



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 15, 2005**

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

Texas-based Excelerate Energy's first LNG ship is anticipated to arrive on time Thursday at its Gulf Gateway terminal and could begin discharging its cargo by the weekend. The ship, Excelsior will undergo testing and certification inspections by U.S. Coast Guard on its arrival. After discharging its 3 Bcf, the vessel will pick up a new load, which the company is in negotiations for now. Excelerate Energy signed an agreement this week for ChevronTexaco Natural Gas to sell its re-gasified LNG delivered through the offshore terminal. With LNG imports seen jumping to around 3.2 Bcf/d by 2006 from 1.8 Bcf/d in 2004, Excelerate is positioning itself in the supply chain. Two other ships are due to be delivered, on this year and another in 2006. These are the first ships in the world capable of on-board regasification, allowing them to connect to offshore pipeline buoys. Kathleen Eisbrenner, president of Excelerate, said she has hopes of seeing the ships offload every five to six days, reaching as much as 500 MMcf/d as the company contracts its three LNG ships.

Tennessee Gas Pipeline announced that precedent agreements have been executed supporting two projects designed to meet the growing natural gas demand in the Northeast States. These two projects, the Northeast ConneXion-New England and Northeast ConneXion-New York/New Jersey, are being developed in response to customers' requests for additional gas supply access from the storage areas of New York/Pennsylvania and the Gulf Coast. TGP recently completed a binding open season for its proposed Northeast ConneXion-New England project, and strong customer demand will help push the project along making the additional capacity generated by the expansion available by 2007/2008. TGP also announced it has executed precedent agreements on its Northeast ConneXion-New

#### **Generator Problems**

**ERCOT**— The 766 Mw coal fired Unit #1 at the Limestone Electric Generating Station was shut down overnight to repair a boiler tube leak. The unit is not expected back in service until Thursday morning.

**MAAC**— Constellation Energy Group's 858 Mw Calvert Cliffs #2 nuclear unit started to exit a refueling and maintenance outage and ramped up offline to 10% of capacity early today. Calvert Cliffs #1 continues to operate at full power.

**MAIN**— Exelon Generation Company ramped output 77% to 93% at its 1,022 Mw Clinton nuclear unit. The unit was operating at 16% yesterday after exiting a maintenance outage over the weekend.

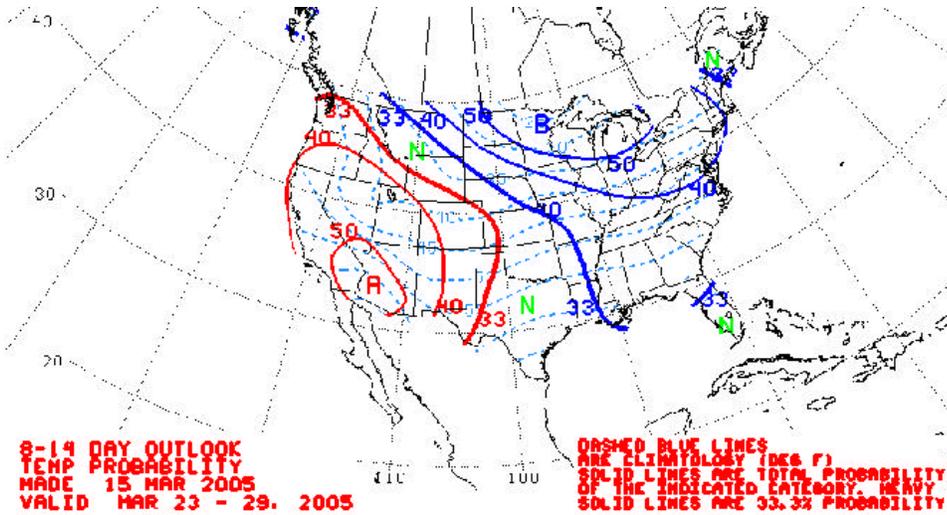
**SERC**— Southern Nuclear Operating Co.'s 883 Mw Hatch #2 unit ramped power 31% overnight to operate the unit at 46% capacity. The unit was warming up offline yesterday at 15%. Hatch #1 remains at full power.

