



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 15, 2006**

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

Credit Suisse cut its 2006 outlook price for natural gas from \$7.75/MMBTU to \$7.25/MMBTU.

A former Reliant Energy natural gas trader will spend nearly five years in prison for sending inaccurate trading data to an industry publication, InsideFERC. Jerry Futch, 43, pleaded guilty to the charge in June 2005, but has spent the last few months fighting the government's estimate of how much financial damage his actions caused. Damages are a key component in setting the length of the sentence. An early government estimate put the damages at \$272 million, while the defense claimed the figure was at most a few hundred thousand dollars. Yesterday, U.S. District Court Judge David Hittner accepted a \$7.1 million figure recommended by probation officials and sentenced Futch to four years and nine months in jail. Futch is the first person in the country sentenced under a law prohibiting the reporting of false commodity data. Futch's attorneys argued that Futch was a low level employee at Reliant following orders.

#### **Generator Problems**

**SERC**— Progress Energy's 937 Me Brunswick #2 nuclear unit remains at 65% capacity today. The unit was down-powered last Monday to conduct some maintenance. Brunswick #1 shut March 4 to begin its regularly scheduled refueling and maintenance outage.

**The NRC reported that U.S. nuclear generating capacity was at 83,623 Mw up .082% from Tuesday and up 3.05% from a year ago.**

Woodside Petroleum of Australia said it wants to build a 28-mile undersea pipeline to connect with an underwater buoy off Los Angeles that could by 2011 supply California with up to 15% of its LNG needs. Woodside plans to have new tankers built that can convert LNG to natural gas that will be piped undersea to an underground pipeline system run by Southern California Edison. There would be no permanent structure offshore and the buoy would be about 100 feet under the Pacific Ocean surface. The first tanker would not unload gas until 2010, when the Woodside-owned Pluto field off Australia is expected to begin production. The port could take up to 800 MMcf/d of natural gas by 2011.

#### **PIPELINE RESTRICTIONS**

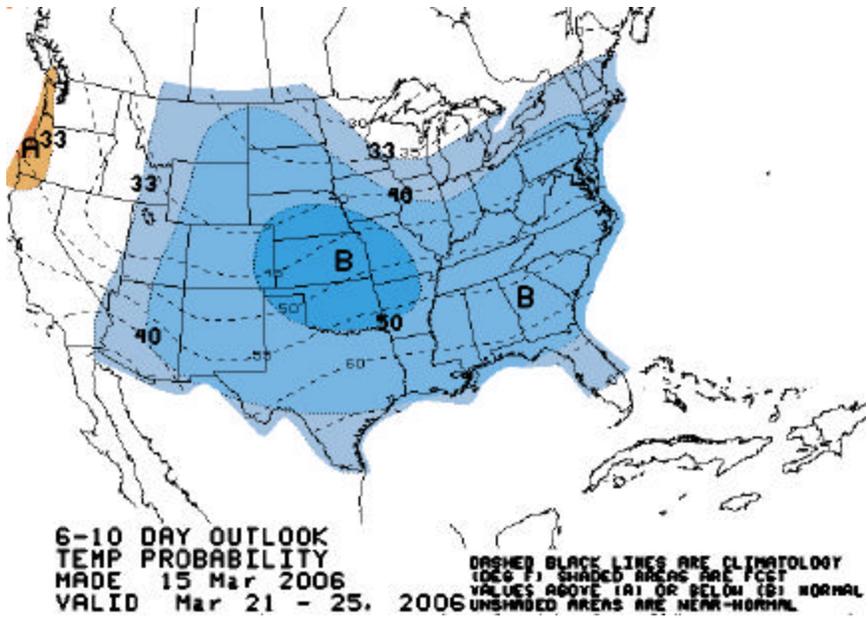
Texas Eastern Transmission said it has scheduled and Sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted.

#### **PIPELINE MAINTENANCE**

Gulf South Pipeline will perform scheduled pipeline maintenance on Index 266 24-inch from Carthage, Texas to Hall Summit, Louisiana beginning today and lasting through March 29. Due to this maintenance, capacity could be reduced as much as 75 MMcf/d, however with current nominations capacity should not be affected.

Kern River Pipeline said that due to favorable operating conditions the Fillmore Compressor Station maintenance work has been completed. System capacity has been increased to normal levels.

Southern Natural Gas Pipeline said that additional pipeline work will be required at the Spider Field tap in North Louisiana. The work is currently scheduled to start today and take approximately five days. During this time, capacity west of our Bienville, Louisiana Compressor Station will be reduced from about 132 MMcf/d to about 123 MMcf/d.



