



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 6, 2005

NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported this afternoon that as of midday today that some 4.16 bcf/d of natural gas production remained shut in along the Gulf of Mexico. This was a 43% improvement from Friday's shut in totals, but still lagging behind the pace of restoration of offshore production following in the wake of Hurricane Ivan last year. Cumulatively, Hurricane Katrina has shut in over 67.6 bcf of offshore natural gas production. Earlier in the day the U.S. Coast Guard reported that a total of 56 U.S. Gulf oil and natural gas offshore platforms have been lost or damaged due to Hurricane Katrina. 28 platforms have been lost and 28 have been damaged. Also today a senior official with the Interior Department warned that it could take months before U.S. oil and natural gas production in the Gulf of Mexico returned to pre-Katrina levels. She did note though that while it will take several more days before a full assessment of Gulf production facilities is finished, "it appears that many of the high-production facilities weathered the storm without major damage."

A new tropical depression formed off the east coast of Florida today and was expected to strengthen overnight into Tropical Storm Ophelia. While forecasters at the National Hurricane Center look for this storm to head on a northwestward-northerly track, making landfall as a tropical storm in northeastern Florida in four to five days, other forecasters are not as sure. Forecasters at Accuweather left open the real possibility that the storm stalls off the Florida coast with little or no directional movement over the next 72 hours as it strengths into a hurricane. Over the weekend they feel it is possible then to see the storm heading west northwestward and by next week be in the Gulf of Mexico, with interests from the Florida panhandle to Texas at risk.

Williams' Transco gas pipeline reportedly has only 150 Mmcf/d shut in by producers, down from 1.8 bcf from a week ago. The company did note that due to moderating weather over the weekend it did experience significant gas linepack increases and as a result were restricting scheduling intolerances to 1% through Wednesday evening.

Generator Problems

ECAR— CMS Energy's 767 Mw Palisades nuclear unit returned to service over the weekend and was back at full power this morning. The unit went off line on September 1st due to a hydrogen leak.

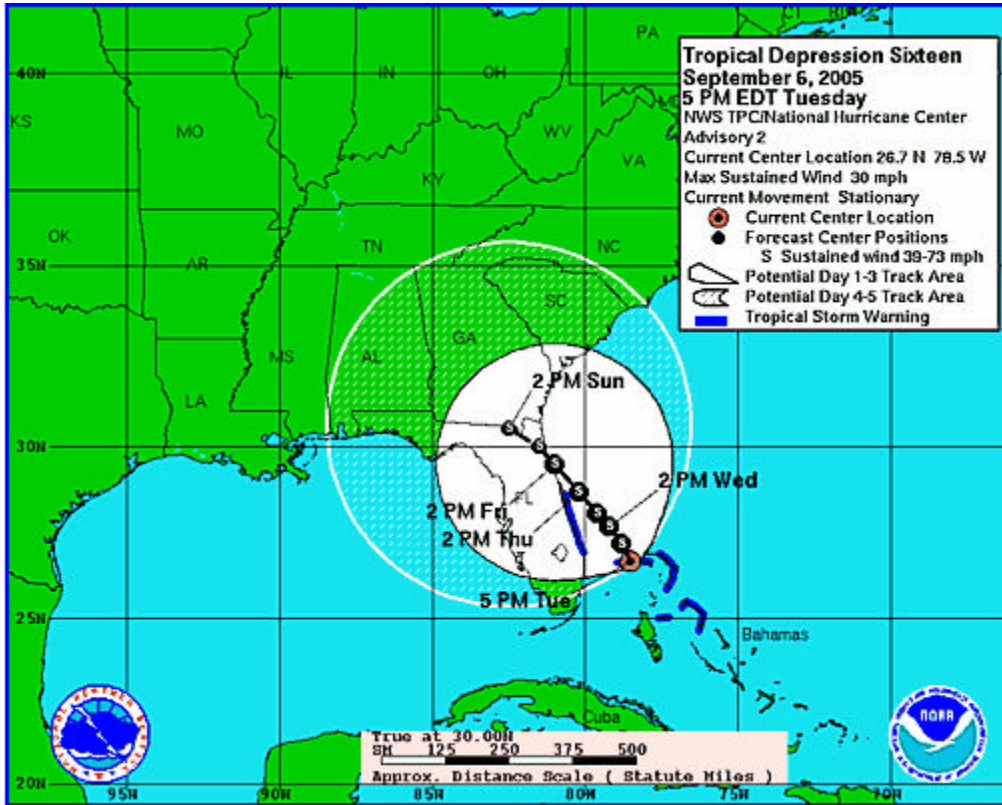
MAAC— PSEG's 1049 Mw Hope Creek nuclear power unit has exited from its recent maintenance outage and returned to the grid and was operating at 40% of capacity. The unit went off line on August 28th.

