



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 14, 2004

NATURAL GAS MARKET NEWS

Cold weather is predicted for Eastern U.S. AccuWeather predicts colder than normal temperatures in the Eastern U.S. for the remainder of December. There will be short-lived "warm-ups," such as the one this Thursday, but the cold spells will be longer than the warmer ones for the rest of the month. This morning was the coldest of the season for much of the East, and AccuWeather predicts temperatures Tuesday night into Wednesday morning to be in the 20s Fahrenheit and 30s. The wind chill will make it feel about 10 degrees cooler. Snow is possible for late this weekend as a possible storm develops for late Sunday into Monday. Winds will shift from north-northwest to west-southwest in the Midwest and combined with sunshine will boost temperatures into the 40s and 50s across the central Plains, but the northern Plains will have highs in the 30s.

FPL, affiliates of Tractebel North America, one of the business divisions of SUEZ, and subsidiaries of El Paso Corp. announced that they have agreed to combine development efforts to bring South Florida a new supply of natural gas. Affiliates of FPL have options to purchase 100% of El Paso's proposed LNG terminal at South Riding Point on Grand Bahama Island, and 50% of the proposed Seafarer pipeline to Palm Beach County, Florida. FPL also has a definitive Heads of Agreement with Ras Laffan LNG Co. for 800 MMcf/d of LNG from Qatar. Subsidiaries of TNA are currently developing the Calypso pipeline project, which proposes to transport natural gas to Broward County, FL, from another TNA affiliates planned LNG terminal in Freeport, Grand Bahama. Upon completion of a series of new agreements, all three parties will have the ability to come together to create the most efficient project. Under the new agreements, FPL and affiliates of TNA and El Paso will be equity owners of both Seafarer and Calypso pipeline projects, and ultimately plan to construct one of these from the

Generator Problems

ERCOT– South Texas Project Nuclear Co. is ramping output at its 1,250 Mw South Texas #1 unit to 40%. The unit was taken offline overnight after a small leak on loop A was detected. Unit #2 remains at full power.

MAAC– PSEG continues to bring its 1,100 Mw Salem #2 nuclear unit back online, operating it at 18%, following a shut down as a result of an oil spill up the Delaware River. The unit was at 2% yesterday. #1 remains shut, and no schedule was provided for either units return to full capacity.

Exelon decreased its 1,148 Mw Peach Bottom #2 nuclear unit 34%, operating it at 66%. A spokesman said the unit was scaled back because of a reactor recirculation runback. The #3 unit remains at full power.

MAIN – Nuclear Management Co. ramped production to 98% at its 574 Mw Kewaunee up 8% as it comes back from a refueling.

Exelon continued to boost power at its 800 Mw Dresden nuclear #2 up 17% to 96%. The unit was shut to investigate higher than normal vibrations. Dresden #3 remains at 96% as it comes back from a refueling.

