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POWER MARKET REPORT FOR FEBRUARY 14, 2005

NATURAL GAS MARKET NEWS

The Climate Prediction Center this morning reported that it estimates that the U.S. saw some 174 heating degree-days on a gas home heating customer weighted basis for the week ending February 12th. This was some 16% less than normal and 20.5% less than the same week a year ago. For the current week ending February 19th the CPC is forecasting some 161 HDD nationwide, which would be 18.3% warmer than normal and 24.1% warmer than the same week a year ago.

The U.S. Minerals Management Service reported this afternoon that U.S. oil output in the Gulf of Mexico on Monday was at 92.58% of its normal rate of 1.7 million barrels per day, up from 92.02% as of January 31st. Some 126,090 b/d of oil output remained shut in due to Hurricane Ivan. Natural gas production still shut in was only 146.50 million cubic feet per day, down from 489.39 Mmcf/d on January 31st. The percentage of normal output was at 98.81% of the 12.3 bcf/d of USG production. Cumulative shut in totals for period since Hurricane Ivan struck the USG has been

Generator Problems

MAAC- Exelon's 1112 Mw Peach Bottom nuclear unit #2 returned to full power Monday. The unit had been operating at 36% of capacity on Friday as operators had reduced output due to work on one of the reactor's recirculation pumps.

NPCC— Entergy's 1040 Mw Indian Point #2 nuclear unit was back at full power Monday morning up some 14% from Friday's operating levels.

SERC— Entergy's 1263 mw Grand Gulf nuclear unit exited its recent outage this morning and was up to 19% of capacity by Monday morning. The unit had been shut down since February 11th due to the loss of an electrical bus.

TVA's 1114 Mw Browns Ferry Unit #3 tripped off line on Friday after the generator unexpectedly disconnected from the grid. The unit had been operating at full power on Friday.

Duke Power's 846 Mw Oconee #1 nuclear unit ramped up by 14% from Friday's levels and was back to full power this morning

WSCC— Intermountain Power Agency's 820 Mw Unit #2 at the Intermountain coal fired power station in Utah was taken off line late Sunday for a planned nine-day inspection.

PG&E's 1087 Mw Diablo Canyon #1 nuclear unit was back to full power this morning after being reduced last week to 51% of capacity for maintenance on a water intake tunnel.

Edison International's 790 Mw coal fired Mohave #1 generating unit returned to service early Monday. The unit had seen capacity reduced by 120 Mw for planned and unplanned reasons. Its sister unit, Unit #2 saw capacity reduced by 100 Mw Monday for planned and unplanned reasons.

Canada – OPG's 535 Mw oil and gas fired Lennox #3 unit returned to service earlier Monday after being off line for a week. The company also reported that its 285 Mw coal fired Lakeview 6 unit and its 490 Mw coal fired Nanticoke 2 unit both are off line today and will remain off line until next Monday.

