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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 20, 2004

NATURAL GAS MARKET NEWS

The Climate Prediction Center reported this morning that for the week ending December 18th the nation saw some 195 heating degree-days, up some 3.7% than originally forecasted. This heating demand on a gas home heating customer related basis though was still 3.5% less than normal and some 4.4% less than the same week a year ago. For the current week ending December 25th the Center is forecasting 231 HDD, some 9.5% colder than normal and more than 25% colder than the same week a year ago.

The private weather forecasting group, WSI Corp, said today that it continues to look for the January-March period as being below normal basically for the eastern part of the nation east of a line from Houston, Texas to Buffalo, New York, with the western U.S seeing above normal temperatures. The group warned that "… basis spreads to Henry Hub can widen dramatically during extreme cold weather as gas pipeline constraints can cause delivered prices in the Northeast to escalate rapidly,"…"but warmer than normal weather in the rest of the country should significantly lower average demand in January and may keep market price volatility in check."

Generator Problems

ERCOT– TXU Corp. shut and restarted the 750 Mw unit #3 at its Monticello coal-fired station on Dec. 18 following a valve test trip.

American Electric Power shut its 528 Mw coal-fired Welsh #2 unit to fix a boiler tube leak from Dec. 19-22.

FRCC – FPL Group's 693 Mw Turkey Point #3 nuclear unit exited and outage and ramped power to 60% of capacity, following a shut down on Dec. 14 due to a brief fire on the high-pressure turbine. Turkey Point #4 remains at full power.

MAAC – Exelon restored full power to its 1,148 Mw Peach Bottom #2 nuclear unit over the weekend after a standard rod pattern adjustment. Peach Bottom #3 remains at full power.

PSEG reduced its 1,150 Mw Salem #1 nuclear unit to 14% and operated it offline to work on a problem with a steam generator feed pump. On Friday, the unit was operating at 60% after exiting an outage last week due to an oil spill in the Delaware River. Salem #2 continues at full power.

NPCC – Ontario Power Generation's 515 Mw #4 and 516 Mw #7 at the Pickering nuclear station in Ontario both returned to service by early Monday. All of units #4-8 were available for service at Pickering.

Ontario Power Generation's 580 Mw Brighton Beach natural gas-fired power plant shut early Monday.

WSCC – Arizona Public Service increased power 25% at its 1,270 Mw Palo Verde #1 unit over the weekend to full power. The unit was at 75% Friday to work on an electrical issue. Palo Verde #2 and #3 continue at full power.

Pacific Gas and Electric boosted its 1,100 Mw Diablo Canyon #2 unit 67% to 92%. The unit restarted Dec. 13 after a refueling and returned online Dec. 17 at 25%. Diablo Canyon #1 is operating at full power.

AES Corp. increased potential output at its 480 Mw Alamitos #5 gas-fired unit. Alamitos #1,3 and 6 are out of service, and #2,4, and 7 are at full power.

The California Department of Water Resources decreased the potential power output of its 933 Mw Hyatt-Thermalito hydropower plant for planned reasons.

