



## ***ENERGY RISK MANAGEMENT***

Howard Rennell & Pat Shigueta  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

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### **POWER MARKET REPORT FOR APRIL 1, 2005**

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

The EIA this afternoon released its latest natural gas monthly report. It estimates that U.S. domestic production of natural gas in January stood at 50.5 bcf/d, up 1.3% from the previous month but still lagging behind year ago levels, off some 3% from January 2004. Imports during the month stood at 10.5 bcf/d, while down 1% from December 2004, they were up 3.8% from a year ago, helped in part by LNG imports which were up 12% from year ago levels. Consumption in January was estimated 83.2 bcf/d down 3.5% from year ago levels as heating degree-days were off 10.3% from the January 2004. Residential usage of natural gas was off 8.3% versus year ago levels, while commercial and industrial consumption was off 2.2% and 1.0% respectively. Electric utility demand for gas in the month though was 3.7% higher than year ago levels. The monthly report estimated working gas in

#### **Generator Problems**

**ERCOT**— Texas Genco's 836 Mw Limestone #1 coal-fired unit will shut April 2 for a planned 28-day annual inspection outage. The unit is expected back in service April 30.

Topaz Power Group will shut the 632 Mw Coletto Creek coal-fired power station April 1-2 for planned maintenance expected to last at least until April 18.

Oklahoma Power Station shut down today to repair a chain conveyor. The unit is expected back April 4.

**FRCC**— FPL held production at 64% capacity at its 760 Mw Turkey Point #4. The unit was operating at 63% yesterday after restarting over the weekend. Turkey Point #3 is currently at full power.

**MAAC**— Exelon returned its 1,116 Mw Peach Bottom #3 to full power this morning. The unit was operating at 79% yesterday. Peach Bottom #2 remains at full power.

**MAIN**— Exelon's 1,177 Braidwood #2 nuclear unit exited an outage and ramped up offline to 15% of capacity by early today. The unit tripped offline March 28 due to an apparent failed electrical connection. Braidwood #1 continues to operate at full power.

**MAPP**— Alliant Energy Corp.'s Interstate Power and Light utility unit said that transportation problems are holding up delivery of a replacement transformer for the offline Ottumwa coal-fired power plant. The unit has been shut since Feb. 24.

**NPCC**— FPL Group's 1,159 Mw Seabrook nuclear unit shut early today for a planned one-month refueling and maintenance outage.

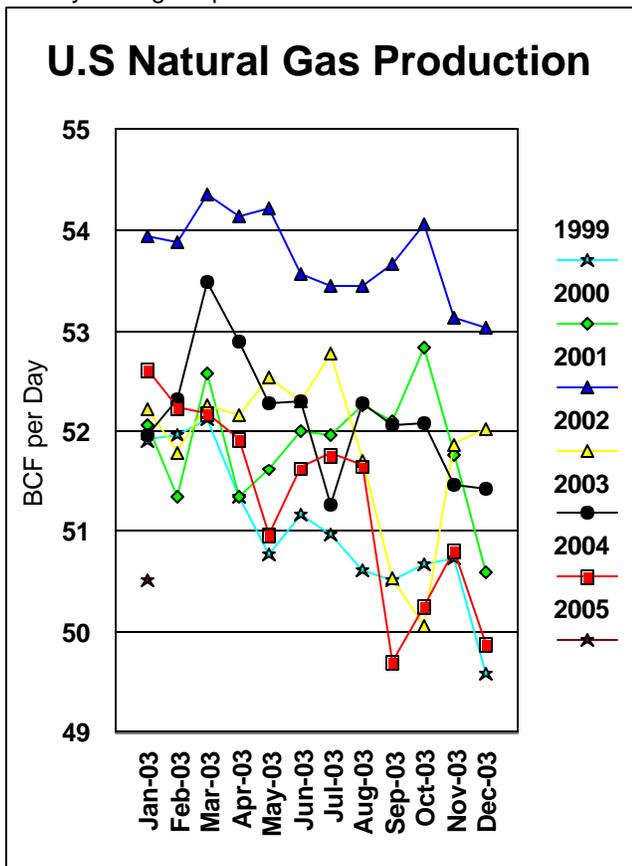
KeySpan Corp. expects the 980 Mw Ravenswood #3 natural gas and oil-fired power station to return to service over the weekend.

