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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 6, 2005

NATURAL GAS MARKET NEWS

The NYMEX will cut margins on some natural gas futures, Henry Hub swap futures, and natural gas e-miNYs futures contracts at the close of business Friday. Margins on the spot month and second month of the natural gas futures contract will decrease to $9,450 from $11,475 for customers. Margins on the third month will decrease to $8,100 fro $10,125 for customers. Margins on all other months are unchanged. Margins on the spot month and second month of the Henry Hub swap futures contract decrease to $2,363 from $2,869 for customers. Margins on the third month will decrease to $2,025 from $2,531 for customers. Margins on all other months will remain unchanged. The margins on both months of the natural gas e-miNYs futures contract will decrease to $3,500 from $4,250 for clearing members, to $3,850 from $4675 for members, and to $4,725 from $5,738 for customers.

EIA Weekly Report

	12/31/2004	12/24/2004	Net chg	Last Year
Producing Region	802	842	-40	752
Consuming East	1536	1635	-99	1529
Consuming West	360	372	-12	338
Total US	2698	2849	-151	2619

Weathermen from around the nation forecast a warmer winter than first predicted for the U.S., but still call for a cold late January and February. Todd Crawford of WSI Corp. said, "the last half of January and all through February we are expecting a good amount of cold." The Northeast, which relies heavily on heating oil to warm homes and businesses, will have freaky warm weather in the short term according to forecasters. Crawford expects record highs in the middle of next week, with 55 F in Boston and 60 F in New York City. AccuWeather man Joe Bastardi believes the rest of the winter will be volatile and still may bring some mighty cold temperatures, particularly for the middle part of the country. Bastardi predicts that Texas will see another shot of cold air with freezing temperatures in its eastern part by next weekend. EarthSat's Chris Hyde notes that a warmer December and

Generator Problems

ECAR – First Energy manually shut its 1,260 Mw Perry nuclear unit due to a reactor recirculation pump trip. This is similar to problem that occurred two weeks ago.

FRCC – FPL's 839 Mw St. Lucie #2 shut early today for a refuel. It was operating at 68% yesterday. St. Lucie #1 continues to operate at full power.

ERCOT – TXU shut its 750 Mw Unit #3 at the coal fired Monticello power plant this morning for maintenance work, with the unit expected back Friday morning.

MAAC – Exelon returned its 1,110 Mw Peach Bottom #2 nuclear unit to full power. The unit was at 60% yesterday due to a rod pattern exchange. Peach Bottom #3 continues to operate at full power.

Reliant Energy's 850 Mw Unit #1 at the Conemaugh coal fired power plant returned to service today, after tripping off line on January 4th.

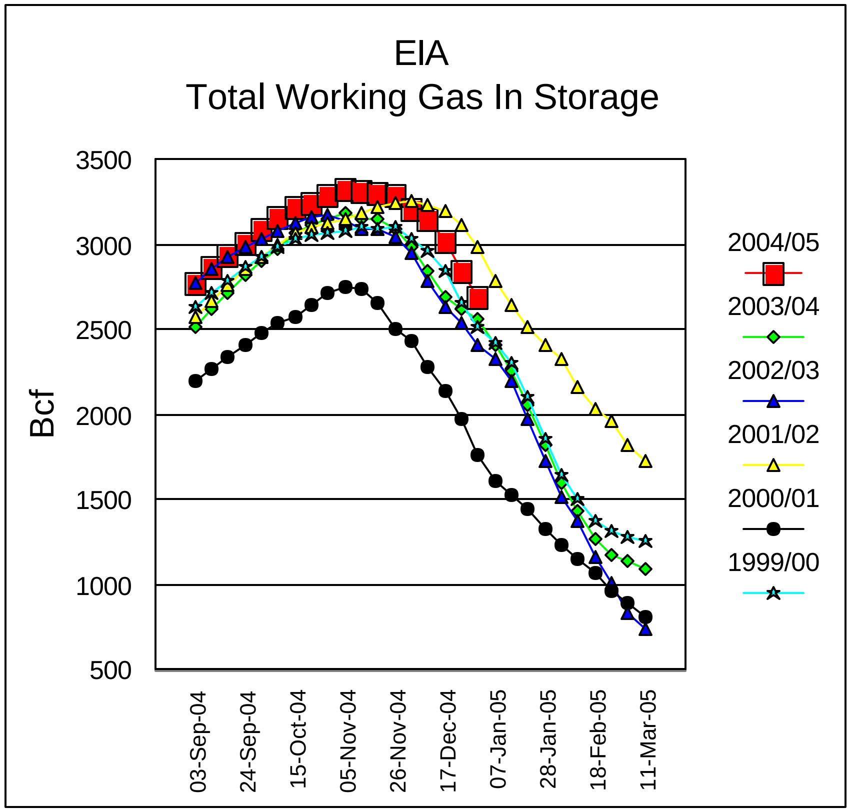
MAPP – Nebraska Public Power continues to prepare its 800 Mw Cooper nuclear unit for a refueling and maintenance outage by reducing output 1% to operate it at 85%.

