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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 3, 2005

NATURAL GAS MARKET NEWS

Excelerate Energy confirmed that its Gateways Energy Bridge is still scheduled to be operational by March 20th, as some 3 bcf of natural gas is delivered into the Sea Robin and Blue Water subsea systems at a rate of 500 Mmcf/d.

NYMEX announced today that it would increase the minimum margin on short positions on its floor traded and NYMEX ClearPort cleared natural gas options contracts as of the close of business on April 1st. The minimum margin rate will increase to $25 from $10 currently.

NiSource Inc., a unit of Columbia Gas Transmission announced an open season for a potential expansion of its existing natural gas pipeline system to enable Appalachian producers to transport additional gas supplies to market. Under an open season that extends from March 2 until March 15, potential shippers can express interest in incremental firm capacity from various points on the Columbia Gas Transmission system in eastern Kentucky and southern West Virginia to a proposed interconnect with a Dominion Resources Inc. compressor station in southern West Virginia.

Generator Problems

ERCOT— TXU shut its 750 Mw Monticello #3 coal-fired power station to fix a boiler tube leak.

MAAC— Constellation Energy Group's 845 Mw Calvert Cliffs #1 exited an outage and ramped up to full power. Yesterday the unit was warming up offline at 2%. Calvert Cliffs #2 remains shut for a refueling and maintenance outage since Feb. 22. This outage will last about a month.

KeySpan said today that it expects its 980 Mw oil and gas fired Unit #3 at the Ravenswood powe rplant to return to service by the end of this month. The unit has been off line since December.

MAIN— AmerGen Energy Co.'s 1,026 Mw Clinton nuclear unit started to exit an outage and ramped up offline to 9% of capacity early today. The unit shut Feb. 22 for pipe repairs in the condenser.

MAPP— Nuclear Management Co. again shut its 593 Mw Prairie Island #1 unit to inspect an repair a valve in the turbine that did not fully close. Yesterday, the unit was back online at 41% power. The unit had just restarted Monday after shutting Feb. 19 for planned maintenance. Prairie Island #2 remains operating at full capacity.

Canada— OPG's 494 Mw coal fired Lambton #1 generating unit and its 535 Mw oil fired Lennox #4 generating unit were taken off line today for maintenance, which is expected to last one month

The NRC reported that U.S. nuclear generating capacity was at 82,115 Mw today up .88% from Wednesday and down 2.29% from a year ago.

EIA Weekly Report

	02/25/2005	02/18/2005	Net chg	Last Year
Producing Region	551	564	-13	387
Consuming East	838	921	-83	647
Consuming West	224	235	-11	165
Total US	1613	1720	-107	1198

FERC accepted a $4 million settlement agreement with Coral Energy Resources, resolving an investigation into natural gas and electricity price reporting. Under the deal, brokered by the commission's Office of Market Oversight and Investigations, Coral will pay $3.5 million to an organization that provides energy assistance for low-income customers. Coral also is required to establish a task force to develop and implement a best-in-class model for regulatory compliance within the company, allocating an estimated $500,000 to enable the task force to complete its work. The settlement package also contains provisions designed to strengthen Coral's existing compliance program.

