ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR FEBRUARY 25, 2005

NATURAL GAS MARKET NEWS

Prudential Equity energy analyst Jason Gammel has raised his long-term natural gas price forecast to $5.25/Mcf from $4.50/Mcf, saying continued losses in U.S. production will keep supplies tight for years to come. Gammel kept in place his 2005 price forecast of $6/Mcf and made his first 2006 price prediction, also $6/Mcf. He warned that prices may weaken this spring based on his forecast that the heating season will end with 1.25 Tcf in storage, 200 Bcf more than last year. Gammel believes that any price pullback would be of limited duration, as he expects U.S. natural gas production to decrease by 1% in 2005.

Baker Hughes reported that the U.S. oil and gas rotary rig count fell by 14 compared with a week ago to 1,281. In the same week one year ago, the rig count was 1,134. The number of rigs drilling for gas fell by six from a week earlier to 1,090, although it was 119 higher than 971 a year ago. Rigs drilling on land this week totaled 1,148; in inland waters, 28; and offshore, 105. Canada's oil-and-gas rig count rose by 28 compared with a week ago to 617, and by 57 compared with 560 a year ago.

A joint U.S., Canadian and Mexican government energy working group said Friday that more imports of LNG will be needed in the coming years to meet North America's growing natural gas demand. The group estimated that natural gas demand from the three countries is expected to grow by 21.2 bcf per day by 2012 to 93.8 bcf/d. Given that many of the U.S and Canadian gas fields are reaching their production maturity and Mexico does not have the capital to develop its gas supplies, more LNG shipments will be required to help close the supply gap.

Generator Problems

ERCOT— TXU increased production to 92% at its 1,150 Mw Comanche Peak #2 nuclear unit. The unit was at 60% yesterday to make repairs to the manual feedwater pump automatic control system. Comanche Peak #1 continues to operate at full power.

The 750 Mw coal fired Unit #1 at the Martin Lake Steam Electric Station was scheduled to be restarted this morning following completion of repairs to a boiler tube leak. Meanwhile operators at the facility were expected to take down for scheduled maintenance this evening, the 750 Mw coal fired Unit #3. This unit is expected to be off line until at least Saturday morning.

Texas Generating's 766 Mw coal fired Limestone 2 generating unit is expected to return to service either Sunday or Monday following its 10-day maintenance outage.

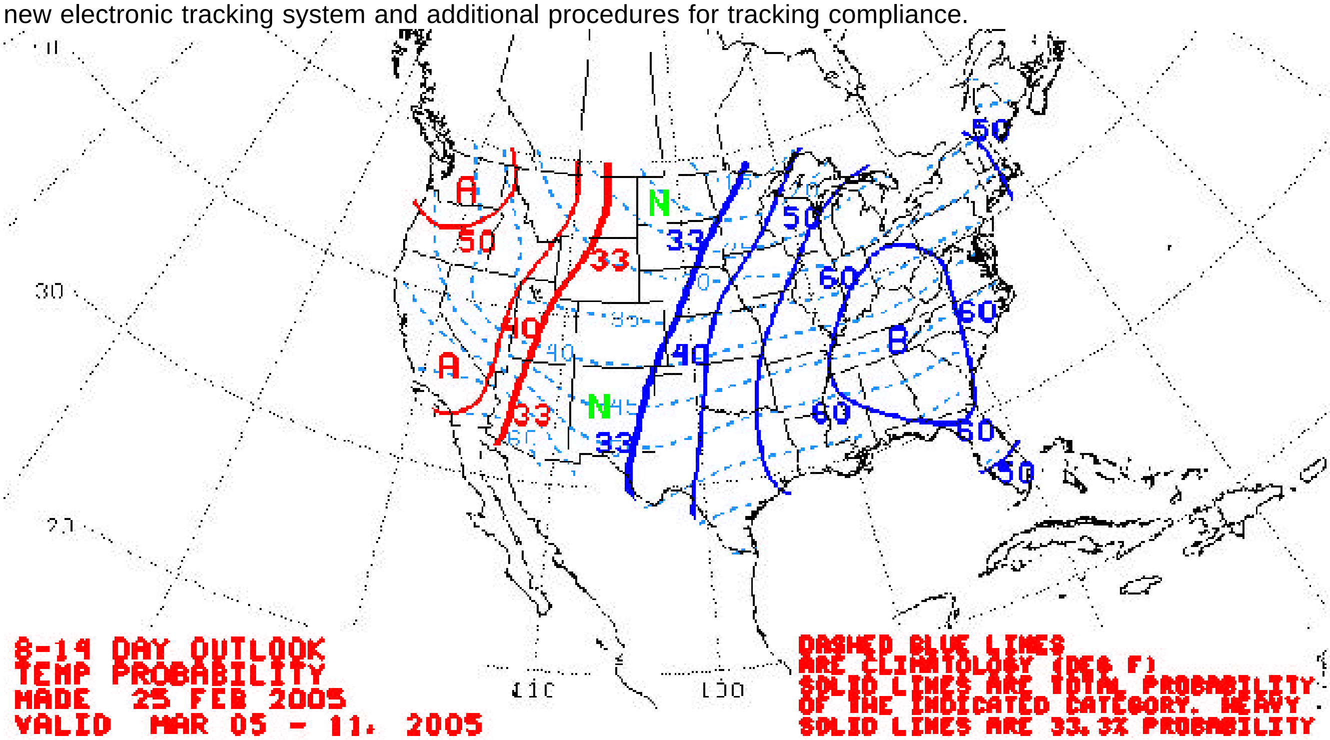
MAPP— The Omaha Public Power District decreased output at its 492 Mw Fort Calhoun nuclear unit to 93% as it prepares for a refueling and maintenance outage.

