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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 1, 2004

NATURAL GAS MARKET NEWS

The Institute for Supply Management said its index of national manufacturing activity fell to 56.8 in October from 58.50 in September. The main index was lower than analysts' median forecast of 59.0.

The U.S. gas market is likely to stay tight until at least 2010 as demand is strong, domestic output is not growing, and importing LNG faces obstacles, the IEA's chief economist stated today. The U.S. and Europe are turning to LNG imports to meet demand as their own reserves decline. The IEA has forecast that LNG trade in the Atlantic basin will quadruple over the next 10 years to about 210 bcm in 2010 from 47 bcm in 2002. But IEA chief economist Faith Birol said that getting LNG into the U.S. is a problem because people often oppose the building of gas import facilities in their communities. The market could ease if planned projects to bring more LNG to the United States are carried out, but also possibly if demand from the U.S. chemical industry falls because it chooses to relocate elsewhere due to gas high costs, Birol said

Shell Oil reported today that it has decided to delay maintenance work on the flexjoints at its Mars oil and gas platform in the Gulf of Mexico originally scheduled for early November, back until the latter part of the first quarter of 2005. The work is expected to take some two weeks and shut in some 100,000 b/d of crude production and 170 Mmcf/d of gas output.. Shell originally shut production at the platform back in

Generator Problems

ECAR – The 1,130 Mw Fermi 2 nuclear unit is operating at 62% capacity on the day, down 38%. The plant experienced a problem when one of the plant's two reactor recirculation pumps slowed unexpectedly, causing a decrease in power.

ERCOT – The 750 Mw Martin Lake 2 coal-fired power unit returned to service early this morning following an October 29 outage to repair a boiler tube leak.

MAIN – The 800 Mw Dresden2 nuclear unit has cut power running at 20% capacity on the day. The unit was reduced at 2:45 AM CT this morning after experiencing higher than normal vibrations in the turbine. Dresden 3 is also offline but for refueling.

MAPP – The 580 Mw Duane Arnold nuclear unit ramped output to 84% capacity early this morning. The unit was running at 17% capacity after exiting a work outage that begun on October 25 to repair a small leak in the condenser.

NPCC – The 825 Mw FitzPatrick nuclear unit is currently operating at full power, up 7% on the day. The plant shut September 27 for a standard refueling and maintenance outage.

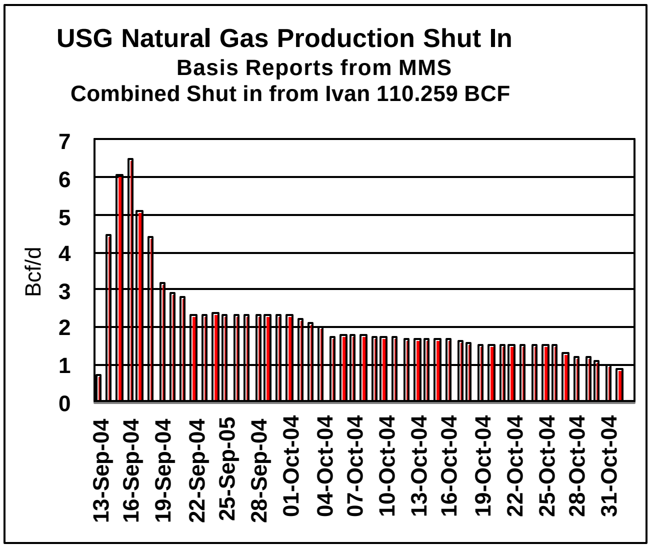
SERC – The 1,129 Mw Catawba 2 nuclear unit exited an outage over the weekend and is currently operating at full power. The unit shut on October 28 after an electrical fault caused control rods to drop into the core.

The 812 Mw Surry 1 nuclear unit shut early this morning for a planned refueling outage. The unit was running at full power on Friday.

WSCC – The 530 Mw Moss Landing 1 and 2 natural gas-fired power units were shut-in by early Sunday. On Friday, unit 1 was curtailed by 260 Mw, while unit 2 was available for service.

Based on the latest NRC reports, total nuclear generation output this morning reached 77,710 Mw down 213 Mw or .27% from Friday's levels. Total generation was some 3.04% lower than the same date a year ago.

May when problems were discovered with the joints. Temporary repairs took until June 28th when production was resumed.