The Tennessee Valley Authority reduced power 1% at its 1,100 Mw Browns Ferry #3 nuclear unit, to report the unit at 84%. Browns Ferry #2 is operating at 86% capacity.

Tennessee Valley Authority found more than 1% of the inspected steam generator tubes at the 1,121 Mw Watts Bar nuclear unit must be repaired. The unit has been in a refueling and maintenance outage since Feb. 22 and is expected back online in late March.

Entergy Corp. found some leaky pressurizer heater sleeves in its 1,000 Mw Arkansas #2 nuclear unit in a plant inspection during a refueling outage. Started March 9. This find should not add any time to the refueling outage. Arkansas #1 continues to operate at full power.

**The NRC reported that U.S. nuclear generating capacity was at 80,910 Mw today up 1.20% from Monday and down 2.48% from a year ago.**



York/New Jersey expansion project, hoping to file with FERC in April, and have the expansion operational in late 2006. These developments demonstrated TGP's commitment to meet the increased demand for energy infrastructure in the Northeast region of the U.S.

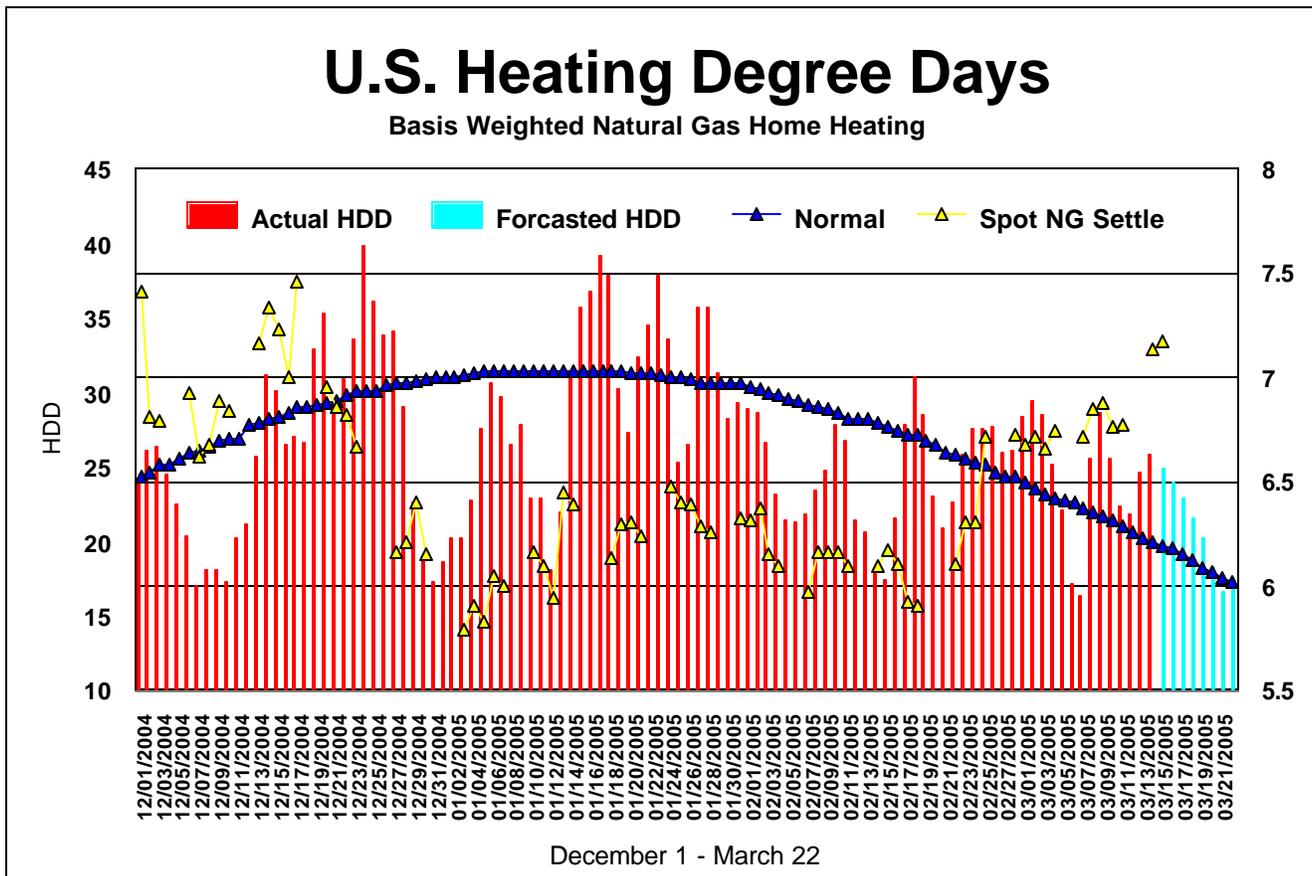
The Hurricane Ivan-damaged Petronius platform in the Gulf of Mexico has been returned to service ahead of schedule and is currently producing 42,000 b/d of oil and 65

