



## ***ENERGY RISK MANAGEMENT***

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

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

The EIA yesterday afternoon released their latest Natural Gas Monthly report. It showed that in December domestic production of natural gas continued to rebound in the wake of Hurricane Ivan, growing by 1.6% from November to 49.9 bcf/d. Consumption was estimated at 73.8 bcf/d up 0.1% from a year ago. Net imports were pegged at 10.8 bcf/d up 16.1% from November estimates. While residential and commercial usage was off 2.8% and 1.8% respectively on the month from December 2003, industrial and electric utility usage was up 1.2% and 5.1% from year ago levels.

The EIA also reported that sharply higher natural gas prices led to a sudden drop in residential customer choice enrollments and the number of retail gas marketers actively soliciting customers last year, but most regulators and utilities nationwide affirmed their commitment to customer choice.

Two of Spain's four regasification plants were shut down on Tuesday due to bad weather that closed the Barcelona and Huelva ports. Operator Enagas reported that no major supply problems were expected as the two shut plants had 400,000 cubic meters of storage capacity and the ports were expected to reopen soon. Gas traders in London said the strong demand in Spain at present due to a cold snap is causing some gas ships destined for Belgium to be rerouted to Spain.

#### **Generator Problems**

**ERCOT**— TXU Corp shut its 750 Mw Martin Lake #2 coal-fired unit to repair a boiler tube leak. The unit would likely return to service on March 2-3.

**FRCC**— Florida Power and Light's 839 Mw St. Lucie #1 nuclear unit is currently running at 86% capacity, off 14%, to accommodate normally scheduled turbine valve testing. The unit is expected to return to full power later today. St. Lucie #2 remains at full power.

**MAAC**— Exelon Corp.'s 1,179 Mw Limerick #2 shut today for a month-long refueling. The unit was operating at 87% capacity yesterday. Limerick #1 continues to operate at full power.

Constellation Energy's 845 Mw Calvert Cliffs #1 nuclear unit shut due to higher turbine vibration during a planned power reduction. The company reduced the unit to mode 2 to replace the vent line piping on a drain tank. The unit was at full power yesterday. Calvert Cliffs #2 remains shut for a month-long refueling and maintenance outage.

**MAIN**— We Energies returned its 516 Mw Point Beach #2 nuclear unit to full power this morning. The unit was operating at 48% yesterday. Point Beach #1 continues to operate at full capacity.

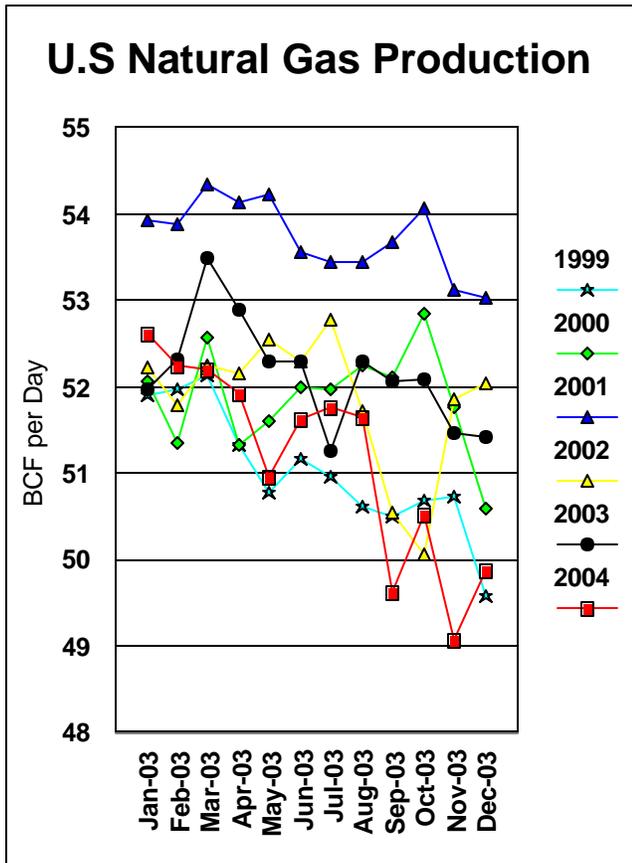
**MAPP**— Nuclear Management Co. continued to ramp output at its 593 Mw Prairie Island #1, reporting the unit offline at 19%. The unit was warming up at 1% yesterday.

