



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR NOVEMBER 17, 2005**

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

ExxonMobil plans to bring to the US all the LNG that would be produced by train 6 of Qatar's RL 3 venture, but supplies from train 7 would likely go to a combination of destinations in the US, Asia and Europe. Each train is expected to produce annually 7.8 million metric tons of LNG, which would be equivalent to 1 Bcf/d. Train 6 is scheduled to start operating in the second half of 2008 and train 7 is expected to start operating one year later. ExxonMobil and state-owned Qatar Petroleum announced the launching of their Ras Laffan LNG III, or RL 3, joint venture, which plans to invest \$14 billion to build the two large trains. Qatar Petroleum owns 70% of the venture and ExxonMobil owns 30%.

Private weather forecaster, AccuWeather, predicted in a revised winter outlook that the winter will bring an unusually large amount of cold and snow to the U.S. East Coast despite a mild start to the heating season. The East Coast, including the Northeast where 80% of the nation's heating oil is consumed, will have temperatures that average about 2 degrees Fahrenheit colder than normal. The Northeast will also see about 150% of the normal snowfall in a pattern that would mirror the frosty winter of 1995-1996. Mild weather in the Northeast for most of November has kept heating oil and natural gas demand well below normal so far, giving energy markets a much-needed break and pulling prices down from peaks reached after hurricanes shuttered refineries. In the Midcontinent, where most households use natural gas as a heating fuel, temperatures are expected to average near normal this winter, with cooler temperatures in the East and warmer temperatures in the West. Snowfall in the Central U.S. is likely to average below normal, and the West Coast of the U.S. is expected to be warmer and wetter than normal, according to the forecast. Meanwhile the National Weather Service released its latest monthly and seasonal

#### **EIA Weekly Report**

|                         | 11/11/2005 | 11/04/2005 | Net chg | Last Year |
|-------------------------|------------|------------|---------|-----------|
| <b>Producing Region</b> | 893        | 872        | 21      | 922       |
| <b>Consuming East</b>   | 1946       | 1918       | 28      | 1875      |
| <b>Consuming West</b>   | 443        | 439        | 4       | 417       |
| <b>Total US</b>         | 3282       | 3229       | 53      | 3214      |

\*storage figures in Bcf

#### **Generator Problems**

**ERCOT**— Texas Municipal Power Agency will shut its 462 Mw Gibbon Creek coal-fired power station on November 19-20 for a boiler inspection and other maintenance.

**MAAC**— PPL Corp.'s 1,140 Mw Susquehanna #1 nuclear unit ramped up to 83% of capacity by early today. Yesterday, the unit was operating at 50% of capacity after exiting an outage earlier in the week. Susquehanna #2 continues to operate at full power.

**SERC**— Southern Co.'s 856 Mw Hatch #1 nuclear unit ramped up to 77% of capacity by early today. Yesterday, the unit was operating at 51% after exiting an outage earlier in the week. Hatch #2 continues to operate at full power.