SERC – Duke Energy's 846 Mw Oconee #3 ramped up to 99% as it comes out of a refueling outage. The unit was operating at 60% yesterday. Oconee #1-2 continue to operate at full power.

WSCC – PG&E reduced power at the 1,100 Mw Diablo Canyon #1 to about 50% of capacity to clean the condenser. The unit is expected back to full power by late Thursday. Canyon Diablo #2 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 92533.65 Mw today down 1.66% from Wednesday.

January coupled with a seasonal March, mean a warmer overall winter than previously predicted. Currently, heating degree-days in the U.S. are running 8% less than normal. Forecasters say the upper Midwest will get an arctic blast next week. Agbeli Ameko of Enercast in Colorado said February will see nationwide below normal temperatures, which will cause 2-4% more heating degree days.



Government forecasters at NOAA today said that they expect weak El Nino conditions should persist during the next three months and this should translate into cooler and wetter weather across parts of the U.S. South. But forecasters hedging themselves said "there is considerable uncertainty concerning future developments" of the weather phenomena.

El Paso provided an optimistic financial and operational update for the company. Doug Foshee, president and CEO said he was pleased with 2004's progress, but not satisfied, anticipating continued progress in 2005. The energy company exceeded its fourth-quarter 2004 production forecast 1% to 775,000 Mcf/d, and it plans to spend $750 million in 2005 to increase production by another 3% to 800,000 Mcf/d. Foshee is pleased with El Paso's position in the market, noting that their "pipeline continued to deliver solid results, and we continued to capture a significant share of the expansion opportunities in our markets." Foshee expects "to be able to show growth from current levels in 2005 and beyond, both through the drillbit and through acquisitions." Financially, El Paso reduced net debt by $3.4 billion in 2004 and expect to continue to reduce debt this year.

In line with its continued progress in 2005, El Paso expects to file applications with FERC for two expansions of pipelines to transport natural gas production out of the Rocky Mountain region. In addition, it plans to submit an application for a line to deliver gas from its Elba Island LNG terminal in Savannah, GA, to northern Florida.

Canadian Gas Association

Weekly Storage Report

	31-Dec-04	24-Dec-04	02-Jan-04
East	199.5	212.6	219.6
West	164.5	175.6	151.7
Total	364.0	388.2	371.2

Calhoun LNG has secured an option to lease a 150-acre site in an industrial area in Port Lavaca along the Texas Gulf Coast's Matagorda Ship Channel and plans to ask federal regulators in March for permission to build a 1 Bcf/d LNG terminal. The Calhoun County, Texas Navigation District has agreed to issue tax-free municipal bonds to finance construction. Calhoun LNG is looking for a company to commit to the proposed terminal's capacity. The terminal site is in the midst of a number of industrial plants, which use large volumes of natural gas as feedstock and fuel. Plans for the terminal call for two pipelines, one to carry regasified LNG to nearby industrial plants as well as several interstate and intrastate pipelines, and another pipeline for gas liquids, which would be sold to a local user.

