



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

POWER MARKET REPORT FOR AUGUST 15, 2005

NATURAL GAS MARKET NEWS

Kinder Morgan Energy Partners LP (KMP) said Monday that a \$40 million project is underway to expand its Texas intrastate natural gas pipeline system into the Permian Basin by converting 254 miles of a previously acquired 24-inch diameter crude oil pipeline to natural gas service. The pipeline conversion will access several gas processing plants in West Texas, providing transportation service from McCamey, TX to just west of Texas' rapidly growing capital city, Austin.

Management consultant R.W. Beck, which said in July that "high oil prices, hot summer weather and hurricanes" could send natural gas spot prices up rapidly this month, noted in a new report that those conditions "have come to fruition." Beck's 2005 calendar year price forecast remains unchanged, at \$6.40/MMBtu, but its chief forecaster warned that continued adverse conditions, especially a hurricane threat during Bidweek, could cause prices to go as high as \$12 in September.

Less than 24 hours after a state panel rejected offshore drilling, a federal judge in California last Friday blocked exploratory drilling off the central California coast from Oxnard north to San Luis Obispo until there are more extensive environmental risk assessments completed. That process could take years, according to news media reports on the ruling.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that the force majeure is still in effect due to the pipeline failure on the Gulf Coast #3 mainline. In other news, Segment 17 is at capacity today. Natural is also at capacity for gas received in Segment 1 for northbound flow through Compressor Station 155 in Wise County, Texas. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf Chalkley are at capacity.

Generator Problems

ERCOT—TXU Corp. reported that it was to restart its 565-megawatt unit 1 at the Monticello coal-fired power station on August 14-15 following tube-leak repairs that took place from August 12-13.

TXU Corp. reported to Texas regulators that it shut down the 750-megawatt Martin Lake 1 coal-fired power unit on August 14 to repair a boiler tube leak, and would most likely restart the unit on August 15.

FRCC— Florida Power and Light Company reported that after being forced offline on Thursday due to a manual reactor trip, its 839 Mw St. Lucie nuclear unit 2 is back at full power. A lowering steam generator level due to a partial loss of main feed water had caused the manual reactor trip. All safety shutdown equipment operated as expected, and the plant is stable. Meanwhile, St. Lucie 1 remains at full power.

MAAC— According to the Nuclear Regulatory Commission, the operating level at AmerGen's 650 MW Oyster Creek nuclear generating facility in New Jersey was cut down to 79 percent early Monday. Representatives did not provide a return schedule.

SERC— South Carolina Electric and Gas Company's 1000 Mw V.C. Summer Nuclear Station has returned to full power after a reduced output level of 84 percent ahead of the weekend. Reasons for the power reduction are unknown.

Progress Energy brought its 938 MW Brunswick Nuclear unit 1 back to full power, while sister unit Brunswick 3 was operating at 97 percent capacity as of early Monday. The operator shut both units down when all four emergency diesel generators were declared inoperable. Unit 2 still remains offline.

Algonquin Gas Transmission, a subsidiary of Duke Energy Corp., said that Tennessee Gas Mahwah has been nominated to capacity today. Nomination increases for receipts sourced at Mahwah will not be accepted.

Due to hot temperatures in its market area, Florida Gas Transmission is issuing an Overage Alert Day at 25 percent tolerance.

Gulf South Pipeline may be required to schedule available capacity and implement scheduling reductions from Montpelier to Kosciusko, Kiln to Mobile, Palestine 8" Index 11 and 70, Dallas 18" Index 1, Palestine 8" Index 11 and 70 East Texas, based upon its initial review of nominations, NNS demand and other factors.

Kern River Pipeline, a subsidiary of MidAmerican Energy, said that its line pack has returned to normal over its entire system.

PIPELINE MAINTENANCE

Alliance Pipeline said that regular scheduled maintenance will require the Carson Creek Unit #2 compressor to be offline for six hours starting at 9:00 am MT on Aug 16, on which day station capacity will be lowered to 18.1 million cubic feet.

PG&E California Gas Transmission said that it will perform general maintenance on the Delevan K-2 Compressor through Aug 17. Capacity on the Redwood Line is expected to dip to 1,990 million cubic feet per day, a 3 percent decrease in capacity.

ELECTRIC MARKET NEWS

Avista Corp said it has reached a settlement on its Washington gas and electricity rate cases, agreeing to smaller rate hikes than it had initially requested. Avista said that under the agreement, its annual electric revenue will increase by \$22.1 million, \$13.7 million less than it originally requested. Natural Gas revenue will rise \$968,000 a year, \$1.9 million less than it had asked.

FERC on Monday announced that a settlement has been brokered with Reliant Energy to resolve claims stemming from its role in the 2000-2001 energy crisis on the West Coast. Under this agreement Reliant will provide the settling parties \$525 million. PG&E's share totals approximately \$230 million, including approximately \$186 million for electric market overcharges and manipulation and \$40 million for gas market overages and manipulation.

