



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR APRIL 13, 2005**

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

Australia's Resources Minister Ian Macfarlane stressed how imperative it is for Australia's proposed LNG projects to move quickly to take advantage of burgeoning demand in the Asia Pacific Rim. A group of proposed LNG projects are currently at differing stages of development in Australia, led by ConocoPhillips' Bayu-Undan project, which is under construction. The next project to begin is ChevronTexaco's Gorgon project, with plans by Woodside Petroleum to develop its Browse basin resources and BHP Billiton's proposed Scarborough project is also being pursued. Macfarlane noted the importance of commercializing those fields, as the window of opportunity is now.

Trunkline Gas Co. announced plans to expand its system to allow greater access to Texas gas storage fields, pipelines and LNG import terminals. The North Texas Expansion will involve the construction of about 40 miles of 30-inch diameter pipeline along an existing right of way from the Kountze, TX, compressor station to the Longville, LA, compressor station. The expansion is expected to be in service in 2007.

The House Resources Committee voted down the Democratic alternative to the Republican proposed energy bill oil and gas incentives by a 27 to 11 vote, and then was proceeding through the day to dispose of section by section challenges. It was the second major defeat for Democrats in the committee stage of the legislative process. Late Tuesday the House Energy and Commerce Committee defeated a Democratic amendment that would have stripped a section of the energy bill that

#### **Generator Problems**

**ERCOT**— TXU's 750 Mw Monticello #3 coal-fired power unit shut on April 12-13 to repair a boiler tube leak.

Martin Lake unit #3 will shut today for scheduled maintenance outage, and is expected to return to service by early tomorrow.

**MAAC**— PPL Corp.'s 1,140 Mw Susquehanna #2 nuclear unit started to exit an outage and ramped up to 2% of capacity by early today. The unit shut on April 10 due to a failed battery charger. Susquehanna #1 continues to operate at full power.

PSEG continued to ramp output at its 1,049 Mw Hope Creek nuclear unit, operating the unit at full capacity as of early this morning. The unit was operating at 88% capacity yesterday.

**NPCC**— Constellation Energy Group's 497 Mw Ginna nuclear power station ramped up to 80% of capacity by early today. Yesterday, the unit was operating at 51% of capacity after exiting a refueling outage for which it shut on March 20.

**SERC**— Entergy Corp.'s 1,000 Mw Arkansas #2 nuclear unit exited a refueling outage and ramped up to 65% of capacity by early today. Yesterday, the unit was operating at 29% of capacity after exiting a refueling outage earlier in the week. Arkansas #1 continues to operate at full power.

Progress Energy's 811 Mw Brunswick #2 nuclear unit exited an outage and ramped up to 43% of capacity by early today. Yesterday, the unit was operating at 8% of capacity after starting to exit the outage. Brunswick #1 continues to operate at full power.

Southern Nuclear Operating Co. continued ramping production levels at its 1,215 Mw Vogtle #1 unit, increasing output to full capacity early today. The unit was operating at 92% capacity yesterday. Vogtle #2 continues to run at full power.

Tennessee Valley Authority continues warming up its 1,125 Mw Sequoyah #1 nuclear unit, holding the unit at 9% power. The unit was operating at 1% power after restarting yesterday. Sequoyah #2 continues to operate at full power.

allows FERC, and not the states, to have the final say on LNG projects.

FERC gave Cheniere Energy approval to build a new LNG terminal on the US Gulf Coast near Corpus Christi. The terminal will have an initial processing capacity of 2.6 Bcf/d. Construction is scheduled to begin in the third quarter of 2005.

### PIPELINE RESTRICTIONS

Texas Eastern Transmission Corp. said it has scheduled nominations to capacity at West Monroe. Physical increases from the following locations will not be accepted: 71000-Gulf South West Monroe; 72568-Reliant Energy West Monroe, and 72614-Duke Energy Field Services-Ouachita Parish, La. In addition, Tetco has been scheduled to capacity in the following zones: STX, ETX, M1-24, and M2-24. Physical increases between Blessing and Batesville will not be accepted.