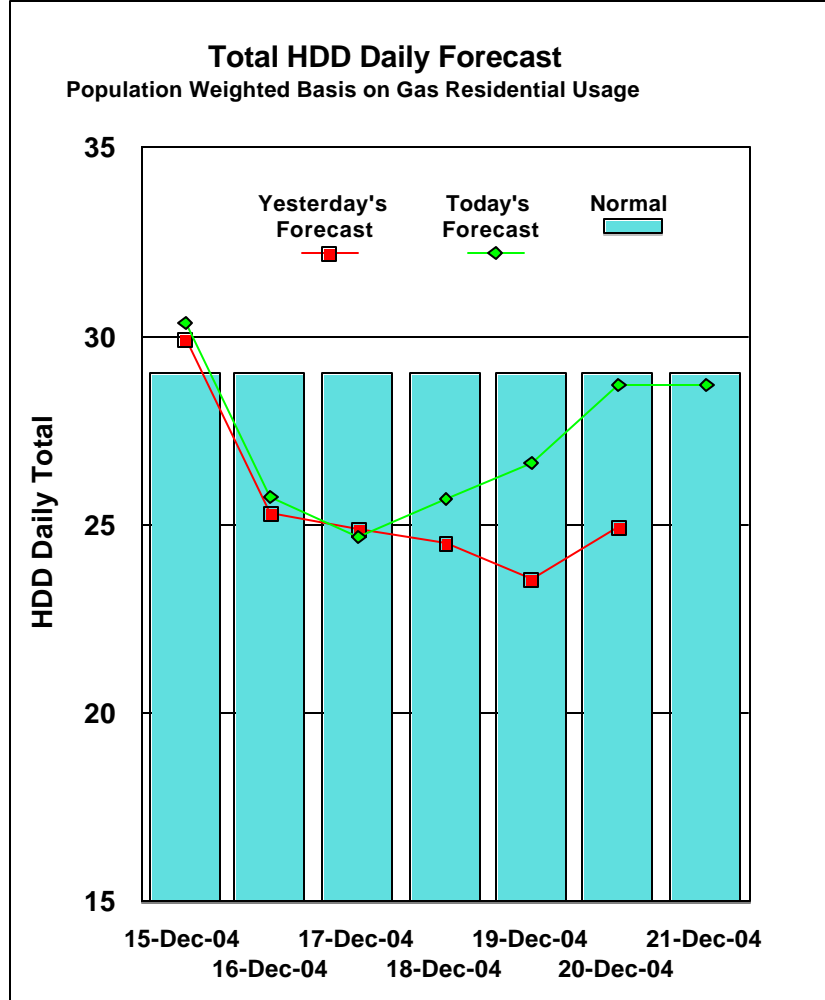
SERC – Entergy Nuclear ramped its 966 Mw River Bend 7% up to 75% following an unexpected scram shutting the unit on Friday.

WSCC – Pacific Gas and Electric continues to warm up its 1,100 Mw Diablo Canyon #2 offline at 8% following its return from a refueling yesterday. Diablo Canyon #1 is operating at full power.

The NRC reported that U.S. nuclear generating capacity was at 89,338 Mw today down .90% from Monday.

Cal ISO reported that generation offline today totaled 9570 Mw down some 561 Mw from Monday.

Bahamas to Florida. FPL and affiliates of TNA will be equal owners of an LNG receiving terminal in the Bahamas and Sailfish Natural Gas Co., a marketing company. Sailfish plans to furnish a joint proposal in connection with the FPL outstanding request for proposals for LNG supplies. FPL and TNA trust their marketing company's proposal will off the potential customers greater flexibility and supply security. The combined pipeline enterprise plans to continue to aggressively pursue the Seafarer project as well as the Calypso project.



Moody's Investors Service reported that the LNG industry is poised to enter a period of accelerated expansion, driven by "steadily increasing" global gas demand, high market prices and falling units costs of production and delivery. Asian demand will continue to dominate the industry this decade, but Moody's believes that longer term, the Atlantic basin, particularly the U.S. will witness the greatest growth. Qatar will benefit in the LNG boom as it has ample low-cost gas reserves that viably allow it to supply each major market.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Co of America is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Capacity is available for deliveries to ANR South Joliet #2 in Will County, Illinois (Segment 33). Deliveries to Florida-Jefferson are at capacity. Capacity is available for gas received on the Arkoma Line (Segment 16). In the Louisiana Line, Segment 25 in the Texok-Gulf Coast Zone going eastbound from station 302 in Montgomery County, Texas is at capacity. Segment 23 in the Louisiana Zone going eastbound through Station 342 in Cameron Parish Louisiana

and Segment 24 in the Louisiana Zone going eastbound through Station 346 in Cameron Parish Louisiana are also at capacity. NGPL is at capacity for transportation going northbound through and downstream of Compressor Stations 109 and 110 (Segment 14) and through Compressor Station 801 (Segment 15).

