

Natural Gas Price Declines Continue To Hammer Less Regulated Gas Index Components During August. Gustav's Impacts On Prices Still Not Clear. Constellation Energy Has A \$2 Billion Accounting Error

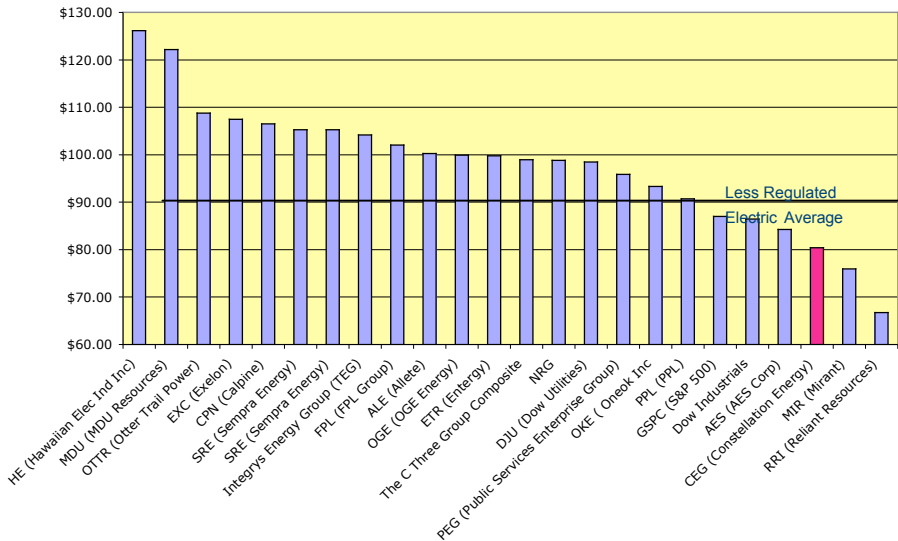


September 2, 2008. The hardest part of creating this monthly report is by far coming up with something to say that is worth the time for you to read it. Much of what happens on a monthly basis is either old news or events that "blind you with the obvious." On the other hand, there are times when it takes serious restraint not to call a spade a spade and to say something I probably would regret later. Unfortunately, this month is no different.

August 2008 Winners and Losers Table 1			
Percentage Change Market Open 8/1/08 to Market Close 8/31/08			
C Three Composite Index = 0.77%			
Top 10		Bottom 10	
GAS (Nicor)	15.24%	AYE (Allegheny)	-6.34%
OKS (ONEOK Partners)	10.94%	EP (El Paso Energy)	-6.53%
CV (Central Vermont)	10.25%	WGL (WGL Holdings)	-6.75%
CHG (CH Energy Group)	9.79%	PPL (PPL)	-6.79%
POR (Portland General)	9.07%	FPL (FPL Group)	-6.93%
EAS (Energy East)	8.84%	GXP (Great Plains Energy)	-7.17%
LNT (Alliant)	8.44%	EGN (Energen)	-7.24%
SCG (Scana Corp)	8.32%	DYN (Dynegy)	-11.44%
PNY (Piedmont Natural Gas)	7.73%	OTTR (Otter Trail Power)	-12.42%
NWN (Northwest Natural Gas)	7.69%	CEG (Constellation Energy)	-19.78%

Constellation Energy's "accounting issues" (ok, \$2 billion issue) plus what essentially was a resultant \$100 million plus margin call brought back bad memories of the Enron meltdown. This has led to the announcement that it will sell its upstream gas business and the EdF will increase its stake in the company from 4.9% to 9.9% under an agreement that was executed last year when the two companies established their new nuclear power partnership.

12 Month Performance Less Regulated Electric Index
Value of \$100 Invested On September 1, 2007



With an almost 20% decrease in value, Constellation Energy is now fighting for last place in the Less Regulated Electric group, as can be seen to the left.