Kern River Pipeline, said that all line pack levels have returned to normal.

Westcoast Energy said that the level of liquid product held at the outlet of McMahon plant had reached extremely high levels. If a remedy to this issue is not obtained, Westcoast said the plant could be forced to curtail gas throughput in an effort to control additions to the liquid inventories.

### PIPELINE MAINTENANCE

El Paso Natural Gas Company said maintenance scheduled for Laguna 1 compressor this week was preempted by unscheduled work on Roswell 3 compressor, with the same reduction in San Juan Crossover capacity. The Roswell 3 repairs are complete. The capacity of the San Juan Crossover will be increased by 20 MMcf/d effective Cycle 2, today. In other news, the Bondad Station outage today is now expected

to be partially completed in time to begin flowing gas through the station by late afternoon. Therefore, EPNG will allow up to 200 MMcf/d to be scheduled through Bondad Station effective Cycle 3.

### ELECTRICITY MARKET NEWS

The Edison Electric Institute reported that electricity production in the continental US for the week ended April 9 rose 2.2% to 65,819 GWh from the same week in 2004. The Pacific Southwest showed the largest year-on-year percentage increase in output, up 10.5% at 5,045 GWh. New England showed the biggest year-on-year

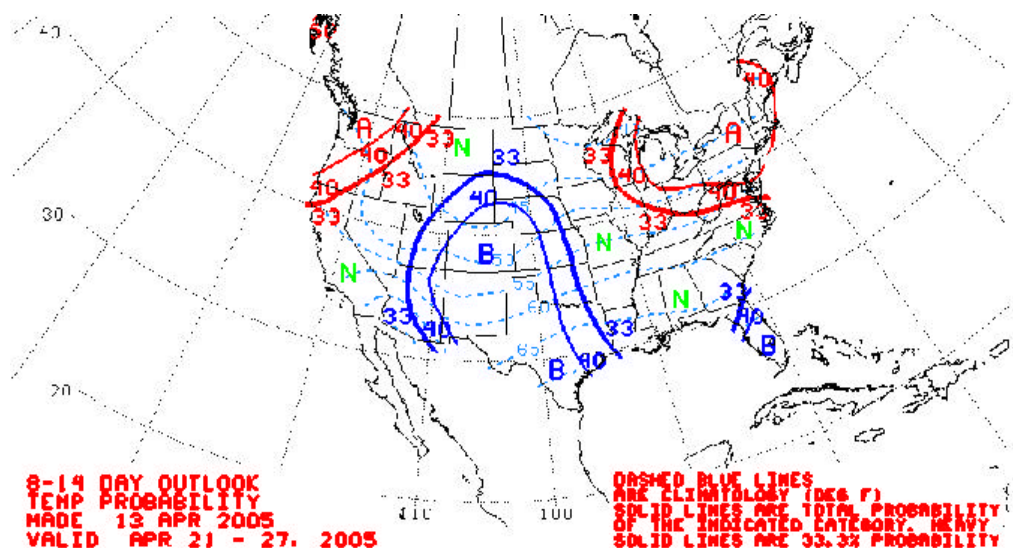
### Generator Problems

**WSCC**— Constellation Energy Group's 780 Mw High Desert natural gas-fired power station returned to service by late yesterday. The unit shut for unplanned reasons early yesterday.

Mirant Corp.'s 682 Mw Pittsburg #7 natural gas-fired power unit returned to service by early today. The unit shut April 11 for planned reasons.

