



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR MARCH 4, 2005**

---

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

Energy & Environmental Analysis reported today that they see natural gas prices will be pressured lower this year, possibly reaching as low as \$4 Mmbtu by the end of the gas storage injection season.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by nine to 1,290 in the week ended Mar. 4. During the same week last year, there were 1,129. The number of rigs exploring for oil and gas in Canada fell 24 to 593 compared to 556 last year. The number of rigs in the U.S. Gulf of Mexico fell seven to 92, while last year there were 96. There were 1,163 U.S. rigs searching on land, 99 offshore and 28 inland. The total North American rig count fell 15 to 1,883, while last year it was 1,685. The number of rigs searching for oil in the U.S. rose nine to 198, while the number of rigs searching for gas was steady at 1,090.

Williams announced it is gauging market interest for an expansion of its Northwest Pipeline system that would provide additional natural gas transportation capacity from supply basins in the Rockies to markets in the western U.S. served by Northwest. The company yesterday began an open season during which shippers can submit a non-binding expression of interest for firm transportation service. As currently proposed, the Basin Expansion project

would include expanded facilities between Muddy Creek, Wyo., and the Blanco Hub in New Mexico, laterals to attach additional gas supplies in the Piceance Basin, Uinta Basin or other regional basins and interconnecting facilities with gathering and transmission service providers.

ChevronTexaco slashed its U.S. natural gas reserves by 13% in 2004, the third year in a row in which it suffered a substantial reserves hit in the region. Pointing to problems in the Gulf of Mexico and the U.S. Midcontinent, ChevronTexaco reported a negative revision of 680 Bcf in the U.S., which equals 3% of the company's worldwide natural gas reserves. The company reported similar downgrades in 2002 and 2003 for similar reasons. In terms of replacing production, ChevronTexaco reported its worst performance in years, replacing only 18% of its

#### **Generator Problems**

**ERCOT**— Two units, #1 and #3, at TXU Corp.'s 1,880 Mw Monticello coal-fired power station will return to service on March 4-5 following boiler tube leak repairs.

**MAIN**— AmerGen Energy Co.'s 1,026 Mw Clinton nuclear station exited an outage and ramped up to 55% of capacity early today. Yesterday, the unit was operating offline at 9%.

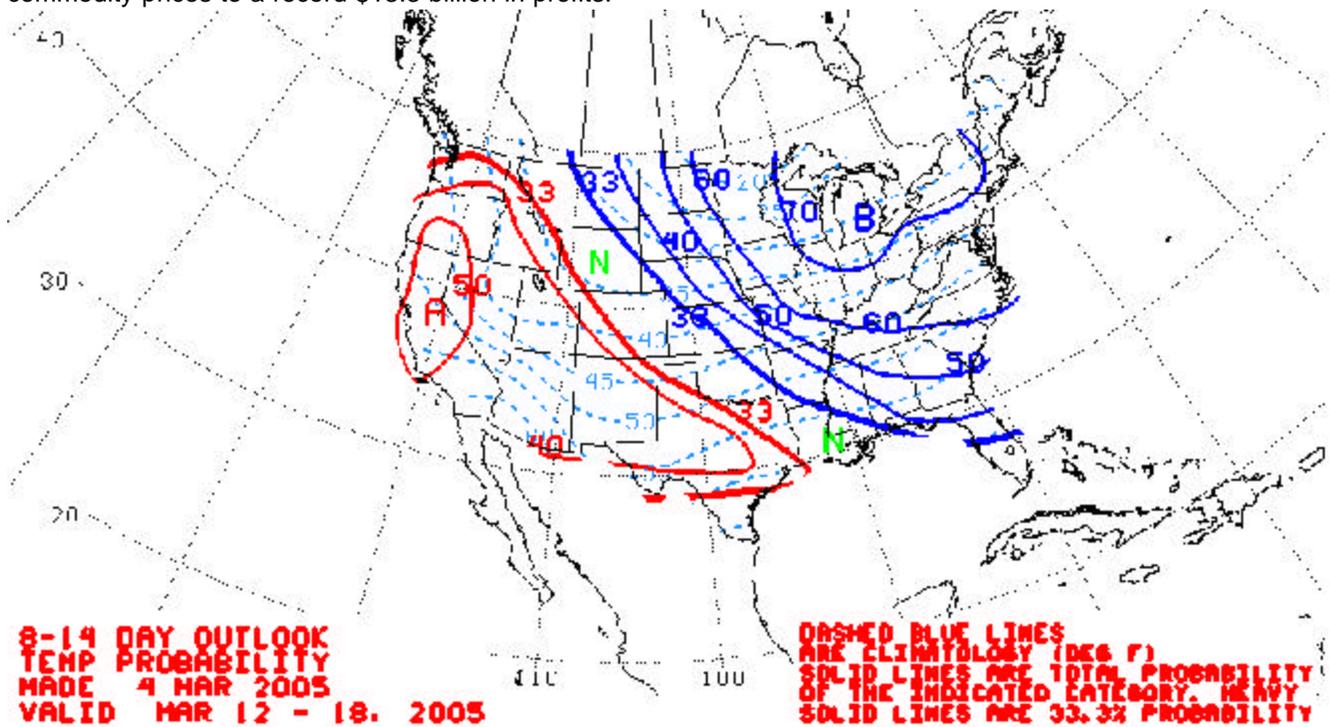
**MAPP**— Nuclear Management Co. restarted its 593 Mw Prairie Island #1, warming the unit at 1% capacity early today. The unit was taken offline early Thursday to identify and repair a potential issue with a valve on the turbine, which did not close properly amid re-ascension activities on Wednesday. Prairie Island #2 is currently operating at full capacity.

