



## **ENERGY RISK MANAGEMENT**

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

**www.e-windham.com**

### **POWER MARKET REPORT FOR APRIL 7, 2005**

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

The EIA Short-Term Energy Outlook Report for April 2005 reported that the Henry Hub natural gas spot price averaged over \$7.00 per mcf in March, compared to \$5.55 per mcf in March 2004. These high prices are attributed to high crude oil prices, combined with the unusually cold March weather for much of the Nation, which increased heating demand. Although the EIA sees spot prices for natural gas dipping during the spring and summer, natural gas supply conditions are expected to remain tight over the same period. The EIA has increased its price projection for 2005, averaging \$6.95 per mcf, and they project prices in 2006 to average \$6.90 per mcf. They cite high world oil prices, a continued strong economy, and the expectation that below-normal Pacific Northwest hydroelectric resources will be well below normal through mid-summer. The EIA also noted in their report that working gas in storage is estimated at 1,187 Bcf at the end of March, a level 12% higher than one year ago and 14% higher than the 5-year average. On the demand side, the EIA projects natural gas demand to increase by 1.7% in 2005. Domestic natural gas production in 2005 is expected to increase only .7% from the 2004 level, despite an expected 8% increase in gas-directed drilling. In 2006, natural gas demand is projected to rise by 3.2% due largely to weather-related factors and continued strength in gas-intensive industrial production.

#### **Generator Problems**

**ERCOT**— American Electric Power will shut the 580 Mw Pirkey coal-fired power station on April 8-9 for a planned maintenance outage on the boiler, precipitator and scrubber.

**MAAC**— PSEG ramped output back to full power at its 1,100 Mw Salem #1 nuclear unit. The unit was operating at 88% power yesterday after a problem with two circulating water pumps was corrected. Salem #2 remains offline, having shut yesterday for a refueling outage.

**NPCC**— Entergy Corp.'s 1,027 Mw Indian Point #3 nuclear unit started to exit a refueling outage and ramped up offline to 6% of capacity early today. The unit shut March 11 for the outage. Indian Point #2 continues to operate at full power.

Dominion Energy's 866 Mw Millstone #2 nuclear unit scaled back production to 83% this morning to perform valve testing.

**SERC**— Progress Energy's 920 Mw Brunswick #2 nuclear unit ramped output to 30% power as of early this morning. The unit was offline at 13% power yesterday. Brunswick #1 continues to operate at full power.

**Canada** – Ontario Power Generation's Lennox oil- and natural gas-fired Lennox #1 and #2 returned to service early today. The units shut early yesterday.

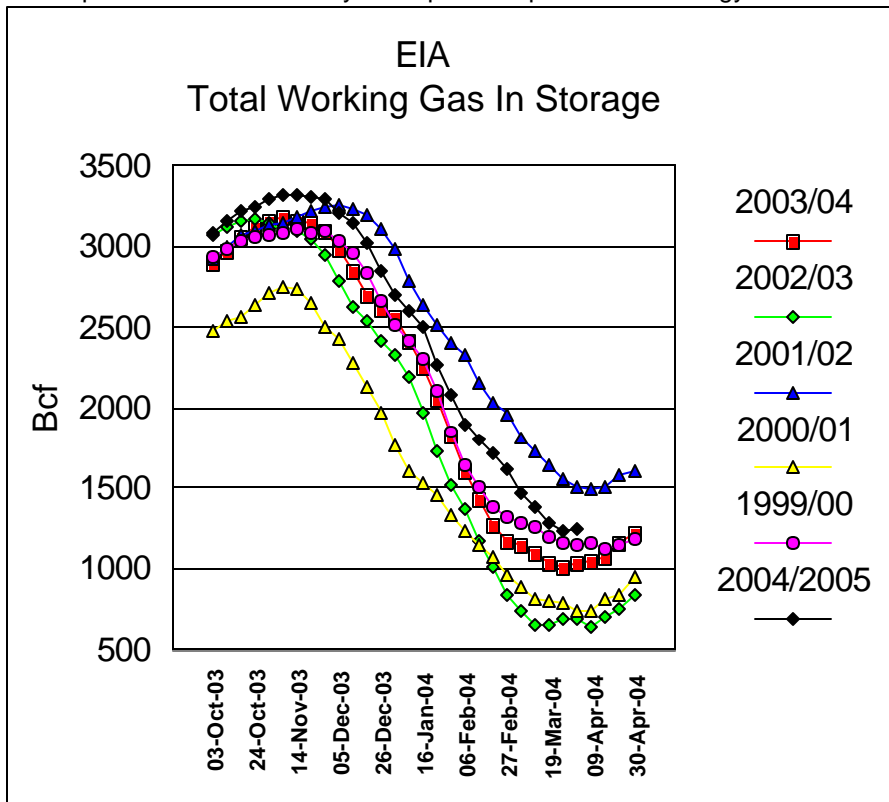
**The NRC reported that U.S. nuclear generating capacity was at 76,295 Mw today up .19% from Wednesday and down 2.27% from a year ago.**

