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POWER MARKET REPORT FOR OCTOBER 29, 2008

NATURAL GAS MARKET NEWS

Platts reported that developers of the 500,999 Mcf/d Robinston, Maine based Downeast LNG project this week announced an open season for capacity on its associated pipeline. The FERC earlier had prodded the company to move forward with the open season. The 30-day open season is set to begin November 3rd.

A Penn State professor told a industry conference today that the gas potential of the Marcellus Shale play may be as high as 1,100 tcf, well above the his earlier estimate of 50 tcf. Professor Engelder noted that Marcellus is much bigger than the Barnett, Fayetteville and Woodford shales combined and he has based his projection on early reports from Range Resources and Chesapeake Energy's initial wells in play. The managing director from Tudor Pickering Holt said that regulatory uncertainty is a problem for E&P companies working in the area, but ultimately the play will be developed since the economics are just too large to ignore. He noted that the cost to buy gas in the ground was about $4 Mcf and with the forward strip calling for gas at $10 Mcf, the profit potential of Marcellus is just too large for E&P companies to ignore. The company is forecasting 2.6 bcf/d of production from the shale play by 2023.

Barclays Capital noted today that natural gas fundamentals are rather bearish going into winter and the continued turmoil in the

Generator Problems

PJM – Exelon's 1134 Mw Limerick #2 nuclear unit returned to full power on Wednesday, up from 40% capacity on Tuesday. The unit had cut its operations for repairs on a chiller I the drywell.

FirstEnergy's 832 Mw Beaver Valley #2 nuclear unit ramped up to 95% of capacity on Wednesday, up 59% from Tuesday's level.

NPCC – Constellation's 621 Mw Nine Mile Point #1 nuclear unit ramped up to full power on Wednesday, up 26% from Tuesday's level.

SPP – Entergy Corp's 1266 Mw Grand Gulf nuclear unit is still offline at 15% of capacity after experiencing a reactor scram on Sunday.

MRO – Exelon's 1136 Mw Byron #2 nuclear unit reached full capacity on Wednesday, up 10% from Tuesday's level. The unit was restarted over the weekend after it was shut on October 5 for a refueling and maintenance outage.

MAIN – Exelon's 912 Mw Dresden #3 nuclear unit is preparing for a scheduled refueling and maintenance outage. The outage is scheduled to start on Monday, November 3. It is currently operating at 99% of capacity.

SERC – Dominion Power's 917 Mw North Anna #2 nuclear unit continued to warm up offline at 7%, up 1% on the day. The unit was restarted on Monday following a planned maintenance outage that started on September 14.

Southern Nuclear's 1149 Mw Vogtle #2 nuclear unit is operating at full capacity, up from 95% on Tuesday.

