



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 3, 2006

NATURAL GAS MARKET NEWS

Leaders of the Energy Senate Committee will introduce legislation next week to allow limited drilling in a disrupted area off Florida's western coast in the Gulf of Mexico where the government has suspended energy exploration. The area, known as Lease Sale 181, was shut to drilling after Florida officials complained that an oil spill or other exploration accident could foul beaches and hurt the state's multi-billion-dollar tourism industry. Florida's two U.S. senators introduced a bill earlier this week to keep the offshore area permanently closed to drilling. However, energy companies and other lawmakers believe energy exploration should be allowed in the area to increase natural gas supplies and help lower high prices paid by consumers and businesses. To ease Florida's concerns, no drilling would be allowed within 100 miles of the state's coastline. The entire bulge area holds an estimated 6 Tcf of gas, but the area that would be opened holds 4.8 Tcf and the area that would be under the military's control holds 1.2 Tcf.

Generator Problems

SERC— Tennessee Valley Authority's 1,100 Mw Browns Ferry #2 nuclear unit increased production to full power, up from 80% yesterday. Browns Ferry #3 is running at 97% capacity.

Southern Co.'s 1,149 Mw Vogtle #2 nuclear unit returned to full power today. Yesterday, the unit was operating at 61% capacity. Vogtle #1 continues to operate at full power.

Canada— Ontario Power Generation's 535 Mw Lennox #2 oil and natural gas-fired power station shut by early today for a short planned maintenance outage.

The NRC reported that U.S. nuclear generating capacity was at 93,238 Mw up .73% from Thursday and up 4.84% from a year ago.

Trinidad and Tobago's prime minister assured investors that the country has enough natural gas to supply six planned gas-based projects while meeting existing commitments. The six planned projects have a combined investment of \$7.3 billion and includes two aluminum smelters, an iron and steel plant and a urea, ammonia and melamine complex. The government also plans two more LNG trains, one based on gas from nearby Venezuela and another relying on gas from Trinidad and Tobago. Atlantic LNG's Train 4 began production last month and increased Trinidad and Tobago's total capacity to 15 million metric tonnes or 720 Bcf/year. The United States is the largest importer of Trinidad and Tobago's LNG, accounting for more than 75%. The nation also exports LNG to Spain and the Dominican Republic.

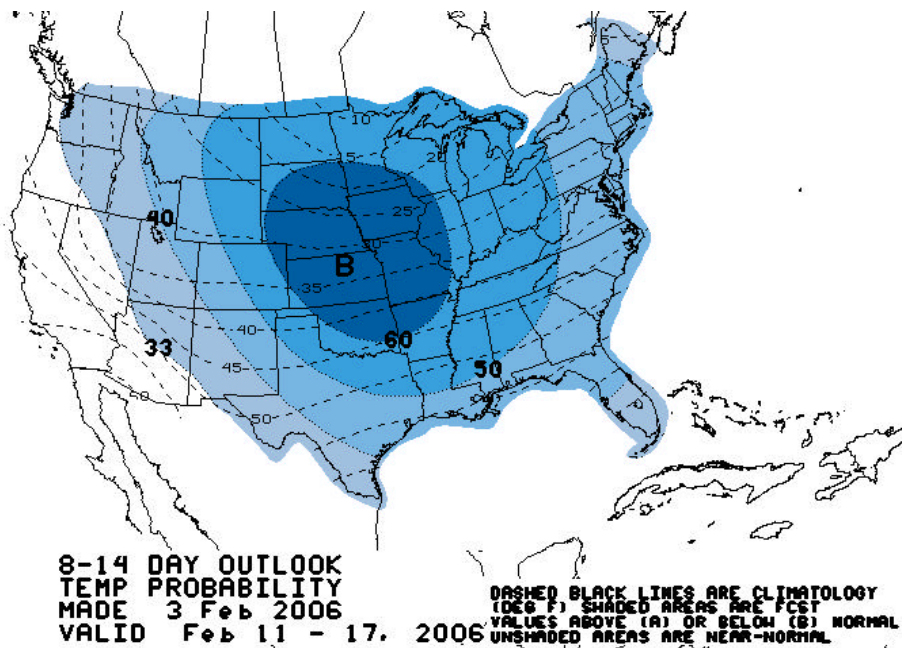
Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by 26 to 1,513 in the week ended February 3. The number of rigs searching for oil in the U.S. fell 40 to 197, while the number of rigs searching for gas rose 66 to 1,313.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that cold weather is forecasted into central Florida over the next couple days. Therefore, FGT would like to notify their customers its market area that there is the potential that it may issue an Overage Alert Day on one of the upcoming gas days.

Kern River Pipeline said that line pack on Kern River has increased to high on the majority of the system. Customers are asked to take delivery of their scheduled quantities and not bank gas on the system.

Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions at Lake Charles Receipts – Capacity Allocations Area 6; West 30 North including Capacity Allocation Area 9 Locations and Capacity Allocations Area 10 Locations; and Hall Summit.



Texas Eastern Transmission Corp. said that it has scheduled and sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted.

