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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR OCTOBER 7,2004

NATURAL GAS MARKET NEWS

Analysts at Lehman Brothers expect U.S. gas production to decline in the third quarter while Canadian production climbs and overall North American production drops versus the same quarter a year earlier. Third quarter U.S. production will be down about 3.8%, partially offset by a 1.4% rise in Canadian output, resulting in an overall drop of 2.4%. Overall supply, including imports, should decline by 1.8% in 2004 versus 2003, contradicting the EIA's expectations of flat supply. Supply is being bolstered by a 35% rise in LNG imports.

The head of the National Association of Manufacturers (NAM) called on Congress yesterday to do a study to determine "the extent to which pure speculation and market manipulation" were responsible for the run-up in natural gas prices over the summer, while a representative of the consumer advocate group, Public Citizen, endorsed more government regulation and oversight to tame gas prices and the markets.

At midday today the National Hurrciance center noted that the cloudiness and showers over the western Gulf of Mexico, associated with a broad area of low pressure had become slightly better organized this morning and that there now appeared some potential for additional development over the next day or two. Even if it does not develop fully, this system is seen producing locally heavy rains and strong gusty winds over portions of the northwestern and northern gulf coasts as it moves northward-northeastward during the next couple of days.

The U.S. Minerals Management Service reported this afternoon that some 475,176 b/d of crude oil production

Generator Problems

MAIN – The 800 Mw Dresden nuclear unit 3 is operating at 99% power after boosting output 7% on the day. The unit was at 92% power yesterday, after the reactor was brought down to 68% power. Dresden 2 is currently running at 98% capacity.

SERC – The 921 Mw North Anna nuclear unit 1 restarted yesterday evening, and is currently operating at 30% capacity. The plant went offline Sunday for a scheduled refueling and maintenance outage.

The 855 Hatch 2 nuclear unit boosted output 14% on the day, and the reactor is currently running at 99% power. The unit trimmed output to 85% yesterday following a restart on October 5 after maintenance personnel a caution tag out for service.

SPP – The 966 Mw River Bend nuclear power unit restarted this morning at 1% capacity and has yet to reconnect with the grid. The unit was taken offline after experiencing an automatic reactor scram on October 2.

WSCC – Both 750 Mw coal fired units 4 and 5 are operating at full power today. Unit 5 shut on October 4, while unit 4 shut on October 5. Both units shut for minor repairs.

Based on latest NRC reports, total nuclear generation output this morning reached 85,138 Mw up 450 Mw or .53% from yesterday's levels. Total generation was some 7.94% higher than the same date a year ago.

remained shut in, with some 1.775 bcf of natural gas production off line. These production figures as of this morning were an improvement of 0.6% from yesterday in oil and a 1.1% gain in returning natural gas production/

