



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR DECEMBER 19, 2005**

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

An early start to the heating season on both sides of the Atlantic is likely to lead to stiff competition for LNG supplies this winter, as utilities scramble to keep homes and businesses warm. While U.S. natural gas prices climbed to record highs last week near \$16, cold weather in Europe recently spiked prices even higher there, with prompt gas in Britain becoming the world's most expensive fuel when it peaked near \$30. LNG remains a small part of the supply in the U.S meeting about 3% of overall needs.

Cheniere Energy reports that its wholly owned limited partnership, Corpus Christi LNG has received regulatory clearance to commence initial construction of its 2.6 Bcf/d LNG receiving terminal near Corpus Christi, Texas. The authorization granted by the Federal Energy Regulatory Commission is pursuant to and in accordance with the FERC's April 18 Order Granting Authority under Section 3 of the Natural Gas Act and Issuing Certificates.

Oklahoma-based Quoddy Bay LLC said it has initiated the environmental pre-filing process at FERC for its proposed \$500 million LNG import terminal, which would be located at Split Rock, ME, on the Sipayik reservation of the Passamaquoddy Tribe in Washington County.

The Minerals Management Service reported that shut-in production in the Gulf of Mexico is 2.014 Bcf/d. That is equivalent to 20.14% of the daily gas production in the Gulf.

Mexican state oil monopoly Petroleos Mexicanos reported that natural gas production in November was 4.923 Bcf/d, compared to 4.864 Bcf/d in October and 4.588 Bcf/d in November 2004. Natural gas imports were 263 MMcf/d, compared with 348 MMcf/d in October and 841 MMcf/d in November 2004.

#### **PIPELINE RESTRICTIONS**

Alliance Pipeline said that due to the potential early start of the Morinville Mainline compressor, AOS was increased to 24% from 16%.

#### **Generator Problems**

**FRCC**— Florida Power and Light's 839 Mw St. Lucie #1 nuclear unit restarted and is warming up offline at 1%. St. Lucie #2 continues to operate at full power.

**MAIN**— We Energies' 516 Mw Point Beach #1 nuclear unit ramped output to full power this morning. Point Beach #2 remains at full power.

**SERC**— Progress Energy's 900 Mw Brunswick #2 nuclear unit increased production to 91% this morning. The unit was operating at 71% Friday. Brunswick #1 continues to operate at full power.

Duke Power's 1,100 Mw McGuire #1 nuclear unit restarted over the weekend and is currently operating at 49% capacity. McGuire #2 continues to operate at full capacity.

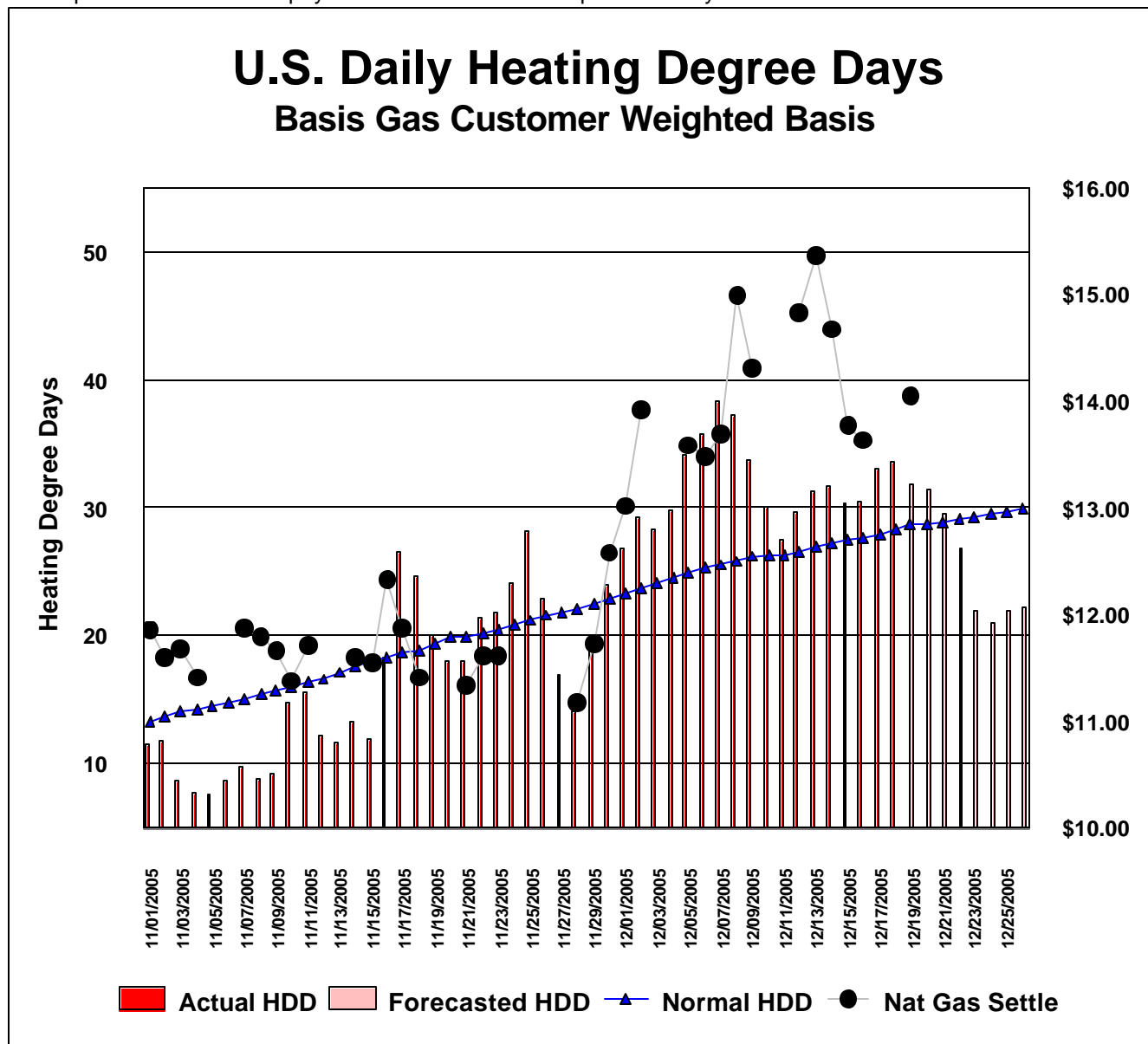
Southern Nuclear Operating Co.'s 838 Mw Hatch #1 nuclear unit decreased output to 85% early this morning. On Friday the unit was operating at 90% capacity. Hatch #2 continues to operate at full power.

