



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 16, 2005**

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

Forecasters at the National Oceanic and Atmospheric Administration predict that there is a 70% chance of the 2005 Atlantic hurricane season will once again be more active than usual. NOAA's prediction for the 2005 Atlantic hurricane season is for 12 to 15 tropical storms with seven to nine becoming hurricanes, of which three to five could become major hurricanes. Last year saw 15 named storms, with nine storms reaching hurricane strength. Forecasters are basing their prediction on (1) an expected continuation of conditions associated with the tropics-wide multi-decadal signal, which has favored above normal Atlantic hurricane seasons since 1995, and (2) an expected continuation of warmer sea surface temperatures in the tropical Atlantic Ocean than can be accounted for by the multi-decadal signal alone. A third factor is the expectation of neutral conditions in the Pacific, of neither an El Nino or La Nina conditions during the hurricane season.

Natural Gas Pipeline Co. of America said it experienced a "failure" early Friday on its Gulf Coast No. 3 mainline in Harrison County, Texas, which resulted in a fire at the 550 Mw Harrison County Power Plant. The failed Natural line is located on Segment 26 just south of Compressor Station 304. As a safety precaution, Natural has shut down the station and isolated and stabilized the affected section of the pipeline. Also, Natural's affected Panola interconnects with GulfTerra Energy Partners and Enbridge Energy Partners have been shut in. Natural said that there has been no impact to customers and that it is continuing to

#### **Generator Problems**

**ECAR**— FirstEnergy ramped its 1,260 Mw Perry nuclear unit to full power over the weekend.

**MAAC**— PSEG's 1,129 Mw Salem #2 nuclear unit ramped up to 99% capacity by early Monday. On Friday, the unit was operating at 45% after exiting a refueling outage earlier in the week. Salem #1 continues to operate at full power.

**NPCC**— Entergy Corp.'s 684 Mw Pilgrim nuclear unit returned to full power by early Monday. On Friday, the unit was operating at 18% after exiting a refueling outage earlier in the week.

**SERC**— Progress Energy's 872 Mw Brunswick #1 nuclear unit returned to full power today. On Friday, the unit was operating at 57% after exiting an outage earlier in the week. Brunswick #2 continues to operate at full power.

Duke Energy Corp.'s 1,129 Mw Catawba #2 nuclear unit returned to full power by early today. On Friday, the unit was operating at 40% after exiting an outage. Catawba #1 remains shut for a planned five-week refueling outage begun May 7.

Duke Energy Corp.'s 846 Mw Oconee #1 exited a refueling outage and ramped up to 58% of capacity by early today. Oconee #2 and #3 continue to operate at full power.

**WSCC**— Mirant Corp.'s 682 Mw Pittsburg #7 natural gas-fired power station returned to service by early today.

Constellation Energy Group's 780 Mw High Desert natural gas-fired power station shut early today for planned maintenance to prepare the unit for operation during the peak summer air conditioning season.

**Canada**— Bruce Power's 840 Mw Bruce B #6 nuclear unit returned to service May 14 following the replacement of its main output transformer.

Ontario Power Generation's 535 Mw Lennox #3 oil- and natural gas-fired power station returned to service by early today.

