



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR MARCH 14, 2006**

---

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

The winter of 2005-06 has been Canada's warmest on record and the federal agency, Environment Canada said Monday that it was investigating whether it was a sign of global warming. From December through February, which is considered meteorological winter, the country was 3.9 degrees above normal – the warmest winter season since temperatures were first recorded here in 1948. The experience has been similar in the U.S., where the National Climatic Data Center said the winter had been the fifth warmest on record. Greenhouse gases blamed for global warming and climate change have reached their highest levels in the atmosphere, the World Meteorological Organization said. The main culprit, carbon dioxide increased by 2.6 ppm in 2005, one of the largest increases on record. CO2 levels now stand at 381 ppm, 100 ppm above the pre-industrial average. The rate of increase is accelerating, and climate scientists fear certain thresholds may be tipping points that trigger sudden change.

Anadarko Petroleum Corporation today announced it is rescheduling the onsite construction work of its LNG import terminal at Bear Head, Nova Scotia to match the timing of LNG supply, which should be determined over the next few quarters.

Algerian state oil and gas firm Sonatrach signed a joint venture on Tuesday with Spain's Repsol YPF and Gas Natural to build a plant producing 4 million tones of LNG per year. The new company, called Sociedad de Licuefaccion will build and operate the natural gas liquefaction terminal as part of the Gassi Touil project in the region of Arzew, west of the capital Algiers. The cost of the new installation is estimated at \$2-3 billion and output is due to begin in November 2009.

The proposed Gros-Cacouna liquefied natural gas (LNG) import terminal in Quebec got a much-needed boost Tuesday as project sponsor Petro-Canada reached an agreement with Russia's Gazprom to proceed with initial engineering design for a \$1.5 billion Baltic gas liquefaction plant near St. Petersburg, Russia.

#### **PIPELINE RESTRICTIONS**

#### **Generator Problems**

**ERCOT**— TXU's 575 Mw Big Brown #2 coal-fired power station returned to service today. Over the weekend, the unit tripped at least a couple times due to a problem with a control system.

**MAIN**— Exelon's 1,022 Mw Clinton nuclear unit decreased power to 79% capacity. The unit was operating at 96% ahead of the weekend. The unit has been fluctuating since restarting February 25 after a refueling outage.

**NPCC**— Constellation Energy's 565 Mw Nine Mile Point #1 nuclear unit ramped power to full production. The 1,120 Mw Nine Mile Point #2 increased to 87% capacity.

Energy Corp.'s 684 Mw Pilgrim nuclear unit shut late yesterday after operators detected the failure of the off-gas system.

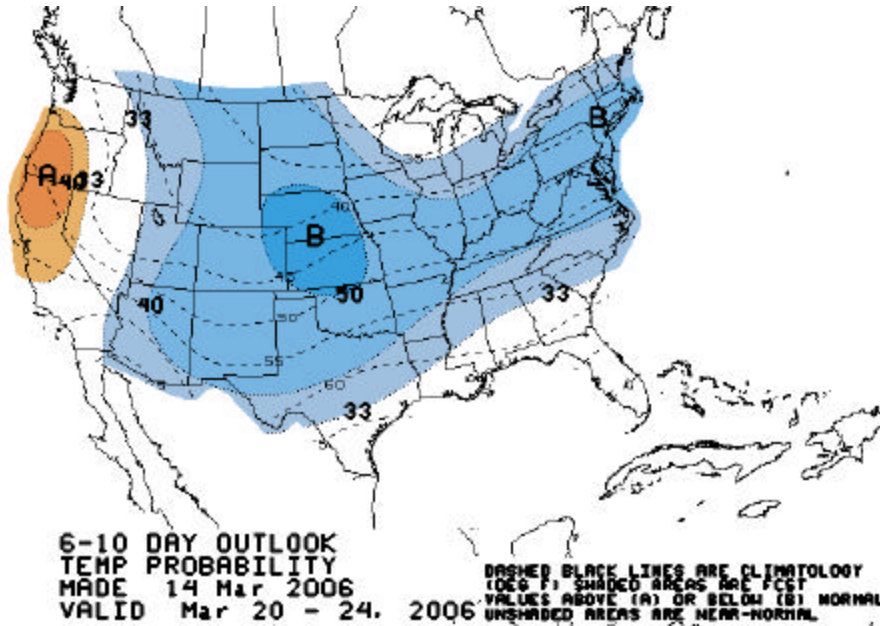
**SERC**— Progress Energy's 937 Mw Brunswick #2 nuclear unit reduced power last night to 65% to conduct some maintenance. Brunswick #1 shut March 4 to begin its refueling outage.