The U.S. Minerals Management Service reported today that U.S. oil production in the Gulf of Mexico that has been shut in following Hurricane Ivan had been reduced by some 103,339 b/d this morning, and stood at 224,033 b/d. The agency reported that some 295 Mmcf/d of shut in natural gas production returned over the weekend, and now just 904 Mmcf/d of production remained shut in. A total of 26.99 million barrels of crude oil and 110.2 bcf of natural gas production has been shut in since mid-September.

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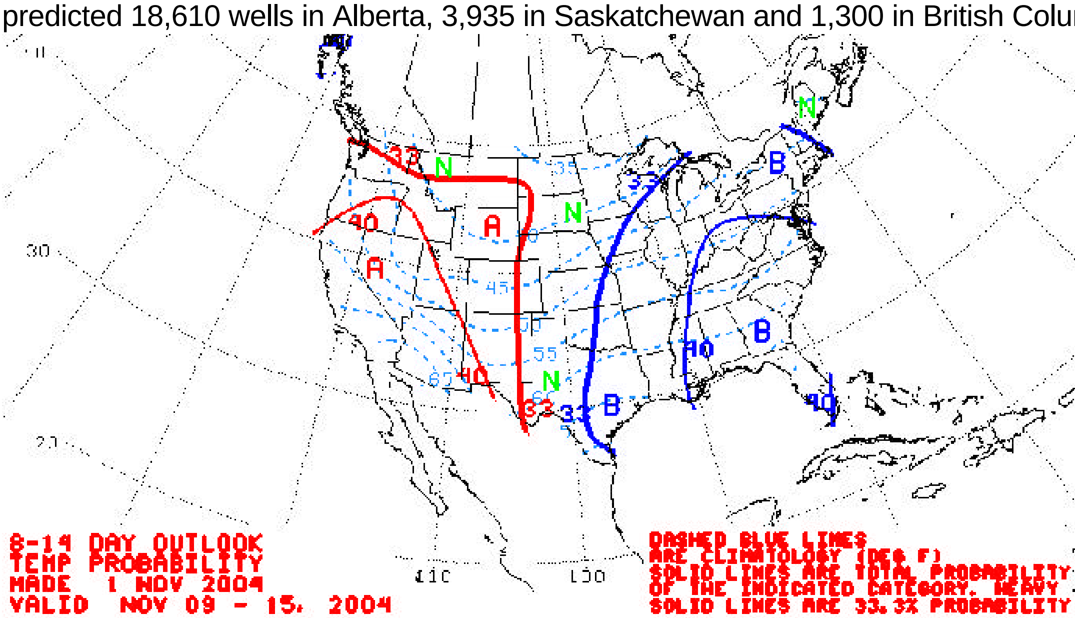
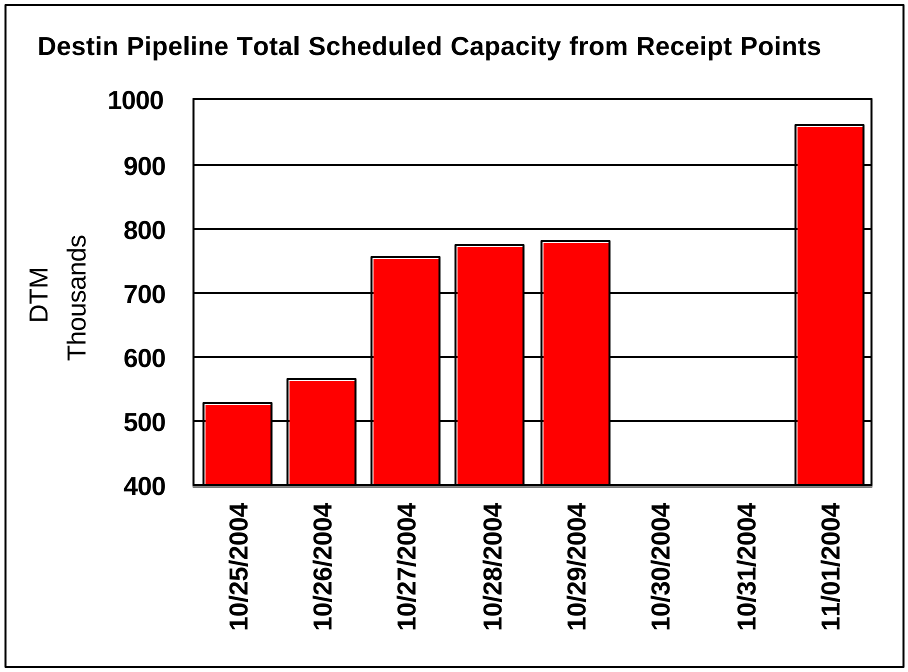
The number of oil and gas wells to be drilled in Canada next year could increase 8% to a record because of a surge in coal-bed methane activity, the oil field service industry predicted last week. The Petroleum Services Association of Canada also slightly reduced its 2004 well count production due to wet summer and autumn weather, which hampered drilling in western Canada. The group forecast 24,035 wells in 2005, with about 3,000 of those targeting the methane gas in Alberta coal seams, a relatively new focus for Canadian energy companies that are flush with cash from soaring oil and gas prices. " The petroleum industry is running flat-out, as it has been for the last couple of years. There's plenty of equipment; the limiting factor for more wells continues to be a lack of skilled labor," association president Roger Soucy said. The group predicted 18,610 wells in Alberta, 3,935 in Saskatchewan and 1,300 in British Columbia in 2005.

