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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MAY 12, 2006

NATURAL GAS MARKET NEWS

Major players in the liquefied natural gas industry are warning that an initial decision by a US Federal Energy Regulatory Commission judge in a Florida interconnection dispute that supports proposed gas quality and interchangeability standards would make it harder for the US to compete for Atlantic Basin imports. The case could prove significant in the ongoing debate among LNG importers, interstate pipelines and utilities about the appropriate standards and conditions for regasified LNG entering the pipeline system and its deliverability to end-users. Dating to 2004, the case stems from a proposed interconnection agreement between Florida Gas Transmission and AES Ocean Express, a system designed to move gas from an LNG terminal in the Bahamas to the Florida Gas system. The proceedings were established to determine appropriate gas specifications to ensure that the delivery of regasified LNG into the Florida Gas system would not cause damage. Commissioners must approve the initial decision for it to be adopted. A coalition of LNG suppliers intervening in the case, including BP, Chevron, Shell, ConocoPhillips and ExxonMobil, characterized the initial decision as "an excellent starting point" for establishing interchangeability standards.

Baker Hughes reported that the number of rigs searching for oil and gas in the United States rose two to 1,627 in the week ending Friday May 12. The number of rigs searching for oil in the U.S. stayed at 259, while the number of rigs searching for gas rose two to 1,367.

Generator Problems

ECAR— FirstEnergy's 1,260 Mw Perry nuclear unit reconnected to the grid and ramped up to 33% of capacity.

DTE's 1,139 Mw Fermi #2 nuclear unit continued to reduce power, operating the unit at 65%, as it repairs a leak.

ERCOT— TXU's 750 Mw Monticello #1 coal-fired power unit will restart following maintenance.

NRG Energy's 646 Mw WA Parish #6 coal- and natural gas-fired power station restarted today following a maintenance outage.

The Harrington Station Power Plant Unit #2 must shut down for boiler and tube controls repairs.

MAAC— Exelon Corp.'s 619 Mw Oyster Creek nuclear unit ramped up to 38% capacity after exiting a brief a outage.

MAIN— Ameren Corp.'s 1,137 Mw Callaway nuclear unit was manually tripped shut early today after the plant experienced high vibration on two main turbine bearings.

WSCC— Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit ramped output to 98% by early today. The unit was operating at 73% yesterday. San Onofre #2 also reached full power this morning.

The NRC reported that U.S. nuclear generating capacity was at 80,810 Mw down 1.05% from Thursday and up .03% from a year ago.

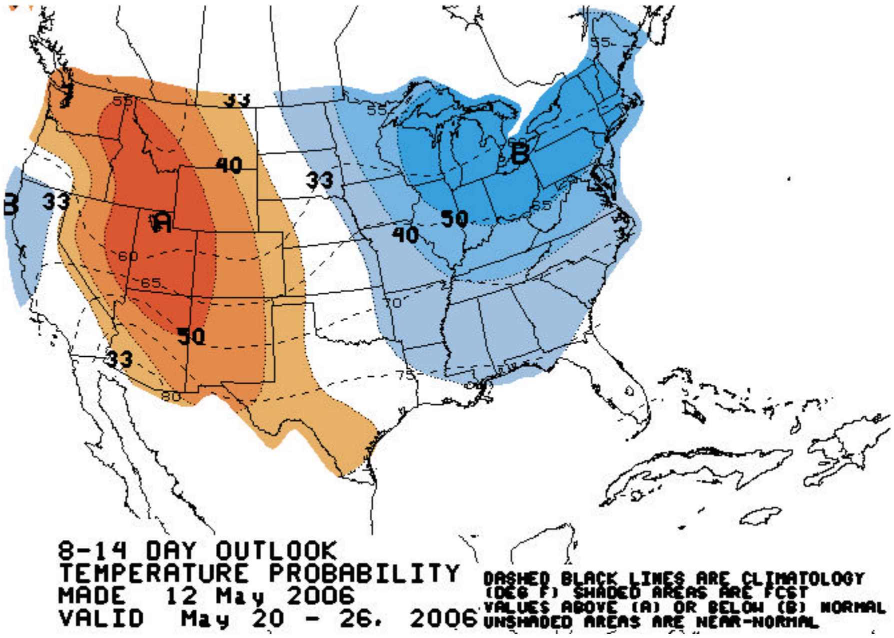
PIPELINE RESTRICTIONS

Kern River Pipeline said that line pack on Kern River has increased to high on the north and middle segments of the system. Line pack is posted as normal from Goodsprings to the end of facilities.