Canadian Gas Association

Weekly Storage Report

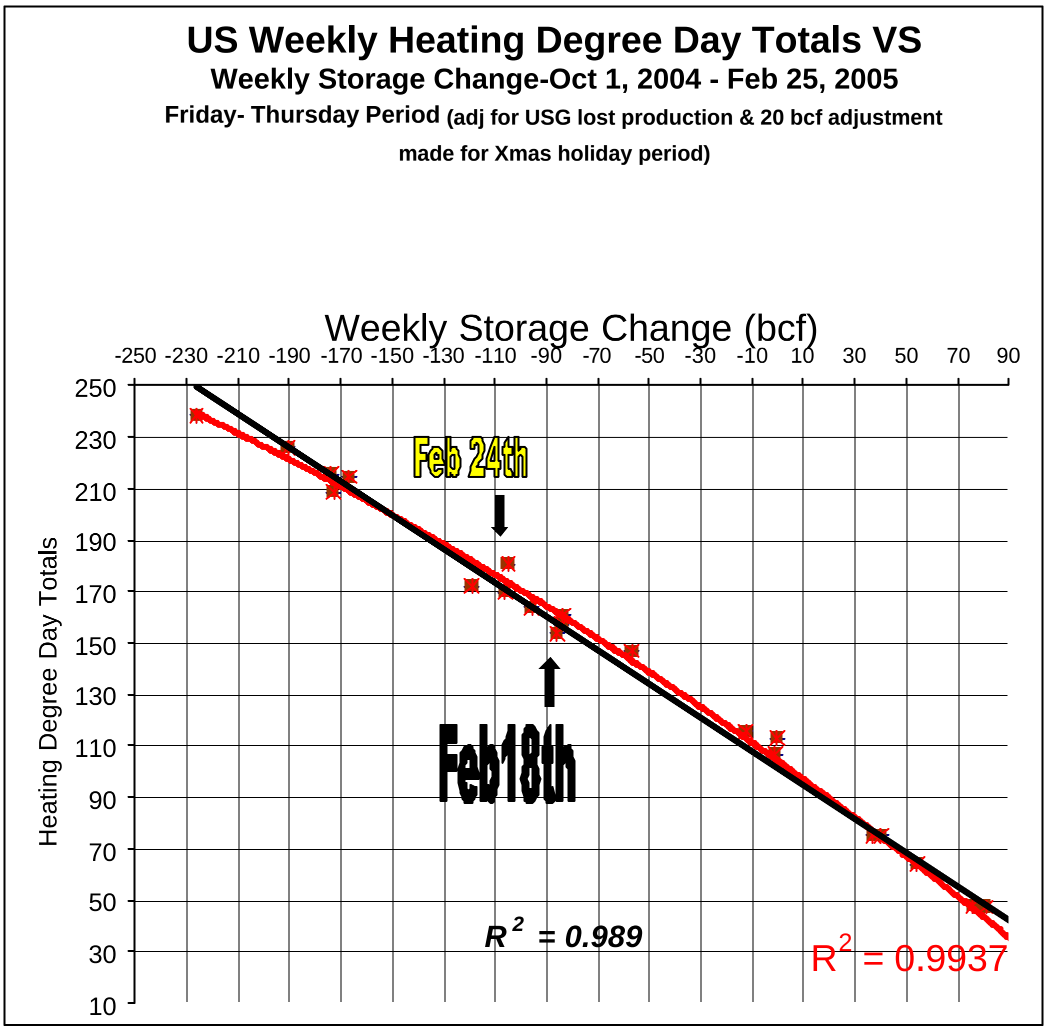
	25-Feb-05	18-Feb-05	27-Feb-04
East	92.5	104.9	74.1
West	76.6	82.1	70.3
Total	169.1	187.0	144.4