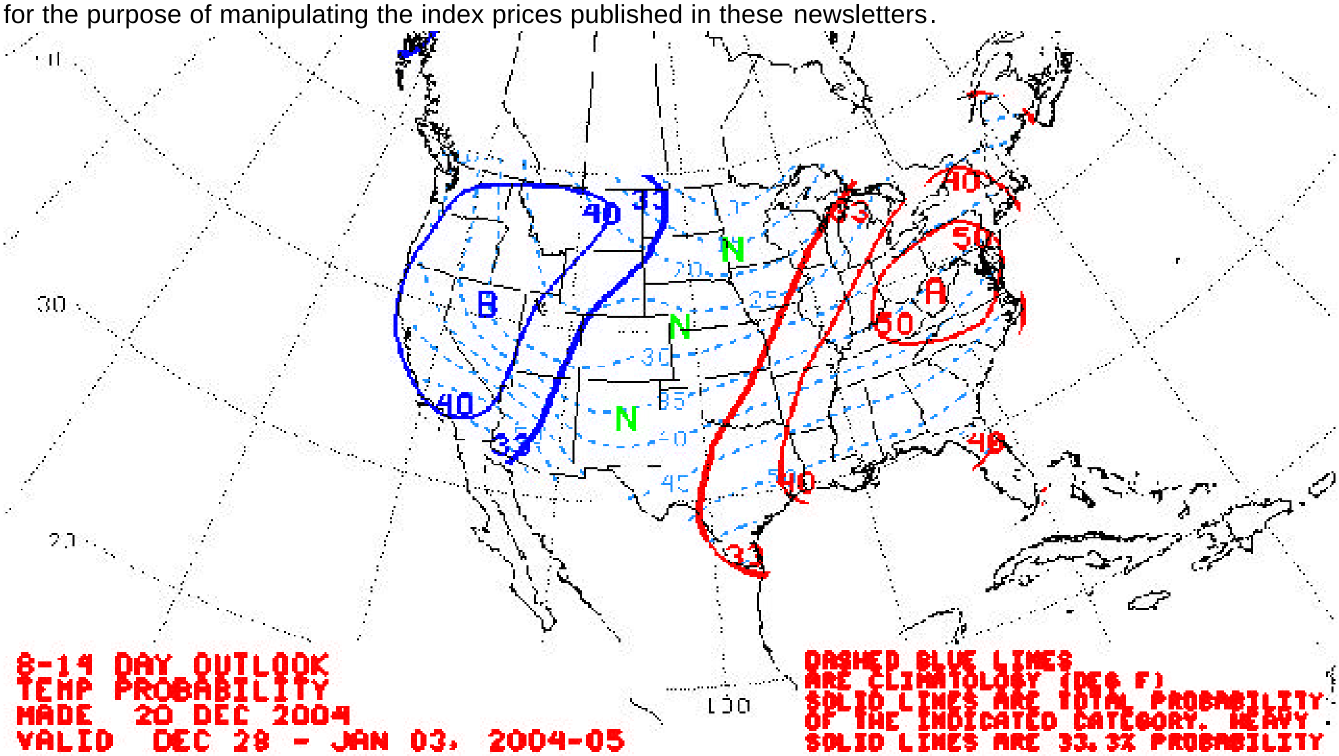
The NRC reported that U.S. nuclear generating capacity was at 92,527 Mw today up 1.27% from Friday.

Construction contracts for two major LNG projects were awarded this week for the 800 Mmcf/d Cove point expansion project and the Cheniere Energy's Sabine Pass LNG terminal.

Several energy producers in Alaska charged today that the FERC's proposed regulations governing the conduct of the open season on an Alaskan natural gas pipeline project flout the directive of Congress because they favor the three dominant producers in the state, BP, ExxonMobil and ConocoPhillips.

Williams Co. ended a joint project with BC Hydro to build a $209 million natural gas pipeline to Vancouver Island, B.C. Williams Co., backed out of the deal as a result of the Canadian regulatory process. BC Hydro has decided to pursue other alternatives to meet short-term energy needs and will move forward with plans to replace aging electric transmission cables.

Thomas J. Pool, a former natural gas trader at Williams Energy Marketing & Trader, pled guilty Friday to one count of manipulating natural gas prices in interstate commerce by reporting false data to industry publications. Pool admitted to conspiring with others at Williams to report fictitious trades to Platt's Inside FERC's Gas Market Report, as well as to NGI's Bidweek Survey between approximately June 1, 1998 and June 30, 2002. He did this for the purpose of manipulating the index prices published in these newsletters.



PIPELINE RESTRICTIONS

Natural Gas Pipeline Co. of America said that deliveries to Florida-Jefferson and Florida-Vermilion are at capacity. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Deliveries to Texas Gas-Lowry are at capacity. Deliveries to Columbia Gulf-Chalkley are at capacity. NGPL is at capacity for transportation going northbound through and downstream of Compressor Stations 109 and 110 (Segment 14) and through Compressor Station 801 (Segment 15).

Texas Eastern Transmission Corp said that line 40B, the Main Pass System, sustained damage due to the placement of a jack-up rig. Consequently, receipts along line 40B have been restricted to zero. The Monroe Line has been nominated to capacity, no physical increases can be accepted from the following meters: 71000-Gulf South West Monro, 72568-Reliant Energy West Monroe, and 72614-Duke Energy Field Services-Ouchita Parish, La. Also, receipts in zones STX, and ETX have been nominated to capacity. No physical increases sourced between Vidor and Little Rock can be accepted.

