



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 22, 2006**

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

The "great shakeout" in the North American liquefied natural gas (LNG) business could take place as early as this year with many of the proposed LNG import terminals being delayed, put indefinitely on hold or simply trashed altogether, according to energy consultant Stephen Thumb of Energy Ventures Analysis (EVA) in Arlington, VA. Thumb said companies are moving so quickly that the vast majority of the supply, infrastructure and markets will be off the table soon.

While higher gas prices have put pressure on chemical companies, many still have prospered while others have developed strategies to mitigate exposure to the challenges related to current gas market trends, said Standard & Poor's in a new report.

President Bush signed legislation earlier this week that makes an additional \$1 billion in energy assistance available to low-income energy consumers in fiscal year 2006.

The Minerals Management Service reported that shut-in gas production in the Gulf of Mexico averaged 1.393 Bcf/d, or 13.9% of gas produced in the region, down from 14% on March 8.

#### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said that due to warm temperatures in central Florida and low line pack, it is issuing an Overage Alert Day at 20% tolerance.

Kern River Pipeline said that line pack is listed as low on the north end of the system. It is imperative that shippers and operators stay on rate.

PG&E California Gas Transmission has called a customer specific operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of low gas supplies on its system.

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 also scheduled and sealed receipts between Mt. Belvieu and Little Rock. No increases in receipts sourced between Mt. Belvieu and Little Rock for delivery outside that area will be accepted. Tetco has scheduled and sealed receipts sourced at

#### **Generator Problems**

**ECAR**— FirstEnergy's 873 Mw Davis-Besse nuclear unit, currently shut for refueling, may have found a crack in a weld on a drain line. The refueling began March 6 and the unit is expected to return to service in April.

**MAIN**— Exelon Corp.'s 1,043 Mw Clinton nuclear unit exited an outage and ramped up to 16% capacity by early today. The unit shut on Monday due to a turbine trip.

Exelon Generation Company's 1,162 Mw LaSalle #1 nuclear unit returned to full power today after restarting this past weekend. Yesterday, the unit was operating at 84%. LaSalle #2 continues to operate at full power.

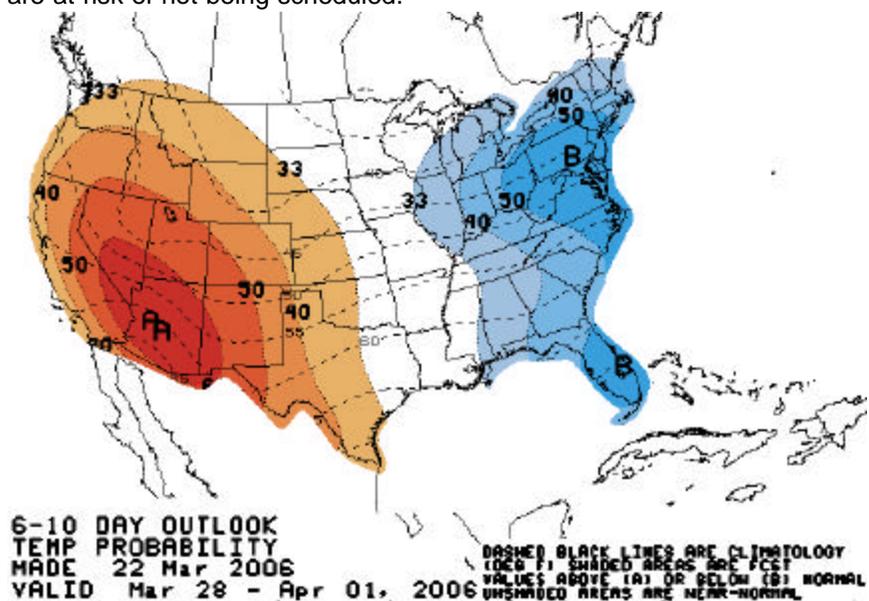
**NPCC**— Entergy Nuclear Generation Company's 670 Mw Pilgrim nuclear unit reduced power to 79% capacity after returning from a recent outage. Yesterday, the unit was operating at 99%.

