ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 24, 2008

NATURAL GAS MARKET NEWS

Canada's National Energy Board said today that while conventional natural gas production in Canada is expected to drop by about 7% between now and 2010, further development of shale and tight gas prospects in northeast British Columbia may offset the decline. The NEB noted that Canadian gas deliverability, defined as the ability to produce gas from new and existing wells, held at about 17.1 bcf/d from 2000 to mid-2007 and has since begun to decline. By 2010 that deliverability could be 15.9 bcf/d to 15 Bcf/d, given reduced drilling activity with a production of 17.3 Bcf/d by 2010 based on a increase in drilling activity.

Senator Feinstein late Thursday accused former Federal Reserve Chairman Greenspan of helping to derail her efforts to establish strict oversight of energy swaps and derivatives markets in 2002-2003.

Gazprom reportedly has reached an agreement with the Ukraine in which the Ukraine will start paying the market price for Russian gas in three years. The contract is expected to be signed on November 1st. The contract reportedly with Naftogaz, the Ukraine's state energy firm, outlines for Naftogaz to be the sole importer of gas to the Ukraine, it will have to pay off all its debts, promise timely future payments and allow Gazprom units the possibility of operating on the Ukrainian market. The EU receives almost a quarter of its gas via the Ukraine from Russia. The contract also calls for the Ukraine to guarantee the safe passage of no less than 120 bcm of gas to Europe.

The National Hurricane Center this morning noted that a low pressure system extending over the northwest Caribbean had less than a 20% chance of developing as the system remains basically

Generator Problems

PJM – FirstEnergy's 832 Mw Beaver Valley #2 nuclear unit dropped to 19% capacity Friday morning. The unit had been at full power on Thursday.

Exelon's 636 Mw Oyster Creek nuclear unit is coasting down to its planned refueling outage that is slated to begin October 25th. The unit was at 94% power this morning.

MRO – Exelon's 1136 Mw Byron #2 nuclear unit started to exit its refueling outage and stood at 1% power on Friday. The unit went off line on October 5th.

NPCC – Constellation Energy's 621 Mw Nine Mile Point #1 nuclear unit went off line today. The unit had been at full power on Thursday.

Calpine's 1005 Mw Greenfield natural gas fired power plant was taken off line Friday morning.

Opg'S Nanticoke #3 490 Mw coal fired generating unit was taken off line while the company returned to service Nanticoke #4 and Lennox #1.

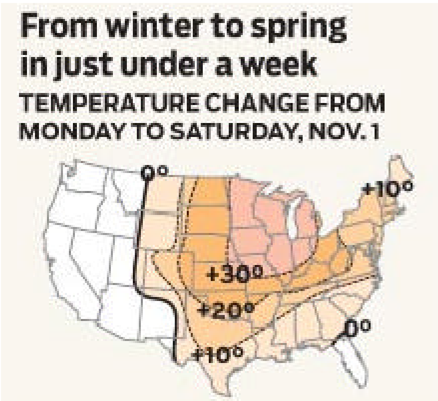
SPP – Entergy's 1266 MW Grand Gulf nuclear unit dropped to 1% power, down from 15% operating level on Thursday. Operators have been trying to return the unit back to power.

WSCC – PG&E's 1118 Mw Unit #2 at the Diablo Canyon nuclear plant was being restarted today, while Unit #1 was back to full power. The units saw output reduced earlier this week due to clogged water intake racks.

The NRC reported this morning that some 78,456 Mw of nuclear generating capacity was online this morning, down 1.03% from Thursday and down 2.04% more than the same day a year ago.

stationary for the period. Computer forecasting models still do not show this as a threat to the central/ western Gulf of Mexico.

Deutsche Bank told it customers today that the dramatic tightening of money and credit markets, combined with plunging equity markets over the last few weeks have exposed natural gas, oil and other commodities to "major downside risks."



