



## **ENERGY RISK MANAGEMENT**

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

**www.e-windham.com**

### **POWER MARKET REPORT FOR DECEMBER 16, 2004**

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

The New York Mercantile Exchange announced that it amended the listing schedule for its natural gas futures, Henry Hub swap futures, Henry Hub penultimate swap futures, natural gas options, and European-style natural gas options contracts. The contracts will be listed for the current calendar year plus the next five calendar years for a maximum of 72 consecutive months. A new sixth year will be listed at the termination of trading in the December contract of the current year. Previously, the Exchange added months on a rolling basis each month, except for the natural gas options, which were added on a quarterly basis after the 12<sup>th</sup> consecutive month. Currently, the natural gas futures and options contracts are listed through December 2010. When the December 2005 contract terminates, all months for calendar year 2011 will be available for trading. The new listing schedule does not apply to natural gas basis, index, or swing swap futures or to calendar spread options contracts. According to exchange president Newsome, "the new schedule is expected to encourage greater liquidity in the farther-dated months, enhancing trading and risk management opportunities."

#### **EIA Weekly Report**

	12/10/04	12/03/04	Net chg	Last Year
<b>Producing Region</b>	930	942	-12	812
<b>Consuming East</b>	1829	1867	-38	1678
<b>Consuming West</b>	391	402	-11	360
<b>Total US</b>	3150	3211	-61	2850

Canada's Enerdata reported a natural gas storage draw of 20.6 bcf on the week. It is the largest draw seen since the week ending October 8<sup>th</sup> when stocks also fell by 20.6 bcf. Last year, Enerdata reported a draw of 21.7 bcf during the same week. The level of working gas in Canadian storage facilities is about 7% higher than last year's level.

#### **Generator Problems**

**ERCOT** – CenterPoint ramped power up to 93% at its South Texas #1 nuclear unit from 48% after detecting a small leak on Loop A. South Texas #2 continues to operate at full power.

Ohio Based American Electric Power plans to shut its 528 Mw Welsh #1 coal-fired power unit in Texas to perform maintenance on heaters, the boiler and precipitator from Dec. 17-19, and emissions control equipment from Dec. 17-21.

**MAAC** – PSEG continues to ramp power at its 1,100 Mw Salem #2 nuclear unit up to 83% today from 65% yesterday. It was shut following the oil spill on the Delaware River. Salem #1 remains shut.

Exelon increased power 22% at its 1,148 Mw Peach Bottom #2 nuclear unit returning it to full power following Monday's reactor re-circulation runback. #3 remains at full power.

**MAIN** – Exelon decreased production to 86% at its 900 Mw Dresden #2 nuclear unit. Plant representatives did not comment. The 800 Mw Dresden #3 remains at 96% following a restart Dec. 6 from a refueling.

**MAPP** – Nebraska Public Power District continues to prepare its 800 Mw Cooper nuclear unit for refueling, decreasing it 2% to 92% today. During the outage, the entire turbine including both low-pressure rotors and cylinder will be replaced.

**WSCC** – Pacific Gas and Electric continues to increase power at its 1,100 Mw Diablo Canyon #2, bringing it to 25% capacity. They just connected it to the power grid this morning and it should be at full power in the next several days. #1 is operating at full power.

AEP reduced power by 305 Mw at its 480 Mw Alamos #5 unit for planned and unplanned reasons. At Alamos, units #1,2,3,6 were out of service and #4 and #7 were full available.

**The NRC reported that U.S. nuclear generating capacity was at 90,773 Mw today up 1.05% from Monday.**

**PIPELINE RESTRICTIONS**

Natural Gas Pipeline Co. of America said that due to an unscheduled outage at Compressor Station 343 in Liberty County, Texas (Segment 25 in the Texok Zone G.C.), ITS/AOR and secondary out-of-path transports in Segments 25, 23, and 24 are unavailable. Primary and secondary in-path transports in Segments 25, 23, and 24 are at risk of not getting fully scheduled during the Intraday 1 cycle. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Deliveries to Florida-Jefferson are at capacity. Capacity is available for gas received on the Arkoma Line (Segment 16). NGPL is at capacity for transportation going northbound through and downstream of Compressor Stations 109 and 110 (Segment 14) and through Compressor Station 801 (Segment 15).

Texas Eastern Transmission Corp said receipts in zones STX, ETX and M1 24-inch have been nominated to capacity. No physical increases sourced between Vidor and Fagus can be accepted.

East Tennessee Natural Gas reports that the following restrictions are in place on the East Tennessee system: Secondary receipts out of path upstream of station 3104; secondary receipts out of path upstream of station 3205; and secondary deliveries downstream of station 3313 on the 8 inch 3300 line between Rural Retreat and Roanoke. Also, ETNG will institute its Maximum Allowable Delivery Service.

