



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 18, 2008

NATURAL GAS MARKET NEWS

The NOAA released their latest long term forecasts this morning. It called for above normal temperatures to be centered on Texas and spread throughout the Southwest and extending to the Great lakes and Mid-Atlantic states in January-March 2008. Below normal temperatures are expected for the Pacific Northwest and Idaho and Montana. For the month of January, NOAA's outlook calls for above normal temperatures extending into the Northeast in New Jersey and southwestern New York.

The European Union noted its concerns today about Gazprom's threat on Thursday to cut off supplies to the Ukraine once again. The EU Energy Commissioner noted that these threats have been happening every winter since 2005. The minister though noted that although the threat to cut supplies to the Ukraine, across which most Russian gas travels to Europe, could lead to disruptions to European supplies, there is enough of the heating fuel in storage to ride out any short-term cuts. Meanwhile the Ukraine state gas company paid \$800 million to Gazprom on Wednesday and is expected to pay another \$200 million shortly, that would amount to payment of \$1 billion of the \$2.4 billion debt owed.

The FERC Thursday approved Southeast Gas Storage project in Mississippi and Arlington Storage's New York State.

Millennium Pipeline expects to receive FERC approval in the next few days for it begin service on December 22nd.

The FERC today reaffirmed its new market transparency rule for natural gas market participants, as it denied requests for a rehearing on the matter. The rule first issued in

Generator Problems

ERCOT – NRG Energy shut its 864 Mw Limestone Unit #2 coal fired unit on Thursday due to high turbine bearing vibration. It is expected to be off line through December 25th.

WSCC – Southern California Edison's 1080 Mw San Onofre #3 nuclear station started to exit a refueling outage and ramped up to 19%. The unit was shut back on October 15th for refueling.

The NRC reported this morning that 95,797 Mw of nuclear generation capacity was on line, up 0.2% from yesterday's level and 1.85% higher than the same time a year ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
				(As of 12:30 PM)		Moving Avg
Henry Hub	1,499,700	\$5.634	(\$0.158)	\$0.024	(\$0.267)	\$0.070
Chicago City Gate	755,000	\$5.856	(\$0.273)	\$0.246	(\$0.349)	\$0.376
NGPL- TX/OK	564,000	\$5.235	(\$0.298)	(\$0.375)	(\$0.374)	(\$0.232)
SoCal	365,200	\$5.374	(\$0.392)	(\$0.236)	(\$0.468)	\$0.054
PG&E Citygate	1,216,200	\$6.436	\$0.061	\$0.826	(\$0.015)	\$0.878
Dominion-South	372,000	\$6.163	(\$0.048)	\$0.553	(\$0.124)	\$0.503
USTrade Weighted	19,058,300	\$5.626	(\$0.191)	\$0.016	(\$0.27)	\$0.070

December 2007, seeks to clarify reporting requirements designed to provide readily available information about transactions that utilize, contribute to or that could contribute to price indexes. The FERC seeks to require gas market participants, including a number of entities that otherwise may not be subject to FERC's Natural Gas Act jurisdiction, to identify themselves and report summary information about their physical gas transaction for each calendar year. The rule requires the reporting of transactions including volumes that use next day or next month price indexes and volumes that are or could be reported to a price index publisher, even if the respondent has chosen not to report to a publisher. The agency noted that bi-lateral, arms length, fixed price, physical gas transactions between non-affiliated companies are all subject to the requirement. The filing deadline for the information will remain May 1, 2009.

EIA Weekly Report

	12/12/2008	12/05/2008	Net chg	Last Year
Producing Region	933	955	-22	992
Consuming East	1780	1871	-91	1778
Consuming West	454	465	-11	437
Total US	3167	3291	-124	3208

*storage figures in Bcf

BP announced that it has successfully started production from the third and fourth wells at the Thunder Horse field. Bp plans to start up the remaining production from the Thunder Horse North Field in the first half of 2009.

Canadian Gas Association

Weekly Storage Report

	12-Dec-08	05-Dec-08	14-Dec-07
East	189.1	204.1	211.2
West	334.2	341.6	296.3
Total	523.4	545.7	507.5

storage figures are in Bcf

The CFTC today approved Canada's Natural Gas Exchange as a derivatives clearing organization.

BP's British LNG tanker docked at Britain's Isle of Grain LNG import facility Thursday afternoon.

