



## ***ENERGY RISK MANAGEMENT***

Howard Rennell & Pat Shigueta  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR FEBRUARY 23, 2005**

---

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

Federal regulators granted Texas Eastern Transmission nearly three additional years to complete and place into operation the remaining facilities of its proposed looping and compression expansion of its mainline pipeline in the Southeast.

Qatar Petroleum and Royal Dutch/Shell are expected to sign an \$8 billion deal to supply LNG to the U.S. The project, Qatargas-4, will push state-run Qatar Petroleum towards its goal of becoming the world's top LNG producer by 2011 and fortify Shell's position as the product's top private supplier.

Williams announced today that its domestic and international proved natural gas and oil reserves as of Dec. 31, 2004, increased to 3.2 trillion cubic feet equivalent. U.S. reserves increased 10.5% to 3.0 Tcfe compared with 2.7 Tcfe a year earlier. More than 99% of Williams' U.S. proved reserves are natural gas.

Cambridge Energy Research Associates released a study saying that the 27-year-old U.S. system for measuring and reporting oil and gas reserves has failed to keep pace with a changing, increasingly global industry. The 6month study further asserts that as a result of this outpacing, reserve reporting falls short of accurately describing industry and individual companies values, performances and strategies. Daniel Yergin, CERA Chairman and one of the authors of the report, asserted that "the system of reserve reporting in force in the U.S. is in urgent need of modernization."

#### **PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company of America said that deliveries to Columbia Gulf-Chalkley are at capacity today. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. All Louisiana Line

#### **Generator Problems**

**ERCOT**— TXU shut its 750 Mw Martin Lake #1 coal-fired unit to repair a boiler tube leak. The unit will restart when the repairs are finished.

**MAAC**— Constellation Energy's 858 Mw Calvert Cliffs #2 nuclear unit shut early today for what is likely a month-long refueling and maintenance outage.. The unit was operating at 94% capacity yesterday. Calvert Cliffs #1 continued to operate at full power.

Exelon Corp.'s 1,179 Mw Limerick #1 nuclear unit returned to full power early today. Yesterday the unit was operating at 70% after exiting an outage over the weekend. Limerick #2 climbed to 88% up from 87% as it prepares for a refueling outage expected to start in later this month.

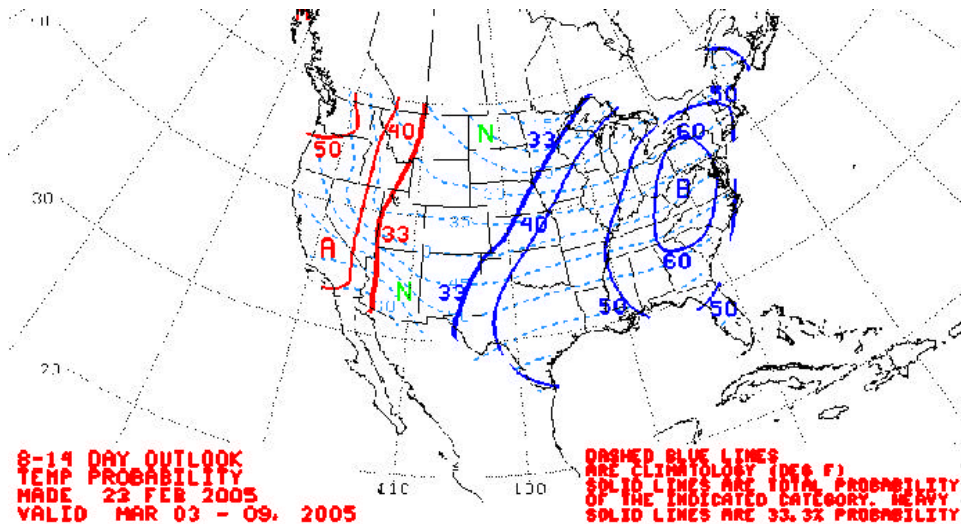
**MAIN**— AmerGen Energy Co.'s 1,026 Mw Clinton nuclear unit shut late last night to fix some pipes in the condenser. The unit was operating at 29% capacity early yesterday.

**SERC**— Duke Energy Corp.'s 846 Mw Oconee #3 nuclear unit ramped up to 50% capacity early today. Yesterday the unit was operating offline at 19% after exiting an outage over the weekend. Oconee #1 and #2 continue to operate at full power.

Entergy Corp. shut the 978 Mw River Bend nuclear unit for planned repairs to fix a hydrogen leak in the station water cooling system associated with the main generator.

