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POWER MARKET REPORT FOR JUNE 6, 2006

NATURAL GAS MARKET NEWS

The EIA's Short Term Energy Outlook for June 2006 reported that total U.S. natural gas consumption is projected to fall below 2005 levels by about 0.2 Tcf, or 0.9%, then increase by 0.8 Tcf, or 3.8% in 2007. Due to the warm January and the expected weaker cooling load this summer compared to 2005, the consumption of natural gas for generation of electricity is expected to increase only slightly by 0.3% in 2006, then increase by 0.7% in 2007. Residential consumption is projected to fall by 6.0% from 2005 levels in 2006 and then increase by 7.7% in 2007. The EIA also pointed out that recovery in natural-gas-intensive industrial output following the 2005 hurricanes will likely contribute to growth in industrial natural gas consumption this year (2.2%) and in 2007 (3.6%). Following a 2.7% decline in production due to the 2005 hurricane season, dry natural gas production this year is projected to increase by 0.7% and by 1.2% in 2007. Total LNG net imports are expected to increase from their 2005 level of 631 Bcf to 710 Bcf in 2006 and 950 Bcf in 2007. Spot Henry Hub natural gas prices, which averaged $8.86 per mcf in 2005, are expected to fall to an average of less than $7.00 per mcf over the next few months (down from an average of $13.44 per mcf in December). Thus, barring extreme weather conditions for the rest of the year, we expect a decline in the annual average Henry Hub spot price to about $7.74 per mcf in 2006. The EIA believes that concerns about potential future supply tightness and continuing pressure from high oil market prices will likely drive spot natural gas prices to just over $10.00 this coming December and January. The Henry Hub price is expected to average $8.81 in 2007.

Generator Problems

ERCOT— TXU Corp.'s 575 Mw Big Brown #2 coal-fired power station tripped offline on June 5 due to an electrical ground on the flame scanners.

AEP's 690 Mw Oklaunion coal-fired power station shut on June 5 to fix a boiler tube failure. The tube failed shortly after the company put the unit back on line after fixing a tube failure that shut the unit on about May 26. The unit is expected to return by June 26.

TXU Corp.'s 545 Mw Sandow #4 coal-fired power unit restarted today following boiler repairs.

MAPP— Xcel Energy's 593 Mw Prairie Island #1 nuclear unit restarted today and is warming up offline at 1%.

SERC— Duke Energy's 846 Mw Oconee #3 nuclear unit ramped up to 70% by early today. Yesterday, the unit was operating at 19% after exiting refueling outage.

Canada— Ontario Power Generation's 881 Mw Darlington nuclear unit returned to service by early today, following a planned maintenance and inspection outage.

The NRC reported that U.S. nuclear generating capacity was at 92,156 Mw up .59% from Monday and up 5.05% from a year ago.

U.S. commodity investment guru Jim Rogers said natural gas is a better investment than oil because emissions concerns will give a market advantage to cleaner burning fuels.

A provincial permit was issued on Tuesday to build a LNG facility in Kitimat, British Columbia, while plant were unveiled to build another facility in Prince Rupert, farther up the Pacific Coast. British Columbia granted a construction and operations certificate for Kitimat LNG's planed C$500 million receiving terminal and re-gasification facility at Bish Cove, which is about 14 km south of Kitimat. The plant with a capacity of 610 MMcf/d is intended to supply natural gas to U.S. customers. Backers hope to have it operational by early 2009.

WestPac LNG unveiled a proposal on Tuesday for a 130 MMcf/d terminal in Prince Rupert, which is about 100 km northwest of Kitimat. If approved, the C$350 million facility would begin operations in 2011.

Natural gas for delivery next winter in Britain declined after Centrica Plc said the nation's biggest storage unit resumed operations, easing concern the facility will be full before next winter. The unit was partially shut back in February due a fire.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to warm temperatures and low linepack, it is issuing an Overage Alert Day at 25% tolerance.

Kern River Pipeline said that line pack has returned to normal across its entire system.

