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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR NOVEMBER 17, 2004

NATURAL GAS MARKET NEWS

The president and CEO of Dominion Resources warned Wednesday that U.S. natural gas production cannot escape near-term decline even if companies expand exploration. He felt that the U.S. does not have the infrastructure to "drill that many wells". He said that LNG will be required to make up some of the supply short fall.

Shell U.S. Gas & Power announced today that it has entered into a purchase and sale agreement with Enbridge for the sale of Shell Gas Transmission, which includes a majority of Shell's Gulf of Mexico natural gas pipelines, for $613 million. Shell Gas Transmission owns or has an interest in 11 Gulf of Mexico natural gas pipelines in operation or under construction currently. These pipelines have a landed capacity of some 4.7 bcf/d. The sale is expected to be completed by the end of the year.

ChevronTexaco reported today that it is seeking to site a LNG import facility at its Pascagoula, Mississippi refinery. The project still requires approval from the company's management, but the company has already begun talks with the Coast Guard, the FERC and other permitting agencies.

Speaking at a trade and shipping conference today, Jeremy Hodgson, of

Generator Problems

ERCOT – TXU's 575 mw coal fired Unit #1 at the Big Brown Steam Electric Station was expected to be restarted this evening following a monthly long outage for maintenance.

NPCC – Entergy's 825 mw FitzPatrick nuclear unit saw output cut by 6% to 94% of capacity this morning due to a rod pattern adjustment. Operators hoped to have the unit back to full power later Wednesday though.

Entergy's 670 mw Pilgrim nuclear #1 unit returned to full power by this morning, up 37% from Tuesday's operating levels.

PJM – FirstEnergy Nuclear's 821 Mw Beaver Valley nuclear unit #1 was at 40% capacity this morning, up 10% from yesterday's levels.

ECAR – Consumers Energy restarted its 792 Mw Palisades nuclear reactor. The unit was at 8% of capacity this morning. The unit was taken off line for refueling and maintenance back on September 19th.

SERC – Progress Energy's 900 Mw Harris #1 nuclear unit was 6% of capacity this morning as operators attempt to restart the unit once again.

Canada – OPG's Darlington #3 nuclear unit returned to service early Wednesday. The unit had been off line since October 7th for planned maintenance. The company's 285 Mw coal fired Lakeview #5 unit though went off line.

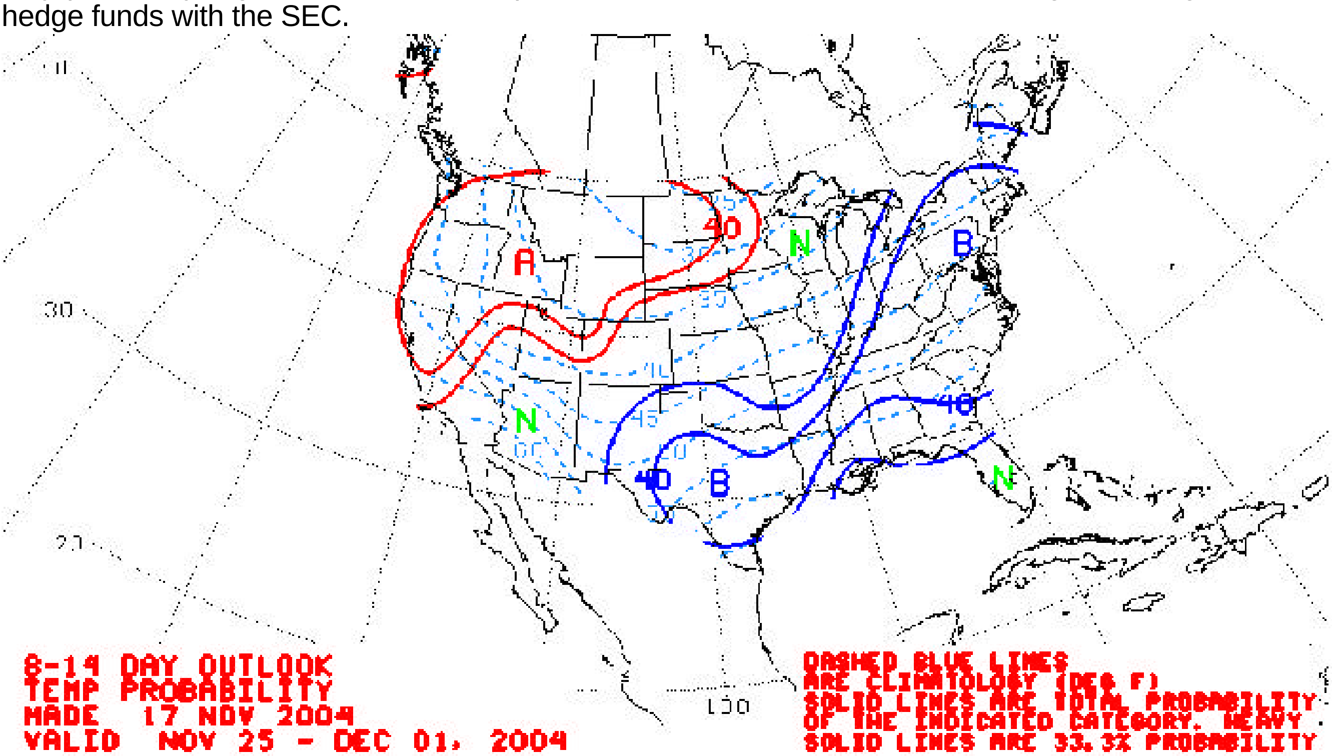
WSCC –California Department of Water Resources reported that the 933 Mw Hyatt-Thermalito hydro plant was shut early Wednesday for planned reasons. Operators had curtailed power output from the plant by 50% last night.