**WSCC**— Duke Energy Corp.'s 336 Mw Morro Bay #4 natural gas-fired power station shut March 11 for planned maintenance. The unit is expected to return in about a month.

Duke Energy Corp. shut both 739 Mw units 6 and 7 at the Moss Landing natural gas-fired power station on March 11 for planned maintenance expected to last until the end of April.

**The NRC reported that U.S. nuclear generating capacity was at 83,554 Mw down .77% from Monday and up 3.27% from a year ago.**

East Tennessee Natural Gas said it has sealed nominations flowing through the Glade Spring compressor station. No increases sourced west of Glade Spring for delivery east of Glade Spring will be accepted. Furthermore, no due shipper resolution, or creation of due pipe imbalances, will be available east of Glade Spring. Delivery meter operators are required to flow volumes equal to or less than scheduled volumes. LMSMA parties cannot use undertakes west of Glade Spring to offset overtakes east of Glade Spring.



Florida Gas Transmission issued an overage alert due to low linepack and warm weather forecast for the state, one of the first warm-weather alerts so far this year. Due to high natural gas demand on the system, the company issued an overage alert at 25% tolerance, meaning that shippers must stay within 25% of their scheduled volumes.

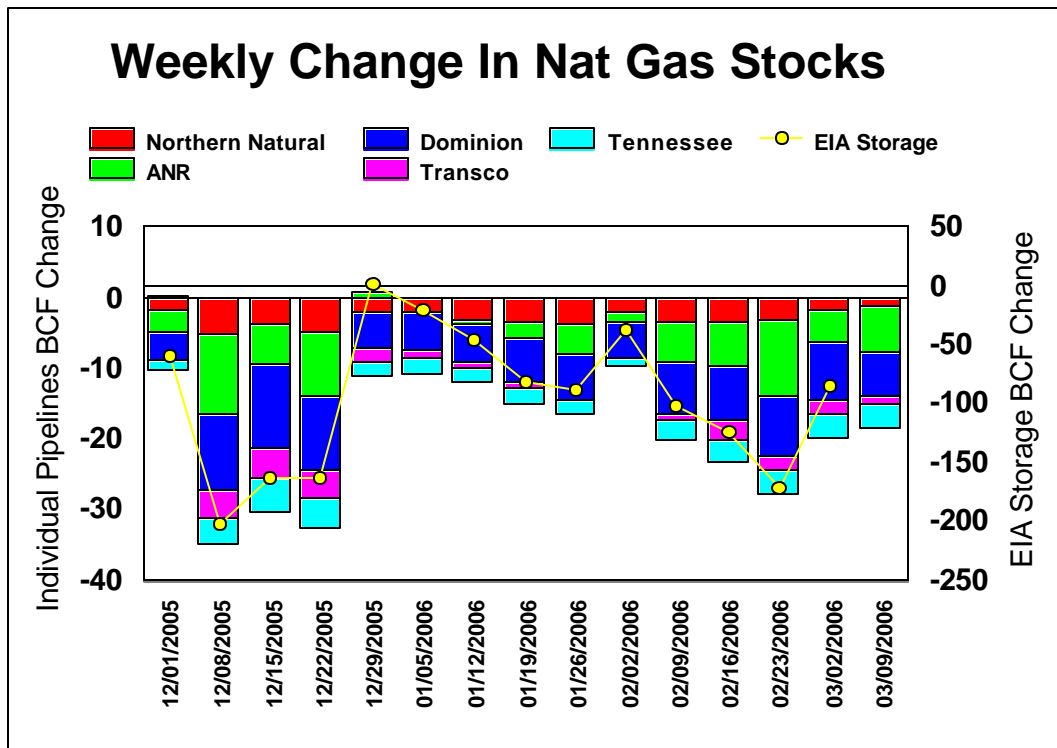
Kern River Pipeline said that line pack has returned to normal levels.