The NRC reported that U.S. nuclear generating capacity was at 86,068 Mw today up .59% from Thursday and up 1.53% from a year ago.

The Michigan Public Service Commission granted Major Pipeline authority to construct and operate a natural gas pipeline in Michigan. Major Pipeline was granted authority to construct and operate the Kriek Pipeline in Greendale and Jasper townships located in Midland County. The proposed 2.37-mile pipeline is a combination of a new 3.5-inch outer diameter steel pipeline, approximately 0.61 miles in length and a portion of the existing 6.625-inch Jasper Field Lateral pipeline, approximately 1.76 miles in length. The 3.5-inch segment commences at Northwood Energy Corporation's Central Production Facility and interconnects with the 6.625-inch jasper Field

Lateral. The 6.25-inch segment continues 1.76 miles and interconnects with Consumers Energy Company's pipeline system. The Kriek Pipeline will be used to efficiently transport natural gas to market by way of the existing gas transmission system. The approximate cost of the pipeline is $134,300. The company will offer transportation rates of $0.613 per million British thermal units.

The Iowa Utilities Board assessed Interstate Power and Light Company's separate $29,000 and $25,000 civil penalties for violations of federal and Iowa natural gas pipeline safety standards. The $29,000 penalty is for 29 specific violations in the company's Mason City and Creston service territories. The $25,000 penalty is for a repeated pattern of violations stemming from IPL management and procedures to ensure compliance with all federal and Iowa safety regulations. The IUB choose not to assess a civil penalty in a 2001 investigation into IPL's gas safety code compliance. Most of the current violations cited were for failure to perform inspections and tests on pipeline systems within the time frames required by safety standards. Others involved failure to properly install, test, or protect gas facilities. In addition to assessing civil penalties, the IUB has required IPL to file quarterly reports of inspections and internal audits performed and of any problems found, to file and discuss with the IUB the results of certain pipeline corrosion control studies, and to file testimony in its next gas rate case describing how the pattern of violations relating to management efficiency of pipeline safety compliance has been corrected. IPL has taken action to correct these problems, including changes in its organizational structure and the scope of management responsibility, relocation of managers closer to work areas, and the installation of a new electronic tracking system and additional procedures for tracking compliance.