Based on the latest NRC reports, total nuclear generation output this morning reached 79,870 Mw up 417 Mw or 0.5% from yesterday's levels. Total generation was some 0.6% lower than the same date a year ago.

Cal ISO reported that 9,601 Mw of generating capacity was out of service, up 247 Mw from a day earlier.

Deutsche Schiffsbank said surging demand for LNG has spurred energy firms to place orders for 64 ships this year alone, representing 80% of the world fleet. The current world order book stands at 105 new carriers. He noted that the biggest vessels were now able to carry 250,000 tons of gas. These vessels are costing as much as $280 million to build. Deliveries of these vessels are set to peak in 2007.

The Industrial Energy Consumers of America sent a letter to the heads of Congress today urging Congress to reign in hedge funds and speculators and change energy market rules to more closely resemble agricultural commodity markets. The group stated " the energy market needs greater oversight so that it operates efficiently and serves the interest of the public rather than unregulated speculators who are becoming an increasingly dominant player." The IECA wants the CFTC to return to its role of approving changes to the NYMEX futures contracts after study and evaluation. The group notes that the current price limit of $3 per Mmbtu in natural gas is too large and a five minute cooling off period is too short. The group also wants to cut the present 12,000 contract limit, arguing that 12,000 net contracts allows for too much individual market power. The group also called on the CFTC and the SEC to make the market more transparent by identifying traders beyond "one look back" arguing that traders seeking to manipulate the market can too easily hide behind banks and investment houses. Finally the group called for an end to CFTC officials taking jobs with companies they previously regulated as well as expansion of the CFTC's enforcement budget and registration of hedge funds with the SEC.

