



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR JUNE 27, 2005**

---

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

Lehman Brothers reported that for fiscal year 2005, gas production volumes are seen falling 2.9% in US and rising 1.4% in Canada according to 60 oil and gas producers in North America. Lehman estimates 2Q total North American gas production rose 0.2% sequentially and fell 2.7% from a year ago. 2Q US natural gas production for the surveyed companies increased an estimated 0.2% sequentially and decreased roughly 3.6% versus 2Q 2004. 1Q US natural gas production for the surveyed companies decreased an estimated 0.1% sequentially and roughly 4.1% versus 1Q 2004. In Canada, Lehman sees 2Q Canadian natural gas production increased 0.1% sequentially and 0.1% from 2Q 2004 levels. 1Q Canadian natural gas production increased 1.1% sequentially and 1.7% from 1Q 2004 levels. Estimated/reported production for 46 companies totaled 26.2 Bcf/d after royalties in 2Q and 26.1 Bcf/d in 1Q, Lehman said.

Raymond James analysts reported that as year-over-year weather comparisons become more favorable and surplus natural gas currently available shrinks on increased demand, the price ratio between oil and gas should at least approach Btu parity of 6:1, and possible get narrower over the next six months. With front-end oil futures near \$60/bbl, that means the fair value for gas is about \$10/Mcf, not \$7.36, the current price of front-month gas futures.

#### **Generator Problems**

**ECAR**— DTE Energy Co.'s 1,111 Mw Fermi #2 nuclear unit shut over the weekend to begin repairs to a non-radioactive cooling water leak. On Friday, the unit was operating at full power.

**ERCOT**— AEP's Welsh #1 power plant will enter start up after repair of auxiliary equipment beginning today and expected to last till July 1.

TXU Corp.'s 560 Mw Big Brown #1 coal-fired power station shut June 25 to repair a boiler tube leak and will likely return on June 27.

TXU Corp.'s 565 Mw Monticello #2 coal-fired power station shut and returned to service June 26.

**FRCC**— FPL Group's 693 Mw Turkey Point #4 nuclear unit shut by early today due to a transformer fire. On Friday, the unit was operating at full power. Turkey Point #3 continues to operate at full power.

**SERC**— Duke Energy's 846 Mw Oconee #3 nuclear unit reduced output 13% to operate at 87%. Oconee #1 and #2 remain at full power.

**WSCC**— The 525 Mw Elk Hills natural gas power station returned to service by early today after a planned outage. The unit shut June 24.

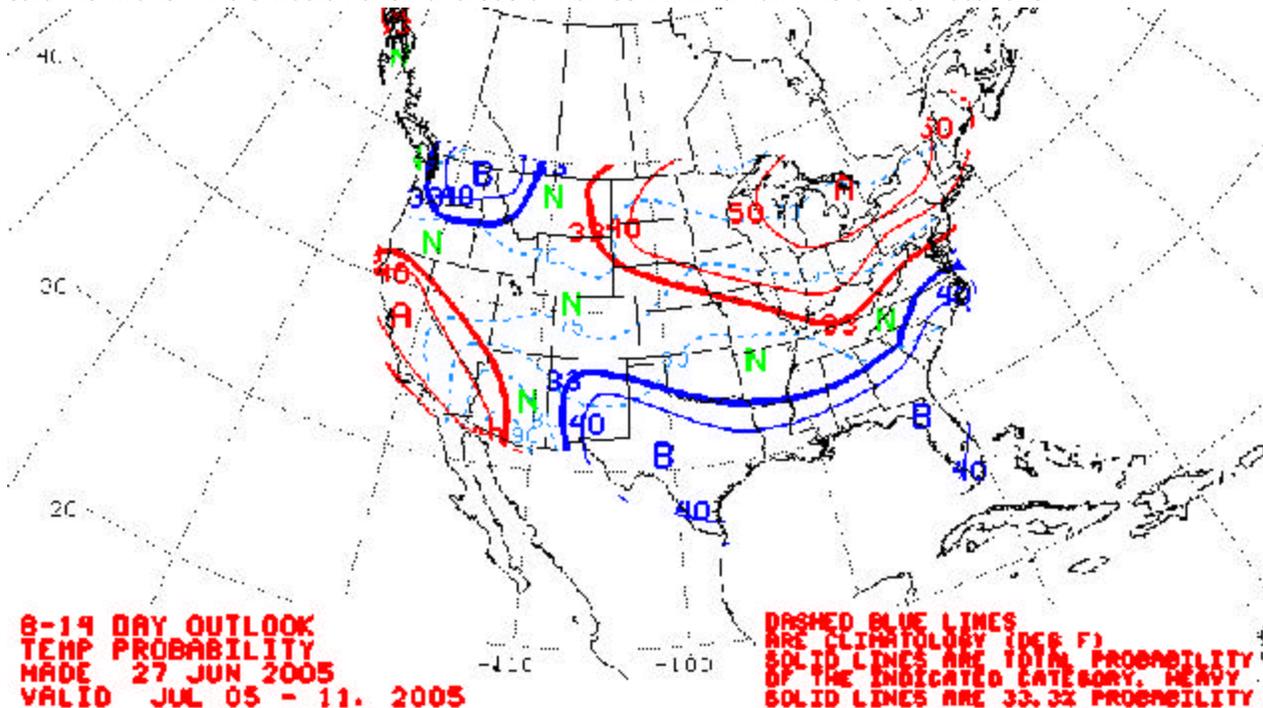
Arizona Public Service's 1,247 Mw Palo Verde #3 nuclear unit exited an outage and ramped up to 99% by early today. On Friday, the unit was operating at 6% of capacity after starting to exit the work outage. Palo Verde #1 continues to operate at 96% and #2 continues to operate at full power.

