



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR FEBRUARY 24, 2005

#### NATURAL GAS MARKET NEWS

##### EIA Weekly Report

	02/18/2005	02/11/2005	Net chg	Last Year
Producing Region	564	576	-12	420
Consuming East	921	984	-63	717
Consuming West	235	248	-13	176
Total US	1720	1808	-88	1314

ConocoPhillips announced that it has agreed with Duke Energy to restructure the companies' ownership of Duke Energy Field Services. ConocoPhillips is expected to increase its 30.3% ownership in DEFS to 50% through a series of transactions, including the transfer of ConocoPhillips' Empress natural gas plant and related marketing business in Canada to Duke Energy gas Transmission, as well as the contribution of certain other ConocoPhillips U.S. midstream gas assets to DEFS. ConocoPhillips' share of the proceeds from these transactions will be applied to fund the increase in the company's ownership in DEFS. Duke Energy expects to receive, directly and indirectly through its ownership interest in DEFS, a combination of assets and cash valued at \$1.1 billion.

#### PIPELINE RESTRICTIONS

Natural Gas Pipeline Company of America said that deliveries to Columbia Gulf-Chalkley are at capacity today. ANR South Joliet #2 (PIN 904758) is at capacity for deliveries. 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.

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.

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

#### Generator Problems

**ERCOT**— TXU curtailed production to 60% capacity at its 1,150 Mw Comanche Peak #1 nuclear unit to make repairs to the manual feedwater pump automatic control system, which was damaged when offsite power was lost due to adverse weather. Comanche Peak #2 is operating at 95%.

**MAIN**— We Energies returned its 516 Mw Point Beach #1 nuclear unit to full capacity today after reducing output yesterday for quarterly testing. The unit was at 71% yesterday. Point Beach #2 continues to run at full capacity.

**SERC**— Duke Power returned its 846 Mw Oconee #3 nuclear unit to full capacity today. The unit was operating at 50% yesterday after returning from repairs over the weekend. Oconee #1 and #2 continue to operate at full power.

Tennessee Valley Authority's 1,126 Mw Sequoyah #2 nuclear reactor shut late last night following an "automatic reactor trip on low-low steam generator levels." Sequoyah #1 continues to operate at full power.

**Canada**— OPG's 490 Mw coal fired Nanticoke 3 power plant was taken off line today for maintenance. The unit is expected back on line by March 3<sup>rd</sup>. OPG's Nanticoke #2 unit went off line on Tuesday and is also not expected back in service until next week.

**The NRC reported that U.S. nuclear generating capacity was at 85,566 Mw today down 1.59% from Wednesday and up .59% from a year ago.**

transportation flowing through Stony Point except for primary no notice nominations will be accepted. No due-shipper nominations will be accepted. In addition, delivery nominations to the physical receipt meter Tennessee Gas-Mahwah (MR 00201) have exceeded the receipt nominations. AGT has restricted the delivery nominations to match the level of receipts.