EIA Weekly Report

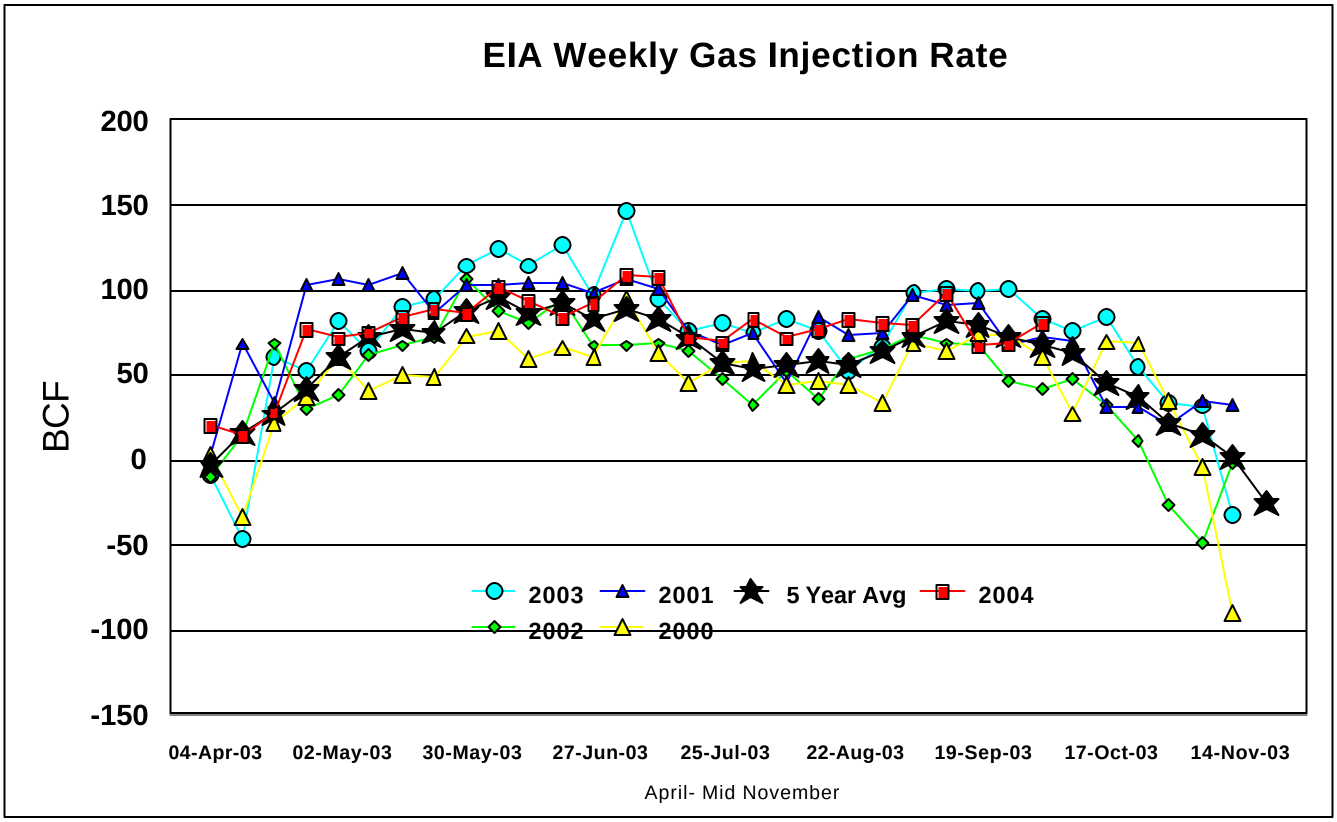
	10/01/2004	09/25/2004	Net chg	Last Year
Producing Region	882	867	15	815
Consuming East	1807	1752	55	1718
Consuming West	403	392	11	371
Total US	3092	3011	81	2904

Kinder Morgan Inc. plans to increase capacity on TransColorado, a 300-mile interstate pipeline that transports natural gas from western Colorado to the Blanco Hub in northwest New Mexico. The expansion project will cost less than $20 million and will add 300,000 dekatherms per day of incremental transportation capacity. As a result, natural gas on the northern portion of TransColorado will be able to flow northward as well as southward. The initiative is supported by a long-term contract with an undisclosed shipment details and includes commitments for up to 280,000 Dth/d. The contract runs through 2015 with an option for a five-year extension. KMI finished a $33 million expansion project in August of this year, which increased TransColorado's long-haul, southbound capacity from 300,000 Dth/d to 425,000 Dth/d. Total long-haul, southbound capacity is almost fully subscribed through 2007.