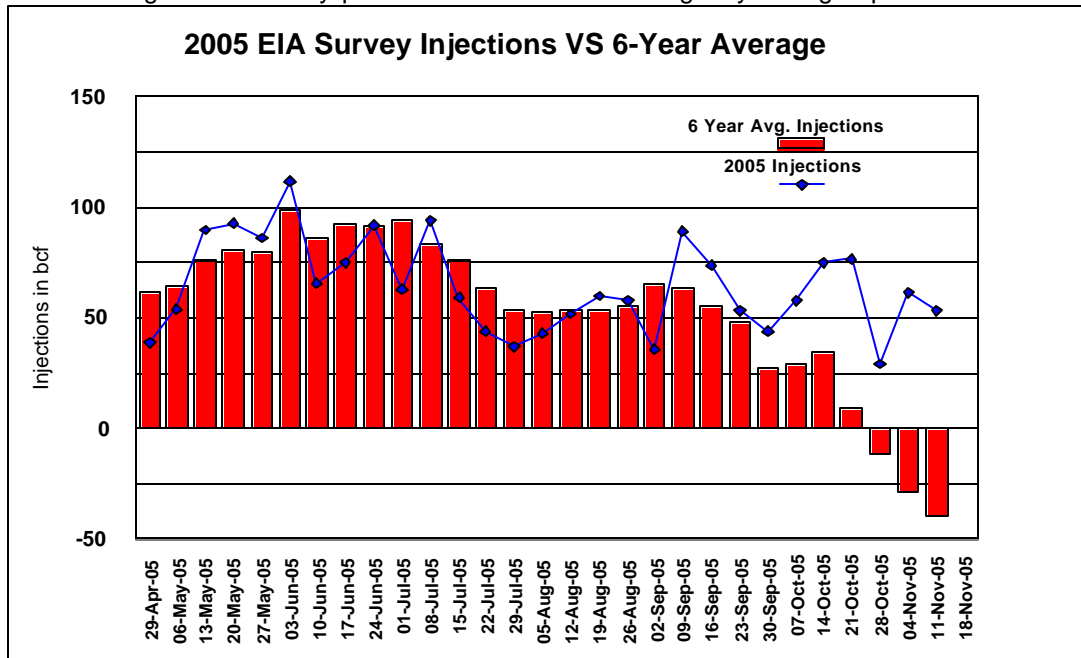
**Canada**— Ontario Power Generation's 490 Mw Nanticoke #7 coal-fired power unit returned to service this morning. The unit shut yesterday afternoon.

**The NRC reported that U.S. nuclear generating capacity was at 85,867 Mw up .70% from Wednesday and up 7.42% from a year ago.**

temperature outlooks and it looks for temperatures across much of the nation to be near normal with the southwestern U.S. seeing warmer than normal readings. The January-March period is expected to see warmer than normal temperatures for much of the western two thirds of the nation, with the eastern U.S seeing near normal temperatures.

The FERC said that U.S. natural gas price spikes are likely this winter because of disrupted gas production in the Gulf of Mexico from the recent hurricanes. In its winter forecast, the FERC said U.S. imports of LNG will increase this winter, but not enough to cover any production shortfalls. The agency said gas production in the Gulf of Mexico may not recover from the hurricanes' disruption until next spring.

Utility operator Xcel Energy said it is proposing a 13% decrease in natural gas prices for Colorado customers in December, though it said customers' bills will still rise because of increased seasonal usage. Xcel said typical residential customers would see their bills rise 20%, with a 14% rise for small-businesses.



The Minerals Management Service reported that shut-in natural gas production in the Gulf of Mexico is 3.65 Bcf/d. That is equivalent to 36.5% of the daily natural gas production in the Gulf of Mexico, and a .06Bcf/d improvement from yesterday.

Due to the Thanksgiving holiday next week, the EIA natural gas supply report for the week of November 21 will be released Wednesday, November 23 at 12:00 PM ET.

**PIPELINE RESTRICTIONS**

Algonquin Gas Transmission said it will have a limited ability to absorb due pipe makeup gas into the system. All makeup volumes are required to be scheduled through the appropriate operations account manager.

East Tennessee Natural Gas said that nominations delivering downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke have been restricted to capacity. No increases will be accepted in this section.

El Paso Natural Gas Company said that Amarillo Station is unavailable pending resolution of controls problems. Under current operating conditions the impact to capacity through Amarillo is about 105 MMcf/d from a base capacity of 345 MMcf/d. This further reduction of capacity will be effective Cycle 1, November 17 and continue until further notice.