Duke Energy Corp.'s 510 Mw Moss Landing #2 natural gas-fired power station shut for unplanned reasons early today. The unit was available for service on Friday.

**The NRC reported that U.S. nuclear generating capacity was at 92,325 Mw down 0.52% from Friday and down 3.07% from a year ago.**

FERC is scheduled to decide Thursday on two New England LNG import terminals. The Fall River, Massachusetts and the Providence, Rhode Island sites would be located in more densely populated and smaller

areas than other recently approved sites, according to a report in Sunday's Providence Journal. The newspaper said the two terminals would have hundreds of homes within a half-mile of their locations.



El Paso Natural Gas Company announced today that it has received certificate approval from FERC for its Line 1903 Project, an 88-mile, 502 MMcf/d pipeline extending from Ehrenberg, Arizona to Cadiz, California. Line 1903 was previously used to transport crude oil and will be converted to a natural gas pipeline. The \$31 million project also includes the construction of a new six-mile pipeline that will connect the converted Line 1903 pipeline to El Paso's Mojave Pipeline Company facilities near Cadiz. The project is scheduled to be in service by late 2005.

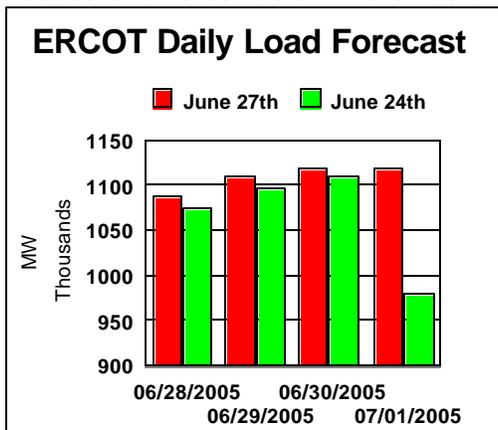
The Climate Prediction Center this morning estimated that the nation saw some 58 cooling degree days during the week ending June 25<sup>th</sup>, some 3.6% higher than normal and some 20% higher than the same week a year ago. For the current week ending July 2<sup>nd</sup>, the CPC is forecasting some 81 CDD, which would be 28% higher than normal and 65% hotter than the same week a year ago.

#### **PIPELINE RESTRICTIONS**

NGPL said that gas quality problems continue at the receipt from Southern Star-Ford in Ford County, KS. Effective today and until further notice the company will not schedule transports from this point. The company also noted that the force majeure is still in effect due to a failure that occurred back on May 13<sup>th</sup> on the Gulf Coast #3 mainline in Harrison County, TX. The affected line continues to be isolated. In other news, Segment 17 is at capacity. Deliveries to Florida Vermilion are at capacity. Natural is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas Segment 1 going northbound.

Alliance Pipeline said that the Morinville Compression Station in Alberta will undergo performance testing starting at 9:00 AM MT on June 28. The testing will be performed over a two-day period and will be complete on June 30. AOS may be impacted but will be determined closer to the outage date. Also, Alliance said that an unscheduled shutdown of a mainline compression station in North Dakota on June 24 is causing many receipt meter stations to operate at higher than normal pressures. Although the shutdown has been rectified and the station is operating normally, receipt meter station operating pressures are anticipated to remain higher than normal until June 29.

