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POWER MARKET REPORT FOR MAY 10, 2006

NATURAL GAS MARKET NEWS

The heads of two major gas-consuming industry groups pledged to keep heat on Congress to open more areas offshore to natural gas production. The two groups – the American Chemistry Council and the American Forest and Paper Association – said they plan to press for the passage of both Pennsylvania Republican Representative John Peterson's bill that would lift the offshore drilling moratorium completely and a more limited bipartisan measure in the Senate that would open Lease Area 181 off the coast of the Florida Panhandle to natural gas production.

Open loop vaporization systems are a proven and environmentally sound technology for use in returning LNG to a vaporous state. The Center for Liquefied Natural Gas said it supports open loop vaporization systems for proposed LNG import terminals in the Gulf of Mexico, stressing that environmental impact statements from the U.S. Coast Guard conclude that offshore LNG facilities will have only minor adverse impacts on the environment, including fisheries.

Generator Problems

ECAR— AEP's 1,020 Mw Cook #2 nuclear unit increased output, operating the unit at 97% capacity. Yesterday, the unit was operating at 69% capacity. Cook #1 continues to operate at full power.

DTE's 1,139 Mw Fermi #2 nuclear unit reduced output to 80%. Yesterday the unit was operating at 86% capacity.

MAAC— PSEG's 1,050 Mw Hope Creek nuclear unit increased production to 86%. Yesterday, the unit was operating at 70% capacity.

PPL's 1,115 Mw Susquehanna #2 nuclear unit increased output to full capacity today. Susquehanna #1 continues to operate at full power.

MAPP— The Omaha Public Power District returned its 492 Mw Fort Calhoun nuclear unit to full power.

WSCC— Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit increased output to 20% as it prepares to reconnect to the grid. Yesterday, the unit was operating at 1% capacity. San Onofre #2 remains at 97% capacity.

The NRC reported that U.S. nuclear generating capacity was at 80,820 Mw up .94% from Tuesday and up .89% from a year ago.

PIPELINE RESTRICTIONS

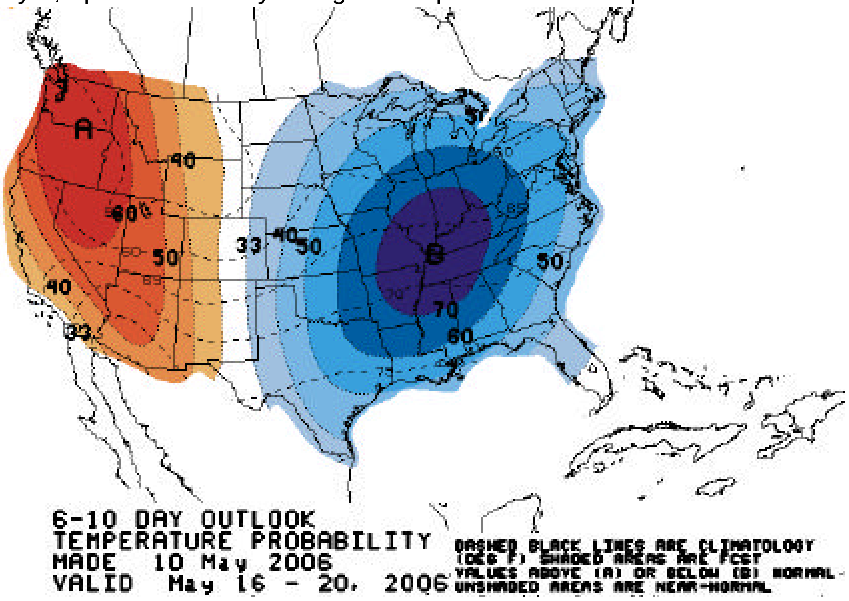
Texas Eastern Transmission said it has scheduled and sealed M1 and M2 24-inch to capacity. No increases between Little Rock and Fagus for delivery outside that area will be accepted. Shippers and point operators should ensure they are flowing at scheduled volumes and take immediate action to alter flow or change nominations so as to remain balanced. TE will force balance TABS-1 pools as required. Customers are advised that capacity may become available as the nomination and confirmation process continues through the day.

