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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JANUARY 24, 2005

NATURAL GAS MARKET NEWS

Lehman Brothers estimated that 2004 U.S. natural gas supply declined 3.2% over 2003, with the 4.8% declined in production partly mitigated by an increase in Canadian and LNG imports. The estimates are based on a survey of producers responsible for about two-thirds of U.S. volumes.

Private weather forecaster WSI Corp said today that it expects to see temperatures in the northern half of the U.S warmer than normal for the February through April period. Any below normal temperatures will be confined to the southern U.S.

El Paso Corp. announced that it sold two units that own and operate a natural gas gathering system and a cryogenic processing plant to Enterprise Products Partners for $74.5 million. The two units own an 80% equity interest in a gathering system in Polk County, Texas. This system consists of about 89 miles of pipeline and a 75% equity stake in the Indian Springs gas processing facility, also in Polk County. This sale is part of El Paso's plan to cut debt to about $15 billion by the end of 2005. So far, the company has announced or closed about $4.2 billion of asset sales.

U.S. Department of Energy's Argonne National Laboratory said in a recent study that environmental constraints, including laws, regulations and implementation procedures are limiting the development and production of significant amounts natural gas in the U.S. Argonne noted that demand is expected to rise from 23 Tcf in 200 to 35Tcf in 2025, and energy crises could occur again if the delicate supply-demand balance is disrupted. The study reported on ways to help the DOE reduce the negative impact of regulations. The report identified more than 30 laws and regulations that were limiting gas development and provided an estimate of the amount of gas affected. One of the major regulations that the study found was hindering production deals with the Coastal Zone Management Act that require federal decisions on development projects to be consistent with the enforcement policies of state coastal management programs. The study said that delays are preventing as much as 362.2 Tcf. Other issues include the U.S Bureau of Land Management's land-use plans, which are outdated and blocking the development of 120 Tcf. Lease restrictions on onshore public lands may be preventing the development of another 108 Tcf, a backlog for

Generator Problems

ECAR— American Electric Power expects its 1,090 Mw Cook #2 nuclear unit to return to full power soon. Over the weekend, AEP took the unit offline to look into a problem with a control rod drive mechanism. The unit was operating at 70% capacity early today and is expected to at full power shortly. Cook #1 continues to operate at full power.

MAAC— PSEG's 1,049 Mw Hope Creek nuclear unit continues to warm up offline at 14% after exiting an outage on Jan. 19.

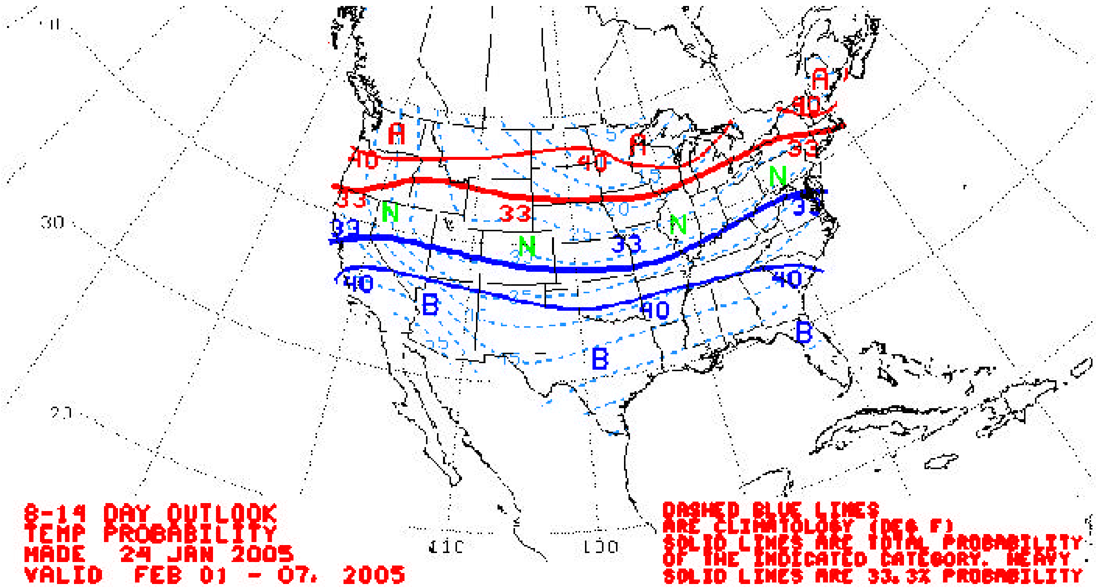
MAIN— AmerenUE ramped output to full power at its 1,125 Mw Callaway nuclear unit, increasing power 99%. The unit restarted Friday after automatically tripping shut Jan. 19.