**WSCC**— Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit is expected to return to service this weekend. The unit was shut on Feb. 15 as a valve in the cooling water system was only partially opening. The cause of the problem was determined to be the loss of some taper pins, which help facilitate opening and closing.

Arizona Public Service's 740 Mw Four Corners #4 coal-fired plant in New Mexico tripped offline early today.

**The NRC reported that U.S. nuclear generating capacity was at 82,536 Mw today up .51% from Thursday and down 1.95% from a year ago.**

production for 2004 and trimming 6% of its overall resource base. Otherwise in 2004, ChevronTexaco rode high commodity prices to a record \$13.3 billion in profits.



Dominion said that it has agreed to sell 76.4 Bcf of natural gas production to UBS Investment Bank under a volumetric production payment deal. Under the deal, Dominion will receive \$424.4 million in cash for a fixed-term overriding royalty interest in more than 2,900 gas wells located in Utah, New Mexico, Alabama, West Virginia and Michigan. Dominion will retain control of the properties and rights to future development, as well as production above the volumes to be sold to UBS. The investment bank will receive the 76.4 Bcf over the next four years, with an initial delivery rate at multiple pooling points of 67,000 Mcf/s, falling to 43,000 Mcf/d at the end of the deal. Total 2005 volume will be 19.8 Bcf. The VPP transaction, Dominion's third such deal since 2003, "allows us to monetize a portion of our reserves while retaining control of the underlying assets," said Duane Radtke, the president and CEO of Dominion Exploration & Production. Dominion will recognize revenue from the transaction as natural gas is produced and delivered at about \$5.50/Mcf.

### **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.

Texas Eastern Transmission said it has been scheduled to capacity at West Monroe. No physical increases can be accepted from the following locations: 71000-Gulf South West Monroe; 72568-Reliant Energy West Monroe; 72614-Duke Energy Field Services-Ouachita Parish, La.

East Tennessee Natural Gas said that with weather forecasts moderating across their entire system, it will be lifting all secondary restrictions effective 9:00 AM ET today. Additionally, Maximum Allowable Delivery Service will not be in effect.