**SERC**— Southern Co.'s 869 Mw Hatch #1 nuclear unit repaired the small cracks in the core shroud tie rods. The unit remains shut for maintenance and refueling. Hatch #2 continues to operate at full power.

**The NRC reported that U.S. nuclear generating capacity was at 80,245 Mw up .23% from Tuesday and up 1.80% from a year ago.**

Monroe Station. Increases in receipts sourced from the following meters at Monroe will not be accepted: Gulf South Pipeline; CenterPoint Gas Transmission; and Duke Energy Field Services.

TransColorado Gas Transmission said it is at capacity for deliveries through Segment 220 (White Water Compressor to Olathe Compressor) and Segment 240 (Red Vale Compressor to Dolores Compressor). Depending on the level of nominations, interruptible flow, authorized overrun and secondary out-of-path volumes are at risk of not being scheduled.



### **PIPELINE MAINTENANCE**

Natural Gas Pipeline Company said that it is in the process of performing the spike pressurization testing on the Gulf Coast #3 Main Line north of Station 303 (Segment 26 of Natural's Texok Zone). The work was scheduled from March 1-April 8. However, the project is now expected to be completed on April 17. Because of the level of nominations in this area, scheduling is impacted. Therefore, interruptible flow, authorized overrun, and secondary out-of-path transports south bound through Station 302 (Segment 26 of Natural's Texok Zone) into Segment 25 or Segment 22 are unavailable. In addition, one receipt point is affected

and is unavailable during the testing: PIN 39648 (Samson Resources-Lisa B #1-Nacogdoches).

### **ELECTRIC MARKET NEWS**

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended March 18 fell 1.3% from the same 2005 week to 70,339 GWh. For the first 11 weeks of the year, production totaled 811,735 GWh, down 0.9% from last year. For the 52 weeks ended March 18, however, production rose 3.2% from the corresponding period in 2005.

Consolidated Edison of New York returned a big power line between Westchester County and New York City to service by early today. Con Ed shut the Sprain Brook-W 49<sup>th</sup> St 345-kilovolt cable, known as M52, on February 18 for the planned replacement of a portion of a feeder cable and work on some cooler equipment. With M52 back in service, Con Ed can shut the adjacent M51 cable as planned on March 23-April 10.

Various Entergy Corp. units plan to ask for \$1.34 billion in development block grants to help defray the costs of repairs systems in Louisiana damaged by hurricane Katrina and Rita. Entergy New Orleans will ask for \$718 million in cash, the amount includes \$271 million for the repair of its electric infrastructure, \$355 million to repair and replace much of its infrastructure, \$320 million for lost customers and \$22 million for costs. It expects some \$250 million in insurance recovery, but without the grant money, Entergy New Orleans estimates Katrina-related damage would be \$8,943 for each customer.

