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POWER MARKET REPORT FOR DECEMBER 17, 2004

NATURAL GAS MARKET NEWS

The Federal Energy Regulatory Commission said that a clerical error by Dominion Resources, operator of the world's largest underground natural gas storage system, spurred the massive revision to natural gas storage data published earlier this month by the EIA. The clerical error submitted the wrong data to the EIA, which made it appear that the DTI storage withdrawal had been larger than it actually was. The initial report for the week ending Nov. 19 was a draw of 49 Bcf, and it was revised on Dec. 2 to 17 Bcf. The report drove natural gas futures prices up 20%, closing up 1.183/MMBtu. FERC estimated that the error might have cost consumers between $200 million and $1 billion in higher natural gas costs. FERC said its investigation is ongoing and it is continuing to look into the trading implications of the report.

Energy Partners Ltd. announced that it has entered into an agreement with a private company to acquire oil and natural gas properties in the southern Louisiana for $150 million in cash. The transactions includes a two year exploration partnership covering over one million acres, an inventory of 22 drillable prospects with a net unrisked potential of 29.5 Bcf of natural gas, proved reserves of 54.2 Bcf and low risk probable reserves of 9.1 Bcf. This deal is planned to close on Jan. 20, 2005 and the private company plans to allocate $120 million of the purchase price to the proved reserves and the remaining $30 million to the upside, including the probable reserves and the prospect inventory. EPL president commented that the deal will "extend EPL's knowledge of productive deep sediments on

Generator Problems

ERCOT– South Texas Project Nuclear Co. returned its 1,250 Mw South Texas #2 to full capacity from 93% yesterday. Unit #2 was taken offline Mon. after a leak was detected on Loop A. #1 is currently operating at full power.

MAAC – Exelon reduced power at its 1,143 Mw Limerick #2 overnight to 91% to isolate a flow valve failure. The unit returned to full power early this morning. Limerick #1 remains at full power.

Exelon decreased power 16% to 84% at its 1,148 Mw Peach Bottom #2 unit this morning for a standard rod pattern adjustment and then ramped up production to 90%. Peach Bottom #3 remains at full power.

PSEG returned its 1,100 Mw Salem #2 to full power, and restarted its Salem #1, reconnected it to the grid and ramped power to 60%. Both units shut Dec. 3 after an oil spill in the Delaware River.

MAIN – Exelon increased power to 96% from 86% at is 900 Mw Dresden #2 nuclear unit. No comments were made as to the reason for the reduction. Dresden #3 is running at 97% up 1% from yesterday following a restart earlier this month.

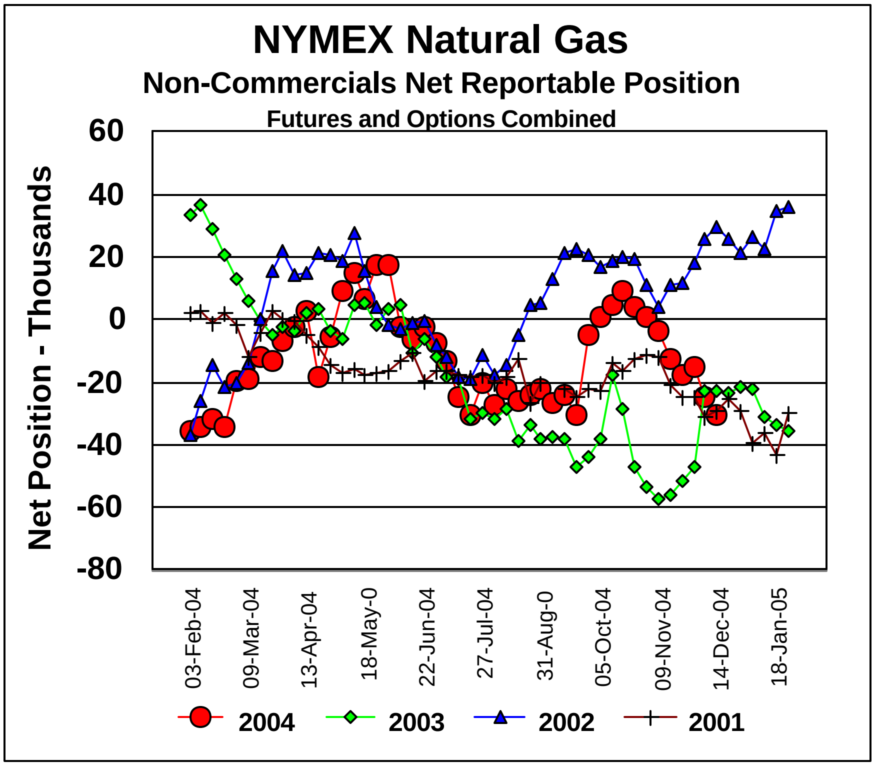
WSCC – Pacific Gas and Electric reconnected its 1,100 Mw Diablo Canyon #2 to the grid, running it at 25%. The unit restarted Mon. following a refueling. Diablo Canyon #1 is running at full power.