**Canadian Gas Association**

**Weekly Storage Report**

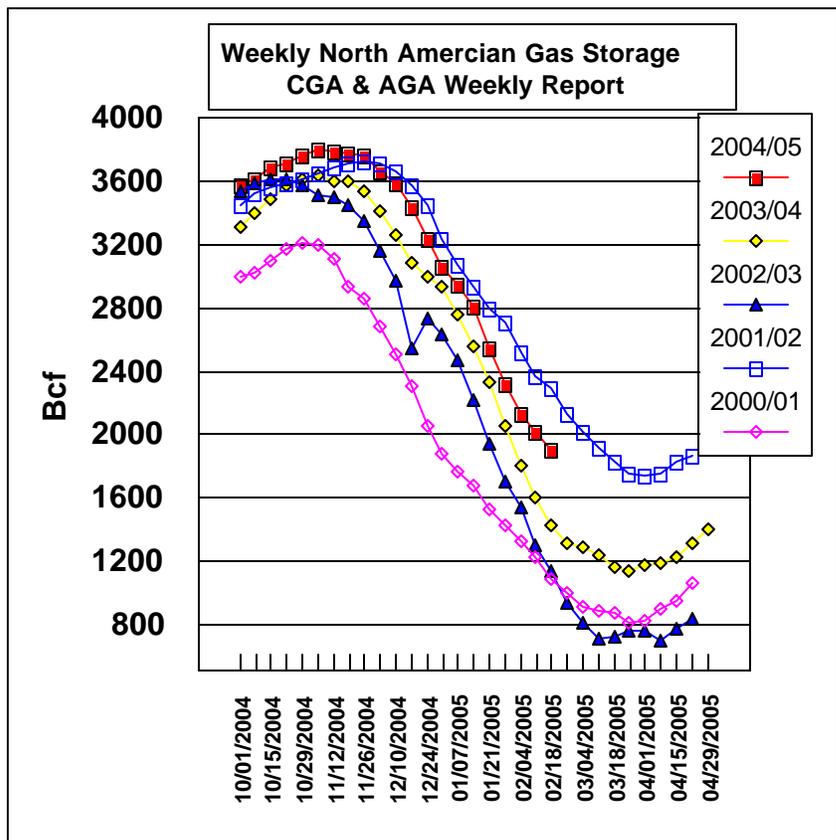
	18-Feb-05	11-Feb-05	20-Feb-04
<b>East</b>	104.9	113.9	83.6
<b>West</b>	82.1	89.0	71.2
<b>Total</b>	187.0	202.9	154.8

Centerpoint Gas Transmission said that due to the forecast for colder than normal weather conditions moving into its service area, the need to maintain adequate line pack and preserve storage flexibility to meet firm transportation obligations, including for NNTS service, CEGT has declared an operational alert. The company will limit swings as well as imbalances system-wide. CEGT is requiring customers, particularly

power plants or other large industrial loads whose swings can cause operational difficulties for its system or discrete segments thereof, to take deliveries as close to ratably as possible throughout the Day. In no case should shippers' takes exceed their hourly entitlements by more than 10% in any hour. Takes outside of such hourly range may result in an OFO being issued to the offending shipper.

Colorado Interstate Gas Co. said that the Laramie WIC Compressor is being taken out of service immediately due to a force majeure event. Capacity at Laramie WIC will be limited to 730 MMcf/d due to the one unit being out of service. The compressor capacity will remain at that level until further notice.

TransColorado said yesterday force majeure events occurred at Tits Mancos Compressor Station in Montezuma County, Colorado, Redvale Compressor Station located in Montrose County, Colorado and one compressor unit at the Dolores Compressor Station located in Dolores County, Colorado. The Mancos and Redvale stations and one compressor unit at Dolores are out of service until further notice. These events are a result of the follow up investigation of the Force Majeure event that occurred at Whitewater on Tuesday. Effective immediately, the capacity through Segment 220 is limited to 300 MMcf/d and the capacity through Segment 240 is limited to 350 MMcf/d. Intraday curtailments of all services will occur. As a result of their force majeure events, TransColorado has experienced increases in it operating pressures, but not above levels previously experienced by shippers.