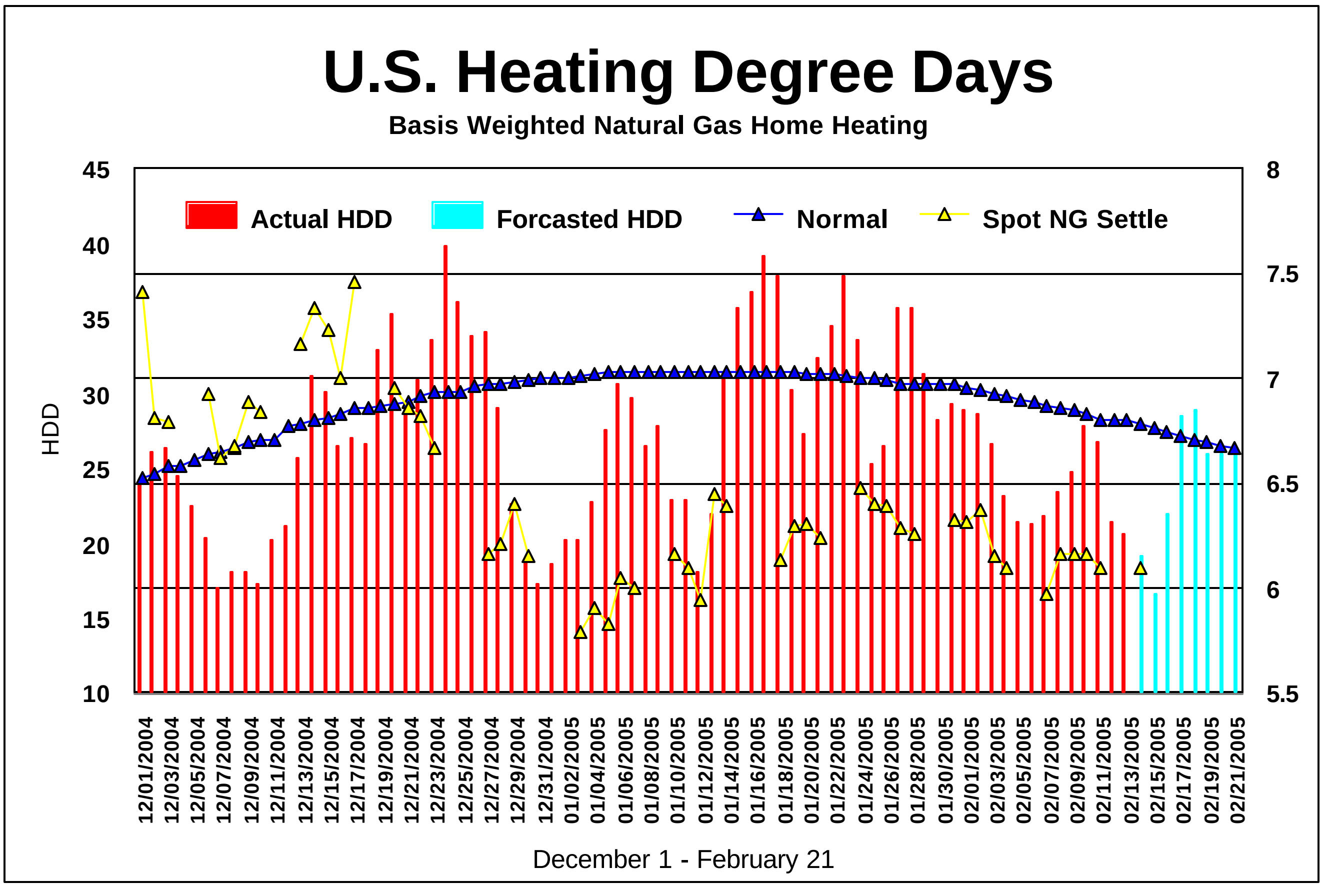
Bruce Power's 840 Mw nuclear unit #7 at the Bruce B nuclear station returned to service Monday morning.

The NRC reported that U.S. nuclear generating capacity was at 88,277 Mw today down 0.94% from Friday and down 1.12% from a year ago.

43.84 million barrels of oil and 172 bcf of natural gas. The MMS noted that since the remaining shut in production, especially from the oil side is from a few deepwater facilities, and that operators have "tentatively" scheduled this production to be back online by the end of the first quarter 2005. As a result the MMS has made this their last update on the status of shut in production from Hurricane Ivan.

Tennessee Gas Pipeline said today that it may complete its remaining repairs from Hurricane Ivan on its 26-inch Viosca Knoll line by Tuesday. The company noted that along its system some 270 million cf/d of production remained shut in from Hurricane Ivan, with outages at the Viosca Knoll meter accounting for 220 Mmcf/d.