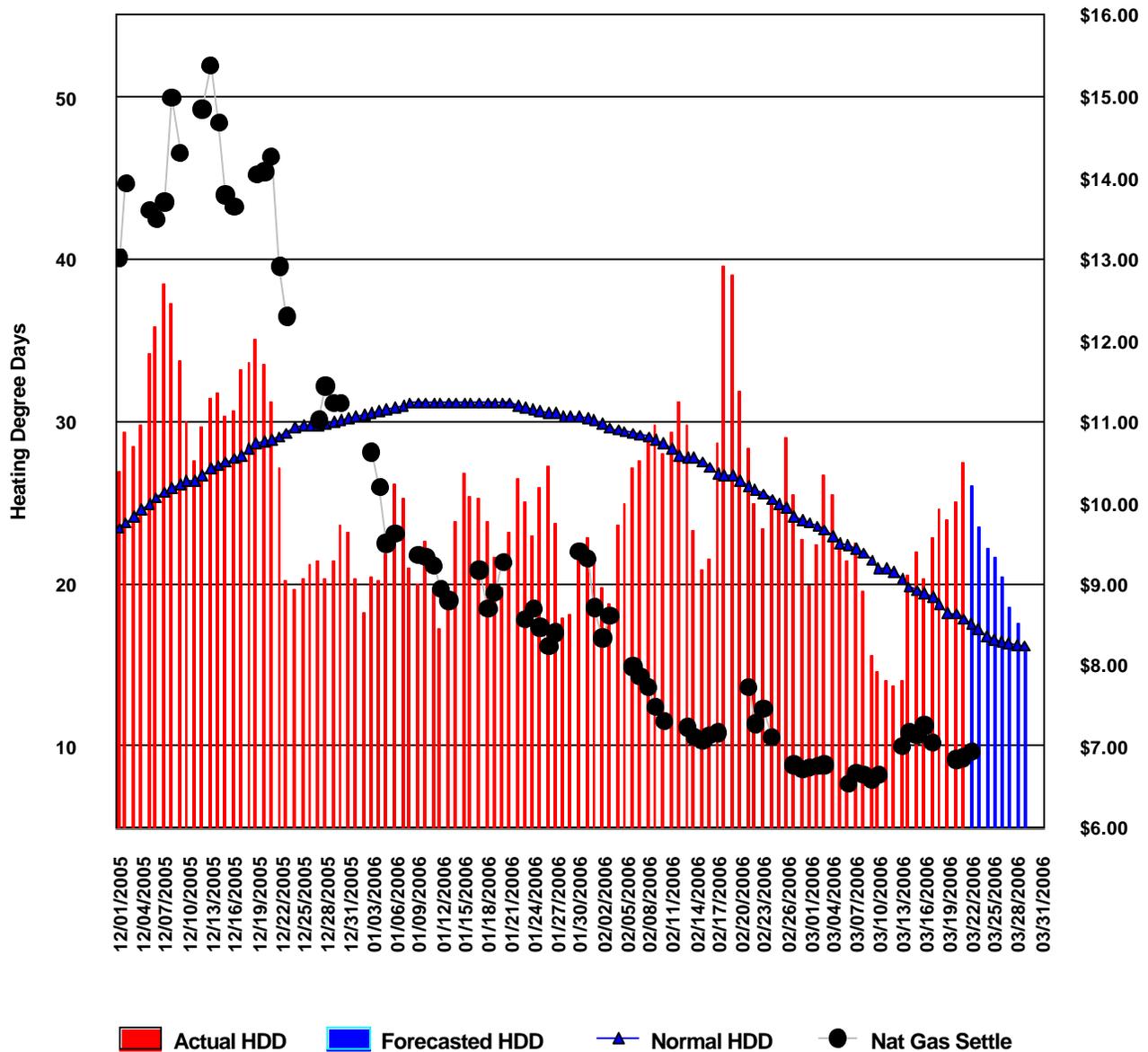
Baltimore Gas & Electric Co. officials are willing to lower impending energy rate increases to between 5% and 20% to keep Maryland officials from interfering with multibillion-dollar merger. The utility agreed to reduce a 72% increase in electricity rates in negotiations as lawmakers' threats to stop Florida Power & Light from purchasing BGE's parent company, Constellation Energy Group, for an estimated \$11 billion.

### **MARKET COMMENTARY**

The natural gas market opened 8.2 cents higher today on lingering cool temperatures and a supportive cash market. April natural gas traded higher with crude oil, moving above the 7.00 level to a day's high of 7.13, but as

the oil complex eroded later in the session led down by unleaded gasoline, natural gas followed suite. The April contract traded to a low of 6.92 before settling at 6.953, up 8.5 cents on the day.

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



The front month's consolidation in its recent 6.50-7.37 range sets the stage for a break out given the right momentum. Street expectations for tomorrow's inventory report range from a draw of 25 Bcf to 75 Bcf, with an average expectation of close to a 40 Bcf draw. Our models show expectations much lower than the street; the pipeline receipt and delivery model expects a draw of 9 Bcf to unchanged, where the heating degree-day model actually shows a build of 6-8 Bcf. Such a bearish report would pressure the market to test the 6.45-6.50 level.

Looking forward, the market is waiting for a clearer picture of how summer cooling demand is going shape up as well as the expected active hurricane season. We see support at \$6.65-\$6.70, \$6.45-\$6.50, and \$6.18. We see further support at \$6.00, \$5.83 and \$5.71. We see resistance at \$7.00-\$7.03, \$7.37 and \$7.40. Further

resistance we see at \$7.60 and \$8.00.