Natural Gas Pipeline Company said that the gas quality issue has been resolved at the receipt from Duke-Kerns #1-Caddo in Caddo County, Oklahoma (Segment 2 of

Natural's MidContinent Zone). Effective for gas day March 14, Natural will schedule this receipt point back to its normal capacity.

Texas Eastern Transmission said it has scheduled and Sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted. Tetco has scheduled and sealed receipts sourced at Monroe station. No increases in receipts sourced at Monroe will be accepted. Receipt points located at Monroe are: Gulf South Pipeline; CenterPoint Gas Transmission; and Duke Energy Field Services.

Transcontinental Gas Pipe Line said it will allow excess storage injections under Rate Schedules WSS, WSS-OA and GSS and will allow "due-from-shipper" imbalance transactions.



Additionally, pool tolerances will be returned to 4% beginning with ID 2 Nomination Cycle for gas day March 13, and Transco will allow incremental Park quantities and the payback of Loans under Rate Schedule PAL. Last week, Transco posted a notice advising customers to monitor requirements and ensure that actual flowing supplies were not greater than market requirements. Transco cited the forecasted return to more reasonable temperatures in its market area for the recent change in status.

**PIPELINE MAINTENANCE**

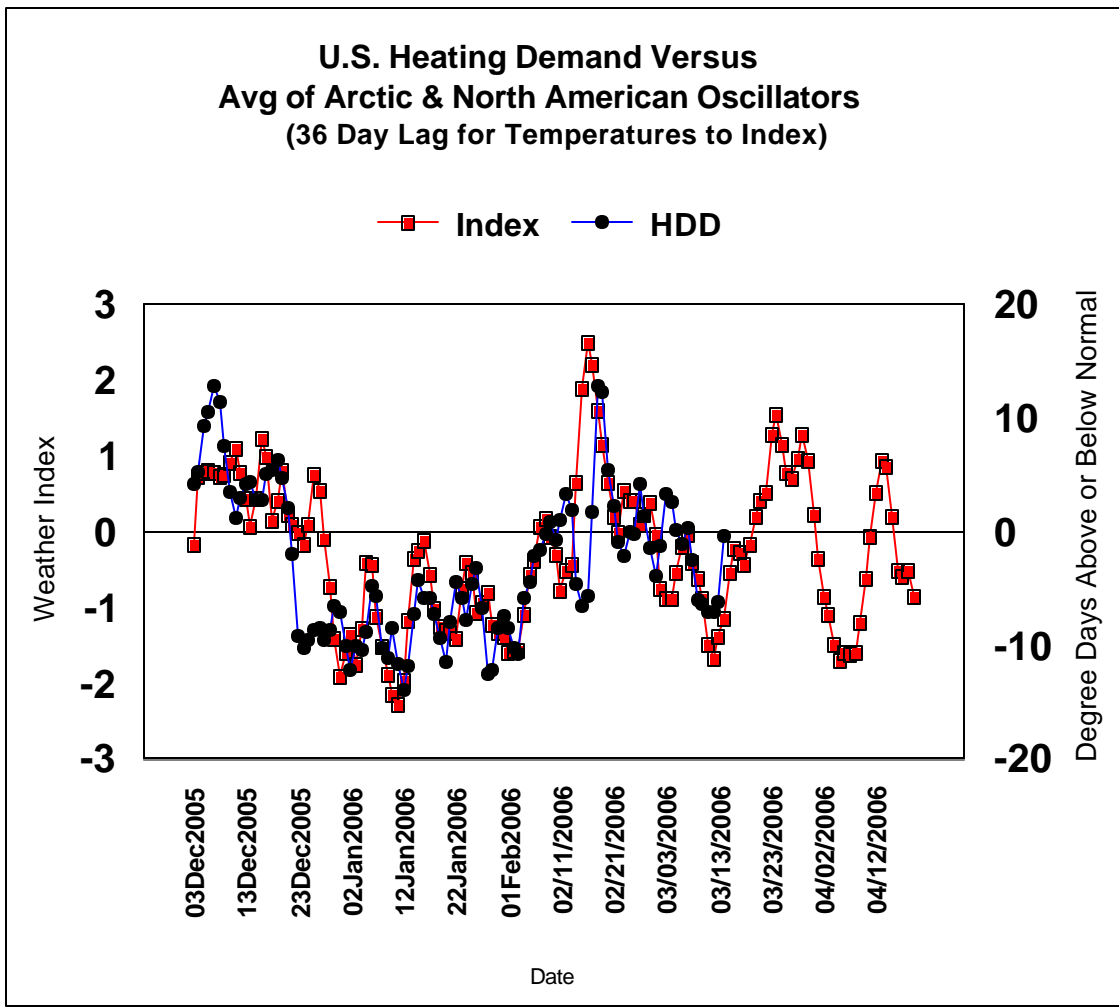
Gulf South Pipeline said that it will be performing scheduled pipeline maintenance on Index 266 – 24-inch from Carthage, Texas to Hall Summit, Louisiana beginning March 15 through April 29. Due to this maintenance, capacity could be reduced as much as 75 MMcf/d, however with current nominations capacity should not be affected.