The NWS this evening reported that while its forecast models remain in fairly good agreement that an amplified trough centered north of Hudson Bay should dominate the flow of colder air over the northeast quadrant of the continental U.S. over the 6-10 day period, its outlook for the 8-14 day period contains much uncertainty due toas significant differences between their forecasting models. As a result the NWS assigned its lowest level of confidence to this temperature outlook. Private weather forecaster AccuWeather continues though to call for the upcoming 2-3 week to see below normal temperatures east of the Rockies with EarthSat calling for below normal temperatures over the Northeast only in its 11-15 day outlook.



The EIA in its Annual Energy Outlook for 2005 said that average well head prices for natural gas in the U.S. are projected to decrease from $4.98 per MCF to $3.64 per MCF by 2010 as the availability of new import sources and increased drilling expands available supply. After that time though natural gas prices should creep higher and eventually reach $4.79 by 2025 or $8.20 in nominal dollars, as resource depletion and increased demand push prices higher. This long-term price projection is some 30 cents higher than the one made a year ago.

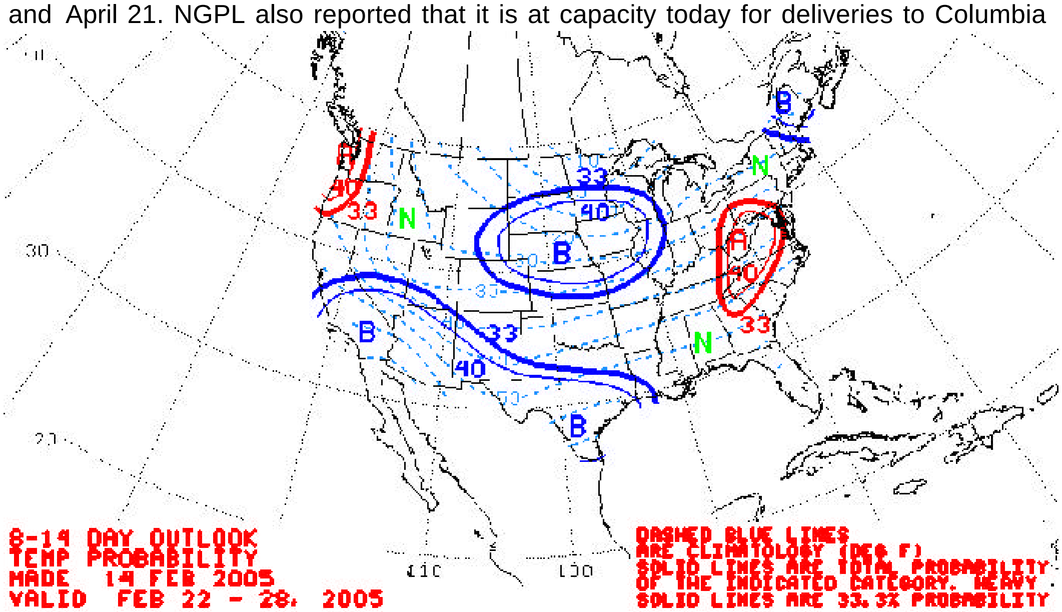
The chairman of the American Gas Foundation said today that in order to achieve stable gas prices of $5.47 per Mmbtu by 2020, federal and state policymakers and regulators will need to change rules that are restricting the industry's access to producing areas in the lower 48 states. The group sees annual U.S. demand growing by 34% over the next 15 years, and that the nation will grow much more dependent on gas imports. Currently the nation has some 5.3 bcf/d of import capacity and that this will grow to 18 bcf by 2020. The group said that the U.S. natural gas market will never return to the surplus supplies and low stable prices of the 1980's and 1990's. The group sees electric generation accounting for two thirds of the natural gas demand growth over this period.

The NOAA reported today that January while being the 23rd wettest January on record across the nation as a whole, precipitation remained below normal in both the Southwest and Pacific Northwest, contributing to the sixth year of drought for these areas. It noted that western Washington State began the month with less than 25% of the seasonal average snow water content, with most of the Pacific Northwest at less than 75% snow pack. Temperature wise the agency estimated the nation in January saw temperatures average some 2.5 degrees above normal, make this the 23rd warmest January on record going back to 1895. Maine, Massachusetts, Rhode Island and New York though were cooler than normal.

