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POWER MARKET REPORT FOR MAY 26, 2005

NATURAL GAS MARKET NEWS

FERC Chairman Pat Wood reported that a provision in a pending U.S. Senate energy bill that gives federal regulators "exclusive authority" over the siting of LNG projects doesn't diminish the authority states already have under existing laws. Natural gas prices could increase even more if the U.S. doesn't expand its natural gas supply options via new LNG terminals. Currently, the Senate Energy and Natural Resources Committee draft bill includes a provision that says FERC is in charge of onshore LNG projects. Wood noted that an amendment is expected to be offered in committee today to change that language. FERC's authority over LNG projects has been a controversial issue with state utility regulators, who have argued that they should have a role in deciding whether LNG terminals be built in their cities. States still have authority as outlined in the Coastal Zone Management Act, the Clean Water Act and the Clean Air Act, and therefore can effectively veto any proposed LNG terminal, regardless of the FERC's approval of the project.

Generator Problems

ERCOT— TXU Corp. will restart the 565 Mw Monticello #1 coal-fired power station on May 27 if the system needs the unit's power output.

MAIN— Exelon Generation's 1,170 Mw LaSalle #1 nuclear unit reduced power late last night to 92% to work on the feedwater heater, but has since returned to full power. LaSalle #2 continues to operate at full power.

SERC— Dominion Energy completed ramping its 815 Mw Surry #2 nuclear unit, returning the unit to full power, ending the unit's planned refueling and maintenance outage. Surry #1 continues to operate at full power.

Entergy Nuclear ramped its 966 Mw River Bend unit 13% to operate it at 97% capacity following a cut to 83% over the weekend.

WSCC— Southern California Edison's 790 Mw Mohave #1coal-fired power station exited an outage early today. The unit shut early yesterday for unplanned reasons. Mohave #2 remains available for service.

Canada— Ontario Power Generation's 535 Mw Lennox #2 oil- and natural gas-fired power station returned to service by early today. The unit was shut yesterday for short-term planned maintenance.

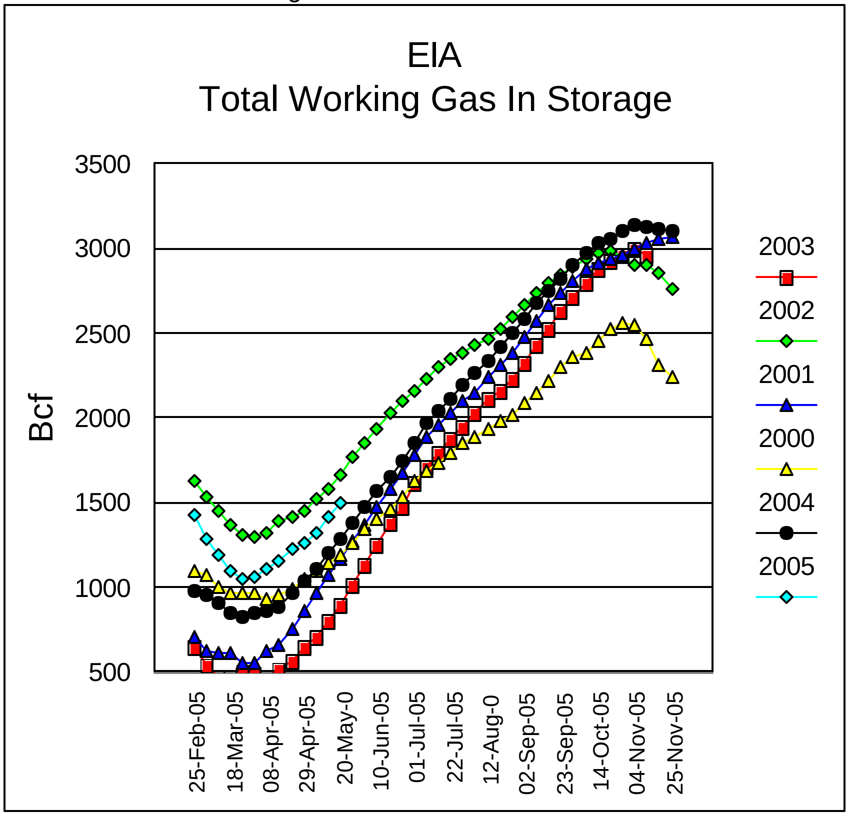
The NRC reported that U.S. nuclear generating capacity was at 84,958 Mw up .37% from Wednesday and down 1.94% from a year ago.