PIPELINE RESTRICTIONS

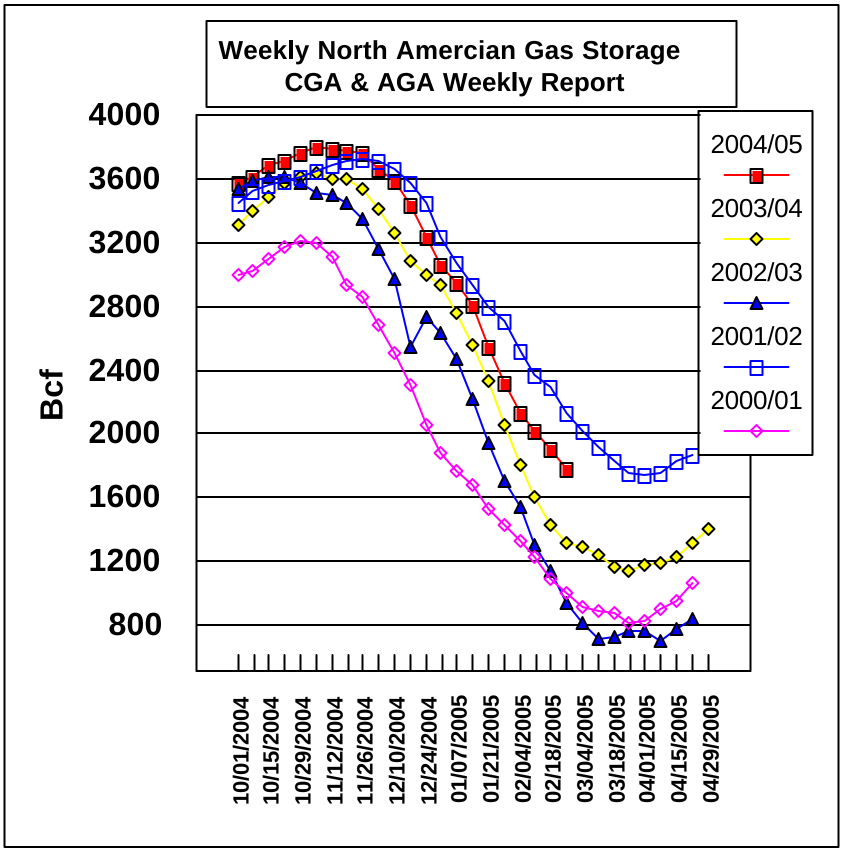
Natural Gas Pipeline Company of America said that it is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. All Louisiana Line segments (25,23 and 24) are at capacity for eastbound transport volumes.

Texas Eastern Transmission said that it has restricted to capacity the nominations flowing through the Sarahsville compressor station. In addition, the Monroe Line has been restricted to capacity. Also, receipts in STX and ETX have been nominated to capacity. No physical increases of receipts between Mount Belvieu and Little Rock will be accepted.

East Tennessee Natural Gas, said due to weather forecasts showing cold temperatures across its entire system, ETNG anticipates implementing several restrictions. There will be no secondary out of path receipts upstream of station 3104; no secondary out of path receipts upstream of station 3205; an no secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke.



Gulf South Pipeline said that due to capacity limitations in the Longview, Texas area, it is requesting all shippers with receipts in the area to balance their transportations and storage contracts by conforming receipts into the system with the deliveries being taken from the system, and to receive and deliver quantities at a uniform hourly rate of flow. If shippers do not voluntarily comply with these provisions, Gulf South may be forced to declare a Critical Period or issue an Operational Flow Order, which could result in severe penalties for shippers. Gulf South is unable to receive payback gas in the affected area during the effective period of this notice.



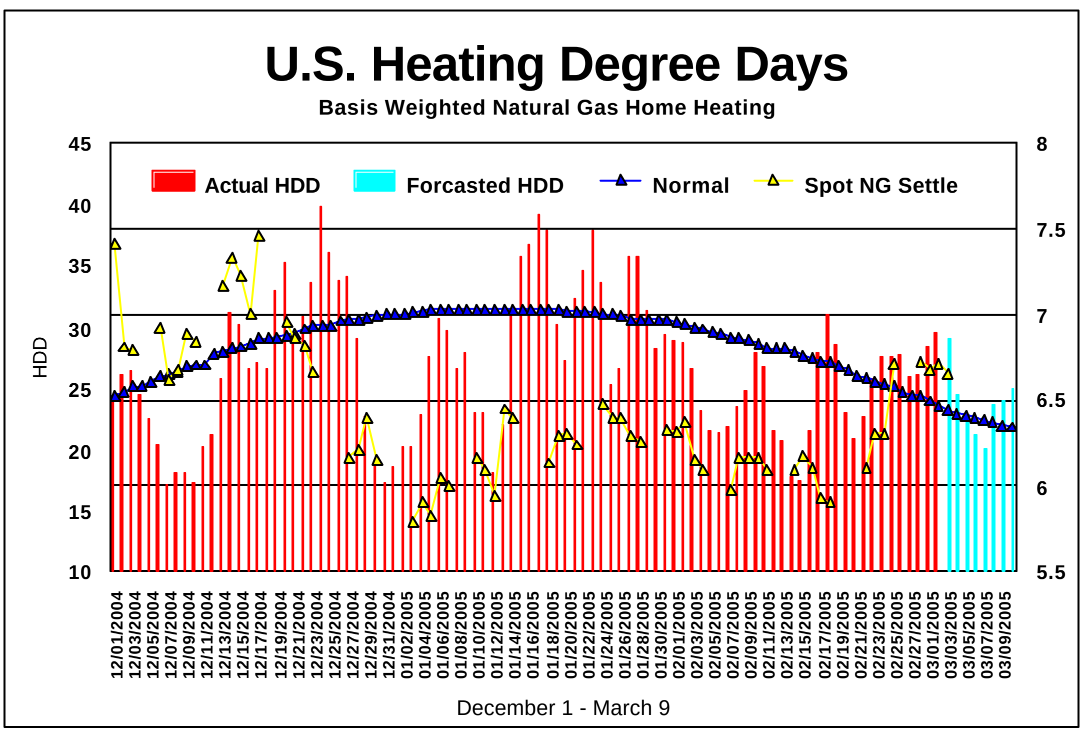
Panhandle Eastern Pipe Line Company, said that due to the lack of available compression at Cashion, nominations through the BIS09 segment will be limited to 110 MMcf/d beginning tomorrow. This reduction will be in effect until further notice. The BIS09 segment includes the following points: #10632-DEFS Kingfisher, #40526-DEFS Cashion, and #12791-Enogex.

