ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 8, 2005

NATURAL GAS MARKET NEWS

U.S. Energy Secretary Samuel Bodman said that a strategic reserve for natural gas is one of the ideas the government is mulling to help deal with high-energy prices. He said that a number of proposals are under consideration and that a lot of storage was taking place in the private sector and that the government wants to make sure it's not counter-productive to have a natural gas reserve.

Natural Gas producer and pipeline company Williams Cos. said it filed an application with federal energy regulators to expand its Transco pipeline system to serve the Northeastern part of the United States. The Tulsa, Oklahoma-based company said the expansion, from Leidy, Pennsylvania, to New York's Long Island, would add 100,000 dekatherms per day of firm transportation capacity, or enough gas to serve around 400,000 homes per day, from November 2007 at a cost of about $121 million. Construction of a compressor is slated to begin in January 2007, with pipeline construction starting in March 2007.

Generator Problems

ERCOT— Xcel Energy said it would shut the 360 Mw Harrington #2 coal-fired power station on December 9-13 to repair a tube leak.

WSCC— Pacific Gas and Electric boosted power 12% overnight at its 1,100 Mw Diablo Canyon #1 nuclear unit to operate the unit at 94% power this morning. The unit restarted December 1 after shutting for a regularly scheduled refueling and maintenance outage on October 22. Diablo Canyon #2 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 93,190 Mw up .18% from Wednesday and up 6.88% from a year ago.

The Minerals Management Service reported that 2.442 Bcf/d of natural gas production is shut-in in the Gulf of Mexico. That is equivalent to 24.42% of the daily natural gas production in the Gulf of Mexico.

With a pre-filing process already underway at FERC on CenterPoint's Energy's proposed 1 Bcf/d pipeline from Carthage, TX, to Perryville, LA, the company has teamed up with Duke Energy Gas Transmission to propose another new pipeline downstream of Perryville to the Gulfstream Natural Gas System, which is owned by Duke and Williams. Gulfstream serves the Florida peninsula and would provide premium market access to producers delivering gas to Perryville from fields in North and East Texas.

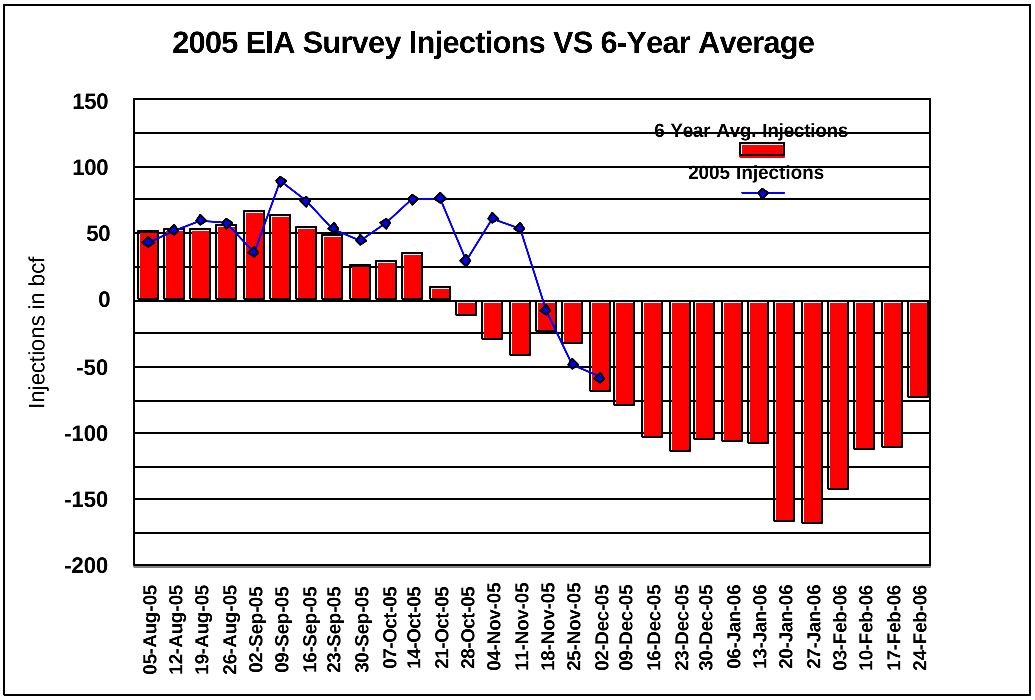
EIA Weekly Report

	12/02/2005	11/25/2005	Net chg	Last Year
Producing Region	878	890	-12	922
Consuming East	1862	1896	-34	1875
Consuming West	426	439	-13	417
Total US	3166	3225	-59	3214

*storage figures in Bcf

Chevron Corp.'s Australian unit has signed a "heads of agreement" with Japan's Osaka Gas Co. Ltd. to deliver 1.5 million metric tons/year of liquefied natural gas (LNG) from the Gorgon Project beginning in 2011. The parties also are discussing a possible sale of equity interest in the project, which is jointly owned by Chevron (50%), Royal Dutch Shell (25%) and ExxonMobil Corp. (25%).

PIPELINE RESTRICTIONS



East Tennessee Natural Gas said that nominations delivering downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke have been restricted to capacity. No increases will be accepted in this section. In addition, there will be no secondary receipts out pf path upstream of station 3104, and no secondary receipts out of path upstream of station 3205.

Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions on Sarepta to Sterlington 18-inch Index 250; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18-inch Index 1; Hall Summit; Koran Station; West 30 North; Barron (To Columbia Gulf); Bayou Sale to Napoleonville; Montpelier to Kosciusko, Kiln to Mobile, and Lake Charles Receipts – Capacity Area 6.