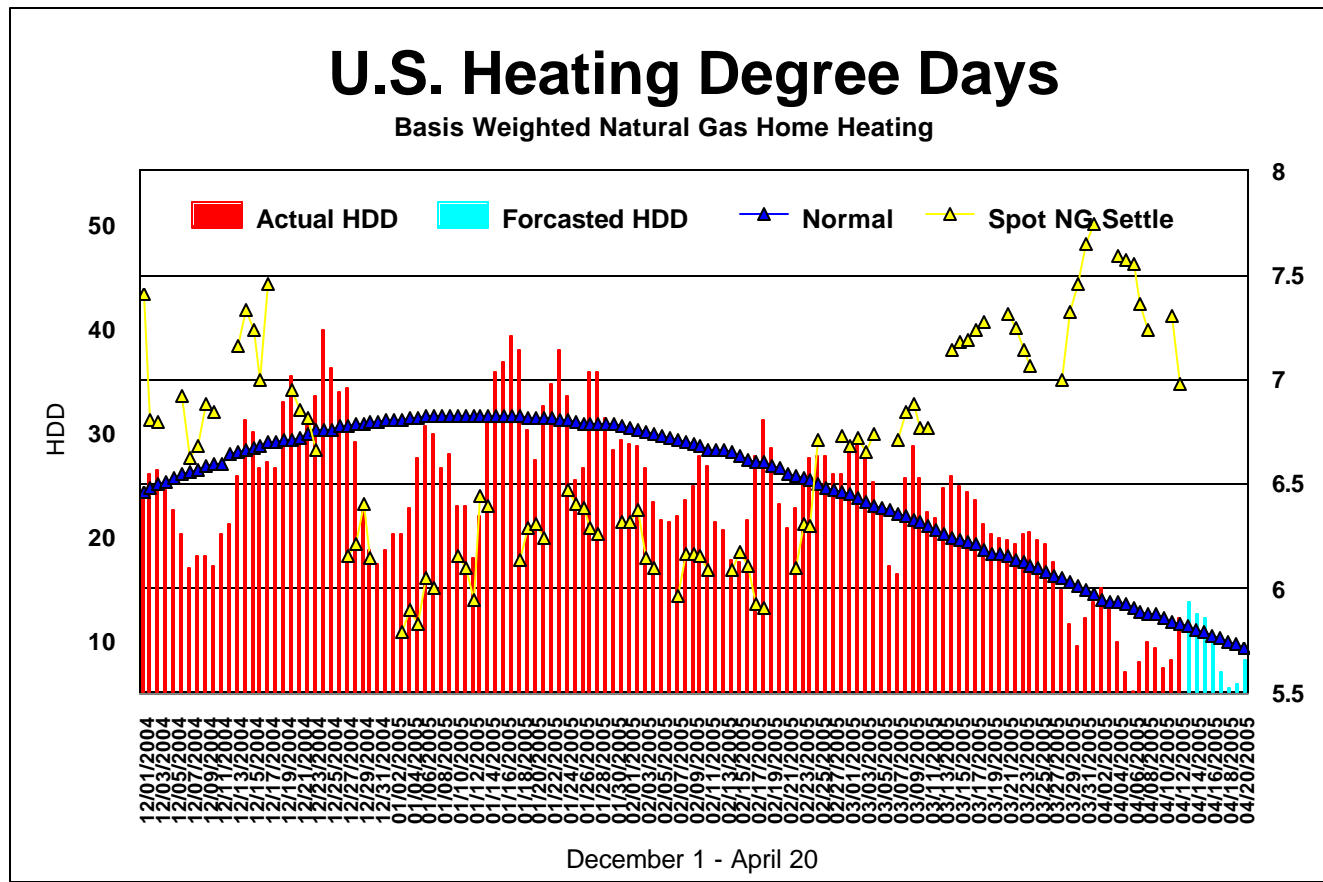
Energy Northwest ramped output back to full power at its 1,200 Mw Columbia Generating nuclear station. The unit was operating at 90% for the first half of the week to repair the main generator's voltage control system.

**The NRC reported that U.S. nuclear generating capacity was at 75,334 Mw today up 1.76% from Tuesday and down 6.38% from a year ago.**



percentage decrease in output, falling 2.2% to 2,291 GWh. For the first 15 weeks of the year, production totaled 1,095,065 GWh, up 1.6% from the same period last year. For the 52 weeks ended April 9, production rose 2.0% to 3,866,730 GWh from the corresponding period in 2004.