PIPELINE MAINTENANCE

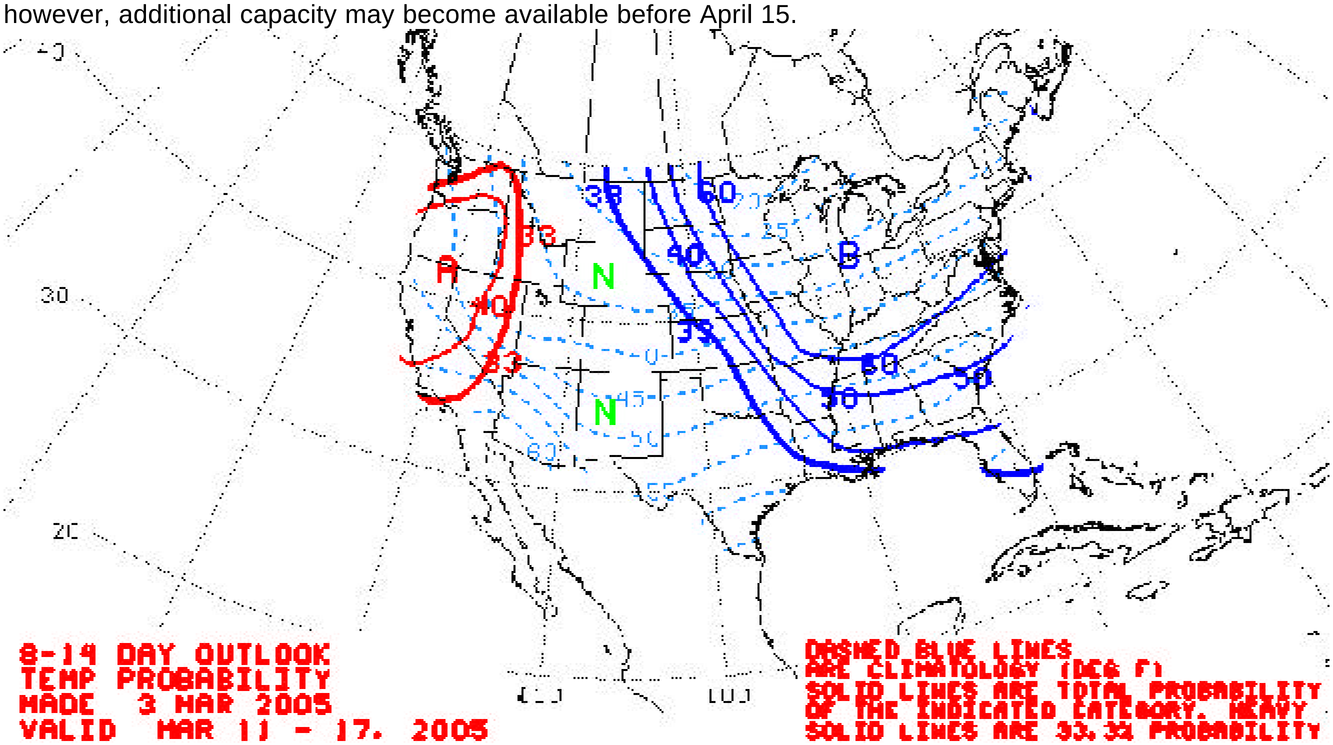
Alliance Pipeline said that the Morinville Compression Station, in Alberta, will be offline for 8 hours starting at 9:00 AM MT tomorrow for required maintenance. Authorized overrun throughput will be affected.

