



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 25, 2007

NATURAL GAS MARKET NEWS

The NHC reported that a tropical cyclone could develop over the next several days as a low-pressure system moves from the Atlantic Ocean toward the Caribbean Sea. The area of low pressure was located about 150 miles east-northeast of San Juan, Puerto Rico, and was moving southwest toward the Caribbean. However, upper-level winds are expected to remain unfavorable for significant development of this system as it moves slowly westward or west southwestward during the next couple of days.

The La Nina weather phenomenon will usher in a mild U.S. winter, expand the Southeast drought and may bring dryness to the Midwest next summer that could cause corn and soy crops to struggle a little, according to private forecaster World Weather Inc. Very cold weather should be limited to the far northern portion of the U.S. while warmer and drier weather will prevail in the central and southern part of the country.

Generator Problems

ERCOT – TXU's Martin Lake #1 coal fired power station shut for maintenance to the boiler. The unit is expected to return to service tomorrow.

TXU's Big Brown #2 coal fired power station is shut for maintenance, but is expected to return to service later today.

PJM – FirstEnergy's 864 Mw Beaver Valley #1 nuclear unit is back online at 29% today, after exiting a planned refueling outage. Beaver Valley #2 continues to operate at full power.

SERC – Progress Energy's 900 Mw Harris nuclear unit reduced output to 30% power to further test the water quality. Yesterday, the unit was operating at 50% power.

The NRC reported that 79,115 Mw of nuclear capacity is online, up .07% from Wednesday, and up 7.77% from a year ago.

EnCana Corp. will build its own pipeline to ship gas to shore from its C\$700 million Deep Panuke gas project off Nova Scotia rather than use the line from the nearby Sable project. The project is due to start producing 200 million to 300 million cubic feet of gas a day in 2010.

EIA Weekly Report

	10/19/2007	10/12/2007	Net chg	Last Year
Producing Region	1020	997	23	1003
Consuming East	1970	1932	38	1989
Consuming West	453	446	7	467
Total US	3443	3375	68	3458

*storage figures in Bcf

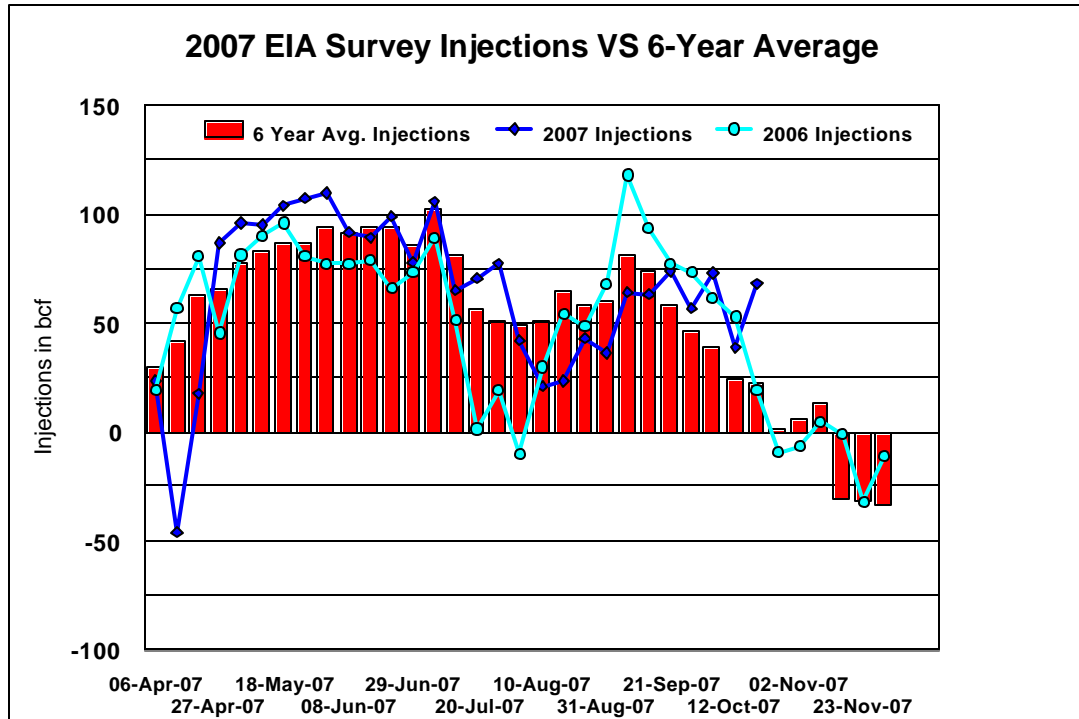
LNG imports to the U.S. continued to slide this month as strong demand from Asia and increased buying from Europe siphoned more spot supplies. Waterborne Energy, a LNG consulting firm, estimates that U.S. LNG imports in October will now total just 36 billion cubic feet, down 5 Bcf from last