KM Interstate Gas Transmission said effective for gas day May 13, and until further notice, the following storage services will be restricted. ISS injections will not be scheduled. Overrun injections causing storage balances to exceed the Maximum Storage Quantity will not be scheduled. Also, if the daily nominations for all storage services exceed the daily the daily operationally ability, then overrun injections will be at risk of not being fully scheduled. Also, Parks or Loan paybacks for the Storage Park and Loan services will not be scheduled, unless there are system-wide offsets available. Finally, KMIGT will not allow storage transfers and imbalance trades into ISS storage or into NNS, FSS, SCS and CMC accounts, which exceed their respective MSQ.

PIPELINE MAINTENCE

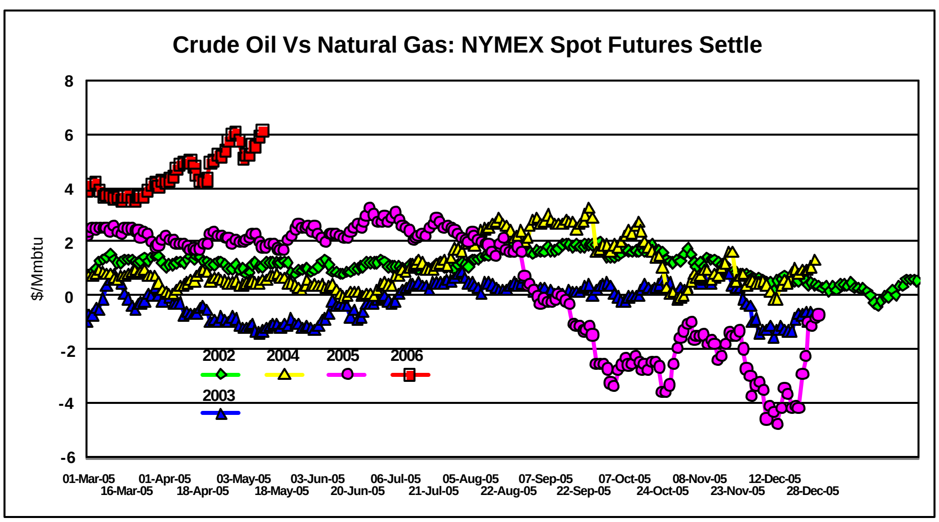
KM Interstate Gas Transmission said on its Natural Gas Pipeline, that an unplanned outage has occurred at Station 343 in Liberty County, Texas (Segment 25 of Natural's Texok Zone). The outage was caused by the failure of a part upon Natural's attempted re-start of a compressor unit at Station 343, following the completion Wednesday of maintenance on the unit, which was unrelated to the failed part. Effective for gas day May 12, and until further notice, Natural expects to schedule primary firm and secondary in-path firm to a minimum of 77% of MDQ for each contract with Segment 25 Primary/Secondary in-path rights that is nominated through and downstream of Station 343. The actual scheduling percentage will depend on the level of nominations. ITS/AOR and Secondary out-of-path will not be available. Receipts from points at and downstream of Station 343 will not be impacted.



ELECTRIC MARKET NEWS

Duke Energy Corp. said its board approved a plan to exit its commercial marketing and trading business, under a broader strategy to shift out of trade in North American wholesale power markets. The company said its affected operations include Cinergy Marketing and Trading and Cinergy Canada as well as other subsidiaries and affiliates.

Texas power-plant owners are wrapping up seasonal maintenance in the nick of time ahead of the summer when residents run air conditioners full-time to keep cool. Early hot weather across the state has prompted record electric consumption in April and May and forced an unprecedented call by the state grid operator for rolling blackouts on April 17. The director of ERCOT, Kent Saathoff, said the agency expects about 5,500 Mw of generation to be offline for planned repairs on May 15, a date ERCOT traditionally asks generators to have all units ready to run for the summer. That's down from 14,000 Mw of generation shut for repair on April 17 when the high temperature in Dallas-Fort Worth soared to 101 degrees F, 25 degrees above normal. By June 1, ERCOT expects only 1,200 Mw to be shut for repairs. ERCOT has 77,000 Mw of generation after a building boom that began in 1998 added 26,000 Mw. But rising natural gas prices over the past four years led owners to retire dozens of 40- to 50-year-old, gas-fired plants, totaling 2,381 Mw, as they became too expensive to operate economically. ERCOT has gone from



