



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 18, 2004

NATURAL GAS MARKET NEWS

Pemex said natural gas production averaged 4.632 Bcfd in October, up from 4.6 Bcfd in September. Imports of natural gas slipped further to 799.3 MMcf/d in October from 877.1 MMcf/d in September. Mexico has not exported any natural gas since February 2002.

Today, the FERC approved Sempra Energy's plan to build an underground natural gas storage facility in Louisiana. Sempra's Pine Prairie Energy Center would consist of three salt caverns that could hold 24 Bcf of working gas. The storage facility would be located near the Henry Hub, the largest U.S. natural gas trading center. A daily maximum 1.2 Bcf of gas could be withdrawn. The company would also lay 28 miles of new pipeline to connect the site to 6 interstate pipelines for shipping the gas. The project is expected to cost \$175 million and Sempra wants to have the storage caverns in service by the beginning of 2006.

Generator Problems

ERCOT – The 528 Mw Welsh 3 coal-fired power unit is currently shut for repairs on a boiler tube leak. The unit is scheduled to restart November 18-24. Unit 2 will restart November 18-22 following an outage to work on the boiler and precipitator.

MAPP – The 530 Mw Prairie Island 2 nuclear unit shut from full capacity today after being forced offline on account of technical specifications. The unit shut at about 8:30 PM CT last night. Prairie Island 1 remains dormant amid its fall refueling and maintenance outage, which began September 12.

NPCC – The 825 Mw FitzPatrick nuclear plant returned to full power this morning, up 6% on the day. The unit trimmed production to 94% power to conduct rod pattern adjustments, which were completed by day's end.

ECAR – The 821 Mw Beaver Valley Power Station Unit 1 reached 55% capacity this morning, up 15% on the day. The unit restarted November 15 after shutting October 18 for a refuel and maintenance outage.

The 792 Mw Palisades nuclear reactor is running at 23% capacity, up 15% on the day. The reactor restarted yesterday after shutting September 19 for a standard refuel.

SERC – The 900 Mw Harris nuclear unit is currently operating at 56% capacity, up 50% on the day. The unit was running at 6% capacity after exiting the refueling outage.

The 1,100 Mw Browns Ferry 3 nuclear unit is currently running at 82% capacity on the day. The unit was reduced early yesterday for maintenance on the feedwater condensate system. The unit will return to full power once the repairs are complete.

The 888 Mw Farley 1 nuclear reactor is currently running at 30% power, up 18% on the day. The unit restarted on Tuesday after shutting for a fall refueling and maintenance outage on October 2.

WSCC – The 750 Mw Unit #2 at the Navajo coal fired power plant returned to service. The unit had been off line for some 12 hours.

Based on the latest NRC reports, total nuclear generation output this morning reached 79,935 Mw up 65 Mw or .08% from yesterday's levels. Total generation was some .08% lower than the same date a year ago.

The National Weather Service at midday released their longer-term weather forecasts. While its December outlook called for above normal temperatures for the country west of the Rockies, it saw near normal temperatures for most of the nation east of the Rockies with the exception of a small area around the West North Central states. But the NWS did not seem to revise its longer-term forecast for the December-February period which again calls for below normal temperatures for the Southeast up into the Mid-Atlantic states. This may have not seem so puzzling standing by itself but when the Mid-

EIA Weekly Report

	11/12/2004	11/05/2004	Net chg	Last Year
Producing Region	968	965	3	899
Consuming East	1928	1939	-11	1864
Consuming West	425	423	2	392
Total US	3321	3327	-6	3155

