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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 1, 2004

NATURAL GAS MARKET NEWS

The EIA late yesterday released its latest Natural Gas Monthly report and it showed that in September, domestic production of natural gas stood at 49.9 bcf/d down some 3.6% from August and 4.6% less than the same month a year ago. Imports were estimated at 8.9 bcf/d off 7.7% from August, but off only 1.8% from September 2003. Consumption was estimated at 47.6 bcf/d down 4.25% from August but 3.3% better than the same month a year earlier. The gains in consumption came from the industrial and electric generation sector which saw demand grow by 1.45% and 12.9% over September 2003 levels. Residential and commercial sectors though saw demand off 2.3% and 10% respectively versus year ago levels.

The Federal Reserve said today that the U.S. economy continued to expand over the period of mid-October through mid-November. Manufacturing and the service sectors activity across the country increased as business lending improved.

Panhandle Energy's Lake Charles LNG terminal in the Gulf of Mexico is expected to return to service on December 6th, following completion of planned expansion work. The site has been shut since November 22nd for the expansion work.

The FERC staff today gave initial approval to a draft environmental impact statement submitted by Keyspan LNG to convert a Rhode Island LNG storage facility into an import terminal. The project plan calls for increasing existing vaporization capacity to 525,000 Mcf/d from 150,000 Mcf/d and providing 375,000 Mcf/d of "new firm reliable baseload supply of natural gas to Rhode Island and New England region."

Generator Problems

ERCOT – The 560 Mw Big Brown 2 coal fired power plant tripped off line Tuesday due to backpressure on the condenser. The unit was expected to be restarted sometime late Tuesday.

SERC – The 693 Mw Turkey Point 3 nuclear unit restarted this morning and is currently warming up offline at 1%. The reactor originally shut in late September for a 2-month refueling outage that included replacing the reactor vesselhead and inspecting bottom mounted instrumentation.

WSCC – All five coal fired units at APS' Four Corners power plant in New Mexico were shut Tuesday due to an apparent breaker fault. The 740 mw Unit #4 and Unit #5 remained down Wednesday, while the three smaller units were back in service today.

The 790 Mw Unit #2 at the Mohave coal fired plant remained off line Wednesday.

Based on the latest NRC reports, total nuclear generation output this morning reached 87,121 Mw up 34 Mw or .04% from yesterday's levels. Total generation was some 2.67% higher than the same date a year ago.

Cal ISO reported that 11,996 Mw of generating capacity were off line this morning, up 987 Mw from yesterday.

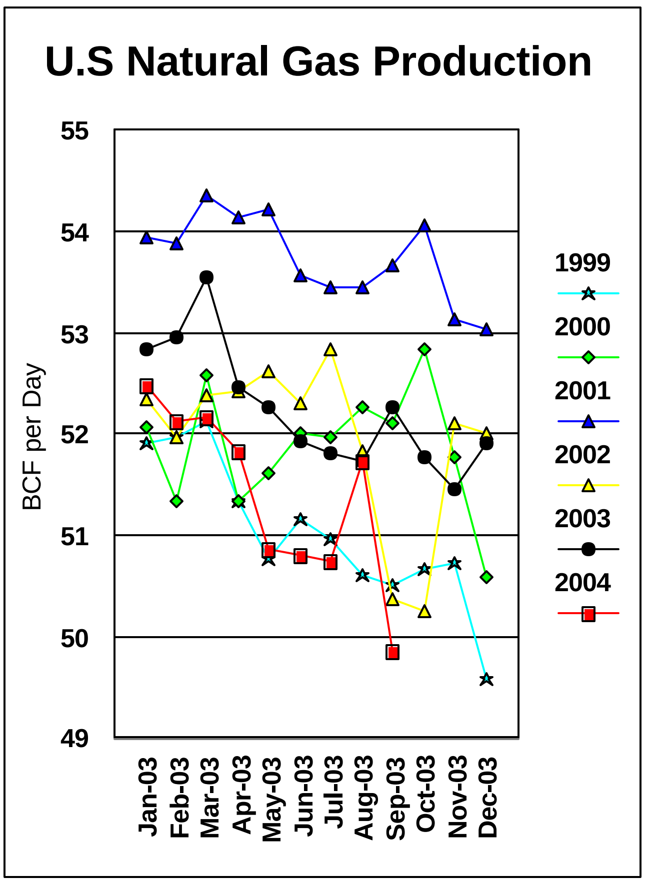
An EIA official said today that the agency's new natural gas production survey, which scheduled to begin in January with its first release of data at the end of April, should fill a substantial need in the gas market and should be as important as the EIA weekly gas storage report.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that it is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Increases to interruptible flow, authorized overrun and secondary out-of-path transportation volumes are at risk of not getting scheduled.

