



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR APRIL 8, 2005**

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

The Minerals Management Service, which leases offshore tracts for energy exploration, said it will hold a discussion this month on whether published natural gas price indices accurately represent the value of U.S. natural gas. Platts, Energy Intelligence Group, and other companies publish the indices. They are used by the industry to calculate billions of dollars of natural gas supply contracts. During the past two years, the CFTC has accused dozens of natural gas and electricity traders of giving fake prices to the publishers of the indices to manipulate the market. Another agency, the Federal Energy Regulatory Commission, issued voluntary guidelines to improve the transparency and accuracy of the indices. The MMS is holding the discussion to examine whether the published

#### **Generator Problems**

**ERCOT**— TXU Corp. will start up the 560 Mw Big Brown #2 coal-fired power station on April 10 after replacing a boiler feed pump element. The unit shut April 5-6.

TXU Corp. shut the 750 Mw Martin Lake #3 coal-fired power station on April 7 due to excessive turbine vibration. The company reported that it will restart the unit April 9 following repairs.

American Electric Power's 580 Mw Pirkey #1 coal-fired power station will remain shut for a planned maintenance outage on the boiler, precipitator and scrubber from April 9 – May 9.

Harrington Power Station will shutdown today for a planned maintenance outage in order to repair tube leaks in the boiler. The unit is expected to return to service April 10.

**NPCC**— Entergy's 979 Mw Indian Point #3 nuclear unit increased power to 30%. The unit was running offline at 6% yesterday after restarting from its spring refueling outage, which began March 12. Indian Point #2 continues to operate at full power.

Dominion Energy maintained a reduced production level at its 866 Mw Millstone #2 nuclear unit, operating the unit at 86% capacity. The unit was scaled back yesterday to perform valve testing.

**SERC**— Progress Energy continued to ramp output at its 900 Mw Brunswick #2 nuclear unit, running the unit at 50% capacity early today. The unit was operating at 30% power yesterday as it returns from a refueling outage. Brunswick #1 continues to operate at full power.

Southern Nuclear decreased its 883 Mw Hatch #2 nuclear unit by 10% to report the unit at 90% capacity today. Hatch #1 increased production 2% to operate at full power.

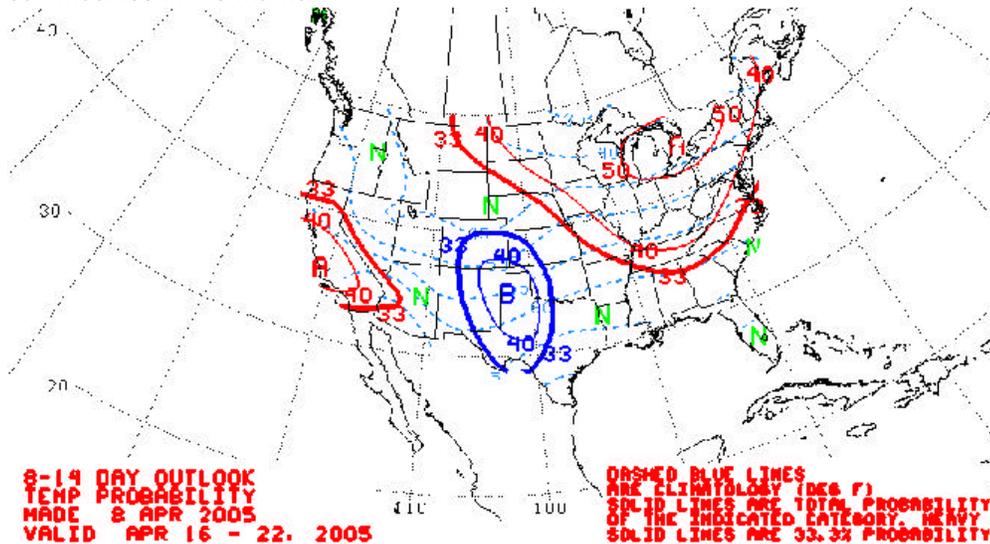
**WSCC**— Intermountain Power Agency's 820 Mw Intermountain #1 coal-fired power unit shut for unplanned reasons late yesterday. The unit was available for service early yesterday.

