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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 16, 2005

NATURAL GAS MARKET NEWS

A group of panelists at GasMart, meeting in New Orleans, said today that the increase in natural gas futures market volatility over the past few years has coincided with a similar rise in hedge fund market participation, but that the hedge funds have been unfairly blamed for being the cause or root of this volatility. This view generally supports the recent report by the NYMEX on this issue that was released earlier this month.

The CFTC said that its oversight of the over-the-counter energy market remains sufficient, though the number of participants, volumes and overall value are rapidly growing. The acting chairwoman of the agency said today though the agency may "consider possible changes, clarifications to the energy area" in regards to OTC trading but declined to offer any specifics. She suggested the CFTC did not find it necessary up to this point to gather more detail from off-exchange transactions, though, as big banks closely monitor these market participants. She went onto to say that these are highly sophisticated users and questioned whether there was any significant public interest or benefit in supervising these types of OTC trades. The regulator noted that attempting to supervise the OTC market would be an enormous task and questioned how such an effort could even be organized.

Generator Problems

ERCOT— American Electric Power Co. will shut its 528 Mw Welsh #1 coal-fired power station from March 17-21 to perform maintenance on the boiler and precipitator.

MAAC— Constellation Energy ramped output 10% at its 835 Mw Calvert Cliffs #2 to report the unit at 20%. The unit restarted yesterday following a refueling and maintenance outage started on Feb. 23. Calvert Cliffs #1 is operating at full power.

MAIN— Exelon Generation reduced power 8% at its 1,022 Mw Clinton nuclear unit, operating it at 85% capacity this morning. Repairs were made over the weekend to a feedwater heater check valve.

SERC— The Tennessee Valley Authority boosted power 16% at its 1,100 Mw Browns Ferry #3 nuclear unit, returning the unit to full capacity. Browns Ferry #2 is operating at 86%.

Southern Nuclear Operating Co. boosted power 9% at its 883 Mw Hatch #2 nuclear unit, operating it at 55% capacity, following a refueling outage. Hatch #1 remains at full power.

WSCC— Constellation Energy Group curtailed the power output of the 780 Mw High Desert power station by 680 Mw for planned reasons late Monday, and another 50 Mw by late Tuesday.

Calpine Corp.'s 811 Mw Delta Energy Center returned to full power early Wednesday. The unit was curtailed by 602 Mw late Tuesday for unplanned reasons.

Arizona Public Service's 740 Mw Four Corners #5 coal-fired power unit shut early today. Electricity traders guessed the unit would likely return to service in about a week. Units #2, #3, and #4 are available for service.

The NRC reported that U.S. nuclear generating capacity was at 81,149 Mw today up .30% from Tuesday and down 2.18% from a year ago.

