



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 8, 2006**

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

The Senate Energy and Natural Resources Committee overwhelmingly voted on legislation Wednesday that would make a significant amount of additional acreage in the natural gas-rich eastern Gulf of Mexico available for leasing.

#### **PIPELINE RESTRICTIONS**

East Tennessee Natural Gas said that current weather forecasts of its service territory indicate an extended period of moderate weather. Certain shippers on the ETNG system have already built up significant due shipper imbalances. ETNG said that it has limited operational flexibility to continue to manage these imbalances. ETNG is therefore requiring shippers to take immediate action to reduce their due shipper imbalance positions. All shippers must carefully review their need for gas and must tender and receive gas consistent with their confirmed nominations.

Gulf South Pipeline said that based upon its review of current nominations, NNS demand forecast, and operational factors, it may be required to schedule available capacity and implement scheduling reductions on West 30 South and Hall Summit.

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 effective today and until further notice, it will not schedule storage injections above MDQ for DSS, FSS and NSS in all zones on the Gulf Coast. BESS and PALS storage injections will be unavailable.

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.

#### **Generator Problems**

**ERCOT**— TXU's Big Brown #2 coal-fired power unit shut for boiler tube leak repair. The unit is expected to return to service tomorrow.

**MAIN**— Exelon Corp.'s 1,043 Mw Clinton nuclear unit ramped up to 96% of capacity by early today. Yesterday, the unit was operating at 61% capacity.

**WSCC**— Arizona Public Service's 1,247 Mw Palo Verde #3 nuclear unit exited an outage and has ramped up to 77% of capacity by early today. Yesterday, the unit was warming up offline at 12%. Palo Verde #1 remains at 25% and Palo Verde #2 continues to operate at full power.

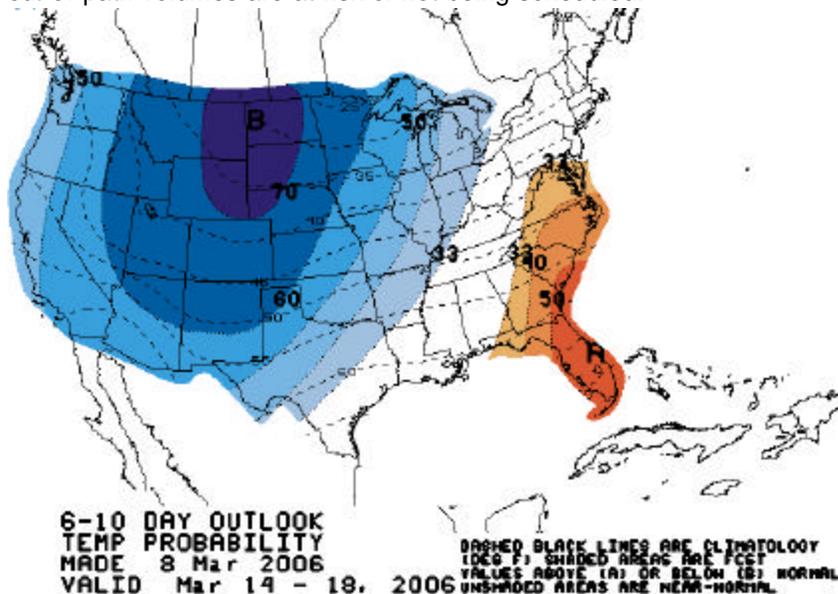
Southern California Edison is working hard to reach an agreement with various parties to return the 1,580 Mw Mohave coal-fired power station. Units 1 and 2 shut on December 31 as part of an agreement with environmental groups and the expiration of a water supply contract with the Hopi and Navajo Indian tribes.

**Canada**— Ontario Power Generation's 215 Mw Atikokan coal-fired power station returned to service early today. The company shut the unit earlier in the week.

Ontario Power Generation's 494 Mw Lambton #1 coal-fired power station returned to service by early today. The company shut the unit earlier this week.

**The NRC reported that U.S. nuclear generating capacity was at 85,301 Mw up 1.42% from Tuesday and up 4.35% from a year ago.**

TransColorado Gas Transmission said it is at capacity for deliveries through Segment 220 (White Water Compressor to Olathe Compressor); Segment 240 (Red Vale Compressor to Dolores Compressor) and Segment 300 (Colorado/N.M State Line to La Maquina). Depending on the level of nominations, IT/AOR and secondary out-of-path volumes are at risk of not being scheduled.



**PIPELINE MAINTENANCE**

Alliance Pipeline said that corrective maintenance originally scheduled at the Lorenburn Compression Station for March 9 has been cancelled.

