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POWER MARKET REPORT FOR NOVEMBER 16, 2004

NATURAL GAS MARKET NEWS

Energy consultants, Energy Security Analysis said today that that continuing weakness in the oil markets should put downward pressure on natural gas prices, but fears of a cold snap and recent winter market price histories are expected to provide strong support to the natural gas market around $6.50.

The U.S. producer prices jumped by 1.7% in October, which is the sharpest monthly increase for almost 15 years and driven by sharply higher energy and food prices. Economists were more worried by a rise in underlying prices excluding volatile food and energy, which climbed by 0.3%. The gains were broad based and included strong rises in agricultural machinery and office equipment.

A unit of Cinergy Corp. has agreed to pay a $3 million civil penalty to settle charges it falsely reported trading information on natural gas deals, according to the Commodity Futures Trading Commission. The CFTC said that from at least August 2000 – July 2002, 2 traders at Cinergy's natural gas trading desks reported "false, misleading and knowingly inaccurate natural gas trading information" to publications owned by McGraw-Hill's Platts unit. The information was sent by e-mail and over the telephone to Platts' "Gas Daily" and "Inside FERC" publications. The false information could also affect prices of natural gas futures contracts traded at the NYMEX. The company agreed to pay the penalty without admitting or denying the CFTC's charges.

El Paso Corp. today said it bought call options, which place a floor price on part of its natural gas production, to manage its exposure to fuel prices. The options apply to a portion of El Paso's 2005 and 2006 natural gas production. As a result, El Paso will receive a minimum of $6 per MMBtu for 60 TBtu of 2005 production and 120 TBtu of 2006 production. The Houston-based company also said its debt, net of cash, totaled about $17 billion, as of September 30, compared with about $22 billion at the same

Generator Problems

ERCOT – The 528 Mw Welsh 2 coal-fired power unit will restart soon after planned maintenance from November 17-21. The unit was originally scheduled to be shut November 12-15 for work on the boiler and precipitator.

NPCC – The 670 Mw Pilgrim nuclear unit is currently running at 63% capacity, down 37% on the day. The unit was down-powered to conduct a condenser backwash, which includes flushing out blue muscles that collect in the plant's condenser from the Atlantic Ocean. The reduction is scheduled for just today.

SERC – The 888 Mw Farley 1 nuclear power unit started to exit a refueling and maintenance outage currently operating at 12% capacity. The unit shut on October 4 for the outage.

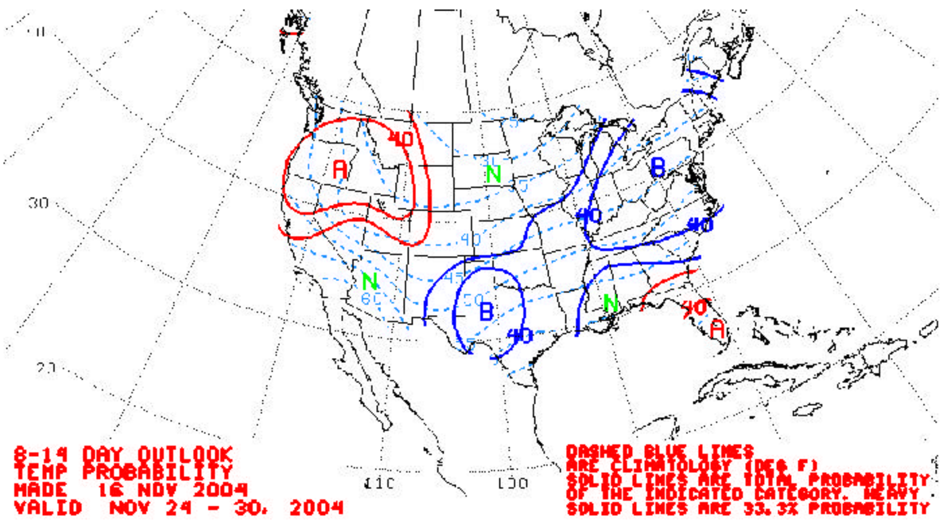
WSCC – The 1,020 Mw Big Creek hydropower project was curtailed today by 530 Mw. Late Monday, the unit was curtailed by just 175 Mw.