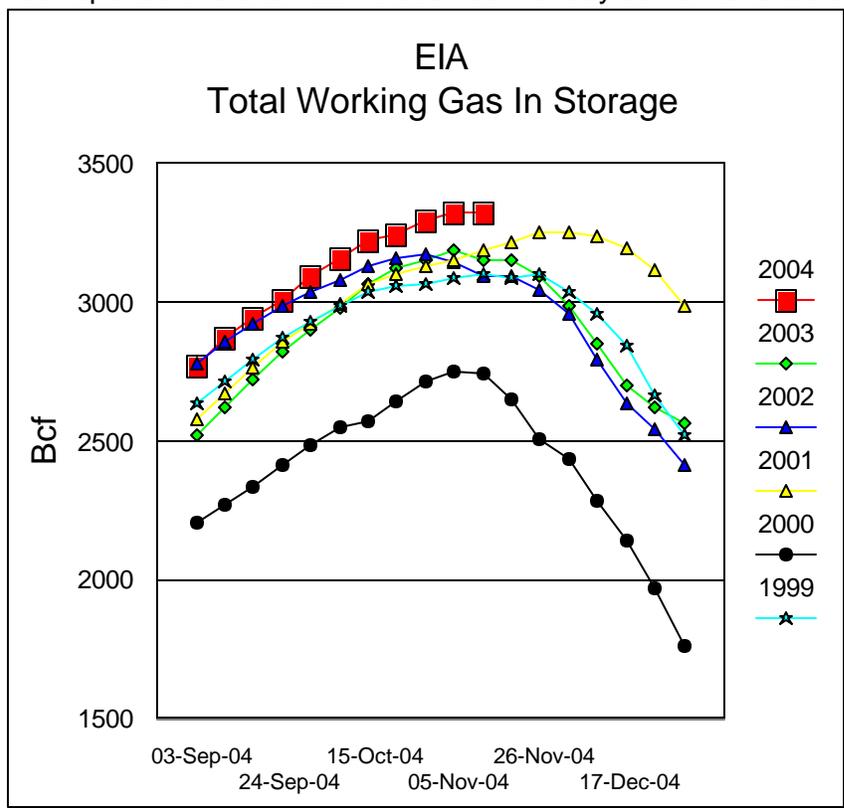
Atlantic region is shown not to see colder temperatures basis the December forecast nor in the January-March period, we are left scratching our heads on when these colder than normal temperatures are supposed to show up in the Mid-Atlantic states if not in December. The NWS also called for the

drought to worsen in the Pacific Northwest which should be supportive for natural gas come next spring and summer as electric generation from the regions hydro electric facilities will again be limited.

The U.S. Minerals Management Service reported this afternoon that since Monday some 4649 b/d of crude oil production and only 0.68 Mmcf/d of natural gas production has come back on line from the USG production that had still been shut in from Hurricane Ivan.

The Conference Board's index of leading indicators fell 0.3% in October to 115.1, the fifth straight monthly decline. The declines in September and August were of equal amount.

The FERC said today in its Winter Energy Market Assessment for 2004-05 that the natural gas market's behavior is consistent with commodity markets under tight conditions. The Commission noted that despite record storage levels, market concerns about a tight supply/demand balance appear to be driving prices. Constraints include status of production, demand growth and weather.



The FERC noted that the economy's growth continues to drive demand. It estimates that this winter should see demand some 2.7 bcf higher than last year with demand in the critical Northeast region up 0.6 bcf/d. As a result the Commission warned that given the constrained infrastructure in the Northeast, scarcity of gas is possible under extreme weather conditions. It noted that despite drilling increases on the year, domestic production this winter will be flat to lower versus last year. It also warned that with exports to Mexico increasing by some 0.2 bcf/d, expected decline in LNG imports this winter will make overall supplies tight. Further complicating the supply equation is that Canadian imports can no longer be counted on to fill the gap due to increased demand in eastern Canada and overall flat production levels in Canada. The FERC noted though that speculative trading appears less

significant to price behavior than are supply and demand conditions. They noted that non-commercial positions are more balanced between long and short compared to the start of last winter. The FERC noted that it will continue to work with public utility commissions to help them protect customers as prices flow from the wholesale to the retail markets. It will continue to monitor gas market activity including pipeline capacity utilization and regional prices this winter, especially during periods of extreme weather changes. The complete report can be found on the web at (<http://www.ferc.gov>)

Canadian Gas Association

Weekly Storage Report

	12-Nov-04	05-Nov-04	14-Nov-03
East	246.8	246.9	259.9
West	224.7	226.8	192.9
Total	471.5	473.7	452.8

The FERC in an order approved today noted steady improvement and increased confidence in published price indices, as it listed 10 publishers that meet its criteria for reliability and whose indices may be reliably used as part of the Commission-approved tariffs. The FERC said significant steps have been taken, both by companies

