



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JUNE 14, 2005**

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

BP's Statistical Review of World Energy 2005 reported that the world's overall energy consumption grew by 4.3% in 2004, and natural gas consumption was up by 3.3%. The report said gas use last year was above the 10-year average of 2.6% growth, but all of the increase was outside North America.

The National Hurricane Center had been watching an area of cloudiness and showers over the central Caribbean Sea in association with a broad surface trough of low pressure. But as the day unfolded, there were no signs of surface circulation and as a result the air force reserve reconnaissance mission into the system for this afternoon was cancelled. Upper level winds appear to remain unfavorable for development of this system. In addition this system is expected to move northward and eventually move into the Bahamas. While a tropical wave was seen producing a large area of showers over the southern Bay of Campeche, the system was expected to continue to move westward and move inland this evening.

Williston Basin Interstate Pipeline Co. is holding a nonbonding open season through July 1 for parties interested in acquiring firm storage service, and firm transportation service if required, through the construction of new facilities on its system.

In its final report on Tropical Storm Arlene, the Minerals Management Service this afternoon reported that there remained one platform that was still evacuated in the Gulf of Mexico, along with 59 Mmcf/d of gas production and 5,686 b/d of crude oil production, still shut in as of 11:30 CDT. Cumalitive production lost due to the storm reached 574,747 barrels of crude oil and 3.428 bcf of natural gas.

Algonquin Gas Transmission filed an application with FERC to construct, own and operate a 16-mile pipeline that will connect Algonquin's New England-area natural gas pipeline system to Excelerate Energy's proposed Northeast Gateway deepwater LNG port. Algonquin is a Duke Energy transmission pipeline. The 24-inch diameter pipeline will connect Algonquin's existing pipeline in Massachusetts Bay to the facility about 13 miles off

#### **Generator Problems**

**FRCC**— FPL Group's 693 Mw Turkey Point #4 nuclear unit ramped up output to 48% of capacity. Yesterday, the unit was operating at 2% as it exited an outage. Turkey Point #3 continues to operate at full power.

**MAAC**— Public Service Enterprise Group's 1,049 Mw Hope Creek nuclear unit started to exit an outage and ramped up offline to 3% of capacity by early today.

PPL's 1,182 Mw Susquehanna #2 nuclear unit is back at full power today. Yesterday the unit was operating at 89% after reconnecting to the grid over the weekend. Susquehanna #1 continues to operate at full power.

**MAPP**— Omaha Public Power's 476 Mw Fort Calhoun nuclear unit ramped up to 30% of capacity by early today. Yesterday, the unit was operating at 2% as it started to exit an outage.

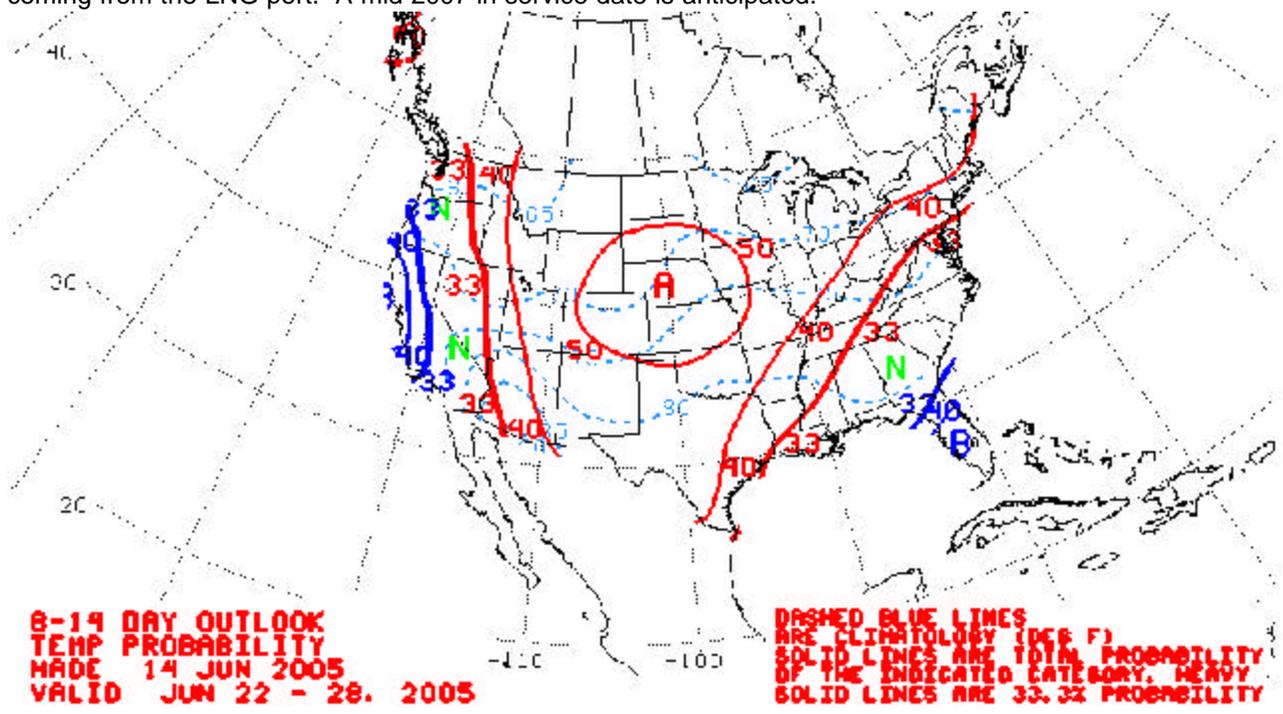
**SERC**— Entergy Corp.'s 1,089 Mw Waterford #3 nuclear unit ramped up to 93% of capacity by early today. Yesterday, the unit was operating at 68% after exiting a refueling outage.