East Tennessee Natural Gas reports that the following restrictions are in place on the East Tennessee system: Secondary receipts out of path upstream of station 3104; secondary receipts out of path upstream of station 3205; and secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke. Also, ETNG will institute its Maximum Allowable Delivery Service.

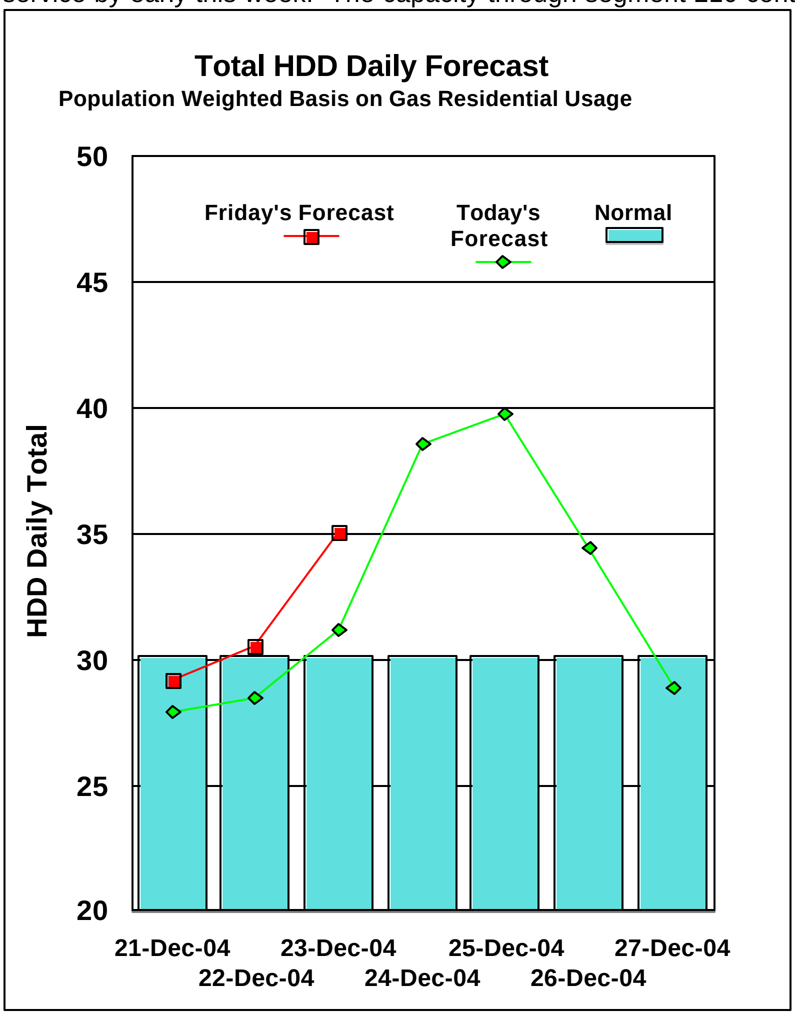
Algonquin Gas Transmission said that it is anticipating near peak operating conditions and will have limited operating flexibility. Parties are advised that no due shipper imbalance gas is available for today.

PIPELINE MAINTENANCE

Florida Gas Transmission said that due to high demand and near-freezing temperatures, it is issuing an Overage Alert Day at 15% tolerance for today.

Alliance Pipeline said that routine maintenance will require the Morinville Compressor Station to be unavailable for 8 hours on Dec. 21 beginning at 9 am.

TransColorado said that repairs to the Whitewater Compressor Station in Mesa County, Colorado are currently in progress. TransColorado anticipates lifting the force majeure and resuming operations at the station for full service by early this week. The capacity through segment 210 continues to be limited to 350 MMcf/d.



ELECTRIC MARKET NEWS

The New York Mercantile Exchange announced that it would increase the margins on its financially settled PJM monthly electricity futures contracts at the close of business today. Margins on the first and second months will increase to $4,725 from $3,375 for customers. Margins on the third month will increase to $4,725 from $1,350 for customers. Margins on the sixth month will increase to $3,375 from $1,350 for customers. Margins on the seventh through 22nd months will increase to $2,700 from $1,350 for customers. Margins on the 23rd through 25th months will increase to $2,025 from $1,350 for customers.

