



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 3, 2006**

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

A dispute over the local economic benefit of a liquefied natural gas (LNG) receiving terminal at the Port of Long Beach has stalled negotiations between Sound Energy Solutions (Mitsubishi, ConocoPhillips) and the City of Long Beach. The city and SES are scheduled to meet Monday, and following those discussions city energy department head Chris Garner will give an oral report to the city council at its meeting Tuesday night, Garner told *Daily GPI* Friday.

A House Government Reform subcommittee is probing why oil and natural gas leases negotiated between the Interior Department and producers in 1998 and 1999 did not include price thresholds -- a move that the panel estimates could cost the federal government as much as \$7 billion in royalties on production from the Outer Continental Shelf.

The Department of Energy has concluded that creating a natural gas reserve similar to what has been done with petroleum would be "problematic" because of the substantial number of privately owned gas storage fields already in operation throughout the country, Energy Secretary Samuel Bodman said during a media breakfast presentation hosted by *Energy Daily*.

Alaska Gov. Frank Murkowski has a preliminary agreement in hand with the big three North Slope producers to build a natural gas pipeline to the Lower 48, but besides legislative hurdles, pipeline operators have to be appeased, state legislators were told on Thursday. TransCanada Corp., which claims to hold sole rights to construct the project, promises to fight for the right to build the Canadian portion of the line.

As the winter heating season winds to a close, the natural gas industry is now looking towards the summer cooling season and the Atlantic hurricane season for indicators on the direction of natural gas prices. Special attention is being paid to the 2006 Atlantic hurricane season, which forecasters expect to be overly active. Focus on the hurricane season is even greater as Gulf of Mexico oil and gas producers continue to pick up the pieces six months after Hurricane Katrina's devastation.

#### **PIPELINE RESTRICTIONS**

#### **Generator Problems**

**MAAC**— PPL's 1,115 Mw Susquehanna #1 nuclear unit is expected to shut tomorrow for a regularly scheduled refueling and maintenance outage. The unit is currently operating at 92% capacity. Susquehanna #2 continues to operate at full power.

**MAIN**— Exelon Generation Company continued to increase production at its 1,022 Mw Clinton nuclear unit, operating the unit at 96%. Yesterday, the unit was operating at 87% capacity.

**MAPP**— Nebraska Public Power District's 800 Mw Cooper nuclear unit returned to full power today.

**NPCC**— Entergy Corp.'s 979 Mw Indian Point #2 nuclear unit exited an outage and ramped up to full power by early today. Yesterday, the unit was operating at 7% capacity. Indian Point #3 continues to operate at full power.

**SERC**— Southern Nuclear's 888 Mw Farley #1 unit increased power to 80% today. Yesterday, the unit was operating at 60% capacity. Farley #2 continues to operate at full power.

TVA's 1,121 Mw Watts Bar nuclear unit increased power to 83%. The unit had been operating at 72% capacity.

**Canada**— Ontario Power Generation's 490 Mw Nanticoke #4 coal-fired power station shut for a planned short-term maintenance outage.

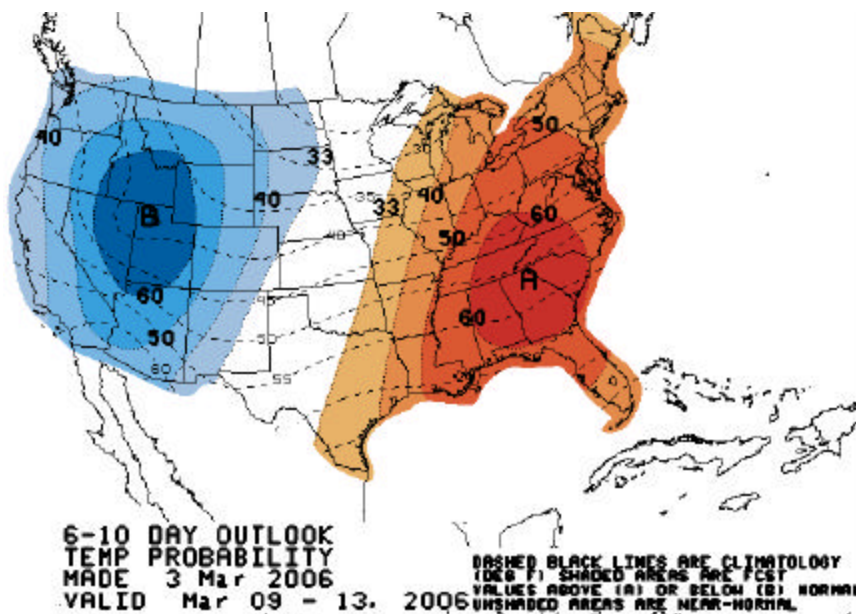
**The NRC reported that U.S. nuclear generating capacity was at 89,625 Mw up 1.43% from Thursday and up 8.59% from a year ago.**

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.

East Tennessee Natural Gas said that it has scheduled and sealed nominations flowing through Boyds Creek compressor station. No increases sourced west of Boyds Creek for delivery east of Boyds Creek will be accepted. Furthermore, no due shipper resolution, or creation of due pipe imbalances, will be available east of Boyds Creek. Delivery meter operators are required to flow volumes equal to or less than scheduled volumes. LMSMA parties cannot use undertakes west of Boyds Creek to offset overtakes east of Boyds Creek.

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.

Natural Gas Pipeline Company said that it is at capacity for gas going eastbound through the end of Segment 17. Limited interruptible flow, authorized overrun, and secondary out-of-path transports are available.