The FERC has issued an amended certificate giving Trunkline Gas the approval on a project to expand its pipeline serving the planned expansion of the Trunkline LNG terminal in Lake Charles, LA.

PIPELINE RESTRICTIONS

NGPL warned that due to expected partial day electric power outages in the area of its Station 302, in Montgomery County, Texas, the station will be down during these outages and as a result will limit NGPL's capacity into Segment 25. During these outages, interruptible flow, authorized overrun, and secondary out of path transports into Segment 25 are anticipated to be unavailable. These days are expected to be February 28, March 4, April 4, April 8 and April 21. NGPL also reported that it is at capacity today for deliveries to Columbia Gulf-Chalkley, and for gas received upstream of Compressor Station 155 in Wise County, TX in segment 1 going northbound.



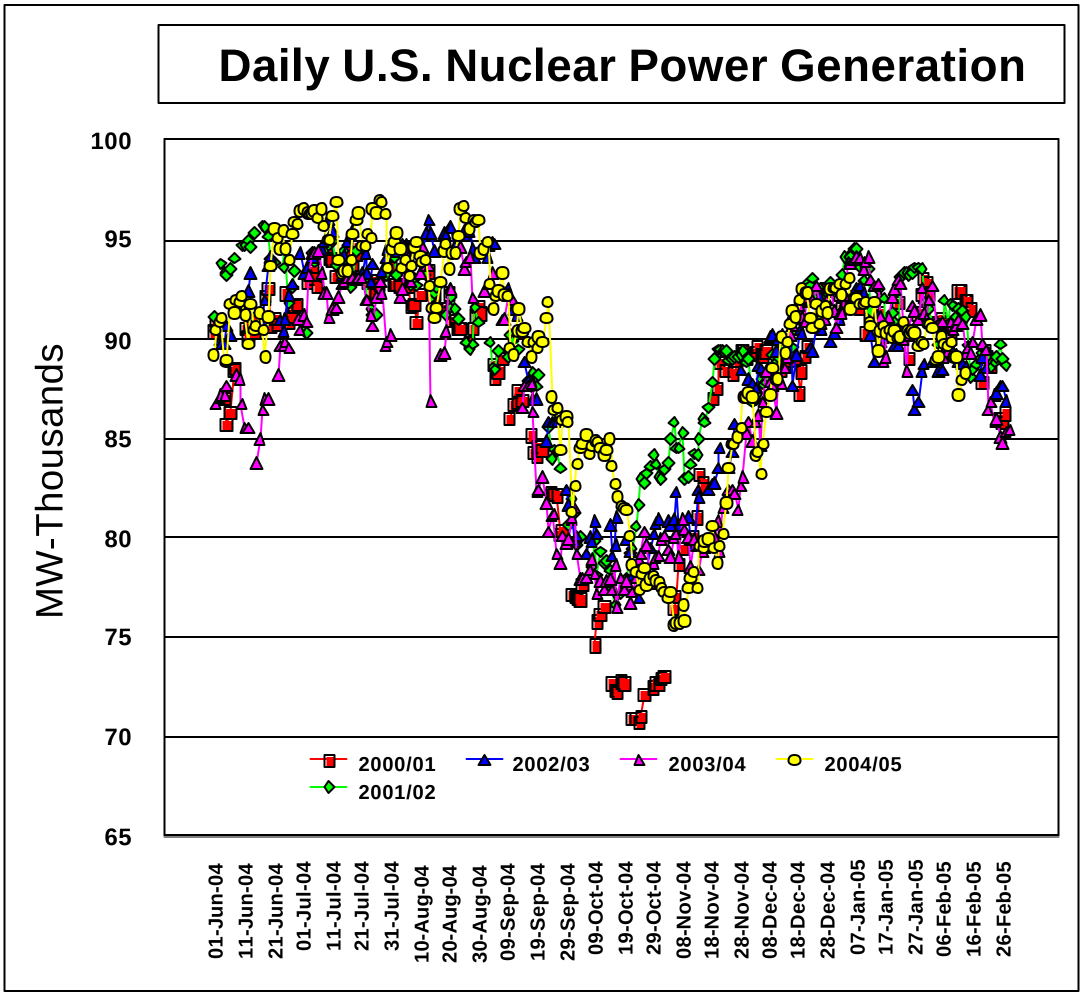
ANR Pipeline announced today that based on winter operating conditions, it has determined that it must establish a capacity limitation for firm, secondary and interruptible services of 15 Mmcf/d at the Little Chute delivery point located in Outagamia County, Wisconsin. This capacity limitation will be made effective today and remain in effect until April 1st.

