



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR SEPTEMBER 12, 2005

NATURAL GAS MARKET NEWS

Entergy New Orleans Gas Operations is using multiple methods to locate, control and repair natural gas leaks in the city in the aftermath of Hurricane Katrina. Entergy is using helicopters, amphibious vehicles and specialized divers to locate and control gas leaks. Although the leaks found are generally in flooded areas and pose no immediate safety threat, the company is focused on controlling them. Of the fires that have broken out in the city, none of them have been related to natural gas. Entergy has completed assessment and secured the natural gas system in parts of New Orleans, including Algiers, Uptown, the Central Business District and the French Quarter.

Crosstex Energy announced that its assets in Louisiana and Mississippi suffered no significant damage as a result of Hurricane Katrina and that all of its employees are accounted for and safe. The Plaquemine and Gibson processing plants in South Louisiana were shut down for several days two weeks ago, but have resumed normal operations. The partnership is not aware of any damage to its pipelines in the area; however certain remote areas of Mississippi have yet to be inspected. Based on what is currently known, the partnership does not expect that the storm will have a material impact on its financial results.

Newfield Exploration Company said it continues to assess damage to its platforms and facilities and is awaiting additional information from outside operated facilities, pipelines and onshore gathering and production infrastructure. Approximately 2.6 Bcf equivalent net has been deferred. Newfield has restored 90% of its operated production in the Gulf of Mexico and has approximately 60 Mmcfe/d shut-in at this time. Based on the assessments to date, total deferred production for 2005 will likely be 7-9 Bcfe.

Generator Problems

ERCOT— TXU Corp. shut its 750 Mw Martin Lake #1 and #3 coal-fired power units to repair boiler tube leaks.

TXU Corp.'s 565 Mw Monticello #1 coal-fired unit tripped shut today due to a problem with the interface valve.

MAAC— Exelon Corp.'s 1,112 Mw Peach Bottom #2 nuclear unit started to exit an outage and ramped up offline to 1% of capacity by early. Peach Bottom #3 dipped to 88%, down from 89%, as it coasts down for a mid-September refueling.

MAIN— Exelon Generation shut its 1,120 Mw Braidwood #1 nuclear unit over the weekend to repair a leaking reactor coolant seal. The unit was at full power on Friday and 84% on Sunday. Braidwood #2 continues to operate at full power.

SERC— Entergy Corp.'s 1,000 Mw Arkansas #2 nuclear unit returned to full power by early today. Arkansas #1 continues to operate at full power.

TVA's 1,121 Mw Watts Bar nuclear unit increased output to 95% this morning. On Friday, the unit was operating at 72% for planned maintenance.

WSCC— Mirant Corp.'s 682 Mw Pittsburg #7 natural gas-fired unit returned to service by late Sunday following planned and unplanned work.

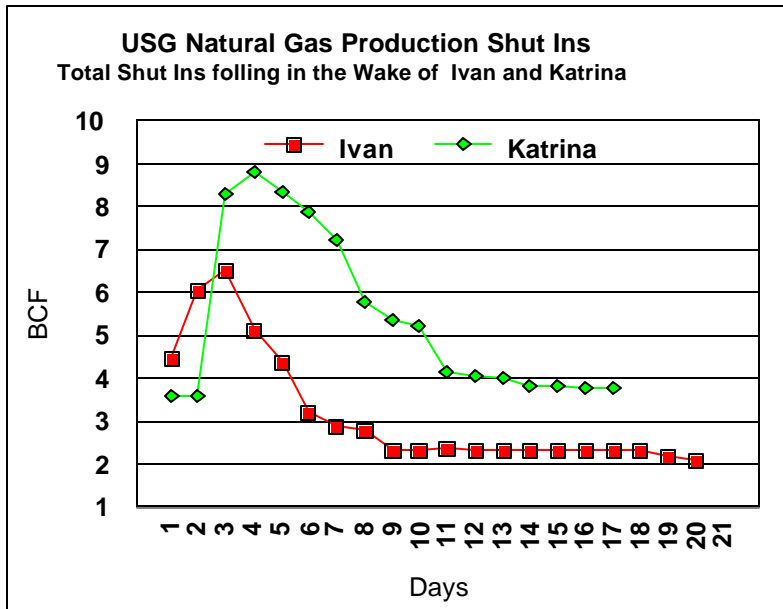
Southern California Edison's 790 Mw Mohave #1 coal-fired power unit shut for unplanned reasons by midday today.