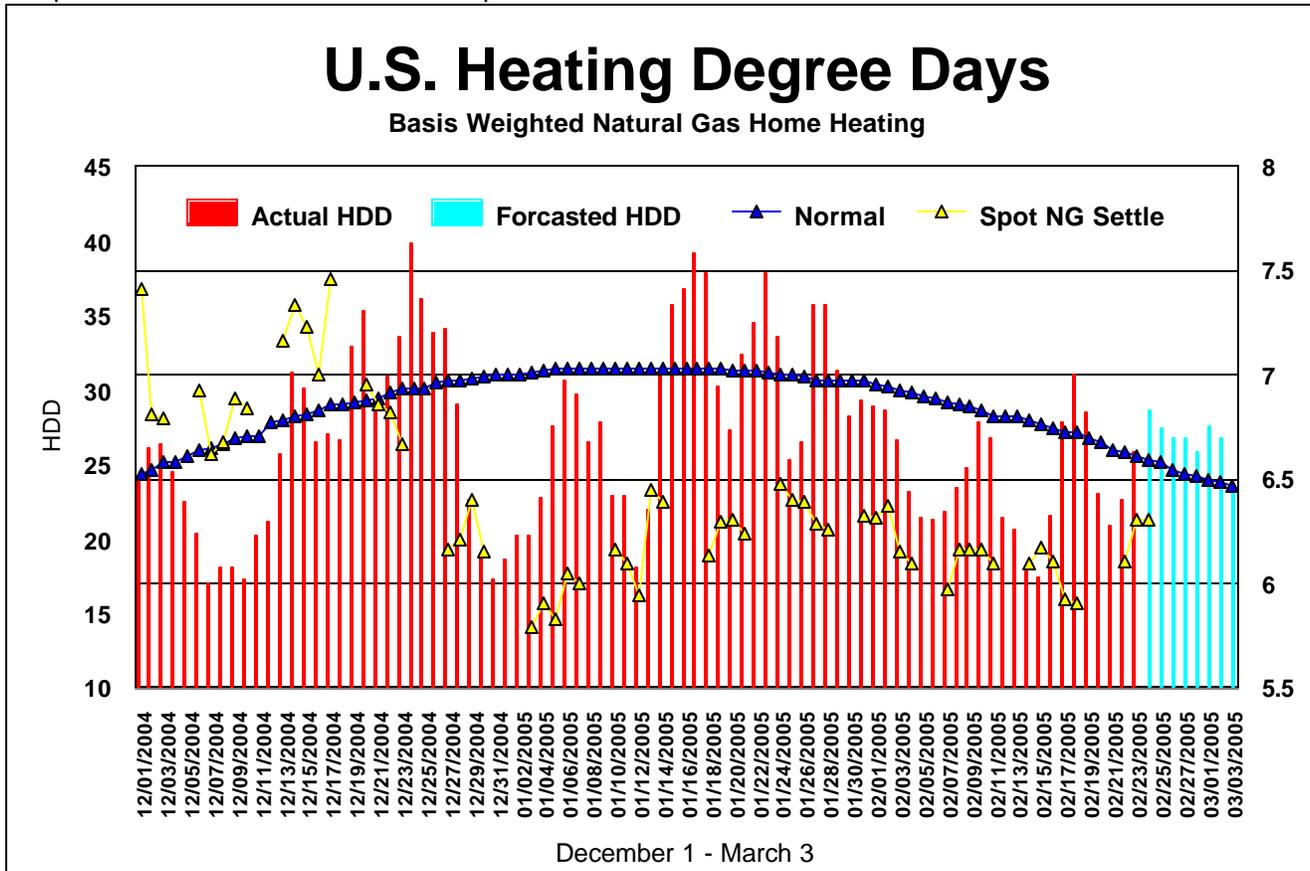


**PIPELINE MAINTENANCE**

El Paso Natural Gas Company said Williams C turbine maintenance was completed in time to reinstate capacity. The capacity of the North Mainline was increased by 75 MMcf/d and the capacity of the Havasu Crossover will be increased by 17 MMcf/d as of Cycle 4 yesterday.

Florida Gas Transmission recently updated its maintenance for the month of March. In March 2005, FGT will continue routine horsepower maintenance in Zone #1, and will continue until the month of April. During this work, FGT will schedule 150 MMcf/d through station #3 as compared to 225 MMcf/d during normal operations. On March 7 FGT will be performing compressor unit maintenance on one of the units at station #4 in Zone #1,

lasting approximately 7 days. During this work FGT will schedule up to 150 MMcf/d through station #4 as compared to 235 MMcf/d during normal operations. On March 14 FGT will be performing compressor unit maintenance on one of the units at station #6 in Zone #1, lasting approximately 14 days. During this work FGT will schedule up to 200 MMcf/d through station #6 as compared to 300 MMcf/d under normal operations. Also on March 14 FGT will be performing compressor unit maintenance on one of the units at station #7 in Zone #1, lasting approximately 14 days. During this work FGT will schedule up to 350 MMcf/d through station #7 as compared to 467 MMcf/d under normal operations.



The Kern River Gas Transmission said that it is currently doing some pigging work on the pipeline, therefore its line pack is posted as high. Consequently, Kern is asking its customers to keep their markets and supplies aligned unless authorized to balance.