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**Table 2: 2008 Year-to-Date Winners and Losers:
Value of \$100 Invested on 1/1/2008 through Market Close 8/31/08
C Three Composite Index = \$92.77**

Top 10		Bottom 10	
LG (Laclede)	\$131.22	CMS (CMS Energy)	\$78.08
MDU (MDU Resources)	\$119.67	AEE (Ameren)	\$77.22
HE (Hawaiian Elec Ind Inc)	\$116.16	BKH (Black Hills)	\$76.67
OTTR (Otter Trail Power)	\$114.77	MIR (Mirant)	\$75.89
FPU (Florida Public Utilities)	\$111.06	AES (AES Corp)	\$71.34
DGAS (Delta Nat Gas)	\$110.89	AYE (Allegheny)	\$71.26
PNY (Piedmont Natural Gas)	\$110.28	SRP (Sierra Pacific)	\$66.20
NJR (New Jersey Resources)	\$109.11	CEG (Constellation Energy)	\$65.06
GAS (Nicor)	\$108.36	RRI (Reliant Resources)	\$64.90
ALE (Allete)	\$106.67	PNM (PNM)	\$54.97

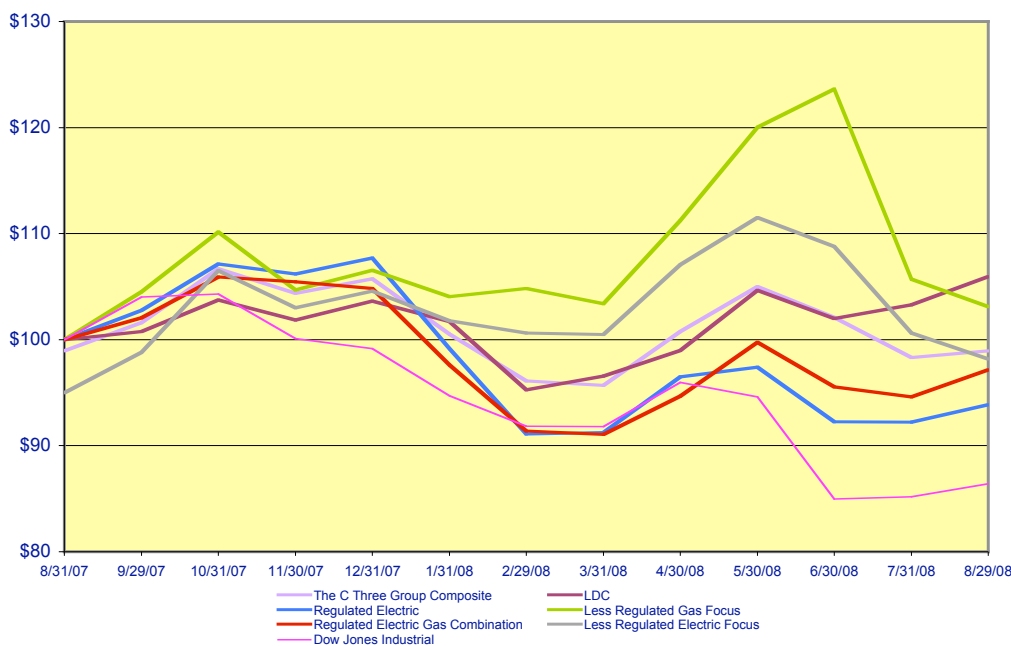
Allegheny Energy received approval from West Virginia for that portion of the Trans-Allegheny Line. However, Pennsylvania law judges have said that they are recommending against the line to the Pennsylvania PUC.

The Trans-Allegheny Line is a proposed 500 kV line extending from Southwestern Pennsylvania to existing substations at Mt. Storm, W. Va. and Meadow Brook near Middletown, Va., along with an interconnection with Dominion Virginia Power and continuing east to Dominion's Loudoun Substation about 35 miles outside of Washington.

Like several other major transmission projects that have been deemed necessary for reliability, load growth and green power issues, this one is likely to end up testing where states rights end and federal authority begins. You would think that the black-out of 2003 would have vividly illuminated the importance of at least regional planning and management, instead of fiefdoms controlled by those wearing state boundary blinders. Not in their backyard.

