



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

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### **POWER MARKET REPORT FOR SEPTEMBER 20, 2005**

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

The National Hurricane Center reported that Hurricane Rita has become a category 2 storm, with winds clocked at 100 mph. The system is still taking aim at the Western/Central Gulf of Mexico, tracking west at 15 mph. Most models project the storm will make landfall along the southern or central coast of Texas, though a hit on Louisiana has not been ruled out.

El Paso Corp. said it began pulling non-essential and essential workers from its Gulf of Mexico energy-production platforms in what the company called a phased east-to-west withdrawal ahead of Hurricane Rita. The production wing of El Paso has no shut-ins yet as a result of Rita. The entire withdrawal process should be complete by Thursday.

The Minerals Management Service reported that shut-in production has increased since yesterday due to the approach of Hurricane Rita. Natural gas producers show that 3.482 Bcf/d is shut-in, 0.11 Bcf/d more than yesterday. That is equivalent to 34.82% of the daily production of gas in the Gulf.

#### **PIPELINE RESTRICTIONS**

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 from Hall Summit, East Texas – Koran Area; Tyler 12-inch Index 8 / Palestine 8inch Index 11&70 / Dallas 18-inch Index 1; West 30 North; Montpelier to Kosciusko; Kiln to Mobile; East Texas; and Bayou Sale to Napoleonville.

Florida Gas Transmission said that due to hot temperatures and the possibility of Hurricane Rita shutting in receipt volumes, it is issuing an Overage Alert Day at 25% tolerance.

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

#### **Generator Problems**

**ERCOT**— TXU Corp.'s 560 Mw Big Brown #2 coal-fired power unit shut September 19-20 to repair a boiler tube leak.

**FRCC**— FPL Group prepared the 2,205 Mw Turkey Point nuclear station for Hurricane Rita. All units were operating at 100%.

**MAAC**— Exelon Corp.'s 1,143 Mw Limerick #2 nuclear unit is operating at 77%, while work is being completed and is likely to begin ramping output soon. Limerick #1 continues to operate at full power.

Exelon Corp.'s 1,112 Mw Peach Bottom #3 nuclear unit shut by early today for a refueling outage. Peach Bottom #2 continues to operate at full power.

**SERC**— TVA's 1,114 Mw Browns Ferry #3 nuclear unit ramped up to 80% of capacity by early today. Yesterday, the unit was operating at 23% of capacity. Browns Ferry #2 continues to operate at full power.

Southern Nuclear Operating Company's 888 Mw Farley #2 unit is operating at 90% as it coasts down for a refueling outage. Farley #1 continues to operate at full power.

Dominion Energy's 921 Mw North Anna #1 nuclear unit reduced power to 81% power to clean the condenser. North Anna #2 continues to operate at full power.

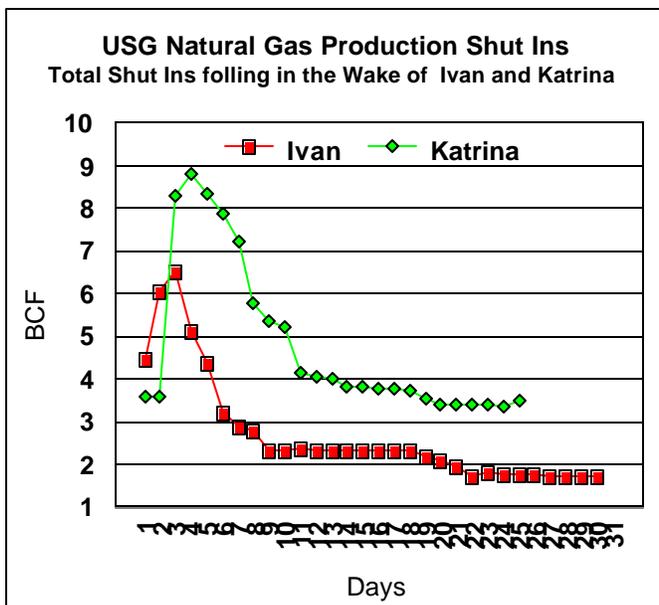
**The NRC reported that U.S. nuclear generating capacity was at 89,535 Mw down .61% from Monday and down .61% from a year ago.**

### **PIPELINE MAINTENANCE**

Alliance Pipeline said that routine inspections and maintenance require the Teepee Creek compression station in Minnesota to be offline for 10 hours starting at 9:00 AM CT September 22. Station capacity will be lowered to 32.7 MMcf/d.

