



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 20, 2005

NATURAL GAS MARKET NEWS

The Minerals Management Service reported that about 6.16% of natural gas output remained shut today due to Hurricane Emily. That is an improvement compared to 6.52% shut in on Tuesday. Some 616.33 Mmcf/d of offshore production remained off line as of mid-day. Some 1.376 bcf of production has been lost over the last three days due to the storm.

ConocoPhillips expects to complete returning its workers to offshore operations in the U.S. Gulf of Mexico by Thursday. Conoco's production was not affected by the evacuations due to Hurricane Emily, which had menaced U.S. Gulf oil and natural gas production areas before moving into northeastern Mexico.

Fed Chairman Greenspan said today that a further rise in energy prices "could cut materially into private spending and dampen the rate of economic expansion." He noted that the recent market price volatility and run up in crude oil and natural gas spot prices, particularly for far future delivery, indicates that the market traders "now see little prospect of appreciable relief from elevated energy prices for years to come." Greenspan continued to extol the virtues of LNG, saying imports "will help ease longer-term natural gas stringencies and perhaps bring natural gas prices in the U.S. down to world levels.

FERC today gave Trunkline Gas to go ahead to place into immediate service a pipeline loop expansion and metering station to accommodate increased deliveries of LNG at the Lake Charles LNG import terminal.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in effect due to the failure that occurred on May 13 on the Gulf Coast #3 mainline of Natural's pipeline in Harrison County, Texas located in Segment 26. In other news, Segment 17 is at capacity today. Natural is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. ANR South Joliet #2 is at capacity for deliveries.

Generator Problems

ERCOT— TXU Corp.'s 565 Mw Monticello #2 coal-fired power station shut and returned to service yesterday. The unit tripped while at load due to a boiler swing caused by a change in system frequency.

American Electric Power's 528 Mw Welsh #3 at the Welsh coal-fired power station shut July 19-21 to repair a boiler tube leak. The unit is expected to restart July 20-24.

The Sandow steam electric station unit #4 shut down today to repair a boiler tube leak.

MAAC— Exelon Corp.'s 1,134 Mw Limerick #1 nuclear unit exited an outage and ramped up to 24% of capacity by early today. The unit shut on July 18. Limerick #2 continues to operate at full power.

SERC— Progress Energy's 872 Mw Brunswick nuclear unit exited an outage and ramped up to 4% of capacity by early today. The unit shut on July 14 due to the shorting to ground of one phase of the main generator no-load disconnect switch. Brunswick #2 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 95,643 Mw up .34% from Tuesday and down .71% from a year ago.

Algonquin Gas Transmission said that Tennessee Gas Mahwah has been nominated to capacity today. Nomination increases for receipts sourced at Mahwah will not be accepted.

Centerpoint Gas Transmission said that on July 20 the Perryville Hub capacity will be limited to primary firm delivery obligations only. These obligations will require shippers to move to their primary delivery points. No IT and Secondary movements will be allowed. Wheeling will be permitted only with an actual incremental physical receipt from the upstream pipeline. CEGT requests that shippers cooperate and act in accordance with CEGT's instructions in this situation. Also, Centerpoint said it is experiencing capacity constraints on the far west end of Line AD, Hemphill and Roger Mills Counties. As a result of this capacity constraint, CEGT will limit capacity on this section of Line AD to 70 MMcf/d, effective today. Currently, CEGT anticipates no impact on its ability to meet primary firm receipt obligations or overall receipt entitlements in the West 1 Pooling Area.