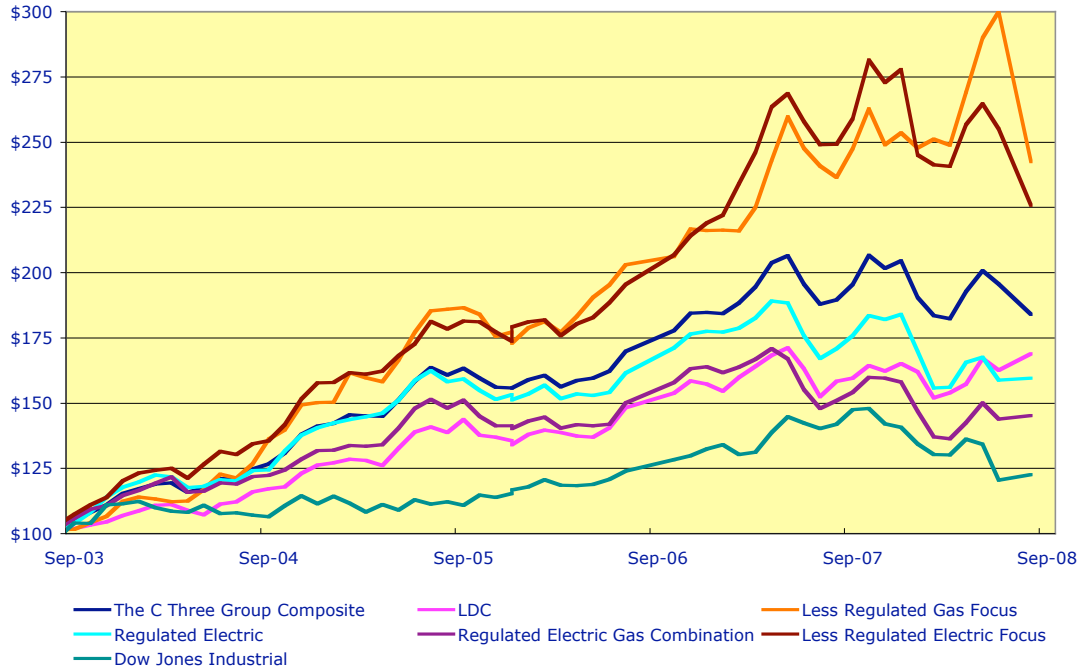
Technology has changed the delivery of electricity and natural gas. And not just the much ballyhooed smart grid technology. Technological innovations in electric transmission delivery systems, wires, transformers, the basic nuts and bolts, allow for the movement of more energy, greater distances, at a lower cost per mile, with less line loss. This is coupled with the need for renewable generation sources that are not necessary located where the energy is needed. Thus, the era of locally centralized islands of vertical integration is really obsolete. However, there are many that have too much to lose if control is moved up the food chain to a more regional or national model, thus we will continue to see challenges to any major new transmission projects.

12 Month Value of \$100 Invested on 9/1/2007 through 8/29/2008



Back to the indices. The two less regulated indices, Electric and Gas, during the past two months have both given up most of their gains achieved in the first 10 months.

**August 31, 2008 Five Year Value
\$100 Invested On September 1, 2003**



When you tie your fortunes to something as volatile as natural gas prices, it is not surprising that those components of The C Three Less Regulated Gas Index have seen a rocky couple of months. With almost 10% of the US natural gas production located in the Gulf of Mexico and with one after another tropical storm lined up in the Atlantic, volatility could be the most common adjective describing natural gas prices during the next three months. Most of these companies dominated our indices during the past three years. The components of C Three's Less Regulated Gas Index are El Paso Corp., Energen, Equitable Resources, National Fuel Gas, NJ Resources, Southern Union, Oneok, Questar and UGI.