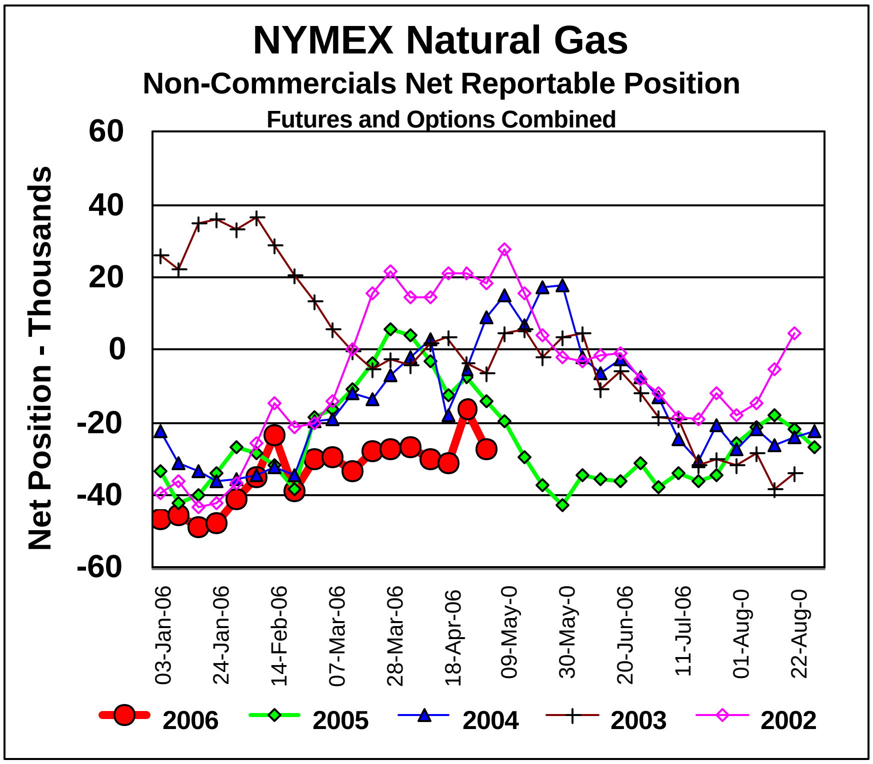
being a region with an oversupply of electricity to needing additional generation as older, inefficient plants close and power demand continues to grow.

ECONOMIC NEWS

The University of Michigan reported that its U.S. consumer sentiment fell more than expected in early May to 79. Wall Street economists and analysts had expected the preliminary sentiment reading to fall to 86.1 in May from a final reading of 87.4 in April.

MARKET COMMENTARY

The natural gas market opened 16.9 cents lower, as the petroleum market cooled, reacting to news that expected world demand was revised lower for 2006. June natural gas was finally able to breach the 6.50 support level, which has held for over 2 weeks. The front month sold off, pausing at the 6.30 until breaking lower to 6.25. The June contract traded as low as 6.225 before is it settled off the lows at 6.28, down 36.9 cents.



The sell off through staunch support was cautious, as many would be reluctant to go into the weekend holding short positions. It is clear that with crude oil sagging 1.28, natural gas was able to focus on its bearish fundamentals and explore new downside territory. The lack of load demand, and the massive supply of gas in storage was first on traders minds as they pressed the market lower, further widening its discount to crude oil to its widest point of $6.14/MMBtu. The next down side target is 6.13, a low from May of 2005, just before the summer bull run began. Beyond that, psychological support at 6.00 will bother the bears further downside aspirations. Natural gas will continue to have to battle its connections to the oil complex in order to challenge further downside levels. Though the bears are technically in control of this market, natural gas still remains very susceptible to price spikes if temperatures cause reason for load demand fears. The longer 2 week forecast is showing some warmer temperatures entering the key ERCOT consuming region, which will offer support. We see support at $6.25, $6.13, $6.03 and $6.00. We see resistance at $6.50, $7.00 and $7.14. We see further resistance at $7.20, $7.47-$7.52, $7.85, $8.00, and $8.28-$8.31.