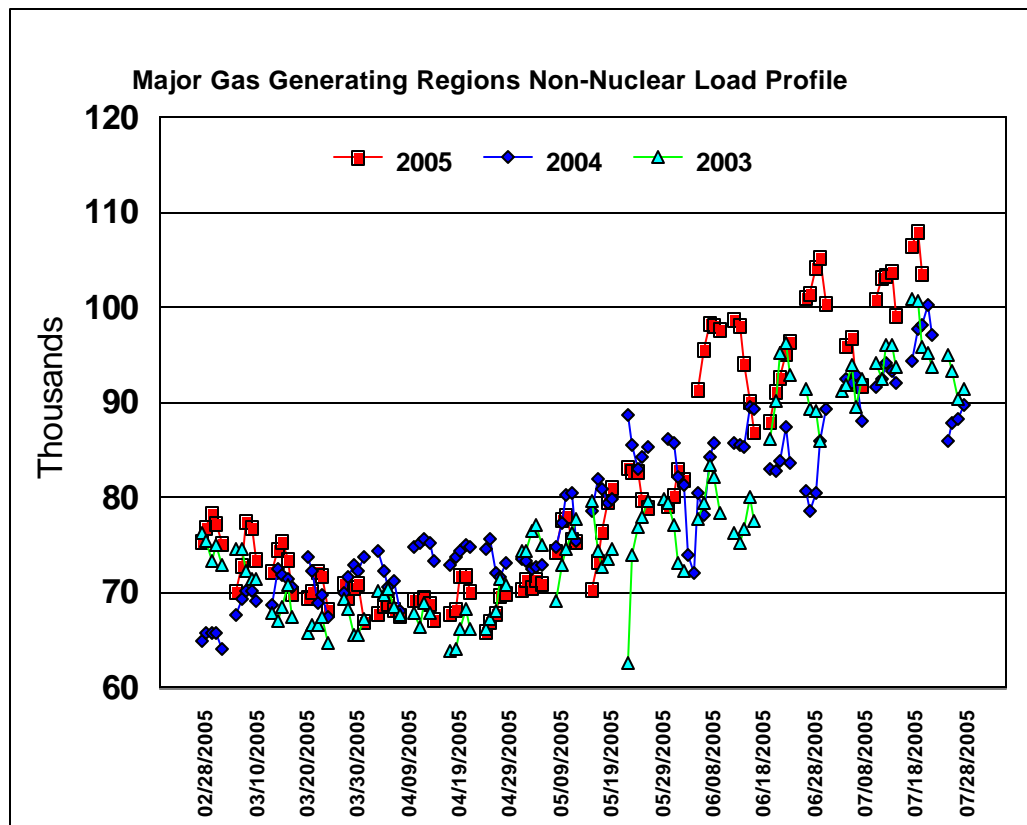
Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 25% tolerance.

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 from Montpelier to Kosciusko.

KM Interstate Gas Transmission said it has limited capacity available for deliveries to NNG Milligan. Based on the level of nominations, interruptible flow, authorized overrun, and secondary volumes may be scheduled.

Texas Eastern Transmission Corp. said that ETX has been restricted to capacity due to scheduled pig runs between Huntsville and Lufkin. Nomination increases sourced between Huntsville and Fagus will not be accepted. Receipts on the Huxley Lateral have been restricted to capacity.

Nomination increases sourced on the Huxley Lateral will not be accepted.



PIPELINE MAINTENANCE

Alliance Pipeline said that routine inspections will require the Gold Creek Compressor Station in Alberta to be unavailable for eight hours on July 28. Station capacity will be reduced to 35.4 MMcf/d for this gas day.

Panhandle Eastern Pipeline Company said that there will be an outage on the Louisburg 300 line from 1 gat to 3 gate for anomaly repairs beginning August 2. This outage was originally scheduled to begin July 25. The