Questar Pipeline Company said that on September 27 and 28, Questar will be installing measurement and control facilities at Fidar station that will require all deliveries from the Red Wash area to be shut-in. As a result, nominations from Red Wash will be reduced to zero in all cycles for gas days September 27 and 28.

Texas Eastern Transmission Corp. said that will be investigating anomalies reported from a previous in-line tool inspection between Joaquin and Longview. Tetco will endeavor to repair the anomalies without shutting down the pipeline. However, should an anomaly be severe enough to require a pipe replacement, physical receipts in the areas of the replacement will be required to be shut in. The investigations are scheduled for September 27 through October 1.



Williston Basin Interstate Pipeline Company said that Unit 16 at the Cabin Creek Compressor Station is down for unplanned maintenance. This may potentially affect the East and West Mondak Sub-Systems, Sheyenne System and Point ID 05801 WBI – Aggregate Storage. Also, due to unscheduled maintenance near the Little Beaver Compressor Station tomorrow, Receipt Point ID 04018 Baker Area Mainline and Receipt Point ID 04015 Baker Area Grasslands Mainline will be affected by approximately 250 to 500 Mcf/d.

### **ELECTRIC MARKET NEWS**

A report prepared by CRA International and released today by the New England Coalition for Reliable Electricity found that implementing the Locational Installed Capacity proposal would give New England's energy consumers a more affordable and reliable electricity system. The CRA study is the first general-equilibrium study of the economic impact of the LICAP system. LICAP is still under consideration by the Federal Energy Regulatory Commission. Once in place, LICAP would compensate electricity producers for expanding their generating capacity where that additional capacity is most needed and before growing demand for electricity overwhelms supply. Proponents believe that LICAP will lower electricity prices, increase reliability, create thousands of new jobs and lead to a cleaner environment.

### **ECONOMIC NEWS**

Despite talk of the FED pausing in its policy of hiking rates, due to concerns over long term affects of Katrina, then continued on course raising the short term interest rate .25% to 3.75%, the 11<sup>th</sup> straight rate hike.

### **MARKET COMMENTARY**

The natural gas market opened down over 36 cents as traders took some off the table and waited further news on Hurricane Rita. Off the open, natural gas sold down to the day's low of 12.12, but as reports came in that Rita had strengthened, the market moved up trending higher for the remainder of the session, posting an inside trading day. Natural gas reached its high of the day, 12.60, just before the close, mirroring the oil complex's late day rally. Natural gas settled down 17 cents at 12.492 with 67,000 contracts booked on the day.

Shut-in production since Katrina has taken a step back today, and with Rita on the way, that figure is expected to rise. Volatility is going to remain high until Rita makes her intentions clear and makes landfall, hopefully with a minimum of damage. However, it does not seem as if the market is through yet with knee-jerk reactions to the forecasts. Volatility option plays are one way to take advantage of this movement, such as long straddles or strangles.

Tomorrow's oil inventory figures will provide structure to the market when they are released, but any update to Rita that alters current reports will dominate the direction of the market. Looking ahead to Thursday's EIA storage report, which will also take a back seat to Rita reports, market players again have a wide range of expectations, anywhere from a 55 Bcf to a 90 Bcf injection. We see resistance at \$12.70 and \$13.00, followed by \$13.45 and \$14.00. We see support initially at \$12.30 and \$11.95, followed by \$11.695 and \$11.458. Further support we see at \$10.69.

