



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 24, 2006**

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

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by 25 to 1,571 in the week ended March 24. The number of rigs searching for natural gas in the U.S. rose 19 to 1,314.

An RBC Capital Markets analyst said he expects U.S. natural gas prices will remain well above \$6.00/Nnbtu for some time, but long-term prices should settle at around \$4.50/MMbtu. The RBC analyst said the near-term problem of declining North American natural gas supply should keep prices at a higher level until the region starts to receive a steady supply of LNG.

A new proposal by Weaver's Cove Energy LLC to use smaller tankers to transport liquefied natural gas (LNG) up the Taunton River in order to circumvent a legal barrier to the Fall River, MA, import terminal project is both "dumb" and "dangerous," said Rep. Jim McGovern (D-MA), who last year erected the barrier that the company is now trying to bypass.

#### **PIPELINE RESTRICTIONS**

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

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. 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.

#### **PIPELINE MAINTENANCE**

KM Interstate Gas Transmission said that it will be performing maintenance at the Herndon Compressor Station from April 4-6. The capacity through Segment 775 will be limited to 220 MMcf/d. Authorized overrun, interruptible flow, secondary and primary FT quantities are at risk of not being scheduled. However, based on current level of nominations, KMIGT does not anticipate any scheduling reductions.

#### **Generator Problems**

**ECAR**— American Electric Power's 1,020 Mw Cook #2 nuclear unit continued to decrease output, operating the unit at 69% capacity. Yesterday, the unit was operating at 76% capacity.

**ERCOT**— TXU's Martin Lake #2 coal-fired power station is in startup today following repairs to a boiler tube leak.

TXU's Gibbons Creek #1 coal-fired power station is in startup following a scheduled maintenance outage.

**MAIN**— Exelon's 1,022 Mw Clinton nuclear unit continues to increase power, operating the unit at 96% capacity, up from 49% yesterday.

**SERC**— Tennessee Valley Authority's 1,100 Mw Browns Ferry #3 nuclear unit increased production to 35% today. Yesterday, the unit was operating at 25%. Browns Ferry #2 continues to operate at full power.

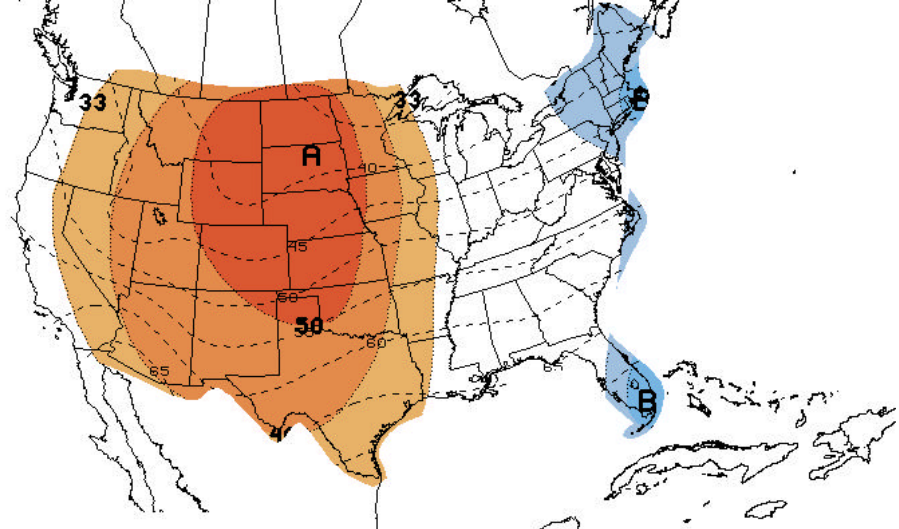
Energy's 1,207 Mw Grand Gulf nuclear unit increased production to 85% from 58%.

**Canada**— Ontario Power Generation's 881 Mw Darlington #3 nuclear unit shut for planned maintenance and inspection.

Ontario Power Generation's 490 Mw Nanticoke #3 coal-fired power station returned to service following a short outage.

**The NRC reported that U.S. nuclear generating capacity was at 79,930 Mw up 1.00% from Thursday and up 1.38% from a year ago.**

Natural Gas Pipeline Company said the receipt from Enbridge-Panola #2 in Panola County, Texas will be unavailable on March 29-30, due to a scheduled outage by Enbridge. This point is in Segment 26 of Natural's Texok Zone. This outage is to replace and upgrade the meter station.



**6-10 DAY OUTLOOK  
TEMP PROBABILITY  
MADE 24 Mar 2006  
VALID Mar 30 - Apr 03, 2006**  
DASHED BLACK LINES ARE CLIMATOLOGY (DEG F). SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL. UNSHADED AREAS ARE NEAR-NORMAL.