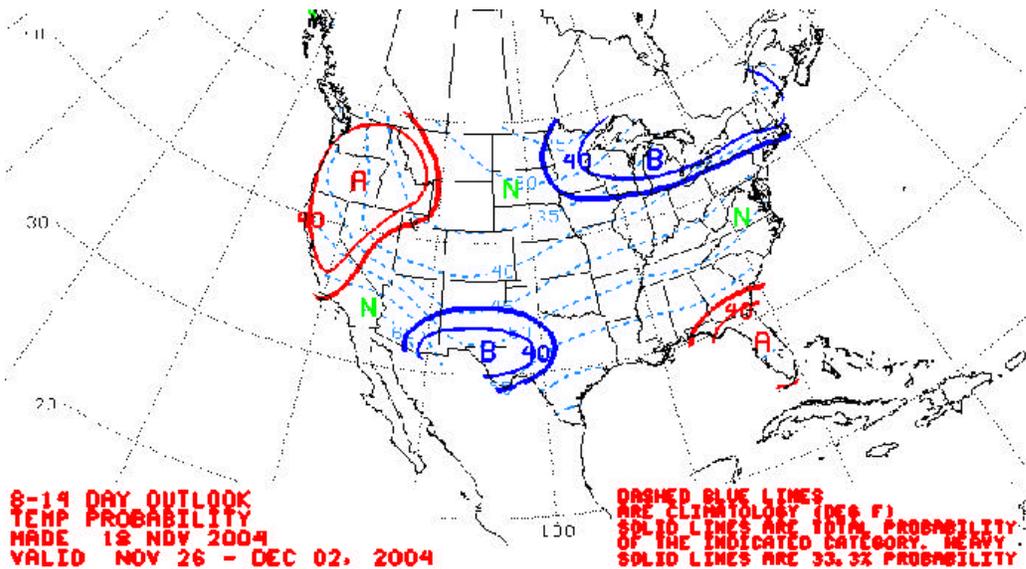
reporting prices of wholesale energy transactions and developers of natural gas and electricity price indices, to increase confidence and certainty in wholesale energy markets. The Commission said it would continue to monitor wholesale price information to make sure there is accurate, reliable and transparent market price information.

The FERC today also issued a draft environmental statement for the Cheniere LNG plant said the facility and the associated pipeline servicing that facility would have limited adverse environmental impact.

PIPELINE RESTRICTIONS

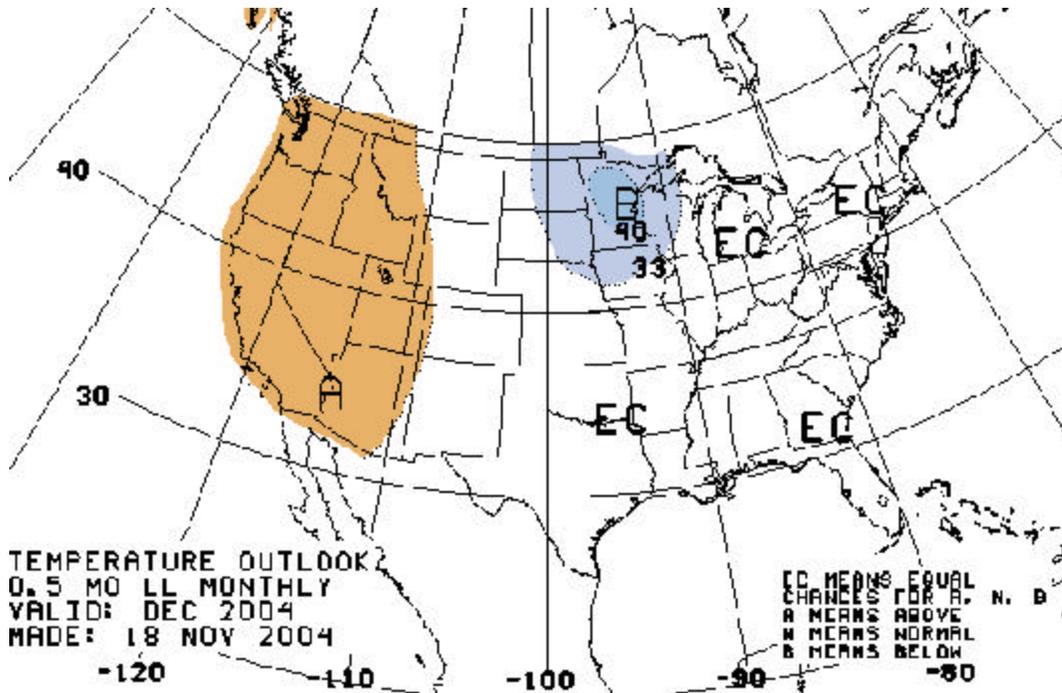
PG&E California Gas Transmission has called a customer specific Operational Flow Order on its California natural gas pipeline for today's gas flow.