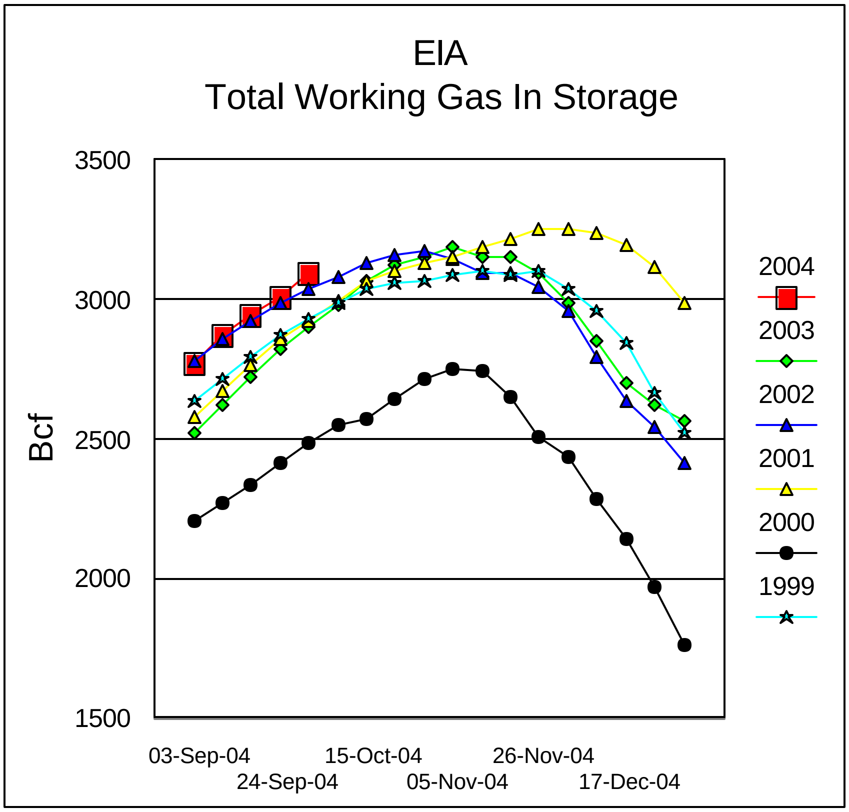
Canadian Gas Association
Weekly Storage Report

	01-Oct-04	24-Sep-04	03-Oct-03
East	268.8	262.4	259.2
West	214.2	212.1	191.0
Total	482.9	474.5	450.2

The United States is facing a critical 5-year period in which, unless new steps are adopted by

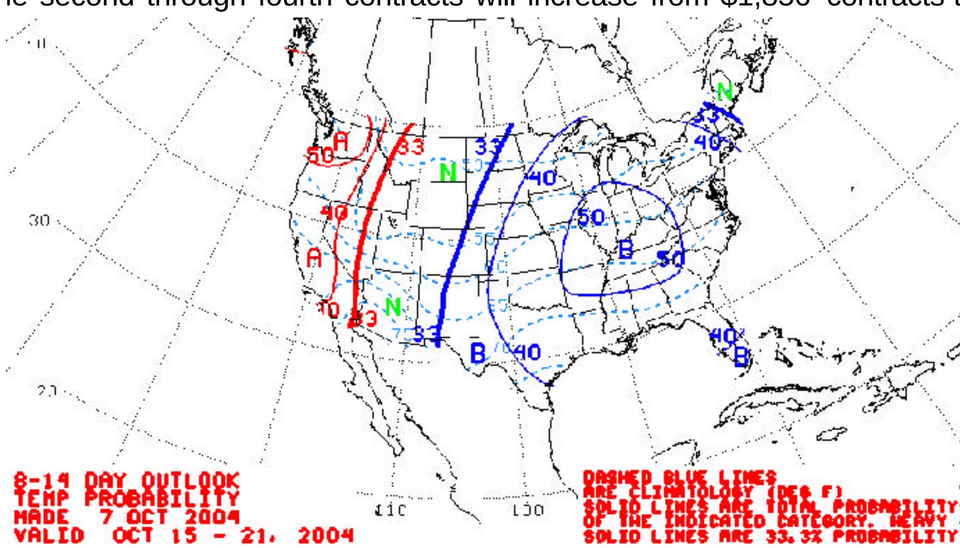


consumers, industry and government, there is significantly increased risk of higher, more volatile natural gas and electric power prices, job losses, demand destruction and industry relocations, Cambridge Energy Research Associates Chairman Dr. Daniel Yergin said in testimony today to the Joint Economic Committee of the U.S. Congress. A range of measures are available, according to



Yergin, to enable the U.S. to manage natural gas demand and exposure to price volatility during the bridge period of 2004 to 2009, including: effective customer education and flexible gas procurement mechanisms by utilities; fuel flexibility for new and existing electric power capacity; resolution of the mismatch between the short-term contracting bias of consumers and the need for long-term commitments to underpin new natural gas infrastructure, such as Arctic and LNG supplies; and acceleration of gas production in the near term by streamlining permitting for activity and applying flexibility. Yergin also noted that the reason the U.S. is in crisis is not that demand surged, it is that supplies are stagnant. He also predicted that the bulk of North American supplies in the next decade and a half will come from continued exploration and production in North America, with LNG playing an important role as the third major supply source after the U.S. can Canada. Yergin finished by saying, “Today LNG provides 3% of U.S. supplies. By the year 2020, that share could be 25% to 30%.”