Williston Basin Interstate Pipeline Company said maintenance will be performed at the Worland Compressor Station June 12-23. Volumes will be zero at Point ID's 02990 Worland Plant-Devon, 02985 Devon-FR119 and 02986 Devon-FR119 (Compression). The volumes may also be restricted in Line Sections 19 and 20 depending on quantities nominated. Also, maintenance will be performed at the Saco Compressor Station June 19-23. Volumes at Receipt Point ID 00885 Bowdoin, Point ID 00880 Whitewater and Point ID 00900 Vandalia will be zero during this time.

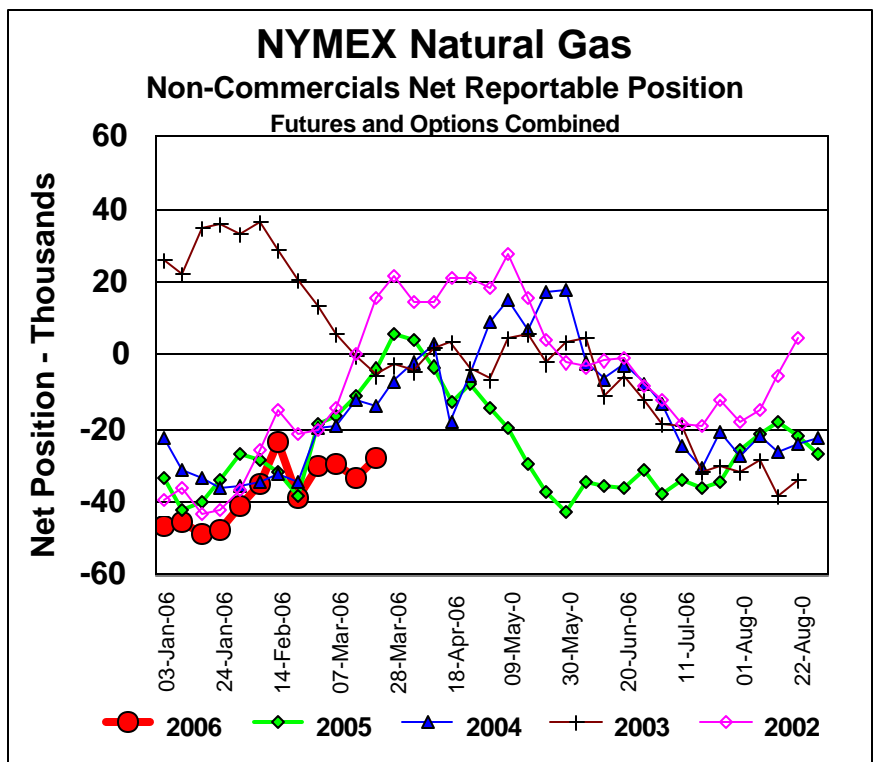
**ELECTRIC MARKET NEWS**

The National Coal Council published a report this week "Coal: America's Energy Future," which said maximizing coal's potential could reduce U.S. energy costs 33%, would create more than 1 million jobs per year and would account for an aggregate gain of \$3 trillion-plus in gross domestic product, which increases to \$4 trillion with enhanced oil recovery. With natural gas prices expected to remain above coal values through 2030, optimizing its full uses is integral to U.S. energy interests. The U.S. sits on about 270,718 million short tons of total recoverable coal, that is about 27% of the world's supply and some geologists estimate it is enough to take us through the next 240 years at current production rates.

**MARKET COMMENTARY**

The natural gas market opened 10 cents stronger today on follow through to yesterday's crude inspired rally. The market traded a high of 7.49, but in defense of their short positions, funds leaned on the market, trying to keep it under the 40-day moving average near 7.36. April natural gas traded as low as 7.16 by midday where it found a bit of buying interest and bounced to the 7.30 level. The April contract settled down 3.8 cents at 7.29.

The question still remains whether the natural gas market has enough fundamental support to push substantially higher. The cold temperatures that have lingered in the Northeast are forecast to move out, and with 1.8 Tcf in the ground this market does not have the inertia to



run away. The strengthen in the oil complex remains the sole support of this market and even with a bullish pull from stocks this coming week due to the cold temperatures of late, a substantial rally to new levels remains a bleak possibility. The Commitment of Traders Report showed that as of March 21, non-commercial traders had reduced their net short futures positions by 3,018 contracts and had reduced their net short combined futures and options positions by 3,749 contracts. We see support at \$7.16, \$7.08 and \$7.00. We see further support at \$6.65-\$6.70 and \$6.45-\$6.50. We see resistance at \$7.50-\$7.53, \$7.66, \$7.79 and \$8.00.