



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 16, 2005

NATURAL GAS MARKET NEWS

Avista Corp. filed a request today with Oregon regulators to increase natural gas rates by an average of 18% to be effective October 1. The proposed increase would generate an additional \$18.9 million in revenue to offset the higher cost of wholesale natural gas.

With oil and natural gas at record prices and production levels falling, BP plc is on a massive recruiting drive, and has hired 13 search firms to hire 400 new geologists, reservoir engineers, drilling specialists and other technicians to boost its North American operations from the Gulf of Mexico to Canada by the end of the year.

The U.S. Navy, having suddenly discovered that LNG cargoes might be traversing their torpedo testing grounds, has joined the growing chorus of parties asking FERC to reconsider its decision last month to approve the controversial Weaver's Cove LNG import terminal project in Fall River, MA.

The NYMEX reported that margins on the first month of the natural gas futures contracts will increase to \$8,775 from \$7,425 for customers. The second month will increase to \$8,775 from \$7,763 for customers. The margins for the third month will increase to \$9,113 from \$8,100 for customers. These changes will go into effect at the close of business on Wednesday.

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.

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.

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

Kern River Pipeline said line pack levels have increased and are posted as high. Kern River would like to remind shippers and operators to take delivery of their scheduled quantities.

Generator Problems

MAAC— AmerGen's 650 Mw Oyster Creek nuclear unit ramped back to full power following a 21% cut yesterday.

WSCC— Calpine Corp.'s 530 Mw Sutter natural gas-fired power plant returned to service by late Monday following a planned outage.

The NRC reported that U.S. nuclear generating capacity was at 96,047 Mw up .17% from Monday and up 4.90% from a year ago.

KM Interstate Gas Transmission said that it has limited capacity available for gas delivered through the Casper Compressor Station (Segments 45 and 730). Depending upon the level of nominations, IT/AOR and secondary volumes may be scheduled. KMIGT is at capacity for deliveries to Northern Natural Milligan. Based on the level of nominations, IT/AOR and secondary volumes are at risk of not being scheduled. KMIGT is at capacity for deliveries through the Rockport Lateral (Segment 790). Depending on the level of nominations, IT/AOR & secondary out-of-path volumes are at risk of not being scheduled.

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 August 16. Station capacity will be lowered to 18.1 MMcf for gas day August 16. The Carson Creek Compressor is located in Alberta.

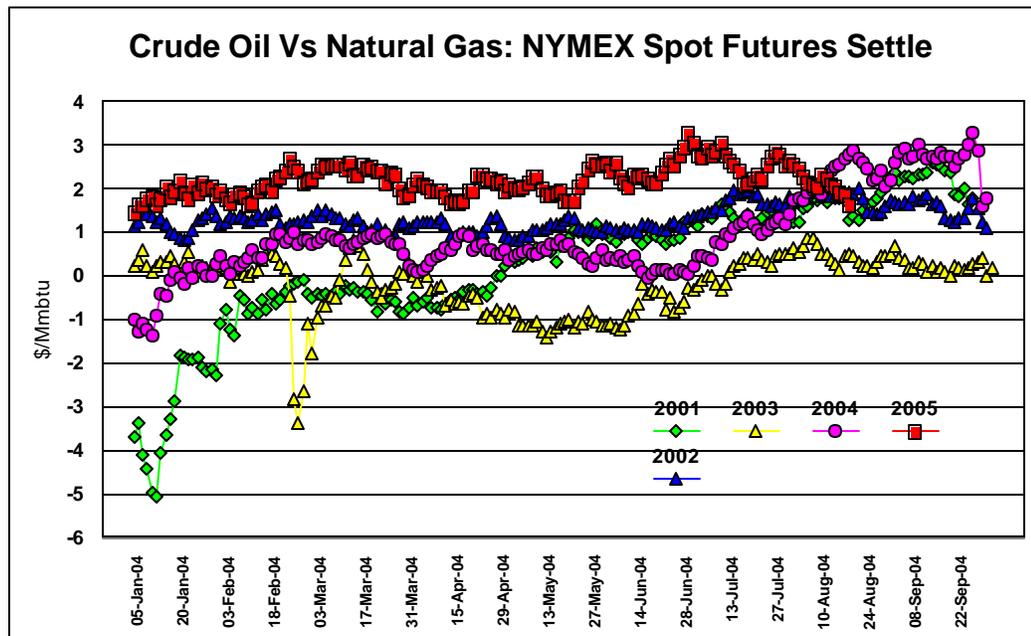
Iroquois Gas Transmission System said that repairs to the Dover Compressor were completed sometime last night. However, due to the extended outage Iroquois continues to experience constraints. There will be no loans, unscheduled due shipper gas, ER/ED or IT available through the Athens Compressor Station until further notice. In addition secondary firm transportation is subject to allocation through today. Flow control will be used as needed.

ELECTRIC MARKET NEWS

Con Edison announced that this past weekend it shattered a record for weekend electricity sendout, the cumulative amount of electricity used by customers. On August 13 and 14, Con Edison sent out 462,575 MWh. This is more electricity than the State of Vermont consumes in three months.

Calpine Corp. has agreed to sell its 550 Mw Ontelaunee Energy Center to LS Power Equity Partners for \$225 million. The asset sale is part of Calpine's strategic initiative to reduce debt and optimize its power plant portfolio. Since launching its strategic initiative in May 2005, Calpine has completed or announced more than \$2 billion of asset sales.

Allegheny Energy Inc.'s Allegheny Power Subsidiary de-rated the Wylie Ridge No. 7 extra-high-voltage transformer in West Virginia by about 13%, the company said in a report to regional power grid operator PJM Interconnection. In the report, the company said it had no plans to de-rate, or reduce the amount of power that



flows through, the parallel No. 5 transformer. The company noted the decrease in rating, needed to avoid damaging the equipment from overheating, would affect congestion in the Wylie Ridge area and transmission service on those paths limited by constraints at Wylie Ridge. The Wylie Ridge substation is located near the Ohio River between West Virginia and Ohio about 35 miles west of Pittsburgh.

MARKET COMMENTARY

The natural gas market opened unchanged and shrugged off Monday's decline, rallying off the open to a daily high of 9.88. Driving the market today was continued strength in the cash market, citing lingering hot weather and demand from the electricity sector as reasons to rally. Prices fell off from the highs and finished the session with sideways trading finding intraday support at 9.63. Natural gas settled up 21 cents at 9.752 with a strong 74,000 contracts trading hands.

Even though the heat in the Northeast and Midwest has eased, concerns remain about a shrinking storage surplus, which keeps sellers away from the market. Injection estimates for Thursday range from 28 Bcf to 59 Bcf, with most in the mid-40s. For the same week last year, stocks rose an adjusted 77 Bcf, and the 5-year average for this report shows inventories gaining about 61 Bcf.

Relative to crude oil, natural gas has narrowed the gap with crude being only a 1.64 mmbtu premium to natural gas, compared to last week, when crude was running a 2.0 mmbtu premium. We see resistance in natural gas at Friday's high of \$9.91 and above that at \$10.00. Support we see initially at \$9.60, followed by \$9.37 and \$9.205. More distant downside price targets we see at \$9.00 and \$8.50.