The NYMEX announced it will increase margins on its Henry Hub natural gas contract from the close of business Friday. It will increase the margin on the spot natural gas futures contract for customers from $8,100 to $8,775 while margins for the second through fourth contracts will increase from $7,425 to $8,100. Meanwhile margins for the spot Henry Hub swap contract will increase from $2,025 to $2,194 while margins on the second through fourth contracts will increase from $1,856 contracts to $2,025. Margins on the spot natural gas emiNY futures contract will increase from $4,050 to $4,388 while margin on the second contract month will increase from $3,713 to $4,050.



Oil companies filed regulatory applications for Canada’s first Arctic natural gas pipeline today after much delay, and boosted their cost estimate for the project by nearly 40%. Lead partner Imperial Oil Ltd. said the Mackenzie Valley Pipeline and its three anchor natural gas fields are now expected to cost C$7 billion to develop. Last June, an Imperial executive warned costs of the 1,350 km pipeline to consuming markets from the Mackenzie Delta in the Northwest Territories were on the rise, but would say only that the development would be more than C$5 billion.

PIPELINE RESTRICTIONS

Florida Gas Transmission said that due to high demand and warm temperatures, it is issuing an Overage Alert Day at 25% tolerance for today.

Tennessee Gas Pipeline said that the force majeure event for the meters located between Ship Shoal 198 and Station 523, Cocodrie ended effective October 4. At that time these meters were allowed to resume flowing gas, with the exception of 2 meters.

Texas Eastern Transmission Corp. declared that due to pig runs in STX/ETX, receipt points between Huntsville station and Longview station have been restricted to the capacity required to run the pigs. No increases of physical supply between Huntsville and Longview will be accepted. In addition, the 24-inch system between Little Rock and Fagus has been nominated to capacity. No increases of physical supply between Longview and Fagus will be accepted.

PIPELINE MAINTENANCE

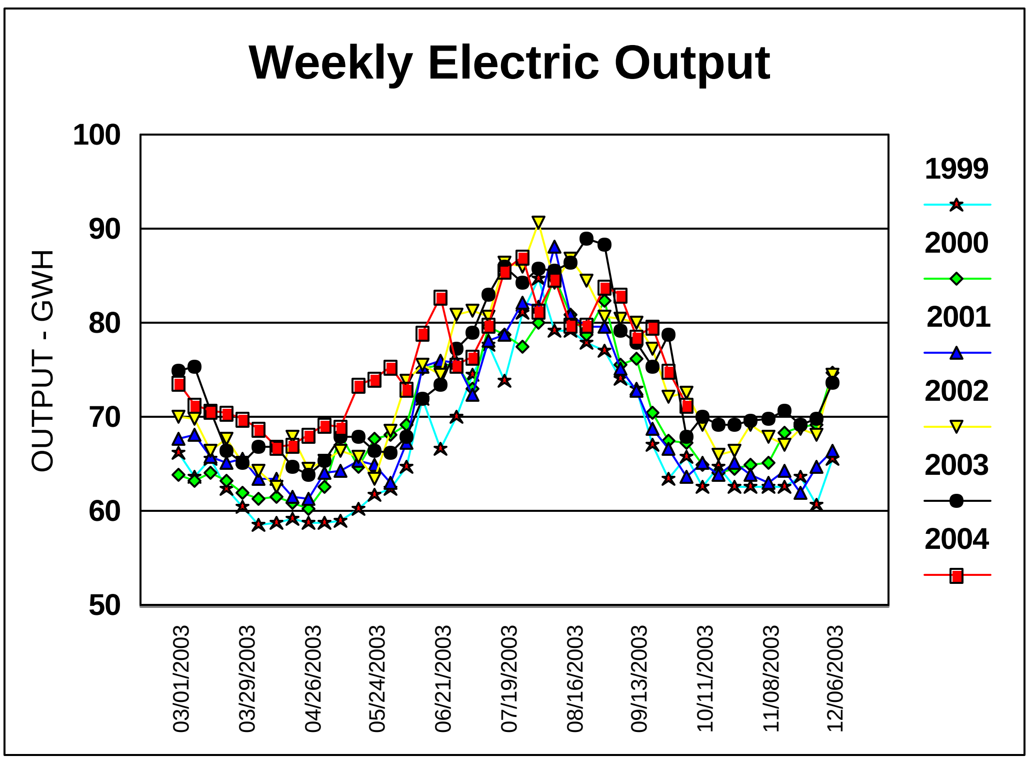
El Paso Natural Gas Company stated that the ongoing Amarillo compressor mechanical inspection found some unexpected damage. The repairs will continue through October 14, reducing the capacity from Plains north by 70 MMcf/d. Based on recent scheduled volumes through the point, this outage will have no effect on markets.