PIPELINE MAINTENANCE

FGT said that it will be performing maintenance on its 18 and 22 inch East White Lake lateral lines upstream of Station 75 in Zone #2. The maintenance is scheduled for February 15-16th. During this work capacity will be reduced to 250 MMcf/d from its normal 650 MMcf/d. The company also noted that it will begin compressor maintenance on one of the units at Station #4 in Zone #1 on February 17th. This work is expected to take 8 days and reduced capacity on the line by 36% to 150 MMcf/d.

El Paso Natural Gas said maintenance at the Leupp 1A compressor scheduled for February 14-16th has been postponed to February 22-24th. Reductions on the North Mainline capacity during this work will be as follows: February 22nd - 15 Mmcf/d; February 23rd – 220 MMcf/d and February 24th – 15 Mmcf/d.

Alliance Pipeline reported that it has scheduled maintenance at unit one of the Whitecourt Compressor starting at 9 AM MT on February 17th. The unit will be off line for five hours and station capacity will be lowered to 25.1 Mmcf/d.



ELECTRICITY MARKET NEWS

The Californian State Assembly Speaker Friday introduced a bill that would seek to ensure all retail electricity suppliers and aggregators in the state are subject to the same resource adequacy requirements as investor owned utilities. The bill would seek to direct the state PUC and the Cal Iso to establish and enforce requirements to ensure all load serving entities have adequate power resources to meet demand plus planning and operating reserves. The bill would also allow utilities to fully recover the reasonable costs of meeting the requirements, including the cost associated with system reliability.

MARKET COMMENTARY

The natural gas market opened lower this morning as temperatures over the weekend and to start this week were seen as warmer than had been expected at the end of last week. While prices moved back below the $6.00 price barrier there appeared to be a reluctance to push values below last Monday's lows of $5.95 and as a result the market saw prices spend much of the morning trading on either side of the $6.00 price level. In the afternoon though prices did post a minor recovery and reached back towards the unchanged level by the close. Final futures volume was estimated at 65,000 contracts.

Early market estimates for Thursday's EIA storage report appear to be running around a 105-125 bcf draw down. For the same week a year ago the report showed a 187 bcf decline and the five year season decline has been 149 bcf. Our estimate is lower, looking for just a 97-100 bcf drop, and given the current forecast fot temperatures for the remainder of this week, the following week's report should show a similar draw down as well.

We remain stubborn in our belief that fundamentally this is the one energy market that should be on the defensive given its over supplied situation. Tonight's MMS report also appears to be pointing to even more natural gas production has come back on line, some 342 Mmcf/d more than two weeks ago and coupled with tonight's NWS temperature outlook for the 8-14 day period which has much more uncertainty or confidence in calling for below normal temperatures for much of the nation, we feel that this market will work lower as the week progresses.

We see the $5.97-$5.95 price level as key support to breach in order to touch some stops off and move this market lower. We see additional support at $5.83-$5.81 and $5.71. Resistance we see at $6.115, followed by $6.27, $6.48 and $6.69.