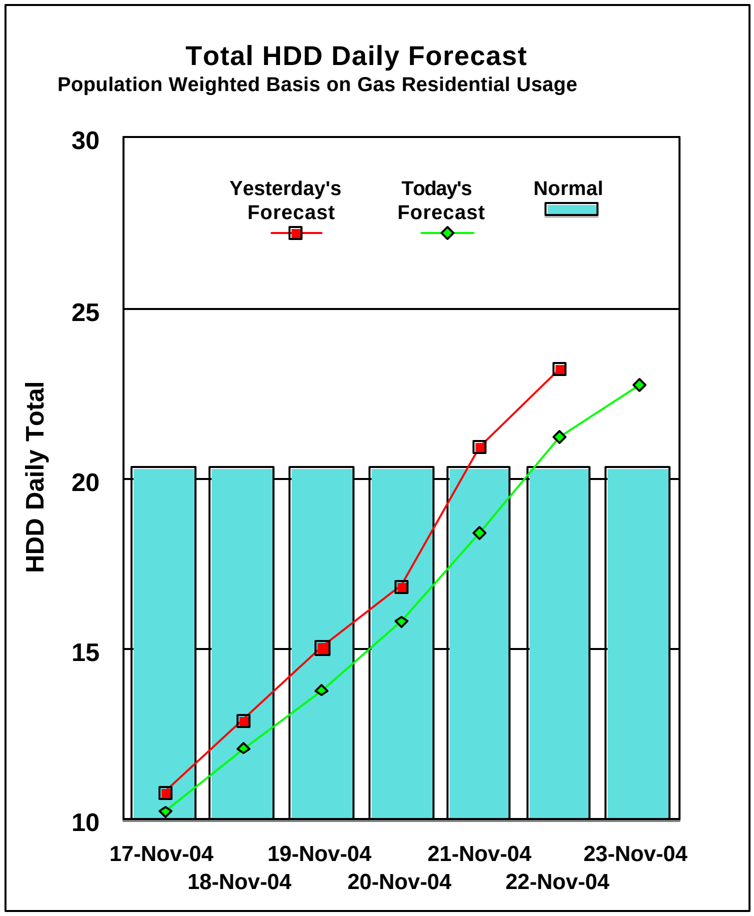


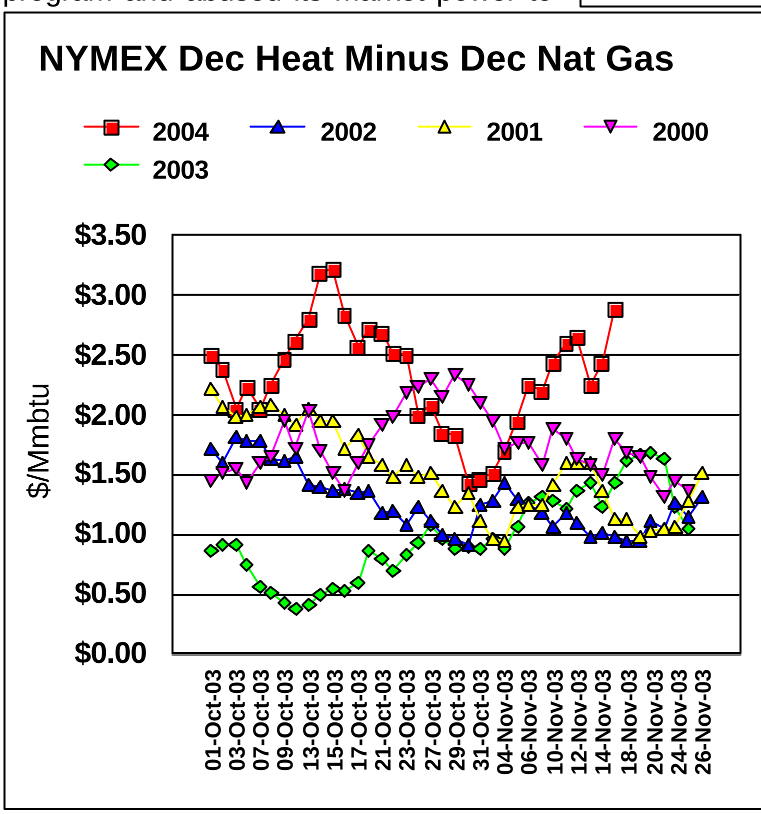
The American Public Power Association said today that natural gas customer groups "remain suspicious" of price manipulation, despite the fact that neither the FERC nor the CFTC has found evidence that gaming was responsible for any recent spike in gas prices. The group noted that after a year of staff reports and technical conferences, the FERC still has not made a "final decision on key questions regarding gas price" indexes, including whether its pricing data should be independently audited, whether the commission should have access to the data or whether counterparty information must be reported. In addition the group said that while the FERC has not "definitively ruled out mandatory reporting or data collection by a third party, it appears to be focusing on "monitoring data reporting to see if its voluntary guidelines are sufficient to ensure valid indices, free from market manipulation".

