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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 8, 2006

NATURAL GAS MARKET NEWS

Williams, PG&E Corp. and Fort Chicago Energy Partners said they will build a 250-mile natural gas pipeline to deliver 1 Bcf/d of gas in the Pacific Northwest region of the United States. The three companies would hold equal interests in the Pacific Connector Gas Pipeline, which would link up Fort Chicago's proposed Jordan Cove liquefied natural gas terminal to Williams and PG&E pipeline systems.

The Bush Administration is still mulling whether to create emergency stockpiles of natural gas and refined oil products that could counter future U.S. supply disruptions. White House officials in past weeks have hinted at such stockpile proposals, but President Bush did not mention them in his State of the Union speech to Congress last week and did not include money to pay for the stockpiles in his proposed 2007 government budget sent to Congress this week.

The Minerals Management Service reported that 1.554 Bcf/d of natural gas remains shut-in by Hurricanes Katrina and Rita, an improvement of 0.102 Bcf/d since the last report on January 25. That is equivalent to 15.54% of the daily production of gas in the Gulf of Mexico.

Generator Problems

ERCOT— NRG Energy's W A Parish #6 coal-fired power unit will start up following an unplanned maintenance repair.

TXU's 1,150 Mw Comanche Peak #1 nuclear unit decreased production to 88% to repair a valve on the feedwater system on the non-nuclear side of the plant. The unit is expected to return to full power later today. Comanche Peak #2 continues to operate at full power.

MAAC— Exelon Generation's 650 Mw Oyster Creek nuclear unit increased power to 98% this morning. Yesterday, the unit was operating at 70% capacity.

The NRC reported that U.S. nuclear generating capacity was at 91,663 Mw up .03% from Tuesday and up 1.97% from a year ago.

PIPELINE RESTRICTIONS

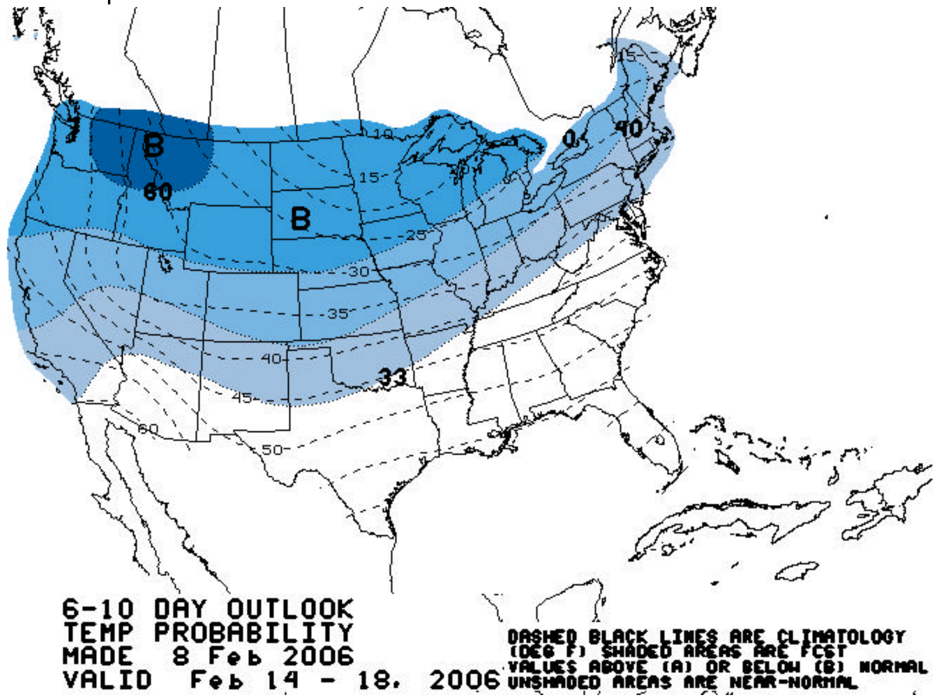
Algonquin Gas Transmission said it has restricted a portion of priority 3 nominations flowing through Stony Point compressor station. No increases for nominations flowing through Stony Point, except for Firm No-Notice nominations, will be accepted.

East Tennessee Natural Gas said that for today there will be: no secondary out of path receipts upstream of station 3104; no secondary out of path receipts upstream of station 3205; and not secondary deliveries downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke.

