



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 18, 2005**

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

The season's first tropical storm formed today in the Pacific Ocean and was headed for Central America. Tropical Storm Adrian was expected to make landfall Thursday on the El Salvador coast with winds of 50-60 mph. The storm is expected to cross Central America and re-emerge in the Caribbean heading on a northeasterly track, headed toward Cuba, with winds much lower though.

Analysts at Commercial Services Co. said global LNG output will soar by a quarter this year as a slew of projects from Trinidad and Qatar start up, many ahead of schedule. LNG production will climb by around 34.4 million tonnes as eight new schemes come on line. This is a rise of about 25% in the world of LNG capacity, which totaled 133 million tonnes at the start of 2004. Demand for natural gas in the U.S. is forecast to grow by a third over the next 15 years.

According to a report released by The New England Council this week, New England needs to expand its LNG infrastructure, including adding import terminals, before 2010 in order to meet increasing demands or face inadequate supplies. New England has experienced a dramatic increase in demand for natural gas, rising 70% from 1993 to 2003.

The Agriculture Energy Alliance, a national coalition of 60 farm groups and businesses called on U.S. lawmakers to craft a comprehensive energy bill that will boost domestic natural gas supplies and stabilize prices. The group noted that high natural gas prices in recent years has forced the closing of 20 U.S. fertilizer plants, thus making U.S. farmers increasingly import dependent.

#### **PIPELINE RESTRICTIONS**

NGPL said that the affected line #3 continues to be isolated, but that lines #1 and #2 were not damaged. In other news, Segment 17 is at capacity. 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.

Florida Gas Transmission said that due to current weather forecasts indicating warmer weather in Florida, FGT may issue an Overage Alert Day on one of the upcoming gas days to ensure that linepack does not drop to lower levels.

#### **Generator Problems**

**MAIN**— Exelon Corp.'s 864 Mw Quad Cities #2 nuclear unit ramped up to 60% of capacity by early today. Yesterday, the unit was operating at 18% after exiting an outage. Quad Cities #2 continues to operate at 85% capacity.

**NPCC**— Entergy Corp.'s 825 Mw FitzPatrick nuclear unit dipped to 55% capacity by early today for planned work. Yesterday, the unit was operating at full power.

**SERC**— Southern Nuclear Operating Co.'s 888 Mw Farley #1 unit increased output 11% to operate at 91% capacity after being reduced 20% yesterday. Farley #2 continues to operate at full power.

**The NRC reported that U.S. nuclear generating capacity was at 84,138 Mw today up .21% from Tuesday and down 5.28% from a year ago.**

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 Tyler 12", Palestine 8", and Dallas 18", in Area 8.

Kern River Pipeline continues to warn schedulers of high line packs across its entire system. This affects Kern ML North from Muddy Creek to Elberta, Kern ML Middle from Elberta to Goodsprings and Kern ML South from Goodsprings to Common Facility and from Common Facility to End of Facilities.

Texas Eastern Transmission Corp. said it has restricted ETX due to the scheduled cleaning of line 11. M1-24 and M2-24 have been scheduled to capacity. Nominations increases between Huntsville and Batesville will not be accepted.

TransColorado Gas Transmission said that today and until further notice, it is at capacity for deliveries through Segment 310 (La Maquina Lateral to Blanco Hub). Depending upon the level of nominations, interruptible flow, authorized overrun and secondary volumes are at risk of not being scheduled.