**SERC**— Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit started to exit a refueling outage and ramped up offline to 10% power early today. The unit shut Feb. 22 for the outage.

**WSCC**— Arizona Public Service's 1,270 Mw Palo Verde #2 nuclear unit will begin a scheduled maintenance and refueling outage this weekend. The outage is expected to last 35 days.

**The NRC reported that U.S. nuclear generating capacity was at 75,887 Mw today down .77% from Thursday and down 1.85% from a year ago.**

underground storage at the end of January stood at 1994 bcf some 13 bcf less than had been reported by the weekly storage report.



The Delaware Coastal Zone Industrial Council affirmed last month's ruling by John A. Hughes, secretary of the New Jersey Department of Natural Resources and Environmental Control, that the state's Coastal Zone Act prohibits the proposed Crown Landing LNG off-loading pier in the Delaware River.

Cheniere Energy said today that its wholly owned subsidiary, Cheniere Creole Trail Pipeline Company, will initiate an open season for the marketing of natural gas pipeline transportation capacity to interconnect planned liquefied natural gas receipt terminals with over 12 Bcf/d of natural gas pipeline infrastructure in south Louisiana. The proposed pipeline will interconnect with as many as fifteen different interstate and intrastate pipeline systems, and terminate in the vicinity of Rayne, Louisiana.

BP Trinidad and Tobago commissioned a \$54.5 million platform, which will produce up to 1 Bcf of natural gas a day. The production platform, named Cannonball after a local tree, is intended to service its 37.8% processing rights in Atlantic LNG's Train 4. This platform is expected to start producing gas by October.

Forecasters for the 2005 hurricane season are calling for a fiercer than normal season with a heightened probability of a major hurricane making landfall in the

U.S. Colorado State University professor William Gray said 2005 would see 13 named storms, of which seven would turn into hurricanes. He predicted three major hurricanes with winds exceeding 111 mph. U.S. hurricane experts say the number of hurricanes appears to increase and decrease in multiyear cycles and the Atlantic may have entered a 30- to 40- year period of greater storm activity after several decades of relative calm.

Utility and energy company Avista Corp. said its energy marketing and resources management unit will post a net loss for the first quarter of 2005 because of a weak performance of its natural gas portfolio.

**PIPELINE RESTRICTIONS**

Texas Eastern Transmission said it has restricted nominations flowing through the Batesville compressor station to the capacity of the station. Physical increases in nominations flowing through Batesville will not be accepted.

Florida Gas Transmission said that due to low linepack, it is issuing an Overage Alert Day at 25% tolerance for today.

Trailblazer Pipeline Company said that it has limited capacity available for transports going eastbound through Station 601. Limited increases to interruptible flow, authorized overrun and secondary out-of-path firm transport volumes are available to the extent primary in-path and secondary in-path firm transport volumes are unutilized.

Questar Pipeline Co. said that because it will not be able to utilize Clay Basin for balancing during the testing, Questar will not be accepting imbalance nominations April 4 through April 18. In addition, Questar will be closely monitoring nominations versus production so that imbalances are kept to a minimum for the duration of the test.

In an update to the ongoing force majeure situation at several of its compressors, TransColorado said that the estimated in-service date for completion of repairs on all expansion compressors units has been revised from

April 15 to April 30. As each unit is repaired, additional capacity may become available before April 30. Currently, Segment 220 is limited to 320 MMcf/d while Segment 240 is flowing 375 MMcf/d. Meanwhile, force majeure conditions are still in effect.

**PIPELINE MAINTENANCE**

El Paso Natural Gas Company said that Alamo Lake maintenance has been completed ahead of schedule. The capacity of the Havasu Crossover will be increased by 75 MMcf/d to 645 MMcf/d effective Cycle 3, March 31 and will return to full power of 670 MMcf/d effective Cycle 1, April 1.