SPP— Wolf Creek Nuclear Operating Corp. shuts it 1,235 Mw Wolf Creek nuclear unit early Monday to explore the origins and extent of a water leak in the main generator. The unit was operating at full power on Friday.

WSCC— Southern California Edison increased output 15% to full power at its 1,070 Mw San Onofre #2 unit, and increased output 17% to 98% at its 1,080 Mw San Onofre #3 unit.

The NRC reported that U.S. nuclear generating capacity was at 90890 Mw today up .53% from Friday.

drilling permits may be blocking 311 Tcf and essential fish habitat regulations, that the study said can duplicate environmental requirements of other agencies, may be halting the development of 174.5 Tcf of natural gas.



The Climate Prediction Center reported today that it estimated that the U.S saw some 247 heating degree days during the week of January 22nd, on the basis of gas home heating customer weighted basis. This was 9.8% higher than normal and 3.8% higher than the same week a year ago. The CPC is predicting that the current week ending January 29th will see just 206 heating degree days, some 6.8% less than normal and 20.5% less than the same week a year ago.

Industry groups stated that the US government must open more federal land and offshore waters to energy companies and speed up drilling permit approvals to increase natural gas supplies. Many of the groups urged the Senate Energy and Natural Resources Committee to ease drilling bans in the eastern Gulf of Mexico and off the Pacific and Atlantic coasts. They also want more federal tracts in the Rocky Mountain region open to energy exploration. The Interstate Natural Gas Association of America said Congress should pass legislation making it clear that the federal government has sole authority to approve sites for new LNG plants.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said Florida-Vermilion Segment 24 is at capacity. NGPL 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.

Texas Eastern Transmission said that the Monroe Line has been nominated to capacity. Market Zone 3 has been scheduled to capacity through the Perulack/Chambersbug Stations. Leidy Line has been scheduled to capacity. STX and ETX are also restricted to capacity.

East Tennessee Natural Gas said that due to colder weather, it anticipates implementing the following restrictions today: No secondary receipts out of path upstream of station 3104; No secondary receipts out of path upstream of station 3205; No secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke; No secondary deliveries on the Johnson City lateral; No secondary deliveries on the Kingsport lateral. Operational flow orders are still in effect for deliveries to meters on the Johnson City Lateral, and for deliveries to meters on the Kingsport Lateral

Algonquin Gas Transmission said it is entering the third day of peak operating conditions, which are forecast to persist through today. AGT has no operating flexibility to support deliveries in excess of scheduled quantities, or receipts below scheduled quantities. Also, all shippers and point operators are reminded to carefully review demands for gas and schedule gas consistent with daily needs and to tender and receive gas consistent with confirmed nominations. If imbalances are limited, restrictions will not be needed. For today, AGT has restricted all AIT-1 and a portion of priority 3 nominations for gas flowing through the Hanover compressor station.

Florida Gas Transmission said that due to high demand and low temperatures, it is issuing an Overage Alert Day at 10% tolerance for today.

PIPELINE MAINTENANCE

Gulf South Pipeline said that it and Texas Gas Transmission will simultaneously conduct Non-Binding Open Seasons to address a need to move additional gas supply volumes eastward from the Carthage area in East Texas and Northwestern Louisiana. The intent of these simultaneous Non-Binding Open Seasons is to provide market outlets for both existing and developing supply basins that feed into East Texas and Northwest Louisiana, including the Barnett Shale and Bossier Trends in Texas.

