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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR APRIL 26, 2005

Generator Problems

ECAR— AEP's 1,016 Mw Cook #1 nuclear unit shut by early today after starting to exit a refueling outage. The unit shut on March 26 for a planned refueling outage expected to last a month. Cook #2 continues to operate at full power.

ERCOT— TXU Corp. will work on the boiler of the 750 Mw Martin Lake #1 coal-fired power unit from April 27-29.

LCRA Sam Seymour Fayette unit 3 power station is scheduled to begin startup today following a planned maintenance outage. The startup phase of the outage is expected to be completed in approximately 22 hours.

MAIN— Exelon Corp.'s 850 Mw Dresden #3 nuclear unit dipped to 26% of capacity by early today. Yesterday, the unit was operating at 98%. Dresden #2 continues to operate at 98% of capacity.

SERC— Progress Energy's 872 Mw Brunswick #1 nuclear unit ramped up to 98% of capacity by early today. Yesterday, the unit was operating at 45% of capacity after exiting an outage. Brunswick #2 continues to operate at 67%, while the company works on a pump.

WSCC— Constellation Energy's 780 Mw High Desert natural gas-fired station returned to service by late Monday. The unit shut early yesterday for planned reasons.

The NRC reported that U.S. nuclear generating capacity was at 74,795 Mw today down 1.20% from Friday and down 6.31% from a year ago.

NATURAL GAS MARKET NEWS

The EIA reported that any revisions in weekly U.S. natural gas inventory data of more than 10 Bcf will be published during a 10-minute daily window to reduce uncertainty in the market. Beginning May 19, the EIA will publish revisions to the data between 2 PM and 2:10 PM during the workweek. The revisions will be preceded by public notification between 1 PM and 1:10 PM through e-mails and a notice on the EIA's website.

A Mexican energy ministry official reported that since faced with lagging natural gas production and a fast-rising bill for imports, Mexico is seeking alternative fuels for power generation. The alternatives being looked at in a policy review include fuel-oil, petcoke and refinery residuals. State-owned oil and gas company Pemex currently produces just over 4.6 Bcf/s of gas, still below the level of five years ago and well short of the target of just under 6 Bcf/d set for the end of 2006. For the first time, Mexico last year imported more than 1 Bcf/d of gas, 17% above 2003 levels, and all of it from the U.S. The gas import bill in 2004 came to $2.443-billion, a hike of 31.3% and accounting for more than a quarter of the nation's overall trade deficit. Meanwhile, spurred by growing consumption from the electricity industry, Mexico's gas consumption grew by 8% in 2003 and only slightly less in 2004.

Maritimes & Northeast Pipeline said there had been strong response to an open season for new natural gas transportation capacity in 2007-2008 along its 850-mile pipeline system. The company said that in response to the open season, customers requested natural gas transportation service for about 1.5 Bcf/d for deliveries in Canada and the northeastern U.S. The open season, which ran from Feb. 15 to March 31, was held to guage interest from LNG suppliers and proponents of projects that could connect to Maritimes in Atlantic Canada and

New England. Maritimes said it plans to increase its capacity to meet new market demand arising from responses to the open season.

The chairwoman of the US Commodity Futures Trading Commission, Sharon Brown-Hruska, said the hedge funds in the energy industry are not creating increased volatility in energy prices. She said the CFTC instead found that the influx of hedge funds has dampened volatility by providing increased liquidity and more positions on energy prices to counter price spikes. She said that as part of the CFTC's efforts to ensure market integrity in the energy industry, it has completed 97% of its investigations of energy companies.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that it has experienced two unplanned outages at Compressor Station 343 and at Compressor Station 342. These outages reduce the operational capacity through Segment 25 and Segments 23 and 24. At this time NGPL does not anticipate these outages having an impact on current scheduling in these segments. In other news, deliveries to Columbia Gulf-Chalkley are at capacity today. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Deliveries to Texas Gas-Lowry are at capacity. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes.

Kern River Pipeline has warned schedulers of high line packs across its entire system. This affects 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 Facilities.

PIPELINE MAINTENANCE

Northwest Pipeline Corp. said it will be installing a new separator at the Clay Basin interconnect with Questar on April 27 and 28. During the two-day outage, which was previously posted on April 5, there will be no physical injection or withdrawal from Clay Basin.

Tennessee Gas Pipeline said that work to re-align the 526A-600 line is expected to continue through May 15. Until repairs are complete, the following meters remain shut in: South Pass 6, Main Pass 69B, Southeast Pass, Delta Duck, Garden Island Bay, Raphael Pass, Garden Island Bay, Main Pass 75, South Pass 60, South Pass Dehyd, Red Fish Bay, Garden Island Bay Dehyd, South Pass Blk 6, Helga, Main Pass 69A, and Main Pass 69 Fuel.