Trailblazer Pipeline Company declared that 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.

El Paso Natural Gas Company said effective immediately, it is declaring an Unauthorized Overpull Penalty situation due to the fact that the Washington Ranch storage facility is currently on maximum withdrawal. To insure system integrity, El Paso will place limits on scheduled volumes at interconnects that are under performing.



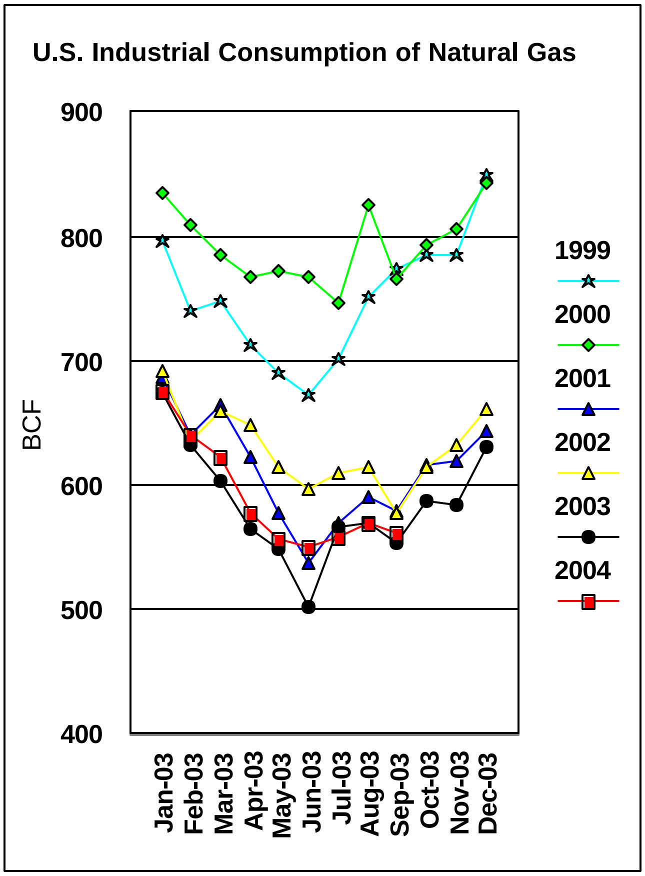
PIPELINE MAINTENANCE

Florida Gas Transmission said that on December 14 it will be performing compressor unit maintenance on both of the compressors at station 4 in zone 1. These repairs were originally scheduled for December 1. The maintenance work will take approximately 4 days. During this work FGT will schedule up to approximately 150 MMcf/d through station 4. During normal operations FGT schedules up to 230 MMcf/d.

Panhandle Eastern Pipe Line Company said that Department of Transportation road crossing work on the Hansford 200 Line will being tomorrow. The work had been previously scheduled to begin November 30. During this outage, the capacity through Hansford will be reduced by 125 MMcf/d. The estimated completion date for this work is December 4.

National Fuel Gas stated that is has scheduled construction on line N-20 from December 15-17. NatFuel is expecting restrictions on line N-20 that will restrict interruptible transportation and firm transportation, receipts and deliveries at TET Bristoria.