Arizona Public Service decreased production 25% at its 1,279 Mw Palo Verde #1 to operate the unit at 75%. No reason was given for the reduction. Palo Verde #2 and #3 continue to operate at full power.

The California Department of Water Resources decreased the potential power output of its 933 Mw Hyatt-Thermalito hydropower plant for planned reasons.

AES reduced output at its 480 Mw Alamitos #5 gas -fired unit by 305 Mw for planned and unplanned reasons. Units #2,4, and 7 were fully available.

The NRC reported that U.S. nuclear generating capacity was at 91,370 Mw today up .66% from yesterday.



the Gulf of Mexico Shelf o nshore into Louisiana."

To satiate Florida's appetite for natural gas, FPL, El Paso, and Tractebel Electricity and Gas announced Tuesday that they would combine their efforts to bring LNG to southern Florida via the Bahamas. There are currently two pipeline projects in the works each with an $800 million price tag. By combining, the three companies will reduce that price tag and let the strongest project go forward. Under the agreement, FPL, El Paso and Tractebel will be equity owners of the Seafarer project to Palm Beach County and the Calypso project to Broward County. Both projects will be presented as bids, and the market will decide what is best for every party's interest. The LNG is expected to come from Qatar at a rate of 800,000 MMcf/d. This supply is necessary, as Florida has become the third largest consumer of petroleum and electricity in the U.S. Florida's electrical demand is expected to increase 25% by 2007. FPL uses about 35% of natural gas as its fuel, and by 2013 they expect natural gas to make up about 60%. Demand for energy nationwide is predicted to triple by 2025, and natural gas will be the fuel to meet that demand with 900 of the next 1,000 planned power plants in the country designed to utilize natural gas. FPL hopes to have one of the pipelines operating by 2008.

PIPELINE RESTRICTIONS

Natural Gas Pipeline Co. of America said that Compressor Station 343 in Liberty County, Texas has been repaired and is back in service. Primary and secondary in-path transports in Segments 25, 23, and 24 are no longer at risk. However, ITS/AOR and Secondary out-of-path transports are still unavailable in Segments 25, 23 and 24 until NGPL completes scheduled outage at Compressor Station 302, which is planned for Friday, December 17. Deliveries to Florida-Vermilion are at capacity. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Deliveries to Texas Gas-Lowry are at capacity. Capacity is available for deliveries to ANR South Joliet #2. Capacity is available for gas received on the Arkoma Line (Segment 16). 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 said the Monroe Line has been nominated to capacity, no physical increases can be accepted from the following meters: 71000-Gulf South West Monro, 72568-Reliant Energy West Monroe, and 72614-Duke Energy Field Services-Ouchita Parish, La. Also, receipts in zones STX, and ETX have been nominated to capacity. No physical increases sourced between Vidor and Little Rock can be accepted.

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 20% tolerance for today.

Panhandle Eastern Pipe Line Co. said that there is an outage at Montezuma due to maintenance on Engine 1313. The outage has been extended through today, reducing available capacity by 100 MMcf/d.

El Paso Natural Gas Co. said that individual Laguna compressor units will be down, one at a time, to repair oil leaks and perform other minor maintenance Dec. 20 through 22. Capacity at the San Juan Crossover will be reduced by 20 MMcf/d from a base capacity of 650 MMcf/d. This outage should not have an effect on the markets.

