



## ***ENERGY RISK MANAGEMENT***

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

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

The EIA said that 16 processing plants in Louisiana and Texas, each with a capacity equal to or greater than 100 MMcf/d, are not active. These plants have an aggregate capacity of 9.71 Bcf/d and had a total pre-hurricane flow volume of 5.45 Bcf/d. A number of non-operating plants with a total capacity of 1.85 Bcf/d are operational, but are not active owing to upstream or downstream infrastructure problems or supplies being unavailable.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by one to 1,482 in the week ended October 14. During the same week last year, there were 1,225 rigs. The number of rigs searching for gas fell two to 1,262.

The U.S. Court of Appeals for the District of Columbia said that the FERC's orders designed to deter arbitrage by shippers on the Northern Natural Gas system do not unfairly limit shipper flexibility. The court rejected a petition by various shippers challenging FERC's interpretation of Order 637 and subsequent decisions. The commission has sought to pare down mechanisms that interstate pipelines can use to prevent the gaming of their cash-out price systems.

The Minerals Management Service reported that 5.647 Bcf/d of natural gas production remains shut-in in the Gulf of Mexico. That is equivalent to 56.47% of the daily gas production in the Gulf of Mexico.

#### **PIPELINE RESTRICTIONS**

East Tennessee Natural Gas said that nominations sourced on the Nora line have put that line above capacity. ETNG has restricted the NORA line to capacity. No increases in physical supply sourced on the NORA line will be accepted.

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 8-inch Index 11 & 70 / Dallas 18-inch Index 1; West 30 North; Montpelier to Kosciusko; Kiln to Mobile; East Texas; and Bayou Sale to Napoleonville.

Kern River Pipeline said that linepack is at extremely low levels due to issues related to TEPPCO's Jonah maintenance and because certain delivery operators drafted the system. Kern said that delivery operators must

#### **Generator Problems**

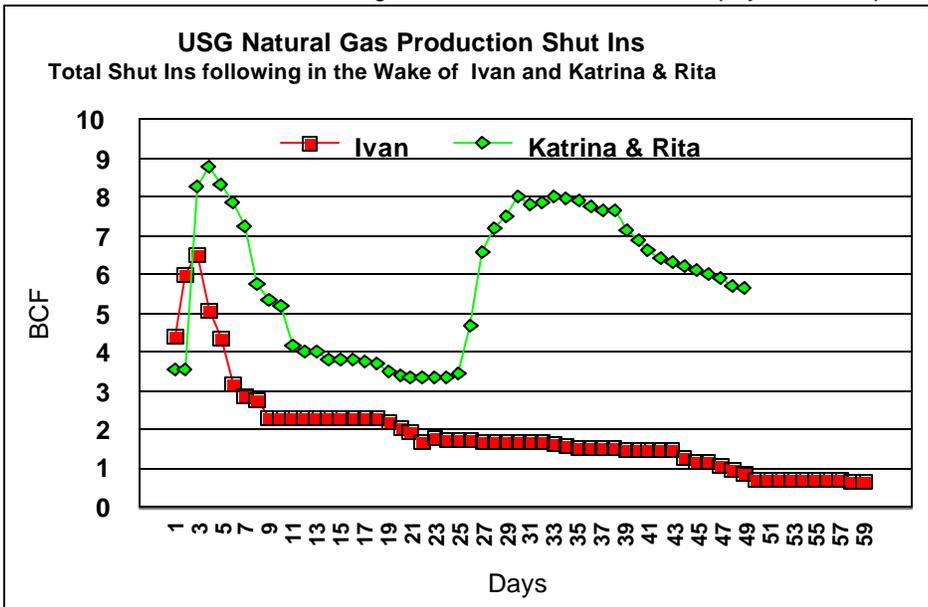
**ECAR**— FirstEnergy Corp.'s 1,235 Mw Perry nuclear unit ramped up to 99% of capacity by early today. The unit was reduced to 65% capacity yesterday for some maintenance.

**ERCOT**— San Antonio City Public Service is going to shut its 415 Mw JT Deely #1 coal-fired power unit on October 27-November 21 for planned maintenance.

**Canada**— Ontario Power Generation's 515 Mw Pickering A #1 nuclear unit shut today for one of its last commissioning tests before entering full service later this fall.

**The NRC reported that U.S. nuclear generating capacity was at 77,120 Mw up .42% from Thursday and down 9.28% from a year ago.**

be on rate or arrange payback or Kern warned it will be forced to curtail physical flows at those delivery points that draft. Kern River has arranged with TEPPCO to receive payback at Opal and Pioneer.