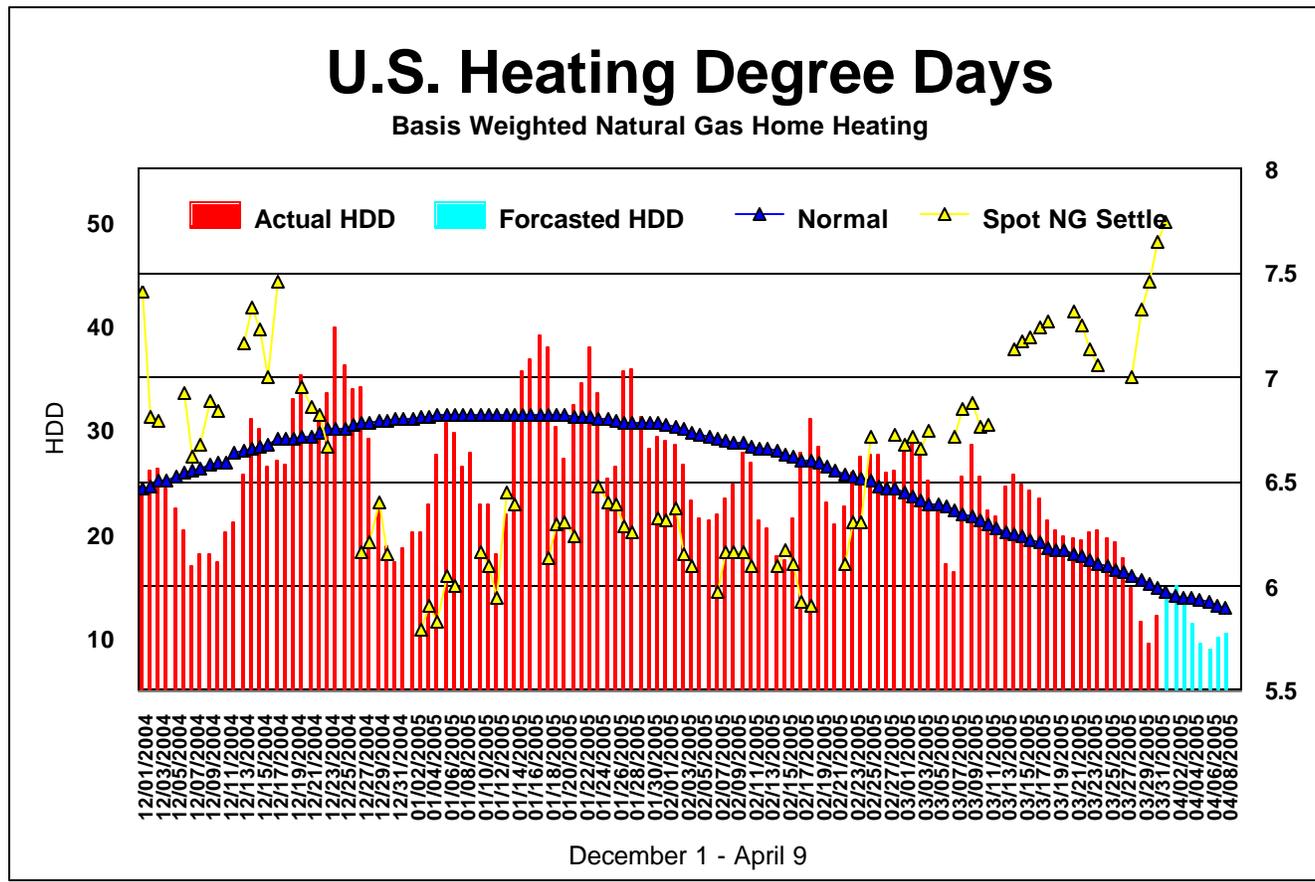
Gulf South Pipeline said the unscheduled maintenance on Index 129 that began yesterday will be completed on Sunday, April 3. Due to this maintenance, Gulf South has issued a force majeure south of Edna Compressor Station.

Kern River Pipeline said that all line pack levels are at normal levels. However, due to maintenance activities at Muddy Creek and Elberta compressor stations, all shippers and operators are requested to take delivery of their scheduled quantities.

Tennessee Gas Pipeline said it has identified a leak on the South Pass 77 527A-700 line. This is in Zone L on Tennessee's 500 Leg. The first portion of the repairs is expected to be complete on April 20. Physical flow will remain shut in for the following meter until these initial repairs are complete on April 20: 011294 South Pass 77A. Additional work will be required, which is scheduled to take place September 19-26. The above meter will also be required to be shut-in at that time.