The Natural Gas Supply Association reported that above-normal temperatures and a growing economy will push U.S. summer demand for natural gas up 4.5% to an estimated 53.5 Bcf/d. Temperatures are expected to be hotter than usual in Southern and Western states this summer, boosting demand for air conditioning. Most of the increase in demand will come in the electric generating sector to supply air conditioning during the hot summer months. Gas demand will also increase among electric utilities because of less available hydroelectric supplies in the drought-stricken Pacific Northwest, according to the report. Last summer, the U.S. consumed 51.2 Bcf of natural gas per day. To help meet the demand growth, imports of LNG will rise 31% this summer to an estimated 2.1 Bcf/d. The EIA's recent forecast for summer gas production is expected at

EIA Weekly Report

	05/20/2005	05/13/2005	Net chg	Last Year
Producing Region	629	610	19	536
Consuming East	799	739	60	713
Consuming West	264	250	14	215
Total US	1692	1599	93	1464

51.5 Bcf/d, marginally higher than the summer of 2004. Despite the projected increase in summer demand, the industry is well prepared with inventories now at the third-highest level since 1994. The industry is expected to maintain injections averaging 67.7 Bcf each week, reaching a near-record storage level of about 3.3 Tcf by the start of the winter heating season.



Lukoil said today that it plans to increase natural gas production so that gas will eventually account for 30% of the company's total extraction. As a result the company's gas output will rise fourfold as a proportion of total hydrocarbon output within three years. The company continues to look to participating in supplying LNG into the U.S. marketplace.

The FERC reaffirmed and clarified its rules establishing requirements governing the conduct of open seasons for capacity for future Alaska natural gas pipeline projects. The commission clarified that FERC may require design changes necessary to ensure that some portion of a proposed voluntary expansion will be allocated to new shippers, or shippers seeking to transport gas from areas other than the Prudhoe Bay, or Point Thomson areas, provided they agree to sign qualifying, long-term transportation contracts. FERC also expanded criteria for evaluating late bids for capacity and the requirement that any late bid contain a good-faith showing. In addition, the commission clarified that the open-season plan must contain the actual open-season notice and eliminates the 30-day advance notice requirement that applicants must file open season procedures to FERC. These rules are to provide standards for allocating the capacity to ensure nondiscriminatory access to any Alaska transportation projects.

Canadian Gas Association

Weekly Storage Report

	20-May-05	13-May-05	21-May-04
East	85.5	80.3	101.9
West	133.0	123.5	127.0
Total	218.4	203.8	228.9

PIPELINE RESTRICTIONS

Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions for Tyler 12-inch/Palestine 8-inch/Dallas 18-inch in Area 8.

PIPELINE MAINTENANCE

Iroquois Gas Transmission System said beginning today and lasting through Monday it will be performing unscheduled maintenance at its Dover compressor station. Iroquois will be making repairs to the exhaust duct and corresponding modifications at the manufactures request to obtain greater reliability for the unit. During this time the unit will be unavailable. No due shipper gas will be available south of Athens and Point Operators south of Athens are requested to operate under Tariff guidelines. The work should not impact any firm transportation.

Northern Natural Gas Company said it will conduct their annual ESD test and maintenance on June 28-29 at the Hugoton Compressor Station, Stevens Co. #4 and Stevens Co. #6. During this maintenance, Hugoton N. & S., Stevens Co. #4 and Stevens Co. #6 will have zero scheduled volume.

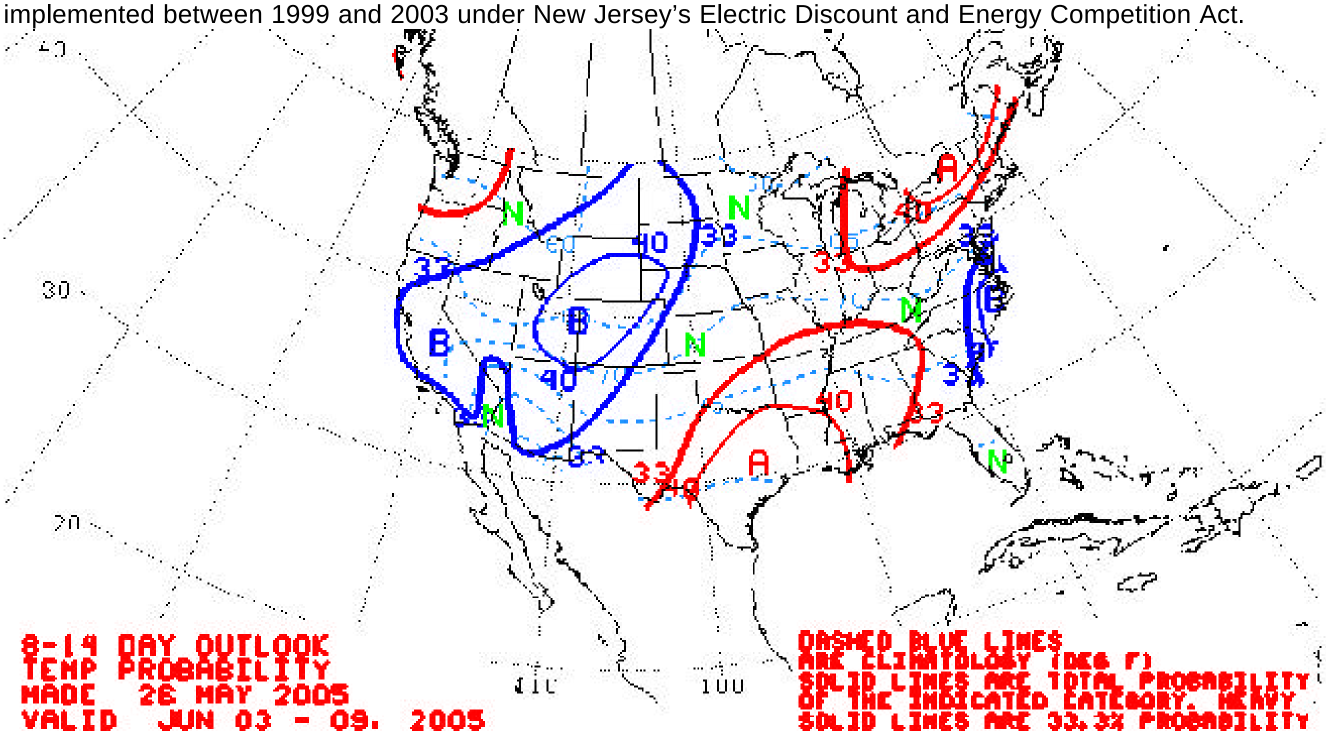
Transcontinental Gas Pipe Line said that it expects the two production platforms at the High Island Lateral to remain shut in until approximately June 7, for repairs. Consequently, Transco will not accept nominations from