Northern Natural Gas Co. said that a Force Majeure situation exists at the Farmington, Minnesota compressor station due to a mechanical problem. The potential impact of this unplanned outage will vary depending on weather and load conditions. On peak load days, some level of allocation may be required north of the Farmington compressor station. However, NNG does not anticipate having to allocate or curtail any primary firm deliveries. Preliminary indications are that the length of the Force Majeure could extend up to two months.

Energas Resources has issued these updates for its Kentucky project: the booster compressor station has arrived and has been installed near the center of the field to boost the flow of gas from the field to the main compressor station at the sales line, the upsizing of the fourth section of gathering system has been completed, and in this fourth section, approximately 2,000 feet of 2-inch and 3-inch pipe has been replaced with 6-inch pipe. Also, stimulation work has begun on the 20 Bluegrass wells this week. Energas will announce stimulation results and total field production as the wells are stabilized and brought online.

ELECTRIC MARKET NEWS

El Paso Merchant Energy announced that it has closed the sale of two domestic power generation facilities to Northern Star Generation for approximately $123 million. The two plants are the 500 Mw Front Range Plant in Colorado Springs, of which El Paso owned 50%, and the Cambia plant in Edensburg, Pa., of which El Paso owned 100%. These sales are part of El Paso's long-term goal to reduce the company's debt of cash to approximately $15 billion by the end of 2005. With these sales, El Paso has now closed 24 of the 25 domestic power plants it announced in Jan. it had agreed to sell to Northern Star. Proceeds from these sales total approximately $739 million plus the elimination of approximately $171 million in consolidated non-recourse debt.

The California Public Utilities Commission adopted long-term energy procurement plans for Pacific Gas and Electric Co., Southern California Edison, and San Diego Gas and Electric Co. Michael R. Peevey, president of the PUC stated that the Commission "not only approved plans for the utilities that will ensure there is sufficient power for the state, we also reaffirmed our commitment to energy efficiency, demand-side resources, and renewable energy." Peevey went on to say further that "this is another step in shaping and defining the state's hybrid energy market, while promoting environmentally responsible energy generation and procurement." For PG&E, their strategy of adding 1,200 Mw of reserve capacity and new peaking generation in 2008 and an additional 1,000 Mw of new peaking and dispatchable generation in 2010 through competitive solicitations were approved. For Edison, its primary residual resource need through 2011 is for peaking, dispatchable, and shaping resources through short, medium and possibly long-term acquisitions were approved. PUC concluded that SDG&E is fully resourced through 2009. The Commission determined that following the "loading order" contained in the joint agency Energy Action Plan is the highest priority, meaning that energy efficiency and demand-side resources should be employed first. When these opportunities are exhausted, renewable generation is to be procured to the fullest extent possible. Renewable procurement of energy is to be integrated as closely as possible with general utility procurement practices.

MARKET COMMENTARY

Unlike the selling seen during Thursday's session, when the natural gas market gapped lower amid the moderating near term temperatures, Friday's session saw the market rally on forecasts calling for colder temperatures for the Midwest and Northeast next week. The natural gas market gapped higher on the opening from $7.15 to $7.26, its intraday low following the weather forecasts. The market traded rallied to its high of 47.54 early in the session and remained supported by the strength in the oil complex as well. The market later settled in a sideways trading pattern from its high of $7.54 to $7.41. The market settled up 45.7 cents at $7.457. Volume was moderate with 59,000 lots booked on the day, of which 24,000 lots traded via spreads.

According to the latest Commitment of Traders report, non-commercials in the natural gas continued to increase their net short positions by 1,661 contracts to 34,950 contracts in the week ending December 14th. The combined futures and options report also showed that non-commercials increased their net short position from 24,690 contracts to 30,195 contracts on the week. Even though the market did seem to be adding to their short position in the past few trading sessions, some of those shorts may have been forced out during today's session.

The natural gas market will continue to be driven by the weather forecasts. However if there are any signs of moderating forecasts, the market may once again retreat. The market is seen finding resistance at its high of $7.54 followed by $7.62, $7.682 and $7.77-$7.785. Meanwhile support is seen at its gap from $7.26-$7.15 followed by $6.90, $6.865, $6.70, $6.54 and $6.505.