



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR FEBRUARY 21, 2006**

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

The National Weather Service reported that U.S. demand for heating fuels is expected to be about 8.1% above normal this week for the first time this year. Total U.S. natural gas heating demand will be about 9.1% above normal versus 1% above normal the week earlier.

WSI Corporation issued the seasonal outlook for the upcoming three-month period (March-May), expecting cooler than normal temperatures in the northeastern states with warmer-than-normal temperatures elsewhere. The WSI March forecast indicates warmer-than-normal temperatures in the key heating demand areas in the Eastern and Central regions. The warmer temperature outlook for March will result in lower natural gas demand and lower withdrawals from storage. With current inventories over 40% above the five-year average, warmer weather in March will provide additional below average withdrawals from storage. This will result in end-of-heating season inventories of 1.5 Tcf or higher. The WSI April forecast indicates warmer-than-normal temperatures across most of the country, with only the Northwest region expecting cooler-than-normal temperatures. The WSI May forecast indicates cooler-than-normal temperatures in the Northeast and the Northwest. Warmer-than-normal temperatures are expected in the Central and Southern areas of the country.

The proposed Kinder Morgan Louisiana Pipeline, a 140-mile pipe to connect the Sabine Pass LNG terminal to various delivery points, can begin the prefiling process to address potential environmental and safety issues, the U.S. FERC said.

#### **PIPELINE RESTRICTIONS**

Alliance Pipeline said that routine inspections will require the Gold Creek Compressor to be unavailable for four hours on February 23. Station Capacity will be reduced to 44.1 MMcf for this gas day. The Gold Creek Compressor is located in Alberta.

Kern River Pipeline said that its system is experiencing low linepack due to significant drafting. Therefore, it is

#### **Generator Problems**

**ERCOT**— TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power unit expects to restart February 22-23 after fixing a boiler tube leak. The unit shut yesterday.

**FRCC**— FPL's 693 Mw Turkey Point #4 shut over the weekend to replace a nuclear instrument that monitors the reactor power. The unit has restarted today, and is operating offline at 2%. The unit was operating at full power on Friday.

**MAAC**— Constellation Energy's 873 Mw Calvert Cliffs #1 nuclear unit shut for a planned refueling outage. The unit was operating at 94% capacity on Friday. Calvert Cliffs #2 continues to operate at full power.

Exelon's 1,143 Mw Limerick #1 nuclear unit is expected to shut March 6 for a regularly scheduled refueling and maintenance outage. Limerick #2 continues to operate at full power.

PSEG's 1,100 Mw Salem #1 nuclear unit increased production to full power following planned maintenance on the transformer. The unit was operating at 56% Friday. Salem #2 continues to operate at full power.

**MAIN**— Exelon's 1,118 Mw LaSalle #1 nuclear unit shut for a planned refueling outage. On Friday, the unit was operating at full power. LaSalle #2 continues to operate at full power.

**MAPP**— Xcel's 522 Mw Prairie Island #2 exited an outage and ramped up to 16% of capacity. Prairie Island #1 continues to operate at full power.

**SERC**— Tennessee Valley Authority's 1,100 Mw Browns Ferry #3 nuclear unit decreased power to 82% as the unit nears its regularly scheduled refueling and maintenance outage. The unit was operating at 92% on Friday. Browns Ferry #2 continues to operate at full power.

imperative that operators do not take more gas than is scheduled.

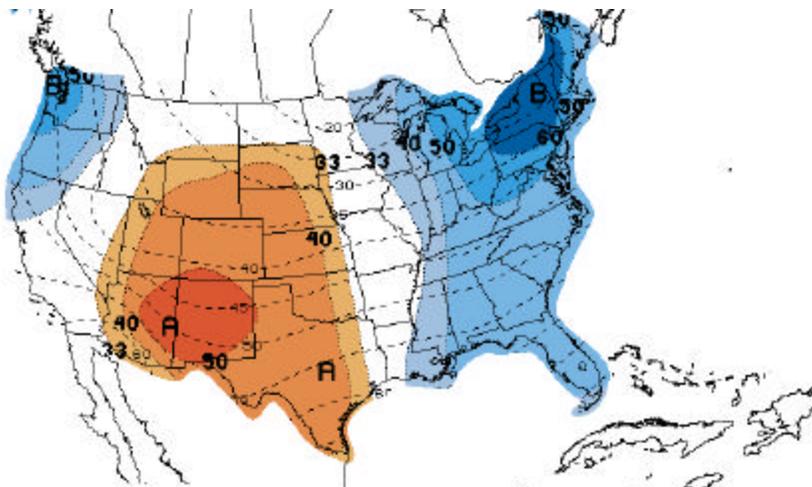
KM Interstate Gas Transmission said that effective for today and until further notice, it is lifting the advisory action posted last week. Also, KMIGT said it has capacity available for deliveries through Segment 190 (Big Springs). Depending on the level of nominations, AOR/IT and secondary quantities may be scheduled. Finally, nominated withdrawals for the Interruptible Storage and No-Notice services, Park & Loan and Storage Park & Loan services; as well as AOR for the NNS, CMC-1 and CMC-2 services will no longer be limited and may be scheduled.