Dominion Virginia Power reached an agreement to purchase Panda, an 181 Mw combined-cycle electric generating facility in Roanoke Rapids, N.C. Panda is owned by Panda-Rosemary, and Dominion is expected to pay them $40.2 million in cash and assume or pay off the facility's long-term debt and associated costs of approximately $60.5 million. Panda consists of two, dual-fuel combustion turbines and a steam turbine and typically operates during periods of high electrical demand. Dominion Virginia Power already has a 25-year contract, which expires in 2016, for the output of Panda.

Exelon Corp. has agreed to buy Public Service Enterprise for $13.2 billion in stock, creating the nation's largest utility. The acquisition will increase Exelon's generating capacity by about 50%, to 52,000 Mw. The new company, Exelon Electric and Gas, will serve 7 million electricity customers and 2 million gas customers in

Illinois, New Jersey and Pennsylvania. In the first year after the deal closes, the companies expect to save $400 million before taxes through efficiencies in the areas including generation, transmission, distribution and power marketing, and through increased production. Federal regulators likely will approve the mega-merger because even though the large company would raise market power, they joined PJM.

MARKET COMMENTARY

Amazing what a difference a couple of days makes. The natural gas market went out on Friday in what appeared to be the bulls back in charge of the market, as the season's first true artic outbreak was on the verge of moving into the eastern half of the U.S. But despite this artic air sending temperatures yesterday and today even lower than anticipated last week, the forecasts released late Sunday and early today by the NWS and some private weather forecasters that called for temperatures to not only quickly reverse and moderate this week but remain above normal for next week as well. This put natural gas prices on the defensive to start Sunday night and it carried through into the day session as well. The day session gapped lower as it opened 35 cents lower and within the first minute of trading had set the high for the day and began falling on the re-opening. Prices never looked back. Prices found some minor support in the first 90 minutes of trading around or just below $7.00, but this level was breached at mid day and prices not only retraced 62% of the rally of the past two weeks but also fell back below Thursday's lows of $6.90 before finding some support around the $6.85 level. While one private weather forecaster at midday seemed to provide some life support to this market by running counter to prevailing consensus and was looking for another severe cold out break late this week that could challenge record lows in the Midwest but down deep into the heart of Dixie as well. Another private weather forecasting service also issued a supportive weather forecast for the first quarter and this coupled with the NWS this afternoon moderating their bearish weather forecast on its 8-14 day temperature outlook seemed to at least stabilize the market. The government's forecast is now calling for above normal temperatures only in the eastern third of the nation, not the whole nation (as had been forecasted Sunday evening) with below normal temperatures in the western third of the nation. Despite the significant price move today that left behind Friday's price action on the daily charts as a potential island reversal, volume was a very light 53,000 contracts in the futures market. This light volume is even more surprising by the fact that Friday's trading action saw some 2250 new contracts added to open interest in what has to be seen as new longs coming to this market.

Option activity today was also moderate to light with just over 29,000 contracts booked on the day. Puts accounted for over 60% of the day's activity with the $7.00 and $6.00 puts accounting for over 20% of the put activity on the day. More interesting though was that the Feb $15 calls continued to attract interest, trading over 2000 times today. This strike saw open interest grow by over 200 contracts on Friday and traded over 1500 times last Wednesday as well.

We feel that tonight's slight modification in the NWS weather outlook may be enough to at least allow prices to stabilize in front of Wednesday's EIA Storage Report, as prices attempt to move into a sideways $6.70-$7.00 trading range. We would look at this report as setting the tone for prices for the remainder of the week and the expiration of the January contract. But if a strong consensus does develop that this past artic outbreak is more of an isolated event rather than longer-term colder pattern then the large stock overhang in this market grows by the day as a ticking time bomb for the bulls. We see near term resistance at $7.00 followed by today's gap at $7.16-$7.26, followed $7.41, $7.55 and $7.62. Support we see at $6.90-$6.85, $6.76, $6.54, $6.505-$6.495.