



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR DECEMBER 12, 2005**

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

ConocoPhillips is in talks with Burlington Resources to purchase the domestic natural gas producer for \$30 billion. The takeover would increase ConocoPhillips' U.S. and Canadian natural-gas reserves at a time of record prices. With Burlington, ConocoPhillips would be the second largest U.S. gas producer, behind BP. The company is sixth today. Most of Burlington's reserves are onshore, stretching from Texas to Northern Canada.

The rumor that ConocoPhillips has its eye on Burlington Resources shows that the acceleration of merger and acquisition activity this year is likely to continue, according to analysts at Raymond James & Associates. High commodity prices and low reserve valuations in the equity markets continue to drive interest in purchasing domestic exploration and production assets and companies.

U.S. natural gas heating demand will be about 1.1% above normal during the week ending December 17, according to the Climate Prediction Center. For the week ending December 10<sup>th</sup> the CPC estimated the nation saw some 243 HDD some 32.1% higher than normal and over 58.8% greater than the same week a year ago.

The Minerals Management Service reported that Gulf of Mexico natural gas production has 2.312 Bcf/d still shut-in. That is equivalent to 23.12% of the daily gas production in the Gulf.

#### **PIPELINE RESTRICTIONS**

El Paso Natural Gas Company said that operating conditions on its system have improved to the point that the Strained Operating Condition that was declared on December 9, was lifted, effective yesterday. Actions by shippers that balanced their supply and demand, along with maximal withdrawal

#### **Generator Problems**

**ERCOT**— TXU Corp. shut the 570 Mw Big Brown #1 coal-fired unit late Sunday to fix a tube leak. The company expects to restart the unit on December 14.

TXU Corp. shut the 750 Mw Martin Lake #2 coal-fired power unit late Friday to repair a tube leak. The company expects to restart the unit soon.

**FRCC**— Progress Energy's 838 Mw Crystal River #3 nuclear unit restarted over the weekend and ramped up to 82% capacity by Monday. The unit shut for refueling on October 29.

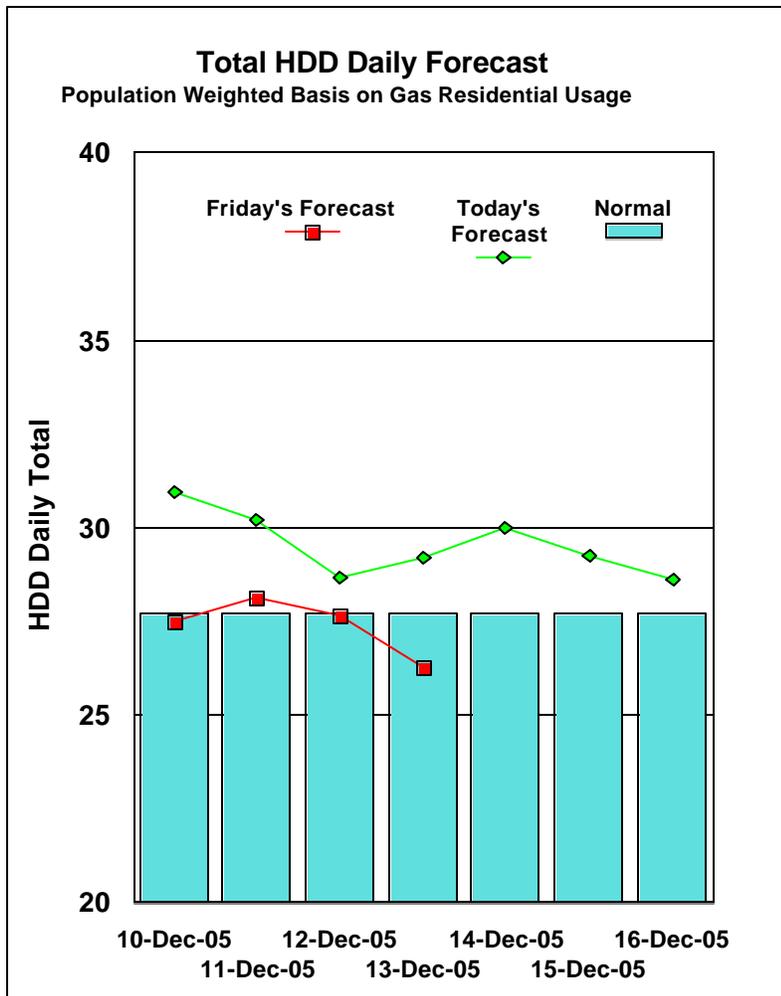
**MAAC**— Public Service Enterprise Group's 1,129 Mw Salem #2 nuclear unit reduced power over the weekend for turbine valve testing. The unit was operating at 64% early today and has since increased to 96%. Salem #1 continues to operate at full power.