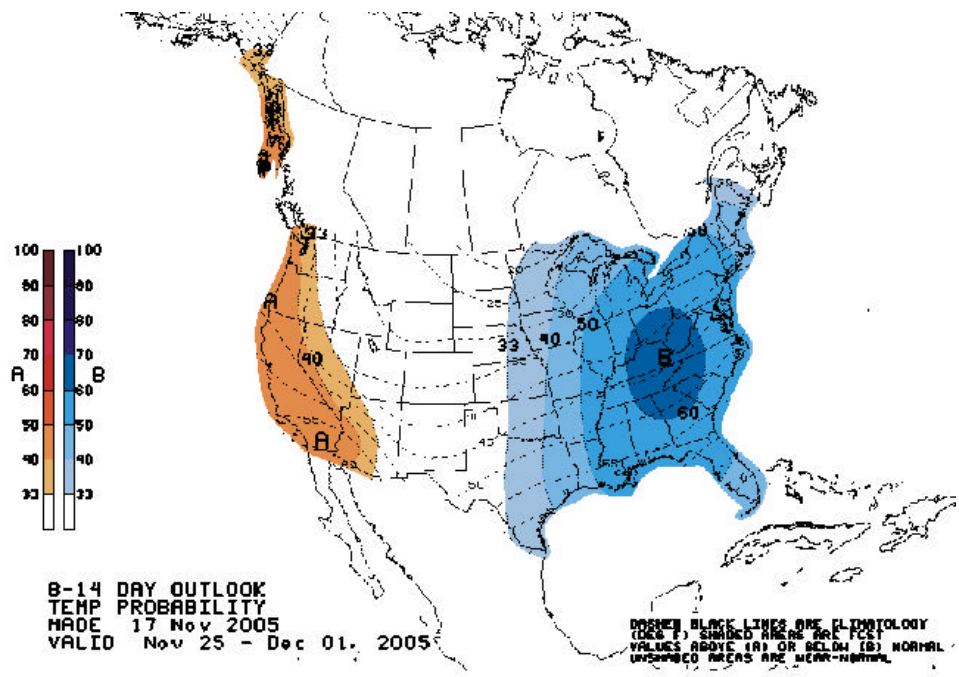
Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions on Sarepta to Sterlington 18-inch Index 250; Lake Charles Receipts Capacity Allocation Area 6; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18-inch Index 1; Hall Summit; Koran Station; West 30 North; Barron (To Columbia Gulf); Bayou Sale to Napoleonville; Montpelier to Kosciusko, and Kiln to Mobile.

| Canadian Gas Association   |           |           |           |
|----------------------------|-----------|-----------|-----------|
| Weekly Storage Report      |           |           |           |
|                            | 11-Nov-05 | 04-Nov-05 | 12-Nov-04 |
| <b>East</b>                | 247.6     | 245.0     | 246.8     |
| <b>West</b>                | 252.1     | 255.1     | 224.7     |
| <b>Total</b>               | 499.8     | 500.1     | 471.5     |
| storage figures are in Bcf |           |           |           |

KM Interstate Gas Transmission said that due to operational conditions, it will not accept delivery nominations at CIG Weld to the extent that the point becomes a net delivered volume to CIG. KMITG will accept delivered nominations to the extent that it can displace confirmed receipt volumes.

Texas Eastern Transmission said that Zones STX and ETX have been sealed to capacity. No increases in receipts between Vidor and Little Rock for delivery outside that area will be accepted. Long TABS-1 pools in ETX have been forced-balanced. Tetco has scheduled the M1 24-inch system to capacity. No increases in receipts between Little Rock and Fagus for delivery outside that area will be accepted.