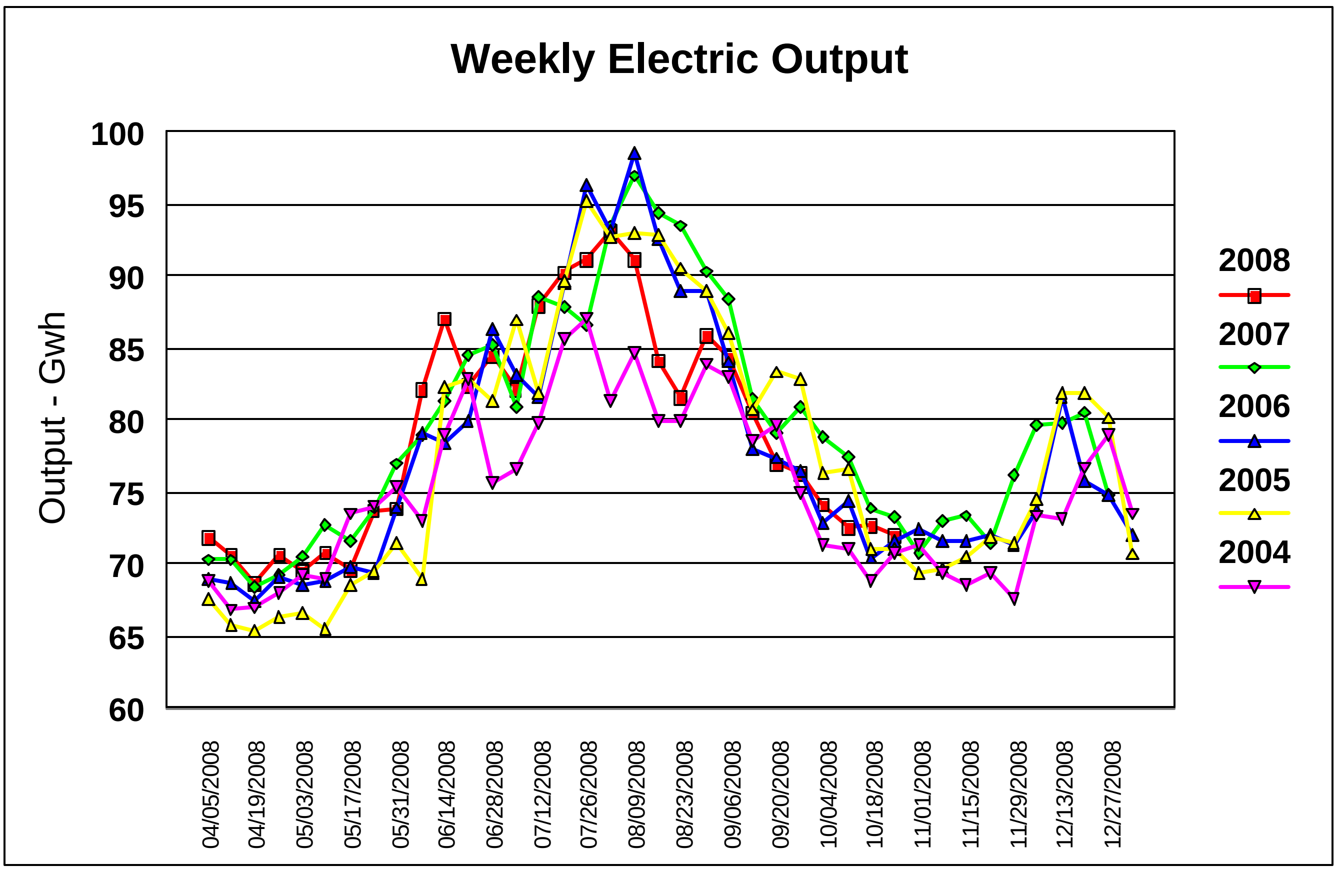
WSCC – PG&E's 1118 Mw Diablo Canyon #2 nuclear unit is operating at full capacity on Wednesday, up from 97% on Tuesday.

The NRC reported this morning that some 78,563 Mw of nuclear generating capacity was online this morning, up 1.97% from Tuesday and down 1.77% more than the same day a year ago.

financial markets are likely to depress prices in the near term, and as a result the company reduced its U.S. gas price forecasts through 2009.

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	580,900	$6.397	$0.131	$0.172	$0.021	($0.528)
Chicago City Gate	590,100	$6.626	$0.034	$0.401	($0.064)	$0.361
NGPL- TX/OK	1,031,100	$5.760	($0.024)	($0.465)	($0.122)	($0.267)
SoCal	500,100	$4.360	$0.192	($1.865)	$0.094	($1.985)
PG&E Citygate	491,100	$5.923	$0.046	($0.302)	($0.052)	($0.220)
Dominion-South	542,700	$7.101	$0.329	$0.876	$0.231	$0.580
USTrade Weighted	19,466,300	$5.789	$0.119	($0.436)	$0.02	($0.528)

Waterborne Energy said today that it is looking for the United States to receive possibly two additional LNG cargoes in November, one from Nigeria and another from Norway, totaling 6 bcf, which would result in 36 bcf of gas being imported in the month, making it the highest import month of 2008. The consultants said that the implication of these additional cargoes is that it underpins the argument for a potential and considerable increase in imports next year if there are no further significant delays in new production projects. The group noted that while these cargoes would have headed to Asian earlier in the year, but demand has declined there coupled with LNG storage tanks in the region brimming with product.

