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POWER MARKET REPORT FOR MARCH 8, 2005

NATURAL GAS MARKET NEWS

The EIA's monthly Short-Term Energy Outlook for March 2005 reported that the Henry Hub spot price averaged $6.33/Mcf for January and February compared to $6.78/Mcf in December. Unusually mild winter temperatures in the Northeast during December and again in February reduced heating demand. Still, prices remain well above previous expectations despite recent demand weakness and very high gas storage levels. Working gas in storage is estimated to have totaled 1,570 Bcf at the end of February, a level 36% higher than one year ago and 30% higher than the 5-year average. At the end of the first quarter of 2005, inventory levels are estimated to be 1.28 Tcf, down slightly from last month's forecast of 1.29 Tcf. A year ago, actual stocks at the end of the first quarter were 1.06 Tcf. EIA revised down its forecast for demand, saying that demand will rise by 2.2% in 2005, compared to last month's forecast of a 3.0% rise in natural gas demand. This adjustment reflects the fact that overall heating degree days have been lower than normal in the first quarter of 2005 and that natural gas prices have remained high. Forecasts for 2006 demand indicate a rise of 3.2%, due largely to weather-related factors and continued strength in gas-intensive industrial production. Production of natural gas has been revised to an increase of 0.5% in 2005, down from a previous forecast of 1.6%. The EIA spot estimates for natural gas remain high given the strong crude prices, averaging $5.80/Mcf this year and $6.60/Mcf in 2006.

Generator Problems

NPCC— Constellation Energy Group's 620 Mw Nine Mile Point #1 nuclear unit automatically tripped offline on March 7. The company said the initiating event appeared to be a turbine trip initiated by a high level moisture separator drain tank. The unit was operating at full power yesterday. Nine Mile Point #2 continues to operate at full power.

SERC— Entergy Corp.'s 978 Mw River Bend nuclear unit dipped to 75% of capacity early today. The unit was operating at full power yesterday after exiting an outage that repaired two valves in the feed-water system.

WSCC— Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit exited an outage and ramped up to 31% of capacity. San Onofre #3 continues to operate at full power.

Arizona Public Service Co. reported that its 740 Mw Four Corners #4 coal-fired unit shut late Monday due to a tube leak. Units #2, #3, and #5 are available for service.

The NRC reported that U.S. nuclear generating capacity was at 83,115 Mw today down .55% from Monday and down 1.77% from a year ago.

The NYMEX stated that hedge fund activity in its crude oil futures and natural gas futures was limited to less than 10% of volumes for those contracts in 2004. It stated that hedge fund activity accounted for about 2.7% of crude volumes and 9.1% of natural gas volumes. It said that the study's findings were that hedge fund participation does not cause volatility but appears to dampen volatility.

Enbridge Inc said it will fight any Canadian government decision that would prevent it from competing for the right to build part of a $20 billion gas pipeline from Alaska. It is awaiting a decision from Ottawa on whether legislation governing the Canadian portion of such a project will stand. The legislation gives TransCanada corp the right to build the pipeline while Enbridge wants the field opened up to competing bids. Industry and government officials have voiced concern that a debate over regulatory jurisdiction could mean more years of delay for the project.

Malaysia's Petronas and BG last week loaded their first LNG cargo from Egypt's Damietta LNG plant for supply to Petronas' trading subsidiary Asean LNG Trading Co. The first LNG cargo for ALTCO was loaded on Mar. 4. The cargo is part of a five-year sale and purchase agreement that will see ALTCO and BG Gas Marketing Ltd lift 1.45-mil mt/year on a 50:50 basis. Petronas has a 50% working interest in the West Delta Deep Marine concession area in the Nile Delta, which supplies gas to the Damietta LNG complex. BG holds the remaining 50% in the WDDM concession. The WDDM concessionaires agreed last year to toll approximately 225-mil cf/d of gas (equal to around 1.7-mil mt/year of LNG) from the WDDm concession through the Damietta LNG plant for the first four year of the five-year contract, starting the first quarter of 2005, and approximately 150-mil cf/d (equal to around 1.15-mil mt/year of LNG) in the final year. The LNG is for supply to ALTCO and BG Gas.

BP, the world's second biggest oil firm by market value, is to go ahead with a key Indonesian natural gas project after securing government agreements. The project will be based in Tangguh, about 1,880 miles east of Jakarta. Production is set to start in 2008 and Tangguh will feature as the cenerpiece of BP's Asia-Pacific gas operations. The total cost is estimated at close to $5 billion and it should provide LNG equal to about 6% of total global demand. Construction is expected to begin in the near future. The London based oil and gas giant has awarded contracts worth about $2 billion to foreign firms, including a group led-by US oil services company Dellogg, Brown & Root, and Italy's Saipem. The Indonesian Government granted extensions on development agreements covering three fields. The fields in Wiriagar, Muturi and Berau have combined gas reserves of 14.4 Tcf and will feed into the project at Tangguh.

PIPELINE RESTRICTIONS

El Paso Corp. unit Tennessee Gas Pipeline Co. said it declared force majeure for meters along the southwest leg of its Bluewater system in the Gulf of Mexico after a leak was identified on the line. The company said divers were being dispatched and damage was being assessed. Until further notice several meters between East Cameron 254B and East Cameron Block 282 would be shut in. Tennessee said it would allow shippers nomination to remain in place for the current gas day and Wednesday, March 9. Shippers will be required to reduce their nominations to zero for Thursday, March 10 if the meters are still shut in. Approximately 40 MMcf was currently scheduled on the line.

ELECTRICITY MARKET NEWS

The EIA's outlook for electricity was revised down sharply, showing demand in the first quarter of 2005 estimated at 929.6 billion kWh from a previous forecast of 937.6 billion kWh. One year ago, actual U.S. demand for the period was 916.9 billion kWh. For the year, EIA forecasts electricity demand to increase by 3.1% and an additional 2.3% in 2006 due to continuing economic growth. Third quarter demand growth is expected to be particularly strong, as cooling demand is likely to be much higher than in Q3 2004.

The EIA also reported that coal demand is expected to increase 3.4% in 2005 and another 3.0% in 2006. Power sector demand for coal continues to increase as oil and gas prices remain high. U.S. coal production is expected to grow by 3.1% in 2005 and by an additional 2.9% in 2006. The EIA also noted that hydroelectric power availability, which fell somewhat in 2004, is expected to rebound in 2005 by as much as 13% nationally, provided normal precipitation patterns prevail.

MARKET COMMENTARY

The natural gas market gapped higher from $6.72 to $6.78 amid colder than normal forecasts and quickly posted the days high of $6.94. Following suit with the oil complex, natural gas traded in a sideways range between $6.92 and $6.82. It settled up 13.3 cents at $6.847. Unlike yesterday's session, volume in the natural gas was excellent with over 80,000 lots booked on the day.

The market remained well supported in light of the forecasts for colder temperatures in the Northeast. Private weather forecasters stated that the blast of cold air will mark the start of a cold weather pattern that will last several days in the Northeast. The latest 8-14 day forecast still showed much of the country below normal. However as the heating season comes to an end, with average temperature highs increasing and such large inventories, we expect natural gas to come under a bit of pressure. Technically, the market also looks overbought. The market is seen finding resistance at its high of $6.94 followed by $7.04, $7.16 and $7.24. Support is however seen at $6.82 followed by its gap from $6.78 to $6.72. More distant support is seen at $6.64-$6.63 followed by $6.585-$6.55, $6.475, $6.375 and $6.275.