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. Tetco has scheduled and sealed receipts sourced between Mt. Belvieu and Little Rock. No increases between Mt. Belvieu and Little Rock for delivery outside that area will be accepted. Tetco has scheduled and sealed receipts sourced at Monroe station. No increases in receipts sourced at Monroe will be accepted. Receipt points located at Monroe are: Gulf South pipeline, CenterPoint Gas Transmission; and Duke Energy Field Services.

### **PIPELINE MAINTENANCE**

Alliance Pipeline said that maintenance will require the Alberta Lea Compression Station to be offline for six hours on March 9. System throughput will be affected and will be determined closer to the outage date. The Alberta Lea Compressor is located in Minnesota. Also, Alliance said that maintenance will require the Morinville Compression Station to be offline for six hours on March 9. System throughput will be affected and will be determined closer to the outage date.

Gulf South Pipeline said that it will be performing scheduled pigging maintenance on Index 391 from Longview, Texas to Carthage, Texas for approximately 12 hours beginning March 8 at 7:00 AM CT. Capacity through the Longview Compressor Station could be reduced as much as 20 MMcf/d during this maintenance. Gulf South is requesting no flow at the following locations during this maintenance: Knox Lee Power, Longview Plt, and Eastex Cogen.

Questar Pipeline Company said it will be performing maintenance at its Oak Spring compressor station March 21-23. As a result, the ML 104 scheduling point will be reduced to 270 MMcf/d on March 21 and March 22. The ML 104 scheduling point will then increase to 320 MMcf/d on March 23, and return to normal (380 MMcf/d) on March 24. Based on current nominations, March 21 and 22 cuts represent a 90% reduction to flexed nominations. March 23 cuts represent a 50% reduction to flexed nominations.

### **ELECTRIC MARKET NEWS**

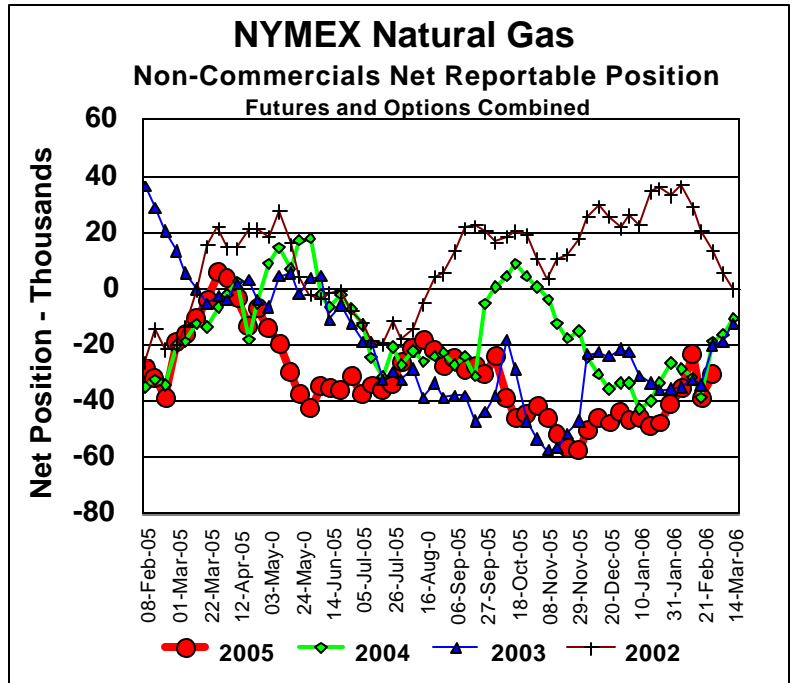
The U.S. NRC approved Entergy Corp.'s request to increase the generating capacity of the 506 Mw Vermont Yankee nuclear power station by 20% or about 100 Mw. After two years of review, the agency said in a release that Entergy would increase the unit's power in small increments.

Arizona Public Service found some tritium in the ground water at the 3,804 Mw Palo Verde nuclear power station. The company said workers observed the water in a concrete pipe vault outside the 1,247 Mw unit #3. The water appeared to be coming from seals around the pipes, noting the area contains a series of pipes buried in a layer of soil. Initial results indicated the presence of tritium at concentration exceeding the limits for the aquifer. The company said it was still working to identify the source of the leak but had no evidence the water had contaminated any aquifer.

**MARKET COMMENTARY**

The natural gas market opened 8 cents lower, as traders continue to focus on season-ending stocks, but could not break the market any lower than 6.61 as the market had a tame inside trading day. Natural gas mirrored crude oil, trending higher, but lost momentum only trading as high as 6.83. April natural gas vacillated on either side of unchanged, and finished the day near its highs, settling up 3 cents at 6.79. Over the course of the week, the front month contract deflated by 32.2 cents or 4.5%.

With only two weeks left in the calendar winter and little chilly weather expected once the current cold snap in the Northeast moves out of the picture (which is expected early next week), natural gas market players are already segueing into shoulder season mode. After the cold start to March, forecasts for the balance of the month call for temperatures to gradually warm up to springtime temperatures. We feel the front month contract will continue to grind lower and test new support levels, as current prices are considered quite expensive, in relation to existing supply this time of year.



The Commitment of Traders report showed that non-commercial traders reduced their net short futures position by 7,468 lots, and in the combined futures and options report, non-commercial traders reduced their net short position by 8,578 lots. We see support at \$6.54, \$6.50 and \$6.03. Further support we see at \$5.94, \$5.71 and \$5.65. We see resistance at \$6.92, \$7.00 and \$7.40. Further resistance we see at \$7.70, \$8.00 and \$8.30.