Texas Eastern Transmission Corp. said that it is at capacity for rate zones STX, ETX and M1-24 inch system. Restrictions in place include: Force balanced all long TABS-1 pools in STX and ETX; Zone M1-24 restricted through priority 4B; No increases in physical receipts will be accepted between the Vidor compressor station in STX and Fagus compressor station in M1-24 inch. This includes zone ETX; No PAL parks or PAL loan payback will be accepted in these zones.



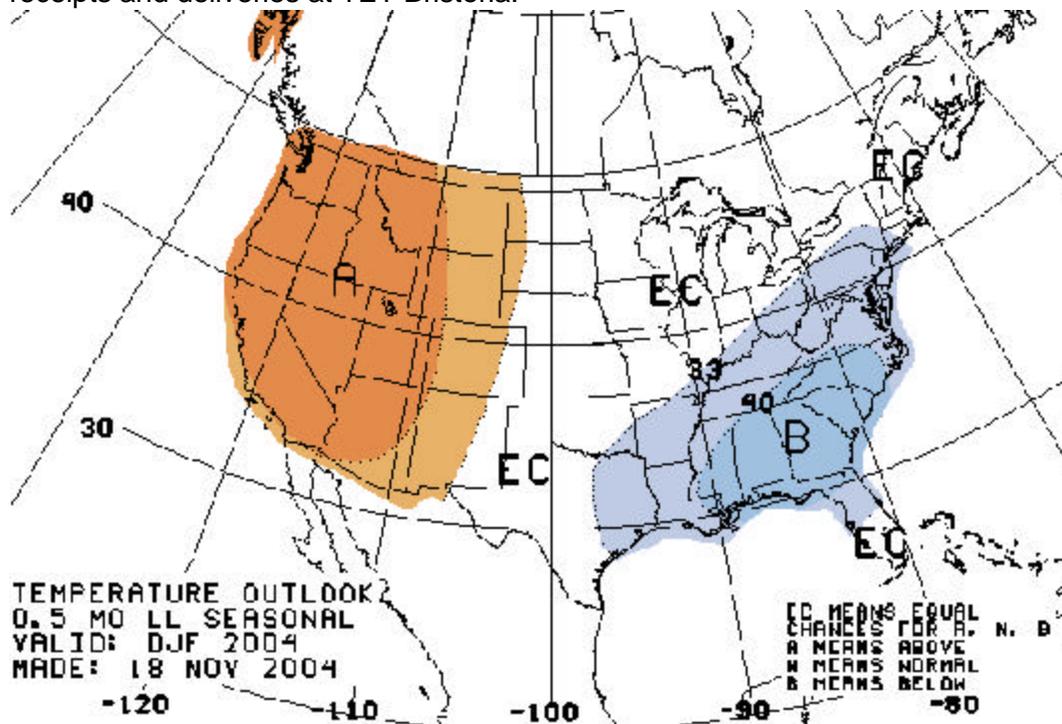
PIPELINE MAINTENANCE

Natural Gas Pipeline Company of America stated that on December 1, it will perform an annual test of the Emergency Shut Down system at Station 802 in Lamar County, Texas. Although this should not impact shippers' scheduling activity, operators in Segment 17 may be impacted by pressure changes during this 8-hour test. From December 7-9, NGPL will be replacing unit 3 at Station 346 in Vermilion Parish, Louisiana. ITS/AOR and secondary out-of-path transports in Segment 24 may be at risk during