PIPELINE MAINTENCE

Williston Basin Interstate Pipeline Company said maintenance at the Billy Creek Compressor Station may potentially affect delivery point ID 05800 WBI – Aggregate Storage (Inject) today. At this time, however, Williston does not anticipate any restriction to the system. Williston also said that there will be maintenance at the Saco Compressor Station in the next two days. Maximum capacity at Receipt Point ID 00880 Whitewater will be approximately 15.5 MMcf for May 10. Maximum capacity at the Saco Compressor Station will be approximately 24.8 MMcf. Maximum capacity at Receipt Point ID 00880 Whitewater will be approximately 15.2 MMcf for May 11. Maximum capacity at Saco will be approximately 24.5 MMcf.

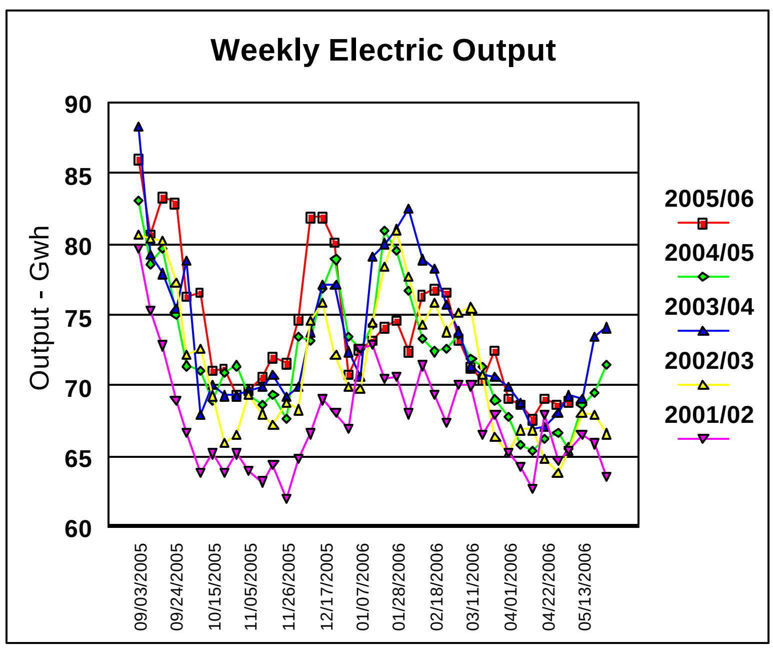
ELECTRIC MARKET NEWS

The Edison Electric Institute reported that the continental U.S. used 68,872 Gwh of electricity in the week ended May 6, up 5.0% from a year ago and up 0.3% from the previous week.



Trading greenhouse gas credits around the world surged in the first quarter of this year, as poor countries sold credits from projects that curb output of the gases and prices in Europe rose. The value of credits from projects that cut emissions, mainly in developing nations, in the first quarter was $907 million, 34% of the $2.7 billion for the whole of 2005. The Kyoto Protocol allows companies in the developed world to buy credits from projects that reduce emissions in poorer countries. The credits, called Certified Emissions Reductions, are expected to be tradable under the European Union's emissions-trading system. The value of emissions allowances bought and sold in trading systems, mainly in Europe, reached $6.6 billion in the three months through March, the World Bank reported. That's 80% of the $8.3 billion traded in all of 2005.

Sargas, a privately owned Norwegian group, which cooperates with German's Siemens AG, said it has technology that can cheaply clean more than 90% of carbon dioxide emissions from a gas-fired or coal-fired plant. Sargas' carbon capture system, known as modified pressurized fluidized bed combustion, burns coal under pressure, reducing the size of the power plant needed, making it easier to capture the carbon dioxide. Sargas said a coal-fired plant using its technology could produce electricity for $0.049 per kilowatt/hour, assuming a coal price of $65 a tonne. Gas-generated electricity would cost twice that amount, partly due to higher gas costs. Carbon dioxide could either be buried beneath the ground or pumped into oil reservoirs to help keep up pressure and force more oil to the surface.



U.S. utility Entergy Corp. said it made a new commitment to lower greenhouse gas emissions from its power plants. The company said it plans to voluntarily cut emissions from its plants and stabilize them at a level 20% lower than in 2000 for the period of 2006 to 2010.

Mirant Corp/'s hedging activities for its U.S. power generation fleet drove first quarter earnings growth for the Atlanta-based wholesale energy marketer. The hedges Mirant executed in 2005 protected the company's U.S. business from lower power prices resulting from a mild winter. The hedging program, which centered around Mirant's baseload coal assets, involved attaching contracts to plants that sell power to the wholesale market. Mirant focused on longer-term hedging to create a more predictable cash flow stream. The company's baseload coal plants will be 100% hedged for fuel and emissions, and about 75% for power for the balance of 2006.