Natural Gas Pipeline Company of America said that until further notice, nominated withdrawals for the Interruptible Storage and No-Notice services are at risk of not being scheduled. In addition, AOR for the CMC-1 and CMC-2 services are at risk of not being scheduled for withdrawals. Finally, loans/park withdrawals for the Park & Loan and Storage Park & Loan services are at risk of not being scheduled unless there are system-wide offsets of parks/loan paybacks.

Northern Natural Gas Company said that due to single digit forecasted temperatures in the market area (Zones ABC, D and EF) a System Overrun Limitation is being called for today.

Questar Pipeline Company said that effective today and continuing until further notice, withdrawal capacity from Clay Basin to Questar and Northwest will be increased to 675 MMcf/d.

Texas Eastern Transmission said that Zones STX and ETX have been sealed to capacity. No increases in receipts between Vidor and Little Rock for delivery outside that area will be accepted.

Canadian Gas Association

Weekly Storage Report

	02-Dec-05	25-Nov-05	03-Dec-04
East	238.2	242.9	244.8
West	234.8	244.7	214.6
Total	473.0	487.7	459.4

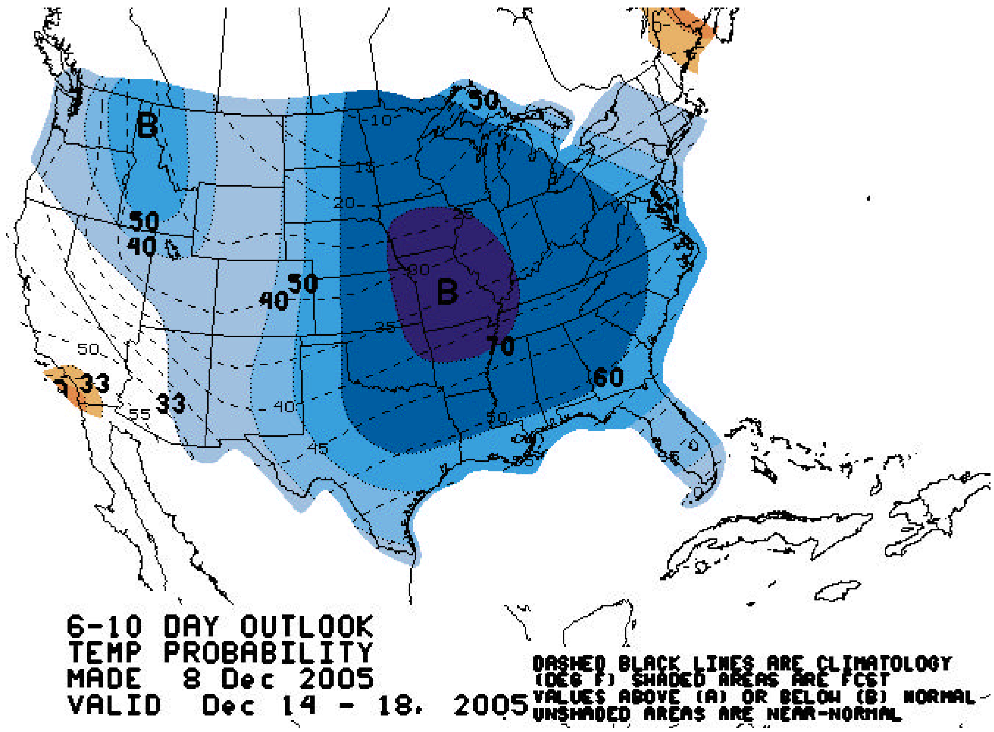
storage figures are in Bcf

PIPELINE MAINTENANCE

Northwest Pipeline Corp. said that at approximately 1:45 AM MT today, it experienced a line failure on a 20-inch lateral section of its pipeline located approximately 22 miles south of Green River, Wyoming. The cause of the line failure is unknown at this time and no injuries were reported. The location of the failure occurred 200 feet from the meter station that connects Northwest with Colorado Interstate Gas. As a result, Northwest is issuing a notice of a Declared Deficiency Period. During the deficiency period, Northwest will cut all nomination requests to CIG at the Green River delivery point until further notice.

MARKET COMMENTARY

The natural gas market opened 30 cents higher today as frigid temperatures have heating demand driving this market. Today's release of the EIA storage figure was pretty much another non event, as traders are already looking ahead to the massive draw down that this cold will have on stocks for next week's report. The street had expectations centering around a 65 Bcf draw down and the actual figure was slightly bearish of that, with a 59 Bcf draw from the ground. The market quickly shrugged it off and rallied to 14.50, where it moved sideways until the afternoon rally. As traders returned from lunch, they again bid the market higher, sending the January spot contract to another all time spot high in the past two months, to 15.10. Natural gas settled up 1.294 at 14.994, a new all time spot month settlement price.



Today's squeeze was witness to buy stops being tripped, technical short covering, and non-commercials flipping their positions, as natural gas galloped to new highs. This market is beginning to feel a bit top heavy, with the front month dramatically overvalued and susceptible to a substantial correction when Old Man Winter begins to ease off a bit. Given the divergence between record prices and above-average storage, once the frigid air subsides, this market will take a bit of a breather. Technically, the January contract is in unexplored ground and resistance is seen back at the contract's all time high of $15.60 set back on October 5. We see support at $13.55, $13.40 and $13.10. We see further support at $12.65.

One other factor that seems to escaped most main stream market discussions is the fact that at the start of the day nearly 56,000 call options were open in the $15.00 strike in the January, February and March natural gas option markets on NYMEX. These options, which began the day far out of the money were by the close suddenly at or in the money., prompting shorts in these contracts to rush back to the market and cover these positions and thus lending support to the buying frenzy. Just on a delta basis these option positions would have prompted the buying of over 8,000 futures contracts, to maintain a delta neutral position.