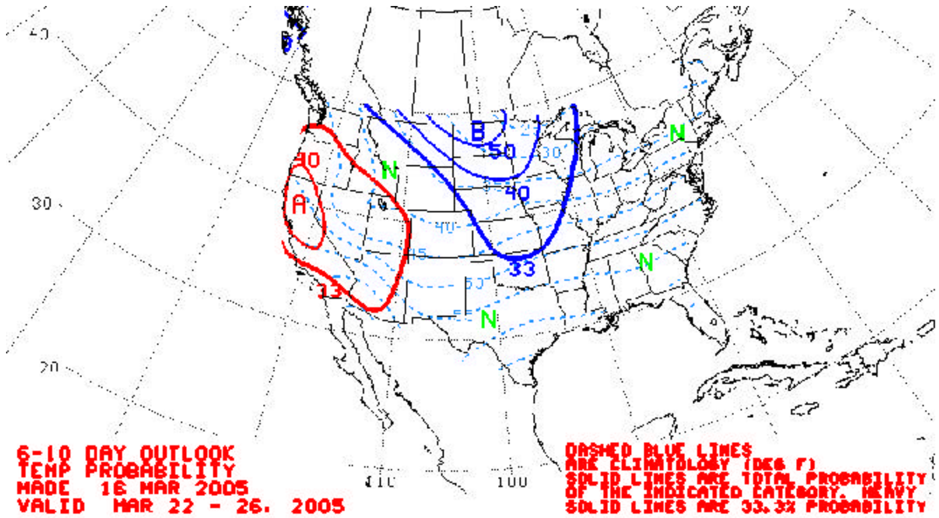
PIPELINE RESTRICTIONS

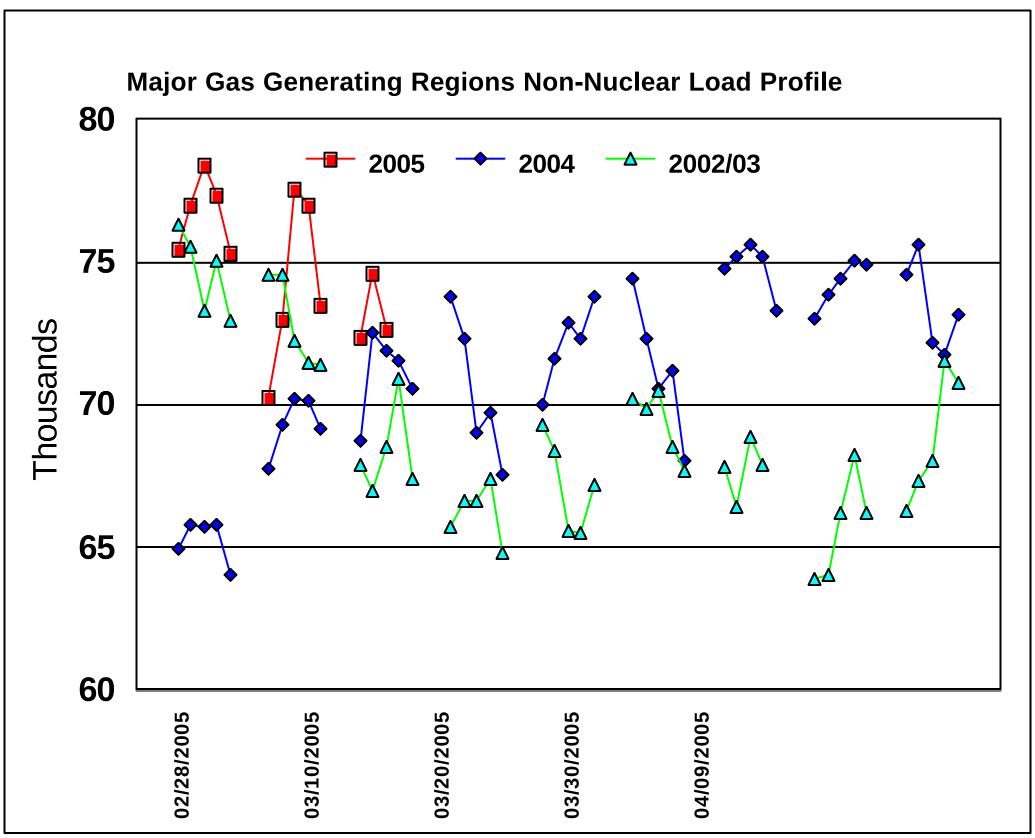
Natural Gas Pipeline Company of America said that due to a change in the weather forecast for the next several days, NGPL may have limited capacity available for northbound flow through and downstream of Compressor Station 309 (Segment 27). Elsewhere, Gas received on the Arkoma Line (Segment 16) is at capacity. Segment 17 is also at capacity. NGPL is at capacity for gas received upstream of Compressor Station 15 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 Corp. said it has been scheduled to capacity in the following zones: STX, ETX, M1-24, and M2-24. Physical increases between Mount Belvieu and Batesville will not be accepted.

Tennessee Gas Pipeline said that effective today, due to reduced nominations, TGP will accept nomination increases for all services pathed to Leidy Meter 005030.

Kern River Pipeline has warned schedulers of high line packs along Kern ML North from Muddy Creek to Elberta, Kern ML Middle from Elberta to Goodsprings and Kern ML South from Goodsprings to Common Facility and from Common Facility to End of Facility.