**WSCC**— Reliant Energy's 741 Mw Ormond Beach #1 natural gas -fired unit returned to service late yesterday after shutting Jan. 19. Ormond Beach #2 is available for service by not necessarily operating depending on economics.

**The NRC reported that U.S. nuclear generating capacity was at 86,953 Mw today down 0.60% from Monday and up 1.17% from a year ago.**



segments (25, 23, and 24) are at capacity for eastbound transport volumes.

Texas Eastern Transmission said it has been scheduled to capacity in STX, ETX, M1-24, and M2-24. No increases will be accepted between Vidor and Batesville. Also, requests for PAL parks will not be accepted in the zones listed above.

Algonquin Gas Transmission said it has scheduled all nominations for today, and these nominations have put

the AGT system at capacity for nominations flowing through Stony Point compressor station. No increases for transportation flowing through Stony Point except for primary no notice nominations will be accepted. No due-shipper nominations will be accepted.

Trailblazer Pipeline said that it expects limited capacity available for transports going eastbound through Station 601 on March 1. Limited increases to interruptible flow, authorized overrun and secondary out-of-path firm transport volumes are available to the extent primary in-path and secondary in-path firm transport volumes are unutilized.

TransColorado said that yesterday, a force majeure event occurred at its Whitewater Compressor Station in Mesa County, Colorado. The station is out of service until further notice. Effective immediately, the capacity through Segment 210 is limited to 350 MMcf/d, although no impact to primary firm in path quantities are anticipated at the current nominations level.

**PIPELINE MAINTENANCE**

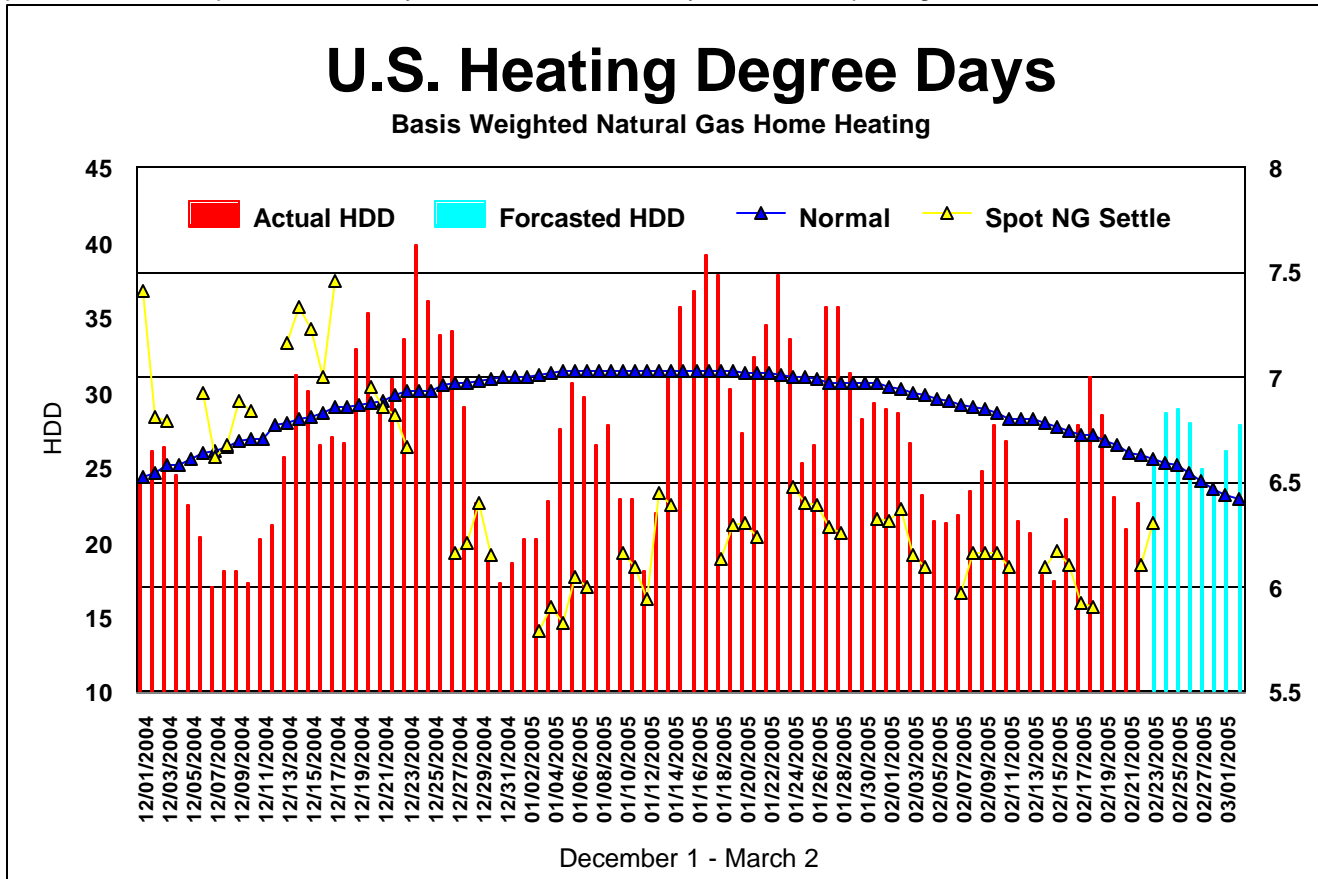
NGPL recently detailed its list of March maintenance projects. On March 1, NGPL's Unit #1 at Compressor Station 812 (Atoka County, Oklahoma) will be unavailable for a partial gas day. This will temporarily reduce capacity in Segment 16 of NGPL's Texok Zone, however, NGPL does not anticipate any scheduling issues in Segment 16. On March 3, NGPL will perform a 4,000-hour inspection on Unit #3 at Compressor Station 346 in Cameron Parish, Louisiana. On March 4, the third party utility company that provides electric power for NGPL's Compressor Station 302 is scheduling a partial day outage on their transmission line, and Station 302 will be down during these outages. On March 8, NGPL will run a cleaning pig in the Arkoma Lateral, a reduced transport volume will be scheduled. On March 8, NGPL will replace Unit #4 at Compressor Station 342, however, NGPL does not anticipate any impact to scheduling Primary or Secondary in-path transports in Segments 23 and 24 for these two gas days. On March 10, NGPL will run a cleaning pig in Segment 17 Line #2, however, this pig run should not impact scheduling Segment 17 transports.