Texas Eastern Transmission Corp.'s Monroe Line has been nominated to capacity. No physical increases can be accepted from the following meters: Gulf South West Monroe, Reliant Energy West Monroe, and Duke Energy Field Services – Ouachita Parish, La. Also nominated to capacity, receipts between Mount Belvieu in STX and Fargus in M1 24-inch, including zone ETX. No increases in physical receipts will be accepted between the Mount Belvieu and Fagus compressor stations.

East Tennessee Natural Gas reports that the following restrictions are in place on the East Tennessee system: Secondary receipts out of path upstream of station 3104; secondary receipts out of path upstream of station 3205; and secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke. Also, ETNG will institute its Maximum Allowable Delivery Service.

PIPELINE MAINTENANCE

Florida Gas Transmission said that due to high demand and near-freezing temperatures, it is issuing an Overage Alert Day at 25% tolerance for today.

TransColorado said an operational malfunction occurred at Whitewater Compressor Station in Mesa County, Colorado, and the station is out of service until further notice. The capacity through segment 210 is limited to 350 MMcf/d, although no volume curtailment is anticipated at the current nomination level. Scheduled maintenance has been postponed.

KM Interstate Gas Transmission said it will be relocating a section of its pipeline from the Casper Compressor Station to the KMOLPA Douglas Processing Plant (Segment 730) at the request of the Wyoming Department of Transportation on Dec. 21. Segment 730 capacity will be limited to approximately 25 MMcf/d.

Alliance Pipeline said that routine maintenance will require unit #1 of the Whitecourt Facility to be unavailable for 6 hours on Dec. 16. Station capacity will be reduced to 24.8 MMcf/d

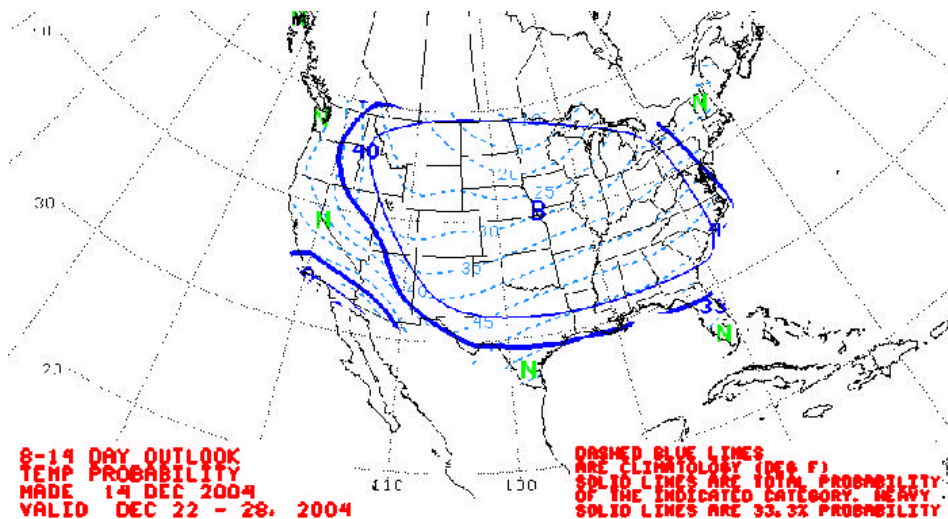
ELECTRIC MARKET NEWS

Reliant Energy completed turning over its Liberty power plant in Pennsylvania to the plant's lenders, a day after warning it could default on its bonds if the deal fell through. The 550 Mw natural gas-fired Liberty plant has about \$262 million in outstanding non-recourse project debt under its original \$284 million credit agreement.

The upgrade to Path 15, the key transmission link between northern and southern California, was due to be officially opened Tuesday. The upgrade will increase capacity to about 5400 MW from a 3900 Mw limit previously.

