



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR FEBRUARY 28, 2006**

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

The EIA released their latest Natural Gas Monthly Report this afternoon. It showed that in December 2005, domestic natural gas production continued to rebound from the shut ins from the hurricane season, as production grew some 4.5% from the previous month, but still lagged behind year ago levels, by 3.1%. Net imports on the month stood at 9 bcf/d, down 12.9% from the prior month and some 15.1% less than December 2004. LNG imports stood at 1.65 bcf/d, the lowest level in four months, and some 19.4% less than December 2004 levels. The EIA's month end storage estimate for natural gas stood at 2.635 tcf, basically in line with the weekly report, being off by only 3 bcf on an implied basis. Consumption on the month stood at an estimated 74.9 bcf/d, some 0.3% less than the same time a year ago. While demand gains were registered in the commercial and residential sectors of 4.2% and 6% respectively, due to colder temperatures, and electric generation needs were up as well on the month by 2.8%, the contraction of industrial demand still weighed on the market overall. Industrial demand was some 11.8% less than the same time a year ago.

Kinder Morgan Energy Partners and Sempra Pipelines & Storage announced that they have secured shipper commitments for the over \$4 billion Rockies Express Pipeline project that will transport natural gas from the prolific producing basins in Wyoming and Colorado to eastern Ohio. The 1,323-mile pipeline will be one of the largest of its kind ever constructed in North America and will have the capability to transport 1.8 Bcf/d of natural gas. The project will be brought on line in segments and is expected to be completed by June 2009.

#### **PIPELINE RESTRICTIONS**

Algonquin Gas Transmission said it has restricted a portion of priority 3 nominations flowing through Stony Point compressor station. No increases for nominations flowing through Stony Point, except for Firm No-Notice nominations, will be accepted.

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: East Texas, Capacity Allocation Area 8; and West 30 South, including Capacity Allocation Area 9.

Kern River Pipeline said that its system is experiencing high pack due to significant banking. Therefore, it is imperative that operators do take the gas that is scheduled.

#### **Generator Problems**

**MAIN**— Exelon Generation Company continued to increase production at its 1,022 Mw Clinton nuclear unit, operating the unit at 27% capacity. Yesterday, the unit was operating at 20% capacity.

**MAPP**— Nebraska Public Power District's 800 Mw Cooper nuclear unit is in start-up following a control rod adjustment.

**SERC**— Tennessee Valley Authority decreased production at its 1,100 Mw Browns Ferry #3 nuclear unit to 34% power today. Yesterday, the unit was operating at 85% capacity. Browns Ferry #2 continues to operate at full power.