Canada— Ontario Power Generation's 535 Mw Lennox #1 oil- and natural gas-fired power unit returned to service today.

The NRC reported that U.S. nuclear generating capacity was at 93,022 Mw down .66% from Friday and up 2.88% from a year ago.

Newfield now expects that its total production for 2005 will be approximately 258-260 Bcfe.

W&T Offshore Inc., an oil and natural gas company focused primarily on the Gulf of Mexico, said it would defer about 7% of its 2005 production because of Hurricane Katrina. The company now expects crude oil and natural gas production for the full year of 76.9 to 81 Bcfe, down from the previous forecast of 83.1 to 87.4 Bcfe. The company said it had resumed 75% to 80% of its production volumes prior to the storm.



Mexican President Vicente Fox said he will propose a change in the constitution to allow private companies to explore for and produce non-associated natural gas in Mexico. Fox said the measure is designed to reduce Mexico's dependence on natural gas imports from the U.S. Fox said that to limit the impact of higher natural gas prices on Mexican consumers, the government will fix a maximum price in September of \$7.65 per million British thermal units. Fox also said he will propose a change in energy laws that will allow for joint public-private investment in state oil monopoly Petroleos Mexicanos' pipeline network.

The Minerals Management Service reported today that shut-in gas production is 3.784 Bcf/d, equivalent to 37.84% of the daily gas production in the Gulf of Mexico.

NYMEX on Friday issued accountability levels, expiration position limits, and margin rates for the three natural gas basis swap contracts that will be listed for trading or solely for clearing on the NYMEX ClearPort electronic platform beginning with the September 12 trading secession. The position accountability levels for the Sonat, FGT Zone 3, and Transco Zone 4 basis swap futures contracts will be 10,000 contracts for any single month or all months, with the exception of a 500-contract level for the last three days of the expiring contract, the exchange said. Clearing members must identify to NYMEX customers who hold 25 or more contracts. Margins for all contract months for the three contracts will be \$75 for clearing members, \$83 for members, and \$101 for customers. Intra-commodity spread margins will be \$25 for clearing members, \$28 for members, and \$34 for customers, NYMEX said.

PIPELINE RESTRICTIONS

Algonquin Gas Transmission said that meter operators, shippers and OBA parties on its system must be balanced daily. All meter operators and OBA parties are requested to reduce nominations to their points if meter takes are less than scheduled deliveries. AGT warned it will take appropriate action, including reducing nominations intra-day, as necessary to balance its system.

Florida Gas Transmission said that due to hot temperatures and reductions from Hurricane Katrina shut-ins, it is issuing an Overage Alert Day at 25% tolerance.

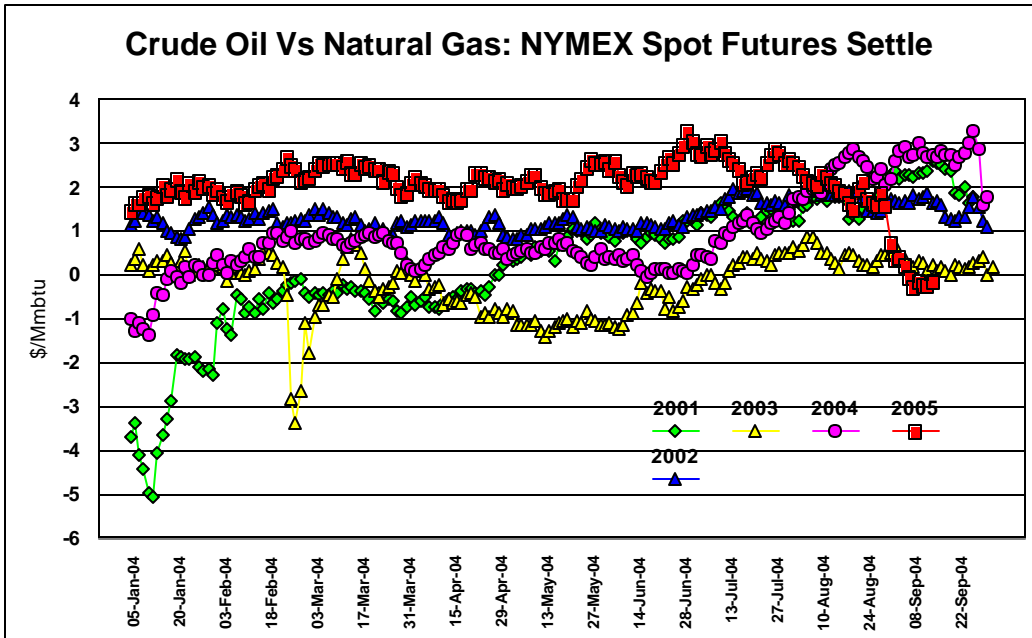
Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions from East Texas – Koran Area; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18-inch Index 1; West 30 North; Montpelier to Kosciusko; Kiln to Mobil; East Texas; and Bayou Sale to Napoleonville.