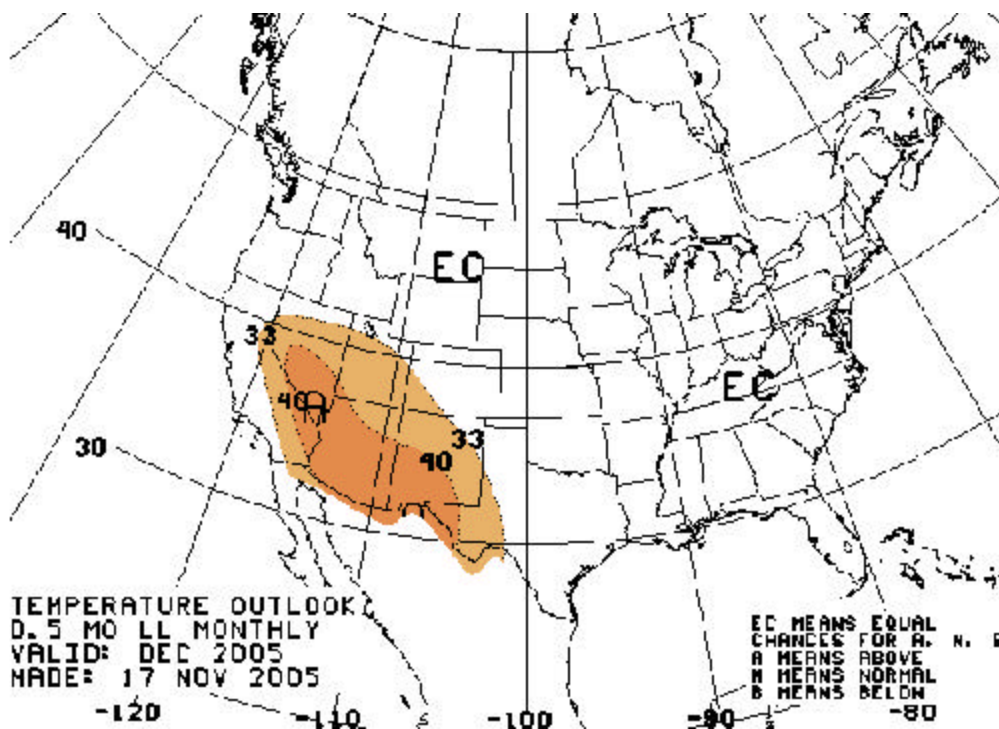
TransColorado Gas Transmission said that a gas quality problem has been reported at the receipt from Questar Greasewood in Rio Blanco County, Colorado. Effective today and continuing until further notice TransColorado will not schedule transports at this point.



**PIPELINE MAINTENANCE**

Gulf South Pipeline said that it will be performing scheduled maintenance on all of the Goodrich Compressor Station Units beginning November 29, at 7:00 AM and continuing for approximately one week. Capacity through the Goodrich Compressor Station will be affected by as much as 125 MMcf/d.

Northern Natural Gas Company has declared a Force Majeure on the Willmar, Minnesota branchline due to the need to reduce operating pressure to make emergency repairs. The anticipated return to normal pressure is November 23. Based upon historical and anticipated flows during this time period, Northern expects to be able to deliver required volumes to customers, however the

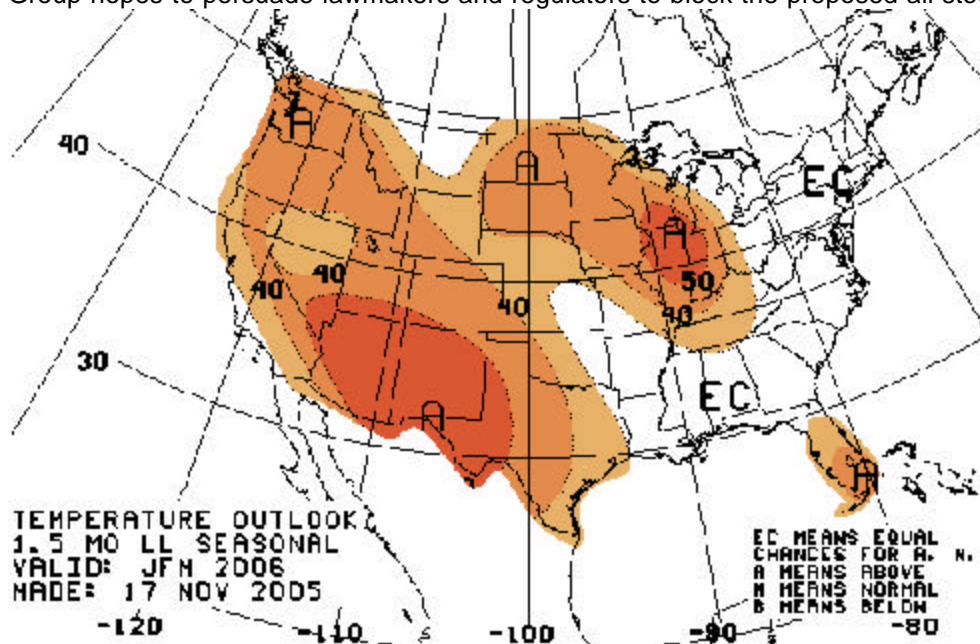


deliverability is restricted to 85% of total firm entitlement.

