



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR FEBRUARY 1, 2005**

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#### **NATURAL GAS MARKET NEWS**

The U.S. Commodity Futures Trading Commission filed five federal civil lawsuits against 15 natural gas traders for allegedly reporting false prices and trying to manipulate the market from 2000 through 2002.

Escondido Resources has closed its initial acquisition of producing oil and gas properties, investing \$45 million to acquire wells and acreage in La Salle County, Texas from a private seller. The acquired properties have a net daily production of 7.1 MMcf of gas from 35 wells. The company also has acreage near the acquired properties in northern Webb and Dimmit Counties, and is in the process of commencing a two-rig drilling program on the acquired property and leasehold.

Pangea Petroleum Corp. said that it has entered into an agreement with Titan oil and Gas Corp. to purchase an interest in a Lavaca County, Texas well. This well is a 3,500-foot frio well that has been successfully drilled, and that has logged four to five likely productive zones. Everest Resource Co. of Corpus Christi is the operator of the well. Pangea has a 2.0% working interest and 1.5% net interest in the prospect.

The Minerals Management Service reported that for 2004, there were 14 new deepwater startups and 12 new deepwater discoveries in the Gulf of Mexico. This report emphasizes that the Gulf is alive and well helping America meet her energy needs.

#### **PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company of America said it has had one unit unavailable at Station 812 since Jan. 14. This has caused NGPL to reduce the segment capacity in Segment 16 to a lower level for scheduling transports. This unit is scheduled to become available again on Feb. 4. As soon as it is placed in service, NGPL will begin using the higher segment capacity for scheduling transports in segment 16. For today, Florida Gas Vermilion is at capacity. Deliveries to Columbia Gulf-Chalkley are at capacity. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes.

#### **Generator Problems**

**ECAR**— First Energy ramped output at its 1,260 Mw Perry nuclear unit, reconnecting it to the grid with 29% capacity. The unit shut Jan. 2 after some issues with its recirculation pumps.

**ERCOT**— American Electric Power shut the 528 Mw Welsh #3 coal-fired station Jan.31-Jan. 2 to perform maintenance on control equipment. The unit is expected to return by Feb. 5.

TXU Corp. expects to restart the 750 Mw Monticello #3 coal-fired station of Feb. 2 following repairs to the air preheater expansion joint.

**FRCC**— FPL's 760 Mw Turkey Point #3 nuclear unit continues to operate at 60% following its turbine valve test, but is expected back at full power later today.

**MAAC**— PSEG ramped production levels to 48% at its 1,049 Mw Hope Creek nuclear unit, increasing it by 8%.

Exelon reduced output 1% to 97% at its 1,143 Mw Limerick #2 nuclear unit as readies for a refueling outage.

**The NRC reported that U.S. nuclear generating capacity was at 90734 Mw today up 1.04% from Monday.**

Texas Eastern Transmission said that STX and ETX have been restricted to capacity, and therefore no physical increases of receipts will be accepted between Vidor and Little Rock, and no PAL Parks are available in STX and ETX. M1-24 and M2-24 have been scheduled to capacity between Little Rock and Batesville.

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 scheduled to capacity.

Algonquin Gas Transmission said it has restricted all AIT-1 and a portion of priority 3 nominations for gas flowing through the Stony Point compressor station. No increases for transportation flowing through Stony Point except for primary no notice nominations will be accepted. In addition, no due-shipper nominations will be accepted.

Florida Gas Transmission said that due to high demand and low temperatures, it is issuing an Overage Alert Day at 25% tolerance for the day.

Trailblazer Pipeline said that it has limited capacity available for transports going eastbound through Station 601. TransColorado said that PIN 40379, Southern Trails is at capacity for delivered volumes today.

### **PIPELINE MAINTENANCE**

Colorado Interstate Gas Co. said repair work on Natural Buttes Compressor Station is still in progress and will continue through February. As of yesterday, the total capacity for receipts at Uintah and Meter Station 101 will be 120 MMcf/d and will remain at that level until further notice.

Gulf South Pipeline said it has postponed maintenance on Index 293 and 293-11 in Plaquemines Parish, Louisiana originally scheduled to begin today and continuing for 3 days. Gulf South did not announce a make-up date for the maintenance.

### **ELECTRICITY MARKET NEWS**

Dynegy has completed the purchase from Exelon of all the outstanding capital stock of ExRes SHC, the parent company of Sithe Energies and Sithe Independence. This acquisition has added the 1,021 Mw combined-cycle Independence power generation facility, four natural gas-fired merchant facilities and four hydroelectric generation facilities to Dynegy's power generation portfolio. In addition, the deal includes a 750 Mw firm capacity sales agreement with Con Edison through 2014, which will provide annual cash receipts of \$100 million.

FPL Energy and an affiliate of Carlyle/Riverstone announced today that they have purchased ownership interest for an effective 141 Mw of Solar power generation in California. Under the terms of the agreement FPL will operate the SEGS plants and hold 45% ownership, and Carlyle/Riverstone will own 49% with the remainder being held by a group of limited partners. All of the power generated from the SEGS projects is sold to Southern California Edison under long-term contracts. This deal makes FPL the largest generator of solar power in the U.S. with 310 Mw. FPL is also the largest wind generator with more than 2,750 Mw in operation.

Southern Company announced that its Gulf Power subsidiary will be the first utility in the nation to launch a comprehensive Mercury Research Center to study the different methods of reducing mercury emissions from power plants. The center will be built at Gulf Power's Plant Crist electric generation plant in Pensacola, Florida, and will install and test various state-of-the-art technologies to assess long-term performance and reliability in reducing mercury emissions. Gulf Power is also open to other companies or researchers suggesting or conducting new or different treatment technologies at the center. The center is scheduled to be in operation by November.

### **MARKET COMMENTARY**

The natural gas market opened 6 cents lower at \$6.26 following Monday's late rally as traders took some profits. The market was pressured in light of the weather forecasts still calling for moderate temperatures as well as the lower opening in the oil markets. The market posted an intraday low of \$6.26 but quickly bounced off that level as the cash prices firmed up. The cool weather in Texas and parts of the South offset the moderating temperatures in the Northeast and Midwest. Henry Hub cash prices climbed about 14 cents to \$6.28. The natural gas market breached Monday's high of \$6.33 and rallied to a high of \$6.40 in afternoon trading. However the March natural gas contract settled down 0.5 cent at \$6.316 after it retraced most of its gains ahead of the

close amid the late bout of selling seen in the oil complex. Volume in the natural gas market was light with 56,000 lots booked on the day. Open interest in the natural gas market built by a total of 4,259 lots, with a build of 2,921 lots reported in the March contract amid the rally on Monday.

The natural gas market is seen trading in a range ahead of Thursday's release of the EIA natural gas inventory report. Withdrawal estimates for the report range from 185 bcf to 240 bcf. Meanwhile, the latest 8-14 day weather forecast is still calling for above normal temperatures for most of the country. Technically, the market is seen finding resistance at \$6.35, its high of \$6.40 followed by \$6.64, \$6.67 and \$6.75. However support is seen \$6.31, \$6.26, followed by \$6.17 and \$6.12. More distant support is seen at \$6.08 and \$5.83-\$5.81.