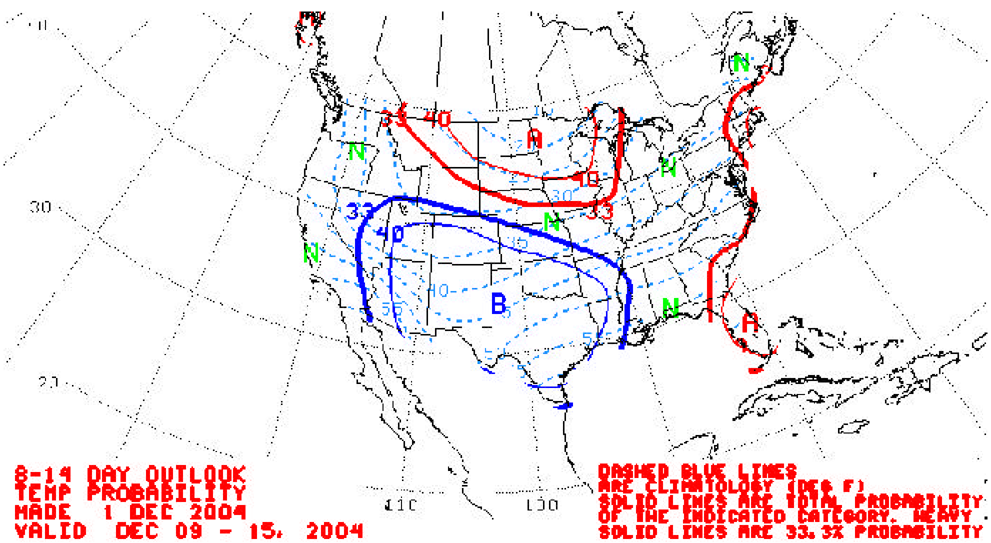
PG&E California Gas Transmission has scheduled testing of the metering equipment at the Delevan Compressor for December 9. PG&E anticipates capacity on the Redwood Line to slip to 2,075 MMcf, or 97% of capacity during the testing.



ELECTRIC MARKET NEWS

Under a 3-year agreement, Calpine Power Services will operate and maintain a natural gas-fired power plant under construction by Indiana generation and transmission cooperatives Hoosier Energy and Wabash Valley Power Association. As peaking facilities, both power plants are designed to start-up quickly and can provide up to 430 Mw during periods of high demand. Under the long-term services agreement, CPS will operate and maintain the Lawrence Generating Station, which is jointly owned by Hoosier Energy and Wabash Valley Power. The 258 Mw plant is currently under construction and scheduled to be online in April 2005. Also, CPS will operate and maintain Hoosier Energy's 174 Mw peaking facility, the Worthington Generating Station.

Dominion Virginia Power yesterday closed on the purchase of a 310 Mw gas-fired electric generating station in Chesapeake, Va. The transaction resulted in proceeds of approximately $15 million. Before this transaction, power from this facility was sold to Dominion Virginia Power under a 25-year power purchase contract. Dominion's purchase results in an estimated after-tax charge of approximately $35 million to $45 million and reduces Dominion's pre-tax capacity payments to non-utility generators by approximately $22 million per year for the period 2005-2016. The savings have been included in Dominion's current earnings guidance. Under Dominion ownership, the facility, which will be referred to as the Elizabeth River Combustion Turbine Station, will continue to serve Dominion's electric customers in Virginia and North Carolina. Dominion's purchase of the station is consistent with its continuing efforts to lower the cost of long-term power purchase contracts with non-utility generators.