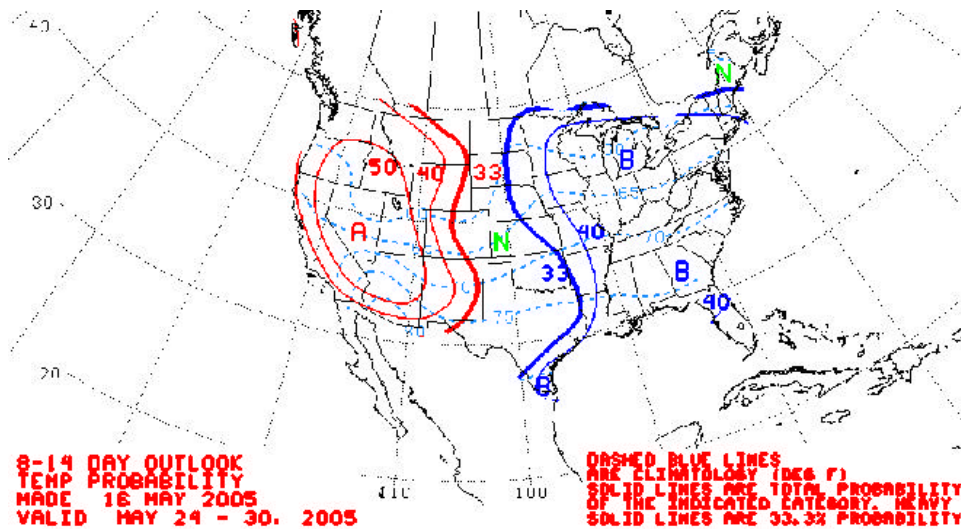
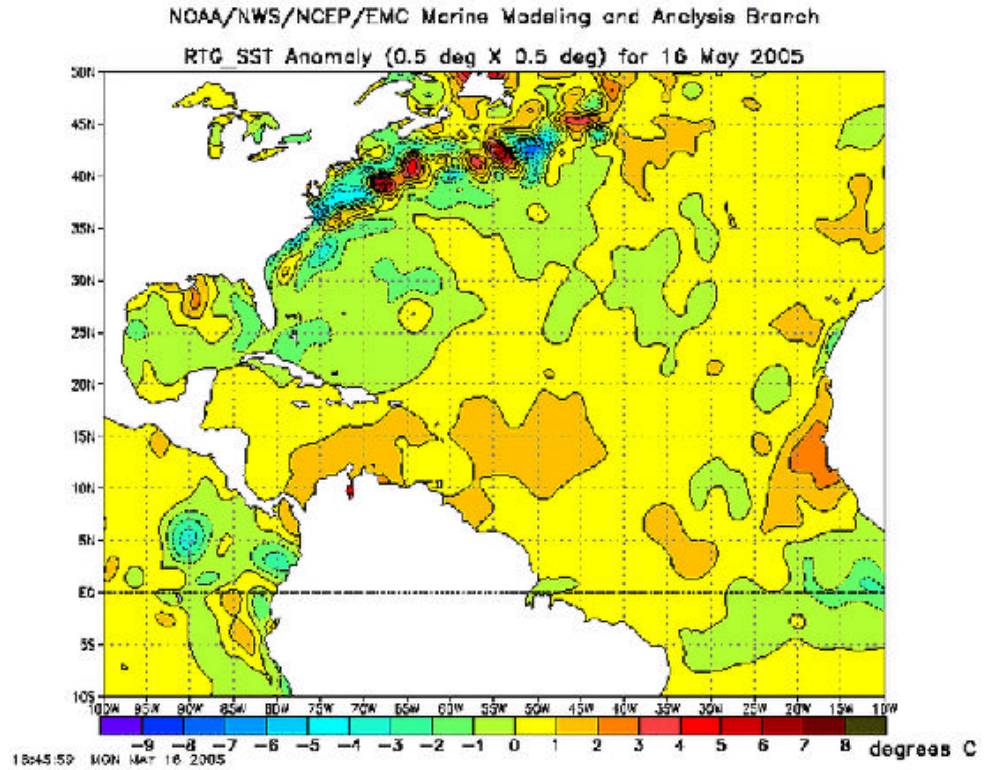
**The NRC reported that U.S. nuclear generating capacity was at 83,666 Mw today up 3.56% from Friday and down 3.27% from a year ago.**

investigate the extent of the damage and the duration of any point or line shut-ins. NGPL has begun to restart some flows of gas while investigations into the cause of the blast continue.

Raymond James analysts reported today that they see the quality of U.S. natural gas prospects continuing to diminish, and organic decline rates continue to rise, resulting in the U.S. gas supply picture remaining "quite constrained".

The consumer group, Public Citizen, asked the FERC today to reject a proposed LNG

supply agreement between Dominion and Statoil. The group called on the FERC to deny the companies' request to exempt the 800 Mmcf/d send out capacity of the Cove Point LNG terminal from the agency's open season and cost of service regulations.



Sempra Pipelines & Storage and ProLiance Transportation and Storage today announced they had reached agreement to construct, own and operate the Liberty Gas Storage project under development in Calcasieu Parish, LA.

The Natural Gas Supply Association today asked the FERC to issue a rule adopting natural gas quality and interchangeability standards for the nationwide pipeline system as well as for

non-discriminatory application of the specifications in tariffs of all interstate gas pipelines.

The Climate Prediction Center reported this morning that for the week ending May 14<sup>th</sup>, some 37 heating degree-days were recorded, on a gas home heating customer weighted basis. This was some 21% less than normal. Cooling degree-days for the week were calculated at 22 CDD, some 22% higher than normal. The CPC is expecting cooling demand to reach some 25 CDD for the current week ending May 21<sup>st</sup>, some 9% higher than normal.

### **PIPELINE RESTRICTIONS**

NGPL said that a force majeure is still in effect due to the failure that occurred May 13, on the Gulf Coast #3 mainline of its pipeline in Harrison County, Texas in Segment 26 just south of Compressor Station 304. In other news, Segment 17 is at capacity. Deliveries to Columbia Gulf-Chalkley are at capacity today. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. Deliveries to Texas Gas-Lowry are at capacity.

In an update to the ongoing force majeure situation at several of its compressors, TransColorado said that there is no new information. The estimated in-service date for completion of repairs on all expansion compressor units continues to be May 23. Currently, Segment 220 is limited to 320 MMcf/d while Segment 240 is flowing 375 MMcf/d.