**ELECTRIC MARKET NEWS**

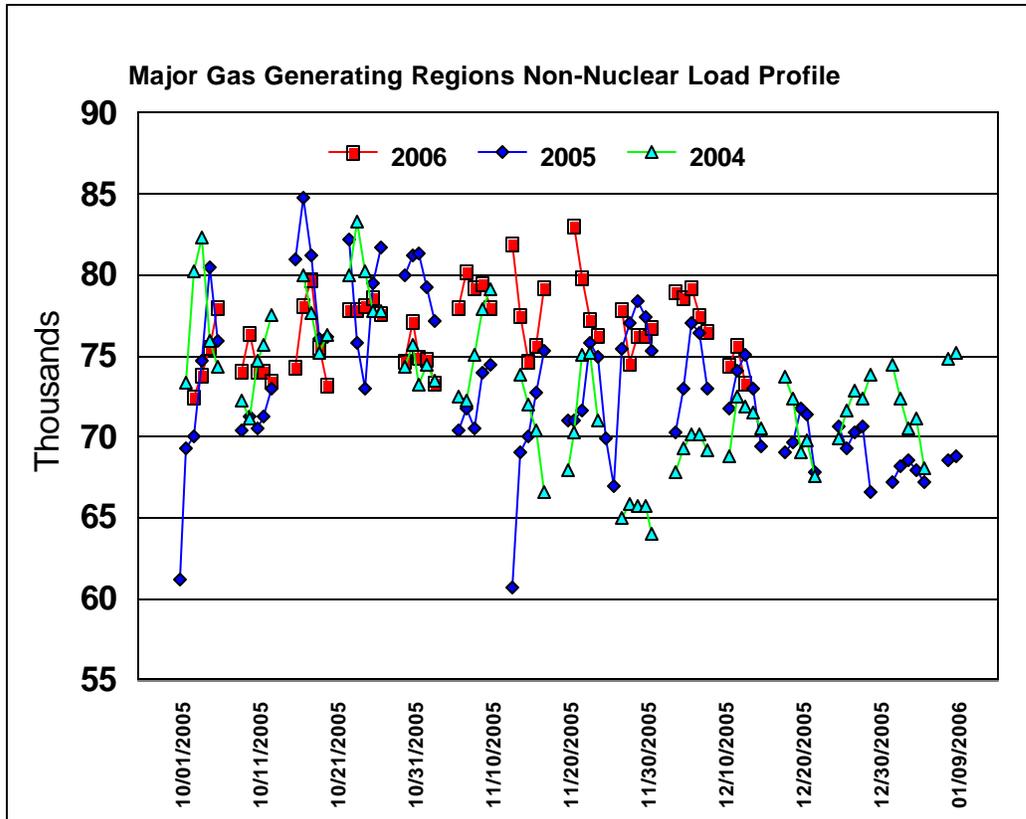
Con Edison of New York extended the length of the planned work on a big power line between Westchester County and New York City for more than a week. The company did this after it extended the work on an adjacent power line for about a week. The company now expects to work on the Sprain Brook-W 49<sup>th</sup> St 345 kV cable, known as the M51, from March 23-April 10. Earlier the company expected to complete that work on March 31.

The Chicago Climate Exchange will form two climate exchanges – in New York and the Northeast – to develop financial instruments related to the Regional Greenhouse Gas Initiative.

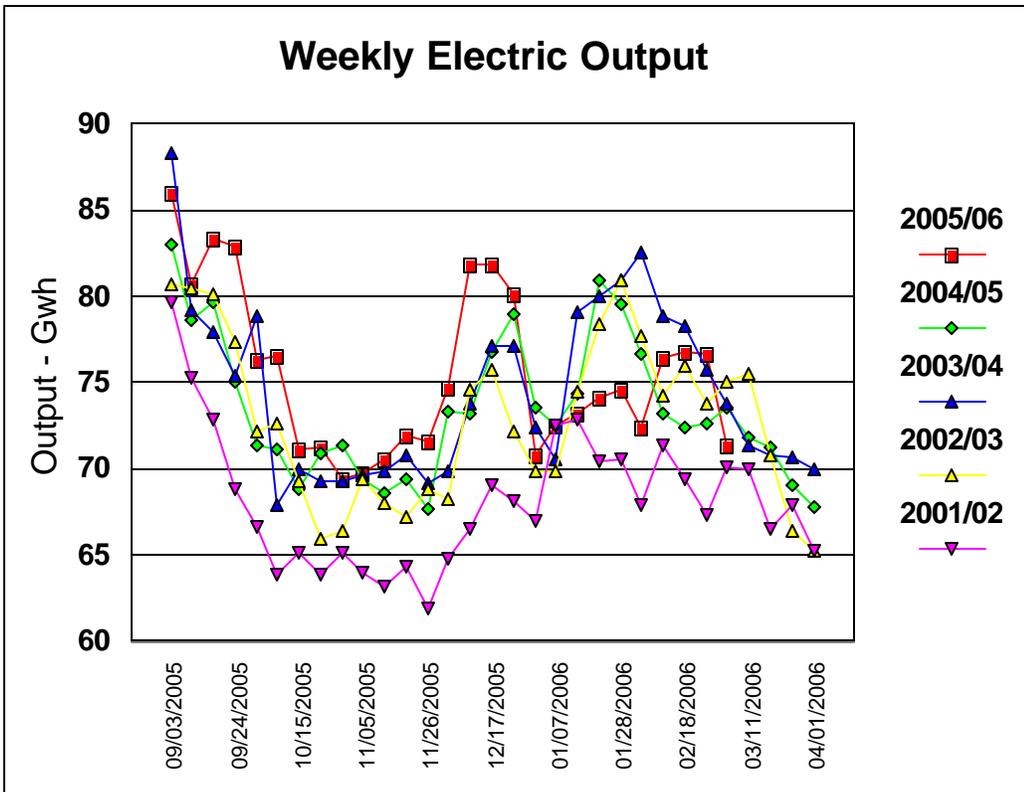
The schemes, to be called the New York Climate Exchange and the Northeast Climate Exchange, will develop products as RGGI evolves. In December, seven Northeast states – Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York and Vermont – signed the RGGI, which aims to cap carbon dioxide emissions from power plants in member states beginning in 2009 and cut them 10% by 2019. As RGGI evolves, the New York and Northeast climate exchanges will provide transparency, as well as a link with global greenhouse gas emissions trading.