#### **EIA Weekly Report**

	04/01/2005	03/25/2005	Net chg	Last Year
<b>Producing Region</b>	497	486	11	395
<b>Consuming East</b>	546	548	-2	477
<b>Consuming West</b>	206	205	1	162
<b>Total US</b>	1249	1239	10	1034

The EIA reduced its forecast for inventory of natural gas at the end of the second quarter 2005 to an estimated 2.08 Tcf, down slightly from a previous forecast of 2.13 Tcf. One year ago, actual U.S. stocks at the end of the second quarter were 2.02 Tcf. Estimates for inventory for the third quarter of 2005 are running at 3.06 Tcf.

The IMF said today that an increase in energy trading by hedge funds and investment banks in recent years has not contributed to the volatility in the energy markets. "There is little evidence that the entry of more non-commercial traders into energy markets has raised price volatility beyond historical norms", the IMF's policy development office said today in a special report on the energy markets.



Federal Energy Regulatory Commission Chairman Pat Wood, III said yesterday that he will leave the agency at the conclusion of his term of office June 30. His term at the FERC began in 2001. President Bush has not yet named a successor.

Royal Dutch/Shell is still interested in investing in Venezuela's Mariscal Sucre LNG project after the government scrapped its original development plant. The Venezuelan government announced that the project would be divided into at least two separate exploration and production blocks for auction. The LNG project would also be developed separately.

When Congress looks at pending energy legislation, it will also consider extending Daylight Saving Time for an extra two

months per year. With more daylight, the argument is that consumers will use less energy.

**PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company of America has postponed an upgrade tie-in at Texas Gas-Lowry to later in April or the first part of May due to problems with the land owner. Whenever this upgrade tie-in is done, NGPL's delivery to Texas Gas-Lowry will be unavailable for scheduling. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes.

**Canadian Gas Association**

**Weekly Storage Report**

	01-Apr-05	25-Mar-05	02-Apr-04
<b>East</b>	60.9	58.3	60.1
<b>West</b>	69.3	65.9	76.9
<b>Total</b>	130.2	124.2	137.0

Texas Eastern Transmission Corp. 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.

El Paso Natural Gas Company said that flow on the Havasu Crossover since the beginning of the Wenden Station shutdown has been better than estimated. Therefore, the capacity will be increased by 25 MMcf/d to 525 MMcf/d effective Cycle 2 today.

Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors affecting its system, Gulf South may be required to schedule available capacity and implement scheduling reductions for East Texas-Area 8, and Longview-Palestine.

Northwest Pipeline Corp. said Pocatello District Line Lowering Nominations at the Buhl compressor station are currently exceeding the capacity that is available during the Pocatello District Line Lowering Project. There is

523 MMcf of available capacity at the Buhl compressor from April 4 through April 22. Beginning April 8, Northwest will allocate the available capacity per the priority of service detailed in Northwest's Tariff. At current scheduled volumes, only alternate capacity cuts will be necessary. However, if primary nominations increase to an amount that exceeds available capacity, a Deficiency Period will be declared and primary nominations will be cut accordingly.

### **PIPELINE MAINTENANCE**

Alliance Pipeline said that at 9:16 PM PT on April 5, the Irma compression station in Saskatchewan experienced mechanical difficulties and the station went offline at that time. Technicians are currently diagnosing the extent of the problem and have determined that the station will not be in operation today and authorized overrun service will be impacted as a result. At this early stage Alliance is unable to determine exactly when the station will return to service.

Southern Natural Gas Pipeline said it has identified a need to perform unscheduled maintenance on one of three compressor units at its Muldon Storage Field. Based on the best information, the unit is projected to return to service no sooner than April 10.

Trunkline Gas Co. said that there will be ongoing maintenance and Department of Transportation mandated pipe replacement that will require an outage of the Texas Goliad Lateral beginning on May 3 and continue through May 14. Nominations will not be accepted at the following receipt points during the outage: Turkey Creek Barfield #3, Ocre #2-Edge, and Parks Ranch Wells-Charro Petroleum.