**SERC**— Entergy Corp.'s 978 Mw River bend nuclear unit shut early today to fix two valves in the feed-water system. Yesterday, the unit was operating at 33% of capacity after exiting a work outage. The unit shut Feb. 22 for planned repairs to fix a hydrogen leak in the stator water-cooling system associated with the main generator.

**WSCC**— Duke Energy Corp.'s 739 Mw Moss Landing #7 natural gas-fired unit shut late yesterday to fix an oil pump and would be available in about a week. The unit was available for service early yesterday.

**The NRC reported that U.S. nuclear generating capacity was at 82,265 Mw today down 2.14% from Monday and down .89% from a year ago.**

Australia's Woodside Energy, operator of the North West Shelf LNG joint venture, said it had signed a letter of intent for the engineering procurement and construction management contract for the proposed Train 5 expansion at its LNG plant with Foster Wheeler and WorleyParsons Services. Expansion of the LNG plant includes construction of a 4.2-mil mt/year train and other related work. The facility, located in Karratha in Western Australia, currently has four trains with a total capacity of 11.7-mil mt/year. Train 5 approval is planned for the first half of 2005, in line with a fourth quarter 2008 start-up, but is subject to progress with LNG marketing and individual participant board approvals. The six equal participants in the LNG project are Woodside Energy, BHP Billiton, BP, ChevronTexaco, Japan Australia, and Shell.



**PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company of America said that gas received on the Arkoma Line (Segment 16) is 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 segments (25,23 and 24) are at capacity for eastbound transport volumes.

East Tennessee Natural Gas, said due to weather forecasts showing cold temperatures across its entire system, ETNG anticipates implementing several restrictions. There will be no secondary out of path receipts upstream of station 3104; no secondary out of path receipts upstream of station 3205; and no secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke.

Colorado Interstate Gas Company said that the King Compressor Station in Wyoming will be out of service March 7-31. Capacity through the station will be reduced to 100 MMcf/d.

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

Kern River Gas Transmission Company said that banking continues to be a problem and line pack levels increased since Feb. 25, despite daily reporting of high line pack and high line pack notices. Many operators continue to leave gas on the system, and it is imperative that operators take delivery of their scheduled quantities. Kern River said it will compare scheduled quantities to actual deliveries throughout the gas day. If scheduled quantities are projected to be more than actual deliveries, it may take any necessary action to reduce the excess supply.

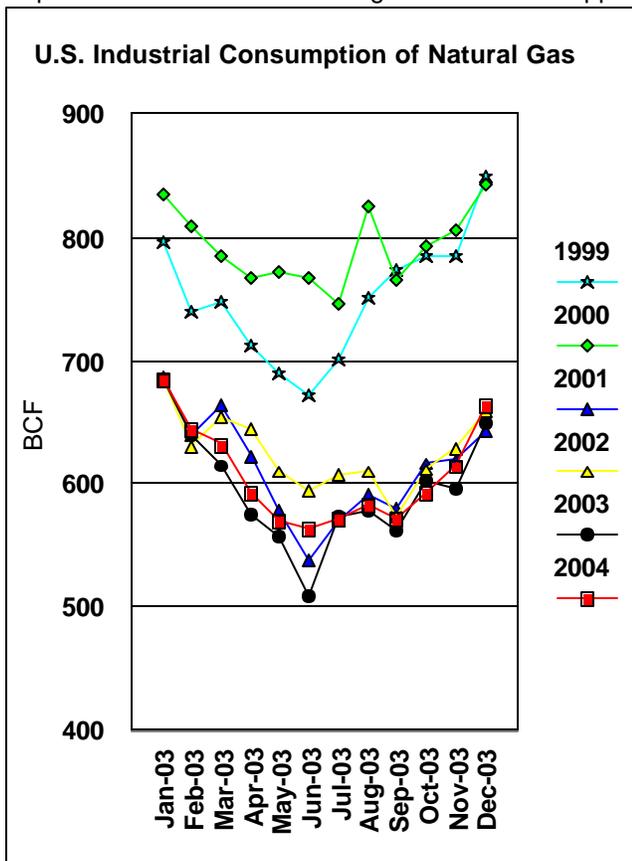
Trailblazer Pipeline Company said that it has limited capacity available for transports going eastbound through Station 601. Limited increases to interruptible flow, authorized overrun and secondary out-of-path firm transport volumes are available to the extent primary in-path and secondary in-path firm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

**PIPELINE MAINTENANCE**

Alliance Pipeline said routine maintenance will require Unit #1 of the Blueberry Hill compressor in Alberta to be offline today and tomorrow. Station capacity will be lowered to 418.5 MMcf/d during the outage.