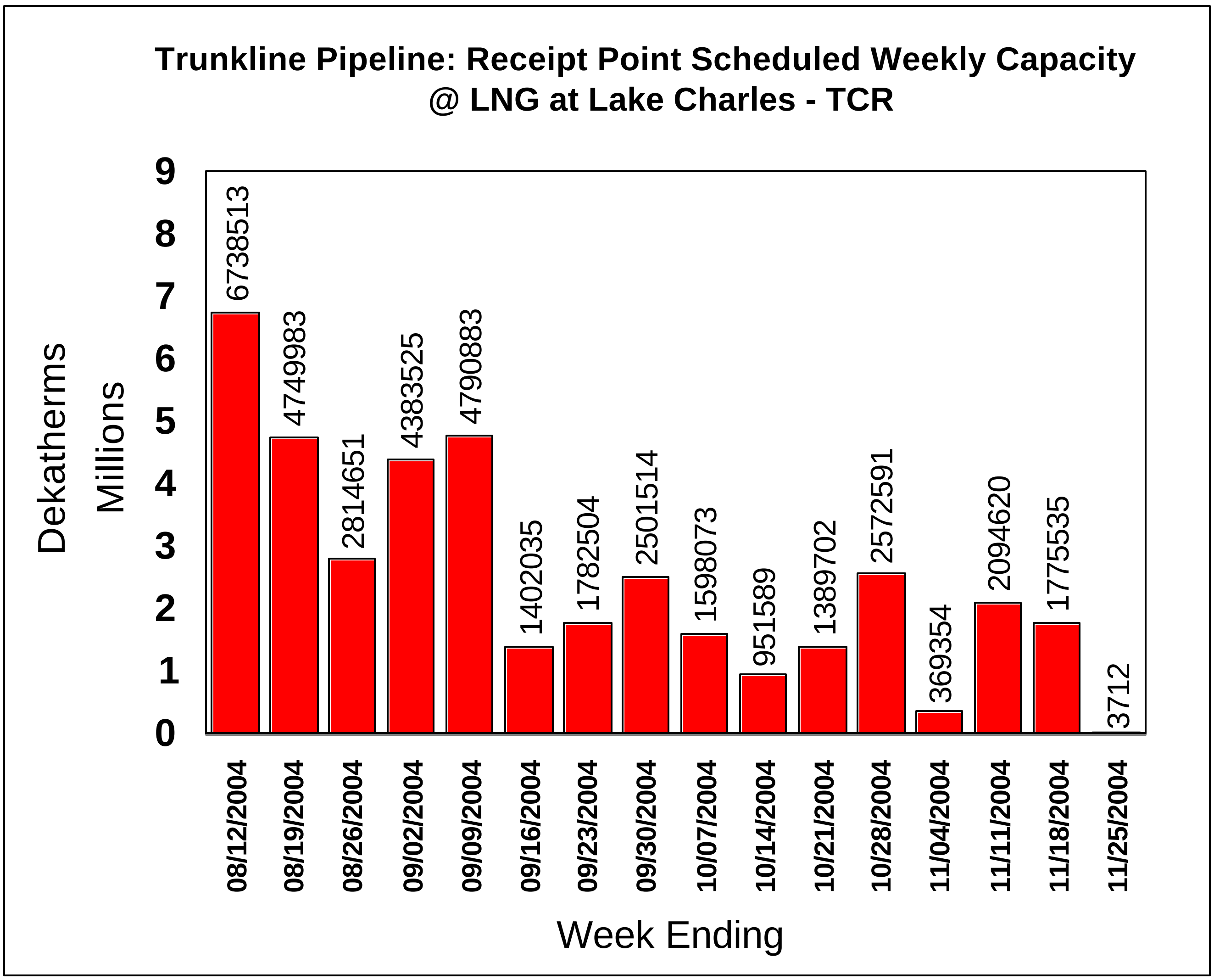


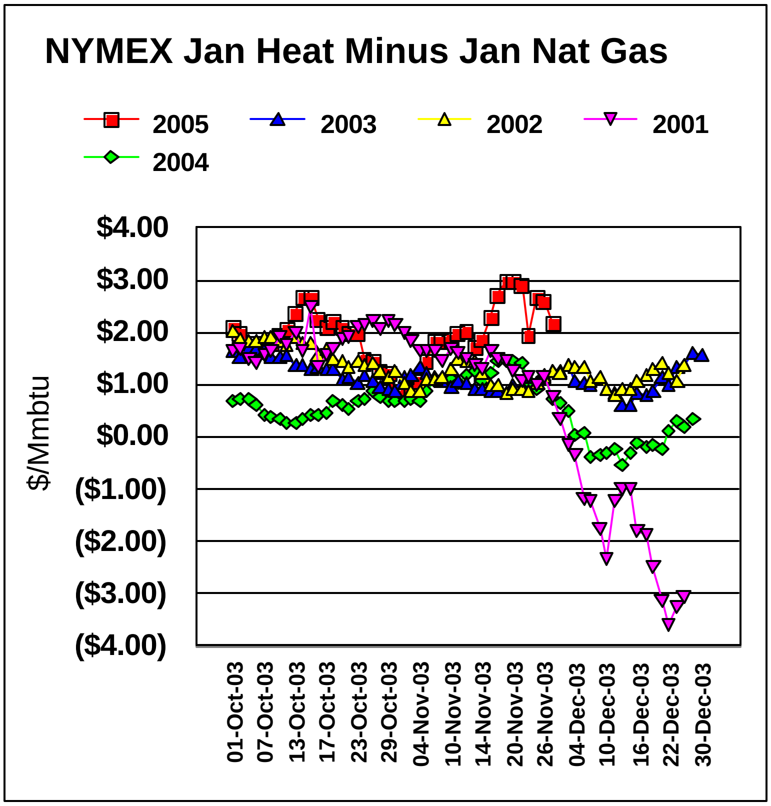
The CEO of AEP said today that the company was interested in acquisitions to expand in the eleven states where it is already doing business. Two companies they would have interest in if they ever come up for sale would Dayton Power & Light and Louisville Gas & Electric.

MARKET COMMENTARY

Despite oil prices recoding their largest decline in over three and a half years, natural gas prices showed a remarkable relative stability. Prices this morning opened slightly better, as some private weather forecasters appeared once again to be looking for below normal temperatures possibly returning to the U.S. in the 10-15 day time frame. While this bullish perspective was far from an overwhelming consensus it appeared sufficient to help support prices after a staggering two day sell off. In fact traders early on seemed keen to back fill yesterday's gap in the daily charts at $7.75-$7.785. While they were nearly successful in completely backfilling the gap in the first 10 minutes of trading they lacked sufficient buying to reach the $7.785 level. Then when oil prices collapsed following the release of relative bearish oil inventory reports, the bearish mood overall in the energy market was too great to overcome and basically dragged natural gas prices lower however grudgingly throughout the remainder of the day. Prices settled near their lows and as a result posted an outside trading day today on the daily charts. Final volume though was relatively light with just 55,000 futures traded.