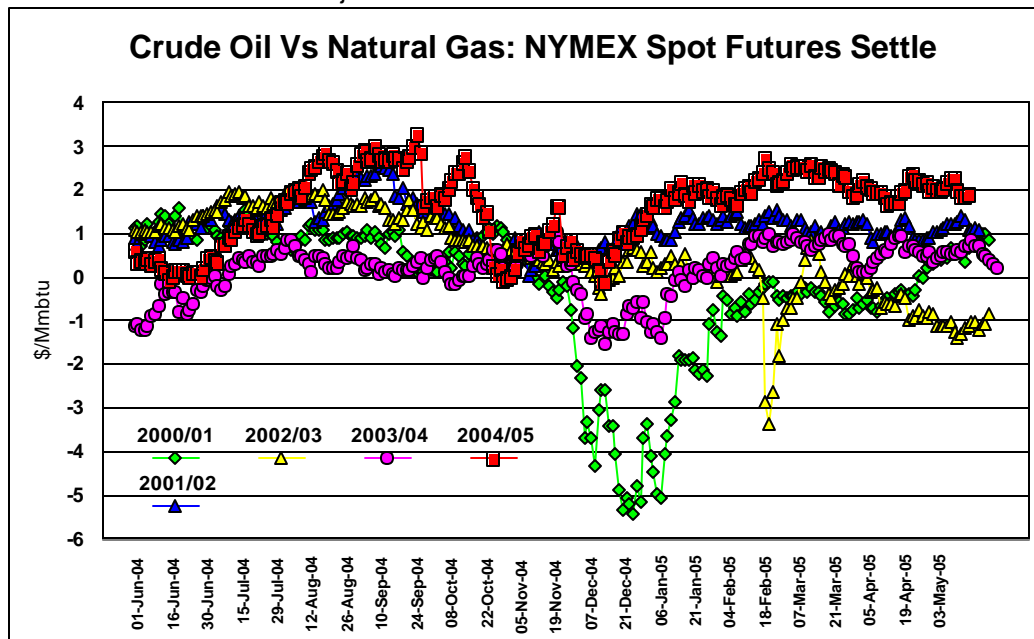
Transcontinental Gas Pipe Line Corp. said that it has identified and isolated the affected portions of the High Island lateral and will require that two points—HI 199 and HI 170—will remain shut in until a materials analysis of the impact site can be completed. Transco expects to get the results of the analysis no earlier than May 18 and will not allow nominations from those locations until further notice. The remaining production facility that was originally thought impacted, HI 110A has not been affected. Transco will allow nominations from that location effective immediately.

### **PIPELINE MAINTENANCE**

Alliance Pipeline said scheduled maintenance will require the Wimbledon Compression Station in North Dakota to be offline for six hours starting at 9:00 AM MT today. Authorized overrun service will be impacted.

### **ELECTRICITY MARKET NEWS**

The California Independent System Operator has begun reexamining its books in an effort to determine if power buyers and sellers are owed refunds or must pay more money for transactions that go back to 2001. The assessment will re-examine settlements from June 21, 2001, to June 30, 2004, and will focus on issues ranging from under-reported load and meter data to scheduling coordinator disputes and software bugs. The Largest of the refunds stem from “good faith negotiations” between the parties and could provide about \$30 million to four entities. In addition, the ISO said its review has found that two scheduling coordinators owe the grid operator between \$40 million and \$60 million for under-reported load. The grid operator asked parties to respond with any question by May 17 and plans to hold a conference call in the near future. ISO staff working on the project will manually calculate the settlement adjustments for 2002, 2003 and through June 2004. They will also run system recalculation and manual adjustments for June to December 2001 settlements.



The North American Electric Reliability Council expects generation resources and transmission systems to be adequate to meet projected demand for electricity in North America this summer. NERC warned however, that unanticipated equipment problems and extremely hot weather could combine to produce situations in which demand temporarily exceeds available generation or

transmission capacity. If demand exceeds supply, NERC said system operators may need to implement controlled demand reduction to maintain the balance between supply and demand to ensure overall bulk electric system reliability. NERC projected the 2005 peak demand for electricity in North America will be 5.9% higher than the actual 2004 summer peak.

Quebec's public environmental review board has recommended that Hydro-Quebec be allowed to expand the radioactive waste storage facility at the 675-Mw Gentilly 2 nuclear station. The company said that without expansion of the facility, storage would be at capacity by 2007. Further approval though will need to come from the provincial government.

### **MARKET COMMENTARY**

The natural gas market opened lower this morning and immediately challenged Friday's lows, breaching these levels quickly and by mid morning falling to their lowest levels since late February. But support at \$6.40 held and as oil prices began to retrace the morning's sell off, natural gas values quietly drifted upward, finding comfort with by trading on either side of the \$6.45 level for the remainder of the session. Volume was relatively light today with just 62,000 futures traded.

This market still lacks any significant weather related demand for natural gas, and as a result should be dragged along by the price movements of the oil markets for much of this week prior to the release of the EIA storage report on Thursday. We see support in the June contract at \$6.40, followed by \$6.20, \$6.13-\$6.11. Resistance we see at \$6.48, \$6.735, \$6.84 and \$6.995.