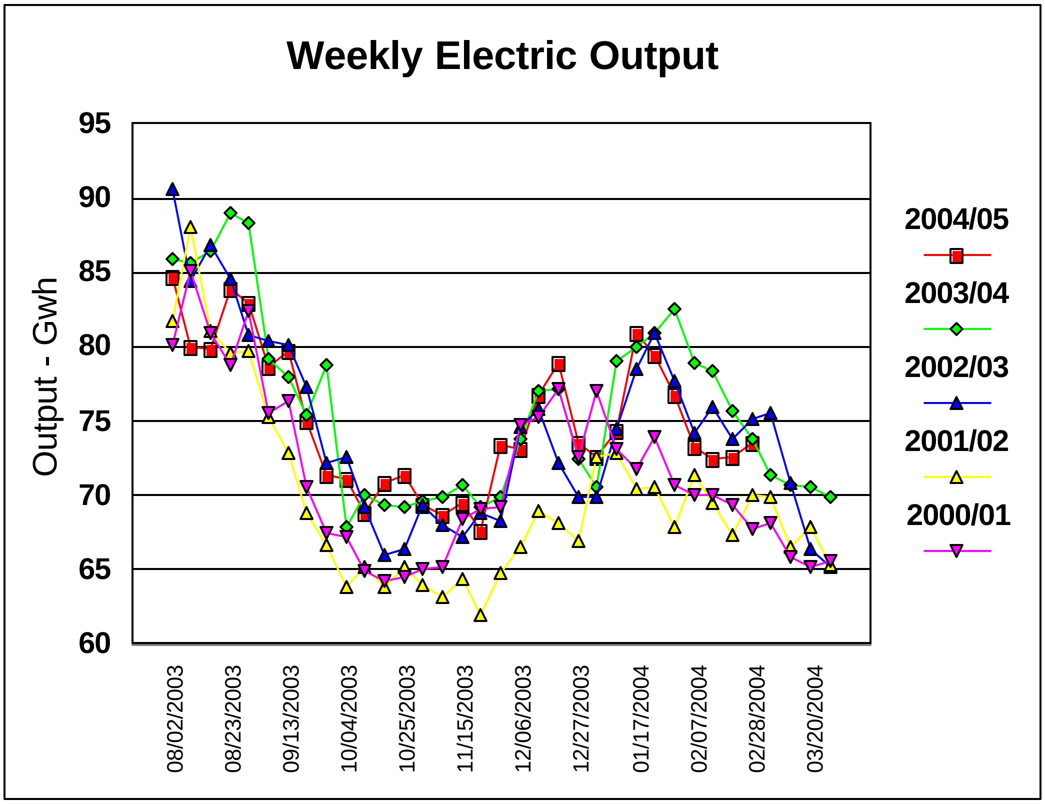


KM Interstate Gas Transmission said that effective immediately and until further notice, Williston Basin Bridger (PIN 8737) in Montana has capacity available for received volumes. Depending on the level of nominations, authorized overrun, interruptible flow, and secondary out-of-path and secondary in-path volumes may be scheduled.

Questar Pipeline Co. said it is issuing all firm storage capacity holders an operational flow order indicating shippers required withdrawal volume for an April withdrawal test. Questar has scheduled shut-in test at its Clay Basin Storage Reservoir for Tuesday, April 15-18. In addition, a withdrawal test has been scheduled for Monday, April 4. Shippers will be required to maintain sufficient inventory in storage to accommodate the withdrawal test. In addition shippers will be required to supply sufficient main line capacity on either Northwest Pipeline or Questar Pipeline or both, to facilitate the withdrawal test. Based on current inventory, the total withdrawal test volume is estimated to be 278 MMcf.

TransColorado updated its ongoing force majeure situation at several of its compressors. The Dolores compressor unit repair was completed last week. New suction and discharge bottles have been installed and tested on the unit that had been removed from service. The Whitewater compressor repair will be next to be completed. The estimated in-service date for completion of repairs on all expansion compressor units is April 15. As each unit is repaired, additional capacity may become available before April 15. Currently, Segment 220 is limited to 320 MMcf/d while force majeure conditions are still in effect.