million cf/d of natural gas—about 75% of its pre-storm rate, according to Marathon Oil Corp. and ChevronTexaco Corp., co-owners. Efforts now are underway to ramp up to pre-storm production by the end of this month.

Williams today reached agreement with Keyspan Energy Delivery to transport 100,000 Dth/d of natural gas on the Transco pipeline from Leidy, PA to the northeast market place.

**PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company of America said it is at capacity for gas received upstream of Compressor Station 15 in Wise County, Texas in Segment 1 going northbound. All Louisiana Line Segments (25,23 and 24) are at



capacity for eastbound transport volumes.

TransColorado updated its ongoing force majeure situation at several of its compressors. The Dolores compressor unit repair was completed last week. New suction and discharge bottles have been installed and tested on the unit that had been removed from service. The Whitewater compressor repair will be next to be completed. The estimated in-service date for completion of repairs on all expansion compressor units is April 15. As each unit is repaired, additional capacity may become available before April 15. Currently, Segment 220 is limited to 320 MMcf/d while force majeure conditions are still in effect.

Kern River Gas Transmission Co. said it is posting for competitive bids, three separate packages of KRF-1 firm incremental 2003 Expansion transportation capacity. The first package is for 77.103 MMcf/d, the second package is for 12.897 MMcf/d and the third package is for 4 MMcf/d. Ninety MMcf/d of the capacity originally became available as a result of a contract being terminated in a bankruptcy proceeding. The 4 MMcf/d becomes available as a result of an expiring contract. The capacity has the primary receipt point, delivery points and mainline capacity shown below; however bidders may request other receipt/ delivery points subject to availability: Opal Daggett-PG&E 77.103 MMcf/d, 05/01/05; Opal Wheeler-SoCal 12.897 MMcf/d, 05/01/05; Opal Daggett-PG&E 4 MMcf/d, 05/01/05.