Southern Nuclear Operating Co.'s 1,215 Mw Vogtle #2 nuclear unit restarted and is operating at 25% this morning. Vogtle #1 continues to operate at full power.

**WSCC**— AES Corp.'s 498 Mw Alamos #5 natural gas-fired power unit reduced power by 298 Mw yesterday for unplanned work. The 335 Mw Unit #4 returned from planned work late Sunday.

**The NRC reported that U.S. nuclear generating capacity was at 91,639 Mw down .85% from Friday and down .96% from a year ago.**

East Tennessee Natural Gas said that LMS-MA parties on its system have created significant due pipe imbalances throughout this month. ETNG has limited operational flexibility to manage imbalances and therefore requires shippers take immediate action to reduce their due pipe imbalances. LMS-MA parties are reminded of the requirement to balance physical deliveries with receipts on a daily basis.

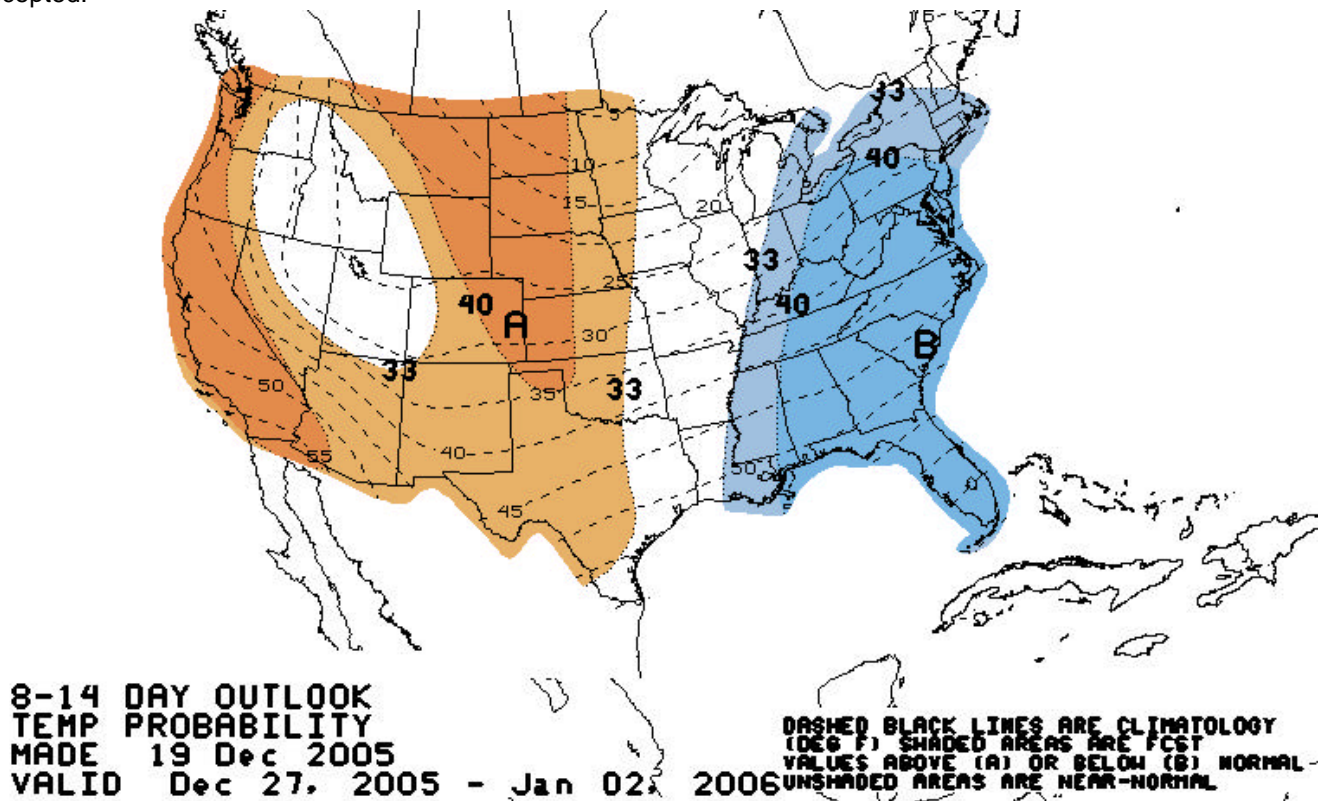


Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions on Sarepta to Sterlington 18-inch Index 250; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / 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 that linepack is at critically low levels, according to an informational posting on their website. Kern River urges shippers to refrain from drafting.