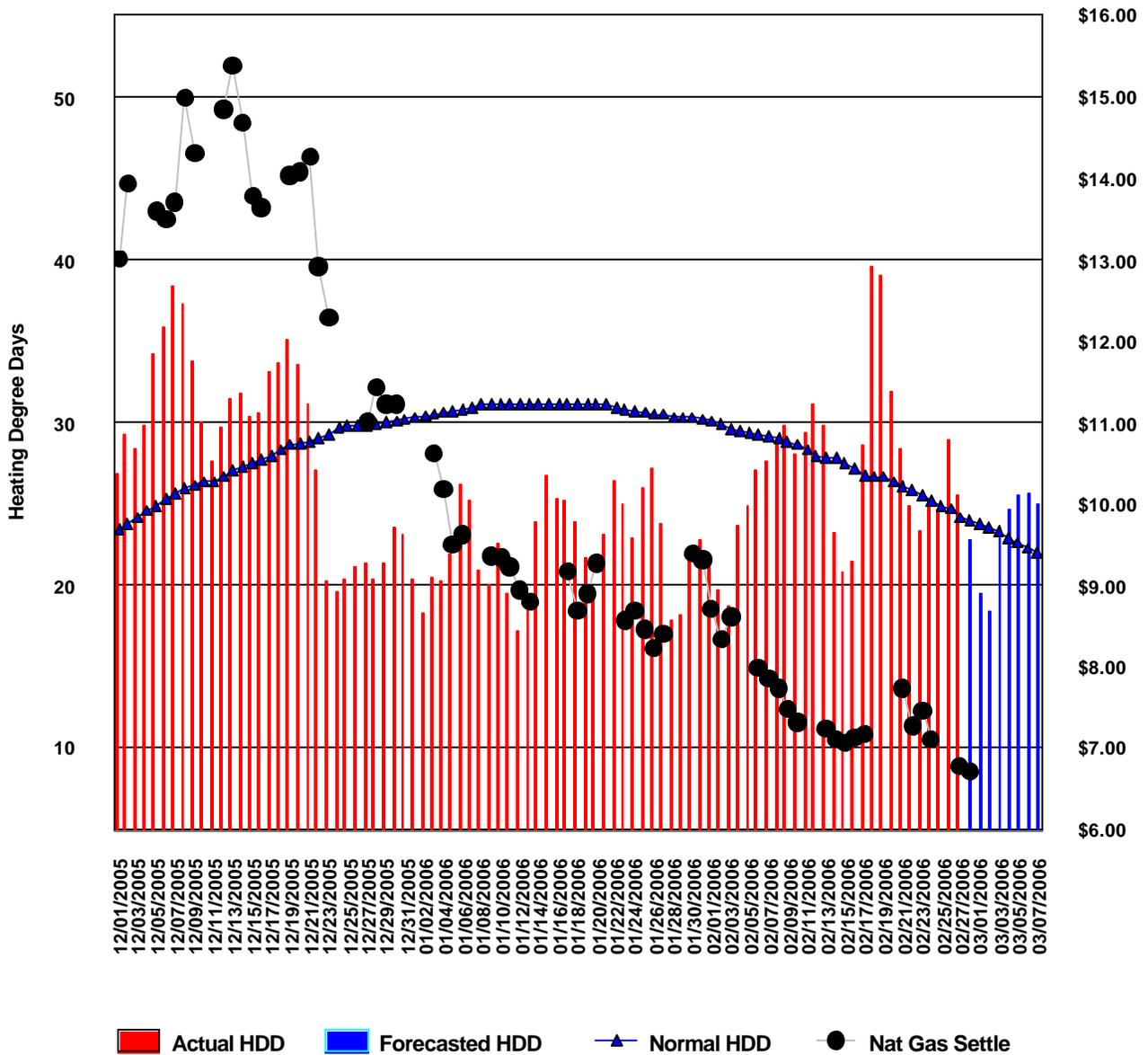
**WSCC**— Calpine Corp.'s 567 Mw Los Medanos natural gas-fired power station returned to near full power by yesterday afternoon. The unit was curtailed on Sunday by over 450 Mw for unplanned reasons.

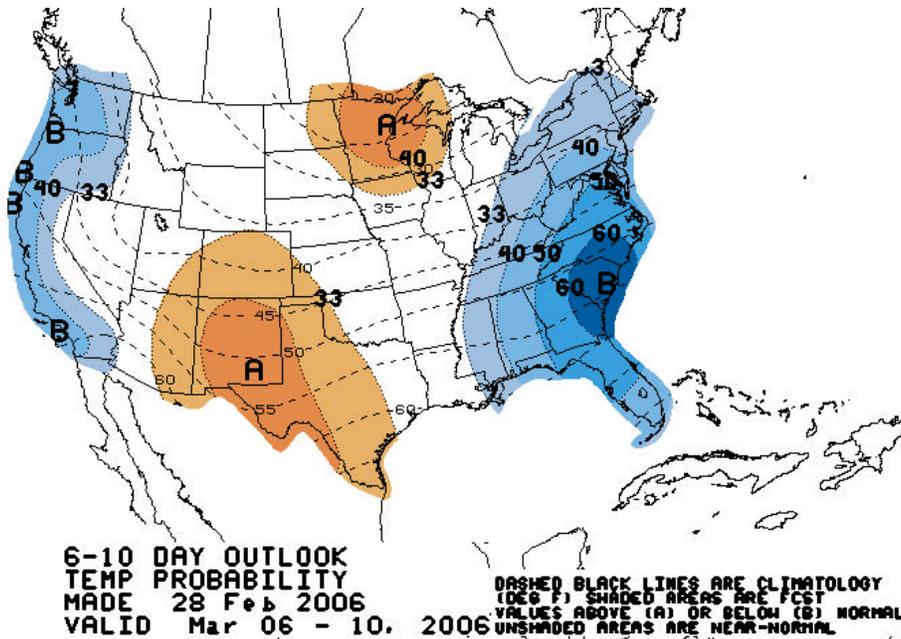
**The NRC reported that U.S. nuclear generating capacity was at 88,697 Mw down .50% from Monday and up 7.82% from a year ago.**