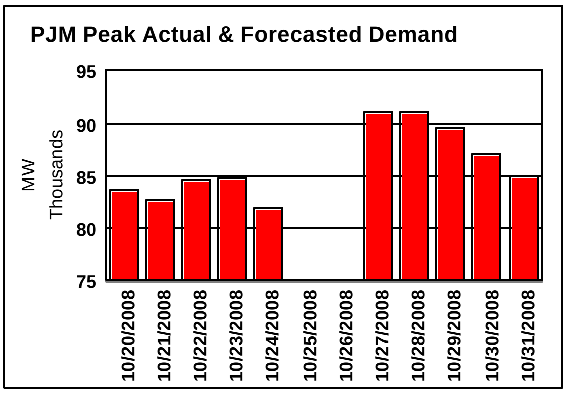


The FERC officially accepted Oregon LNG's formal application on a proposed liquefied natural gas import facility located on the Skipanon Peninsula in Warrenton, Oregon. Construction of the import facility and an associated pipeline is anticipated to begin in 2010. The project is expected to begin serving customers in 2013.

Company officials at the Millennium Pipeline said that they plan to complete construction work by the end of November and hope that the 30 inch pipeline may begin flowing gas by December 1st.

PIPELINE MAINTENANCE

Florida Gas Transmission has extended maintenance on one of three units at Station 7. The maintenance which started on October 15 is expected to be completed on December 15. During the work, FGT will schedule up to 375,000 mmbtu/d through Station 7, down 90,000 mmbtu/d from its normal level. FGT will also perform maintenance upstream of Station 7 on November 12, when it will schedule up to 300,000 mmbtu/d through Station 7. FGT will also perform maintenance upstream of Station 6 on November 5. During the maintenance, FGT will schedule up to 150,000 mmbtu/d through Station 6, down from its normal level of 300,000 mmbtu/d.

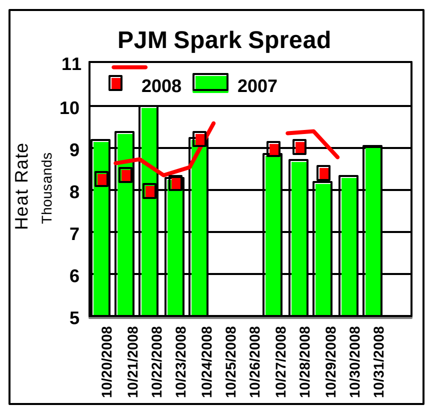


Tennessee Gas Pipeline said repairs at Compressor Station 32 in Jasper, Texas are expected to be completed by the end of November. Tennessee Gas is also performing repairs downstream of Station 249. Immediate repairs have become necessary due to a line leak.

PIPELINE RESTRICTIONS

Natural Gas Pipeline said that effective Wednesday and until further notice, it is at capacity for gas going northbound through Segment 13. It also stated that it is at capacity for deliveries going southbound through Segment 9.

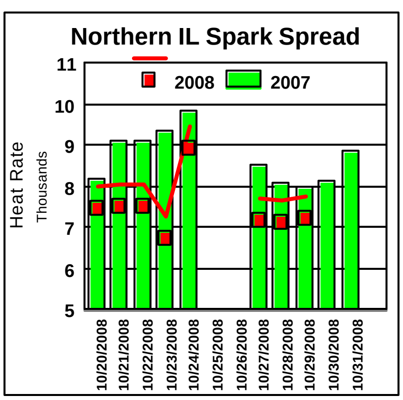
El Paso Natural Gas Co said capacity will be lowered to 550 mmcf/d, based on current operating conditions and effective until further notice.