**Henry Hub vs. Less Regulated Gas Focus Index
Month-to-Month % Price Change 1/2007 through 8/2008
Volatility Defined?**

Source: C Three Analysis

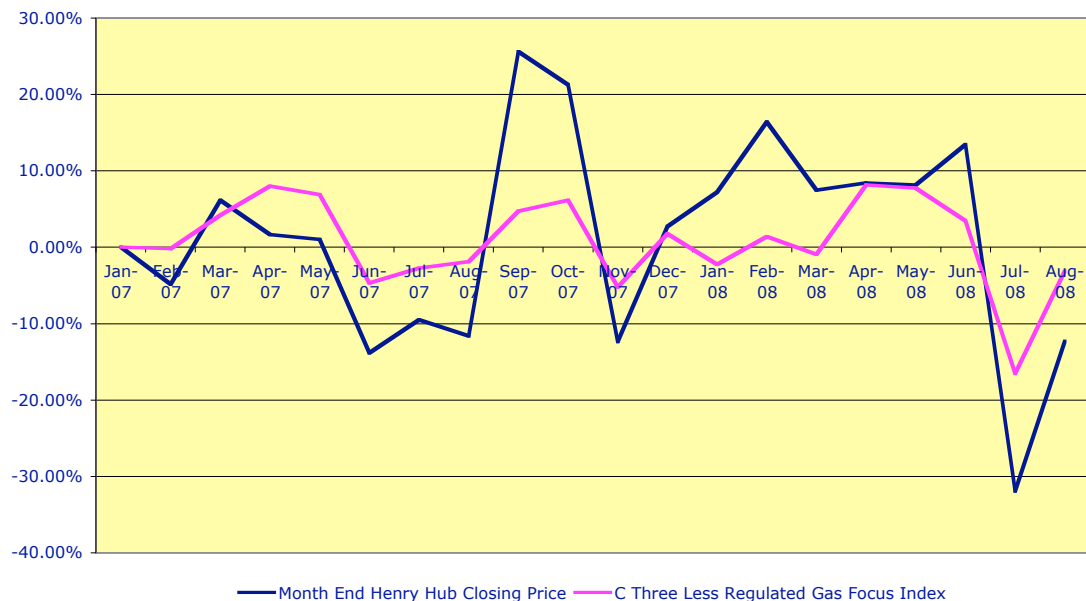


TABLE 3: Value of \$100 Invested on September 1, 2007

Company	12 Months Value Through 8/29/2008	Rank	Company	12 Months Value Through 8/29/2008	Rank
LG (Laclede)	\$139.19	1	D (Dominion Resources)	\$95.42	54
HE (Hawaiian Elec Ind Inc)	\$121.83	2	The C Three Group Composite	\$95.34	55
ENSI (Energy South)	\$121.48	3	XEL (Xcel Energy)	\$95.22	56
MDU (MDU Resources)	\$118.68	4	Dow Utilities	\$95.21	57
KMP (Kinder Morgan Energy Partners)	\$116.28	5	Regulated Electric Gas Combination	\$95.17	58
PNY (Piedmont Natural Gas)	\$114.99	6	WGL (WGL Holdings)	\$95.01	59
FE (First Energy)	\$114.68	7	PPL (PPL)	\$94.54	60
PSD (Puget Energy)	\$114.02	8	DPL (DPL Inc)	\$94.52	61
ITC Holdings	\$113.68	9	ALE (Allele)	\$94.33	62
NJR (New Jersey Resources)	\$113.31	10	NU (Northeast Utilities Service Co)	\$94.12	63
DGAS (Delta Nat Gas)	\$112.09	11	POM (PEPCO)	\$93.61	64
OTTR (Otter Trail Power)	\$111.39	12	EDE (Empire District)	\$93.40	65
TAC (Transalta)	\$110.97	13	DUK (Duke)	\$93.31	66
AVA (Avista)	\$109.58	14	PGN (Progress Energy)	\$93.23	67
EWST (Energy West)	\$109.27	15	WR (Westar)	\$92.22	68
FPU (Florida Public Utilities)	\$108.75	16	OKE (Oneok Inc)	\$92.22	69
TE (Teco Energy)	\$108.58	17	POR (Portland General)	\$92.16	70
SE (Spectra Energy)	\$108.09	18	EL Paso Electric EE	\$92.04	71
RGCO (RGC Resources)	\$107.63	19	Regulated Electric	\$91.31	72
UNS (Unisource Energy)	\$107.49	20	LNT (Alliant)	\$91.21	73
SWX (Southwest Gas)	\$107.28	21	IDA (Idacorp)	\$91.02	74
GAS (Nicor)	\$106.97	22	WMB (Williams)	\$90.69	75
NWN (Northwest Natural Gas)	\$106.63	23	Less Regulated Electric Focus	\$89.46	76