KM Interstate Gas Transmission said that it identified cracks on several of the pulsation bottles on six Cheyenne Market Center compressor units at three compressor stations: Huntsman (2); Rockport (2); and Kimball (2). The units are not available for service for operational and safety reasons. The remaining compressor units on the KMIGT system are not impacted and remain in service. Based on existing nominations and current operating conditions, KMIGT does not anticipate that firm services will be curtailed. KMIGT intends to meet its firm service obligations, as it relates to all storage-related services in the interim timeframe, through utilization of its existing system facilities. KMIGT currently estimates that the CMC compressor units will be fully restored to service by approximately May 14.

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). Currently, Segment 220 is limited to 310 MMcf/d and Segment 240 is flowing 356 MMcf/d. 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 the estimated in-service date for completion of repairs on all compressor units is April 15. As each unit is repaired, however, additional capacity may become available before April 15.



ELECTRICITY MARKET NEWS

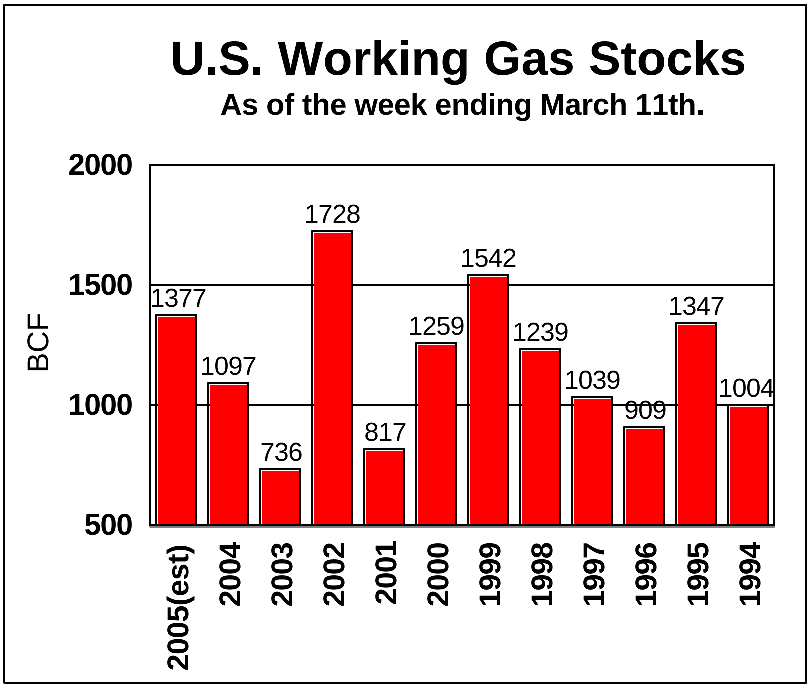
Ontario Power Generation today confirmed that it will shut the 1140 Mw Lakeview coal fired power station located near Toronto, as originally scheduled. In 2001, the Ontario Ministry of Environment decided to shut Lakeview in part to reduce its harmful impact on the air quality in the Toronto area. This plant closing is also in line with the provincial government's goal of closing all of its coal fired power stations by 2007 in order to help meet the carbon dioxide emissions targets set by the Kyoto Accord.