PIPELINE MAINTENANCE

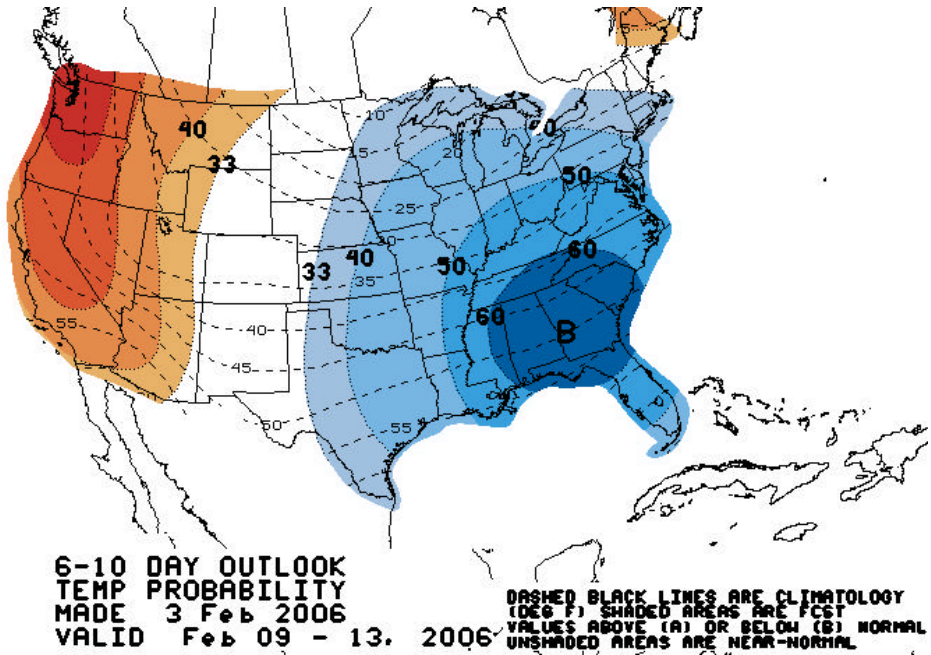
Gulf South Pipeline said that it will be performing scheduled maintenance on its Bistineau Compressor Station Unit #5 beginning February 6, and continuing until further notice. Capacity through the Bistineau Station could be affected as much as 200 MMcf/d during the duration of this maintenance.

ELECTRIC MARKET NEWS

The U.S. Nuclear Regulatory Commission scheduled a meeting with Duke Energy Corp. on February 6 to discuss the significance of an inspection finding at the Oconee nuclear power plant in South Carolina. The finding relates to the Charlotte, North Carolina-based company's failure to promptly identify and correct a discrepancy with the exterior wall of the control room at Oconee #3. The NRC said the construction of the wall was not to design, and therefore may not be able to withstand damage from a tornado.

ECONOMIC NEWS

The unemployment rate fell to its lowest level in four and a half years in January, the government reported today, as the economy added construction, education, health and other jobs. Employment was up in virtually every sector of the economy and the country as a whole added 193,000 jobs, the Labor Department reported. The unemployment rate fell to 4.7 percent, the lowest it has been since July 2001. The report also revised upward the employment gains for November and December, increasing the total number of new jobs created in those months to 81,000. Though



total job growth remains at a slower pace than at this point in past recoveries, the 687,000 jobs added in the last three months was one of the strongest showings of the current economic expansion. With those additions and other revisions to the 2005 data taken into account, the economy added an average of 174,000 per month in the last 12 months. Economists estimate that the nation needs to add roughly 150,000 jobs a month just to keep up with population growth. Though January's report fell short of economists' expectation of about 250,000 new jobs, it showed broad-based strength. The construction industry added 46,000 jobs, perhaps reflecting the warmer than usual January, and the number of education and health services jobs increased by 39,000. Employment was up in all parts of the economy except for retail services, in which jobs decreased by 2,000, and the government, which was down 1,000.

MARKET COMMENTARY

The natural gas market opened 4.7 cents lower due to carry over selling from yesterday's EIA storage figure release. The market did not trade much lower, just down to 8.26, before pushing into positive territory on a bit of short covering ahead of the weekend, where cold temperatures are expected to creep into key consuming regions. March natural gas traded to a high of 8.65 by midday and came under pressure as the crude oil market experienced some late session volatility. Natural gas recovered back to its highs and settled up 26.6 cents at 8.613.

With the most recent cold forecasts being the best we've seen in the past month and a half, traders lightened their short position ahead of the weekend and will come back Monday and see what old man winter brings to the table. The 8-14 day temperature forecast shows the whole of the country with below normal temperatures and if that makes it to the 6-10 day forecast, this market will see more of a lift. After last week's bit of short covering saw prices at the highest level in 4 weeks, we have room from where we are now for some more short covering should winter blow in. But with record storage, if the weather does not come this market is extending its lows. The Commitments of Traders Report showed that through January 31, the non-commercial traders reduced their net short futures positions by 11,503 contracts and reduced their net short combined futures and options positions by 6,719 contracts. We see resistance at \$8.70, \$9.00 and \$9.16. Further resistance we see at \$9.60 and \$9.82. We see support at \$8.17, \$8.02-\$8.00, and \$7.75. Further support we see at \$7.03.