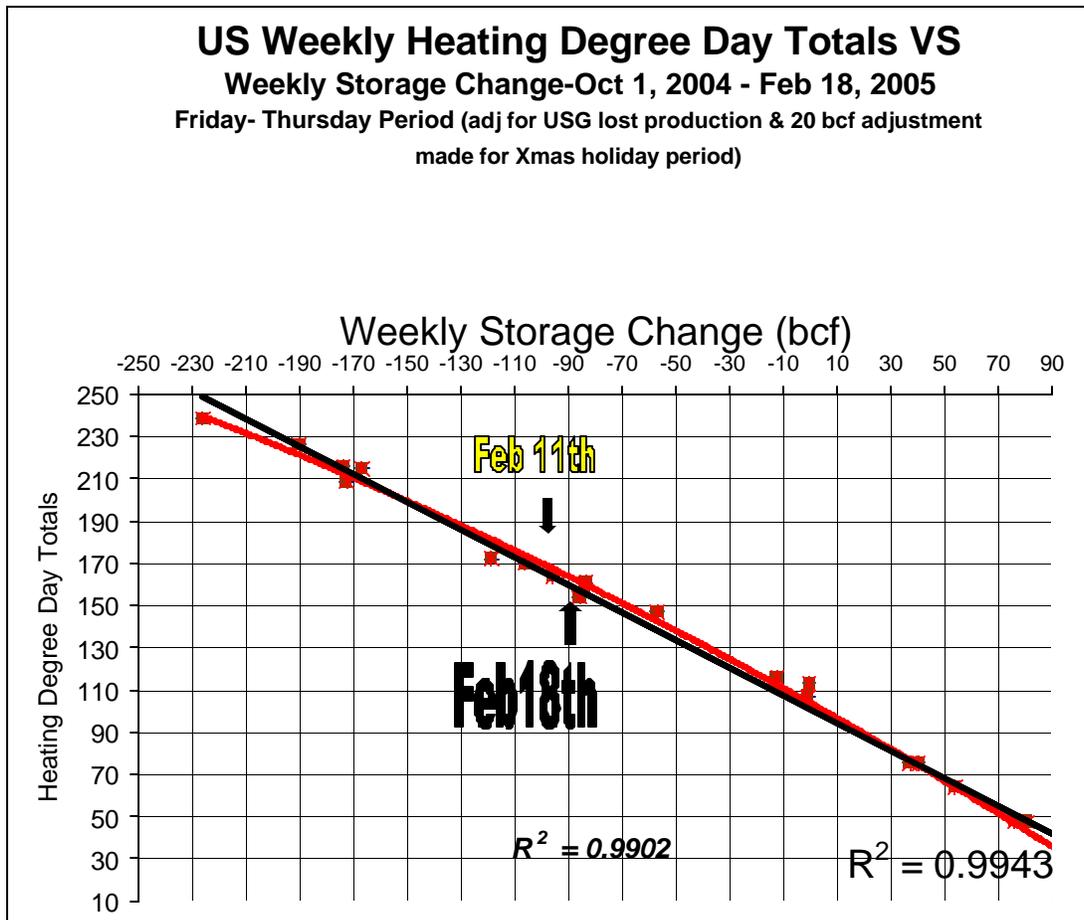
Transwestern said it will be installing Launchers and Receivers from Needles measurement station in Mohave County, Arizona to the river on March 1-7. Consequently, Transwestern will be scheduling all nominations to zero at the Social Needles Delivery Interconnect.

Questar Pipeline Company said it has been notified by West Texas Gas that they will be performing maintenance at the Davis Plant processing facility beginning March 7 and ending March 11. As a result, no nominations will be accepted at the QPC Greasewood delivery to TransColorado (MAP 297) for these days. Nominations will be accepted beginning cycle 1 for gas day March 12.