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 for Location 2471 Kosciusko to Texas Eastern Transmission.



Iroquois Gas Transmission System said it is at capacity at the Waddington meter. There will be no incremental IT available and current IT is subject to allocation through today. Other receipt points are available however there will be no additional IT allowed through Athens Compressor Station.

Kern River Pipeline said line pack levels are currently too low. Operators should be on rate unless balancing arrangement have been made. Banking continues to be a problem, despite daily reporting of high line pack and a no banking notice. Many operators continue to leave gas on the system, and it is imperative that operators take delivery of their scheduled quantities, said the company. Kern River said it will compare scheduled quantities to actual deliveries throughout the gas day. If scheduled quantities are

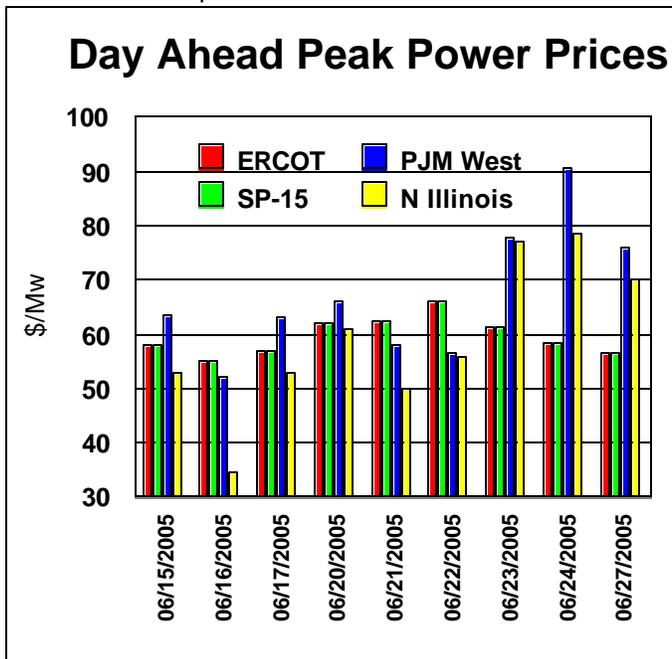
projected to be more than actual deliveries Kern River may take any necessary action to reduce the excess supply.

### PIPELINE MAINTENANCE

El Paso Natural Gas Company said that the Keystone 1B compressor will be down for mechanical inspection June 27-30 reducing the capacity from Keystone to Waha by 60 MMcf/d.

Natural Gas Pipeline Company of America said it will be performing two additional maintenance projects during the month of July. On July 6, Natural will replace the three meter tubes at the delivery to Florida Gas-Vermilion in Vermilion Parish, Louisiana. For this day Natural will schedule to a reduced point capacity due to the delivery limitation for this work. From July 7 to August 5, Natural will be performing hydrostatic testing on the Oklahoma Extension #2 between Station 111 and Station 154. Based on the expected level of nominations, Natural does not anticipate any scheduling limitations from this project.

Questar Pipeline Company said that as of June 26 the Clay Basin repairs have been completed and the station is back to normal operations. The nominations have been returned to 375 Mmcf/d.



### ELECTRICITY MARKET NEWS

ComEd announced that power was restored to all 51,000 customers affected by an outage that occurred after a fire in a substation in Chicago's south side late Friday.

BPA reported that transmission capacity on the California/Oregon AC would drop by 1700 Mw to 3000 Mw on Tuesday due to Northwest generation constraints. The Pacific DC power line is expected to remain steady at 2900 MW.