UGI (UGI)	\$105.85	24	CPK (Chesapeake Utilities)	\$89.22	77
LDC	\$105.27	25	PNW (Pinnacle West)	\$89.07	78
WEC (Wisconsin Energy Corp)	\$103.86	26	NRG	\$89.00	79
UIL (UIL Holdings)	\$103.49	27	ED (Consolidated Edison)	\$88.34	80
SO (Southern Company)	\$103.39	28	DTE (DTE Energy)	\$87.04	81
SJI (South Jersey Industries)	\$102.50	29	AYE (Allegheny)	\$86.74	82
Integrus Energy Group (TEG)	\$102.03	30	PCG (PG&E)	\$86.46	83
OGE (OGE Energy)	\$101.81	31	NI (NiSource)	\$86.10	84
VVC (Vectren)	\$101.65	32	AEP (American Electric Power)	\$84.72	85
MGEE (MGE Energy)	\$101.38	33	S&P 500	\$84.02	86
SCG (Scana Corp)	\$101.19	34	SUG (Southern Union)	\$83.77	87
NFG (National Fuel Gas Co)	\$101.07	35	ATG (AGL Resources)	\$83.44	88
OKS (ONEOK Partners)	\$100.99	36	CHG (CH Energy Group)	\$83.26	89
EXC (Exelon)	\$100.80	37	Dow Jones Industrial	\$83.07	90
EAS (Energy East)	\$100.55	38	EIX (Edison Intl)	\$82.81	91
CNL (CLECO)	\$99.76	39	BKH (Black Hills)	\$82.42	92
SRE (Sempra Energy)	\$99.66	40	NGG (National Grid)	\$81.73	93
CNP (Centerpoint Energy)	\$99.06	41	GXP (Great Plains Energy)	\$81.40	94
STR (Questar)	\$98.78	42	CMS (CMS Energy)	\$80.68	95
EP (El Paso Energy)	\$98.76	43	AEE (Ameren)	\$79.73	96
FPL (FPL Group)	\$98.65	44	CEG (Constellation Energy)	\$77.76	97
Less Regulated Gas Focus	\$98.64	45	AES (AES Corp)	\$76.15	98
EGN (Energen)	\$97.76	46	MIR (Mirant)	\$72.71	99
ATO (Atmos)	\$97.25	47	SRP (Sierra Pacific)	\$71.46	100
NST (Nstar)	\$97.21	48	RRI (Reliant Resources)	\$66.52	101
PEG (Public Services Enter.)	\$97.19	49	CV (Central Vermont)	\$66.50	102
NWE (Northwestern Corp)	\$96.80	50	DYN (Dynergy)	\$64.50	103
EQT (Equitable Resources)	\$96.22	51	PNM (PNM)	\$50.64	104
TCLP (TC Pipelines)	\$95.77	52	CPN (Calpine)	\$0.00	105
ETR (Entergy)	\$95.48	53			