One of Duke Energy's 510 Mw Moss Landing natural gas-fired power units returned to service from an unplanned outage early today.

**Canada** – Bruce Power's 840 Mw Bruce B #6 nuclear unit shut on April 7 to perform maintenance on its heat transport system.

**The NRC reported that U.S. nuclear generating capacity was at 76,690 Mw today up .52% from Thursday and down 1.12% from a year ago.**

indices have sufficient liquidity, transparency, and accuracy to truly represent the value of natural gas commodities in the market.



Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. fell by 2 to 1,327 in the week ended April 8. During the same week last year there were 1,138. The number of rigs exploring for oil and gas in Canada fell 22 to 208, compared to 148 last year. The number of rigs in the U.S. Gulf of Mexico rose one to 91, while last year there were 89. There were 1,203 rigs

searching on land, 95 offshore and 29 inland. The total North American rig count fell 24 to 1,535, while last year it was 1,286. The number of rigs searching for oil in the U.S. fell one to 170, while the number of rigs searching for gas stayed at 1,157. There were 338 directional rigs in the U.S., 166 horizontal rigs and 823 rigs exploring vertically. Oklahoma lost 9 rigs to 146, while Texas gained 11 to 599.

FERC gave Transwestern Pipeline Co. the go-ahead to begin service on a project that increases the firm transportation capacity on its San Juan Basin pipeline lateral by about 375 MMcf/d to accommodate new natural gas production from the San Juan Basin in New Mexico and other producing areas in the northern Rockies.

Energy and Environmental Analysis said in its April Monthly Gas Update, that gas prices are expected to average \$6.84/MMBtu this year and \$7.08 this summer given normal weather. The Arlington, VA-based consulting firm raised its 2005 gas price forecasts by 15% this month in part because of the crude oil price spike, the cold weather in March and the impact those two factors had on natural gas.

TransCanada Corp. has come out fighting for support for its historical rights to build the Canadian leg in the Alaska gas project, saying Alberta will lose C\$10 billion (US\$8 billion) in excess tolls and petrochemical industry growth if the government in Ottawa refuses to honor its claims.

### **PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company of America said that deliveries to Columbia Gulf-Chalkley are at capacity. NGPL is at capacity for gas going eastbound through the end of Segment 17. 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.

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. Additionally, long TABS-1 pools in STX have been force balanced.