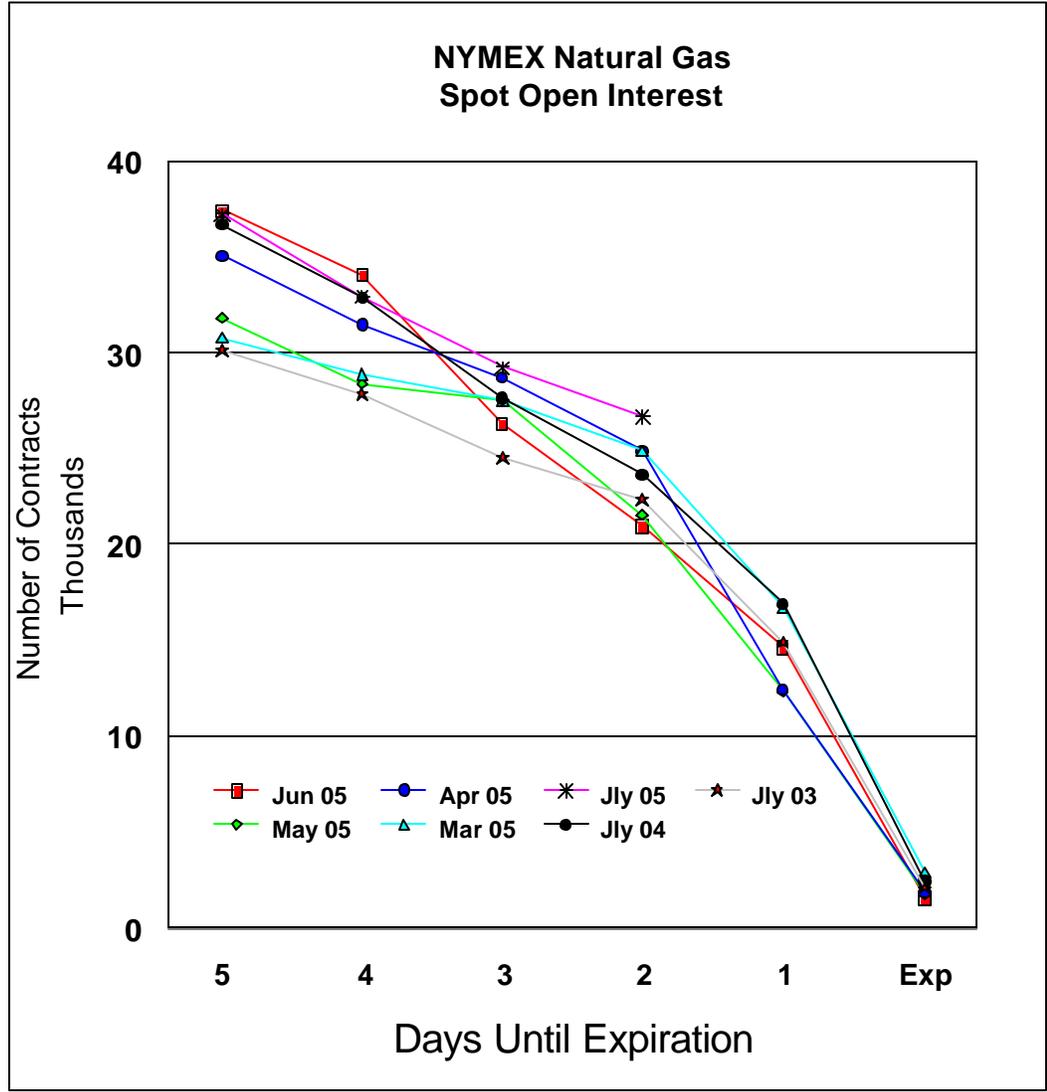
Florida Power & Light said today that they expect to have some 1900 Mw of new expanded generating capacity added to commercial service by the end of June. The company is adding a 1100 Mw combined cycle plant at its Manatee station and 800 Mw of generating capacity at its Martin power station.

### MARKET COMMENTARY

The natural gas market opened lower this morning as

traders returned from the weekend to find that temperature forecasts appeared to moderate both for the short term and intermediate term. As power prices headed lower so did natural gas values, despite crude oil prices

heading in the opposite direction. Natural gas breached its 20-day moving average today for the first time since the start of the month, as well breaking below its recent downward trending channel. It appeared that today saw aggressive long liquidation occurring today in front of tomorrow's futures expiration. While today was expiration day for the options it appeared that the limited open interest in nearby strikes had little impact on trading today.



We feel that with continued decent cooling demand expected this week, especially in the ERCOT region, this should help support prices this week, especially once the July contract is off the board. We would look for the July contract though to possibly

see some early selling as the relatively large open interest continues to liquidate their position early in the trading session. We would look for the support \$7.12-\$7.10 to be tested early. Additional support we see at the \$7.00-\$6.96 area at which we feel the market will hold at. More distant support we see at \$6.80. Resistance we see in the July contract at \$7.25 followed by \$7.32, \$7.38, \$7.46 and \$7.54.