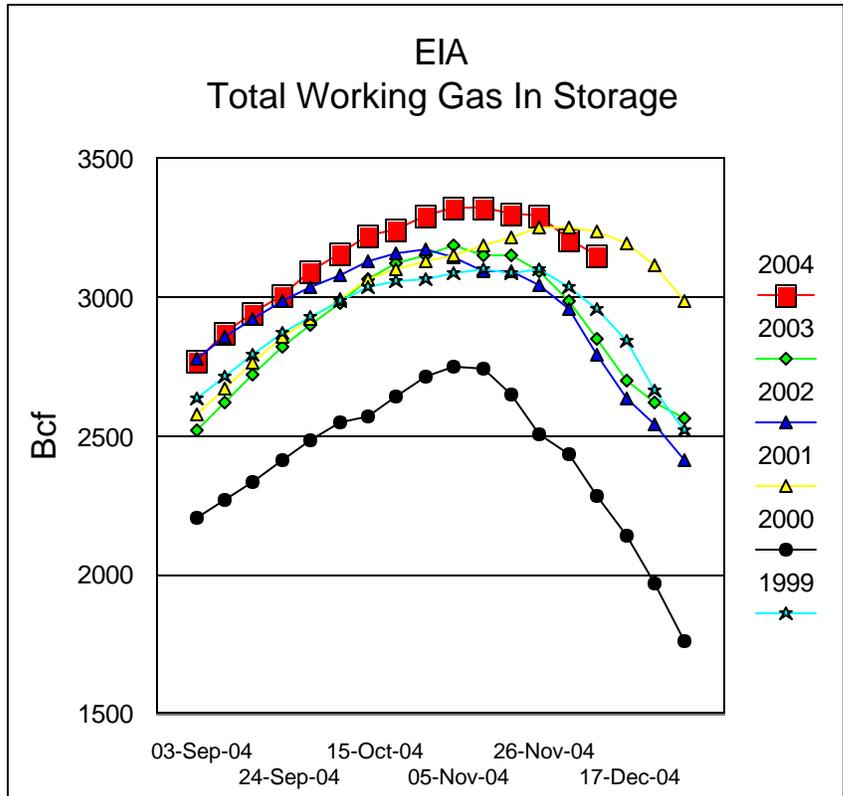
**PIPELINE MAINTENANCE**

Florida Gas Transmission said that due to high demand and near-freezing temperatures, it is issuing an Overage Alert Day at 15% tolerance for today.

Williston Basin Interstate Pipeline said it would conduct maintenance on the Baker East unit from 9am to 5pm on Dec. 21. Capacity at current conditions for point ID 04018 Baker area mainline will be affected by approximately 4 million cubic feet of gas per day.

**ELECTRIC MARKET NEWS**

Allegheny Energy's subsidiary Allegheny Energy Supply company has completed the sale of the 672 MW gas-fired Lincoln generating facility and a related tolling agreement to affiliates of ArchLight Capital Partners and Tyr Capital. The proceeds from the sale total \$175.1 million and will be used to reduce debt. This sale is part of Allegheny's effort to rest ore financial strength. Allegheny is also trying to sell two other facilities.



**Canadian Gas Association**

**Weekly Storage Report**

	10-Dec-04	03-Dec-04	12-Dec-03
<b>East</b>	238.2	244.8	239.9
<b>West</b>	200.7	214.6	170.8
<b>Total</b>	438.9	459.4	410.7

The New York State Public Service Commission approved Rochester Gas and Electric Corporation's application for a Certificate of Environmental Compatibility and Public Need for the Rochester Transmission Project. The project includes the construction or reconstruction of various segments of its 115 kV electric transmission system in the Greater Rochester area. Transmission lines and substations east and west of Rochester

will be the target of the construction and reconstruction. On the east side, RG&G will construct a new 115 kV line connecting existing substation 121 in the Town of Macedon and existing substation 230 in the Town of Walworth, Wayne County. On the west side, RG&G will construct a new 115 kV line connecting existing substation 48 in the City of Rochester and substation 7 (to be rebuilt) in the town of Greece, Monroe County. This new 7.5 mile single-circuit transmission line will be located within an existing electric transmission corridor, which is also occupied by active railroad lines along the southern portion and an abandoned railroad line along the northern portion. RG&G will also rebuild approximately 22.8 miles of existing overhead 115 kV lines and install approximately 2 miles of new underground cable within existing transmission corridors in Henrietta, Brighton, Chili, Gates, and Rochester. RG&G will perform improvements on five existing west side substations on the 115 kV system.