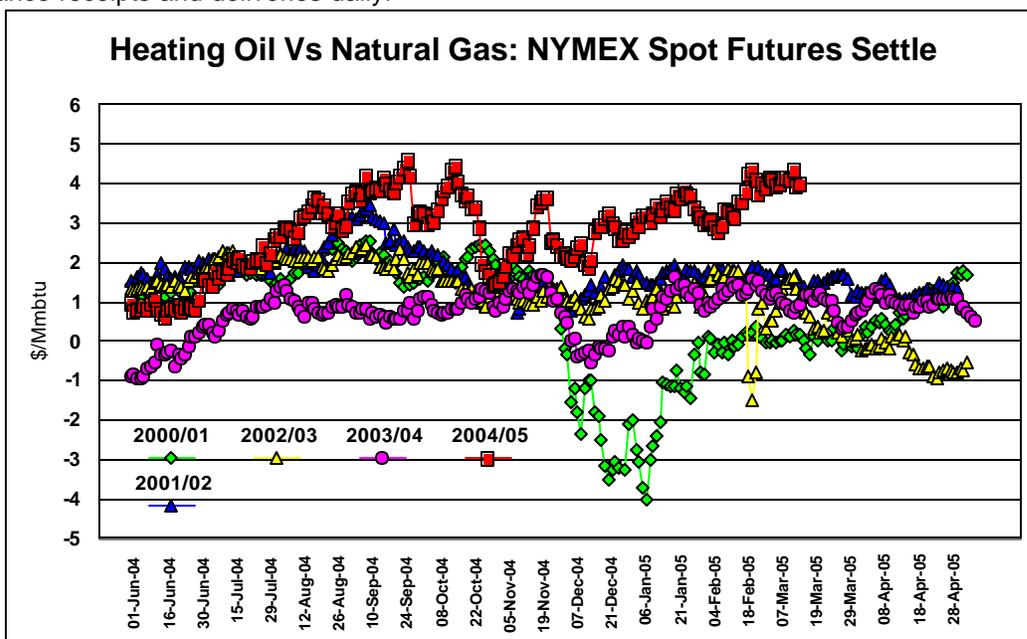
**PIPELINE MAINTENANCE**

El Paso Natural Gas Company reported changes in a few Southline maintenance items. Line 1103 will be down to replace valves between Deming and San Simons March 12-14. Line 1600 will be shut in for approximately four hours at Loursburg Station to replace plant valves March 15. Line 1103 will be down to replace valves between Florida and Deming Stations March 19 through 21. Florida Station will be down for annual Department of Transportation inspections March 23 with Florida B turbine remaining down March 24. One Florida A turbine will be down for annual DOT inspections March 28-30. Pecos 2 turbine will be down for mechanical inspection March 28-31.

El Paso Natural Gas Company said that Washington Ranch will be shut in for down-hole well treatment March 16, with no injections or withdrawals possible. While this maintenance is being performed, El Paso will lose a large degree of operational flexibility, making it critical that all parties scheduling gas on its pipeline manage their volumes carefully to balance receipts and deliveries daily.

**ELECTRICITY MARKET NEWS**

The Nuclear Regulatory Commission has issued an environmental impact statement concerning renewing the operating licenses of the Joseph M. Farley Nuclear Units #1 and #2 in Houston County, Alabama. The report concluded that there are no environmental impacts that would prevent license renewal for an additional 20 years of operation.



The Bush administration today issued the first rules to limit mercury emissions from coal-fired utilities by 70% by 2018 through a cap and trade system. The actual emissions though could remain much higher for many years to

come given the EPA will let utilities bank emission credits from previous years when they reduce more than required.

### **MARKET COMMENTARY**

The natural gas market basically seemed to tread water today, as near term forecasts appeared to point to temperatures across the nation basically moderating as the week progresses and seeing normal to warmer than normal temperatures recorded by the weekend. But some private weather services such as AccuWeather continue to warn that there may still be one last cold outbreak coming from Easter into the first 10 days of April. In addition natural gas prices seemed to find support from heating oil, which appeared to drag all the energy markets higher despite news of higher OPEC production on the way. Volume today surprisingly was equal to yesterday with 99,000 futures traded.

The NYMEX reported at midday that the growth in open interest continued unabated for yet another day, as total open interest at the close of trading on Monday grew by 6216 lots.

This market appears to be willing to settle into sideways trading pattern and await Thursday's EIA storage report before possibly mounting a viable assault on the resistance at \$7.25. Current market expectations for this storage report appear to be running between 85-150 bcf draw down with most traders looking for a 105 bcf drop in stocks. Our current estimate is slightly lower with a 95 bcf draw down.

We see resistance tomorrow at \$7.25-\$7.26 followed by \$7.30 and \$7.455. Support we see at \$7.07, \$7.00, \$6.835-\$6.81, \$6.74 and \$6.59.