**ELECTRICITY MARKET NEWS**

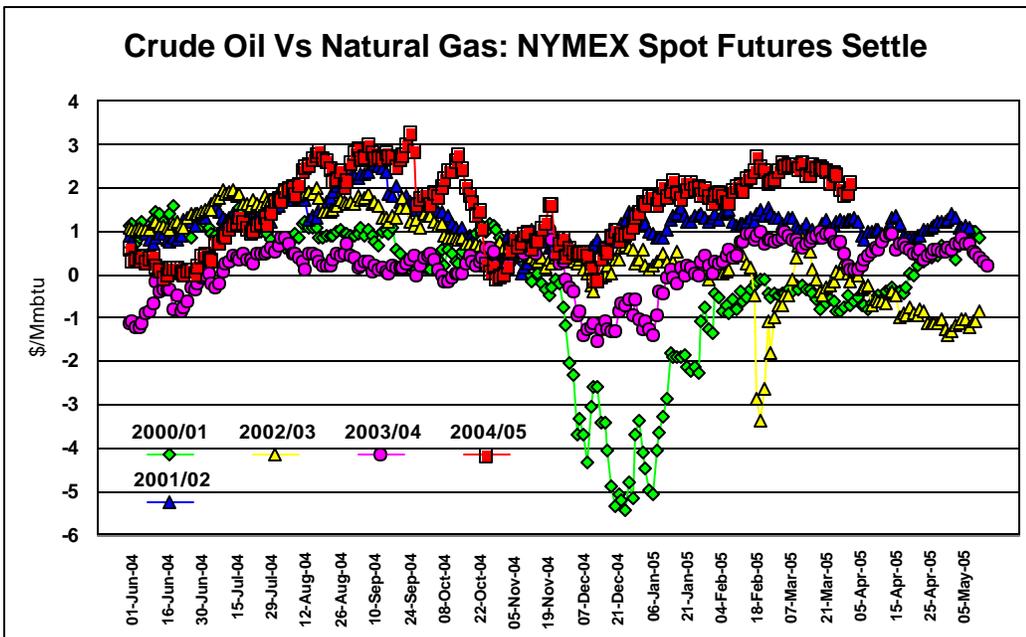
The Midwest Independent Transmission System Operator formally launched its Real-Time Energy Markets early this morning when it began centrally dispatching wholesale electricity and transmission service throughout much



of the Midwest region. Under a tariff approved by the FERC, the Midwest ISO now operates Day-Ahead and Real-Time Energy Markets that are designed to make the most efficient use of all resources within the region reliably. A key feature of the Midwest Energy Markets is that they produce Locational Marginal Prices, which provide price transparency of the transactions involving the sale and purchase of wholesale electricity. Buyers and sellers of power will, for the first time, be able to see Real-Time prices for electricity at five-minute intervals at approximately 1,400 points along the power grid. The Midwest ISO covers a footprint that stretches from Pennsylvania to Montana and from Missouri to the Canadian province of Manitoba.

Calpine Corporation's Deer Park Energy Center has signed a 650 Mw six-year power sales agreement with Merrill Lynch Commodities. As part of this agreement, Deer Park has received approximately \$195 million, as an upfront payment for future power deliveries under this contract. Deer Park expects to receive approximately \$70 million in additional payments over the next several months upon satisfying certain conditions under the power sales agreement, resulting in net upfront payments to Deer Park totaling approximately \$265 million. Deer Park has also arranged to purchase natural gas from Merrill Lynch over the term of the power sales agreement, which will reduce the working capital required to secure a long-term fuel supply for the facility.

The Northwest River Forecast Center raised its outlook for water runoff during the 2004-2005 season, although it remained mostly well below normal. The Portland, Oregon-based agency forecast flows through the Dalles dam would average 70% of normal from January through July, up from a previous projection of 63%. The Dalles is the next-to-last dam on the lower Columbia River and a key point to measure the volume of water available for power generation in the Northwest. The region receives about 65% of its power supplies from hydroelectric dams.



Hydropower flows in the Northwest are expected to be reduced next week as operators at the Grand Coulee Dam have reduced water elevations sufficiently to allow for the start of planned maintenance work which is expected to take 46 weeks.