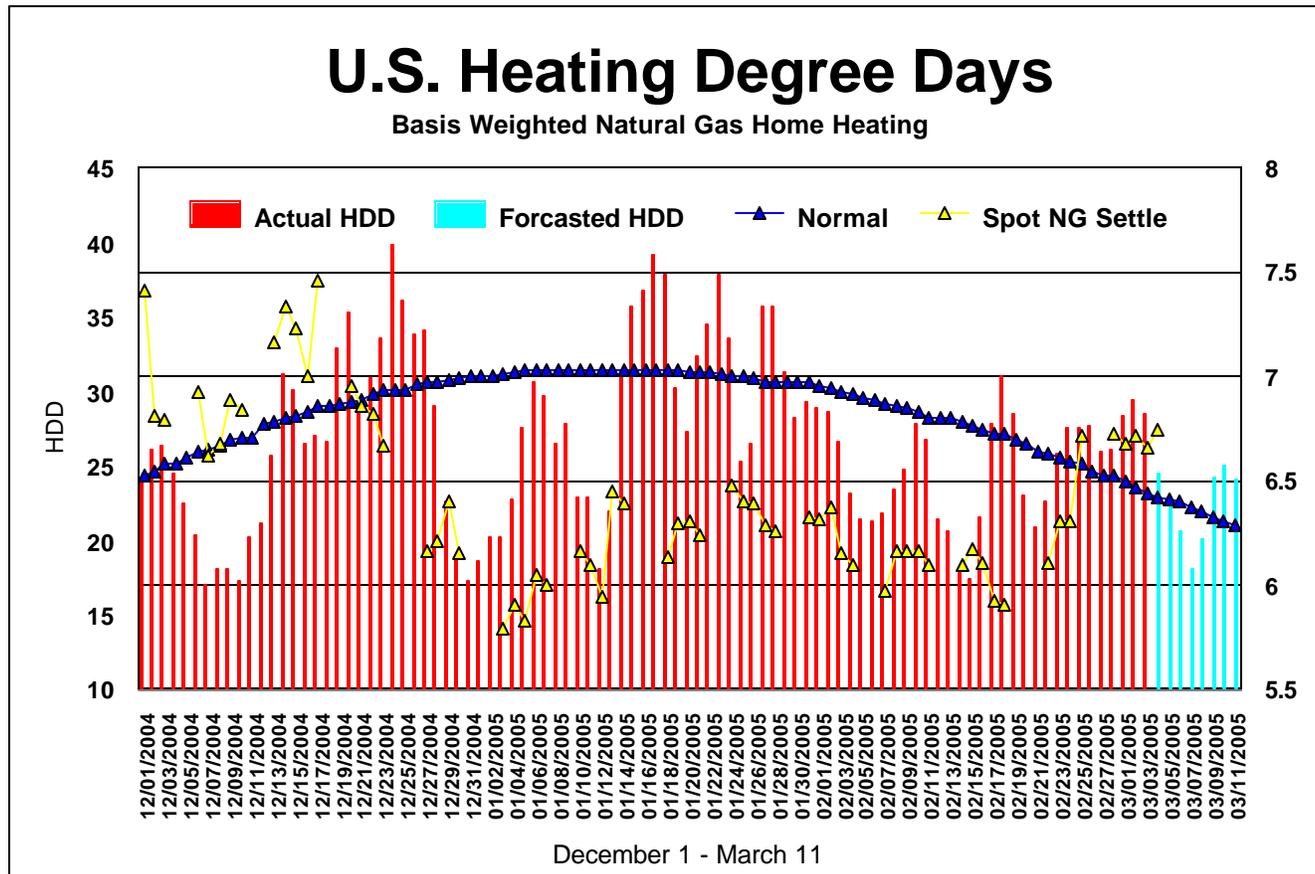
Florida Gas Transmission said that due to low linepack and low temperatures, it is issuing an Overage Alert Day at 25% tolerance for today.

### **PIPELINE MAINTENANCE**

El Paso Natural Gas Co. said that the maintenance scheduled at Blanco for March 4 has been postponed until March 6. The capacity at INWPLBLA, which was reduced for Cycle 1 March 4, will be returned to normal effective Cycle 2, March 4. On March 6, valve maintenance at Blanco will require no flow from Williams Milagro or from Transwestern for three to four hours beginning at 9:00 AM MT. When flow resumes at approximately noon, INWPLBA will be limited to a total scheduled volume of 375 MMcf/d for the remainder of the day. This work is timed to coincide with a total shutdown of Williams Milagro plant; therefore no flow is expected to be scheduled from IMILAGRO.

**ELECTRICITY MARKET NEWS**

The Nuclear Regulatory Commission, after two years of thorough review, granted Duke Power permission to use mixed oxide fuel lead assemblies at its Catawba Nuclear Station. Operators will shut down one of the reactors at Catawba this spring for a routine maintenance and refueling outage, and the MOX fuel assemblies will be put into the core at that time. Mixed oxide fuel is a blend of about 95% uranium oxide (conventional nuclear fuel) and about 5% plutonium oxide. MOX fuel dates back to the 1960s in Europe, with more than 30 European reactors currently using the fuel for nuclear generation. Applying the technology in the U.S. is a key element of the international program to dispose of surplus plutonium from nuclear weapons, and thereby reduce the risk of terrorist groups or rogue nations obtaining the material. The MOX fuel program is part of an international initiative to reduce the stockpiles of plutonium in the U.S. and in Russia. The Department of Energy plans to convert 34 metric tons of plutonium from surplus nuclear weapons into nuclear fuel, while Russia does likewise with its own surplus plutonium.