TABLE 4: Value of \$100 Invested on September 1, 2003

Company	5 Year Value Through 8/29/2008	5 Year Rank	Company	5 Year Value Through 8/29/2008	5 Year Rank
AYE (Allegheny)	\$548.13	1	MDU (MDU Resources)	\$165.20	54
WMB (Williams)	\$495.03	2	NST (Nstar)	\$165.15	55
NRG	\$343.74	3	D (Dominion Resources)	\$163.83	56
RRI (Reliant Resources)	\$343.35	4	PNY (Piedmont Natural Gas)	\$163.36	57
STR (Questar)	\$342.96	5	KMP (Kinder Morgan Energy Partners)	\$163.14	58
EGN (Energen)	\$333.57	6	POM (PEPCO)	\$161.67	59
ENSI (Energy South)	\$303.37	7	AVA (Avista)	\$160.55	60
TAC (Transalta)	\$302.77	8	TE (Teco Energy)	\$159.71	61
EIX (Edison Intl)	\$295.50	9	Regulated Electric	\$159.54	62
EXC (Exelon)	\$285.35	10	RGCO (RGC Resources)	\$159.35	63
EQT (Equitable Resources)	\$275.44	11	XEL (Xcel Energy)	\$155.26	64
EWST (Energy West)	\$269.75	12	SWX (Southwest Gas)	\$154.45	65
EP (El Paso Energy)	\$247.56	13	WGL (WGL Holdings)	\$153.85	66
AES (AES Corp)	\$242.61	14	AEP (American Electric Power)	\$153.40	67
Less Regulated Gas Focus	\$242.52	15	Regulated Electric Gas Combination	\$145.29	68
PEG (Public Services Enter)	\$238.28	16	WR (Westar)	\$144.36	69
PPL (PPL)	\$237.24	17	Integrys Energy Group (TEG)	\$144.11	70
FE (First Energy)	\$230.09	18	EAS (Energy East)	\$143.01	71
Less Regulated Electric Focus	\$225.77	19	GAS (Nicor)	\$140.21	72
OKE (Oneok Inc)	\$225.66	20	CPK (Chesapeake Utilities)	\$139.93	73
SRE (Sempra Energy)	\$220.98	21	PSD (Puget Energy)	\$139.29	74
ALE (Allete)	\$220.16	22	HE (Hawaiian Elec Ind Inc)	\$138.92	75
SRP (Sierra Pacific)	\$218.25	23	NGG (National Grid)	\$137.98	76
ITC Holdings	\$216.67	24	DGAS (Delta Nat Gas)	\$133.72	77
ETR (Entergy)	\$215.53	25	SO (Southern Company)	\$133.54	78
NFG (National Fuel Gas Co)	\$213.01	26	VVC (Vectren)	\$132.54	79
CNP (Centerpoint Energy)	\$211.73	27	ATG (AGL Resources)	\$130.26	80
CEG (Constellation Energy)	\$210.91	28	GSPC (S&P 500)	\$129.54	81
FPL (FPL Group)	\$209.93	29	DTE (DTE Energy)	\$128.89	82
CMS (CMS Energy)	\$208.77	30	SCG (Scana Corp)	\$127.81	83
SJI (South Jersey Industries)	\$202.44	31	TCLP (TC Pipelines)	\$126.70	84
DJU (Dow Utilities)	\$202.40	32	FPU (Florida Public Utilities)	\$126.09	85
DUK (Duke)	\$201.62	33	ATO (Atmos)	\$124.33	86
PCG (PG&E)	\$195.97	34	Dow Industrials	\$122.60	87
EL Paso Electric EE	\$190.94	35	CV (Central Vermont)	\$122.48	88
DPL (DPL Inc)	\$188.17	36	IDA (Idacorp)	\$121.29	89
DYN (Dynergy)	\$188.01	37	BKH (Black Hills)	\$120.41	90
OGE (OGE Energy)	\$187.64	38	PGN (Progress Energy)	\$119.05	91
UGI (UGI)	\$186.44	39	MGEE (MGE Energy)	\$117.55	92
LNT (Alliant)	\$186.10	40	ED (Consolidated Edison)	\$115.96	93
UNS (Unisource Energy)	\$185.62	41	PNW (Pinnacle West)	\$112.25	94
NWN (Northwest Natural Gas)	\$185.57	42	AEE (Ameren)	\$111.63	95
The C Three Group Composite	\$183.95	43	EDE (Empire District)	\$110.24	96
NJR (New Jersey Resources)	\$180.54	44	CPN (Calpine)	\$106.51	97
LG (Laclede)	\$180.44	45	MIR (Mirant)	\$105.49	98
OKS (ONEOK Partners)	\$178.88	46	NWE (Northwestern Corp)	\$104.20	99
UIL (UIL Holdings)	\$178.53	47	CHG (CH Energy Group)	\$100.73	100
SUG (Southern Union)	\$177.52	48	NI (NiSource)	\$92.90	101
WEC (Wisconsin Energy Corp)	\$175.96	49	SE (Spectra Energy)	\$92.45	102
CNL (CLECO)	\$173.38	50	GXP (Great Plains Energy)	\$91.57	103
NU (Northeast Utilities Service Co)	\$169.76	51	POR (Portland General)	\$86.85	104
LDC	\$168.93	52	PNM (PNM)	\$70.30	105
OTTR (Otter Trail Power)	\$166.78	53			