HI 199, meter 1664, location 1003431 and HI 170 meter 1712 location 9001540 until the repairs are completed. Transco shut in the two production platforms on May 11 as a result of third party damage to the pipeline. These two production platforms have remained shut in because the metallurgical analysis indicated the damaged portion should be replaced prior to returning the pipeline into service. Work is now underway to cut out and replace the damaged portion of the pipeline.

Westcoast Energy said it expects to have the replacement part for the K100 inlet compressor on site at the Kwoen Gas Plant at approximately 12:00 PM PT on May 28 and that it will take approximately 24 hours for the part installation and testing of the Unit. The unit should be back to 100% by May 29.

ELECTRICITY MARKET NEWS

Jersey Central Power and Light announced that the New Jersey Board of Public Utilities approved a stipulated settlement agreement resolving the company's Phase II rate case filing, and a second stipulated settlement agreement with the NJBPU staff resolving the motion for reconsideration of the 2003 decision in its Phase I rate proceeding. Together the two stipulated settlements would result in a net average increase of approximately $1.14 per month in the delivery portion of the bill for residential customers using 500 Kwh of electricity. The increase, averaging 2.4% for all customers, is JCP&L's first since 1993, and follows an 11% decrease implemented between 1999 and 2003 under New Jersey's Electric Discount and Energy Competition Act.



The Long Island Power Authority announced it will add 1.9% fuel surcharge effective June 8th to the electric bills of its customers. The company said that as a nonprofit municpal electric utility, it does not profit from the sale of electricity but muyst cover its costs. To mitigate the fuel costs, LIPA has entered into a fuel hedging program in 2002, which it estimates has saved its rate payers $210 million.

Officials at the Midwest ISO have issued a regionwide summer evaluation indicating the region has sufficient generation capacity to meet the expected summer peak power demand. According to the evaluation, the Midwest ISO will see an estimated peak of 114,479 Mw. Available generation capacity is projected to be at 135,054 Mw, providing a reserve margin of 18%. The president of the Midwest ISO James Torgerson is confident that the generators in the Miswest ISO will be able to supply enough capacity to meet peak demand for the coming summer.

ECONOMIC NEWS

The Commerce Department reported that Gross Domestic Product rose at a 3.5% annual rate January through March in its first revision of economic growth for the quarter. A month ago, the government said GDP grew 3.1% for the first quarter, far slower than the fourth quarter's 3.8% pace. The revision upward to 3.5% was due to a smaller surge in imports.

MARKET COMMENTARY

The natural gas market today again failed to find support from the strength in the oil markets. Instead the prospect of continued limited demand for gas from electric generators due to restricted air conditioning demand coupled with lower industrial near term demand for gas due to the upcoming holiday weekend, appeared to spell doom for the expiring June contract. While the contract posted a limited sideways trading range through the first several hours of the trading day, by early afternoon, longs appeared to run for the exits as they were not receiving any spill over bullish price bias from the oil markets. Prices tumbled first through support at $6.20 before finding support on a five-month spot continuation trend line at the $6.14 area. The area held until just before the final 30 minutes of trading when a second wave of selling sent the June contract down to levels not seen in the June contract since January 12th. While prices did bounce off the $6.00 level they still finished down nearly 20 cents on the day. Final volume for the day was estimated at 94,000 contracts.

The July contract we feel may start out the day tomorrow initially under pressure, as traders look to finish back filling a gap in the charts that exists at $6.13-$6.10, left over from mid-January of this year. Additional support we see at $6.03, with more significant support found at the $5.90 level. But with this market technically oversold we continue to look for it to bounce off these low levels, possibly as some profit taking comes in before the holiday period, as some traders will not want to risk a weather forecast change occurring over the weekend. Resistance we see initially at $6.30 followed by $6.37, $6.435 and $6.53-$6.555. More distant resistance we see at $6.625