NPCC— Constellation Energy's 497 Mw Ginna nuclear power station returned to service and was back to full power this morning. The unit went off line Friday for work on a electro hydraulic stop valve.

WSCC – Tucson Electric Power's 400 Mw coal fired Unit #2 at the Springerville power station in Arizona was expected to return to service sometime this week. The unit has been off line since August 11th for mechanical problems.

ERCOT—TXU's 560 Mw coal fired Unit #2 at the Big Brown power station went off line to repair a leaking inboard seal on the condensate booster pump. The unit was expected to be back in service Wednesday.

Canada – Ontario Power's 535 Mw oil and gas fired Unit #4 at the Lennox power station was taken off line today for a planned short-term maintenance outage. Its sister unit, Un it #2 was also shut down for planned maintenance on September 1st for a month long outage.



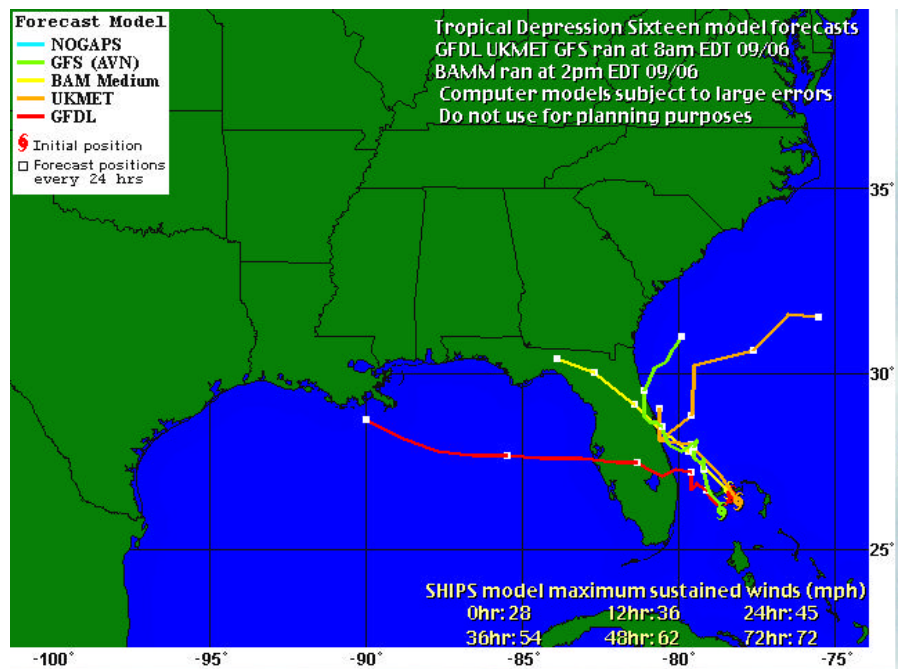
SONAT reported that shut ins continued upstream of the Toca Compressor Station south of New Orleans and that the pipeline remained operating under force majeure. The company noted that some 550 mmcf/d or production remained shut in as its personnel continued to work on verifying the integrity of facilities. The pipeline officials reported that initial assessments of offshore facilities by helicopter are almost complete with visible damage to these facilities ranging from minor to possibly significant. Inspections of underwater facilities are expected to begin later this week since poor weather had

delayed these activities to this point in time. Meanwhile Tennessee Gas Pipeline reported that it still had 700 mmcf/d still shut in due to leaks that have been discovered along its 26 line. Diving operations remain ongoing as the company attempts to assess damage to the pipeline from Hurricane Katrina. The company also noted that the standing water in the Port Sulfur Compressor Station has hampered the company's ability to assess the damage to the area, but officials hoped to have an inspection completed by the end of the day Tuesday.

Texas Eastern officials reported that its system still had about 320 mmcf/d of production shut in on its Venice system with all of the South Pass leg still shut in, while supplies to its Main Pass portion had begun to return. The company said all of their onshore compressor stations including several in the Louisiana are were operational.