Methodology and Components of Each Index Tracked by The C Three Group

- **Less Regulated Electric Focus** = More than 50% of revenues come from non-state regulated sources and/or more than 33% of assets are non-state regulated.
- **Less Regulated Gas Focus** = More than 50% of revenues come from non-state regulated natural gas distribution and/or more than 33% of assets are non-state regulated.
- **Regulated Electric** = No more than 20% of revenues can come from natural gas distribution and no more than 49% of revenues and 33% of assets can be associated with non-regulated activities.
- **LDC** = No more than 20% of revenues can come from electric distribution or generation and no more than 50% of revenues and 33% of assets can be associated with non-regulated activities.
- **Regulated Electric and Gas Combination** = More than 20% of revenues derived from natural gas distribution, no more than 50% of revenues and 33% of assets from non-regulated activities.
- **The C Three Index** = the non-weighted average of each of the companies included in the groupings above.

The C Three Indices are developed based on a straightforward premise: if you invested \$100 in each of the stocks of the companies that we track, what would the value of those shares be worth after a certain time-frame? Historical share prices are adjusted for dividends, splits and spin-offs.

LDC	Regulated Electric	Regulated Electric and Gas Combo	Dow Jones Industrials
AGL Resources Atmos Energy Chesapeake Utilities Delta Natural Gas Energy South Energy West Laclede Group Nicor Nisource Northwest Natural Gas Piedmont Natural Gas RGC Resources South Jersey Industries Southwest Gas Vectren WGL Holdings	Allele Ameren American Electric Power Black Hills Central Vermont CLECO Dominion Resources DPL Duke Energy Edison International El Paso Electric Empire District Energy East FirstEnergy IdaCorp Northeast Utility Services Northwestern Corp. Nstar PEPCO Pinnacle West Portland General Electric Progress Energy Sierra Pacific Southern Company UIL Holdings Unisource Energy Westar Wisconsin Energy	Alliant Avista Centerpoint Energy CH Energy Group CMS Energy Consolidated Edison DTE Energy Energy East Florida Public Utilities MGE Energy PCG PNM Resources Puget Energy SCANA Sierra Pacific Resources TECO Energy Wisconsin Energy Xcel Energy	Alcoa American Express American Inter. Group AT&T Boeing Caterpillar Citigroup Coca Cola Dupont Exxon Mobil GE General Motors Home Depot Honeywell IBM Intel Johnson and Johnson JP Morgan McDonalds Merck Microsoft P&G Pfizer United Technology Verizon WalMart Walt Disney
Less Regulated Gas	Less Regulated Electric	Dow Utility Average	C Three Index
Energen Equitable Resources National Fuel Gas NJ Resources Oneok Questar UGI	AES Corp. Allegheny Energy Constellation Energy Dynergy Entergy Exelon FPL Group Great Plains Energy Hawaiian Electric Intergrys MDU Resources Mirant NRG OGE Energy Otter Tail Power PPL Corp. PS Enterprise Reliant Resources Sempra Energy UGI	AEP AES CenterPoint Consolidated Edison Dominion Resoures Edison International Exelon FirstEnergy FPL Group NiSource PG&E PS Enterprise Group Southern Company Williams Co.	Is an unweighted average of each component from the each of these groupings plus, El Paso Energy, Kinder Morgan Energy Partners, Oneok Partners, Spectra Energy, TC Pipelines, TransAlta and Williams. We may re-introduce a natural gas pipeline index later this year.