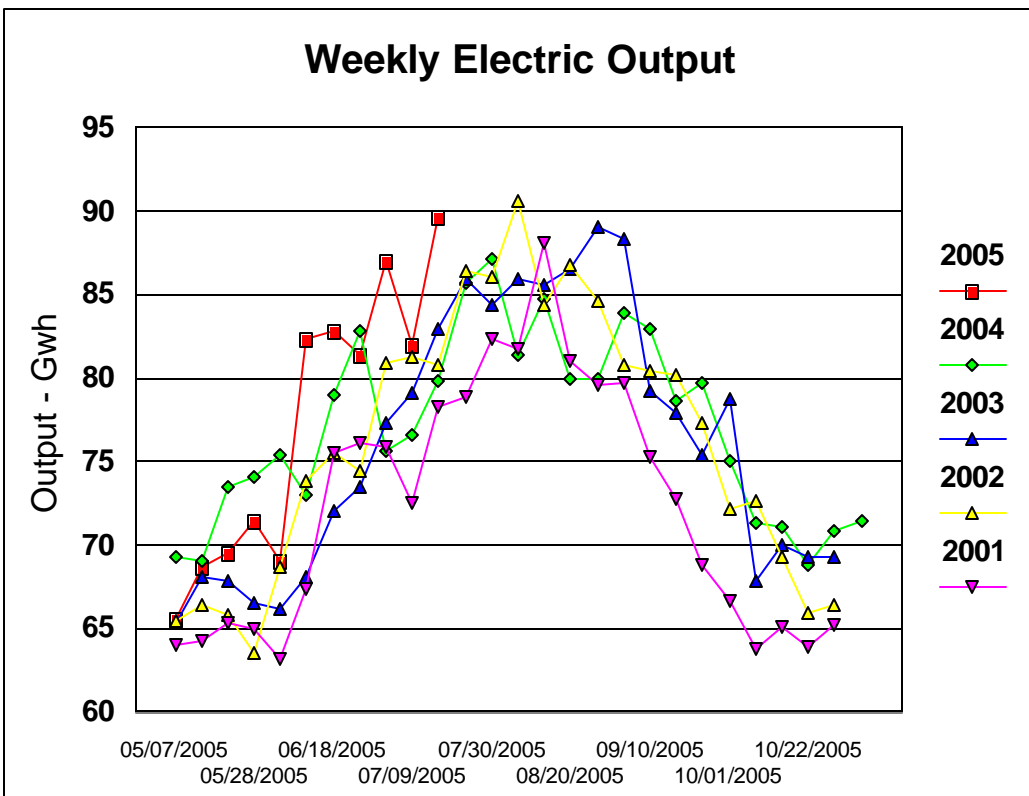
outage is expected to last one day. During this outage, the capacity through Houstonia will be limited to 1,140 MMcf/d and there will be no interruptible transportation or firm transportation overruns allowed to flow through the Louisburg Compressor Station.

Transcontinental Gas Pipeline Corporation said the Southeast Louisiana Lateral outage has been rescheduled to begin on July 21, and continue until August 4. The work, which was originally scheduled to begin July 12, was rescheduled for July 15 as a result of Hurricane Dennis, but was again rescheduled due to Hurricane Emily. During this outage Transco will not accept nominations from the affected blocks. Approximately 100 MMcf/d of flowing gas will be shut in.

ELECTRICITY MARKET NEWS

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended July 16 rose 4.7% from the same 2004 week to 89,719 GWh. For the first 29 weeks of the year, production increased 1.7% from the same period last year. In the 52 weeks ended July 16, production rose 1.5% from the corresponding period in 2004.

The proposed merger of Exelon and PSEG can meet the “public benefits” standard of New Jersey regulators. PSEG CEO James Ferland said Exelon’s nuclear operating team can raise the output of PSEG’s plants by 7-8%, displacing more expensive gas-fired power. The companies also expect annual synergy savings of \$400 to \$500 million, of which about \$38 million would flow to customers of New Jersey utility Public Service Electric & Gas.



Sempra Generation has announced plans

to develop and construct a 600 Mw expansion of its Twin Oaks Power Plant near Bremond, Texas, tripling the plant’s 305 Mw total capacity to 900 Mw.

MARKET COMMENTARY

The natural gas market gapped higher this morning following the spike in oil prices following the news report of a warning coming from the U.S. embassy in Saudi Arabia of a potential terrorist attack there. But with the release of a surprisingly bearish oil inventory the oil markets headed lower and dragged natural gas values lower to back fill the gap from the early morning. While this mid morning sell off also completed backfilling the gap in the daily September contract from July 12th, the other back months still did not completely back fill this gap. Natural gas prices though still retained their value better than oil prices as the record heat wave in most areas of the country kept spot cash prices for gas firmer as electric generators remained in the market buying gas. Prices though in the futures market ended the day down for the fifth straight trading session. Estimated volume in the futures market was pegged at 78,000 contracts traded on the day with spreads again accounting for the majority of the day’s activity.

We remain friendly to this natural gas market and would look for prices to finally work higher tomorrow. We expect the storage report to come in around 35 bcf injection rate, which would be 15-20 bcf less than prevailing market expectations. This expectation is based on reduced production on the week coupled with high electric generation demand for gas given the high cooling demand recorded during the period.

As a result we would continue to look to be a scale down buyer. We see support tomorrow basis the August contract at \$7.48, followed by \$7.365-\$7.33, \$7.273, \$7.25 and \$7.20. Resistance we see at \$7.57 followed by \$7.65, \$7.75-\$7.78, \$7.815 and \$7.882. More distant resistance remains at \$8.07-\$8.10.