Centerpoint Gas Transmission said that it will be performing unscheduled repairs at Amber Station Unit #1 today at 9:00AM ET. The duration of these repairs is estimated at one day. As a result of these repairs, the capacity through Amber Station (West 1) will be limited to 350 MMcf/d. Firm receipt capacity will be curtailed and

scheduled in accordance with the CEGT's tariff. Shippers who desire to maintain full firm deliveries are requested and advised to arrange for alternate supplies East of Amber Station.



Questar Pipeline Company said that West Texas Gas has extended its work to fix the recent mechanical failures at the Davis Plant through Thursday, March 3. Questar will be unable to deliver to TransColorado at Map 297 until the plant is available. West Texas Gas experienced a mechanical failure at its Davis plant on Feb. 25.

TransColorado said in an update to its ongoing force majeure situation at several of its compressors, that five compressor units at four compressor stations have been shut down while the investigation and subsequent repairs are completed. The units include: Whitewater (1); Redvale (1); Dolores (1); and Mancos (2). Currently, Segment 220 is limited to 310 MMcf/d and Segment 240 is flowing 356 MMcf/d. Cracks were discovered initially on the Whitewater unit's suction and discharge pulsation bottles. This station was shut down for operational and safety concerns. Based on these findings, TransColorado initiated an investigation for similar cracks in the suction and discharge bottles on all the recently installed compressor units. Cracks were discovered on several of the other units and they were immediately shut down. TransColorado said the estimated in-service date for completion of repairs on all compressor units is April 15. As each unit is repaired, however, additional capacity may become available before April 15.

**ELECTRICITY MARKET NEWS**

Transmission capacity on the California/Oregon AC power intertie will increase from 3100 Mw on Tuesday to 4,200 Mw on Wednesday.

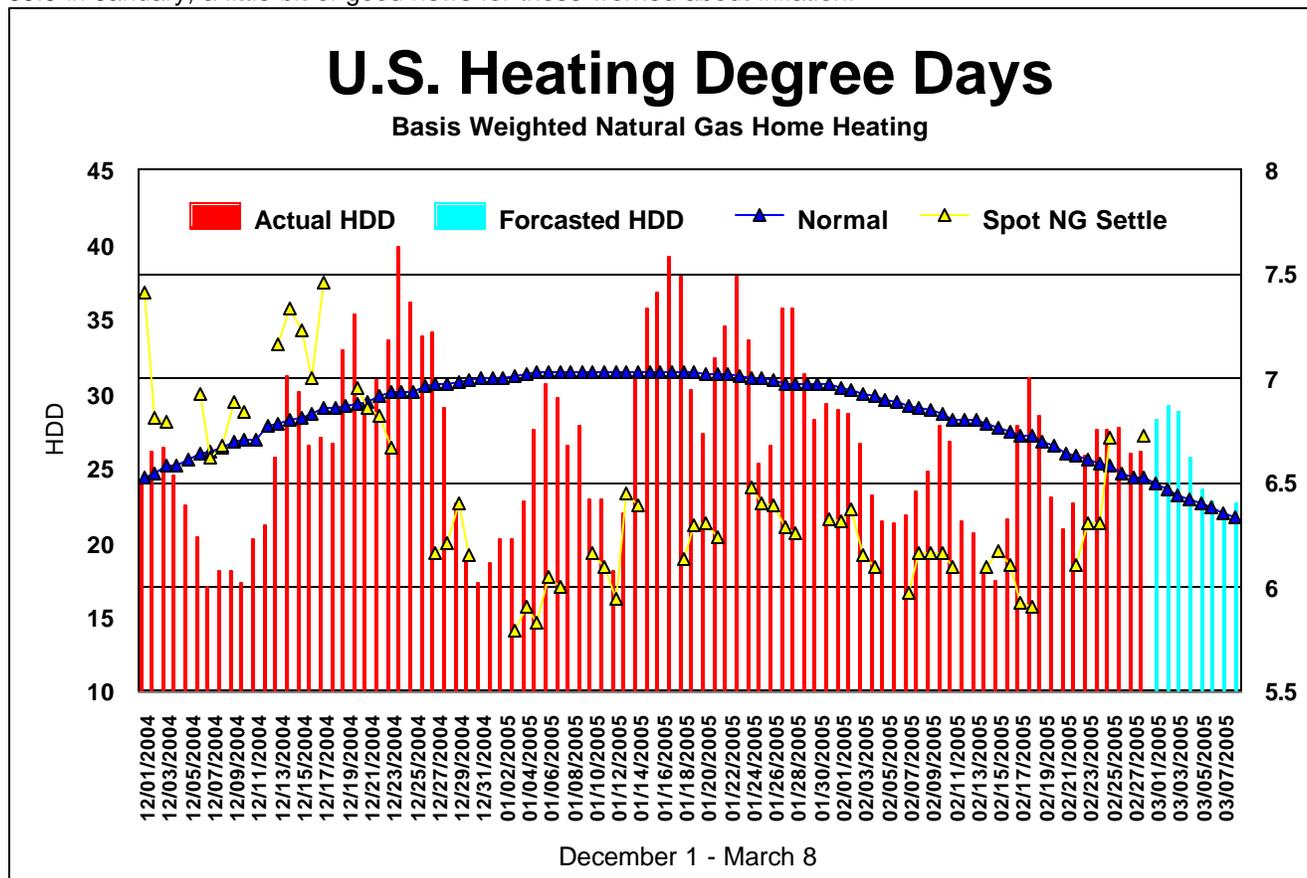
PNM Resources announced that it has reached an agreement with New Mexico parties regarding its proposed \$1.024 billion acquisition of Fort Worth-based TNP Enterprises. If approved by the New Mexico Public Regulation Commission, the agreement will complete another step in the process of closing the proposed acquisition of TNP and its subsidiaries, Texas-New Mexico Power Co. and First Choice Power. The deal will bring lower rates to TNMP's 49,000 electric customers in southern New Mexico with a three-phase rate reduction totaling 15%, beginning January 2006 and ending in December 2010. PNM's 413,000 electric customers will receive rate credits totaling \$4.6 million.