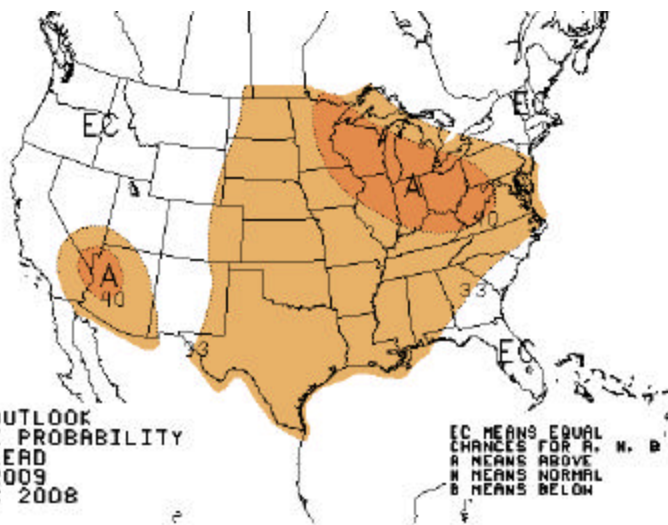
A Reuters survey published today showed that according to analysts it surveyed, the group consensus was for some 567.2 bcf of LNG will be imported into the United States next year, a 62% increase over this year's levels. Analysts noted the prospects for new global production projects which are expected to come on line next year coupled with the potential of a recession driven slowdown in global demand, could leave more LNG supplies finding their way to the U.S. for market disposal.

On the economic front, the Philadelphia Federal Reserve Bank said its business activity index fell to minus 32.9 from minus 39.3 in November. Any reading below zero indicates contraction in the region's manufacturing sector. Meanwhile the U.S. Conference Board's index of Leading Economic Indicators fell to its lowest level in more than four years in November. But the 0.4% fall was just slightly less than market expectations.

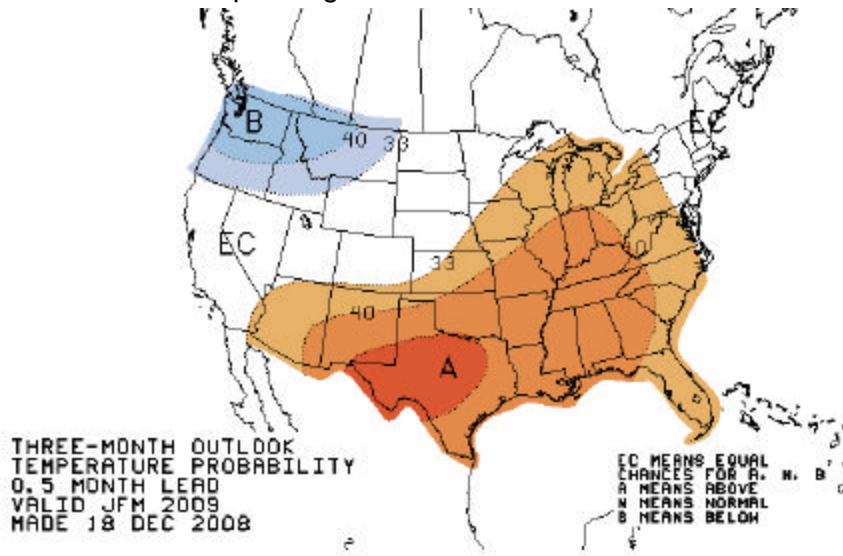
PIPELINE RESTRICTIONS

PG&E California Gas Transmission said it issued an OFO for December 19th with a 5% tolerance due to low inventory.

Natural Gas Pipeline Company said effective today and until further notice, ANR-Lake Arthur has limited capacity for deliveries. Limited ITS/AOR and Secondary transports are available.



Tennessee gas Pipeline said that because it is expecting colder weather over the next few days, it has warned of strained operating condition.



