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ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR DECEMBER 28, 2005

NATURAL GAS MARKET NEWS

Southern Natural Gas Co. is holding a binding open season through Jan. 12 to solicit bids from the Elba Island liquefied natural gas (LNG) terminal near Savannah, GA to delivery points in all zones of its system. In addition, bidders may request to match a shipper with firm seasonal summer capacity up to 45,000 Dth/d of firm seasonal winter capacity for a multi-year, seven-month winter period (Oct.-April) on its proposed Cypress pipeline for deliveries into South Georgia, Brunswick, GA or Jacksonville, FL markets.

Generator Problems

MAAC— PPL Corp. restarted the two coal-fired generating units at its Martins Creek power plant following repairs to the plants ash basin.

SERC— Progress Energy decreased its 900 Mw Brunswick #2 nuclear unit to 60% to perform scheduled maintenance. Brunswick #1 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 94,962 Mw down .32% from Monday's revised capacity of 95,270 and up 3.94% from a year ago.

PIPELINE RESTRICTIONS

El Paso Natural Gas Company said that as a result of takes that are significantly below nominations, it is experiencing excessively high line pack. Washington Ranch Storage facility is on injection at maximum capacity. EPNG urges shippers to bring their supplies in balance with their takes. If the situation fails to improve, a declaration of Strained Operating Conditions may be required.

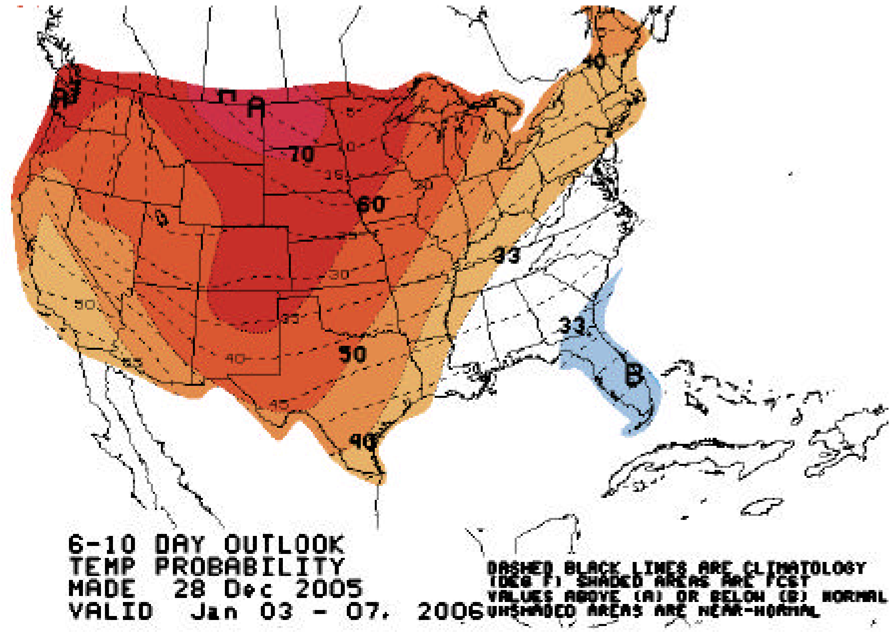
Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions on Sarepta to Sterlington 18-inch Index 250; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / 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.

Kern River Pipeline said that linepack is at a high level, according to an informational posting on their website. There will be no new banking arrangements until line pack returns to normal.

Texas Eastern Transmission said it has restricted STX and ETX to capacity. No increases in receipts between Mt. Belvieu and Little Rock for delivery outside that area will be accepted. Tetco has also scheduled and sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted. Tetco has scheduled and sealed receipts sourced at Monroe Station. No increases in receipts sourced at Monroe will be accepted.

PIPELINE MAINTENANCE

Williston Basin Interstate Pipeline Company said maintenance will be performed at the ELK Basin Compressor Station effective immediately. At current conditions, there will be no affect to the system. There also will be maintenance performed at the South Midpoint Compressor Station on December 29. At this time Williston does not anticipate any restrictions to the system. Looking further out, Williston Basin said it will be performing routine preventative maintenance on the pipeline throughout 2006. Should such maintenance affect flows on the



system, Williston Basin will notify customers and interconnects as quickly as possible of any expected limitations and project duration.