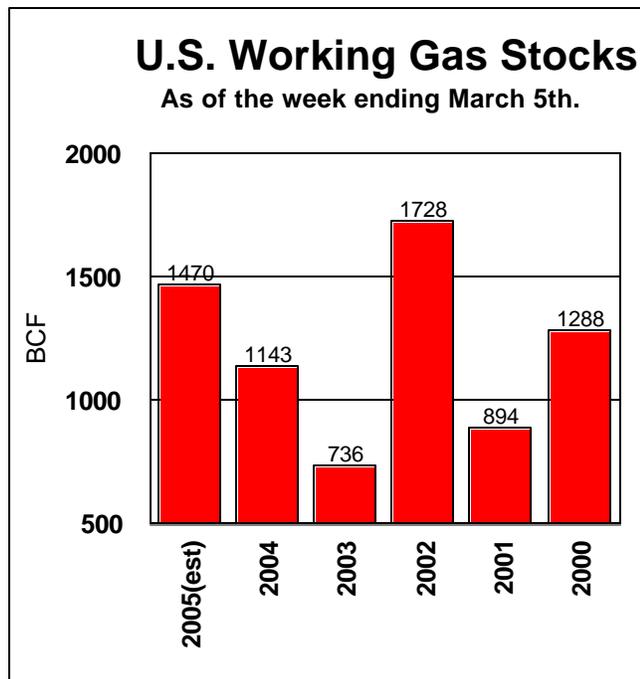
### **ELECTRICITY MARKET NEWS**

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended Feb. 19 fell 0.5% from the same 2004 week to 72,431 GWh. The Southeast showed the largest year-on-year percentage decrease in output, dropping 2.7% to 19,109 GWh. The Pacific Northwest showed the largest year-on-year percentage gain in output, rising 7.4% to 3,263 GWh. For the first eight weeks of the year, production totaled 603,247 GWh, off 0.1% from last year. For the 52 weeks ended Feb. 19, production rose 1.6% from the corresponding period in 2004 to 3,849,076 GWh.

Pacific Gas and Electric Co. has entered into a power purchase agreement with Duke Energy Marketing Americas providing PG&E with exclusive rights to dispatch Morrow Bay Units 3 and 4, each 325 Mw, to meet PG&E's capacity and energy needs for the period 2005-2007. This contract provides Duke Energy the ability to keep the facility available to help supply adequate electric resources to meet the



growing needs of California. The transaction also meets PG&E's objective to obtain competitively priced,



shapeable energy products from the market to meet its near-term needs. PG&E's plan also includes conducting competitive solicitations for near-term supply; long-term supply; long-term renewable energy; and generating capacity in the constrained Humboldt Bay region.

The Southern Company said Thursday that it has extended three wholesale power agreements with FPL. Under the agreements the company will supply FPL with 955 Mw of power through 2015. This contract replaces existing contracts, which were set to expire in 2010.

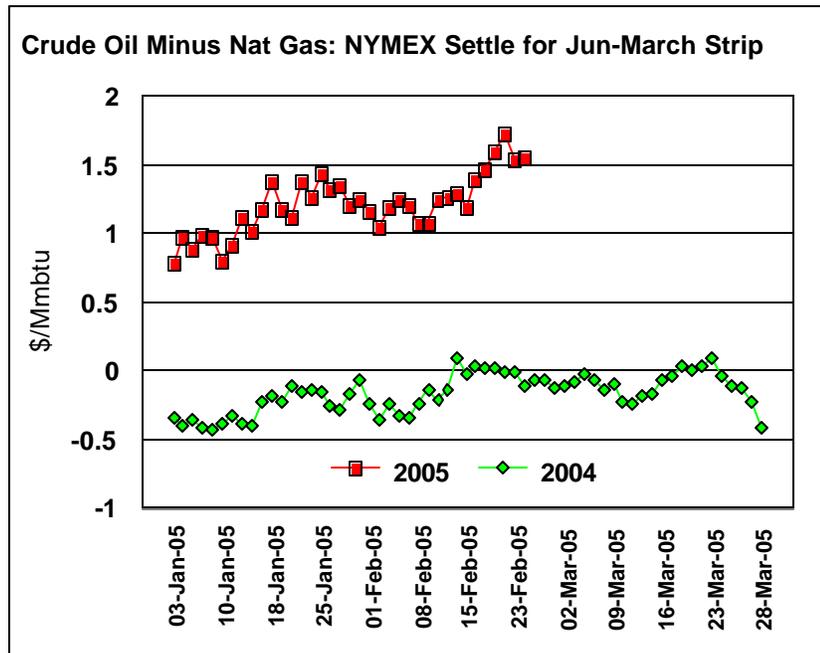
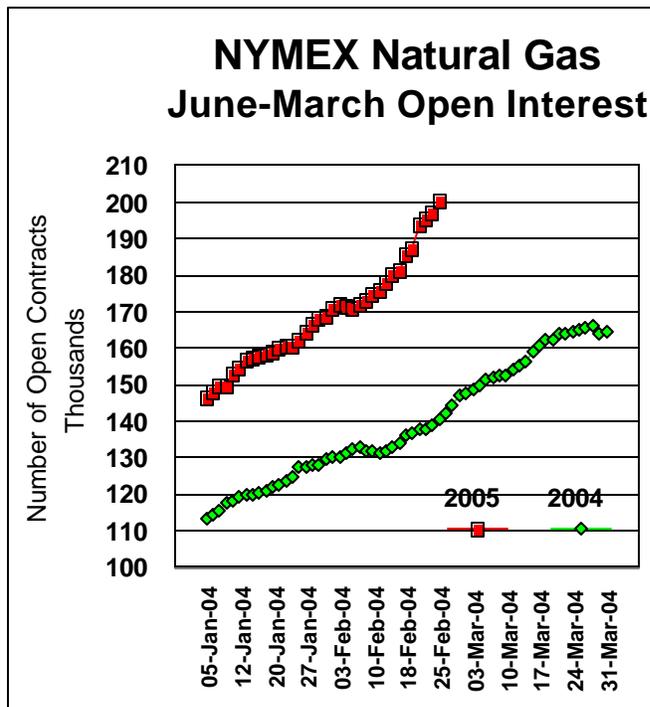
Dominion Resources, AEP, Old Dominion Electric Cooperative, the Virginia Municipal Electric Association and the Blue Ridge Power Agency announced that they have formed a coalition to look into the development and building of a \$1 billion coal fired electric plant in the region. Dominion said they would take the lead in the initial development activities. If a decision is made to build the plant the other companies have the option of joining the partnership. Construction could begin as