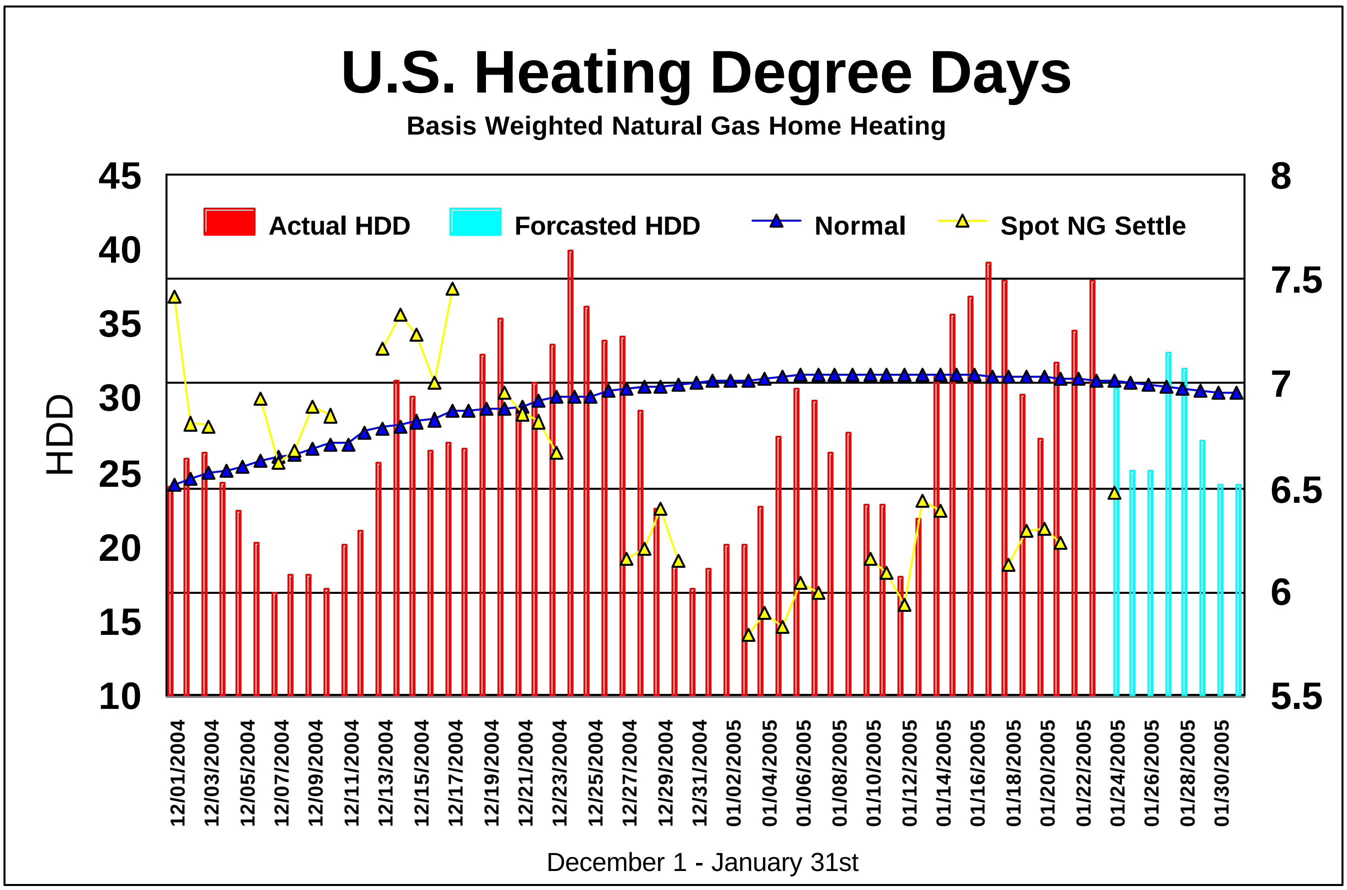
El Paso Natural Gas Co. said that the Roswell #3 compressor will be down to verify alignment on Jan. 26, reducing the capacity of the San Juan Crossover by 20 MMcf/d from a base of 650 MMcf/d.

TransColorado said it will perform maintenance on its mainline in Segment 240 on or about Feb. 9. No capacity constraints are anticipated at this time.

ELECTRICITY MARKET NEWS

Mirant announced that it has completed the sale of its 50% ownership interest of Coyote Springs #2 to Avista Corp. for $62.5 million. This sale is consistent with Mirant's restructuring in coming out of bankruptcy.