week's estimate and more than 25% lower than its estimate of 49 Bcf from earlier this month. Prices in Britain shot up this month and are near \$10.00, while Japan and South Korea are \$12.00 and \$11.50 respectively as compared to U.S. prices, which are near \$7.00.

U.K. natural gas futures for delivery in winter rose to a record after shippers extracted the fuel from storage in the past three days, reducing supplies for the cold weather season, and as flows from a key import pipeline fell. Gas for delivery in the three month through March, the first-quarter contract, rose 1.8% to a record 61.60 pence a therm on the ICE Futures exchange, that is the equivalent of \$12.64. Flows along the Langeled pipeline from

Norway today were at the rate of 30.5 million cubic meters a day, less than half the 66.8 million high on October 22.

Russian gas monopoly Gazprom forecasts that it will export 157.6 billion cubic meters of gas to Europe in 2008 at a price of \$275.1 per thousand cubic meters. Gazprom exported a total of 161.5 billion cubic meters to Europe in 2006.



PIPELINE MAINTENANCE

El Paso Natural Gas Company said that Eunice 11A will be unavailable due to unscheduled maintenance effective Cycle 2 for today and October 26 with a reduction of 20 MMcf/d. This will reduce the Eunice 'A' base capacity of 353 MMcf/d to 333 MMcf/d. Also, EPNG said that Washington Ranch Unit #1 will be unavailable for injection until November 9 due to unscheduled maintenance. This will reduce the injection capacity to 50 MMcf/d during this time period. The storage facility has full withdrawal capability.

Florida Gas Transmission said late Wednesday that it began unscheduled maintenance on one of the two units at the FGT/Tennessee Carnes Interconnect just upstream of FGT Compressor St. 10. This outage is expected to last until the end of November. Current operating conditions are resulting in up to approximately 30,000 MMBtu/day being scheduled at the interconnect. During normal operations FGT schedules up to 60,000 MMBtu/d. Also, FGT will be performing maintenance at Compressor Station #26 beginning October 26 and expected to run through the end of November. During this work FGT will schedule up to approximately 700,000

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,581,800	\$6.486	\$0.372	(\$0.748)	\$0.147	(\$0.598)
Chicago City Gate	605,300	\$6.686	\$0.443	(\$0.519)	\$0.208	(\$0.457)
NGPL- TX/OK	519,000	\$6.374	\$0.429	(\$0.831)	\$0.194	(\$0.716)
SoCal	915,000	\$6.571	\$0.059	(\$0.634)	(\$0.176)	(\$0.412)
PG&E Citygate	459,800	\$7.060	\$0.208	(\$0.145)	(\$0.027)	\$0.003
Dominion-South	456,600	\$6.589	\$0.380	(\$0.616)	\$0.145	(\$0.455)
Transco Zone 6	304,600	\$6.908	\$0.388	(\$0.297)	\$0.153	(\$0.127)

MMBtu/day through Compressor Station #26. During normal operations FGT schedules up to 910,000 MMBtu/day through Compressor Station #26.