**ECONOMIC NEWS**

The Institute for Supply Management said today that its factory index fell to 55.2 from 55.3 in

February. Economists said the reading is consistent with increased production and doesn't suggest a weaker economy. The institute's prices paid index, a look at inflation, rose to 73 from 65.5 in February.

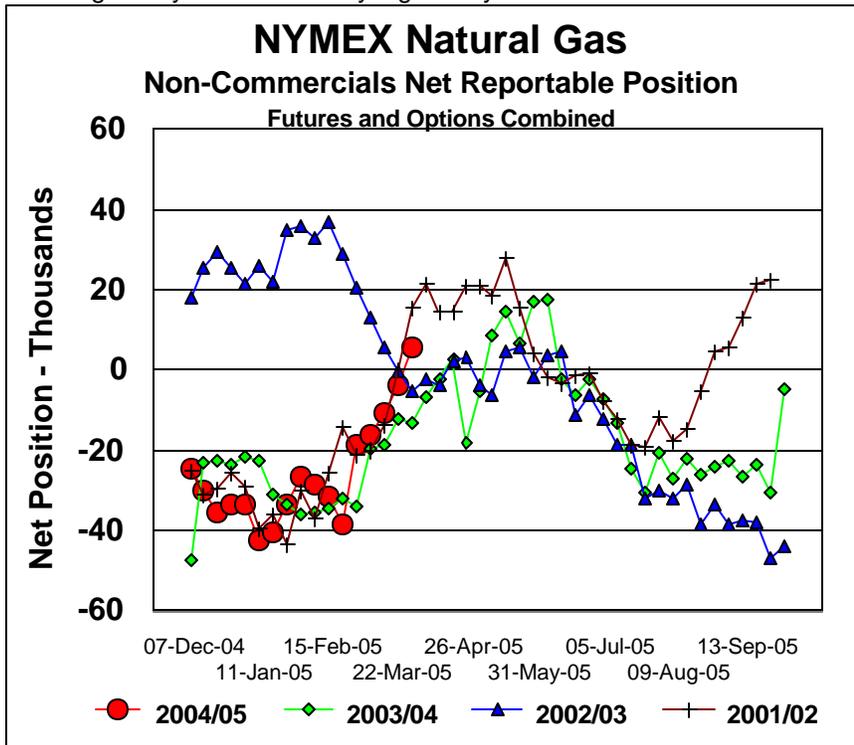
U.S. consumers were not as upbeat in March as sentiment toward both present and future economic conditions declined. The University of Michigan said its final measure of consumer confidence slipped to 92.6 in March from 94.1 in February.

The March Unemployment Situation came in below expectations, with only 110,000 jobs added to the economy. The Unemployment Rate fell to 5.2%.

**MARKET COMMENTARY**

The natural gas market again took a back seat to the oil markets. Despite opening lower this morning the natural gas quickly turned positive as oil prices began to advance higher and dragging natural gas values higher. The

market reached its highs in the early afternoon, as the spot contract came within a penny of the 62% retracement of the bear move from November 1, 2004 – January 3, 2005, before selling off in the final hour of trading retracing nearly 50% of the day's gains by the close. Final volume was moderate with 79,000 futures traded.



Early estimates for next week's storage report appear to be running around a 10-20-bcf draw down. Given our estimate that the past week saw heating demand for natural gas nationwide resulting in only 104 HDD nationwide some 25.7% less than the previous week, we feel the call on storage gas will be slightly less resulting in just a 5 bcf draw to possibly no draw at all given the current attractive storage spreads.

This afternoon's Commitment of Traders Report for the period ending March 29<sup>th</sup>, showed that the non-commercial sector of this market continued to build its long position in this market, now at a net long position for the first time since last autumn. The non-commercials impact in this market has grown further as a result of the commercial

and small trader segments decreasing their overall position over the week as they sold out some of their length to the non-commercials sector.

Basis tonight's Commitment of Traders Report it appears that this market could still see further non-commercial buying which should keep this market relatively firm, especially without a significant sell off in the oil markets. We would look for resistance starting next week at \$7.85-\$7.87, \$8.00 and \$8.28. Support we see at the gap at \$7.55-\$7.48, \$7.162, \$6.95 and \$6.738.