Enterra Energy Trust and Rocky Mountain Gas, announced that they, together with USE affiliate Crested Corp. have entered into a letter of intent for the acquisition of RMG by Enterra pursuant to a merger under Wyoming law. USE and Crested jointly own approximately 92.7% of RMG, and have agreed to vote their RMG shares in support of the merger. RMG holds natural gas assets in Montana and Wyoming. A portion of the Wyoming assets currently generates net production of approximately 2.2 MMcf/d. RMG has approximately 130,000 net acres of production rights to coalbed methane. RMG also owns approximately 17% of Pinnacle Gas Resources, a private coalbed methane exploration and production company. The value of the merger is approximately $33.5 million.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that ANR South Joliet #2 (PIN 904758) is at capacity for deliveries. Gas received on the Arkoma Line (Segment 16) is at capacity today. 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.

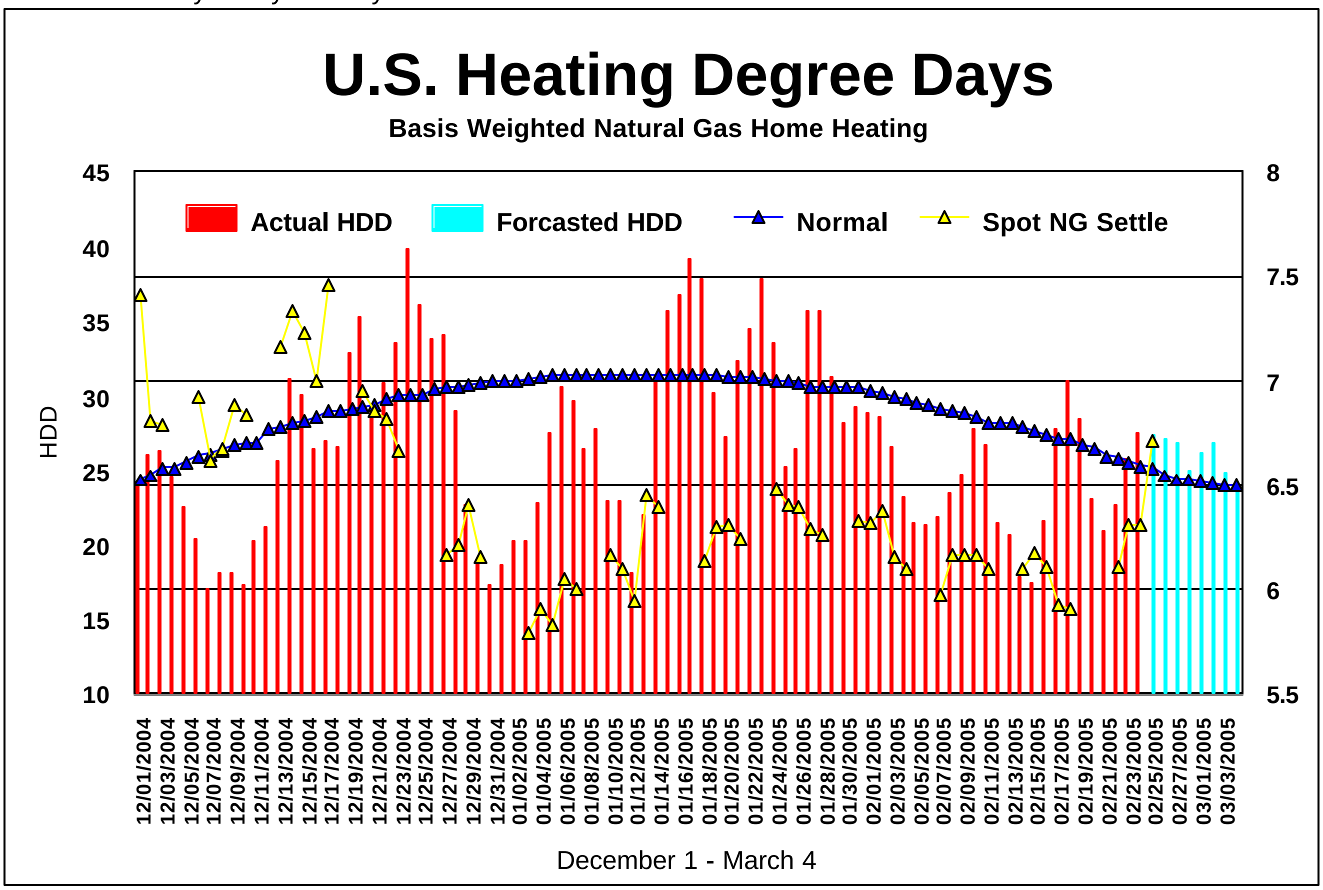
Texas Eastern Transmission said it has restricted nominations to capacity at West Monroe. Physical increases from the following locations will not be accepted: Gulf South West Monroe, Reliant Energy West Monroe, and Duke Energy Field Services-Ouchita Parish, Louisiana. In addition, Tetco also noted that it has been scheduled to capacity in STX and ETX. No increases between Vidor and Little Rockwill will be accepted.