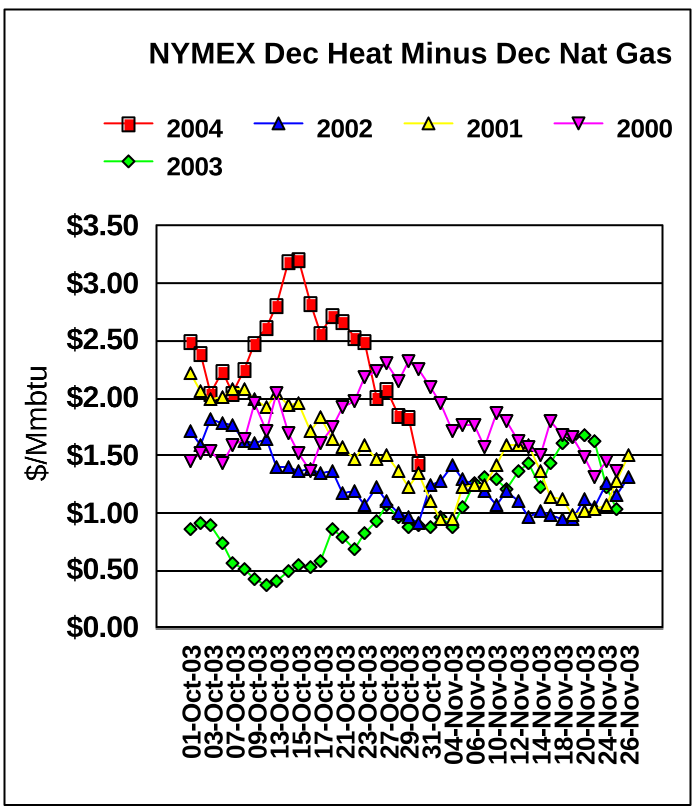


Looking for an experienced global industry player and perhaps indicating a shift of potential gas supply sources, Houston-based Crystal Energy, LLC, announced last week that it has an "in-principle agreement" with Australian-based Woodside (USA) Energy Inc. to develop Crystal's proposed LNG receiving terminal off the coast of Oxnard along the part of Southern California's coast dotted with offshore oil platforms. Crystal originally proposed bringing Alaskan gas supplies through its terminal.

Calgary-based TransCanada Corp. stated it had completed its acquisition of Gas Transmission Northwest Corp. from National Energy & Gas Transmission Inc. for $1.7-billion, including $500-million of assumed debt. The principal assets of GTNC are the Gas Transmission Northwest and North Baja pipeline systems. TransCanada CEO Hal Kvisle said the acquisition is an "excellent strategic fit" for the company,. "TransCanada has a long-term commitment to serve the Pacific Northwest and California markets," he said, adding that the "Western Canadian Sedimentary Basin represents a large and stable supply of natural gas and over the past few years we have expanded our pipeline systems to better serve the Pacific Northwest and California. We're also well-positioned to transport frontier supplies from the Mackenzie Delta and Alaska to these markets."



The U.S. government expects to release a draft management plan next week that will detail its plan for natural gas drilling in an environmentally sensitive area in western Colorado known as the Roan Plateau. The Bush administration has marked the Rocky Mountains as an area where it wants to see more oil and gas development to lessen domestic reliance on imported energy, but environmental groups have been fighting the plans in a number of Western states. The U.S. Bureau of Land Management anticipates its draft management plan for the area to be released the week of November 8th.



PIPELINE RESTRICTIONS

TransColorado said that PIN 40379, Southern Trails is at capacity for delivered volume today. Authorized overrun, interruptible flow, and secondary volumes are at risk of not being scheduled.