ENVIRONMENTAL NEWS

The U.S. EPA says emissions of fine particles reached new low levels in 2003. The EPA monitors a mix of solid particles and liquid droplets. Fine particles known as PM 2.5 are continuing to decline and the EPA reports that since 1999, monitored concentration of PM 2.5 have decreased 10% and are about 30% below what EPA estimates they were 25 years ago. Also, concentrations of PM 10 have decreased 7% since 1999 and 31% since 1988. In the East, about one-third of the reduction in PM 2.5 emissions can be attributed to lower sulfate emissions, while a large portion of the remaining improvement is due to reductions in carbon-containing particles, particularly in the industrial Midwest and Southeast. The agency's Acid Rain program brought about a 33% reduction in power plants' sulfur dioxide emissions from 1990 to 2003. The PM 2.5 particles are 2.5 micrometers, about 1/30th the size of the average human hair and can penetrate respiratory systems, causing serious health problems such as asthma, chronic bronchitis, heart arrhythmias, heart attacks and even premature death.



ECONOMIC NEWS

U.S. Industrial Production rose .3% in November, above economists' expectation of a .2% increase. The share of industrial capacity put to use rose to 77.6% from 77.5%. Manufacturing was restrained last month by a decline in workers' hours and auto production, and utilities faced less demand for heating amid warmer than average weather. Nonetheless, the outlook remains positive for

U.S. factories, which are turning out more business, military, and space equipment. Lehman Brothers senior economist Joseph Abate says "we'll see a rebound in manufacturing employment off of very low levels." The U.S. trade deficit widened in October to a record \$55.5 billion after prices of imported oil surged to a record. Mining, which includes oil extraction, led the rise for the Industrial Production number with a 2.1% increase following last

month's 1% increase. Manufacturing of defense and space equipment rose 1.5%, the fifth consecutive increase. Business equipment production increased .4% following a .7% increase last month

The Federal Reserve raised short-term interest rates a quarter-point to 2.25 today for the fifth time this year. The Fed reiterated its intention to raise borrowing costs at a "pace that is likely to be measured."

MARKET COMMENTARY

The natural gas market today gapped higher for the second straight day and posted its fourth consecutive higher opening, as colder temperatures swept into the midsection and eastern U.S. this morning driving spot prices higher. As forecasts for next week and for the remainder of the month continue to look colder than normal for much of the eastern half of the nation, bears remained on the sidelines it seemed, but bulls were not overly rambunctious either as prices were unable to breach resistance at 7.365, which was 38% retracement of the sell off since the expiration of the December contract. The heating oil market remained the dominant energy market today, with natural gas more content to hold onto gains from the higher opening. Final volume was a rather modest 58,000 contracts in the futures market.

Tonight's NWS 8-14 day forecast again should keep the bears to the sidelines basically until the EIA storage report. Once again this temperature outlook shows a large dome of cold air covering nearly all of the nation for the period of December 22-28th and unlike many of the NWS forecasts in recent weeks, the agency forecasters assigned a higher than normal probability to this outlook. *(Please note that the NWS releases its monthly and long range forecasts on Wednesday.)*

We feel though that with the limited expected storage change not only in this week's report but that next week's report will also be seasonally low, the relatively large storage overhang will prevent this market from skyrocketing, even as initial winter like temperatures finally settle in across much of the nation. The market could see the weather change prompting some short covering by the commodity funds in the next week which could still add to prices lifting another 30-50 cents, but we feel that as values approach the \$8.00 level the weather premium will run out and the weight of storage overhanging the market will put the brakes on the natural gas market. We see resistance at \$7.35 - \$7.365 tomorrow, followed by \$7.555, \$7.62, \$7.73 and the small gas in the daily charts at \$7.77-\$7.785. Additional resistance we see at \$7.87 and \$8.184. Support we see at \$7.08-\$7.03 followed by \$6.945, \$6.85, \$6.54 and \$6.505.