The Alberta Market Surveillance Administrator said today that it would reverse its previous position and would now ask the Canadian Competition Bureau to re-open a five year old probe of Enron's trading activities in the province in 1999. The group said that its recent access to new information from a U.S. regulatory hearing regarding transcripts of telephone conversations between staff of Enron and Powerex, BC Hydro's export arm. Officials noted that these calls appear to point to a degree of coordination and communication between the two parties that would not stand the test of open competition under Canadian law.

The EIA reported today that for the week ending February 26th some 22.042 million tons of coal were produced in the United States, up 0.6% from the previous week and some 0.8% higher than the same week a year ago. Production year to date is running some 0.3% behind last year.

BPA reported that the AC Pacific Intertie southbound capacity will be reduced this weekend to 500 Mw. Normal capacity on the line is 4800 Mw.

Calpine Corp.'s indirect subsidiary Calpine Steamboat Holdings has closed on a $503 million, non-recourse project finance facility that will provide funding to complete the construction of the 375 Mw Mankato Energy Center in Blue Earth County, Minn., and the 250 Mw Freeport Energy Center, in Freeport Texas. The project finance facility will initially be structured as a construction loan, converting to a term loan upon commercial operations of the plants, and will mature in Dec. 2011. The facility will initially be priced at LIBOR plus 1.75%, or currently 4.5%. Steamboat is required to enter into interest rate hedging arrangements for at least half of the loan amount in the next several weeks.



MARKET COMMENTARY

The natural gas market today gapped higher this morning and quickly reached its high for the day in the first 10 minutes of trading. But the release of a mildly bearish inventory report at mid morning sent natural gas prices tumbling lower and back into negative territory for much of the morning. While the steady advance of oil prices to new highs at mid day helped to stabilize natural gas values and allow values to erase most of the morning's losses but once some profit taking moved into the oil markets during the afternoon session, the natural gas market could not hold onto to its gains for the day and once again declined and settled down near its lows for the day, with the front months showing the most price pressure, as buyers seemed more interested in the summer and winter months than the spring contracts given the adequacy of existing inventories. Final volume on the day was estimated 85,000 futures contracts traded but nowhere near the explosive trading session that the oil markets saw, in which crude oil traded over 334,000 contracts.

We continue to look at the current abundance of natural gas inventories to act as a weight on this market from moving significantly higher, even if oil prices continue to set new contract highs in the coming couple of weeks. Given the temperatures recorded this week and forecasted for next week, we would look for the next two storage reports to show drawdowns of 144 and 92 bcf respectively. That would yield a working gas storage number as of the period ending March 11th at 1.377 tcf, a storage level that has only been exceed twice before since 1994. This storage number would have been possibly the second largest of all time if not for the 175 bcf of lost gas production from Hurricane Ivan.

Near term we see resistance in the April contract at $6.80-$6.84 followed by $7.04, $7.16-$7.24. Support we see at $6.64, followed by $6.52, $6.475-$6.44, $6.375, $6.325, $6.275 and $6.215.

As a result of the projected

relatively high storage level for gas to start the injection season next month and the return of USG natural gas production to near normal levels we see no difficulty in seeing storage levels at the end of the injection season bumping up against capacity even with a summer that could be warmer than experienced in the recent several years. As a result the shorting of October and buying January futures spread has a conceptual appeal to us. But given the recent infatuation of buying the back months, over the last several weeks, as fears of an overall world of higher energy prices, it appears that this spread may have gotten a bit ahead of itself, as October's discount to January widen by 12 cents in the last three weeks. But if this spread moves back to an 80–85 cent differential its would once again be interesting to us. Last year this spread moved to that level by July and by early September had moved out as wide as $2.20 before the impact of Hurricane Ivan was felt. While we feel that wide level will not be achievable this year as memories of last year's hurricane season will linger, we feel that a $1.60-$1.80 price level could be achievable, given the recent rebounding levels of Canadian imports and the start up of new LNG imports. As a result we would look to be patient and see if a retracement is in the cards.