### **ELECTRIC MARKET NEWS**

The EIA reported that U.S. coal production for the week ended November 12 totaled 21.163 million short tons, down 1.08% from the prior week's production.

Exelon Corp.'s proposed takeover of Public Service Enterprise Group could allow the merged utility companies to raise electricity rates, according to a New Jersey consumer group. The New Jersey Public Interest Research Group hopes to persuade lawmakers and regulators to block the proposed all-stock acquisition. The \$16 billion deal has already been approved by the companies' shareholders and by the FERC, but the companies are waiting for a green light from the U.S. Justice Department, the SEC and the New Jersey Board of Public Utilities. Combined, the utilities would have more than 7 million electricity customers and more than 2 million natural gas customers and would be the nation's largest electric utility company.



PSEG Power expects to finish the 1,220 Mw natural gas-fired power plant in Linden, New Jersey, in the

second quarter of 2006. The combined cycle project would cost the company an estimated \$1 billion. When the new unit enters service, it would retire two of the station's existing oil-fired units built in the 1950's.

The New Jersey Board of Public Utilities is considering modifications to the state's existing Renewable Portfolio Standards. The proposed amendments would increase the state's RPS percentage of Class 1 (solar, wind, sustainable biomass) to 20% by the year 2020 from the current requirement of 4% by 2008. The proposal also would require that 2% of this amount come from solar electric systems.

The Kentucky State Board on Electric Generation and Transmission Siting approved an application to construct a generating plant near Bedford in Trimble County. The 750 Mw coal-fired facility will be built by the Louisville Gas & Electric Co. and the Kentucky Utilities Co. at LG&E's existing Trimble County Station.

### **ECONOMIC NEWS**

The FED reported that U.S. Industrial Production rose 0.9% in October, the most since May 2004, as manufacturers recovered from the Gulf Coast hurricanes and a strike ended at Boeing Co. The rise in output at factories, mines and utilities followed a 1.5% decline in September.

### **MARKET COMMENTARY**

The natural gas market opened unchanged in anticipation of today's EIA storage report release. The market sold off before the release to \$12.13, as expectations for the report were calling for a build of 51 Bcf, an extremely bearish injection given the time of year. The report showed an actual build of 53 Bcf, and the market's initial reaction was that support would hold at the key \$12.06 level and the market moved back up to the highs of the day at \$12.40. The market could not muster any more buying momentum to break to higher levels given the bearish supply report, the sagging petroleum complex, and the distant weather forecasts predicting normal to



above normal conditions. Natural gas succumbed to the pressures of oil market and broke down below the \$12.06 level just before the close and traded to a low of \$11.90 before settling down 38.7 cents at \$11.942.

This market is caught between fears about adequate winter supplies, noting Gulf Coast shut-in production that won't be back online till after the heating season, and the fact that total domestic gas inventories is 3.282 Tcf. The market showed how it reacts to cold snaps yesterday, and the volatility today illustrates this market's uncertainty. With the holiday next week, and mild temperatures persisting in the western half of the country, demand is going to slow. We see support initially at \$11.87, followed by \$11.50, \$11.10 and \$10.88. We see resistance at \$12.40, \$12.47, \$12.88 and \$13.00.

Upon closer scrutiny, this morning's EIA storage number appears to be an "unofficial" adjustment to last week's storage report. Last week's report caught everyone by surprise as it showed a 61 bcf build when nationwide heating degree totals reached an estimated 84.7 HDD for the same period, while for this current reporting period only 66 HDD were recorded but yet the market saw just a 53 bcf, despite some 6bcf of shut in production returning on the week. As a result we would look for next week's storage report to return to a closer correlation to HDD totals which we currently estimate will come in just over 107 HDD. This we feel will yield a storage injection of 25-33 bcf as another 4bcf of additional production came back on line during the period. It is interesting to note that last year for the same time period the relationship between heating degree days and storage changes

reflected a 99% correlation, while this year a mere 70% correlation.