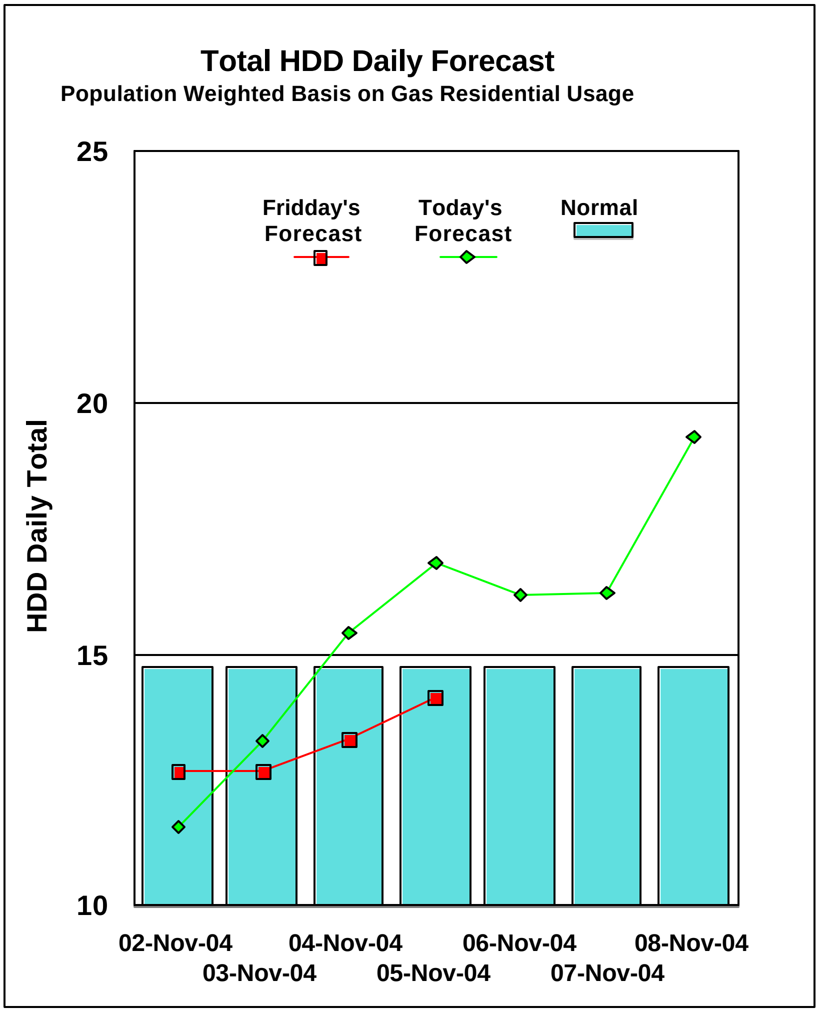
Trailblazer Pipeline Company said it has limited capacity available for transports going eastbound through Station 601. Limited increases to interruptible flow, authorized overrun, and secondary out-of-path firm transport volumes are available to the extent primary in-path and secondary in-path firm transport volumes are unutilized.

Alliance Pipeline announced that due to mechanical difficulties at the Scotford Receipt Point, station capacity at this facility has been constrained until further notice. 1

PIPELINE MAINTENANCE

Natural Gas Pipeline Company of America said maintenance on one of the compressor units at Station 346 scheduled for November 2-23, is now scheduled for a later date toward the end of November. NGPL did not specify an exact date as of yet.

A new interconnect between Vector Pipeline and Guardian Pipeline near Joliet in Will County, Ill. is now available for service. With a design capacity of 100 MMcf/d, the Joliet interconnection is expandable to 400 MMcf/d. The 42-inch Vector Pipeline transports Western Canadian natural gas from the Chicago market hub in Joliet to the hub at Dawn, Ontario, providing access to markets and storage in the upper Midwest and eastern Canada.



Williston Basin Interstate Pipeline Company stated that due to maintenance on compressor units at Elk Basin Plant, Point ID 05800 WBI – Aggregate Storage Injection might potentially be affected. The maintenance is slated for November 3-19.