ELECTRICITY MARKET NEWS

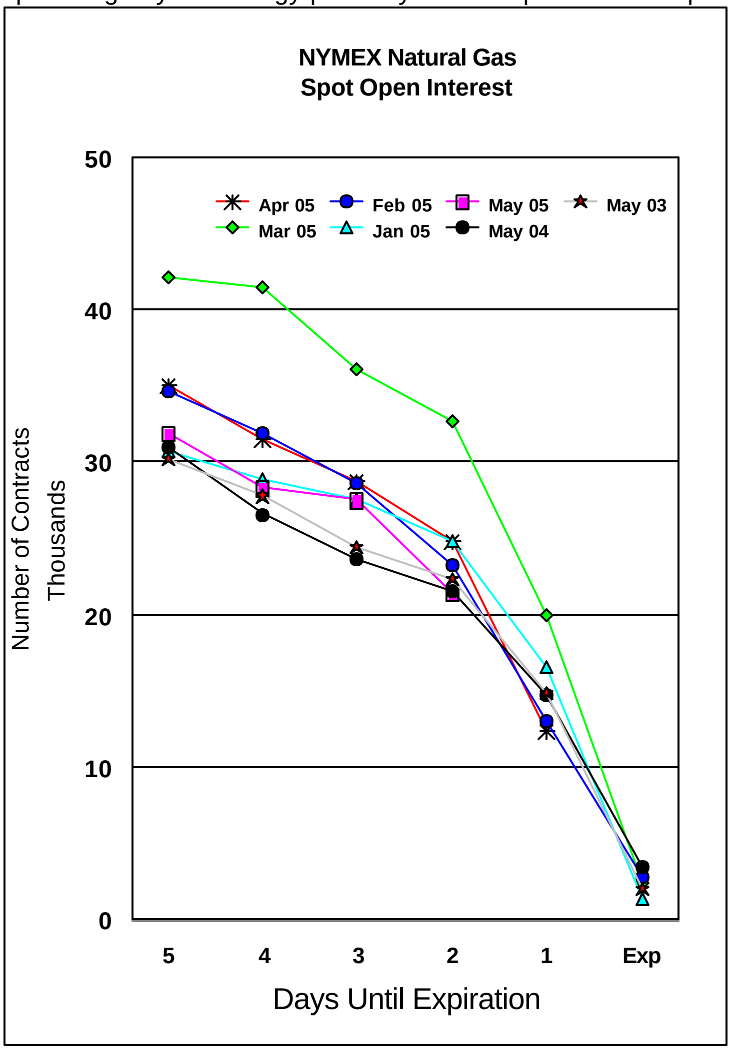
California Independent System Operator staff is expected to ask the ISO's board of governors later Monday to approve an indefinite delay in the start of a penalty system aimed at discouraging market participants from acting outside the grid operator's energy dispatches and schedules. Staff said it will ask for permission to file a tariff change with FERC that would postpone the penalty system until the ISO can meet four "milestones" and alleviate some concerns raised by stakeholders. The ISO has repeatedly delayed implementing the so called "uninstructed deviation penalties" which had been scheduled to begin 60 days after market redesign Phase 1B was implemented Oct. 1, 2004. The "milestones" include fixing connectivity issues between scheduling coordinators and the automated dispatching system, verifying that dispatch instructions have been sent, publishing two months of settlement data, and improving software to speed the time it takes to process possible deviations.

National Grid USA and GridAmerica participants FirstEnergy and Northern Indiana Public Service Company jointly announced that all three companies have decided to cease GridAmerica operations effective Nov. 1, utilizing a similar contractual provision that the other GridAmeria participant, Ameren, exercised earlier this month. GridAmerica is an independent transmission company, or ITC, operating within the footprint of the Midwest Independent Transmission System Operator.

The Long Island Power Authority and FPL Energy announced that they will jointly file an application today with the U.S. Army Corps of Engineers seeking authorization to install an offshore wind energy park off the South Shore of Long Island. The proposed offshore wind project is comprised of 40 3.6 Mw wind turbines that will be capable of producing 140 Mw of electricity. The turbines that will be clustered in an eight square mile area approximately 4.1 miles due south of Cedar Beach. A 10-mile long transmission cable will bring the electricity from the wind turbines to an existing LIPA substation in West Amityville. Pending the regulatory review process, this project could be operating by 2008.

ECONOMIC NEWS

U.S. Consumer Confidence fell to a five-month low in April as record gasoline prices and doubts about job prospects threatened to slow the world's largest economy. The Conference Board's Index of consumer sentiment dropped to 97.7 in April. This is the third straight decline, from a revised 103 in March. The April decline was the biggest since August. Consumers may have been discouraged after the cost of a gallon of gasoline soared to $2.32 during the month. A slowdown in hiring in March and signs that inflation may be spreading beyond energy probably curbed optimism and spending as well.



MARKET COMMENTARY

Despite today being an option expiration day, the market price action was relatively modest and quiet. The market gapped lower this morning in part due to weaker prices in the oil complex. As oil prices moved to new lows at mid morning, natural gas prices showed some resilience and reluctantly moved lower back filling the gap in the daily charts on the downside from April 22nd. But despite our expectations for the May contract to gravitate towards the $7.00 price level given the large open interesting in the $7.00 strike, this market rebounded off the lows and quietly drifted higher through the mid morning and afternoon. At late little buying spree almost succeeded in back filling the gap from this morning's lower opening, leaving just a small 0.5-1.0 gap in the daily charts by the closing bell in the may and June contracts respectively. Final volume was estimated at 74,000 futures traded of which 38,000 were booked via spreads.

Tomorrow's expiration of the May contract should be relatively uneventful, unless the market receives a jolt from an oil inventory report that falls significantly outside of market expectations. Coming into this morning the spot contract saw its smallest open interest total since August of last year and has approximately 100 less open contracts than the May 2004 contract had at the same point in time before expiration. Thus we do not expect the 44 cent trading range experienced last month on expiration but rather less than the 19 cent trading range recorded last April when the May contract expired.

We would look for resistance in the May contract to be found $7.14 followed by $7.238, $7.31, $7.368 and $7.478. Support we see at $7.02-$7.00, $6.90-$6.875, $6.85 and $6.614.

Market expectations for Thursday's EIA Storage report appear to be running between a 55-90 bcf injection rate, with most industry projections coming in around the mid 70's. Our estimate is for a slightly higher injection rate, somewhere around an 80 bcf build. For the same week a year ago there was a 71 bcf build , with the five year seasonal build of 51 bcf.