new technology being used at three stages of the production, transportation and liquefaction process. The company spokesman said they should have their first cargo in the next week or two and ready for their contractual deliveries to the U.S. and Spain.

The Commodity Futures Trading Commission's (CFTC) enforcement division said Tuesday that in addition to the agency's record fiscal year 2007 in terms of awarded monies from all legal action,

the last five years have produced an all-time high in manipulation and false reporting cases in the energy markets.

FERC Monday gave environmental clearance to Columbia Gas Transmission Corp.'s proposal to expand natural gas storage and pipeline facilities in Ohio, West Virginia and Virginia to meet growing demand in the eastern United States.

PIPELINE MAINTENANCE

National Fuel Gas said that Concord Unit #2 will be down for a Turbo Charger Replacement beginning today and lasting through October 5. Capacity through this segment of the Line System will be reduced to approximately 310,000 Dth.

ELECTRIC MARKET NEWS

Texas Regulators rejected a \$1 Billion plan by Entergy Corp to connect its Southeast Texas utility with the primary Texas grid. The three-member Texas Public Utility Commission called parts of Entergy's plan to align its power lines with the ERCOT "absurd." Instead, the Commission voted to order Entergy to provide additional details on how its Texas transmission system could be placed under the independent control of the Southwest Power Pool (SPP).

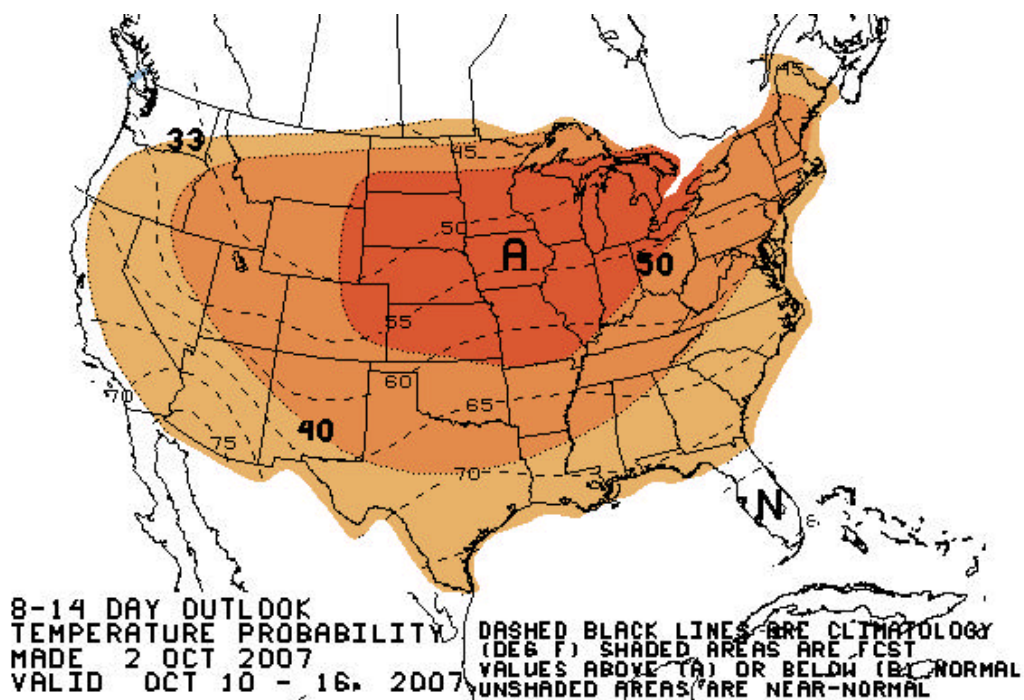
The municipal utility serving San Antonio, Texas, delayed a decision on whether to move ahead with NRG Energy to seek a license for two new nuclear reactors in Texas. The board of CPS Energy of San Antonio tabled a resolution to consider participation in the \$6 billion project with NRG to build two 1,350 Mw General Electric advanced boiling water reactors to be built at the South Texas Project nuclear power plant 90 miles southwest of Houston.

Genscape reported that U.S. coal supplies fell more than 1% last week as several days of warm weather in the East helped drive power demand. U.S. power generators had nearly 144.8 million tons of coal as of the week ending Monday, down more than 1.8 million tons from the previous week.

Sierra Pacific Resources subsidiaries Nevada Power and Sierra Pacific Power are seeking proposals to help them meet Nevada's renewable portfolio standard. The utilities are interested in buying renewable projects or entering into power purchase agreements with developers. The companies said they will consider three types of asset purchases: buying the development rights to a project, buying a turnkey project and entering into a PPA with an option to buy the plant. Potential projects must be at least 1 Mw and online by 2010.

MARKET COMMENTARY

The natural gas market continued its upward surge, up 8% so far this week, shrugging off the facts of almost record storage and no direct threat to the Gulf production facilities. Instead traders short covered, focusing on the potential tropical threat from a low-pressure system off the Southwest coast of Florida and a revised hurricane forecast from Colorado State University. Continued discussions of the La Nina phenomenon



and its constructive effect on winter weather outlooks also had shorts rushing to cover. The November contract traded between 7.077 and 7.44 before settling up 37.7 cents at 7.427.

The market broke through the upside resistance and out of its recent range for the first time since August 20. Currently, there is no shut-in production, but if the low pressure system 100 miles Southwest of Key West, Florida shows further strength and a better feel for its trajectory becomes apparent, we may see some light shut-ins as we did with subtropical depression #10. We see the market moving toward the 7.55 level, with further resistance at 7.609, 7.706 and 7.972. We see support at 7.40, 7.25, 7.00, 6.80 and 6.70.