Gulf South Pipeline said that unscheduled maintenance at Bistineau Compressor

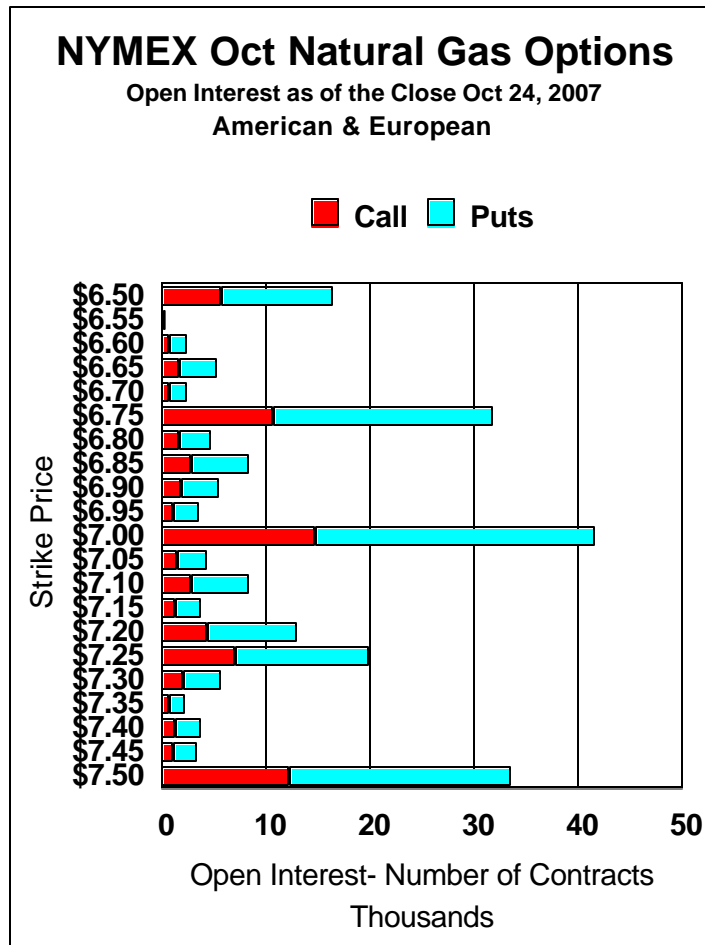
Station Unit #5 began yesterday and will continue for approximately 10 days. The injection capacity at Bistineau could be reduced by 150,000 Dth/d due to the maintenance on this unit. Withdrawal capacity will not be affected. Gulf South also said that it will be performing scheduled maintenance at the subject location, located in St. John the Baptist Parish, Louisiana beginning at 7:00 AM Friday for one day. The subject location will be shut-in and

unavailable for service for the duration of the maintenance. Finally, the company said that scheduled pipeline maintenance for Eugene Island Offshore Louisiana platform installation has been completed.

PIPELINE RESTRICTIONS

PG&E California Gas Transmission has set a system-wide operational flow order on its California natural gas

pipeline system for tomorrow's gas flow due to high inventory. Tolerance is set at 11%.



ELECTRIC MARKET NEWS

The California ISO has extended a Transmission Emergency for Southern California due to adverse weather conditions and fires across the region. This is the fourth straight transmission emergency this week.

MARKET COMMENTARY

The natural gas market began the session up roughly 10 cents, supported by a rallying crude oil market and stirs of tropical development. The EIA reported that an above average 68 Bcf was injected to the ground. The market reacted, trading to a low of 6.882, but the over powering strength in oil forced natural gas traders to ignore the bearish report and climb back above 7.00. The November contract traded to a high of 7.208 before settling up 21.6 cents at 7.188.

Total storage now stands at 3,443 Bcf, just 15 Bcf below last year's levels and 232 Bcf above the five-year average of 3,211 Bcf. Today's surprise build puts the market on track for a new record this season, perhaps somewhat north of 3,500 Bcf by the time we see some heating demand. With supplies in that comfort level for the peak winter heating season, and long-term forecasts calling for a mild winter, the overall bearish sentiment in this market is overwhelming yet with crude oil acting

outside its fundamentals, natural gas in influenced and dragged higher. November natural gas options expire tomorrow, and with roughly 34,000 open interest at the \$7.00 strike, we feel that the market will gravitate toward that level tomorrow. We see support at 7.117, 7.00, 6.88, 6.75 and 6.70. We see resistance at 7.25, 7.351, 7.443 and 7.677.