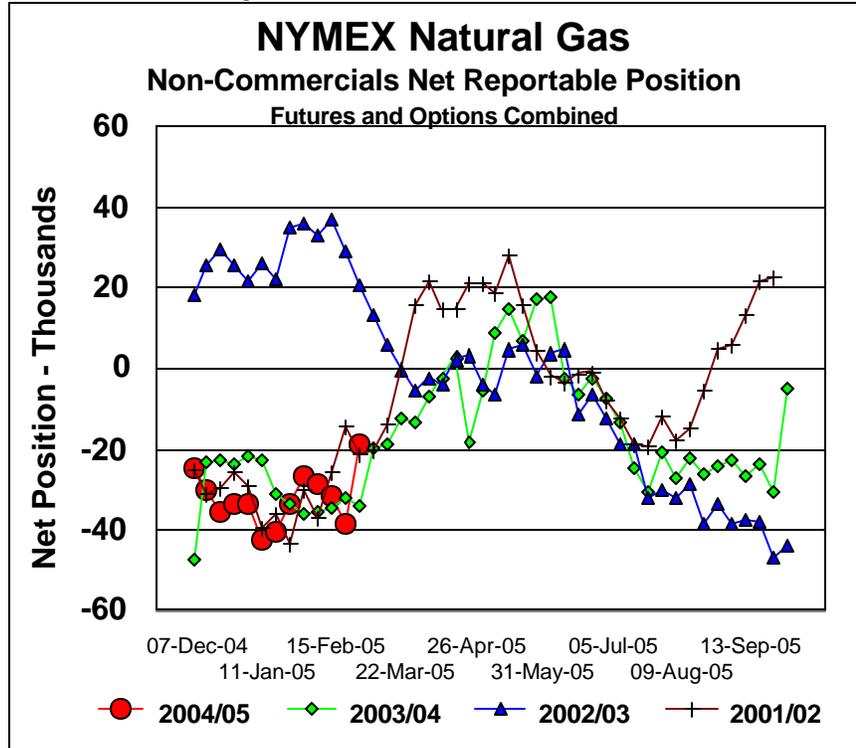


**ECONOMIC NEWS**

The February unemployment situation reported that non-farm payrolls increased 262,000, more than street expectations. The payroll numbers suggest that the labor market continues to be on the mend, but has not yet reached full health, improving at a moderate rather than robust pace. The government also reported today that U.S. factory orders unexpectedly rose 0.2% in January. The Commerce Department also revised upward December's factory orders by 0.2% to an overall monthly gain of 0.5%.

## MARKET COMMENTARY

The natural gas market today gapped lower and quickly challenged support at Thursday's lows at the \$6.59-\$6.585 before rebounding oil prices helped to lend support to the natural gas market. In addition the release of new supportive weather forecasting models at mid morning, helped to propel natural gas prices up another 10 cents before running into resistance at \$6.74-\$6.80 area, which has acted as resistance for this market for the



past week. Once the momentum to the upside appeared to dissipate, the market settled into a quiet sideways trading pattern for the remainder of the trading session basically contained within \$6.71-\$6.78. Final volume on the day was estimated at just 55,759 futures contracts.

Tonight's Commitment of Traders Report showed that the non-commercials have finally begun to shed their net short position as they have decreased their gross short position and begun to increase their gross long position. This group of traders as of Tuesday, March 1<sup>st</sup> held their smallest net short position since the end of November, as they posted their largest net buying spree since September. This buying spree seems to have been a large component of the increase in spot prices by 50-70 cents over the

period. Seasonally there seems to be a pattern to this buying as well, as non-commercials have tended to hold a flat to slightly net long position as we enter into the maintenance period for nuclear power plants. While we do not expect to see the next couple of Commitment of Traders Reports to show such a dramatic position change, we do expect non-commercial net buying will help to support prices from tumbling significantly lower despite the sizable overhang of inventories.

We look for the \$6.80-\$6.84 level to continue to act as good resistance to this market with the additional resistance still found at \$7.04, \$7.16-\$7.24. Support we see at \$6.70, \$6.59-\$6.585, \$6.52, \$6.475-\$6.44, \$6.375, \$6.325, \$6.275 and \$6.215.