Algonquin Gas Transmission said it has scheduled all nominations for today, and these nominations have put the AGT system at capacity for nominations flowing through Stony Point compressor station. No increases for transportation flowing through Stony Point except for primary no notice nominations will be accepted. No due-shipper nominations will be accepted.

Questar Pipeline Company said that since Feb. 2, liquid recovery at its Price station has continued to increase to the point that Questar must pig ML 40 from Riverbend to Price twice a day to manage these liquids. If liquid recovery continues to increase and Questar is unable to manage liquids collected in its pigging operations, Questar said it will begin scheduling nominations at receipt points with high hydrocarbon dew point to reduce liquids collected. Questar is asking shippers that contribute to this liquid accumulation to manage their gas quality so that future hydrocarbon dew point restrictions and corresponding volume curtailments can be avoided. Given the prevailing flowing gas temperatures and operational pressures, shippers who tender volumes at a hydrocarbon dew point of 45 degree F or less should not be impacted.

PIPELINE MAINTENANCE

El Paso Natural Gas Company said pigging of Line 1100 between Eunice and Pecos Rover Stations was completed in time to reinstate capacity. The capacity from Eunice to Pecos was increased by 175 MMcf/d effective as of Cycle 3 yesterday.

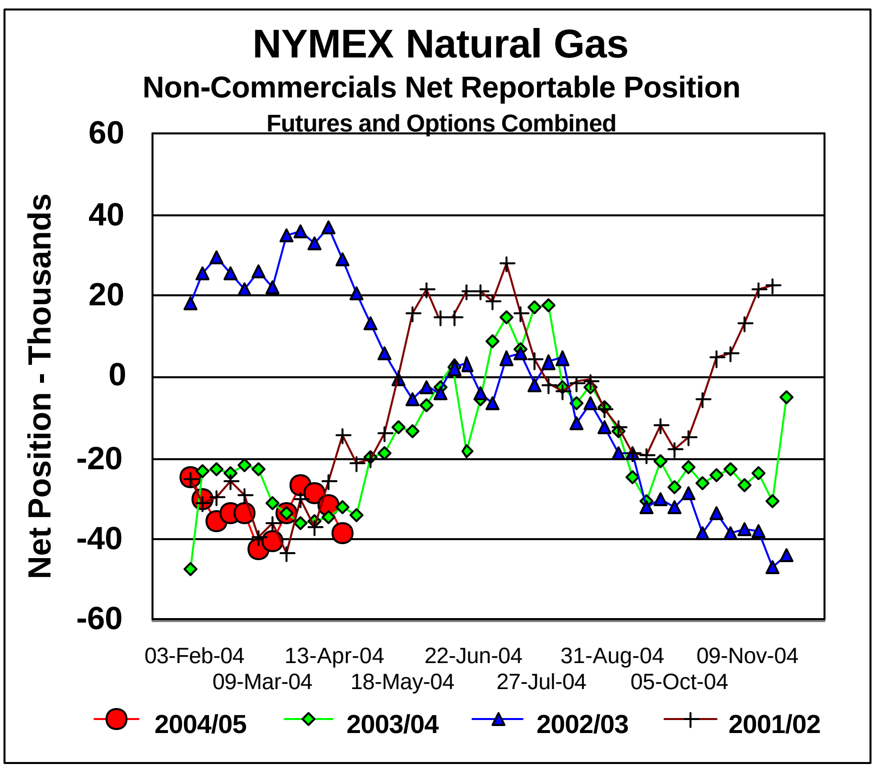


TransColorado said in an update to its ongoing force majeure situation at several of its compressors, that five compressor units at four compressor stations have been shut down while the investigation and subsequent repairs are completed. The units include: Whitewater (1); Redvale (1); Dolores (1); and Mancos (2). The resulting capacity with the available units has been increased over what was previously posted due to changing system conditions. Therefore, effective as of Intraday 2 cycle yesterday and continuing until further notice, the following are the capacity limitations: Segment 220 is limited to 305 MMcf/d (an increase of 5 MMcf/d) and Segment 240 is limited to 360 MMcf/d (an increase of 10 MMcf/d). Primary firm and secondary in-the-path firm quantities may not be fully scheduled. Secondary out-of-path and AOR/IT will not be available through these constrained segments. As system conditions change, these capacities may be adjusted and posted accordingly. Cracks were discovered initially on the Whitewater unit's suction and discharge pulsation bottles. This station was shut down for operational and safety concerns. Based on these findings, TransColorado initiated an investigation for similar cracks in the suction and discharge bottles on all the recently installed compressor units. Cracks were discovered on several of the other units and they were immediately shut down. TransColorado said it is working with the compressor fabricator to address the replacement of the suction and discharge bottles, as necessary, to resolve this problem.

ELECTRICITY MARKET NEWS