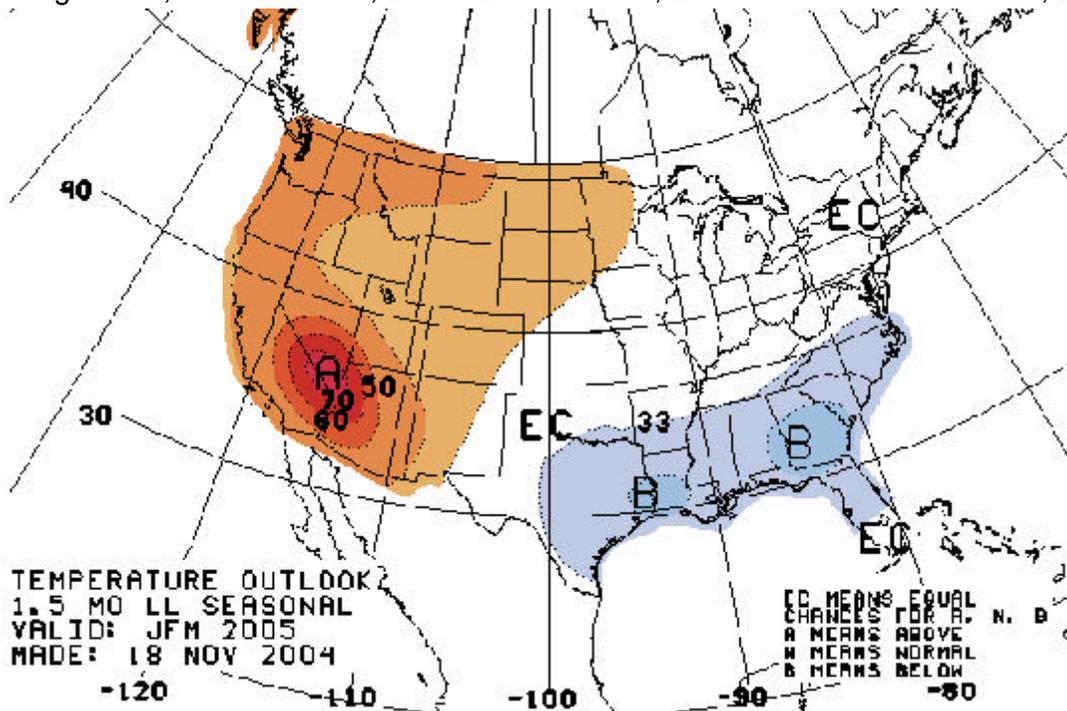
this outage, but primary and secondary in-path transports should not be affected. On December 14-15, NGPL will be performing maintenance on station piping, meter and regulation facilities at Station 302 in Montgomery County, Texas. During this work, ITS/AOR and secondary out-of-path transports in segments should not be affected.

National Fuel Gas said that it has scheduled construction on line N-20 from December 15-17. NatFuel is expecting restrictions on line N-20 that will restrict interruptible transportation and firm transportation, receipts and deliveries at TET Bristoria.



Gulf South Pipeline Company stated it will be performing scheduled maintenance on Index 391 beginning at 7:00 AM CT Monday, November 22, from Mile Pole 21.59 to Mile Pole 15.54 and continuing for 2 days. Due to this maintenance Gulf South said that Force Majeure conditions on Index 391 will affect its ability to provide service to

the following locations: 1229 W A Cunningham 1 Well, 1386 T G Hemby G U 1, 1506 Minnie Bell Young 1 Well, 9641 Beckville, 21615 Brown 1 Well, 21349 Marshall Power Plant, 21637 Martin-Tuttle 1.



Panhandle Eastern Pipe Line Company stated Department of Transportation road crossing work on the Hansford 200 Line will begin on November 30. This had been previously scheduled to begin November 22. During this outage, the capacity through

Hansford will be reduced by 125 MMcf/d. The estimated completion date for this work is December 2.

ELECTRIC MARKET NEWS

PSEG Power Connecticut asked the FERC to approve cost-of-service contracts for 2 oil-fired electric generating units in Connecticut. The 2 generators include the 158 Mw Unit 2 at Bridgeport Harbor Generating Station in Bridgeport and the 455 Mw New Haven Harbor plant in New Haven. The New England Independent System Operator has determined that continued availability of both units is required to maintain system reliability in the region. PSEG Power said additional revenues from the cost-of-service contracts, usually referred to as Reliability Must Run, or RMR contracts, are necessary to meet ongoing operating and maintenance costs associated with keeping the units available to meet Southwest Connecticut's electric capacity requirements.