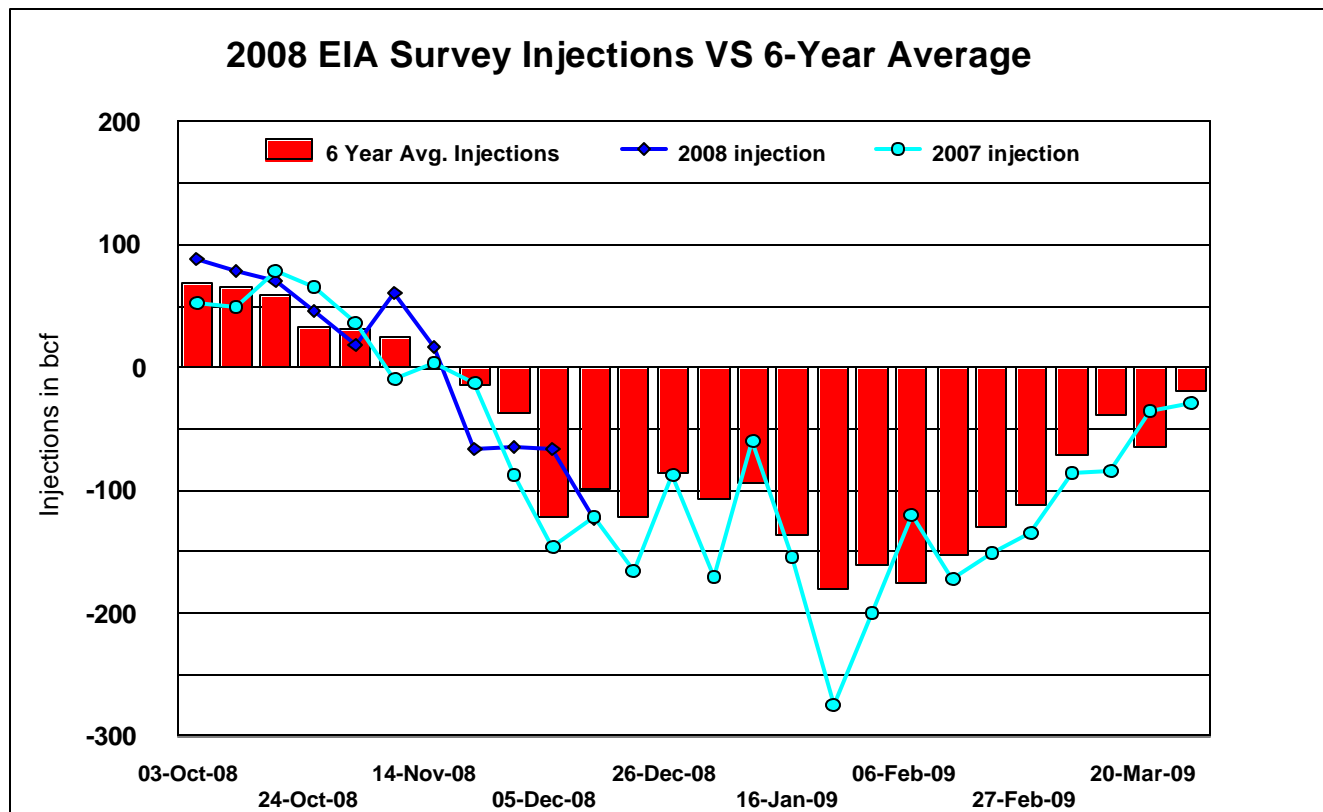
PIPELINE MAINTENANCE

NGPL said that on January 14th it plans to replace the discharge piping blow down valve at Station 167 in Lea County, New Mexico. The company though does not expect the work to impact customers. The company also reported it plans to perform mandatory upgrade on its 30 inch pipeline on the Louisiana Line in Segment 24 on January 6th through the 9th. The Pipeline will be taken out of service just east of Columbia-Pecan Lake interconnect.

Panhandle Eastern pipeline said that it now expects to complete work at the Liberal Compressor Station Unit 319 on December 21st. The work, which replaces a power turbine was originally expected to last until December 24th. During the work, capacity has been limited to 800 MMcf/d.

ELECTRIC MARKET NEWS

The U.S. EPA reported Wednesday that summertime 2007 nitrogen oxide emissions from power plants and industrial sources in 20 eastern states and the District of Columbia fell 0.256% from the year earlier, but were 60% lower than 2000 levels and some 74% less than 1990 levels. The drop in



pollution was due to increased efforts to reduce emissions, which was spurred by an allowance trading market. In its NOX Budget Trading Program report, EPA said that 2007 saw NBP ozone season, emissions were 5% below the set emission cap.

Exelon said today that if it is successful in its unsolicited bid for NRG Energy it would divest itself of three natural gas fired power plants in Texas, Mountain Creek, Handley and LaPorte, which account for 2,400 Mw of generating capacity. The company would also transfer to a third party a power purchase agreement in Texas totaling 1200 Mw. If the merger occurred NRG would likely have to divest 1000 Mw of coal, oil and gas generation as well, most likely the power plants at Indian River, Vienna and Dover located in Maryland and Delaware

TransAlta announced that TransCanada was joining with it in a major carbon capture and storage project. The TransAlta Project Pioneer, which could cost more than \$333 million, would take carbon emitted from a coal fired power plant in the Wabamun region and inject it underground, as well as pipe it to old oil fields, where it would be used to boost oil production. The companies hope to begin construction in 2010.

Sempra Energy's proposed \$2 billion Sunrise Powerlink transmission project received approval on Thursday from the California Public Utilities Commission. The 1,000 Mw powerline will begin operations in 2012.

MARKET COMMENTARY

The natural gas market posted an inside trading day as traders continued to fail to commit to a sustained position. The market posted a low of \$5.50 early in the session, failing to test its previous lows, ahead of the release of the EIA Storage Report. It however bounced off that level and traded higher following the slightly supportive inventory report, showing a larger than expected draw of 124 bcf. The market extended its gains and posted a high of \$5.754. Despite the inventory report, the natural gas market later retraced most of its gains and settled in a sideways trading pattern as the crude market sold off sharply to a 4-1/2 year low in afternoon trading. The natural gas market settled down 7.1 cents at \$5.548.

The natural gas market, which has continued to trade sideways, is seen trending lower amid the bearish longer-term weather forecasts. Also, the market will find little support amid the deteriorating economy and weakness in the oil market. The natural gas market is seen finding support at its lows of \$5.50, \$5.463, \$5.458 followed by \$5.447 and \$5.347. More distant support is seen at \$5.193 followed by \$4.85. Meanwhile, resistance is seen at \$5.62, \$5.701, \$5.754, \$5.885 and \$5.955.