PG&E California Gas Transmission has scheduled repairs on the Redwood Line for October 15 due to transmission line relocation. PG&E anticipates capacity on the Redwood Line to decline to 1,950 MMcf, or 93% of capacity during the repairs.

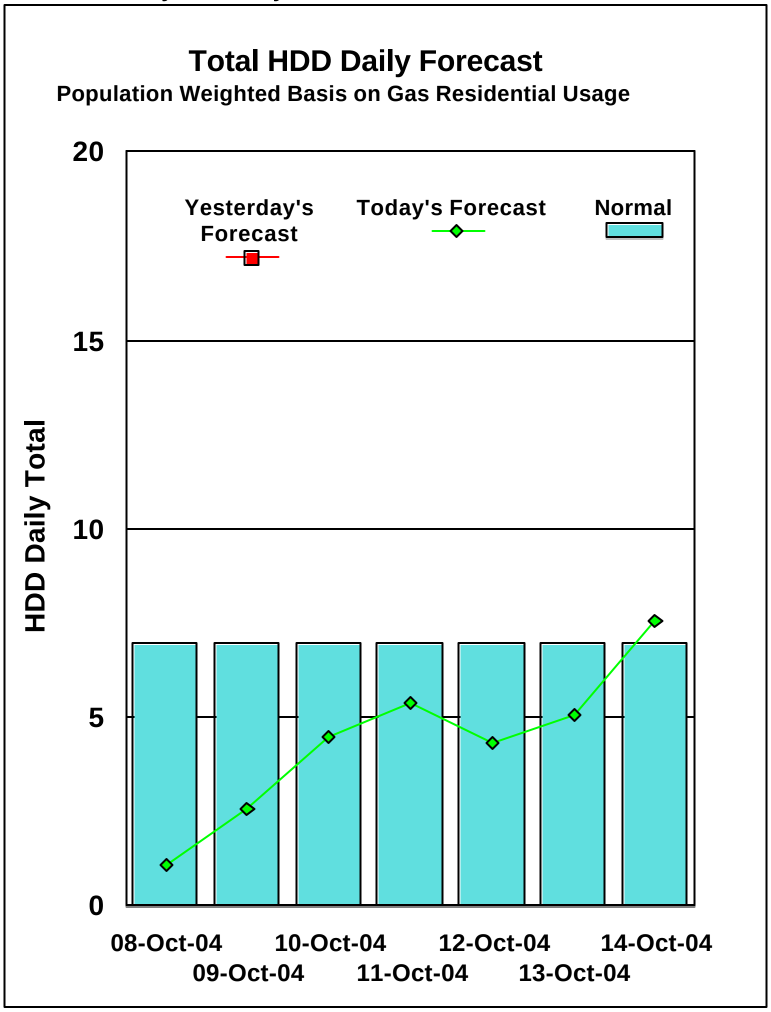
Panhandle scheduled Olpe 200 Line repairs for October 11.

ELECTRIC MARKET NEWS

The New York Mercantile Exchange board of directors voted last night to move daytime trading of its financially settled PJM monthly electricity futures contract to its NYMEX ClearPortsm system from the trading floor on November 1. Presently, the contract is traded on the system overnight and during the



contract month as the unit diminishes day-by-day as part of the expiration process. In addition, the Exchange's weekly and daily PJM futures contracts are already traded during the same hours on NYMEX ClearPortsm. NYMEX President James E. Newsome said, "While we have been very pleased with growth in this contract, which is currently at nearly 30,000 lots of open interest, we feel further efficiency and potential growth will be added to all of our electricity products by consolidating the full complex into a single venue. This will offer additional risk management and arbitrage opportunities to our electricity industry customers."