Westcoast Energy said that Duke Energy BC Pipeline and Field Services Customer Interface system will be unavailable from 9:00 PM to 11:00 PM MT today for System Maintenance. During this period, customers will not be able to access Westflo or the Customer Interface.

### **ELECTRICITY MARKET NEWS**

The EIA's Short-Term Energy Outlook Report for April 2005 indicated that electricity demand is expected to increase 2.9% in 2005 and by an additional 2.25 in 2006 due to continuing economic growth. Third quarter demand growth is expected to be particularly strong, as cooling demand is likely to be higher than in the mild third quarter of 2004. Hydroelectric power availability, which fell somewhat in 2004, is expected to rebound in 2005 by 11% nationally, down from the 13% in last month's Outlook Report. This overall improvement is expected in regions other than the Pacific Northwest, where hydroelectric power is expected to be below normal. As oil and gas prices remain high, coal demand in the electric power sector is expected to increase 2.3% in 2005 and another 3.2% in 2006. Coal production is expected to grow by 1.3% in 2005 and by an additional 3.9% in 2006.

The EIA has increased its forecast of U.S. electricity demand in the second quarter of 2005 to 916.3 billion kWh, up from a previous forecast of 915.6 billion kWh. One year ago, actual U.S. demand for the second quarter was 893.9 billion kWh. Forecasts for the third quarter of 2005 are currently running at 1066.8 billion kWh.

Senator Jim Jeffords (I-Vt.), ranking member of the Senate Environment and Public Works Committee, responded to the National Academy of Science Report on the Safety and Security of Commercial Spent Nuclear Fuel Storage, saying that he will "push to improve the security at nuclear power plants across out nation."

Connecticut Attorney General Richard Blumenthal, Department of Public Utility Control Chairman Donald W. Downes, and Consumer Counsel Mary J. Healey have asked a federal appeals court to overturn a Federal Energy Regulatory Commission ruling imposing more than \$300 million a year in new electricity charges on state consumers and businesses. The increased charges are to build new generations plants, yet Blumenthal and company argue that transmission improvements need to be made first, so the higher charges are just making generators more money.

Consultants for the Regional Greenhouse Gas Initiative said wholesale power prices in nine northeast states could rise by \$4/MWh if the states agree to impose a cap on power plant emissions of carbon dioxide. Cutting CO2 to 35% below 1990 levels would increase wholesale electricity prices in the nine states from \$38/MWh to \$42/MWh in 2024. State officials from New York, Massachusetts, Connecticut, New Jersey, Delaware, New

Hampshire, Maine, Vermont, and Rhode Island created RGGI in an effort to develop ways of curbing greenhouse gas emissions on a regional basis.

Two Ameren Corp. utilities in Illinois and Missouri plan to leave GridAmerica, a for-profit independent transmission company, and join the Midwest Independent Transmission System Operator directly. Ameren UE and AmerenCIPS said their continuing participation in MISO through GridAmerica would not provide them with significant added value over participating directly in the MISO as their affiliates, Central Illinois Light Co and Illinois Power Co, currently are doing.

PSE&G said today that they expect to energize a bank of three transformers at its Branchburg, New Jersey, substation by the end of June. This should allow power flow through the station to increase by 400 Mw, back to 1600 Mw. Power flow had been cut through the station back in early 2004 due to concerns of overheating of wires at the facility.

### **MARKET COMMENTARY**

The natural gas market this morning started out the day on the defensive as demand for the fuel remained limited due to weather. Prices though plunged following the release of the EIA storage report, which showed that the injection season has gotten underway as U.S. stocks increased by 10 bcf. Prices did not find support until they reached a six-week trend line, which today came in at \$7.38. But while this technical support held until mid-day, the selling pressure in the oil markets appeared to overwhelm the natural gas market and this support level was broken during lunch time, allowing prices to fall to \$7.33, last Wednesday's low. This support level held though for the remainder of the day, as prices entered into a modest 5-cent sideways trading range. Final estimated futures volume for the day was excellent with just over 100,000 contracts changing hands.

We would look for tomorrow's open interest report to show a decline in total open interest, as a result of what we feel was speculative long liquidation. We would look for this selling pressure to continue into tomorrow as well as long as oil prices set a defensive tone to start the day. We would look for initial support once again at \$7.33, \$7.10, \$7.06-\$7.048, \$6.80 and \$6.55. Resistance we see at \$7.53, \$7.55, \$7.59, \$7.65 and \$7.80.