



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 10, 2006**

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

Connecticut Attorney General Richard Blumenthal submitted comments to the FERC calling the proposed Broadwater LNG facility in Long Island Sound "ill-conceived and unacceptable," and calling for its rejection. Blumenthal said that Broadwater is a potential terrorist target that poses a grave risk to public safety and security, as well as the environment, navigation and the region's economy.

An international group of liquefied natural gas (LNG) terminal and tanker operators has called on FERC to reject two import terminal projects proposed by Oklahoma-based Quoddy Bay LLC and Downeast LNG for Maine, saying that the planned facilities demonstrate "fatally-deficient" siting.

Indicating that it may reopen the Weaver's Cove LNG proceeding because of proposed changes to the project, FERC filed a motion in Boston's First Circuit Court of Appeals on Tuesday asking for temporary suspension of the deadline to file the official record of the proceeding while it considers requests from the attorneys general of Massachusetts and Rhode Island and the Massachusetts Energy Facilities Siting Board to reopen the case.

Baker Hughes reported the number of rigs searching for oil and gas in the U.S. rose by one to 1,532 in the week ended March 10. The number of rigs searching for gas fell 12 to 1,292.

The NYMEX announced amendments to the miNY Natural Gas contracts to take affect Monday, March 13. The maximum transaction size will increase from 100 contracts to 500 contracts.

Following a record-setting year in 2005, global mergers and acquisition (M&A) activity for natural gas and electricity utilities is expected to rise even further this year, according to a report by PricewaterhouseCoopers (PWC), "Power Deals," which charts M&A activity, noting that the era of the "super-regional utilities" has begun, particularly in Europe.

#### **PIPELINE RESTRICTIONS**

ANR Pipeline Company said that it will maintain its Southeast Gathering Area, Patterson to Eunice delivery capacity at 650 MMcf/d available through March 31, then 620 MMcf/d available from April 1-7. For April 1-7, ANR will be commissioning the 24-inch line from Ver. 397 to SMI 108 D. Due to the reduction in production gas caused by this restriction, ANR will need to restrict the downstream delivery capacity between Patterson and

#### **Generator Problems**

**MAAC**— PSEG's 1,174 Mw Salem #1 nuclear unit exited an outage and ramped up to 49% of capacity by early today. The unit tripped shut March 8 due to faulty switch. Salem #2 remains at full power.

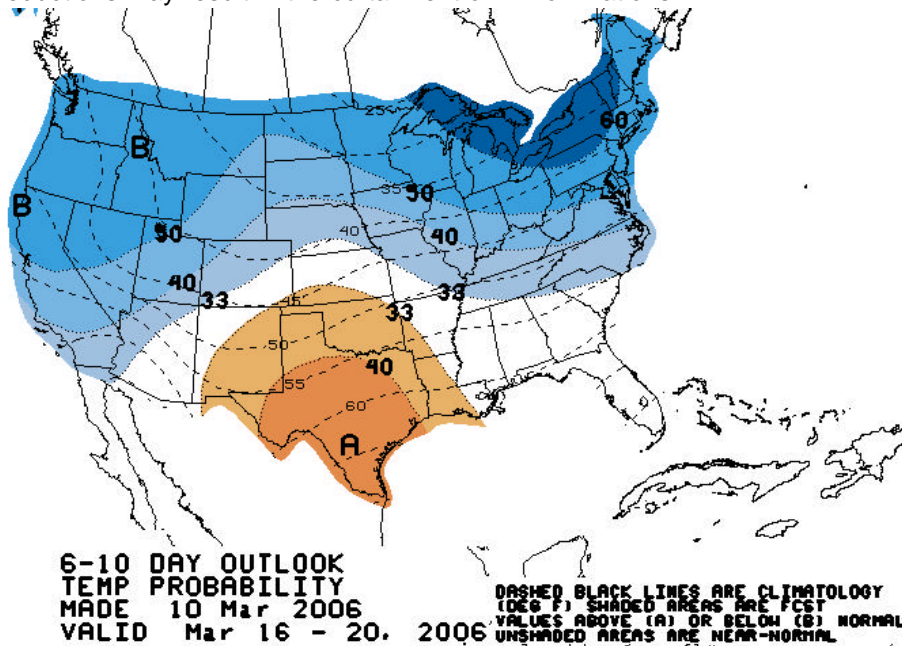
PPL's 1,115 Mw Susquehanna #2 nuclear unit reduced power to 82% this morning. Yesterday the unit was operating at full power. Susquehanna #1 continues to operate at full power.

**MAIN**— Exelon's 1,022 Mw Clinton Nuclear unit increased output to 96% capacity. The unit was operating at 80% yesterday for rod pattern adjustments.

**NPCC**— Constellation Energy's 1,135 Mw Nine Mile Point #2 nuclear unit shut by early today. Yesterday, the unit was operating at 86% as it coasted down for a refueling outage. Nine Mile Point #1 continues to operate at full power.

**The NRC reported that U.S. nuclear generating capacity was at 83,817 Mw down .44% from Thursday and up 1.76% from a year ago.**

Eunice by 30 MMcf/d. Based on current nominations for this agreement, it is anticipated that the above reductions may result in the curtailment of IT nominations.



Colorado Interstate Gas Company said that at the Elk Basin Compressor Station in Wyoming, one unit will be out of service March 7 through March 14. Delivery capacity through the station will be reduced to 90.0 MMcf/d. Deliveries to Elk Basin Meter will be limited to 55 MMcf/d. Receipt capacity through the station will be reduced to 55 MMcf/d.

East Tennessee Natural Gas said it has sealed nominations flowing through the Glade Spring compressor station. No increases sourced west of Glade Spring for delivery east of Glade Spring will be accepted.

Furthermore, no due shipper resolution, or creation of due pipe imbalances, will be available east of Glade Spring. Delivery meter operators are required to flow volumes equal to or less than scheduled volumes. LMSMA parties cannot use undertakes west of Glade Spring to offset overtakes east of Glade Spring.

El Paso Natural Gas Company said that the Alamo Lake 1 turbine must be taken down to inspect the turbine blades March 13, reducing the capacity of the Havasu Crossover by 50 MMcf/d. No market impact is anticipated.

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 Hall Summit, Koran Area and Koran Station.

Texas Eastern Transmission 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 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.

### **ECONOMIC NEWS**

The Labor Department announced that a total of 243,000 jobs were added last month, but the unemployment rate rose to 4.8% as more people sought work. The numbers suggest that the economy is strong and benefiting from mild weather at the start of the year. On average, the economy has added 183,000 jobs a month in the last three months, up from the monthly average of 165,000 in 2005. Economists estimate that about 150,000 new jobs are needed to keep up with population growth.

### **MARKET COMMENTARY**

The natural gas market opened 6.9 cents higher ahead of the weekend to start a quiet session. Short covering lifted prices as high as 6.81 this morning before volume fell off and the market drifted sideways, dipping to a low of 6.63 just before the close. April natural gas settled up 4.5 cents at 6.646 despite a lagging cash market and record high inventories.

With natural gas shrugging off yesterday's bearish report, and the slight lift in prices today, the market feels like its trying to bottom out. There is also some cooler weather forecasted for next week that helped to trigger some of the short-covering, as temperatures in the Northeast and Midwest, key gas consuming markets, are expected to remain above-normal for the next five days, then cool to below-normal later next week. The weak cash

markets will limit upside potential for this market, with Henry Hub cash prices still 30 cents below the NYMEX screen. We see support at \$6.45-\$6.50, \$6.18 and \$6.03. We see further support 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.