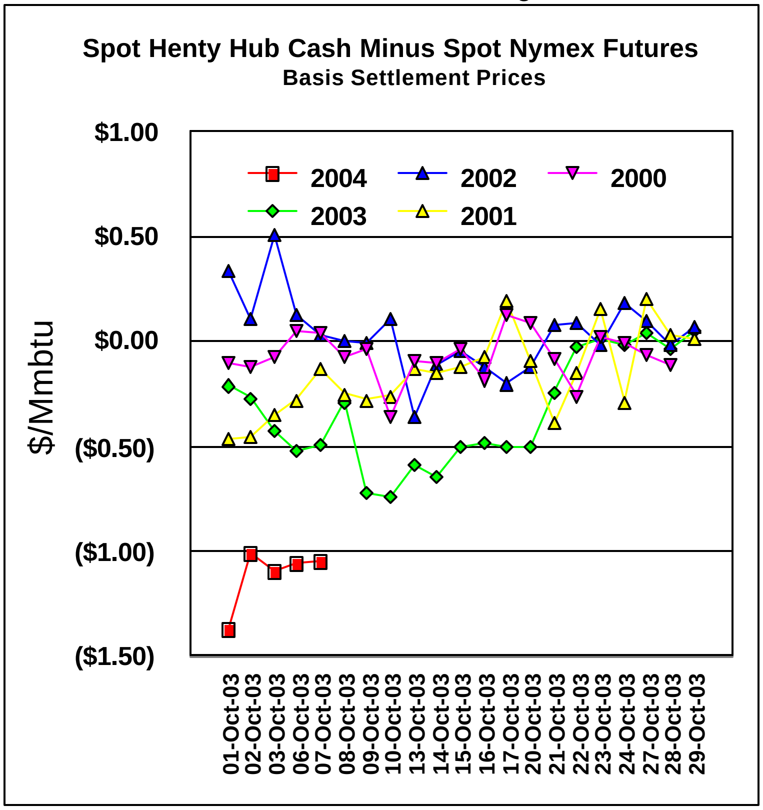


Consolidated Edison Company of New York Inc. shut one of the big transmission lines connecting New York City with the rest of the state to upgrade the lines, a spokesman for the electric company said today. Energy companies plan most of their power plant and transmission maintenance projects in the spring and fall to prepare the units for the peak summer air conditioning and winter heating seasons. Con Edison shut the 345-kilovolt line between the Sprainbrook substation in Westchester County and the West 49th Street substation in Manhattan on October 1 to install series reactors, which limit electrical faults that could knock the line out of service. The line, called the M51, will remain out of service until December 12. About a week after the M51 returns to service, the company will shut the adjacent 345-kv M52 line on December 18 until February 28.

MARKET COMMENTARY

The natural gas market gapped higher this morning helped by the continued strong advancement of oil prices overnight. Prices quickly retested the recent highs before coming under selling pressure with the release of a bearish injection number of 81 bcf for the period ending October 1st. Prices quickly sold off, following the report, backfilling the gap from the morning's opening, and found support just above yesterday's lows before staging a rebound back up. The rebound though again found resistance as prices approached $7.20 and this resistance held until the midday tropical weather report was released by the National Hurricane Center, which seemed to spook recent sellers to cover their positions. This buying interest pushed prices above the $7.23 resistance level and stops were elected driving prices all the way up to $7.44, before good trade selling finally put the brakes on the market. The market seemed to sepnd the final 90 minutes of trading drifting off on some light profit taking as values retraced some 38% of the day's rally before the close. Final volume was moderate for a storage report day with 79,000 futures traded of which just slightly less than 50% were booked via spreads.

This morning's storage report again saw injection rates return to levels above the five year seasonal averages despite the some 16-17 bcf of gas production that was lost due to Hurricane Ivan related shut in's last week. As a result storage in the U.S is within 162 bcf of all time highs and when examining Canadian and U.S. storage levels, record combined storage levels are within only 157 bcf of record highs. This we feel should keep cash prices under pressure and result in futures moving down to converge with cash values as the month wears on as injections into storage become more problematic.



We see resistance tomorrow again at $7.44, $7.55, $7.60, and $7.90. Support we see at $6.95-$6.92, $6.87, $6.62-$6.605, $6.595, and $6.562 with more distant support at $6.6.335 and $6.075.