Several New England state agencies and utilities are asking FERC to throw out capacity requirements proposed by ISO New England, saying it is the job of the states to determine resource adequacy. At issue is an installed capacity proposal to the ISO recently submitted to FERC indicating how much generation the region needs. The figure is particularly significant this year because it will help determine capacity pricing under a new method Locational Installed Capacity (LICAP). Scheduled to begin Jan. 1, LICAP will set capacity prices higher in areas where there is greater need in an effort to induce developers to build generation. Consumer interests in Connecticut, including the state attorney general, oppose LICAP, saying it will cost ratepayers in the state \$1 billion over three years. In a recent filing to FERC, the protesters disagreed with the methods the ISO used to calculate how much generation the region needs. They also argued that it is up to the states to determine resource adequacy, and that the ISO's role is limited to that of technical advisor.



FERC approved a settlement with Mirant Corp. valued at nearly \$500 million over allegations that the bankrupt energy company manipulated prices during California's 2000-2001 energy crisis. The agreement requires Mirant to sign over to California parties – including its attorney general, state energy boards and the state's three investor-owned utilities – about \$283 million that Mirant is owed in unpaid power bills from the crises, plus about \$37 million for sales to the state's now-defunct Power Exchange. Mirant will also support California parties' unsecured claim of \$175 million in bankruptcy proceedings, which will be overseen by a judge.

Consolidated Edison of New York pushed back by about 10 days the date it expects to complete maintenance work on a big power transmission line between Westchester County and New York City. Con Edison started the planned upgrade of the M52 power line on Feb. 6 and previously said it expected to complete the work on April 19. Now the company said it expects to complete the work on April 30. The M52 is a 345 kV cable between the

Sprain Brook station, about 15 miles north of Manhattan, and the West 49<sup>th</sup> Street station in Manhattan capable of moving about 1,400 Mw of electricity, enough for 1.4 million homes, into the city.

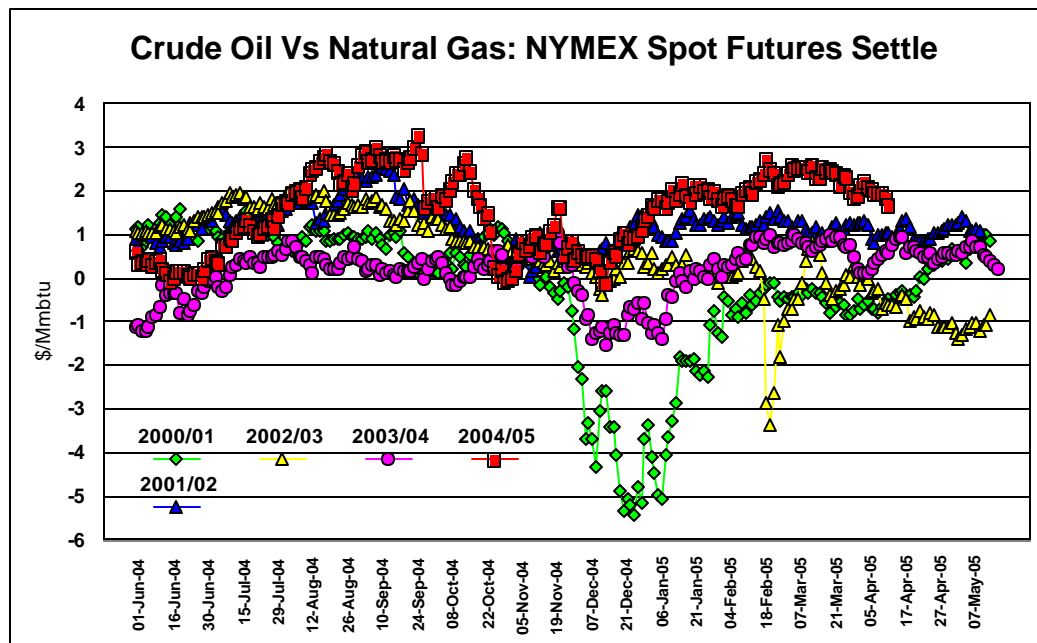
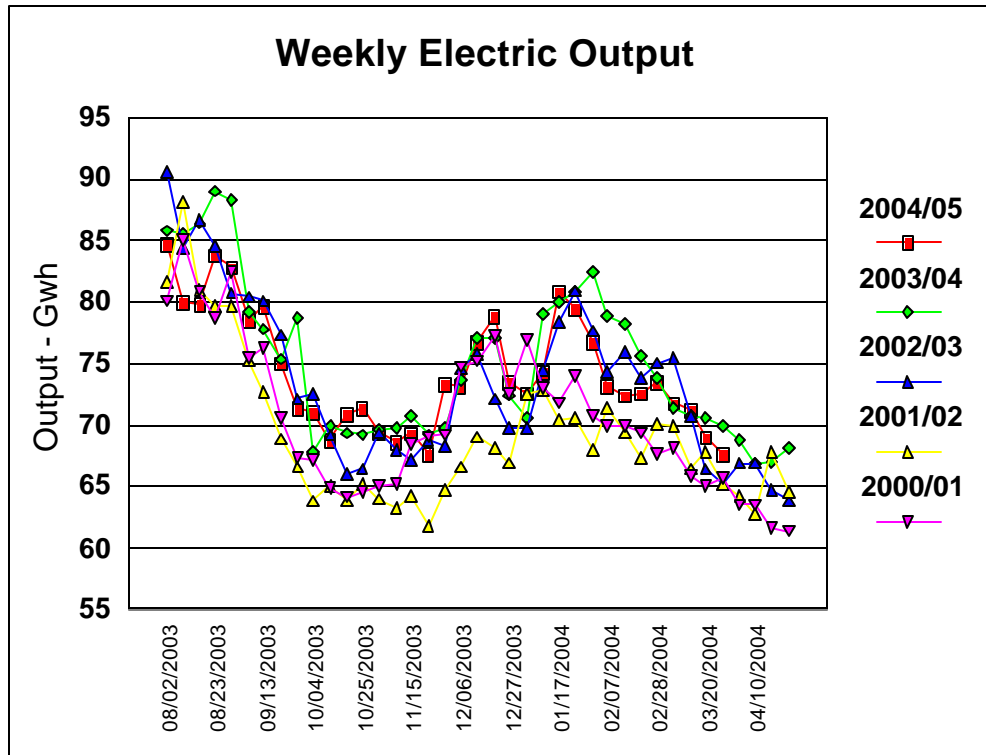
**ECONOMIC NEWS**