**PIPELINE MAINTENANCE**

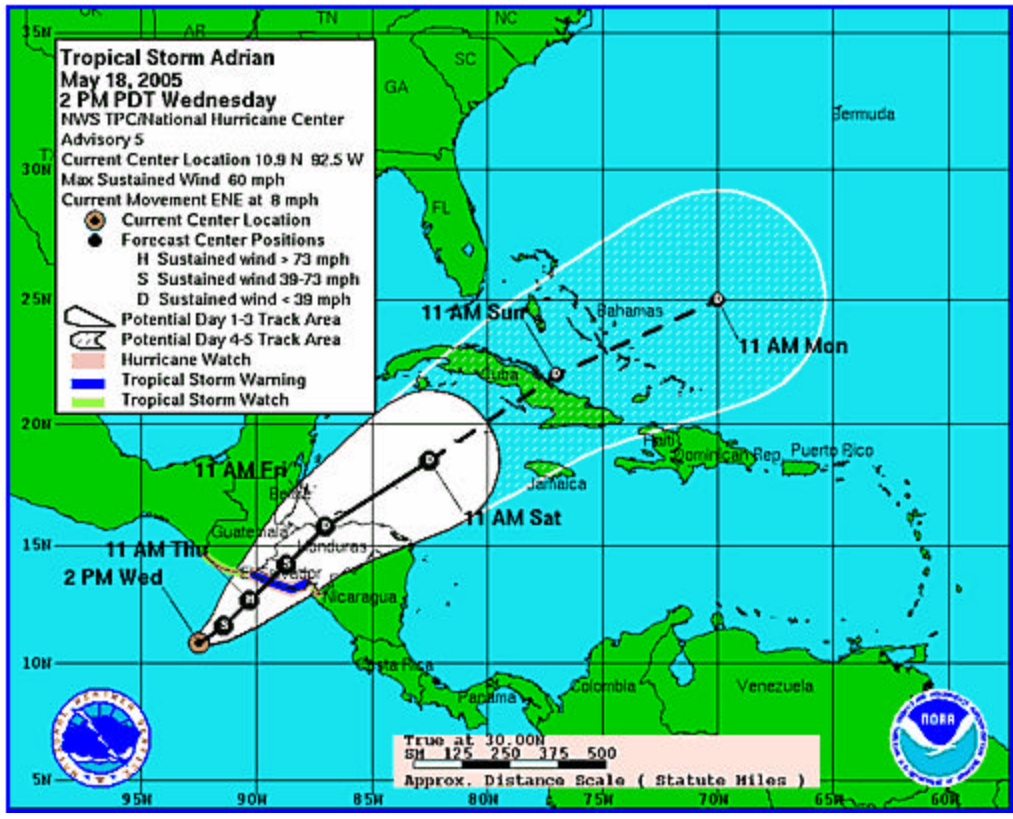
El Paso Natural Gas Company said that a problem was discovered on Line 1202 downstream of White Rock station, requiring replacement of a section of pipe. The line was shut in and repairs began on Tuesday. This work has caused the pigging of Line 1202 from White Rock to Gallup that was scheduled for Tuesday to be postponed. Also, Line 1204 valve replacements on the North Mainline have been rescheduled from May 23 and 25 to May 24 and 26. Line 1204 upstream of Leupp Station will be down May 24. Line 1204 between Leupp and Williams Stations will be down May 26. The capacity of the North Mainline will be reduced by the following amounts from a base capacity of 2,238 MMcf/d: May 18 – 250 MMcf/d; May 19 – 180 MMcf/d; May 20 – 400 MMcf/d; May 21-23 – 60 MMcf/d; May 24 – 270 MMcf/d; May 26 – 360 MMcf/d.

**ELECTRICITY MARKET NEWS**

The Edison Electric Institute reported that Electricity production in the continental United States for the week ended May 14 fell 3.7% from the same 2004 week to 68,636 GWh. For the first 20 weeks of the year, production was up 1.0% from the same period last year. In the 52 weeks ended May 14, production rose 1.7% from the corresponding period in 2004.

Complete Energy Holdings said it agreed to buy the 1,022 Mw natural-gas fired La Paloma power station from a group of banks led by Citigroup for about \$560 million in cash.

New York Power Authority announced progress on initial plans for the installation of a new power line aimed at improving electrical service in the Tri-Lakes Region of Lake Placid, Saranac Lake, Tupper Lake and the



surrounding communities. NYPA and Niagara Mohawk are working together to improve the regional electric system and reliability problems caused by winter weather and increased electric use. While NYPA will obtain the permits for the line, Niagara Mohawk will build it. The new 46kV power line will be in service by 2008, at an estimated cost of \$29 million.

### **ECONOMIC NEWS**

The U.S. April Consumer Prices Index rose 0.5%, led by the biggest increase in energy costs in more than two years. The core number, less food and energy, unexpectedly held steady for the first time since November 2003. The Median forecast called for a 0.2% increase in core prices. Economists feel that the report on core prices bolstered the view of the FED that inflation is under control. That will let the central bank keep raising the target interest rate in quarter-percentage-point steps.

### **MARKET COMMENTARY**

The natural gas market opened higher this morning helped by firmer oil prices and the appearance of the season's first tropical storm near the coast of Central America. While the track of the storm was seen taking it into the Caribbean in a weakened state, well south of the Gulf of Mexico, the early start of the Atlantic hurricane season was unofficially kicked off and appeared to lend support to natural gas throughout the day. Therefore as crude oil prices worked lower throughout the day following bearish oil inventory reports, the natural gas market lagged behind, seeing its discount to crude oil in the June contract shrink by 30 cents per Mmbtu. Final volume in the futures was estimated at 73,000 contracts.

Current market expectations for tomorrow's EIA Storage Report appear to be centered around an 85 bcf injection rate on the week ending May 6<sup>th</sup>. A year ago saw an 84 bcf gain in stocks, while the five year seasonal average is a 74 bcf build.

We see support for this market tomorrow at \$6.37 followed by \$6.20, \$6.13-\$6.11 and \$6.035. Resistance we see tomorrow starting \$6.47, \$6.57-\$6.60 and \$6.70.