Panhandle Eastern Pipe Line Company said that there will be an outage between Gate Valve 205 and Centralia Station for ILI modifications on the 200 Line beginning May 22. The expected duration is 16 days. Capacity will be limited to 1,220 MMcf/d through Houstonia. This scheduled project is part of an ongoing integrity program conducted by Panhandle. Also, Panhandle said that there will be an outage on the Louisburg 100 line from Gate Valve 108 to Houstonia Station for anomaly repairs beginning May 16. The expected duration is four days. During this outage, the capacity through Houstonia will be limited to 1,250 MMcf/d. This scheduled project is also part of an ongoing integrity program conducted by Panhandle.

Williston Basin Interstate Pipeline Company said maintenance at the Baker Compressor Station will affect Receipt Point ID 04018 Baker Area Mainline by approximately 0.5 MMcf/d on March 21.

**ELECTRIC MARKET NEWS**

Consolidated Edison of New York again extended ongoing work on a big power line between Westchester County and New York City by a week. The extension caused the utility to delay by a week the start of the planned work on an adjacent power line. This is the third or fourth extension of this work, caused most likely by the weather. The company now expects to complete work on the Sprain



Brook-W. 49<sup>th</sup> St. 345-Kv cable, known as the M52, on March 22. The company started working on the M52 on February 18. In addition, Con Edison now plans to work on the adjacent M51 cable from Sprain Brook-W. 49<sup>th</sup> St. from March 23-31.

### **MARKET COMMENTARY**

The natural gas market opened 11.3 cents higher, supported by a strong oil complex and cooler temperatures entering key consuming regions. April natural gas dipped to the 7.00 level, reaching a day's low of 6.95, but as the oil complex traded further, natural gas recovered and extended its highs to 7.22, a resistance point. Natural gas closed above its 20-day moving average of 7.022, confirming that a bottom has been posted. The April contract settled up 16 cents at 7.167.

This market experienced some overflow buying from the oil complex today, and closed its minor price gap of 7.05-7.22 from February 27, but was unable to muster any further buying, even as crude oil rallied over a dollar. But the close above the 20-day moving average leaves room to the upside for this market especially with colder temperatures moving in. Limiting the market's advance is the ever present over storage situation, making this week's inventory report a key to the direction of the market and whether the market can sustain these new levels. We see support at \$6.83, \$6.69 and \$6.45-\$6.50. Further support we see at \$6.18, \$6.03 and \$6.00. We see resistance at \$7.22-\$7.23, \$7.40, \$8.00 and \$8.07.