U.S. Retail Sales rose a smaller than forecasted 0.3% in March, suggesting that higher gasoline prices are taking a bigger bite out of customers' incomes and their willingness to spend on other goods. The street was looking for an increase in sales to come in around 0.8%. Retail Sales less autos rose 0.1%, the smallest gain since April of last year.

Also subtracting receipts at service stations, purchases dropped 0.1%. This decline in sales excluding autos and gasoline was the first since April 2004. The specter of even higher fuel costs in months to come raises concern incomes will fail to keep pace, threatening to slow consumer purchases and economic growth.

**MARKET COMMENTARY**

The natural gas market opened slightly weaker this morning in sympathy with a general bearish malaise that seemed to be overhanging the oil markets. But while the oil markets moved even lower following the release of bearish oil inventory reports, the natural gas market appeared to once again decouple itself from the prevailing oil market trend and fought its way back into positive territory by midday.



But as the crude oil market broke down to new lows in the afternoon, the natural gas market was once again dragged lower and in the final 30 minutes of trading barely breached the \$7.00 barrier. The market did end up settling near the lows at \$6.978, its lowest settlement since March 11<sup>th</sup>. While crude oil futures posted over 350,000 contracts traded today, natural gas activity was relatively modest with just 61,000 lots changing

hands, as many traders awaited for tomorrow's EIA storage report before committing to new positions.

We continue to feel that if tomorrow's storage report comes in between a 40-50 bcf build in stocks, that the bearish pressure will grow on this market and in our minds help push this market significantly below the \$7.00 area. We see initial support tomorrow at \$6.97 followed by \$6.93, \$6.80 and \$6.55. Resistance we see at \$7.14, \$7.325, \$7.38-\$7.39, \$7.465, \$7.56 and \$7.60