CCE Holdings, a joint venture of Southern Union and GE Commercial Finance Energy Financial Services completed their acquisition of CrossCountry Energy from Enron today. The group paid $2.45 billion in cash and assumed debt.

El Paso Corp today filed its formal application with the FERC seeking authority to build the U.S. leg of its proposed Bahamas-to-Florida Seafarer natural gas pipeline.

The California Public Utilities Commission late Tuesday issued its proposed decision on its investigation of alleged price manipulation of the California-Arizona border wholesale natural gas price during the 2000-2001 western energy crisis. The decision finds that Sempra's Southern California Gas unit allegedly "manipulated" its incentive gas-buying program and abused its market power to drive up wholesale border prices and to increase price volatility.





PIPELINE RESTRICTIONS

Southern California Gas Company declared an OFO for today. The company was limiting all nominations to the Transportation Service Access Quantity in the fourth operating cycle. Customers must ensure that all deliveries into the system are within 110% of expected usage.

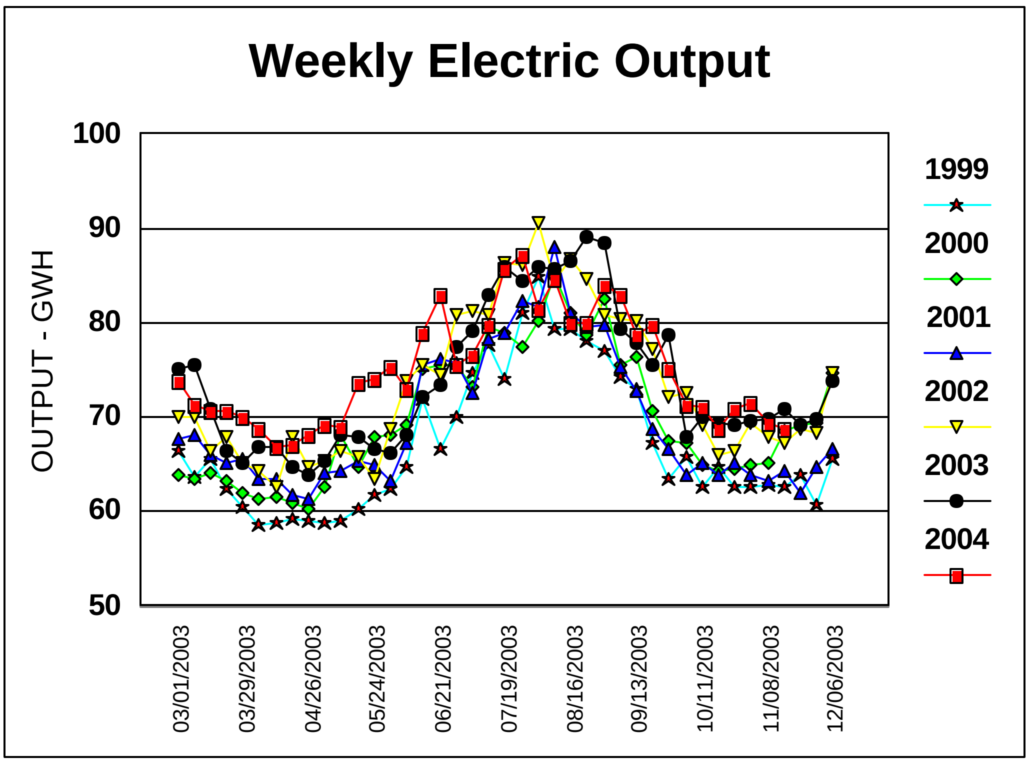
Texas Eastern reported that it is at capacity for rate zones STX, ETX and M1-24 inch system.

NGPL reported that the ANR South Joliet #2 is at capacity for deliveries. Therefore increases to ITS/AOR and Secondary firm transport volumes are at risk of not getting scheduled. The company also noted it was at capacity for transportation going northbound through and downstream of Compressor Stations 109 and 110 and through Compressor Station 801. ITS/AOR and secondary out of path are at risk of not being scheduled. Deliveries to Florida-Vermillion were also at capacity today.