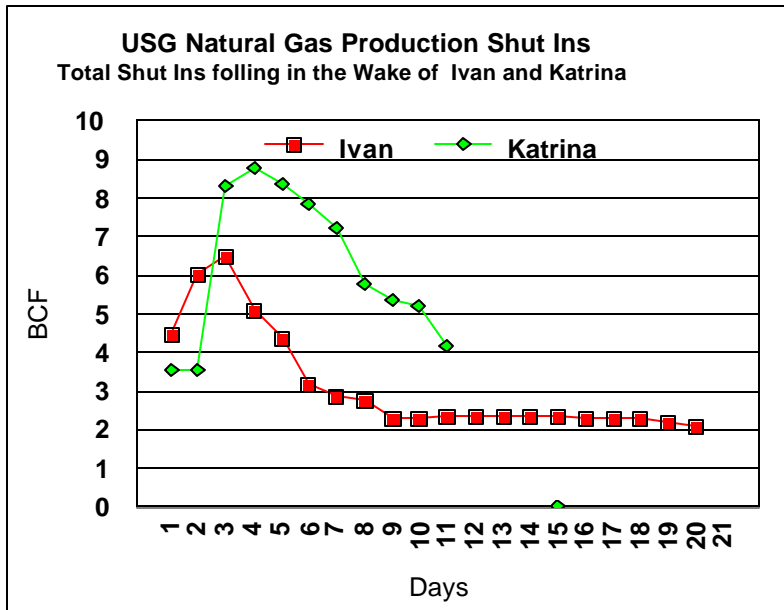
Trunkline Pipeline reported it had some 90-100 Mmcf/d still shut in, while its sister company; Sea Robin Pipeline had some 100 Mmcf/d shut in. Columbia Gulf Pipeline reported its system was in good shape, with most production back on line.

Entergy reported that its



distribution system for natural gas in New Orleans had suffered extensive damage and that it would have to shut off gas service to many parts of the city to repair the damage but preserve flows to power generators running pumps to get the water out of the flooded areas of the city.

The Climate Prediction Center reported this morning that it estimated that cooling degree totals for the week ending September 3rd reached 67 CDD, some 26.4% higher than normal and some 9.8% higher than the same week a year ago. For the current week ending September 10th, the CPC estimates the nation will see some 54 CDD which would still be 17.4% hotter than normal.



The chief economist for the CFTC said today that U.S. energy prices are being set fairly in a competitive market, and that recent price spikes simply reflect the damage from Hurricane Katrina.

The EIA said today that it expects the U.S. natural gas market to remain "tight" this winter.

ELECTRIC MARKET NEWS

The Department of Energy reported this morning that nearly 1 million electricity customers remained without power in Louisiana and Mississippi due to the damage from Hurricane Katrina. More than half the state of Louisiana remains without power. Mississippi Power reported it still had 104,000 customers with out service but hoped to have them all back on line by September 11th.

Utilities in Florida continued to urge power customers there to conserve energy due to tight but improving natural gas supplies used for power generation, but the two major Florida gas pipelines were showing ample natural gas moving into the state today, with Gulfstream showing flows equal to pre Hurricane Katrina levels, of some 70% of capacity with Florida Gas at 1.6 bcf/d or some 100 mmcf/d less than seen last week due to curtailed demand.

Exelon Corp said today that it plans to intervene in a lawsuit filed by the Illinois Attorney General last week, which would bar the Illinois Commerce Commission from permitting proposed electric rate increases by Exelon and other utilities.

ECONOMIC NEWS

The Institute for Supply Management's non-manufacturing index rose to 65 in August, much higher than market estimates of a 59.5 and the 60.5 level posted in July. This is the highest level since last spring, but obviously does not take into full consideration the impact from Hurricane Katrina.

MARKET COMMENTARY

The natural gas market opened basically a nickel better this morning, but moved onto the defensive as oil prices came under pressure during the morning trading session, as well as finding little buying interest up near Friday's highs. While prices in the October contract did move nearly a dime below Friday's lows by mid morning, the back months found relative support at those levels and thus the market seemed to stabilize. While a late afternoon rally saw the market return to positive gains on the day, late profit taking allowed the October contract to post a lower settlement for the second trading session in a row. The back months though did record minor gains on the trading session, with the 12-month strip ending the day up a penny, and within 4.5 cents of its recent high. Volume though remained relatively poor considering the recent price volatility with just 58,000 futures traded on the day, as it appeared most trader continued to take a breath as they search for a clearer understanding of the extent of longer term damage to production and pipeline facilities.

The pace of the return of offshore natural gas production will dictate the near term direction of prices. While good gains have been made since Friday, production recovery still is lagging behind the pace of recovery following Hurricane Ivan last year. In addition if the threat of another tropical system in the Gulf of Mexico for next week grows, then the highs recorded last week will once again be a price target for the bulls. We would look for initial resistance tomorrow at \$11.80 followed by \$11.90 and \$12.25. Support we see at \$11.55 followed by \$11.46, \$11.20. More distant support we see at \$10.65 and \$10.05.