



## **ENERGY RISK MANAGEMENT**

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

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

**[www.e-windham.com](http://www.e-windham.com)**

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### **POWER MARKET REPORT FOR JUNE 27, 2006**

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

A House Resources Committee bill (HR 4761) that would open up more areas of the Outer Continental Shelf (OCS) to oil and natural gas drilling and would give states a greater share of the royalties from offshore production would cost the federal government \$11 billion over the next decade if enacted, the Congressional Budget Office (CBO) said in a new report.

A staff report of a Senate subcommittee has characterized the Commodity Futures Trading Commission (CFTC) as a crippled agency in its oversight of the energy commodity markets due to a gap in its authority to monitor over-the-counter (OTC) electronic energy trading and its failure to keep track of U.S. energy trades on foreign exchanges.

EI Paso Corporation announced that its wholly owned subsidiary Southern Natural Gas has received approval from the FERC for the planned Cypress Pipeline project, which will expand its system by adding a new pipeline from Savannah, Georgia, to Jacksonville, Florida. The 176-mile pipeline project will transport natural gas supplies from Elba Island, the company's LNG terminal near Savannah, to markets in the Southeast.

The NYMEX announced margin changes for its natural gas futures contracts effective at the close of business on Thursday. Margins for the first and second months will remain unchanged. The margins for the third and fourth months will increase to \$10,800 from \$10,125 for customers. Margins for the fifth to eighth will increase to \$12,825 from \$12,150 for customers.

#### **PIPELINE RESTRICTIONS**

KM Interstate Gas Transmission said that the combined quantities of the following three points located in Fremont County, Wyoming are at capacity, due to operational conditions: 7738 Bur Res/Hendry Plt; 8737 WBI/Bridger; and 8963 Bur Res/Lost Cabin. Based on the current level of nominations, IT/AOR and secondary volumes are at risk of not being scheduled.

Natural Gas Pipeline Company said that a gas quality problem has been reported at the receipt from CenterPoint-Wheeler (PIN 25248) in Wheeler County, Texas (Segment 6 of Natural's MidContinent Zone). Effective gas day today and continuing until further notice, this point will be unavailable.

TransColorado Gas Transmission said that until further notice, it is at capacity for southbound deliveries through Segment 220 (Whitewater Compressor Station to Olathe Compressor Station) and Segment 240 (Redvale Compressor Station to Dolores Compressor Station). TransColorado is also at capacity for deliveries through Segment 300 (Colo./N.M. Stateline to La Maquina Lateral) which was originally effective for gas day Wednesday, June 21, and until further notice. Depending on the level of nominations, AOR/ITS and Secondary out-of-path quantities are at risk of not being scheduled.

#### **Generator Problems**

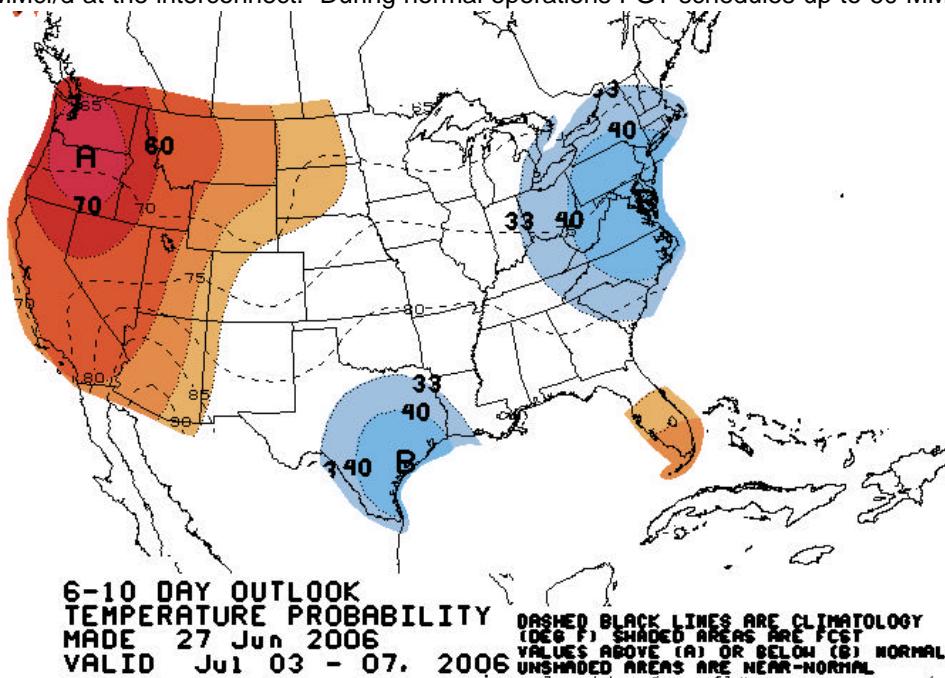
**SERC**— Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit ramped output to 87% capacity today. Yesterday, the unit was operating at 52% power.