ELECTRICITY MARKET NEWS



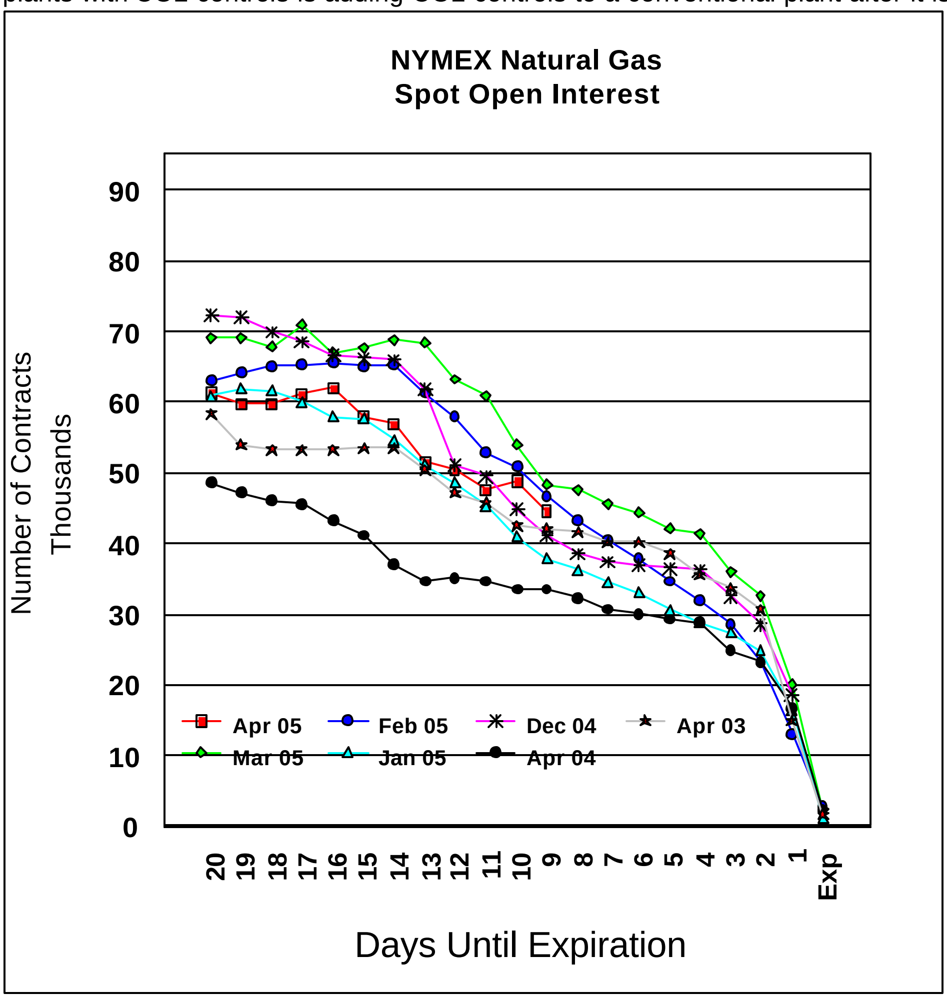
The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended March 12 rose 5.3% from the same 2004 week to 71,847 GWh. The Rocky Mountain region showed the largest year-on-year percentage increase in output, rising 9.6% to 4,271 GWh. The Pacific Northwest showed the biggest year-on-year percentage decrease in output, falling 4.7% to 2,647 GWh. For the first 11 weeks of the year, production totaled 821,266 GWh, up 1.1% from last year. For the 52 weeks ended March 12, production rose 2.0% from the corresponding period in 2004 to 3,858,980 GWh.

BPA reported that transmission capacity along the California/Oregon AC Intertie will hold steady at 3,000 Mw for Wednesday and Thursday, while capacity along the Pacific DC line will drop from 2900 Mw Wednesday to just 2400 Mw on Thursday.