Natural Gas Pipeline Company of America said that capacity is available in Segment 18 for gas received to be transported eastbound. ITS/AOR and secondary out-of-path transport volumes are available. Segment 18 is located in the South Texas-Gulf Coast Zone in Jim Hogg County, Texas.

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



#### PIPELINE MAINTENANCE

TransColorado Gas Transmission said that it will be installing new meters at the Williams Raccoon Hollow Interconnect January 19. Nominations at PIN 40412 will not be accepted during this outage. The company also noted that as this maintenance progresses additional scheduled quantities may become available for the Intraday 2 cycle.

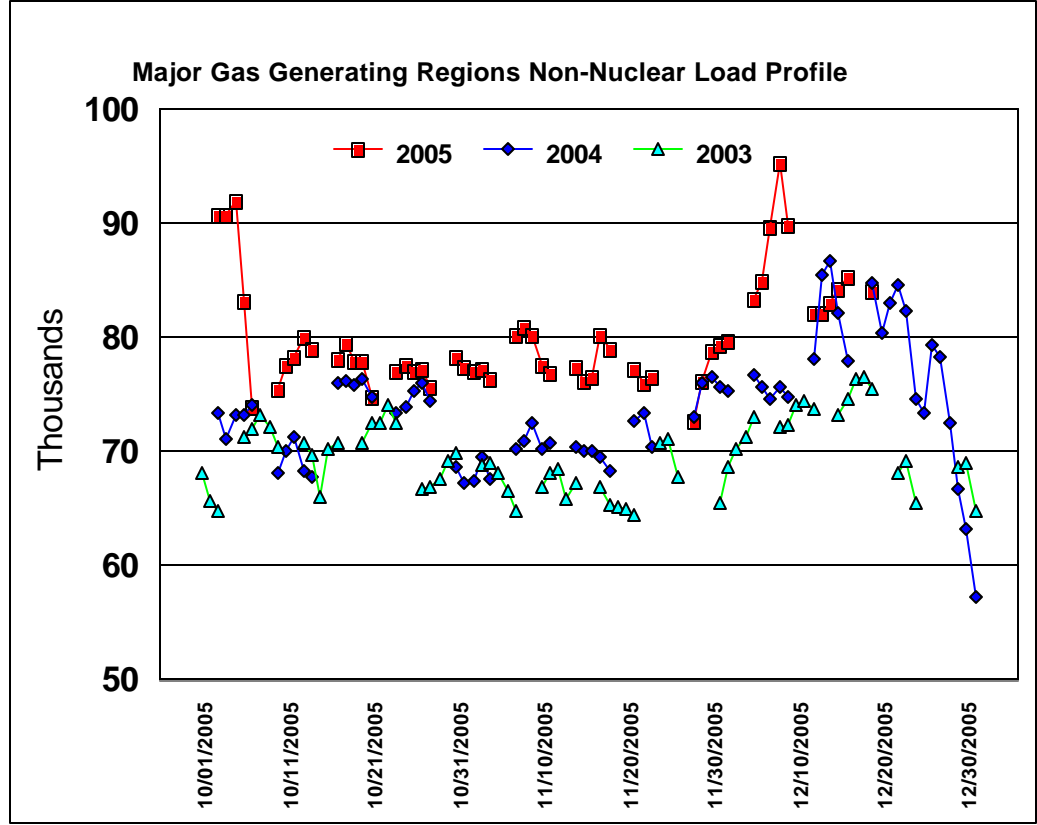
Westcoast Energy said it has had a unit failure at CS4A (Summit Lake) in addition to a unit that is already out of service with dry gas seal problem that will be unavailable until mid-week. As a result, the station is currently unavailable for operation. This has reduced pipeline capacity from CS4A to Huntingdon from 1,846 MMcf/s to 1600 MMcf/d. Westcoast anticipates having one of the units available early this morning, however the second unit is expected to be back in service later this week. This capacity restriction will be effective as of the ID1 Cycle, until further notice.