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

Kern River Pipeline said that line pack has returned to normal on the southern sections of the pipeline, specifically south of the Goodsprings Compressor Station and on the Common Facility. However, line pack remains high on the north and middle sections of the pipeline.

Natural Gas Pipeline Company said that because of increased utilization on the Amarillo System, it is at capacity for northbound flow through and downstream of Compressor Stations 109 and 110 (Segment 14). Therefore, effective for gas day February 9, and until further notice, Natural will schedule Primary Firm and Secondary in-path Firm transportation only. ITS/AOR and secondary out-of-path firm transportation will not be available. Natural continues to be at capacity for gas going eastbound through Compressor Station 801 (Segment 15). Only primary and secondary in-path firm transportation will be scheduled. ITS/AOR and secondary out-of-path firm transportation are not available.



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

El Paso Natural Gas Company said that maintenance on the Belen 1 oil pump will extend through February 8. The capacity of the San Juan Crossover will be reduced by 80 MMcf/d effective Cycle 1, February 8. The current estimate is that the unit will be returned to service February 9. Belen 2 turbine will remain down through February 15, reducing the capacity of the San Juan Crossover by 35 MMcf/d from a base capacity of 650 MMcf/d.

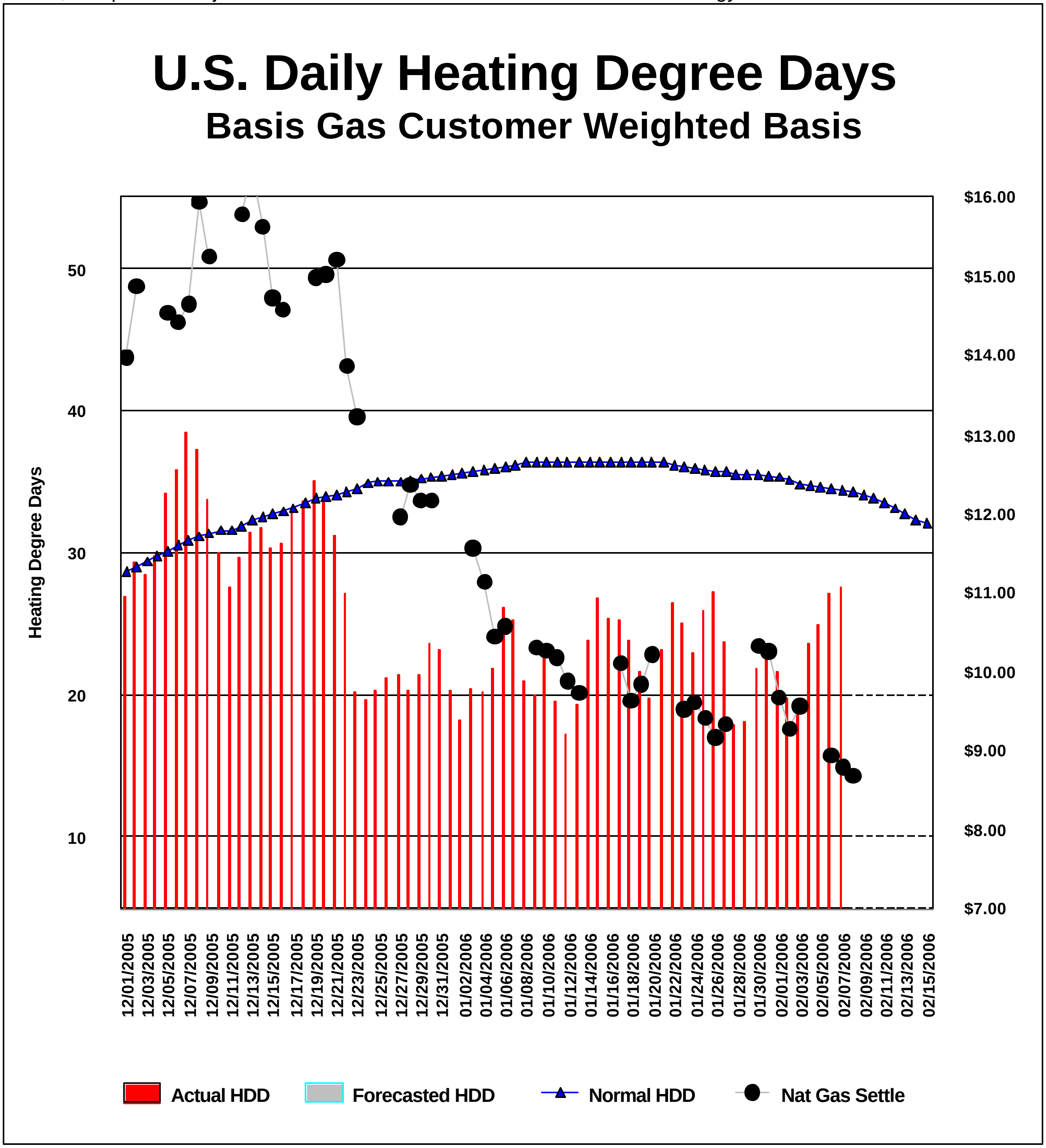
Gulf South Pipeline said that it is performing scheduled maintenance on Carthage Junction Compressor Station Unit #3 beginning February 14, and continuing until further notice. Capacity through Carthage Junction Compressor Station with this unit unavailable could be affected as much as 75 MMcf/d during this maintenance, however, with current nominations, capacity should not be affected.