### **PIPELINE MAINTENANCE**

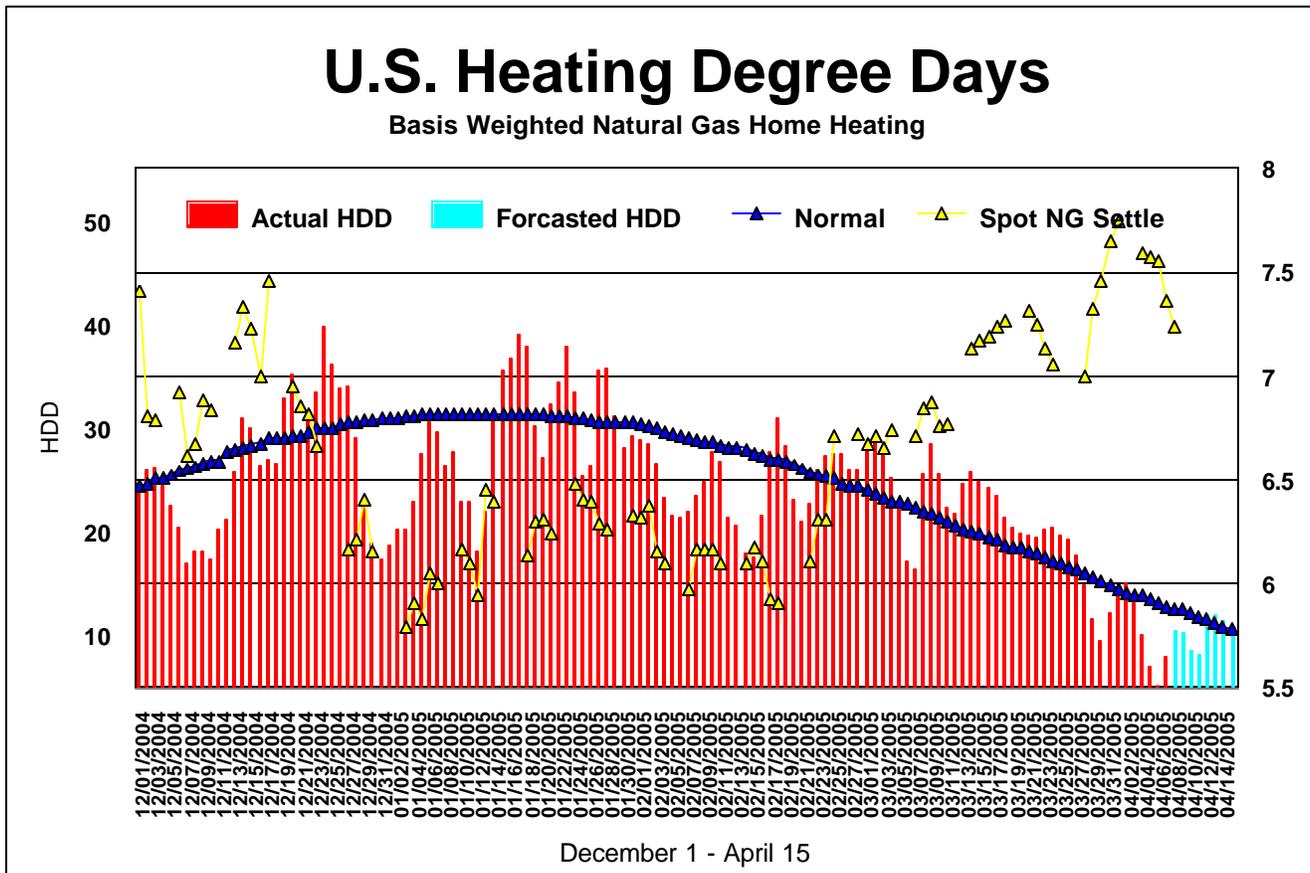
Gulf South Pipeline said it will be performing scheduled maintenance on Unit #3 at the Longview, Texas Compressor Station #2 beginning Monday, April 25, and continuing for five days. Capacity through the Longview #2 Compressor Station could be affected as much as 30 MMcf/d during this maintenance period.

Tennessee Gas Pipeline said it has been informed by the Bluewater Plang operator, ExxonMobil, that the plant may not be able to operate due to very low inlet volumes during the Vermilion 245 maintenance work. The maintenance is scheduled to start on April 8 and continue for 7-10 days. During this period, the processing

parties at certain Tennessee Gas meters on the Southwest and West legs of the Bluewater system should monitor and adjust their PTR nominations according to the plant operations.

Trunkline Gas Company 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 May 13 and continuing through May 15. 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. These scheduled projects are part of an ongoing integrity program conducted by Trunkline.

Questar Pipeline Company said it will be doing line work April 12 through April 18 that will reduce take away at Payson Gate station. As a result, Questar Pipeline will need to reduce the capacity on its southern system using the ML 80 scheduling point. The capacity on ML 80 will be reduced from 280 MMcf/d to 250 MMcf/d for April 12 through April 18. Based on current nominations, this represents a 21% reduction to flexed nominations.



Williston Basin Interstate Pipeline Company said that Baker Area Mainline maintenance has been extended through 7:00 PM MT on April 15. Due to maintenance at Baker East, the capacity at current conditions for Point ID 04028 Baker Area Mainline will be affected by approximately 5 MMcf/d April 11 through April 13, and approximately 2 MMcf/d for April 14.