Williston Basin Interstate Pipeline Company said that due to unplanned maintenance at the Fort Peck Compressor Station receipt points in Line Section 8 will be reduced by approximately 2.5 MMcf/d through today.

#### ELECTRIC MARKET NEWS

Calpine Corp. got more time from a somewhat favorable court ruling to pay back the \$312 million it misspent to buy gas for its power plants, but analysts say that may not be enough to stave off bankruptcy. The Delaware Supreme Court on Friday upheld a lower-court ruling that Calpine had misspent the money, but Justice Jack Jacobs also turned down a request from Wilmington Trust to move up the January 22 deadline for repayment.

On a separate issue, the attorney general of California filed a petition with federal regulators seeking to force Calpine Corp. to continue providing electricity to the state through 2009 even if it goes bankrupt. The petition to the Federal Energy Regulatory Commission seeks to forced Calpine to provide 1,000 Mw of electricity to certain areas of the state around the dock through 2009 at \$59.60 per megawatt-hour. The contract could save California ratepayers an estimated \$625 million through its expiration date of 2009.



The California Independent System Operator will ask the Federal Energy Regulatory Commission to raise the cap for power market bids to \$400 per mega hour from \$250. The board of governors of the ISO approved the increase late on Friday for energy purchased through the ISO's wholesale market. The reason for the increase is because of the run-up of natural gas prices this fall to fuel about half of the power plants that supply California with electricity.

FPL Group agreed to buy Constellation Energy group for about \$11 billion, creating the largest U.S. power seller in deregulated markets and doubling its number of nuclear plants. The deal will form the nation's second-largest electric utility portfolio. The transaction will create a company with a market capitalization of approximately \$28 billion, combined annual revenues of \$27 billion, and \$57 billion in total assets. The combined company will be named Constellation Energy.

AmerenUE announced it has reached agreements to purchase two Illinois and one Missouri combustion turbine generating facilities. The combined transaction valued at approximately \$290 million requires the authorization of various regulatory agencies and satisfaction of other customary closing conditions.

Total U.S. emissions of greenhouse gases in 2004 rose to 7.12 billion metric tonnes of carbon dioxide equivalent, up 2% from 2003. However, the U.S. economy grew by a strong 4.2% in 2004, which means the greenhouse gas intensity within the economy actually fell by 2.1%.

**MARKET COMMENTARY**

The natural gas market opened 18.7 cents stronger supported by technical levels. The early part of the session saw prices traded past Friday's lows to 13.38, the 20-day moving average. Looking towards another large draw in stocks in this week's EIA report, traders found support for the technical rally for the remainder of the session, and with illiquidity due to the upcoming holiday, traders were able to bid the market up back over 14.00 to the day's high of 14.20. The market settled up 41 cents at 14.043 on very light volume.

Noting the market's inability to break lower and test the 13.00-13.25 support level, along with 8-14 day forecasts starting to see colder than normal temperatures, the market has found support and perhaps stopped the past week's slid following record prices. The market also shrugged off the weakness in the crude market, which slid

72 cents further supporting the natural gas. With the low volume expected this week due to the holiday, consolidation around the 13.80 level will be the pattern for the week aside from any revised forecasts calling for extreme cold. We see resistance at \$14.25, \$14.57 and \$14.80. We see further resistance at \$15.60 and \$15.78. We see support at \$13.38, \$13.00 and \$12.78. We see further support at \$12.59 and \$12.25.