**WSCC**— AES Corp.'s 480 Mw Redondo #8 natural gas fired power station shut for unplanned work late yesterday.

**The NRC reported that U.S. nuclear generating capacity was at 95,624 Mw up .45% from Monday and up 3.53% from a year ago.**

## **Pipeline Maintenance**

Florida Gas Transmission said that it will continue performing unscheduled maintenance on one of the two compressor units at the FGT/Transco St Helena interconnect. It is expected that the maintenance will be completed within the next week or two. For the upcoming gas days, FGT will schedule up to approximately 35 MMcf/d at the interconnect. During normal operations FGT schedules up to 60 MMcf/d.



Southern Natural Gas Pipeline said that the abandonment of the 6-inch Main Pass 296 lateral and the unscheduled repair that impacted the 12-inch Main Pass 144 lateral is taking longer than expected. Based on the best information available, SoNat now expects the work to be completed around the middle of this week. The force majeure that was issued on June 21 remains in effect for the following points: 017800 Main Pass 144; 017810 Main Pass 144 – redelivery; 021200 Main Pass 133C; and 021211 Main Pass 133A – redelivery.

Westcoast Energy said that the required H2S Constraint from July 612 at the front end of the Fort Nelson Gas Plant Turnaround will need to be adjusted from the proposed 67% to 78% of H2S treatment service availability with zero interruptible service available.

## **Electric Market News**

The Nuclear Regulatory Commission has renewed the operating licenses of the Brunswick Steam Electric Plant, Units 1 and 2, for an additional 20 years. With the renewal, the license for Unit 1 is extended until September 8, 2036, and the license for Unit 2 is extended until December 27, 2034.

U.S. Energy Secretary Samuel W. Bodman and South Korean Minister of Commerce, Industry and Energy, Chung Sye Kyun, signed an agreement making South Korea the second country after India to join the United States in the FutureGen International Partnership. Korea has pledged \$10 million to help build and operate the world's first zero-emissions coal-fired power plant and will sit on a government steering committee to oversee this initiative. Once operational, this plant will remove and sequester carbon dioxide while producing electricity and hydrogen, making it the environmentally cleanest fossil fuel fired plant in the world.

## **Market Commentary**

The natural gas market opened 7.1 cents higher ahead of tomorrow's expiration, as market players were unwilling to take another look at making new lows. Natural gas traded quietly to a high of 6.07 early in the session and then trended lower to 5.99. A large amount of buying MOC orders boosted the market to 6.12 in the final minutes of trading, as market players were covering their short July positions ahead of expiration. The July contract settled at 6.107, up 13.8 cents, while the upcoming August contract settled up 14.3 cents at 6.312.

The weather situation continues to offer little support for market bulls, as moderate temperatures occupy key consuming regions. Following yesterday's little test of the lows, it is clear that with most of summer still ahead of us, market players are unwilling to seriously threaten levels below 6.00. Also keeping prices above 6.00 is Thursday's expected storage figure, which given last weeks hot temperatures will be a smaller than average build of 40 to 65 Bcf. We see support for July at \$6.00, \$5.94, \$5.90 and \$5.75. We see resistance at \$6.47,

\$6.82, \$7.00 and \$7.33-\$7.37. For the upcoming August contract, we see support at \$6.20, \$6.16 and \$6.00. We see resistance in August at \$6.33-\$6.36, \$6.89, \$7.12 and \$7.60-\$7.61.