The Nuclear Regulatory Commission has renewed the license of Dominion Generation for its dry-cask independent spent fuel storage installation at the Surry nuclear power plant for an additional 40 years.

Ameren's Illinois operating utilities, AmerenCILCO, AmerenCIPS and AmerenIP, have filed a request asking the Illinois Commerce Commission to evaluate and approve a highly transparent, competitive approach for supplying electricity after 2006 to these companies' more than one million Illinois electric customers. These utilities own little or no generation facilities, and on Jan. 1, 2007, their long-term power supply contracts expire. The utilities need 7,500 Mw for their customers and the most reliable and competitively priced option in their opinion is an auction process.

**ECONOMIC NEWS**

The Institute for Supply Management's index of national manufacturing activity fell to 55.3 in February from 56.4 in January. Wall Street economists had forecast a rise in the index to 57.0 last month. The ISM employment index for February was 57.4 versus 58.1 in January. The prices paid component, however dropped, to 65.5 from 69.0 in January, a little bit of good news for those worried about inflation.



### MARKET COMMENTARY

Traders in the natural gas market today appeared to sit back and watch the oil markets today for direction. The market opened lower and worked down to its lows of the day at \$6.55 before quickly rebounding and spending the most of the remainder of the trading session grinding higher, as crude and heating oil prices reversed course and went out near their highs for the day. Natural gas values though failed to hold onto fully their late gains and as a result slipped back nearly a nickel and settled down 5 cents in the April contract with the losses in the back months much smaller on the day. Final futures volume was estimated at only 65,000 contracts, its lightest trading session since the pre holiday shortened session back on February 18<sup>th</sup>.

Weather forecasts remain supportive, but most of the cold weather remains focused in the northeast, and thus not providing the same lift to the natural gas market as it is to the heating oil market. In addition the declining average heating needs for this time of the heating season continues to moderate the actual call on natural gas as a heating fuel. As a point of reference, overall nationwide average heating demand for natural gas on March 1<sup>st</sup> is equal to that recorded during the last week of November, at the start of the heating season.

We continue to look for this week's EIA storage report to show a draw down of 125 bcf. Current market expectations appear to be running between a 90 to 130 bcf draw down with most expectations centered around a 115-120 bcf decline. For the same week a year ago stocks declined 116 bcf with the five-year seasonal average dropping by 109 bcf.

We look for this market to continue to remain in a holding pattern in front of Thursday's inventory report. We see support again tomorrow at \$6.55 followed by \$6.445, \$6.40, \$6.35 and \$6.255. Resistance we see at \$6.72-\$6.75, \$6.84, \$7.04, \$7.16-\$7.24.