One would have to look at today's natural gas price action as a day in which traders were reluctant to embrace the new found bearish fever from the oil markets for fear of tomorrow's EIA storage report. While there has been many discussions throughout the market that last week's number was incorrect, there remains a nervousness among traders in stepping out in front of the report for fear that there could be some significant supply/demand shift underway in the market. As a result we would look for gas traders to await the release of the storage report tomorrow before rushing in to embrace the





bearish price outlooks of their fellow oil traders.

Market expectations for tomorrow's storage report appear to be running a wide gambit, from a 37 bcf draw to a 5 bcf build, with most centered around a 20 bcf draw. We estimate that there was some 113 HDD for this reporting period, some 1.8% less than the previous week, and as a result we see a potential draw of 28-31 bcf. For the same week a year ago the market saw a 59 bcf draw with 136 HDD recorded.

We would look for this market to remain sensitive to the latest updated intermediate term weather forecasts as well as if this storage report shows another wide deviation from market expectations, especially if there is or is not a revision in last week's storage report. We would look for this market to remain on the defensive though given the dramatic deflation in oil prices. We see support $7.38 followed by $7.28, $7.18-$7.125, $7.10, $7.07 and $6.93. Resistance we see at $7.77-$7.785 followed by $7903 and $8.055. More distant resistance we see at $8.207 and $8.28.