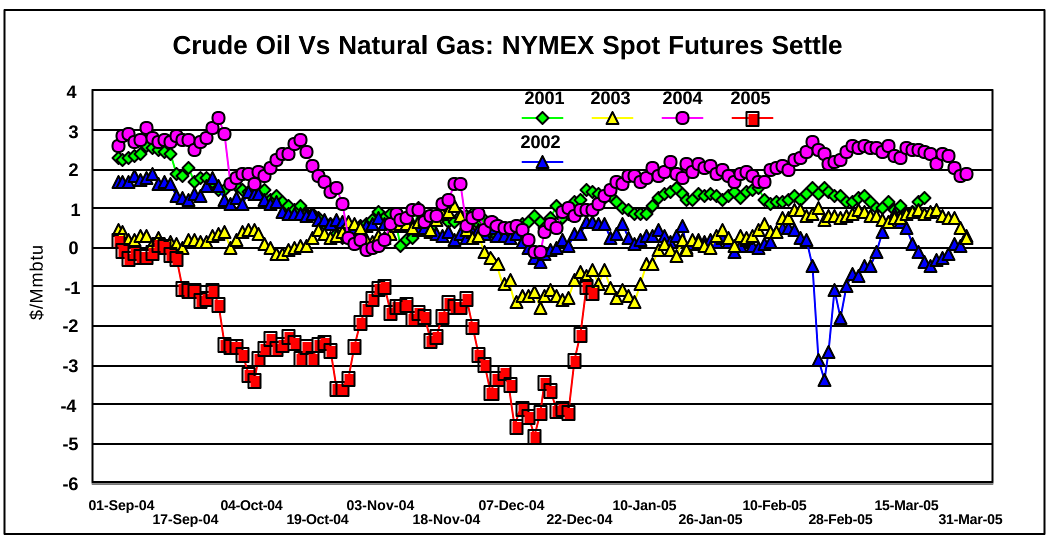
ELECTRIC MARKET NEWS

While it facilitated more than $6.3 billion in settlements stemming from the western energy crisis in 2000 and 2001, the Federal Energy Regulatory Commission said it could have done more if four years ago it had the broader anti-manipulation authority it was given in the Energy Policy Act of 2005, enacted in August. And while the Commission "has worked diligently" to address flawed CAISO rules, the system has experienced 12 system emergencies since the official end of the crisis period in mid-2001.

Electricity from the largest wind power farm on Indian land has begun flowing into California's grid thanks to a partnership between project sponsor, global investment and advisory firm Babcock & Brown and GE Energy Financial Services. Energy Financial Services invested $51 million in the 50 Mw Kumeyaay Wind project near San Diego. The wind farm comprises 25 turbines that each can generate 2 Mw. After eight months of construction and a month of testing, the turbines are feeding power into the San Diego Gas & Electric grid from the Campo Indian Reservation atop the Tecate Divide 70 miles east of San Diego and 18 miles north of the Mexican border.

MARKET COMMENTARY

The natural gas market opened down 12 cents to start the last day of trading for the January contract. The volatile finale for January saw the contract trade wildly through positive and negative territory as market players cleaned up their books. January traded as low as 10.72, testing pre-Katrina levels, but even with the current mild forecasts, support was found in the fact that the brunt of winter has yet to come. The second half of session saw natural gas trade higher, to the day's high of 11.70, as it was pulled by an oil complex that was firmed up on fresh supply concerns. The January contract went out at 11.431, up 41 cents. The new spot contract, February, traded as low as 11.13 and as high as 11.90 today to settle its first day as front month at 11.637, up 42 cents.



The weakness in natural gas the past few sessions has narrowed its premium over crude oil from $4/MMbtu to about $1/MMbtu, as the oil complex continues to be supported by supply concerns and natural gas has given up its hurricane premium due to moderate weather in key consuming regions. With natural gas beginning to test the pre-Katrina levels after returning about $4.00 over the last two weeks, the market may have gotten a bit oversold, especially with January and February, statistically the coldest months of the year, yet to bear old man winter.

Tomorrow's EIA storage report has estimates ranging from withdrawals of 125 to 185 Bcf. Most traders and analysts were centering on a draw of 158 Bcf, with the ICAP option storage number looking for a draw of 165 Bcf. Compared to last year's draw of 178 Bcf, this week's report will be slightly bearish, pressuring the lows further. The five-year average for this week is a draw of 131 Bcf. Traders will look considerably at how much is in storage after the report with relation to how much winter we have left, so even a number on the lower end of the average could be supportive to the overall market. We see support at $10.72, $10.60 and $10.00. We see resistance at $11.70, $12.00 and $12.90. Further resistance we see at $13.00 and $13.70.