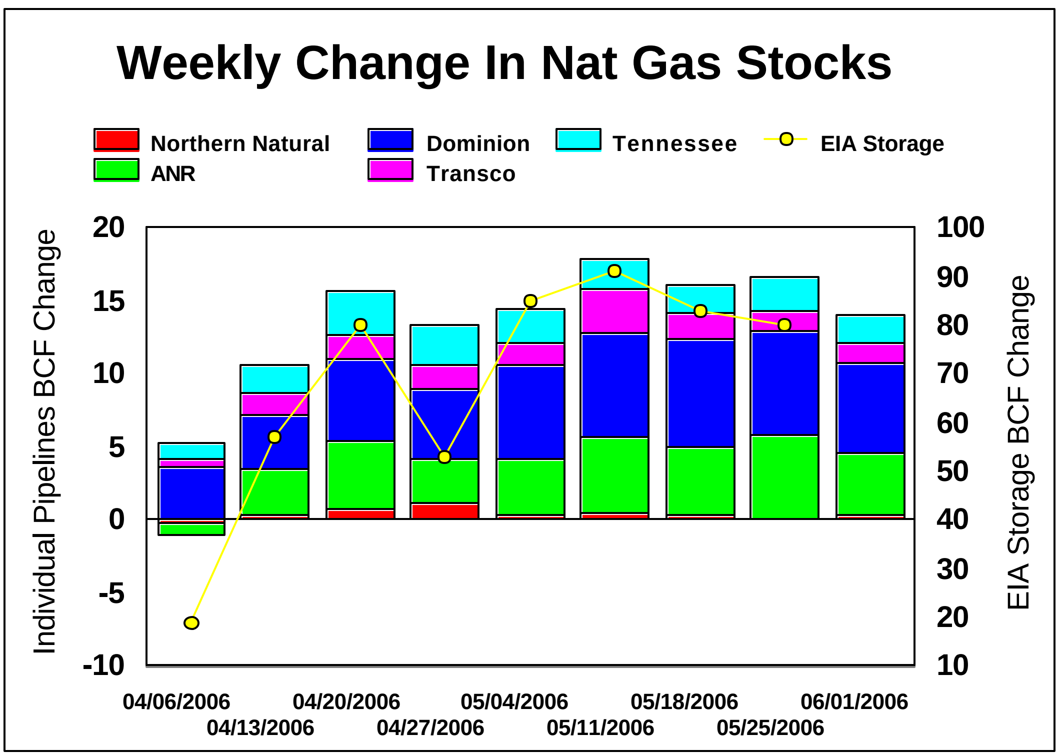
Texas Eastern Transmission said that it has scheduled and sealed M1 and M2 24-inch to capacity. No increases between Little Rock and Circleville for delivery outside that area will be accepted. Tetco has also restricted and sealed receipts between Longview and Little Rock in zone ETX. No increases in receipts between Longview and Little Rock for delivery outside that area will be accepted. Tetco has restricted and sealed all IT-1 sourced in zone ETX. No increases in receipts between Huntsville and Longview for delivery outside that area will be accepted.

PIPELINE MAINTENCE

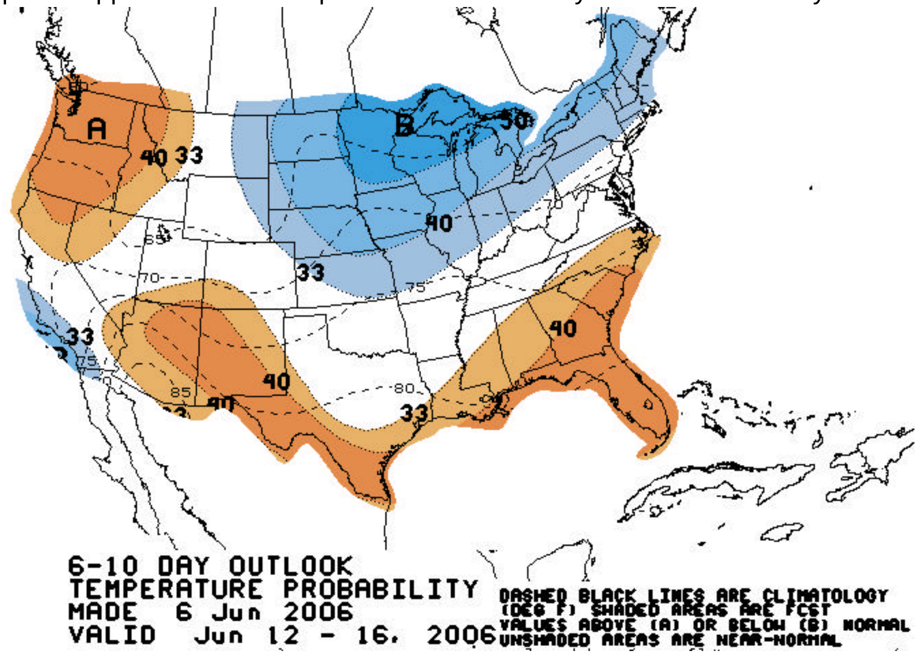
Florida Gas Transmission said that it will be performing unscheduled maintenance on one of eight units at Station 10 through June 8. During this four-day period FGT will schedule up to approximately 1,350 MMcf/d through station 10.

ELECTRIC MARKET NEWS

The EIA Short Term Energy Outlook for June 2006 reported that electricity consumption is expected to increase only slightly during 2006 (0.8%) in response to weak heating demand this past January and the lower expected cooling demand this summer. Electricity consumption is projected to grow about 2.1% in 2007. Hydroelectric generation is expected to increase by nearly 10% from last year. May 1, 2006 estimates of snowpack in the Pacific region are significantly above the normal range with California at 180% of normal, Oregon 129% and Washington 122%. The EIA also said that electric power sector consumption of coal is projected to grow by about 0.7% in 2006 and increase by 2.2% in 2007. In the electric power sector, coal prices are projected to rise by an average of 6.4% in 2006 and by an additional 1.7% in 2007, increasing from $1.54 per MMBtu in 2005 to $1.66 per MMBtu in 2007.