PIPELINE MAINTENANCE

Alliance Pipeline reported the Estlin Compression Station would be offline for 10 hours starting Thursday, November 18th at 9:00 AM. The outage is to facilitate the removal of performance testing equipment and minor routine maintenance. System throughput will be reduced. The company also announced it will be conducting inspections at certain compression stations along their mainline over the next several weeks. Given that there is back-up compression at several of these stations it is anticipated many of the inspections will not impact authorized overrun service.

Kern River Pipeline said today that its Goshen meter station, near Elberta, Utah is being expanded and modified with an anticipated in-service date of December 1st. The station currently has a receipt only design capacity of 300 Mmcf/d. Following the work the meter station will be bi-directional and will have a receipt capacity of 422 mmcf/d and a delivery design capacity of 367 mmcf/d.



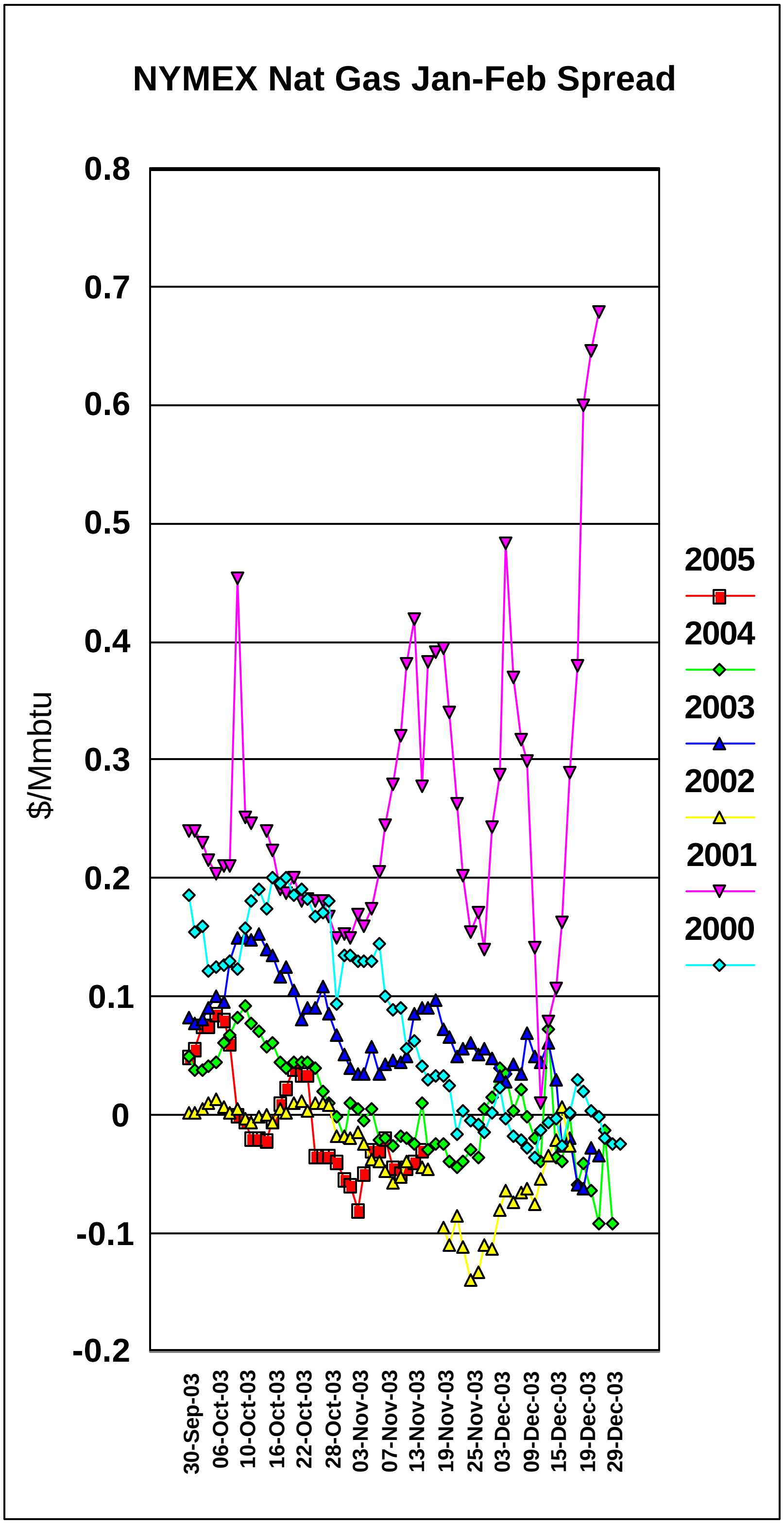
Williston Basin Interstate Pipeline said that maintenance at the Baker Booster Compressor Plant has been extended from November 23rd to December 7th. During this unplanned maintenance the Grasslands Mainline may potentially be affected, but the company does not anticipate any restrictions at this time.