California's publicly owned electric utilities, including Los Angeles, will have sufficient resources to meet their needs through the hot summer months when demand for air conditioning is highest, according to a trade association for the public electric and water agencies. The California Municipal Utilities Association said its members estimate they will average 30% capacity reserves in May and June, 23% in July and August, and 26% in September, compared to the 15% to 17% reserve margin level established by the state Public Utilities Commission for other load serving entities. The utilities said they would sell surplus electricity so long as there are no barriers including regulatory limitations on hours of operation for air quality reasons.

Nuclear power generation costs have fallen and become more attractive over the last seven years as a result of higher operating rates and higher natural gas prices. A joint study by the OECD's Nuclear Energy Agency and its energy watchdog the International Energy Agency said coal, gas, nuclear and wind power generation costs were falling due to improved technology and competition. Since the last report in 1998, the economics for building and operating capital-intensive nuclear power plants have improved significantly. Taking into account fuel price projections, construction, operating and decommissioning costs and excluding the impact of carbon dioxide or carbon taxes, nuclear generation costs were the lowest in the study. The cost to generate electricity from nuclear plants to be commissioned between 2010 and 2015 would range from $21 to $50 per megawatt hour, compared with coal at $25-$60, gas at $37-$63 and wind turbines at $35-$140.

Coal is the fossil fuel that emits both the most toxic mercury and also carbon dioxide, the chief cause of global warming. But coal could be part of the solution to climate change if builders of new plants would use technology that captures and stores CO2 and makes mercury cleanup much simpler. Advocates of action on global warming, such as Tony Blair, should give the highest priority to a new agreement on a carbon cap that includes the US, China, and India, and other countries not limited by the Kyoto Protocol. Coal has overtaken cleaner natural gas as the fuel of choice for US utilities because gas supplies are dwindling. By 2012, the US, which already gets more than half its electricity from coal, is expected to add 72 plants. China is slated to build 562 coal-fired plants by that time and India 213. If all these plants are built with no provisions for CO2 capture and storage, they alone will generate five times the greenhouse gases that the Kyoto signers are pledged to shed by 2012. To help alleviate this problem, a process in which coal is first gasified before it is used to generate power allows its CO2 to be captured and stored underground and its mercury emissions drastically reduced. But this raises the cost of a kilowatt-hour from 4.5 cents for a conventional coal plant to 6.5 to 7 cents. Utilities will not pay this extra cost unless a rule tells them they have to. Fortunately Blair and other advocates of global warming action could have allies among CEOs who know that the only thing more expensive than building gasified-coal plants with CO2 controls is adding CO2 controls to a conventional plant after it is running.



MARKET COMMENTARY

The natural gas market opened lower this morning as the cash market appeared to be under pressure as a result of the latest NWS weather forecasts which appeared to point to a fall off in heating demand in the coming week as temperatures moderated significantly. But the natural gas futures market's mini-sell off this morning was stopped dead in its tracks once the supportive oil inventory reports were released. While the oil markets rallied to new highs the natural gas market basically went back and retested yesterday's highs but failed to breach them, as traders seemed content to wait for tomorrow's storage report before committing to this market further on the long side. Volume today was a bit lighter than the past two trading sessions with 89,000 futures contracts changing hands, with spreads accounting for over two thirds of the activity today.

The NYMEX reported today that the natural gas market Tuesday finally saw a decline in open interest, as total open interest fell 3705 contracts, as the spot contract declined by 4,096 lots.

While we continue to look for tomorrow's storage report to come in at a 95 bcf draw down., market expectations have shifted a bit lower and now seems to be for the most part contained between 95-105 bcf.

With the April contract coming within a penny or matching yesterday's trading range and the May contract remaining contained within yesterday's trading range our support and resistance targets remain unchanged from yesterday's outlook. We look for support at the $7.06-$7.05, followed by $6.98-$6.94, $6.885, $6.74, $6.59 and $6.44. Resistance remains at $7.20-$7.23, followed by $7.26, $7.30 and $7.445.