Based on the latest NRC reports, total nuclear generation output this morning reached 79,453 Mw down 99 Mw or .12% from yesterday's levels. Total generation was some .63% lower than the same date a year ago.

time last year. The company will provide more details about its balance sheet and other financial items during a December conference call.

According to the Interior Department, US peak crude oil production in the Gulf of Mexico is expected to increase 44% over the next decade while natural gas production is expected to increase by 13% due to federal incentives encouraging energy companies to drill in deeper waters. Gulf oil production will increase to 2 million bpd in 2006, up from this year's 1.562 million bpd. It said production could reach 2.248 million bpd in 2011.

The U.S. Census Bureau reported today that nearly 57% of U.S. homes in 2003 used natural gas or propane as the main heating fuel. More than 30% of these gas heated homes are located in the Midwest.



PIPELINE RESTRICTIONS

Destin Pipeline Company stated it has lifted the previously posted operational constraint and that all producers may produce and nominate their full production into Destin.

Southern California Gas Company has declared an Operational Flow Order for today. SoCalGas will limit all nominations to the Transportation Service Access Quantity in the fourth operating cycle.

Texas Eastern Transmission Corp. said that the 24-inch system between Longview and Fagus has been nominated to capacity. No increases of physical supply will be accepted between Longview and Fagus.

Colorado Interstate Gas Company said that its storage injection situation has not improved and inventory levels continue to approach operational limits. Therefore, CIG is issuing an Operational Flow Order for the transmission system to be effective at the beginning of November 17 and remaining in effect until further notice.

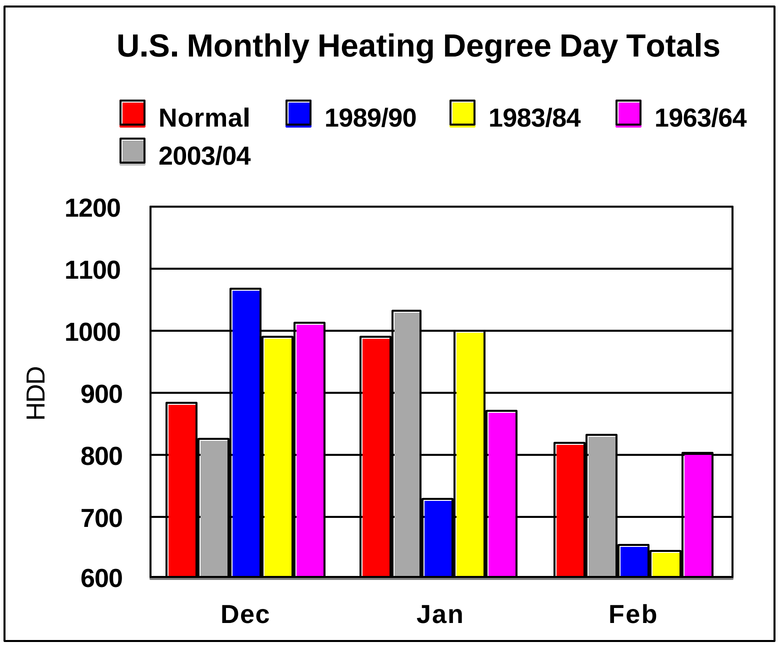
Trunkline Gas Company said that on November 16 at 9:00 AM CT, the Cypress pipeline will be shut-in for 7 days to complete final repairs and perform a hydrostatic test. During this second outage, Trunkiline will be unable to schedule receipts and deliveries between the Cypress Station and GV 34. Also during this second outage, all receipts upstream of the Cypress Station must have nominated deliveries upstream of Cypress. Presently, Trunkiline expects to return to normal operating conditions on November 24 at 9:00 AM CT.