Williston Basin Interstate Pipeline Co., said maintenance on Unit #11 at the Little Beaver Plant has been rescheduled from March 2 and 3 to March 9 and 10. Due to the work, the capacity at current conditions for Point ID 04018 Baker Area Mainline will be affected by approximately 5 MMcf of gas on March 9, and by 1.667 MMcf on March 10.

**ELECTRICITY MARKET NEWS**

The Energy Information Administration said U.S. electricity generation in December 2004 was more than 12% higher than the previous month, ending a year in which power generation rose by 1.8%. In a new monthly publication, Flash Estimates of Electric Power Data, the EIA said the annual electricity growth rate in 2004 tripled the modest 0.6% increase in 2003. The growth in generation and sales has been driven primarily by economic factors, as heating and cooling degree days both decreased in 2004 compared to 2003. Electricity from natural

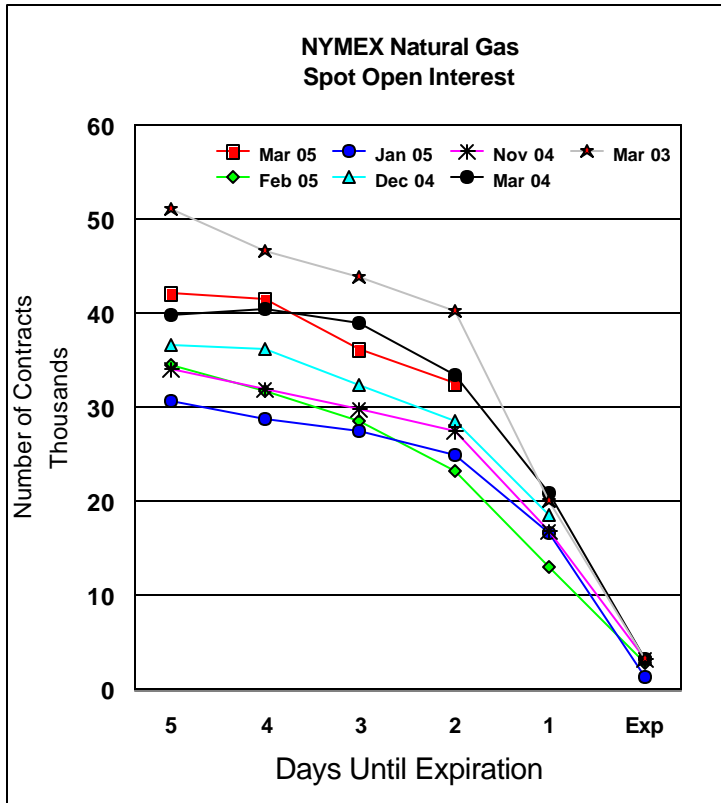
gas-fired power plants rose by 7.6% in 2004, while electricity from coal-fired plants was flat. The low rate of growth in coal generation may be attributable in part to the strong 3.2% growth in nuclear generation, which competes with coal for baseload demand. Hydroelectric generation was down 2.4% for the full year, but generation in the month of December 2004 was 8.5% higher than in December 2003. The EIA said its new publication would publish electricity estimates about 45 days after the reporting month.