Exelon Generation's 1,143 Mw Limerick #1 nuclear unit reduced power to 94% capacity this morning. The unit was operating at full power over the weekend. Limerick #2 continues to operate at full power.

**SERC**— Southern Nuclear Operating Company's 1,215 Mw Vogtle #2 nuclear unit shut on Friday to repair a small leak in the reactor coolant system. Earlier on Friday, the unit was operating at full power. Vogtle #1 continues to operate at full power.

Southern Nuclear Operating Company's 888 Mw Farley #2 nuclear unit continued to ramp power, increasing output to full capacity. The unit was operating at 91% on Friday. Farley #1 continues to operate at full power.

Duke Power Company's 1,129 Mw Catawba #2 nuclear unit increased production to full power. Catawba #1 continues to operate at full power.



**Generator Problems**

**WSCC**— Duke Energy's 739 Mw Moss Landing #6 gas-fired power station returned to service by Sunday afternoon. All units are available for service at the station.

Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit reduced power to 87% this morning. On Sunday night, the unit was operating at 99%. San Onofre #2 continues to operate at full power.

The NRC reported that U.S. nuclear generating capacity was at 92,308 Mw down 1.06% from Friday and up 2.40% from a year ago.

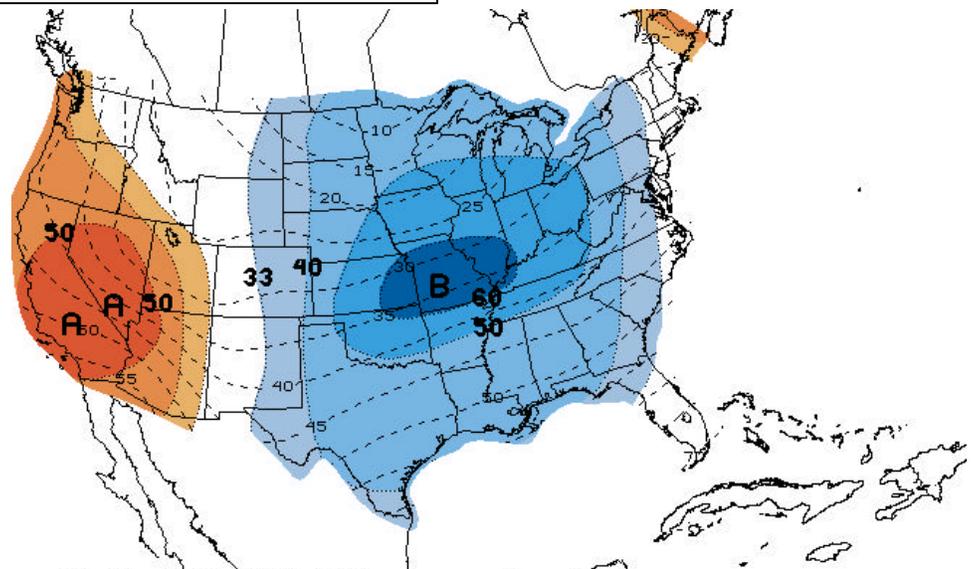
volumes from Washington Ranch Storage Facility, have restored south system line pack to a level at which system integrity is not currently threatened.

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; 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, Kiln to Mobile, and Lake Charles Receipts – Capacity Area 6.

Kern River Pipeline said line pack has been posted as low. Due to low line pack as well as current maintenance at the Salt Lake Compressor Station, Kern River requests that shippers refrain from drafting.