Trailblazer Pipeline said that on December 7th, it will perform maintenance on unit #1 at Station 602 in Lincoln County, Nebraska. Interruptible flow, authorized overrun and secondary out of path transports from Segment 10 may be at risk. Primary and secondary in path transports though should not be affected.

Questar Pipeline said it has scheduled automation work to be performed at the Oak Spring compressor station for December 7th. To facilitate the work, the company has reduced the ML 104 scheduling point to 100 Mmcf/d in cycles 1 and 2. Capacity will return to 275 Mmcf/d in cycles 3 and 4. Based on current nominations, this represents a 63% reduction in primary to primary nominations.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that electric production in the continental U.S. for the week ending November 13th declined by 1.1% from the previous week and stood at 68,651 Gwh. This output level was some 2.99% below the same period a year ago. For the first 46 weeks of this year power production is up 1.8% over year ago levels.

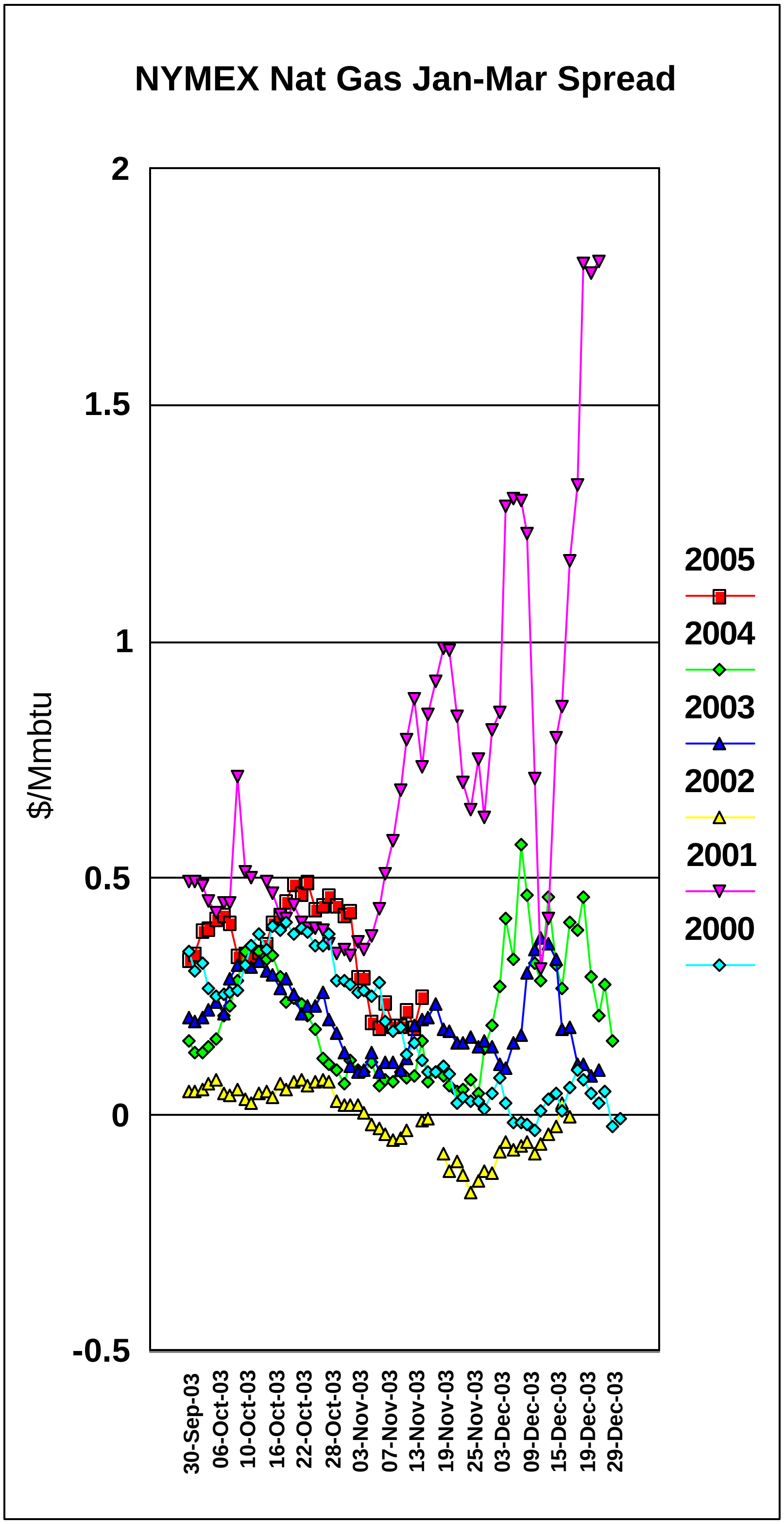


Northbound capacity on Path 15, the key transmission link between northern and southern California, is due to be limited to some 1500 Mw for parts of the peak hours on Thursday, down from a capacity limit of 3000 Mw for the rest of the day.

A California Public Utilities Commission administrative law judge yesterday approved the long-term power procurement plans submitted by that state's three investor owned utilities, PG&E, Southern California Edison and San Diego Gas & Electric. The judge found the plans to be reasonable and authorized utilities to enter into short-term, mid-term and long-term contracts, with contract delivery start dates through 2014. It also said that contracts with duration of three years or longer must be submitted to the PUC for pre-approval. The order also outlines that the utilities in their monthly risk reports show the transactions they enter into are in compliance with their procurement plans. Also their all-source solicitations must be open to all resource types, including turnkey power plants. The draft decision should receive final consideration by a commission vote at its December 16rth meeting.