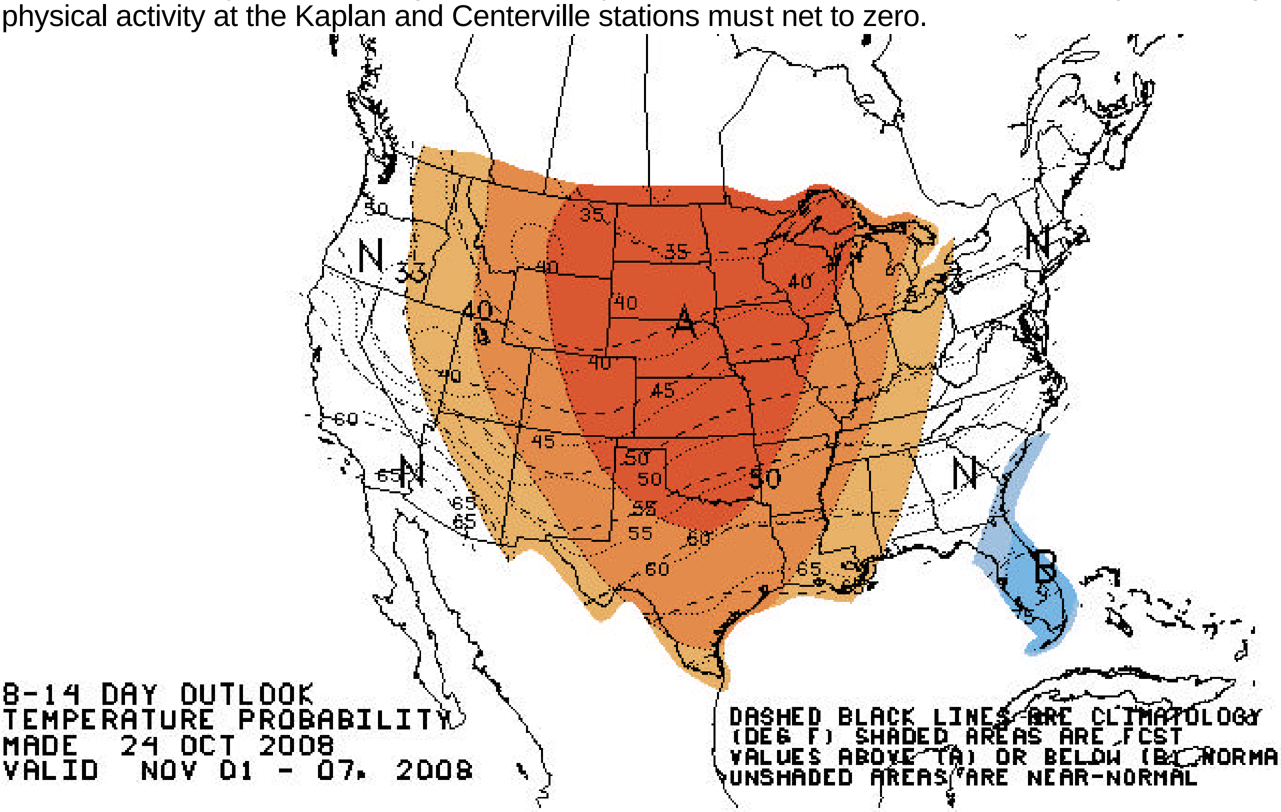
Spectra Energy announced an open season for expanded transportation services, which it hopes will be in service by the fourth quarter of 2009. The company plans to construct up to 260 MMcf/d of incremental eastbound transportation capacity and 135 MMcf/d of incremental westbound transportation capacity.

Baker Hughes reported today that the number of drilling rigs search for natural gas in the United States during the week ending October 24th stood at 1,529 rigs down 8 from last week.

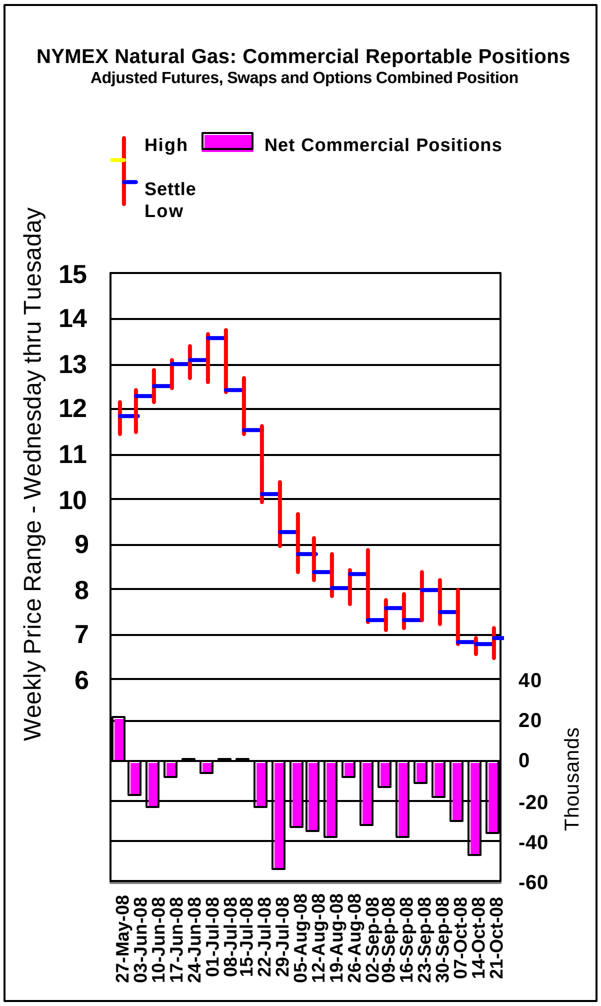
PIPELINE MAINTENANCE

NGPL said that between November 18-20 the company will be performing maintenance on the electrical feed to Station 302 in Montgomery County Texas. As a result compression will be unavailable at this location requiring a reduction in eastbound transports through Segment 25 on the company's Louisiana line.

Trunkline Gas Company said that beginning December 1st, there will be a 13-day outage of the Bayou Sale 300-1 20-inch line between Centerville and Kaplan Stations for inspections and required facility modifications. Physical flow of gas on the Bayou Sale line will not be allowed during the outage. All physical activity at the Kaplan and Centerville stations must net to zero.