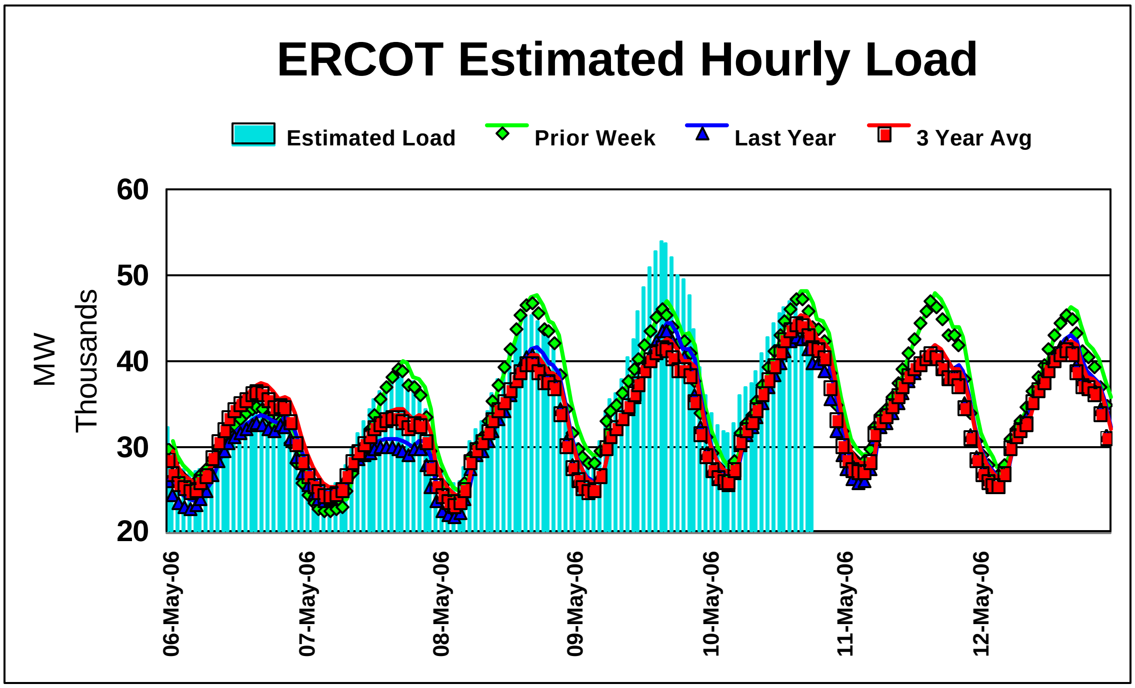
Texas set a one-day record for electric use in the month of May on Tuesday as 90 degree temperatures were seen statewide, the second monthly power record in a row. But unlike last month when many power plants were offline for seasonal maintenance work, reserve generation was sufficient to avoid the necessity for roiling blackouts.

ECONOMIC NEWS

The Federal Reserve raised its benchmark interest rates to 5% today, form 4.75%, and said that it may need to raise borrowing costs further in the coming months to contain inflation.

MARKET COMMENTARY

The natural gas market opened just over a penny higher today as it waited to take its queue from the oil complex following the release of the EIA's inventory report. June natural gas traded to familiar support of 6.56 following the slightly bearish statistics but rebounded with petroleum to its comfort level between 6.60 and 6.70. Natural gas mirrored crude oil, chopping sideways until rumors of a refinery snag at a Valero facility rallied crude oil above 72.00, and natural gas followed trading to a high of 6.92. June natural gas settled up 31.9 cents at 6.90.



Besides the support from the oil complex, natural gas also found some support in short covering ahead of tomorrow's EIA storage report, which is expected to show a build in the range of 55 Bcf to 95 Bcf. The average expectation is for a build of 76 Bcf. The five-year average build for this report is 70 Bcf and last year saw just 52 Bcf. The added cushion of natural gas supply in storage will limit any upside traction. The lack of weather demand, and the lack of commercial demand will also weigh on this market. The short-term premium that the oil complex adds to natural gas is providing a selling opportunity here, as the lack of load demand and bearish fundamentals offer no reason for natural gas to find upside momentum. We see support at $6.45-$6.50, $6.25, $6.13 and $6.00. We see resistance at $7.00, $7.20, $7.47-$7.52 and $7.85. We see further resistance at $8.00, $8.13 and $8.28-$8.31.