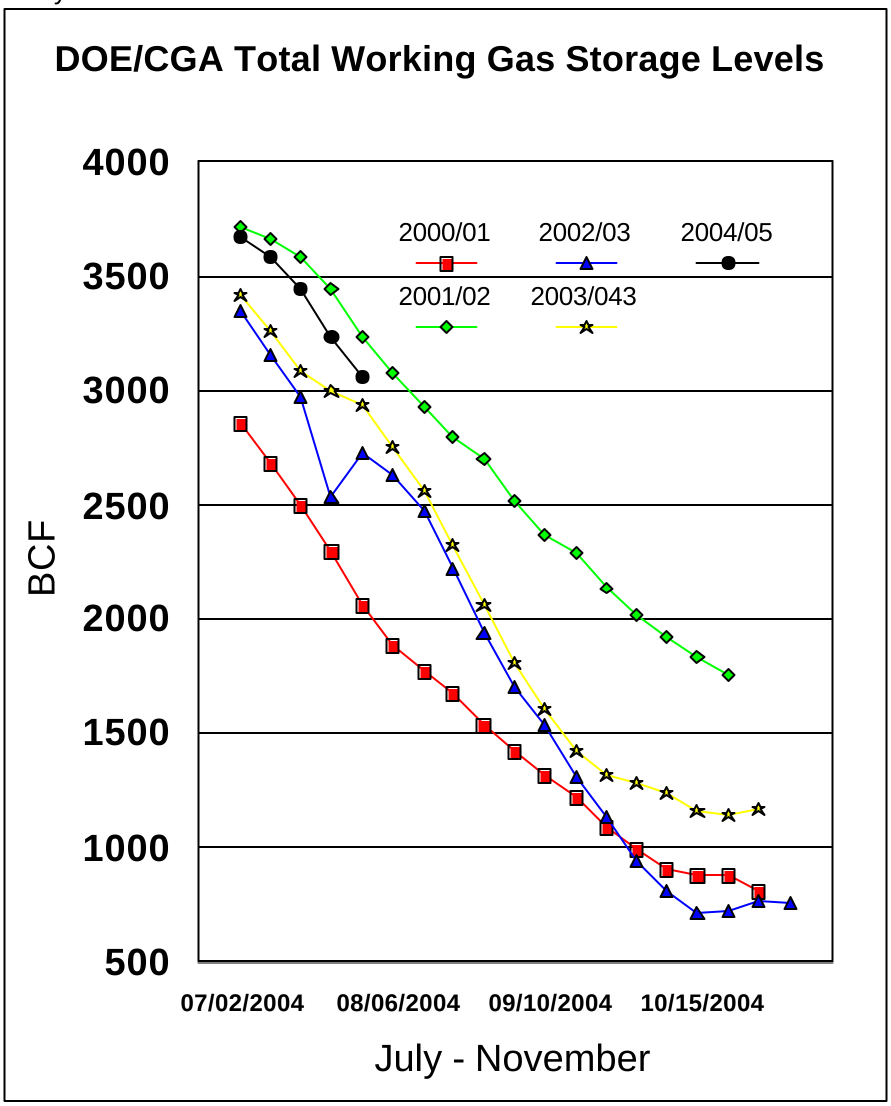
Canadian natural gas exports to the U.S. will hold steady through 2015 in their current range above 3 Tcf/y, an annual state-of-the-industry survey by Ottawa's energy department predicts.

Energen Corp said today that it has hedged an additional 10.1 bcf of its 2005 natural gas production at an average NYMEX equivalent price of $6.08. The company noted that it now has 80% of its 2005 natural gas production hedged.

Egypt will make its first exports of LNG to the U.S. in March. Britain's BG Group has signed contracts to take about .7 million tonnes a year of LNG, mainly for sale in North America, from the SEGAS plant in Damietta. SEGAS is a joint venture between Spain's Union Fenosa, and Italy's energy group Eni. SEGAS' first exports to Spain will be in mid-January. 60% of production from SEGAS will go to Spain, with the remainder to Egyptian Natural Gas Holding Co., who made the deal with Britain's BG Group and also Britain's BP. Egypt is building another LNG plant in Idku, which is scheduled to produce its first LNG cargo in the third quarter of 2005. The Idku plant's key shareholders are BG and Malaysian state oil firm Petronas.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. All Louisiana Line Segments (25,23 and 24) are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf-Chalkley (PIN 11295) are at capacity today.



Texas Eastern Transmission Corp. said that on Jan. 5, it issued two customer specific operational flow orders that will take effect Jan. 7. The OFOs require the customer to deliver their contracts firm transportation MDQ under Rate Schedules CDS, FT-1 and SCT, as applicable, in the most downstream zone of delivery to the maximum extent contractually feasible prior to utilizing storage services. The OFOs will remain in effect until customer inventory levels are restored to planned levels.

Algonquin Gas Transmission said that nominations for gas flowing through Stony Point compressor station have been nominated to capacity.