**WSCC**— Calpine Corp.'s 605 Mw Metcalf natural gas-fired station returned to full service by late Monday.

Energy Northwest continued to ramp output at its 1,200 Mw Columbia Generating nuclear unit, operating the unit at 90% today.

**The NRC reported that U.S. nuclear generating capacity was at 92,838 Mw up 1.61% from Monday and up 2.56% from a year ago.**

the coast. The pipeline will have the takeaway capacity to transport 800 MMcf of re-gasified natural gas per day coming from the LNG port. A mid-2007 in-service date is anticipated.



**PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company of America said that the force majeure is still in effect due to the failure that occurred on the Gulf Coast #3 mainline Segment 26. In other news, 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.

Texas Eastern Transmission Corp. said it has restricted STX and ETX to capacity. M1-24-inch and M2-24-inch have been scheduled to capacity. Nomination increases between Little Rock and Batesville will not be accepted.

Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 15% tolerance.

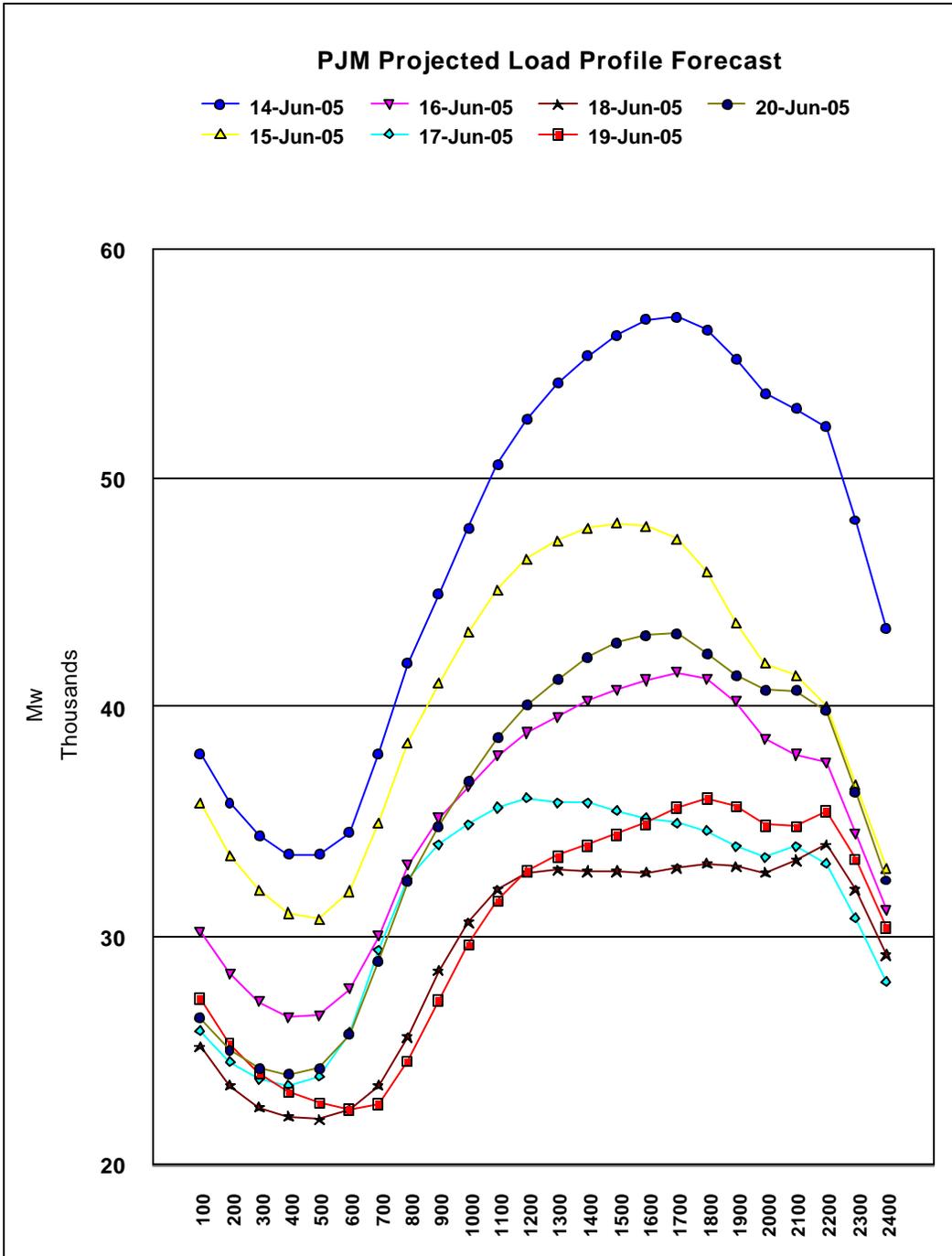
Colorado Interstate Gas Company said that current operating conditions in the Anadarko area of the EPNG system are limiting the flow into EPNG in the Big Blue interconnect on CIG. Effective Cycle 1, today and continuing until further notice, the operational capacity at Big Blue will be limited to 75 MMcf/d.