Pepco Holdings proposed to state lawmakers rate stabilization plans for electric customers of two Maryland power companies.

Pepco said it designed the plans to give customers more time to absorb the impact of the increased electricity rates related to the higher cost of the fuel, primarily natural gas, oil and coal, used to generate power. Starting June 1, customers of both Delmarva Power and Pepco will have the option to defer any rate increase exceeding 21% of their total bill. The 21% limitation will remain in effect until February 28, 2007. Beginning March 1, 2007, the deferral will end and customers will pay the market rate. Under the plan,



customers who choose to participate in the deferral programs will pay the deferred amount, spread over 15 months, until May 31, 2008. Without deferral, the average monthly electric bill for residential customers would increase on June 1 by 35% or \$38.67 to \$148 for Delmarva Power customers and by 38.5% or \$39 to \$140 for Pepco customers.



Greenwich Energy Investments acquired the 240 Mw Masspower combined-cycle natural gas/oil-fired cogeneration facility in Springfield, Massachusetts. The firm noted the Masspower facility can run on either natural gas or fuel oil to support the reliability of the electric system in the winter when New England's gas supply is constrained due to heating requirements. The firm, formed in 2005, expects to boost its portfolio of energy assets in New England. This is the firm's second investment.

The Nymex announced that it is increasing margin rates for financially settled electricity contracts. Specifically margins for the Cinergy Hub LMP – Off Peak (EJ) and the AEP-Dayton Hub – Off Peak (VP) will be increased by roughly 50% for non-members in tiers 2-4.

The Edison Electric Institute reported Wednesday that total electricity production in the continental U.S. for the week ending March 11<sup>th</sup> stood at 71,337 Gwh, down 3.05% from the prior week and off some 6.91% from the same week a year ago.

**MARKET COMMENTARY**

The natural gas market opened 6.7 cents lower as it consolidated some of yesterday's gain. The morning was dominated by the release of the oil complex's inventory data, which was mixed to bearish. After the markets failed to extend yesterday's highs, prices fell back to support levels. April natural gas traded to a low of 7.03, remaining above support at the 20-day moving average. With not much fundamental news, the market remained in an inside trading range moving up to 7.21, just shy of yesterday's high. April natural gas finished down 2.4 cents at 7.143 as it awaits tomorrow's EIA inventory report.

With the market maintaining levels above the 20-day moving average, the upside remains open, though a bearish inventory report can pressure the market back beneath the 7.00 level. Expectations for tomorrow's report range between a 20-101 Bcf pull from storage, with most expectations centering on a 60 Bcf withdrawal. Our heating degree-day model expects a withdrawal range of 43 to 54 Bcf, with a median of 50 Bcf. This compares to a 101 Bcf withdrawal reported in the same week in 2005 and a 79 Bcf five-year average withdrawal. Looking ahead, this market is in a bit of a holding pattern, waiting to see a better picture of the summer. We see

support at \$6.95-\$7.00, \$6.83 and \$6.69. Further support we see at \$6.45-\$6.50, \$6.00 and \$5.71. We see resistance at \$7.22-\$7.23, \$7.40, \$8.00 and \$8.07.

# U.S. Daily Heating Degree Days Basis Gas Customer Weighted Basis