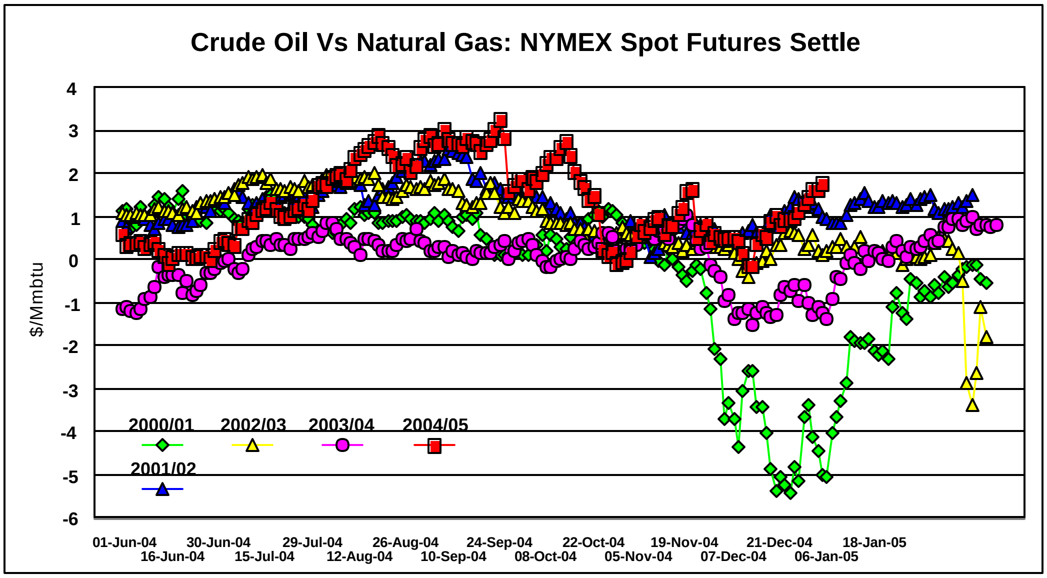
Northern Natural Gas Co. said it is calling a System Overrun Limitation day for gas day Thursday due to forecasted minimum temperatures of below zero in the Zone A/B/C area.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Co. said that the maintenance on Baker Area Grasslands Mainline previously scheduled for Jan. 4, then bumped back to Jan. 5 has been rescheduled again for Jan. 12. Due to the maintenance at the Baker Booster Compressor Station, flow to Point ID 04015 Baker Area Grasslands Mainline will be restricted by approximately 3 MMcf/d.

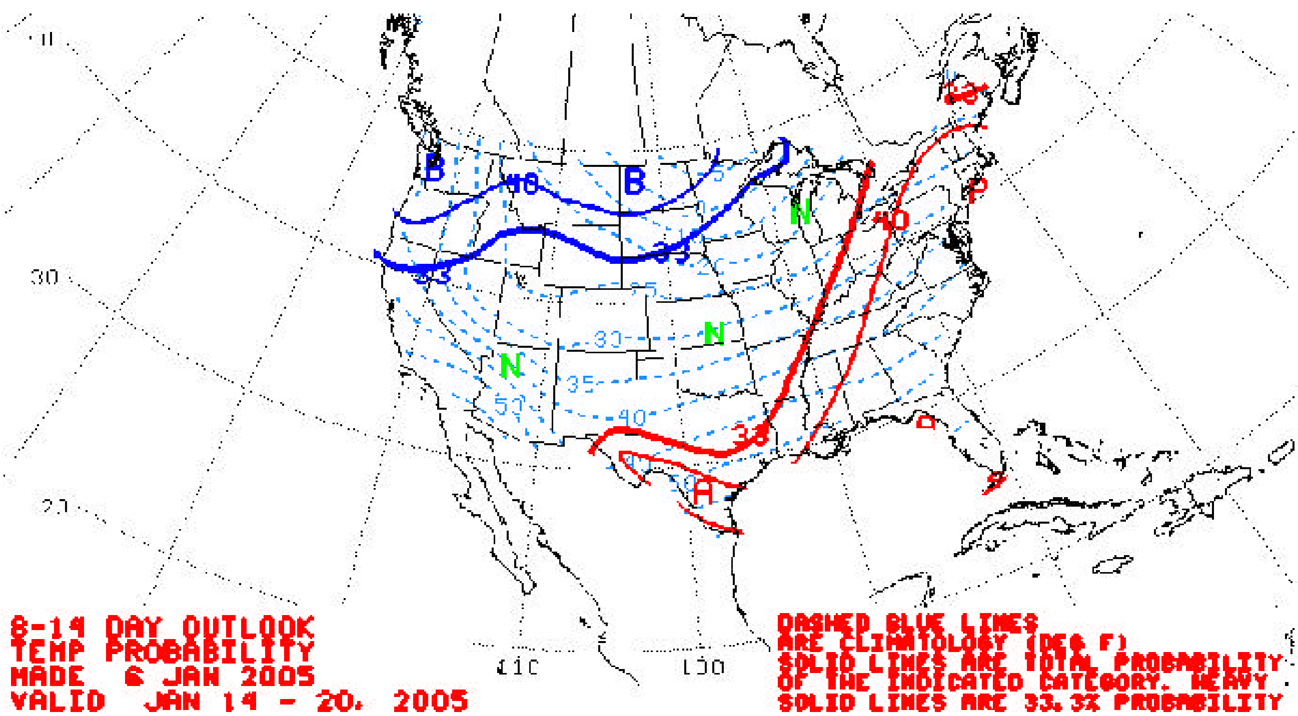
El Paso Natural Gas Co. said that the Rio Vista 3 turbine mechanical inspection scheduled for Jan. 24-25 has been postponed to Feb. 8-9. The scheduled volumes through IEXCPT37 and IGCNMX37 will be limited to a total of 50 MMcf/d, a reduction of 100 MMcf/d from full capacity.