Questar Pipeline Company said that during the current Clay Basin reservoir test, Questar's ability to balance nominations and actual volumes has been significantly reduced. As a result, Questar reminds all shippers and producers to carefully align their nominated and actual volumes during the remainder of October 13-18 shut-in period.

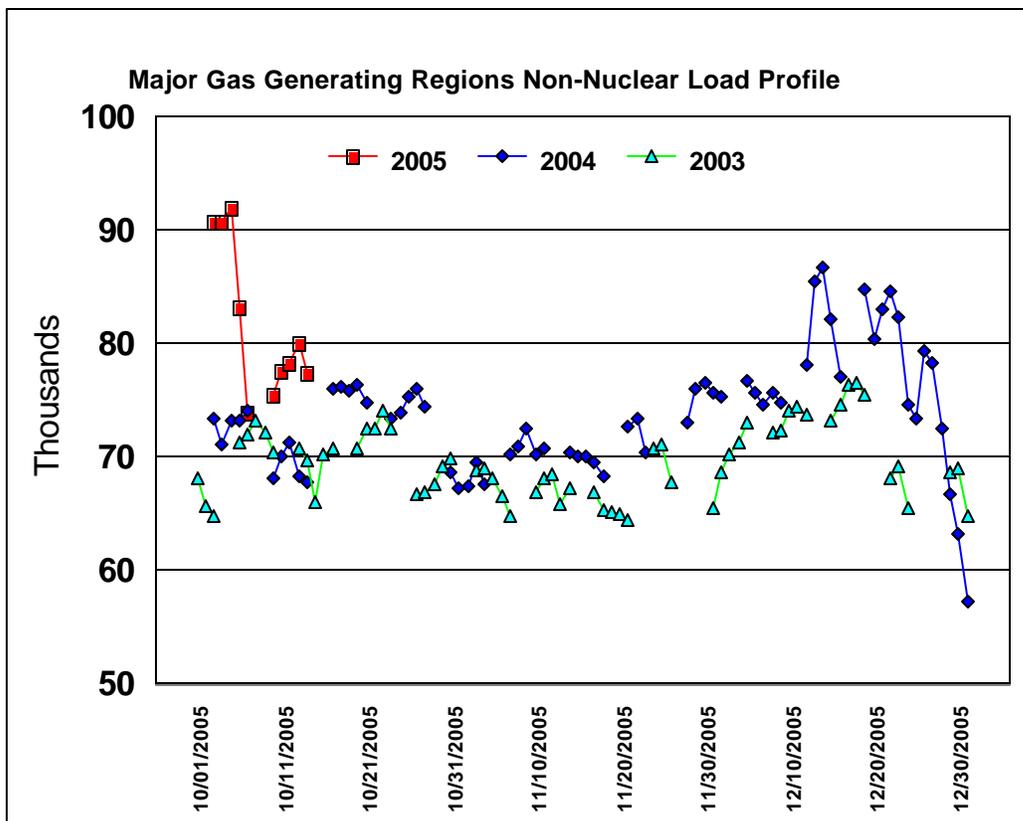
Texas Eastern Transmission Corp. said that due to the pipe replacements between Pemex and Sante Fe, all meters between the U.S./Mexico border and the replacement

location have been restricted to zero. This work is scheduled through October 19. Zones STX and ETX have been restricted to capacity. No increases in receipts between Mont Belvieu and Batesville for delivery outside of that area will be accepted. Zones M1 24-inch and M2 24-inch have been sealed to capacity through the Batesville compressor station. No increases in receipts between Little Rock and Batesville for delivery outside of that area will be accepted

TransColorado Gas Transmission said it has at capacity available for deliveries through Segment 200, Segment 220, Segment 240 and Segment 300/310. Depending on the level of nominations, interruptible flow, authorized overrun and secondary out-of-path volumes may be scheduled.

**PIPELINE MAINTENANCE**

Alliance Pipeline said that scheduled maintenance and inspections undertaken at the Alameda Compression Station on October 12 had uncovered a mechanical issue that needed to be rectified.



It was originally anticipated and communicated that this issue would impact throughput for today. However, Alliance said that it has been able to resolve the issue much quicker than originally planned. Throughput for today will be raised back up to 20% as a result.

Williston Basin Interstate Pipeline Company said maintenance will be performed at the Fort Peck Compressor Station that will affect receipt points in Line Section 8. Approximately max capacity will be 24 MMcf/d for gas day October 19.

**ELECTRICITY MARKET NEWS**

Arizona Public Service was considering what to do to restart two reactors at the 3,875 Mw Palo Verde nuclear power station but could not say when the units would return. The company has three options, first, change the control room procedures; second, physically modify the valve in question; or third, change the calculations that showed there could be a problem with the emergency core cooling system. The units shut October 11 due to a problem identified by the NRC that could compromise the emergency core cooling system.