Natural Gas Pipeline Company said that a gas quality problem has been reported at the receipt from Superior-Latimer in Latimer County, Oklahoma (Segment 16 of Natural's Texok Zone). Natural is working with the point operator and will continue to monitor the point. As of yesterday, nominations have been confirmed to a lower volume until further notice (pending resolution of the gas quality issue).

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.

## U.S. Daily Heating Degree Days Basis Gas Customer Weighted Basis



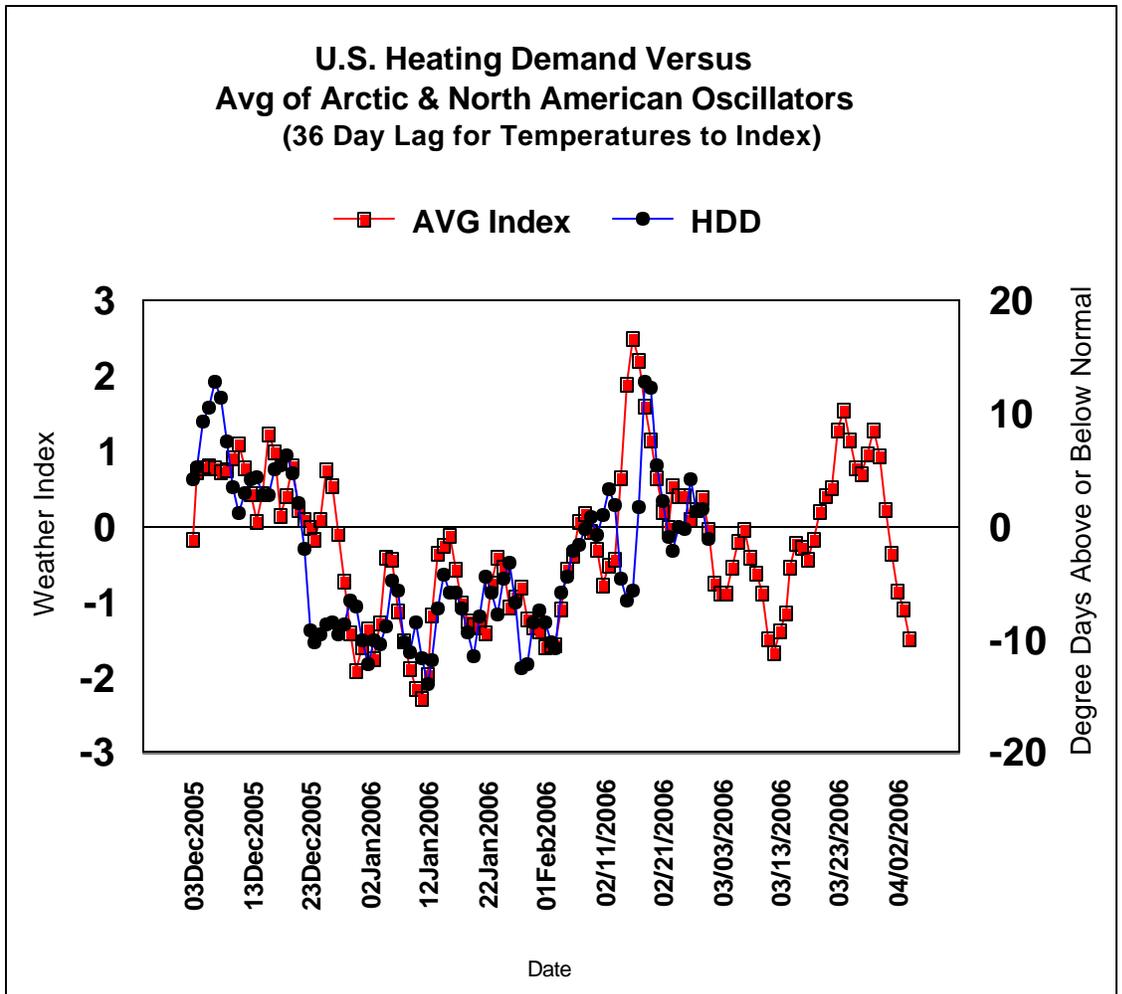


TransColorado Gas Transmission said it is at capacity for deliveries through Segment 240 (Red Vale Compressor to Dolores Compressor). Depending on the level of nominations, IT/AOR and secondary out-of-path volumes may be scheduled.

**PIPELINE MAINTENANCE**

Gulf South Pipeline said that it will be performing scheduled pigging maintenance on Index 131 from Lafayette, Louisiana to Weeks Island, Louisiana, March 7, for one day. The Lake Charles Area (Capacity Allocation Area 6) receipt capacity could be affected as much as 20 MMcf/d during this maintenance.

Williston Basin Interstate Pipeline Company said maintenance at the Baker Booster Compressor Station will affect Receipt Point ID 04018 Baker Area Mainline and Receipt Point ID 04015 Baker Area Grasslands Mainline by approximately 1 MMcf/d on March 8. Meanwhile, due to maintenance at the Little Beaver Compressor Station Unit #10, deliveries to the Black Hills Sub-System may potentially be affected on March 1-2, the company said. At current conditions, Williston does not anticipate any restrictions to the system. Also at the Little Beaver Compressor Station unscheduled



maintenance at Unit #11 could affect Receipt Point ID 04018 Baker Area Mainline by approximately 3 MMcf/d on March 9.