Kinder Morgan's Natural Gas Pipeline Co. of America said work on unit 1 at its compressor station 812 in Atoka County, Oklahoma, would continue through February 13. The unit, which has been out of service for unscheduled repairs since January 30, was originally expected to return to service on February 8. The outage is not expected to affect deliveries.

Williston Basin Interstate Pipeline Company said maintenance at the Saco Compressor Station has been extended until 5:00 PM MT February 8. Maximum capacity at Receipt Point ID 00885 Bowdoin will be approximately 10.5 MMcf for gas day February 8. Maximum capacity at the Saco Compressor Station will be approximately 27 MMcf for gas day February 8.

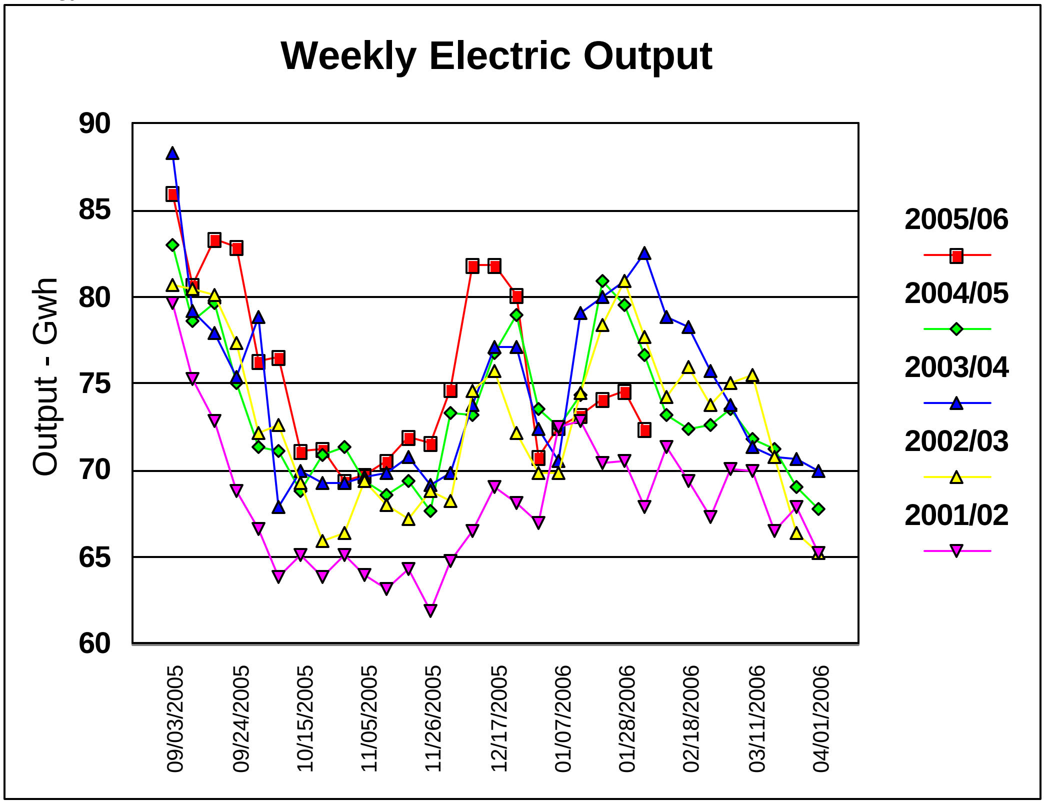
ELECTRIC MARKET NEWS

Chem-Mod, a privately owned environmental services company, says it has developed a cost-effective technology that can dramatically reduce mercury, sulfur and other emissions from coal-burning power plants. Former U.S. Secretary of Energy Spencer Abraham, a senior advisor to and investor in the Stowe, Ohio-based company, told Reuters the technology would reduce mercury and sulfur dioxide at substantially lower costs than the sulfur dioxide scrubbers used today. The technology could, if results continue to meet expectations, help many of the nation's coal-fired plants continue producing low-cost electricity for several more years, while meeting new tougher pollution standards. Chem-Mod said, utilities that implement their technology could immediately achieve equal or better results than are mandated by the EPA's Clean Air Mercury Rule standards set for 2010 and 2018. The technology uses a liquid that can reduce mercury emissions by as much as 98% and a powder than can reduce sulfur dioxide emissions by as much as 75% as well as other toxic emissions, including arsenic, chloride and other heavy metals present in coal. The technology costs about 5% of what a scrubber costs. A scrubber for a 200 Mw plant would take months to install at a cost of about $60 million to $100 million, compared with just $2 million to $8 million for the Chem-Mod technology.



U.S. coal production will climb to record highs in 2006, with supplies exceeding domestic demand for the first time in four years, according to a new forecast from the National Mining Association. The trade group expects 1.156 billion tons of coal to be mined this year, 3.2% more than the 1.120 billion tons produced in 2005. An improved transportation network in the nation will help the increase, with western railroads able to haul more coal. The NMA, which represents more than 325 companies in all areas of mining, expects coal to generate

50.8% of electricity in 2006, down slightly from 51% last year, as more power will be generated by nuclear energy.



Utilities Duke Energy and Cinergy said they have received the necessary approvals from the U.S. Nuclear Regulatory Commission related to their planned merger. The companies said they expect to be able to close the deal as soon as April. Shareholders of both companies will vote on the deal next month, and settlement approvals are pending in North Carolina and Indiana.