Texas Eastern Transmission Corp. said it has scheduled and sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted.

### PIPELINE MAINTENANCE

Alliance Pipeline said that Unit #2 at the Blueberry Hill Compression Station will be required to be offline tow hours on February 22 for minor maintenance. Alliance will be lowering the target capacity at Constraint Point #2 to 521 MMcf/d. The Blueberry Hill Compressor is located in Alberta. Alliance also said that scheduled maintenance will require Unit #1 at the Whitecourt Lateral Meter/Compressor Station to be unavailable for 10 hours on February 23. Station Capacity will be reduced to 27.5 MMcf for this gas day. The Whitecourt Compressor is located in Alberta.

Gulf South Pipeline said that it will be performing scheduled maintenance on McComb Compressor Station Unit #4 beginning March 1, and continuing for approximately 30 days. Capacity through McComb Compressor Station with Unit #4 unavailable could be reduced as much as 75 MMcf/d; however, with current nominations, capacity should not be affected.



6-10 DAY OUTLOOK  
TEHP PROBABILITY  
MADE 21 Feb 2006  
VALID Feb 27 - Mar 03, 2006

DASHED BLACK LINES ARE CLIMATOLOGY  
(1000 FT); SHADED AREAS ARE FEET  
VALUES ABOVE (A) OR BELOW (B) NORMAL  
UNSHADED AREAS ARE NEAR-NORMAL

Compressor) will be limited to 340 MMcf/d. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being scheduled.

### Generator Problems

**SERC (cont'd)**— Dominion Resources' 921 Mw North Anna #1 nuclear unit increased power to 87% capacity. The unit was operating off line at 10% on Friday. North Anna #2 continues to operate at full power.

Entergy Nuclear's 966 Mw River Bend power unit restarted early this weekend and is now operating at 85% capacity.

**WSCC**— Southern California Edison's 525 Mw Mountainview #4 natural gas-fired power unit returned to service by Monday afternoon.

Energy Northwest's 1,200 Mw Columbia Generating nuclear unit returned to full power as of this morning. The unit was operating at 60% most of last week.

**Canada**— Ontario Power Generation shut the 535 Mw Lennox #4 oil- and natural gas-fired power station early today for short-term planned work.

**The NRC reported that U.S. nuclear generating capacity was at 88,765 Mw up .27% from Friday and up 1.47% from a year ago.**

National Fuel Gas said that the Heath Station will shut down February 27 at 8:00 AM ET for a 2,000 hour maintenance and third stage compressor preventative maintenance on unit #9. The station will remain down for three full days. All producers must shut in 75% for the three days, prior to the shutdown. The station will restart on March 2 at approximately 12:00 PM ET.

TransColorado Gas Transmission said it will be performing maintenance at its Olathe Compressor Station from gas day March 15 through gas day March 16. Capacity through Segment 220 (White Water Compressor to Olathe

Williston Basin Interstate Pipeline Company said that maintenance at the South Baker Compressor Station Unit #2 will affect Receipt Point ID 04018 Baker Area Mainline and Receipt Point ID 04015 Baker Area Grasslands Mainline by approximately 6.5 MMcf on February 25. Also, Williston said maintenance will be performed at the Lovell Compressor Station sometime by the end of February. At this time, the company does not anticipate any restrictions to the system.

### **ELECTRIC MARKET NEWS**

The U.S. Nuclear Regulatory Commission will conduct a special inspection at Exelon Corporation's 1,118 Mw LaSalle #1 nuclear unit in Illinois following a problem with control rod instrumentation during an automatic shutdown. Exelon declared a Site Area Emergency at the plant early Monday when reactor instrumentation showed three control rods failed to insert fully into the reactor during an automatic reactor shutdown.

### **MARKET COMMENTARY**

The natural gas market opened 18.8 cents higher supported by firmer oil markets due to geopolitical uncertainty abroad, as well as heating demand this past week end coming in some 4.25% colder than expected on Friday. March natural gas traded to a low of \$7.28 early in the session and moved sideways most of the session finding resistance at the \$7.40 level. But with just a half hour left in the session, a short covering rally spurred by cold later in the week rallied the market to a high of \$7.77 just before it settled up 54.9 cents at \$7.731. This late day rally allowed the gasp at \$7.73-\$7.70 from February 9<sup>th</sup> to be backfilled.

Downside momentum has clearly slowed, following last week's numerous tests of the 7.00 level while the oil market was on the defensive. But as crude stabilized and cold weather dipped into the key consuming regions, providing a seasonally normal withdraw to stocks this week, natural gas has for the moment has backed off extending its lows. Short covering ahead of the close today lifted prices, but the bearish technicals and fundamentals still exist. With inventories still at record levels for this time of year, we do not expect the buying to be sustained. We see support at \$7.00-\$7.03, \$6.90, and \$6.13. We see further support at \$6.02 and \$5.938. We see resistance at \$7.77, \$8.00 and \$8.12. Further resistance we see at \$8.17-\$8.26, \$8.745 and \$9.82.