American Electric Power and Peabody Energy have agreed to settle outstanding litigation related to disputes about terms of existing coal supply agreements. The lawsuits settled were: Caballo Coal Co. v. Indiana Michigan Power Co., originally filed in the Eastern Division of the U.S. District Court for the Eastern District of Missouri but pending on appeal in the U.S. Court of Appeals for the Eighth Circuit; and Powder River Coal Co. v. Indiana Michigan Power Co. pending in the same court. AEP and Peabody also signed six new coal purchase and sale agreements for fuel to be provided by Peabody affiliates for use by plants owned by AEP subsidiaries Appalachian Power Co., Kentucky Power Co., Ohio Power Co., Indiana Michigan Power Co. and Southwestern Electric Power Co. AEP and Peabody also agreed to amend and restate a coal supply agreement between Indiana Michigan Power Co. and Peabody affiliate Powder River Coal Co., and reached a transportation agreement.

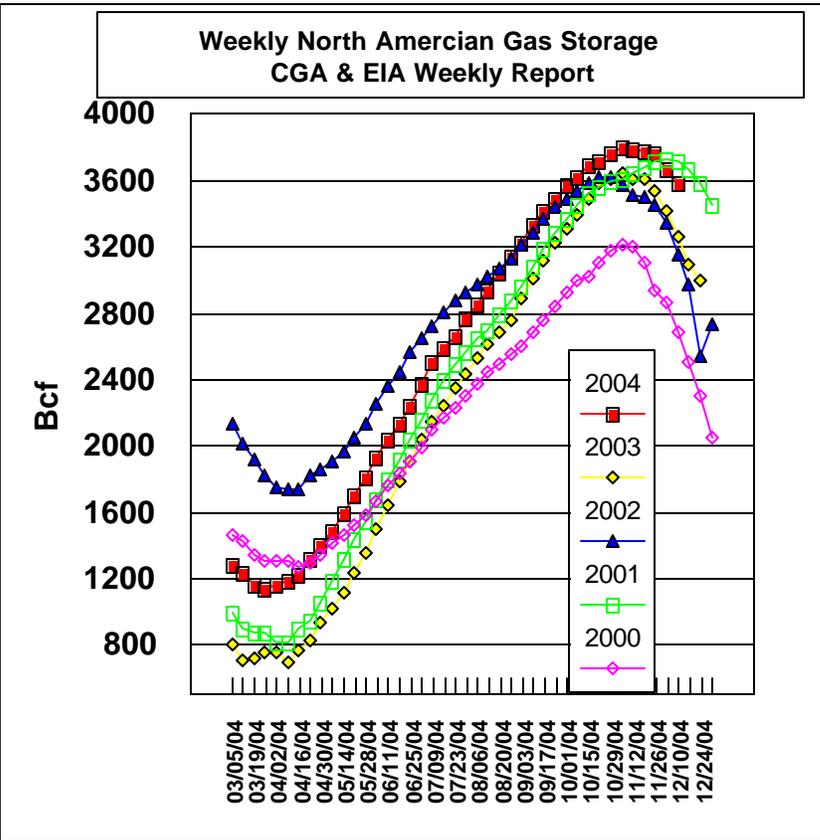
**ECONOMIC NEWS**

Weekly Initial Claims for the week ending Dec. 11 came in at 317,000, a decrease of 43,000 from the previous week's revised figure of 360,000.

The Philly Fed index, a gauge of the health of the northeast's manufacturing sector, posted a five-month high out performing expectations of 20.5 by increasing to 29.6 from 20.7 in Nov.

**MARKET COMMENTARY**

The natural gas market gapped lower this morning, as moderating near term temperatures seemed to weigh on cash and futures prices. The bears though seemed reluctant to embrace the market until after the release of the EIA storage report, which when it was released unlocked a wave of selling that sent prices back below the \$7.00 level for the first time in a week retracing more than 50% of the small price recovery of the past several weeks. The market posted an intraday low of \$6.90 following the release of the EIA report which showed a draw of 61 bcf, slightly lower than most market expectations. The market however retraced its losses and traded back towards \$7.10, where it held resistance. It traded mostly sideways during the remainder of the session and settled down 23.6 cents at \$7.00. Volume on the day was better with 67,000 lots booked, of which 31,000 lots traded via spreads.



The natural gas market which bounced off its low, is likely to continue trading within its recent range. The latest NWS issued Thursday called for below normal temperatures for most of the country, except along the East Coast as well as the southern coast and parts of the West Coast, where seasonal readings are expected. The milder temperatures expected heading into the weekend and the natural gas inventories could limit buying near term as demand is expected to moderate next week in light of the holidays. The market is seen finding support at its low of \$6.90, \$6.865, \$6.70, \$6.54 and \$6.505. Meanwhile resistance is seen at its gap from \$7.15-\$7.19, \$7.35, \$7.39 followed by \$7.556, \$7.62, \$7.682 and \$7.77-\$7.785.