MARKET COMMENTARY

The natural gas market opened almost 18 cents lower today, on weather forecasts citing a break in the Midwest's heat wave, and therefore reducing demand for natural as a cooling generator. Off the open, the market sold down to its lows of the day at 9.38 and quickly bounced back up above the 9.40 level, and staying there the remainder of the day. Natural gas traded sideways in a 20 cents range the rest of the day, posting a high of 9.62. The market finished down 4.8 cents at 9.54 with 61,000 contracts booked on the day, marking the first lower settlement out of the past four trading sessions.

Weather Forecasters struggling to get a grasp of current conditions have revised down their temperature outlook for much of the Northeast and the Midwest. The National Weather Service reported that highs in New York City

Generator Problems

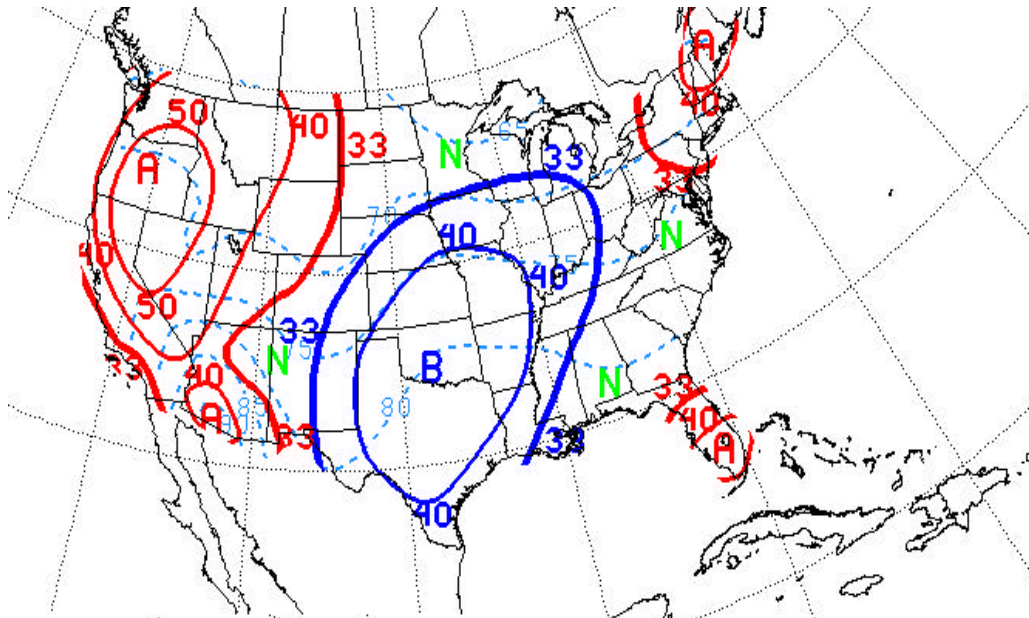
WSCC— Arizona Public Service shutdown its fully rated 1,243 Mw Verde unit 1, cutting production by the remaining 61 percent, resulting from the Unit 1 Diesel Generator 'B' 's failure to maintain the proper steady state output voltage. The event did not harm the environment and did not adversely affect the safe operation of the plant or the health and safety of the public. The 1,335 MW Palo Verde 2 and 1,247 Mw Palo Verde 3 are operating at full power.

Canada— Ontario Power Generation's 515 Mw unit 8 at the Pickering B nuclear power station returned to service early Monday, after being closed Aug 6-7 for short-term maintenance. All units, except 1-3, are operating at high power. OPG has decided not to return units 1 and 2.

Bruce Power's 790 Mw unit 7 at the Bruce B nuclear power station in Ontario returned to service early Monday, after being shut down on May 7 for planned maintenance and inspection. All units are operating at high power.

Bruce Power reached a tentative agreement with a provincial negotiator in March for the potential restart of the two 750 Mw units 1 and 2 at the A station. The government is still considering the terms of the agreement, but Bruce Power's board has already approved. The return of the units would replace about 20 percent of the province's 7,500 Mw of coal-fired generation, which the government wants to shut down between 2007 and 2009 for pollution and health related reasons.

The NRC reported that U.S. nuclear generating capacity was at 95,880 Mw up .83% from Friday and up 5.33% from a year ago.



**6-10 DAY OUTLOOK
TEMP PROBABILITY
MADE 15 AUG 2005
VALID AUG 21 - 25, 2005**

**DASHED BLUE LINES
ARE CLIMATOLOGY (DEG F)
SOLID LINES ARE TOTAL PROBABILITY
OF THE INDICATED CATEGORY. HEAVY
SOLID LINES ARE 33.3% PROBABILITY**

this week will average 84 degrees, down from an average high of 95 degrees in the past five days. Forecaster Weather Derivatives reported that air-conditioning demand, a key factor supporting the natural gas market, nationwide will hover near normal for the next seven days, as opposed to Friday's forecast that showed demand topping normal by 12%.

Further softening off the 4-year highs, is expected as long as temperatures stay moderated, and the oil complex also stays under pressure. We see support initially at

\$9.00 followed the 38.2% retracement level at \$8.869. Further support we find at \$8.50, a key consolidation level. Resistance we see initially at \$9.60 followed by Friday's high of \$9.91.