Tennessee Gas Pipeline warned of an operational flow order due to operational issues, scheduled maintenance and high line pack in the Texas (zone 0) area.

ELECTRIC MARKET NEWS

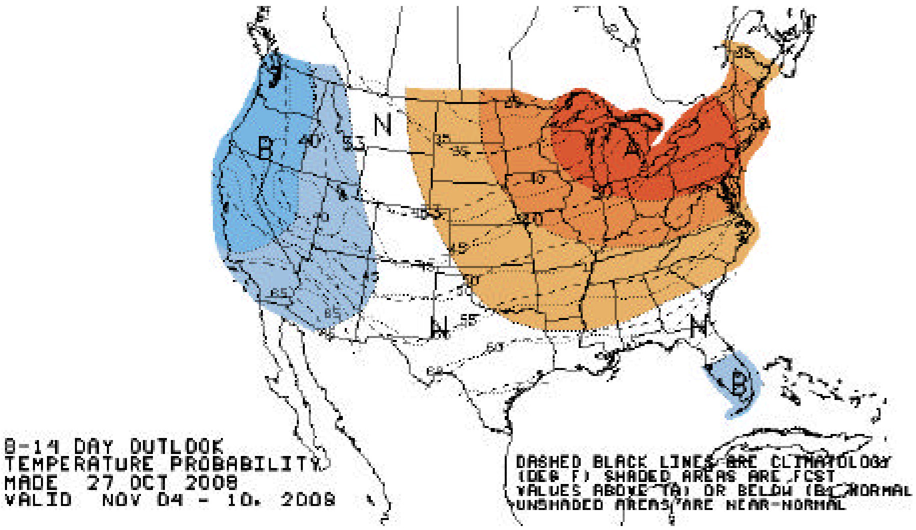
The global credit crisis and stiffer collateral requirements are forcing retail gas and electricity marketers to offer shorter-term deals to customers, the financial consulting firm AEG Associated Energy Group noted today. The firm noted that some companies that were offering 4 year deals now only offering 18-month deals.



The Edison Electric Institute reported that for the week ending October 25th, electric production in the United States stood at 72,073 Gwh, down 1% from the prior week and some 1.6% less than the same week a year ago.

MARKET COMMENTARY

While today was an expiration day for the November futures contract the volatility was relatively minor as the November contract saw a trading range of just 11 cents in its final 30 minutes of its closing range. The prior two expirations in the September and October contracts saw closing ranges of 21 cents and 15 cents respectively. The overall market though was dragged higher today by an surging oil market which had found fresh buying from traders seeking a counter weight trade to a tumbling dollar. The U.S. dollar today posted i ts single one-day largest decline in 23 years. But short term heating demand also seemed to help support futures prices as well. As a result the natural gas market was able to post its second consecutive higher close for the first time in nearly two weeks. Volume today was good with just over 196,000 lots traded on a combined adjusted basis in the futures and swaps contracts. This volume though was still 18,000 less than yesterday.



We do not feel that this market is ready to embark on a new bull move but that prices will still fluctuate in its recent trading range. We still look for the global financial and oil markets to have a major impact on natural gas price direction. We do not think that natural gas can embark on its own rice path without moving into the real start of the winter heating season starting in mid November. We see resistance tomorrow at $6.915 followed by $7,002, $7.332 and $7.506. Support we see at $6.64, $6.57, $6.492 and $6.441. Additional support we see at $6.24 $6.184 and $6.061.

Market expectations for tomorrow's EIA Storage Report appear to be ranging between 20-80 bcf with the median build of 43 bcf. For the same week a year ago stocks rose an adjusted 66 bcf while the five year season gain for the week is 42 bcf.