Gulf South Pipeline said that it will be performing scheduled maintenance on Index 8 Jan. 11 at 7:00am CT and continuing for 48 hours. Due to this maintenance, force majeure conditions on Index 8 will affect Gulf South's ability to provide service to the following locations: Water Injection Plant at Wright Mountain; Corley C.P. #1; Cowan G U #2; Perry G U #1; Eckerd Heirs #1; Overton Field CP; CW Resources; Dyer #1 Well; Maynard #1; and Burton #1.



ELECTRICITY MARKET NEWS

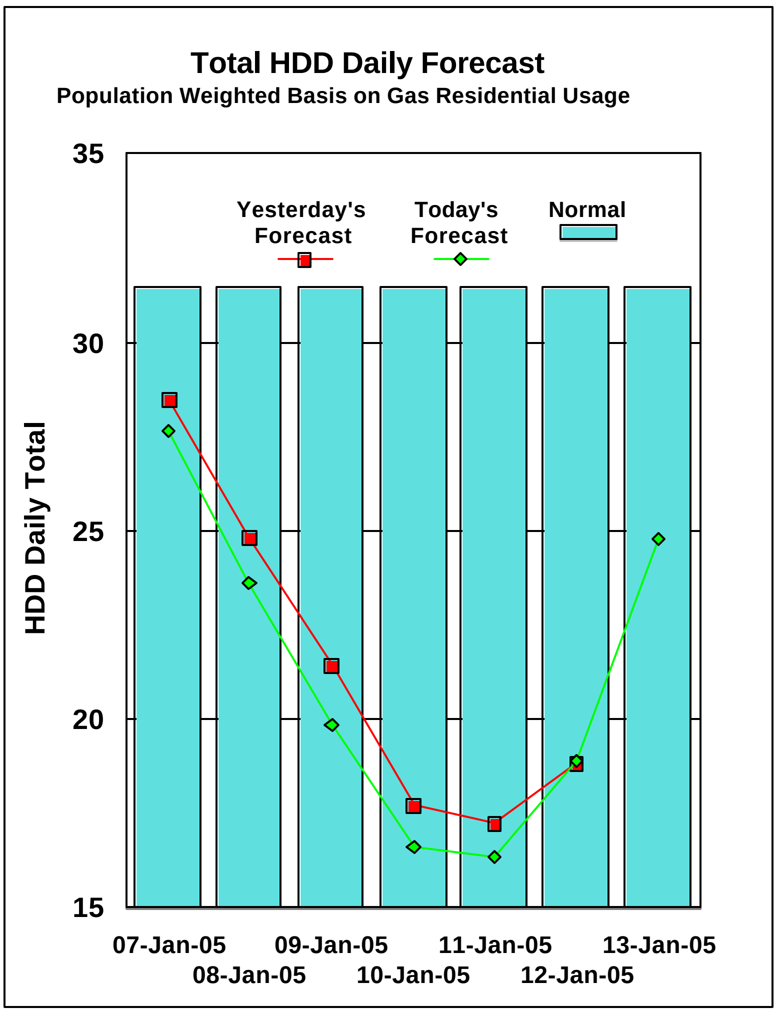
The Tennessee Valley Authority is expected to release a proposal in the next couple of weeks that my cut power costs for its 158 distributors is they agree to enter into long-term contracts. Customers particularly in Kentucky have been threatening to leave TVA if they can find cheaper power. TVA expects to have a proposal for price incentive in the first quarter of 2005.