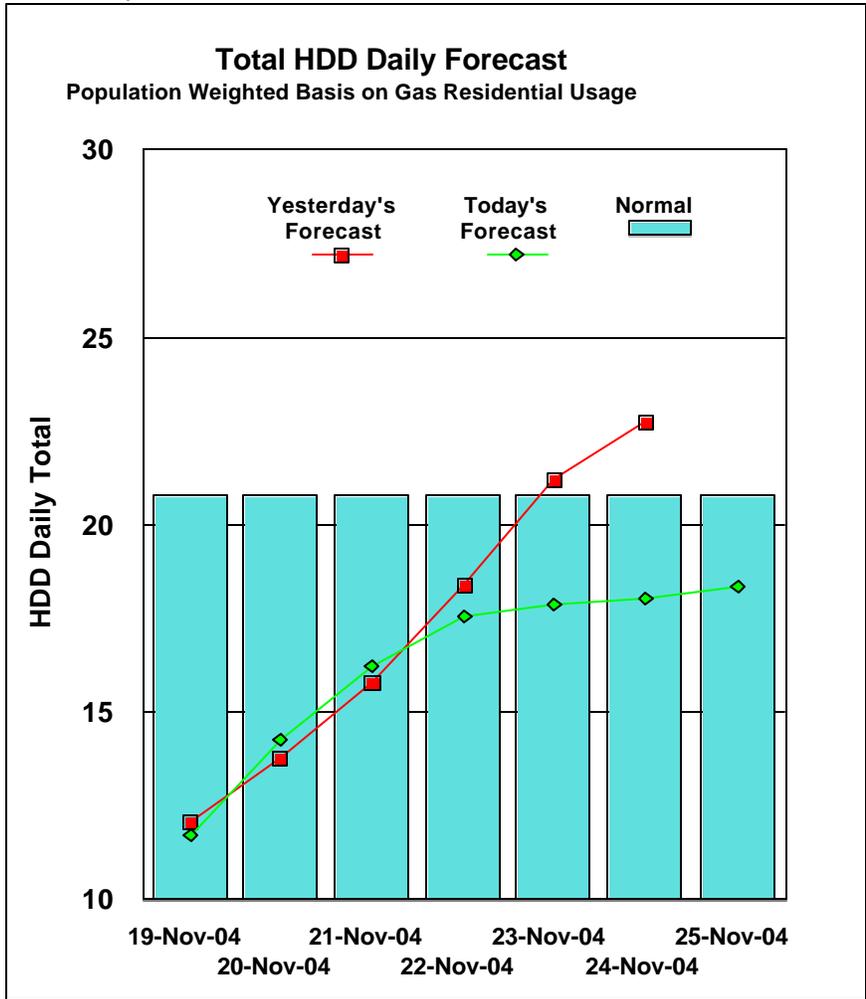
The EIA reported that American coal production for the week ending November 13th stood at 21,594,000 tons up 1.3% from last week and up some 3.4% from the same week a year ago. Year to date U.S. coal production has been running some 3.3% better than a year ago.

The FERC's Winter Energy Market Assessment said that electricity prices are of course rising with fuel costs. Nuclear generation this winter has little spare capacity and cannot cushion prices. Gas and oil this winter may take turns setting prices in the Northeast and Florida. The Commission noted that reliability issues from gas scarcity may be lessened by operational and market changes made in reaction to last winter. Expansion of PJM and new market software in NYISO should enhance markets but is not yet proven in operations.

MARKET COMMENTARY

The natural gas market got off to a weak start this morning as the near term demand outlook for gas continued to dim as updated weather forecasts for the next week continued to point to even more moderate temperatures than first believed. This morning the NWS appeared to back away from

expectations for colder temperatures moving into the northern half of the nation next week. As a result the futures market gapped lower this morning and immediately tested the support at the recent low of \$6.98. While this support level held in front of the EIA Storage Report, once the report was released and traders were able to comprehend the news that this market posted a smaller than expected inventory decline, prices came under pressure and quickly sold off reaching a level not seen in the December contract since September 28th. While prices attempted to rebound several times during the trading session on the back of strengthening heating oil prices, the market failed to gain any traction and as a result prices remained mired in a sideways trading patten for the remainder of the day. Final trading volume was relatively light, especially for a storage report day, with just 62,000 futures booked on the day.



We continue to feel that the upside risk of this market given a change in the intermediate term weather forecast just does not warrant the limited profit potential for holding a short position. While tonight's NWS 6-10 day and 8-14 day temperature outlooks do not look particularly bullish, the lowest confidence level assigned to these forecasts shows that this outlook could change quickly. We continue to like being a scale down buyer of the January contract in a bull spread position to either the February or March contracts. Flat price we see support at \$6.79-\$6.76 and \$6.505. Resistance we see initially at \$6.95,\$6.98, \$7.09, followed by \$7.33-\$7.36, \$7.73 and \$7.816.