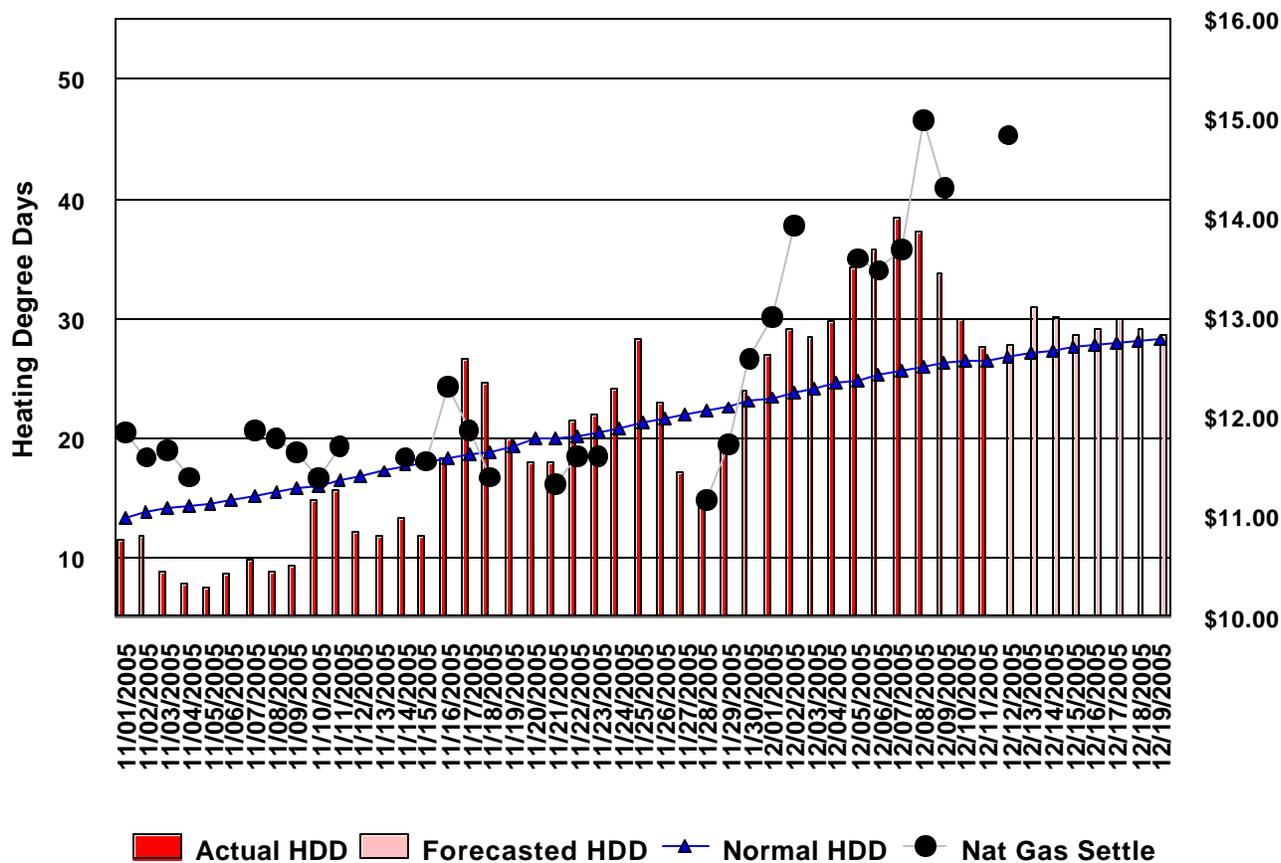
Texas Eastern Transmission said it has restricted STX and ETX to capacity. No increases in receipts between Mt. Belvieu and Little Rock for delivery outside that area will be accepted. Tetco



**6-10 DAY OUTLOOK  
TEMP PROBABILITY  
MADE 12 Dec 2005  
VALID Dec 18 - 22, 2005**

DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

## U.S. Daily Heating Degree Days Basis Gas Customer Weighted Basis



has also scheduled an sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted.

### PIPELINE MAINTENANCE

Alliance Pipeline said that minor maintenance will require the Morinville Compression Station to be offline for nine hours on December 16. AOS may be impacted but will be determined closer to the outage date. The Morinville Compressor is located in Alberta. Also Alliance said the Kerrobert Compression Station in Saskatchewan will be offline for 80 hours starting at 6:00AM MT on December 13 to perform mechanical repairs. System throughput will be affected but will be determined closer to the outage date. Finally, Alliance said that the Olivia Compression Station in Minnesota will be offline for 80 hours starting at 3:00AM CT on December 13. This outage is to perform mechanical repairs. System throughput will be affected but will be determined closer to the outage date.

### MARKET COMMENTARY

The natural gas market opened 54 cents stronger today as cold temperatures remain through much of the eastern half of the country and are forecast to remain through the next couple of weeks. Today's choppy session saw natural gas begin the day by retracing some of the premium from the open to post the day's low of 14.47, but the weather and the bullish trend kept the market in positive territory as it trended back to its opening level, and traded as high as 14.93 on the day. But with the market failing to get back over 15.00, it posted an inside trading day, and settled up 52.9 cents at 14.841.

Natural gas is pressed at the upper end of its range and with no near term reprieve in temperatures, it will remain here. After last week's deep cold, and the continued frigid temperatures, forecasters are calling for December 2005 to be a top 10 month for cold Decembers nationwide since the late 1800s. Also supporting the market here are early expectations for this week's EIA inventory report which, after last week's temperatures has expectations running between a withdrawal of 140 Bcf to 200 Bcf, well above last year's 65 Bcf withdrawal and the five-year 104 Bcf draw. Basis our model we see a draw down of 174 bcf. We see resistance at \$15.20, \$15.50-\$15.60 and \$16.00. We see support at \$14.20, \$14.00 and \$13.50. Further support we see at \$13.30 and \$12.78.

On a side note, when examining the past six weeks of inventory reports for the past three years, one finds that demand destruction is very evident, even when one takes into consideration the impact of shut in production from this year's Hurricane Rita and Katrina. As a result while in past years, the past week's heating degree day total would have resulted in a weekly draw down of over 225 bcf, we expect this week's report will show only a 174 bcf decline the loss of nearly 50 bcf demand on the week or 7 bcf/d.