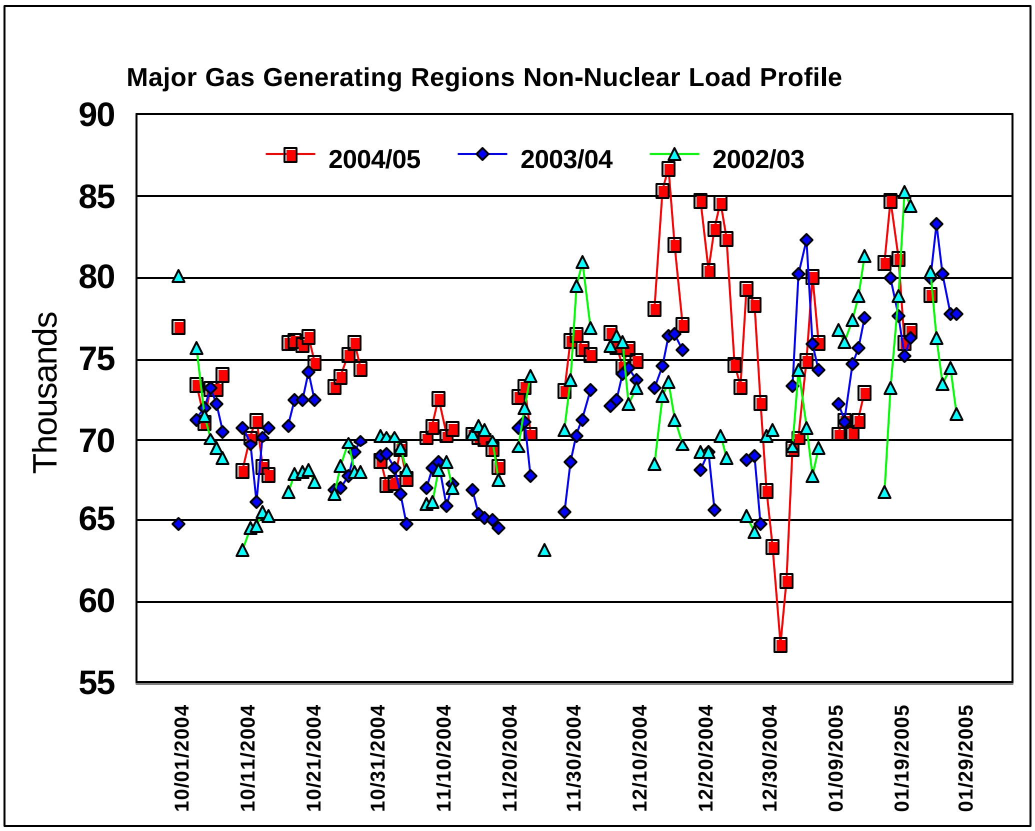
The Federal Energy Regulatory Commission is scheduled to hold a conference on Thursday and Friday to consider how to determine if any U.S. utilities have too much market power and influence, and if so, how to punish them. In December, FERC declared that Alliant Energy Corp., American Electric Power Co., Duke Energy Corp., Entergy Corp., Southern Co., and Kansas City Power and Light Co., have the unfair ability to influence wholesale electricity prices in their markets. FERC gave the companies 60 days to propose ways to dilute their market power, or forfeit their right to sell electricity at market-based rates and face potential refunds. The strict rules are a result of the California energy crisis. At the conference, FERC will address its formula for



determining if a utility holds too much market power, and what penalties should be used. The new market power test aims to prevent vertically integrated utilities from using control of their grid networks to discriminate against other companies that ship power across their grids. Utilities that fail the new test could lose their ability to sell wholesale power at market-based rates and instead would have to charge for power based on generation costs, plus 10% profit.

FERC Commissioner Kelliher said today that the current Federal Power Act does not currently give the FERC clear authority to prevent manipulation of wholesale natural gas or electricity markets. As a result he believes legislation is needed to strengthen the FERC's oversight and enforcement powers.

Boston based Energy Security Analysis Inc. reported that upgrades to Path 15 in California could provide "significant savings" to ratepayers during periods when loads are high or when in-state hydroelectric generation is low. In its study using last summer's July 21 peak of 43,742 Mw as its control, ESAI found that improved flow from the southern half of the state to the northern half would have netted a 1% energy savings. Savings were also boosted during this time if hydroelectric generation is reduced, particularly in the northern region of the state where hydroelectric capacity is located. However, ESAI found that during total system loads of about 35,000 Mw, the transmission line upgrades provide "virtually no overall decreases in price."



MARKET COMMENTARY

The natural gas market opened stronger this morning driven by revised weather forecasts that showed the U.S as a whole over the next week would be 15% colder than originally forecasted at the end of last week. This colder forecast was driven by the Northeastern states which were going to see temperatures run some 30% colder, in part due to the large snow pack left in the wake of this past weekend's storm. The market though began to falter during the first 30 minutes of trading as oil prices suddenly sold off. While oil prices moved into negative territory, natural gas prices surprisingly remained positive on the day, and as oil prices once again recovered natural gas prices drifted back higher, despite the underlying cash market actually weakening on the day. The market went out near its highs and posted its highest settlement since December 23rd. Final volume was estimated at 64,000 futures traded.

In the options market today calls accounted for the majority of the traded volume on the day, with the February $7 call being the most active option strike on the day trading over 4350 times between 2 and 3 cents. Implied volatility on this strike

The market could be in for a volatile trading session tomorrow, given that today's price action was confined to an inside trading session. Conflicting forecasts continue to be heard this evening, such as Accuweather calling for continued cold temperatures especially in the east through the beginning of February, while the National Weather Service continues to look for temperatures to remain moderate outside of the east and now sees the temperatures in the east to moderate by next week. We continue to believe that the ample inventories of gas will weigh on this market as the February contract moves into its expiration period later this week. We see resistance tomorrow at $6.51 followed by $6.645-$6.69. Additional resistance we see at $6.89, $6.97 and $7.24-$7.40. Support we see at $6.30 followed by $6.20, $6.08, $5.83 and $5.71.