The California Independent System Operator is investigating an employee who may have given confidential data to someone outside the ISO. The ISO would not say want kind of information may have been released, but an agency spokesman said it did not involve homeland security or computer data. The California ISO is "taking immediate actions to identify what information has been disclosed, and what data, if any, is confidential."

Canadian aluminum producer Alcan is targeting long-term power prices of no more than $20-$30/MWh for its aluminum production, warning that production units would no longer be viable at prices above that level. Oliver Baud, group director for southern Europe and Africa, stressed that energy accounts for 30% of their fabrication costs.



The Dominion Bond Rating Service warned this week that given the latest restructuring of the Ontario electricity market, in which some 55,000 large industrial and commercial electricity customers will see their electric rates increased starting April 1st, could result in the credit ratings of forest products, especially news print industries suffering.

MARKET COMMENTARY

Given that the cash markets in general were a bit weaker this morning, the futures market opened down a few pennies but this price weakness did not last long, as the April contract quickly found support at yesterday's lows and then began a steady climb higher for the rest of the trading session. Prices settled up over 25-26 cents on the day, with the April contract settling at its highest level since December 17th. Final volume on the day was good, especially for a trading session following a contract expiration, with 88,000 futures traded.

It appears that natural gas traders seeing that daily heating demand will remain above normal consistently for not only each of the next seven days but with a high likelihood of this extending out an additional week or two, felt that prices are headed in one direction and that is higher. The bulls also seemed to find comfort in the fact that crude oil prices remained relatively stable and thus natural gas values remain a relative "cheap value", especially as we prepare to enter into the nuclear generation maintenance period. We continue to feel though that inventory overhang especially at the end of the heating season will once again temper the bullish atmosphere of today's trading session. We remain committed to our belief that this market still will remain contained in a trading range of $6.20-$6.85, and as a result would look to be a scale up seller Monday starting at $6.75. We see additional resistance at $6.84, $7.04, $7.16-$7.24. Support we see $6.58, $6.42, $6.335 $6.28 and $6.245. We also look at the $7.26 and $7.40 calls as an attractive selling opportunities as these strikes settled at 12 and 9.2 cents respectively.

Tonight's Commitment of Traders Report showed no signs that the non-commercial sector of this market has wavered in their bearish outlook for the natural gas market. In fact during the week ending February 22nd, this group increased their net futures only position by 3710 contracts, while the combined futures and options report showed the group increased their net shorts by nearly 7,000 contracts.