**ELECTRICITY MARKET NEWS**

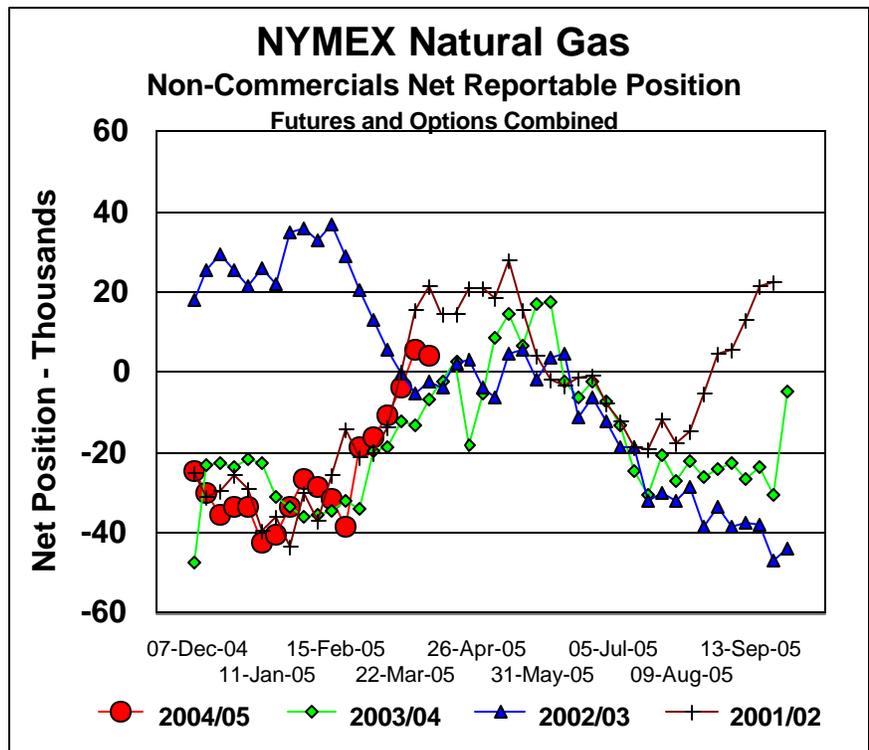
Some U.S. electric companies are looking into integrated gasification combined-cycle technology as a way to address environmental concerns, according to a report by Standard & Poor’s. Burning coal releases lots of toxic emissions that require scrubbers or selective catalytic reducers, but these methods don’t contribute a whole lot of help, and they consume energy and add cost to the whole system. Converting coal into gas shines because the unwanted compounds can be swept away before electricity is generated. This method is more efficient, less costly, and more capable of eliminating more undesirable elements rather than removing it at the back end of the process.

The Connecticut Siting Council has approved the 69-mile, 345 kV Middletown to Norwalk transmission project proposed by The Connecticut Light & Power Company and The United Illuminating Company. The project, which will improve reliability and reduce federally mandated congestion charges, will stretch from Middletown to Norwalk, with 24 miles of under street construction between Milford and Middletown. The project is expected to be completed by late 2009 at a cost of nearly \$1 billion.

The U.S. Nuclear Regulatory Commission issued a draft Safety Evaluation Report for an Early Site Permit for New Orleans-based energy company Entergy Corp.'s Grand Gulf site in Mississippi. The early site permit process allows an applicant to address site-related issues, such as environmental impacts, for possible future construction and operation of a nuclear power plant at the site. The NRC staff expects to finalize the safety evaluation late this year. If approved, the permit would give the company up to 20 years to decide whether to build one or more nuclear plants on the site and to file an application with the NRC for approval to begin construction.

The U.S. Northwest River Forecast Center shaved a percentage point off its already below normal outlook for water runoff during the 2004-2005 season. The Portland, Oregon-based agency forecast flows through The Dalles dam would average 69% of normal from January through July, down from a previous projection of 70%.

Florida Power and Light Co. expects two big power plants in Florida to enter service this summer to help meet the utility's skyrocketing demand for energy. With 100,000 new customers demanding electricity each year, the company has to add about 600 Mw a year to keep up with demand. The Manatee addition is a \$600 million natural gas-fired 1,100 Mw combined cycle plant. The Martin station is turning two existing 149 Mw simple cycle natural gas-fired turbines into a 1,100 Mw combined cycle plant at a cost of about \$500 million.