Florida Power and Light said it increased its fuel cost recovery request for 2006 by \$203 million due to higher-than-expected cost in August and September. The company said it has now filed to recover \$6.3 billion for 2006, \$2.2 billion more than the fuel charge it collected in 2005. If the fuel clause request were approved by state regulators, FPL said residential bills would increase by \$14.74 per 1,000 kilowatt hours to \$106.36.

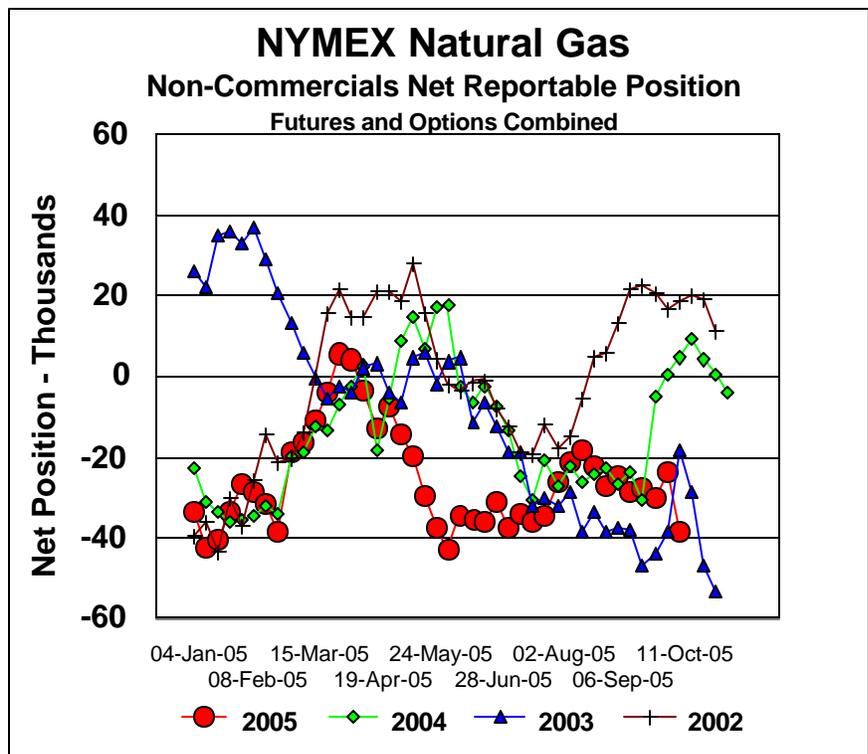
The Los Angeles Department of Water and Power's 3,100 Mw Pacific Direct Current Intertie from Oregon to Los Angeles will shut for planned maintenance from October 17-22. The North-South capacity on the line is currently over 900 Mw. When the line returns to service on October 22, the capacity will reach close to 3,000Mw. The shut down of the DC line will prevent power from flowing in both directions – North to South and South to North.

**ECONOMIC NEWS**

The Labor Department said its Consumer Price Index rose 1.2% in September, the biggest jump since March 1980, after rising 0.5% in August. More than 90% of the rise was due to energy prices, which were up a record 12%. The closely watched core index, which excludes food and energy items, rose 0.1% for the fifth straight month.

The University of Michigan's preliminary report on October consumer sentiment was said to have fallen to 75.4 from 76.9 in September.

A Federal Reserve report showed that output from U.S. factories, mines and utilities tumbled by a surprisingly sharp 1.3% in September due to a big drop in oil and gas output after the hurricanes. It was the largest decline in industrial production since January 1982, when output fell 1.9%. Expectations were centering on a fall of just 0.3% for September production.



**MARKET COMMENTARY**

The natural gas market opened 28 cents lower, continuing yesterday's sell off, and mirroring the slump in the oil complex, in an attempt to test the low end of this wide range. Reports of demand destruction have had this

market under pressure most of the week, but the market was only able to reach a low of 12.76, the 12.70 support level continued to hold. The rest of the morning, natural gas traded sideways just above the 12.80 level. Short covering ahead of the weekend rallied the market in the afternoon back above the 13.00 level and to a high of 13.30 before the close. The market settled 11.6 cents higher at 13.219.

The Commitments of Traders Report showed that non-commercial traders reduced their long positions by over 7,000 contracts and increased their short positions by almost the same. The non-commercial's net short position as of October 11 is now 17,448 contracts, a 14,223 contract increase over last week. In the combined futures and options report, the non-commercial traders increased their net short position by 14,536 lots to 38,325 contracts. We see support initially at \$12.70 followed by \$12.20. We see resistance at \$13.75, \$14.00 and \$14.75.