MARKET COMMENTARY

The natural gas market today opened lower as near term weather forecasts continued to moderate and point to little or no heating demand across the nation for much of the next week. The futures market though received a boost following the release of bullish heating oil inventory statistics, which saw heating oil stocks decline for the ninth consecutive week in a row. While heating oil prices soared throughout the day, the natural gas market could barely keep itself positive on the day, despite heating oil prices soaring by over eight cents per gallon. Volume on the day was moderate at best with just over 65,000 futures traded, as most traders appeared content to await tomorrow's EIA Storage Report.



Market expectations for tomorrow's storage report appeared to be pointing to the season's first storage withdrawal of 10-15 bcf. We though see a more bearish number of unchanged to only a 2 bcf decline for the week ending November 12th. Last year the market saw a 32 bcf build while the average for the past five years has been for an injection of 12 bcf.

With the cash market remaining under pressure due to overflowing storage levels and pipelines, we see this market unable to find sufficient numbers of bulls to sustain a new move to the upside without weather. Given our expectation for a bearish inventory report tomorrow, and the potential for oil prices to retrace at least some of their gains we feel that this market could once again challenge the $7.00 price level tomorrow. But we remain fearful that this market still has explosive upside potential for once the weather changes, especially as you continue to look at forecasts that call for a weather pattern that historically looks to a significantly colder December. As a result we would look for any price pull back to be a buying opportunity via the January-March spread on a scale down basis starting at 20 cents Jan premium or a buyer of the Jan-Feb spread at a 4 cent Jan discount.

Flat price we see minor support tomorrow at $7.20 followed by $7.05-$7.03, $6.98. We see additional support at $6.86, $6.79-$6.76 and $6.505. Resistance we see at $7.36, $7.46, $7.50, followed by $7.65, $7.925 and $8.22