Tennessee Gas Pipeline said that it is performing an emergency repair at Compressor Station 32 at Jasper, Texas. The unit outage is not currently causing a direct impact to mainline throughput.



CIG said that it is concerned about the performance of the Blue Forest CIG and Lost creek CIG interconnects. The company said that it may be forced to place underperformance caps at these locations for Friday and Saturday.

ELECTRIC MARKET NEWS

Genscape's U.S. coal burn index was unchanged during the week ending October 23rd from the prior week but was down 4% from the same time a year ago. Coal demand from eastern power generators was down 1% on the week while in the west demand was up 1%.

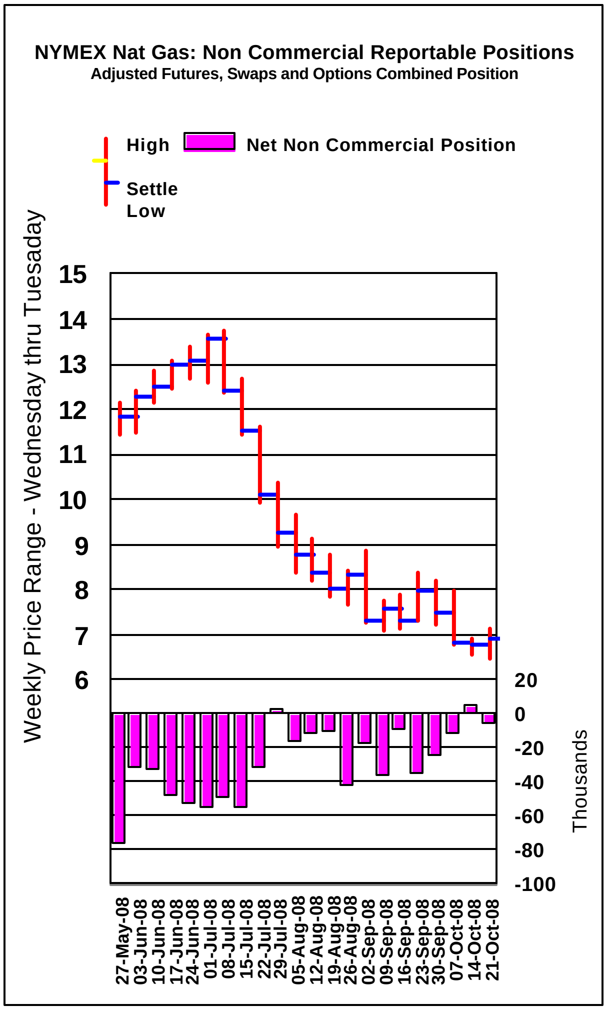
The Pacific DC Intertie will continue to be shut during peak hours through November 1st and it is expected to return to around the clock capacity of nearly 3,000 Mw on November 2nd for north-to-south flow. Until November 2nd, the off peak flow of power to the south will remain near capacity.

ISO New England CFO said Friday that following ISO New England's recent meetings with the FERC, it found the FERC wants regional transmission organizations to work together to develop a national credit policy for power markets. The ISO CFO said such an effort would be a huge task and said he believes each ISO should be allowed to proceed with its own policies while a nationwide approach is being formulated.

MARKET COMMENTARY

The outlook for significantly warmer temperatures spreading across much of the nation by next weekend, as evidenced by Chicago seeing a 30 degree change in temperatures expected on Monday versus next Saturday, appears to have erased a key fundamental factor that had been helping to support this market over the past couple of weeks, and allow natural gas values to hold up especially relative to the deflation in values of commodity contracts and oil prices in particular. Today the market was able to breach its lows from yesterday early this morning and prior to the floor opening had already set its low for the day, falling to its lowest level in the spot contract in 13 months. While the market was relatively stable for much of the day session being contained within a 10 cent sideways trading range, this market appears poised to work lower and challenge a sub $6.00 level if oil prices make a run to break below its lows from this morning as well. We would thus recommend moving to the sidelines and wait for a more supportive weather forecast before searching for a new entry point for this market.

Trading activity today was substantially lower, down some 43% from yesterday's strong volume. While we thought yesterday's pricve action may have been weak long liquidation, it in fact appears to have



been a new round of shorts coming into the market, as combined adjusted open interest in the Henry Hub futures and swap contracts grew by 10,256 lots.

We see support for this market Monday \$6.15 followed \$6.103, \$5.968, \$5.947 and \$5.78-\$5.725. More distant key support is at \$5.259 and \$5.192. Resistance we see at \$6.421, \$6.508, \$6.604-\$6.618, \$6.73. More distant resistance is at \$7.08 and \$7.505.

The CFTC reported this afternoon that for the week ending October 21st the trends of the prior three weeks in both the commercial and non-commercial reporting sectors was broken and reversed. Commercials which had been adding to their net short position for three consecutive weeks that had resulted in adding 35,659 net shorts to the combined adjusted futures, swaps and options positions, this week reduced this position by 11,032 lots on the week. Meanwhile non-commercial players, which had been reducing their net short position and actually had built a modest net long position as of last week, had moved back to a net short position once again.