ISO New England officials said today that the $990 million price tag for the 69 mile transmission line proposed by Connecticut Light & Power and United Illuminating is reasonable compared to the impact to the Connecticut economy if the grid is not fixed within the state. Officials estimated that consumers next year will pay more than $308 million in "inefficiency" costs related to inadequate transmission infrastructure.

MARKET COMMENTARY

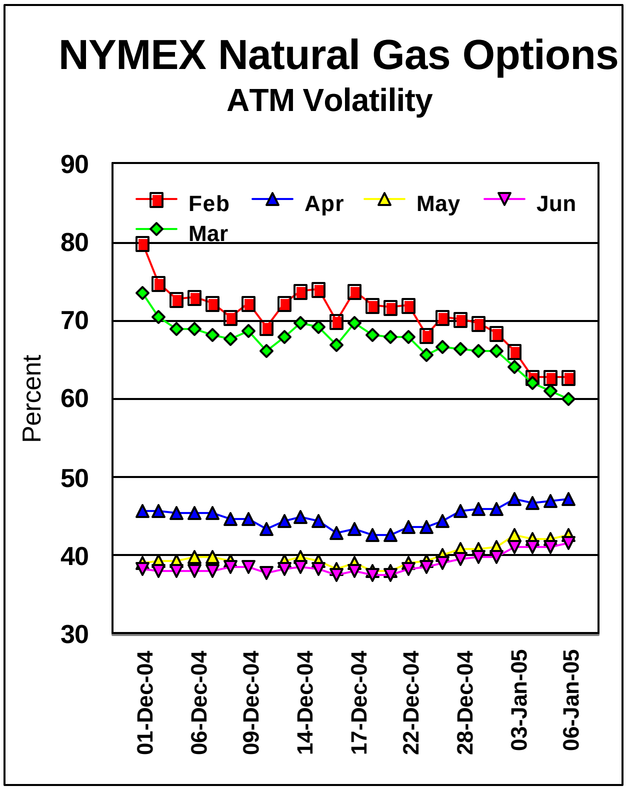
The natural gas market today opened better for the second day in a row, as prices seemed supported by the bitter cold temperatures across the Plains and higher oil prices. While the release the EIA storage report came in slightly higher than most market expectations, the release of the report was initially met by selling, as bears appeared to take the opportunity to seize on any bullish event as a fresh selling opportunity. As a result prices dropped quickly to $5.76, yesterday's lows, before finding support. Interestingly though the oil markets seemed to take the natural gas report as a bullish event and rallied higher breaching some key technical resistance levels in those markets and dragging natural gas up with it reluctantly. Oil prices also seemed to find support from news from a few private weather forecasters that the unseasonably mild temperatures especially in the northeastern U.S. may finally come to an end next week and colder than normal temperatures may settle in across much of the nation in late January and February. While natural gas did regain some of its discount to oil prices in the afternoon session, as traders appeared focused on backfilling the gap in the daily charts created by Monday's lower opening, they fell short of completing this task. But prices still posted gains of over 20 cents on the day, posting its largest single daily gain since mid December. These gains also resulted in the daily stochastic indicators crossing back to the upside for the first time in over two weeks. Final volume on the day was estimated at only 58,000 futures contracts, of which spreads accounted for just under 45% of the day's activity.



Option activity was relatively modest today with just over 32,000 contracts traded, with puts holding just a slight volume advantage over calls. Over 30% of the day's volume came from trading in the $7.00 calls and $5.00 puts in the first and second quarters of this year.

Tonight's NWS 8-day temperature outlook though does not seem to support the bullish weather forecast emerging from several private weather forecasters today. Bulls though will probably find comfort in the fact that government forecasts assigned a below average confidence level on this temperature outlook. But even given this ambiguity for longer term forecasts, the near term temperature outlook should continue to apply a brake on prices running much higher, especially over the next week as heating demand is expected to run at only two thirds of normal levels across the nation as a whole.

As a result we would look for this market to initially seek to finish backfilling the gap at 6.07-$6.10 early tomorrow but we feel that some fresh selling should return initially at this level. But if oil prices continue to rally higher we would look for natural gas to again be dragged higher and would see the next significant area of resistance at $6.44, $6.51, $6.64 and $6.69. Minor support we see initially tomorrow at $5.95, $5.91, $5.88 and $5.80. More significant support we see at $5.76, $5.71 and $5.38-$5.30.



Please note that the EIA announced that it will release its weekly natural gas storage report during the week of January 17th on Friday, January 21st due to the Martin Luther King holiday and the Bush inauguration on January 20th.