early as 2008 with commercial operations beginning in 2012.

**MARKET COMMENTARY**

The natural gas market gapped higher this morning dragged higher by every skyrocketing oil prices and the continued colder revisions in near term weather forecasts. While prices did back fill the gap in the front contract months following the release of mildly bearish gas and oil inventory reports the market rallied back to make new highs by the late morning as crude oil prices reached \$52.00 per barrel. While oil prices did begin to retrace some of its gains at the start of the afternoon, natural gas prices remained relatively static and holding onto its gains. But in the final 30 minutes of trading, natural gas prices were led lower by the expiring March contract, which finished the day actually down 0.7 cents at \$6.304. The back months though did finish higher on the day up 3-5 cents. Final estimated volume in the natural gas was excellent with 122,000 futures contracts changing hands.

This morning's EIA Storage Report came in slightly below most market expectations but a few BCF higher than our expectations. The EIA is currently estimating working gas in storage at 1720 bcf some 406 bcf higher than a year ago and 356 bcf higher than the three-year average.



But this overhang should be eroded a bit in the coming two weeks. Given our estimate that this current week will end with some 180 HDD and a similar heating demand for next week should result in storage draws of approximately 125 bcf in each of the next two weeks. This would yield an ending storage level of 1.47 tcf of gas as of March 4<sup>th</sup>. While this storage level is more than sufficient, it will not be as stifling as was expected a couple of weeks ago.

We see resistance in the April contract tomorrow at \$6.50, followed by \$6.62, \$6.66, \$6.69, \$6.75 and \$6.84-\$6.85. Support we see at \$6.365, \$6.285, \$6.26, \$6.22 and \$6.206.

We would look for the April contract to remain caught in a trading range of \$6.20-\$6.85 over the next month, unless oil prices can significantly move lower. We feel the overhang of inventories is

offset by not only a large short position by the funds, which may begin to liquidate, but also by end user buying interest in the back months, namely this summer through next winter. With all the talk of oil prices moving into a \$50-\$60 trading range, natural gas prices look cheap and relative to crude oil this price strip is \$1.50 per Mmbtu cheaper than crude at this time last year. As a result we feel that end users are the principal driver in the rapid pace of growth in open interest in these contracts over the last couple of weeks. The combined open interest in the June 2005- march 2006 contracts has grown by over 25,000 contracts in just two weeks.