### **ELECTRIC MARKET NEWS**

The U.S. Nuclear Regulatory Commission will meet with Nuclear Management Co. to discuss the safety significance of the emergency classifications at the Prairie Island nuclear power station in Minnesota. The NRC said its staff completed a preliminary assessment of the problem and concluded it is of "low to moderate" safety significance. At the meeting, the NRC will seek the utility's evaluation of the significance. NRC inspectors determined the Prairie Island staff established a non-conservative emergency classification in the plant's emergency plan that, under certain flooding conditions, could result in the failure to declare a site area emergency.

### **MARKET COMMENTARY**

The natural gas market opened 11.9 cents softer amid a weakening cash market and hefty storage supply. April natural gas drifted to a high of 6.80 early in the session, then confined itself to sideways trading in a relatively quiet day. The market dipped to a new nine-month spot continuation chart low of 6.58 just before the close, then bounced modestly to settle at 6.714, down 7.5 cents.

While the recent cold snap could whittle down some of the huge inventory surplus, most traders agreed it will not be cold enough or last long enough to prevent stocks from ending the heating season at record high levels. The cash markets got pummeled today, with East Coast City gas prices stumbling sharply as utilities and others try to trim bloated inventories by baseloading out of storage to meet demand. Looking forward, expectations for Thursday's EIA inventory report are ranging between a draw of 125 Bcf to 175 Bcf, with most focusing on a draw in the 150s. Our model expects a 153 Bcf draw based on pipeline receipts and a slightly larger 159 Bcf draw based on HDD. We see support at \$6.54, \$6.50 and \$6.03. Further support we see at \$5.94 and \$5.65. We see resistance at \$7.70, \$8.00, and \$8.30. Further resistance we see at \$8.84 and \$9.03.