KM Interstate Gas Transmission said it is at limited capacity for deliveries to Northern Natural Milligan. Based on the level of nominations, limited IT/AOR and secondary volumes are available.

Texas Eastern Transmission said it has restricted receipts from production that remains shut-in due to Hurricane Katrina. Tetco will continue to take action to ensure physical receipts are commensurate with physical deliveries. Gas sourced in STX and ETX for delivery outside of these zones have been restricted to capacity. M1 24-inch has been sealed to capacity. Increases in physical receipts between Mont Belvieu and Fagus will not be accepted. Deliveries to the Transco-Ragley interconnect have been restricted to zero due to changing operational conditions that limits the ability to deliver gas at this meter.

PIPELINE MAINTENANCE

Alliance Pipeline said that regular scheduled maintenance will require the Manchester Compression Station, in Iowa, to be offline for 12 hours on September 14, and 12 hours on September 15. System throughput will be affected and will be determined closer to the outage date.



El Paso Natural Gas Company said the Dumas 2 turbine will be down for mechanical inspection September 19-22, reducing the capacity from Dumas East by 30 MMcf/d. Based on recent scheduled volumes through the point, this outage should have no effect on markets.

PG&E California Gas Transmission scheduled duct work at the Burney Compressor K-2 for September 30. Capacity on the

Redwood Line will be reduced to 1,995 MMcf/d, 96% of capacity.

Questar Pipeline Company has scheduled annual maintenance at its Price Dew Point Plant for October 3-7. During this time, the plant will be unavailable to process gas for dew point control to Kern River. Questar is working with Kern River to minimize the impact to customers during the line work. Producers with gas processing capability are advised to operate at capacity during this work. In the event that Kern River is unable to accept volumes during the work, Questar will reduce sources between Fidler Station and Goshen based on hydrocarbon dew point.

Williston Basin Interstate said one unit is down at the Baker South Compressor Station due to unscheduled maintenance. Point ID 04018 Baker Area Mainline will be affected by approximately 6.5 MMcf/d.

ELECTRIC MARKET NEWS

The U.S. Department of Energy reported that 664,215 electricity customers remain without power in Mississippi and Louisiana, down from the roughly 2.7-million that were left in the dark after Katrina. Based on numbers compiled by the Louisiana Public Service Commission, DOE said 445,656 customers still were without power in the state, while 218,650 customers in Mississippi still lacked service. Entergy reported that power had been restored to all customers in Mississippi that can receive power by Sunday.

MARKET COMMENTARY

The natural gas market opened 42 cents lower today on weakness in the physical market as moderate temperatures cover the U.S. The market posted a low at 10.78 off the open and then traded sideways between

10.80 and 11.00 for the rest of the morning. At midday, natural gas started trending upward, and broke the 11.00 level and rallied up to the day's high of 11.20. Natural gas held in while the oil complex charged lower most of the day led by the products. Being September, there shouldn't be much weather related demand for natural gas as we begin to see shoulder season dynamics. The market finished the day off 23.2 cents, but above 11.00 at \$11.031.

Natural gas has posted its sixth session of having a premium to crude oil, as it is more stubborn in returning to pre-Katrina levels given processing bottlenecks, and worry about having enough supply to meet demand come the winter season. Natural gas is trading at a \$0.11 /MMbtu premium to crude oil.

Buying interest increased under the \$11.00 level, indicating that this market may have a limited downside. A large technical gap exists at \$10.65, which could set off a selling spree down to \$10.00 if breached, but we feel that market players are likely to steer clear of that until a significant improvement in the amount of gas shut-in in the Gulf of Mexico. Production shut-in seems to be leveling off around, with only slight improvements day to day. We see support initially at \$10.70, and \$10.65. Further support we see at \$10.01. We see resistance at \$11.38 and \$11.80. Further resistance we see at \$12.25.