According to a report from the National Research Council, New York could replace the electricity generated at the Indian Point nuclear power plant without building another nuclear unit, but political, regulatory, and financial hurdles would make it hard to do. The study by the Research Council, part of the National Academies, was commissioned after one of the planes hijacked on September 11, 2001, flew past the Indian Point plant. The plant supplies almost one-quarter of the electricity delivered to the city and the lower Hudson Valley.

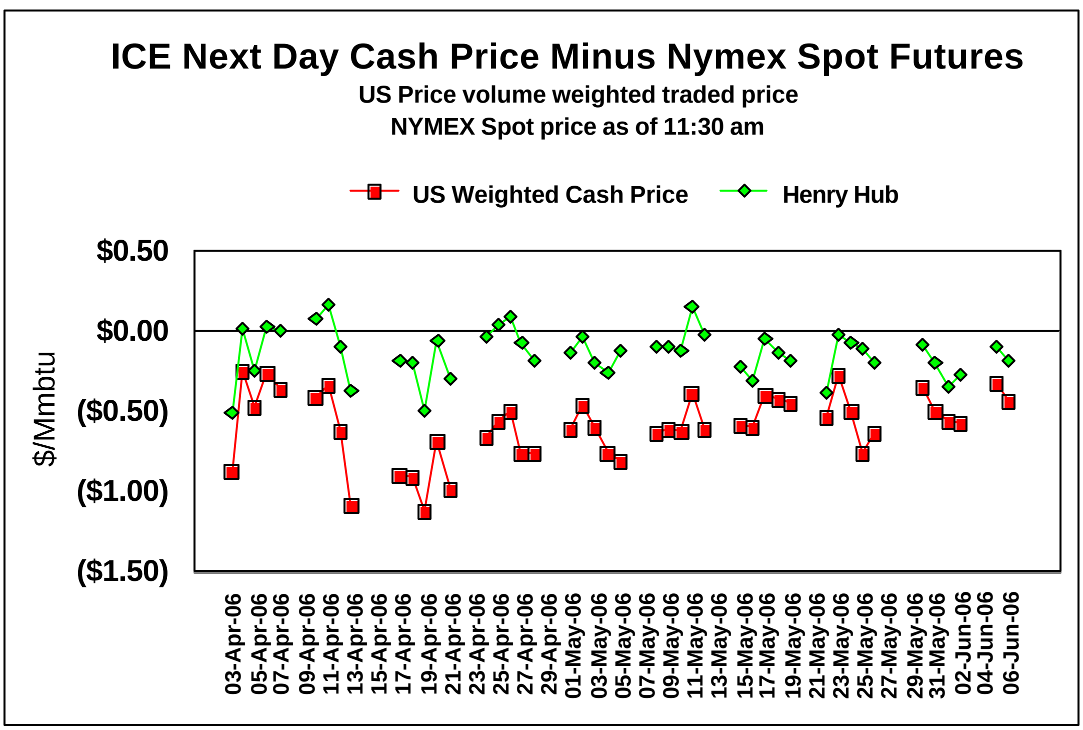


Utility operator Constellation Energy Group said it would explore selling 3,145 Mw worth of gas-fired electrical generation plants, as part of a strategy to focus on its coal and nuclear generation assets. The plants for sale stretch from California to Virginia. In current power markets, gas-fired power plants are significantly more expensive to run than their coal-fired or nuclear counterparts due to extremely high prices for natural gas.

MARKET COMMENTARY

The natural gas market opened 8.3 cents lower, as cash prices continue to slide given the moderating weather that key consuming regions are experiencing. July natural gas initially back filled the mornings lower open and traded to a high of 6.45, but the weight of the cash prices and the petroleum market pressured the market outside of its two-day range to 6.29. The market rebounded at the end of the session due to a rally in crude oil, to settle at 6.385, down 7.8 cents.

We maintain our position that the bearish fundamentals will continue to pressure this market until cooling demand provides some short-term demand. Tomorrow's EIA inventory report for the oil complex is expected to show builds in the products thereby pressuring the complex, perhaps providing some overflow selling into natural gas. Our pipeline model for delivery and receipts projects



that Thursday's EIA storage report for natural gas will show a 68-72 Bcf build. This report will compare bullish to the 5-year average 105 Bcf injection seen for this report and the 102 Bcf injection experienced last year. We see support at $6.30, $6.11, $6.05 and $5.86. We see further support at $5.75 and $5.70-5.71. We see resistance at $6.72, $6.76, $6.84 and $7.00. We see further resistance at $7.12 and $7.37.