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended February 4 fell 5.6% from the same 2005 week to 72,403 GWh. For the first five weeks of the year, production slid 4.5% from last year. For the 52 weeks ended February 4, however, production rose 3.2% from the corresponding period in 2005.

MARKET COMMENTARY

The natural gas market opened just two cents higher as it is trying to slow its decent, but the warmest January in recorded U.S. history has left a bearish market. The mixed petroleum numbers offered no direction for the markets, which ultimately had the oil complex lower again today. The March natural gas contract poised a short covering rally during the early afternoon, trading as high as 8.12, but as soon as the buying stopped, the market quickly fell back to the 7.70 support level from yesterday's low. The market finished the day down 12.3 cents at 7.735.

This fundamentally weak natural gas market has market players stumped as to what is going to happen with all that gas in storage. After tomorrow's EIA inventory report, the amount of gas in underground storage is expected to be more than 30% above the five-year average for this date in the winter and though cold is forecast this month, it is not the same as a deep January cold. The days are getting longer and warmer. Expectations for tomorrow's inventory report range from 38 Bcf to 92 Bcf draw, with most centering on a 59 Bcf draw. This bearish report stands well below last year's 179 Bcf draw and the 5-year average of 158 Bcf. Our model continues to point to a 36 bcf draw based on the heating degree day totals. But this could be on the low side given the requirement of natural gas players to get their storage levels down before the end of the heating season could prompt players over the next few weeks to depend on their storage gas rather than coming into the spot market. But with prices at levels not seen since July 2005, and 50% off their mid-December highs, any lower price action will be more tentatively as technical support slows the decline. We see support at $7.70, $7.50, and $7.03. Further support we see at $6.62, $6.02 and $5.938. Upside targets for short covering we see at $8.00, $8.17-$8.26, and $8.745. Further resistance we see at $9.82.

It is interesting to note that we have found that this year, national heating demand movement to warmer or colder than normal has run at a 36 day lag to the movement of the Arctic and North American oscillators that has been much discussed by weather folks this year, much longer than the 14 day or two week lag that was used as a rule of thumb. If this correlation continues it would call for temperatures to become much colder than normal start the middle of next week and continuing for approximately one week, but that by early March warmer than normal temperatures could return once again for the first half of that month.