ANR Pipeline Company said that based on current and projected operational conditions, effective today, ANR will allow daily injections to DDS, MBS and Overrun injections into Firm Storage Service accounts. Total daily injection capacity is limited to 400 MMcf/d and ANR will continue to closely monitor storage activity. Additionally, ANR will no longer restrict the daily parking of volumes under rate schedule IPLS. Also, DDS and MBS customers must still ensure that their account balances are not greater than the August 18, 2004 level by the end of the gas day October 31. In addition, ANR will continue restricting daily parking of volumes under rate schedule IPLS. Loan volumes under IPLS will not be affected.

PIPELINE MAINTENANCE

Shell Gas Transmission is informing customers of a rescheduling in November work. Since ANR Pipeline Company has rescheduled repair work at Eugene Island 199 to November 20-28; Garden Banks will be unable to accept nominations for delivery to ANR at its Meter No. 992106. All other delivery points on Garden Banks will be available for gas deliveries.

Florida Gas Transmission said that today and November 18 it will be performing pipeline maintenance on the 24-inch mainline between compressor stations 6 and 7 in Zone 1. The maintenance will take approximately one day for both of the days of maintenance. During this work FGT will schedule up to approximately 150 MMcf/d through station 7. During normal operations FGT schedules up to 467 MMcf/d through station 7. These outages were originally scheduled for November 16 and November 19.



ELECTRIC MARKET NEWS

The EIA reported today that U.S. spot market prices for coal were basically unchanged last week. Spot prices remained near record highs in the Central Appalachia and Illinois Basin and near record highs for Northern Appalachia. Sales though remained slow due to limited power market demand and some operating problems within the Central Appalachia supply chain.

MARKET COMMENTARY

The natural gas market this morning opened a couple pennies higher helped in part by early morning buying on Access that had sent December futures as high as $7.569 before the close of the electronic session. After the opening though prices failed to gain any real traction to the upside as prices failed to breach resistance at $7.50. As a result before the first hour was out, traders began to liquidate some of their length and prices began to sag and the selling pressure began to pick up once prices moved below $7.40-$7.37 level as some longs from yesterday rushed for the exits. While prices initially found some support around the $7.20 level before lunch, this support level was breached in the afternoon as the momentum to the downside just kept rolling along and by the end of the day most of yesterday's gains had been erased. Final futures volume was estimated at 74,000 contracts, slightly better than yesterday's activity during an up session.

This market though is extremely nervous and jittery as traders continue to focus on the horizon for the next intermediate term weather forecast. Today's price action was no different. Despite seeing near term forecasts even warmer than forecasted just yesterday, the market continues to focus on next week and beyond. While there lacked a consensus on this forecast today, tonight's NWS 8-14 day temperature outlook may offer bulls a bit more to hang their hats on tomorrow, even though government forecasters continue to talk about poor model agreement and tonight assigned the lowest confidence factor to the forecast. Accuweather forecasters though continue to talk about cold temperatures moving in later next week and being reinforced at the end of the week and into the following week. Their main forecaster continues to look at the developing weather pattern change similar to those experienced around Thanksgiving during the years of 1963,1983 and 1989. This weather pattern change all led to severely cold Decembers. He noted that the 1963 analog is potentially a strong match to this current year, given that period saw a relatively weak El Nino pattern similar to the current pattern in the Pacific. As a result we feel the risk-reward for continuing to hold a short position in this market just is not warranted at this time. While we continue to look for prices to remain on the defensive over the next couple of days, especially with the prospects of a bearish the EIA storage report continuing to press on this market, we feel the downside potential is just too limited given risks of a potential explosive upside price spike once a consensus forecast emerges between government and private weather forecasters of the first outbreak of prolonged winter like temperatures taking hold. As a result we would prefer to move to the sidelines of this market. One could take a light long call position in either the December or January contracts at a $8.00 strike level.

We see support in this market tomorrow at $7.05, $7.00-$6.98. We see additional support at $6.86, $6.79-$6.76 and $6.505. Resistance we see at $7.20, $7.27, $7.50, followed by $7.65, $7.925 and $8.22.