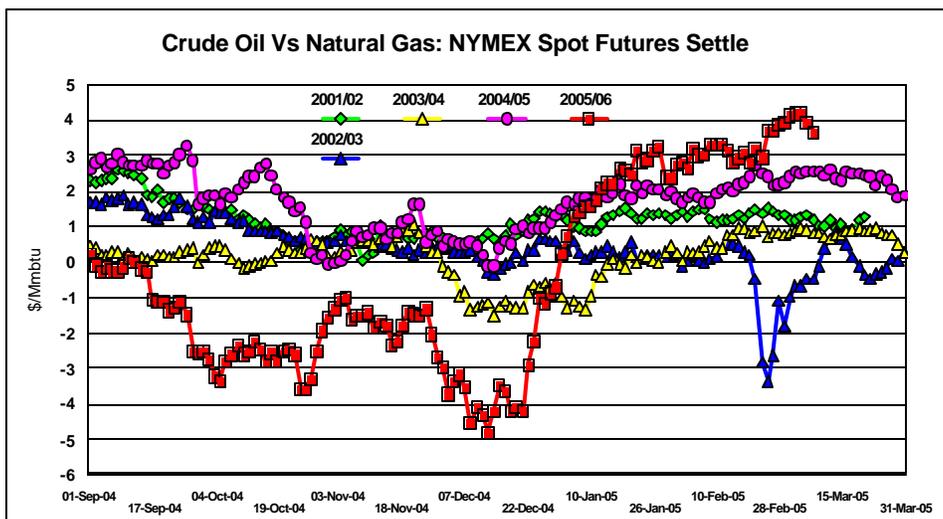
National Fuel Gas said that a second stage production unit at Roystone Station in Sheffield, Pa., will be down for maintenance beginning March 9 and continuing through March 17. Producers should reduce volumes entering into Roystone Production Lines A2, B-4, C-2, C-3 and D-2 by 50%.

**ELECTRIC MARKET NEWS**

Consolidated Edison Company of New York extended by three days the planned maintenance work on a big power line between Westchester County and New York City this week. In mid-February, the company rescheduled the start of the project on the Sprain Brook W. 49<sup>th</sup> St. 345-kilovolt cable, known as the M52 cable, from February 16 to February 18 due to ongoing work on other related equipment. Now the company is extending the length of the work, which has affected the flow of up to 1,400 Mw of electricity, from March 9 until March 12, according to the New York ISO report.

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Electricity rates for Maryland residents will soar this summer, according to the Maryland Public Service Commission. The commission, which oversees state utilities, announced yesterday that customers served by Potomac Electric Power Co., Baltimore Gas and Electric Co., and Delmarva Power will see annual rate increases between 35% and 72%. A typical electricity bill for Pepco residential customers will jump by 39%, or an average of \$468 a year, starting June 1 under the newly set prices. For DPL customers, the price will rise by 35%, of \$464, also on June 1. BGE customers will see an increase of 72%, or \$743 annually, starting July 1. The increases are a result of a competitive bidding process among electricity suppliers to provide what is called "standard offer service," which is set at market rates as utilities buy power from wholesalers. The process is monitored by the Public Service Commission as well as the Office of the People's Counsel, a state utilities watchdog group.



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American Transmission Company has received approval for its plan to build a transmission line between the Venus Substation near Monico and a new Metonga Substation on the west side of Crandon. The new line, which will run 13 miles and cost \$8.7 million, will help Wisconsin Public Service Corp. provide reliable service to electric customers in the area. The agency's approval includes 25 "order points" instructing ATC to work with landowners to minimize impacts to property, restore property to its original condition after construction, and use

construction practices to avoid the introduction of invasive species and to protect sensitive areas, among other issues. Right-of-way acquisition will begin this summer and line construction is anticipated to begin in November. The line and substation are scheduled to be in service in June 2007.

**MARKET COMMENTARY**

The natural gas market opened 11.8 cents softer as weak fundamentals

continue to plague this market. Natural gas quickly returned to its 9-month spot chart low and extended that low to 6.45 following the release of a bearish storage report for crude oil, which detailed a build of 6.8 million barrels, well above market expectations. However, even with crude sinking over \$2.00 and plummeting well below \$60.00, natural gas held its 6.50 support level, and as crude rebounded off its lows, April natural gas managed to recapture much of its early losses to finish the day down just 3 cents at 6.648.

Expectations for tomorrow's EIA inventory report indicate that storage operators could begin padding the surplus again this week, or taking a decent sized chunk out of it. The wide range of estimates stands at 95 bcf to 145 Bcf coming out of the ground, with most calling for a 115 Bcf draw. The range of expectations straddles both last year's 134 Bcf withdrawal as well as the more modest five-year average draw of 108 Bcf. Looking ahead, this will probably be the last triple digit draw of the year. Our model shows a more modest draw of 76-82 Bcf, basis just HDD demand but given the late season need to draw down inventory requirements this drawdown could be inflated by another 10 bcf. If the report shows a disappointing draw, this market will seriously challenge the 6.50 support level that has held so far this week. We see support at \$6.47-\$6.50, \$6.18 and \$6.03. Further support we see at \$5.94, \$5.83 and \$5.71. We see resistance at \$6.85, \$6.92 and \$7.00. Further resistance we see at \$7.18 and \$7.40.