**PIPELINE MAINTENANCE**

Alliance Pipeline said that station maintenance will require the Wolf South Meter Station to be offline for six hours starting at 9:00 AM MT today. Station capacity will be lowered to 48.9 MMcf/d. The Wolf South Meter Station is located in Alberta.

Gulf South Pipeline said that it will be performing unscheduled maintenance on Index 229 located in Bossier Parish, Louisiana, today lasting for 8 hours. Due to this maintenance Gulf South said that force majeure conditions on Index 229, Bossier Parish, Louisiana, and will affect Gulf South's ability to provide service to the following receipt locations: Bomar Caplis, Red Chut CP, and Elm Grove CP.

Iroquois Gas Transmission System said it began unscheduled maintenance at the Wright compressor station. The manufacturer will be replacing the combustion liner in the A2 unit. During this time the A2 unit will be unavailable. The A1 unit along with the rest of the company's compressor stations will be fully operational. The work is not anticipated to impact any transportation, as is expected to be completed on June 16.



National Fuel Gas said Unit 4 at the Conrad station will be down for turbo repairs from June 14-23. The unit is expected to be back in service by June 24. This work will affect capacity for receipts north of the Concord station and capacity through the Concord station.

Questar Pipeline CO. said that on June 28-30, it will be performing line work on the upper end of ML 68. As a result, the points listed below will have to be shut-in and nominated to zero during the repairs: Divide Creek, Philpott Tap, Shaeffer Tap, Hunter Mesa, and Mamm Creek. Nominations will return to normal on July 1.

Williston Basin Interstate Pipeline said that maintenance at the Baker South Compressor Plant has been moved from June 15 to June 17. Due to the maintenance, the capacity at current conditions for Point

ID 04018 Baker Area Mainline will be affected by approximately 3 MMcf for gas day June 17.

#### **ELECTRICITY MARKET NEWS**

Grid operator PJM Interconnection urged electric customers in the Mid-Atlantic and Virginia to conserve energy on Tuesday to help prevent possible supply problems as extremely hot weather boosted power used to run air conditioners. PJM noted, however, it expected to have enough electricity to meet the heavy demand for power.

U.S. Senators Jim Jeffords (I-Vt.) and John Kerry (D-Mass.) filed an amendment to the Senate energy bill to require that by the year 2020, 20% of U.S. electricity production shall come from renewable resources like wind, solar and geothermal energy. The Senate is expected to begin debate on the energy bill tomorrow.

## **ECONOMIC NEWS**

U.S. wholesale prices declined more than forecast in May as costs fell for gasoline, computers and automobiles. The 0.6% decrease in the measure of prices paid to factories, farmers and other producers followed a 0.6% rise in April, the Labor Department reported today. The core measure of producer prices, which excludes energy and food, rose 0.1%, less than forecast.

Advanced retail sales for May decreased by 0.5%, reflecting fewer purchases at automobiles dealers and department stores, the Commerce Department reported today. The core figure less autos fell 0.2%. Again, the decline in energy prices last month is the main reason for these decreases.

## **MARKET COMMENTARY**

The natural gas market opened slightly lower as the oppressive heat wave that has been cooking the Northeast and the Midwest is forecast to subside later this week. The market traded sideways basically within a 10

cent trading range all day finding resistance at the \$7.315 level and support at the \$7.19 level. Natural gas ended the day down just over 3 cents at \$7.228. Also pulling gas prices lower was an almost 2.5 cent drop in heating oil, natural gas' competitor in the oil complex. Final futures volume on the day was good with just over 82,300 contracts changing hands.

The NYMEX reported at midday that open interest in the natural gas contract increased by 6,104 lots basis Monday's trading activity. This was the largest one-day gain in open interest since May 12<sup>th</sup>, in what has to be seen as new longs coming into the market given the bullish move by the overall energy complex.

We continue to feel that down ward pressure will come into the market targeting the \$7.00 level, as U.S. cooling demand is expected to be below normal at the end of this week into the start of next week. Expect natural gas to mirror the oil complex tomorrow as the DOE/API Inventory numbers are released.