**ECONOMIC NEWS**

A Bloomberg News survey of economists found that rising energy prices and higher interest rates will take a larger bite out of consumer spending and cause the U.S. economy to slow later this year. The economy is projected to expand at an average 3.5% annual pace from July through December after growing an estimated 3.9% in the first six months. This projection is down from last month when economist felt the second half of 2005 would grow at almost 3.7%.

**MARKET COMMENTARY**

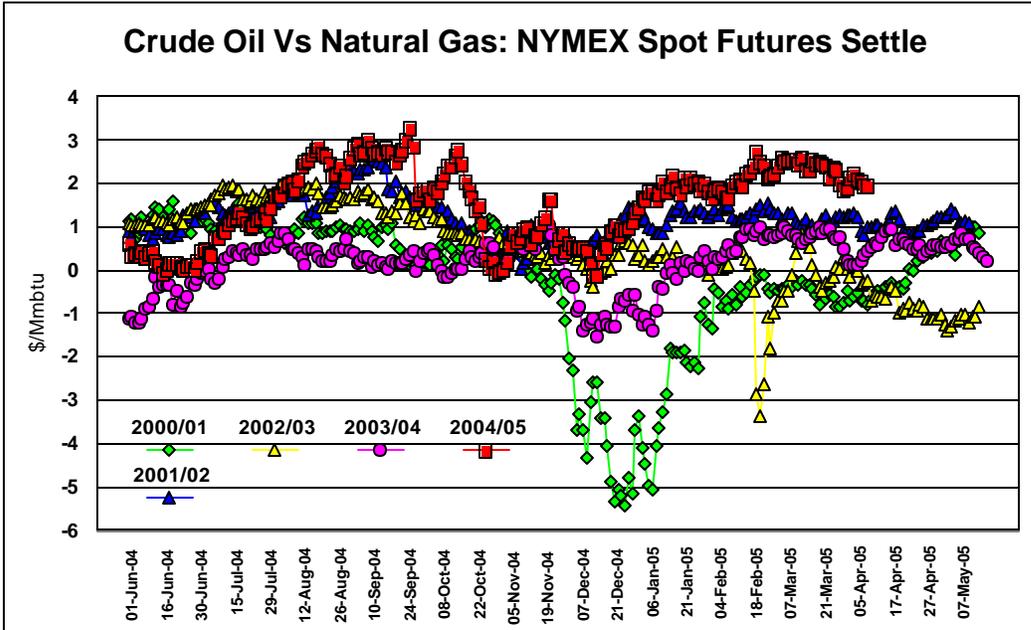
The natural gas market remained on the defensive again today as spot demand for natural gas remained limited by moderate temperatures, along with oil prices remaining firmly

entrenched in its week long bear trend. While the market was mired in a sideways trading pattern through the first half of the day, prices began to erode at lunchtime and remained on the defensive through the close. This afternoon's sell off was noteworthy, given the fact that 65% of the day's volume was booked during this sell off, at a time that is normally one sees diminishing activity, a Friday afternoon.

We continue to feel that as long as the oil markets remain on the defensive, natural gas prices will continue to erode and can once again move below \$7.00, as weather demand continues to look to be limited for the

foreseeable future. We see initial support \$7.20 followed by \$7.10-\$7.07, \$7.048, \$6.80-\$6.78. Resistance we see at \$7.36 followed by \$7.45, \$7.525 and \$7.60. More distant resistance we see at \$7.70 and \$7.85.

Tonight's Commitment of Traders Report showed a mixed snapshot of the market through Tuesday, April 5<sup>th</sup>. Basis the futures only report the non-commercials continued to increase the length in the market, pushing their net long position higher by another 2220 contracts. But when examining the combined futures and options report, this sector actually reduced their net long position by 1677 contracts to 4128 contracts. It appears the smallest traders, or non-reportable traders, were the most bullish during the period adding to their net length by 2200-3076 contracts. Commercials basically were the principal sellers during this period.



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