The Midwest Independent Transmission System announced the creation of a fourth financial trading hub in support of the launch of the Midwest Energy Markets. The Midwest ISO Hubs—Minnesota, Cinergy, Michigan, and Illinois—will facilitate wholesale market sales and purchases of electricity within the Midwest ISO Energy Markets. The Minnesota Hub will provide market participants with a price index for the upper Midwest. Establishing financial hubs allows participants common pricing points from which to contract or trade and should reduce uncertainty for parties who wish to contract. The Hubs will also create liquidity in the wholesale market.

Ontario announced it would regulate electricity prices for big customers of government-owned Ontario Power Generation as part of a plan to restructure the province's power sector. The Ontario government said it would set an average price of 4.5 cents per KWh on the output from the regulated assets of OPG, by far the province's biggest electricity generator, to better reflect the cost of production. The prices will take effect April 1 and stay in place until the Ontario Energy Board sets new rates, no later than March 31, 2008. The province's regulated assets include large hydroelectric and nuclear plants. Ontario Minister of Energy Dwight Duncan said "for too long, taxpayer subsidies have kept electricity prices unsustainably low." The rate change will affect about 55,000 large industrial and commercial electricity consumers that use more than 250,000 KWh/y. The government said that starting April 1 it will also set a new revenue limit of 4.7 cents per KWh on most of the output from OPG's unregulated assets, including smaller hydroelectric plants and coal- and gas- fired power stations. By raising rates, Ontario hopes to foster conservation and address the tight supplies arising from a shortage of generating capacity.

NewSouth Energy, a newly formed subsidiary of Calpine Corp. has launched an energy venture in Atlanta, Ga to better focus on wholesale power customers and energy markets in the South. With access to Calpine's fleet of plants, technical capabilities, and power products and services, new SouthEnergy will help to meet the real-time and long-term energy requirements of its customers, including utilities and other load-serving entities. NewSouth Energy's service territory spans 11 southeastern states and has 7,000 Mw of natural gas-fired plants in operation or under construction.



PPL Corporation will invest an estimated \$630 million in pollution control equipment for three coal-fired generating units in Pennsylvania. PPL will install scrubbers on the two generating units at its Montour power plant north of Danville and on the largest unit of its Brunner Island power plant south of Harrisburg. Construction will begin early next year and is expected to be completed in 2008 for Montour and 2010 for Brunner Island. The scrubbers will remove nearly all of the sulfur dioxide now emitted from these units.

**MARKET COMMENTARY**

While the NWS this morning revised its 8-day temperature outlook towards some 7.7% colder than had been expected yesterday, the natural gas market still opened a few pennies weaker. But the market quickly turned positive as the rally continued in the oil markets, led by heating oil. While the \$6.20 resistance level held for the morning it was finally breached in the afternoon and the market moved higher as spot heating oil prices continued to spike higher. The market ended the day near its highs, settling up over 20 cents at \$6.311. This was the highest settlement in the March contract since February 2<sup>nd</sup>. The

summer and next winter contracts though saw values reach levels not seen since late last year, as it appears end users may be viewing natural gas values as relatively cheap in an environment in which crude oil prices might be moving into a \$50-\$60 trading range.

Today saw excellent volume with over 118,000 futures traded, as it appeared that many traders began to exit positions in front of tomorrow's future expiration. Despite today being an option expiration day, volume was relatively moderate in that market with just 32,308 option contracts being booked on the day, of which over 61% was centered in the expiring March contract.

Market expectations for tomorrow's EIA storage report appear to be centered on a 95-bcf draw down. The same week a year ago saw a 166-bcf decline, while the 5-year seasonal average weekly decline is at 131-bcf decline. Our estimate for tomorrow's report is a bit lower looking for an 82-bcf draw down.

We still feel that the stock overhang in this market will keep the front months in natural gas from significantly running higher, even with the outlook for colder temperatures over the near term. But without a retracement in the recent rally in oil prices we feel it will be very difficult for natural gas prices to move back below the \$6.00 level. We see support in the March contract tomorrow at \$6.20, followed by \$6.15, \$6.095 and \$6.04. More distant support we see at \$5.95, \$5.81 and \$5.71. Resistance we see at \$6.35 followed by \$6.48 and \$6.69.