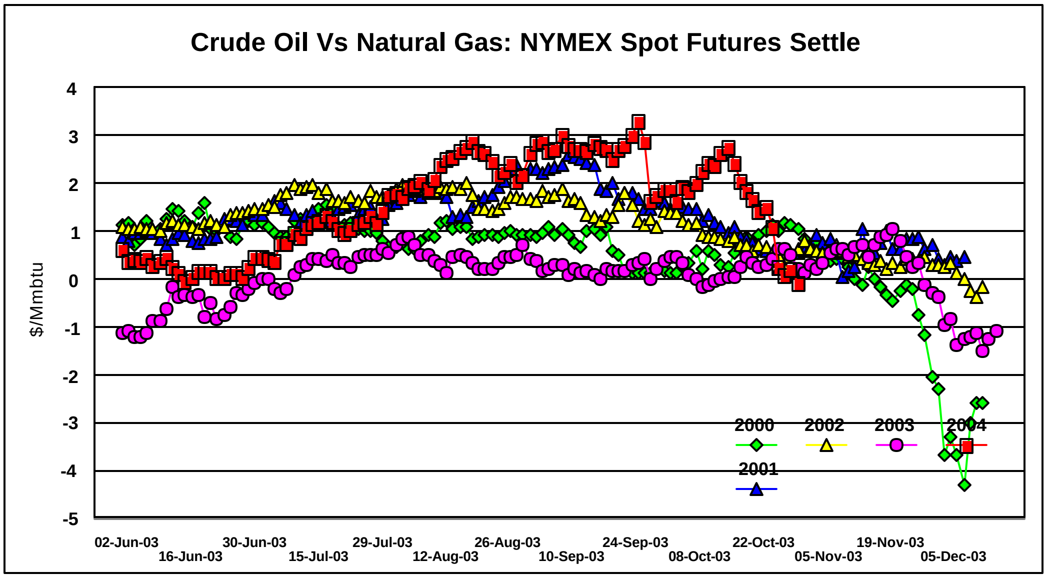
ELECTRIC MARKET NEWS

Merrill Lynch & Co announced today it had completed its acquisition of the energy trading businesses of Entergy-Koch, LP, a venture of Entergy Corp and Koch Energy, a subsidiary of privately owned Koch Industries Inc. Merrill said the energy trading business will operate as the Global Commodities group, a wholly owned unit with Merrill Lynch's Global Markets & Investment Banking Group. The Entergy-Koch Trading management team will continue to run the business at Merrill, the company said. Entergy-Koch, LP's natural gas pipeline and storage business is not included in this transaction but is being offered for sale by the venture. Merrill is believed to have paid roughly $1-billion for the trading operations.

The U.S. FERC told 11 utilities, including Southern Com and Entergy, that their applications to sell power at market-based rates were deficient and ordered them to address these shortcomings by November 18. In a slew of orders Friday, FERC said certain utilities, like Southern, did not completely abide by the agency's new generation market power screens while others, like Entergy, did not file enough information to support its claims that it does not have market power. The orders were in response to the companies' applications to renew their ability to sell wholesale power at market-based rates. The FERC in April unveiled a new multi-pronged screening process that the applicants must pass before the agency grants them market-based rate authority.

The DC Pacific Intertie remained shut for a major overhaul while southbound capacity on the AC line is due to be restricted to only 2900 Mw on Tuesday down from Monday morning's level of 4,800 Mw.

MARKET COMMENTARY



The natural gas market gapped higher this morning as bulls stampeded back into this market as near term weather forecasts for this week turned colder than those expected from Friday, as well as the 8-14 day forecast continued to call for the movement of colder than normal temperatures into the eastern half of the nation. While prices quickly matched Thursday's highs of $9.20, bulls were unable to challenge this resistance point as oil prices plunged into a free fall this morning and dragged natural gas values grudging down with them. While prices stagnated for much of the late morning and afternoon, they were still able to finish up on the day except for the December contract, which was off only a half of a cent. Final volume on the day was relatively light considering the price volatility throughout the energy complex, as just 48,000 futures changed hands today, with spreads accounting for 37% of the total activity. Spot natural gas futures values finished at a price premium relative to the crude oil for the first time since last January, while the December heating oil's price premium relative to natural gas shrank by another 40 cents today, falling back into seasonal norms. Given natural gas's relative high stock situation and heating oil's less than ample supply, one may begin to look to be a scale up buyer of heating oil and seller of natural gas looking for this spread to widen back out by the end of this month.

We would look for natural gas traders to continue to watch closely the weather reports, and given tonight's NWS latest 8-14 day temperature outlook one should expect them to hold a bullish bias tomorrow. But if oil should free fall once again, natural gas will have no choice but to follow it lower. We see support in the natural gas market tomorrow at $8.61 followed by $8.575, $8.53, $8.417 and the gap at $8.38-$8.35. Resistance we see at $9.20 once again followed by $9.41, $9.46 and $9.792.