



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 31, 2005**

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

Colorado State University expert Dr. William Gray is forecasting that the 2005 hurricane season will be very active, with as many as 15 storms and eight hurricanes. Gray reports that the probability of U.S. major hurricane landfall is estimated to be 150% of the long-period average. The forecast also noted that for the U.S. Gulf Coast from the Florida Panhandle westward to Brownsville, where most of the Gulf's energy production lies, there's a 72% probability of a tropical storm making landfall, 58% probability of a category 1-2 hurricane and 44% probability of a category 3-5 hurricane.

The EIA late Friday released their latest Natural Gas Monthly Report, and it showed that in March U.S. domestic natural gas production stood at 51.8 bcf/d. This estimated production level would be off some 2.4% from the prior month as the EIA failed to revise its estimates for February, which had stood out a month ago as an anomaly given that it was the highest monthly estimated production level since March of 2003. The March 2005 production level though was some 0.7% below the same month a year ago, but when total production and net imports are combined, the total supply into the U.S. market in the month was some 61.2 bcf/d, some 1.1% higher than a year ago. Consumption meanwhile was estimated at 71.7 bcf/d down 11.2% from February but 5.7% higher than the same month a year ago. Residential and commercial demand for gas led the way over year ago levels up 14.2% and 10.8% respectively. Consumption of gas by electric utilities was up 7.1%, while industrial demand was actually off 4.5%. The agency estimated that at the end of March working gas inventories stood at 1.284 tcf of gas, which would have been some 36 bcf higher than the inventory level as reported by the EIA basis their weekly inventory report.

Lodi Gas Storage LLC announced today that it is conducting an open season for additional firm natural gas storage services at its facilities in Northern California, as it attempts to gauge interest in a possibly expansion of the facility.

The FERC awarded CenterPoint Energy Gas Transmission a certificate to carry out a mainline compression expansion in Oklahoma that would permit greater volumes of Rocky Mountain

#### **Generator Problems**

**ERCOT**— American Electric Power's 528 Mw Welsh #2 coal-fired power unit will restart from May 30-June 1 following a boiler trip.

**MAAC**— FirstEnergy Nuclear Operating Co. returned its 821 Mw Beaver Valley #2 unit to full power over the weekend. Beaver Valley #2 remains at full power.

**MAIN**— Exelon Corp.'s 850 Mw Dresden #2 nuclear unit shut on Saturday to replace the hydrogen seal on the generator. The unit was operating at 20% early this morning. On Friday, the unit was operating at full power. Dresden #3 continues to operate at 99% of capacity.

Exelon Corp.'s 864 Mw Quad Cities #1 nuclear unit shut Saturday to replace the steam dryer. On Friday, the unit was operating at 85% of capacity. Quad Cities #2 continues to operate at 95% capacity.

**MAPP**— Omaha Public Power District's 476 Mw Fort Calhoun nuclear unit started to exit a refueling outage and ramped up offline to 1% capacity early this morning. The unit shut February 26.

**SERC**— Southern Co.'s 883 Mw Hatch #2 nuclear unit exited an outage and ramped up to 88% of capacity by early today. The unit shut May 23 due to a problem with the condenser. Hatch #1 continues to operate at full power.

Tennessee Valley Authority's 1,127 Mw Sequoyah #2 nuclear unit exited a refueling outage and ramped up to 45% of capacity. The unit shut April 24. Sequoyah #1 continues to operate at full power.

natural gas to be transported eastward to markets across its system.

The Climate Prediction Center reported that for the week ending May 28<sup>th</sup> the nation saw some 29 cooling degree days, some 29.3% less than a year ago, but right in line with normal cooling demand. For the current week ending June 4<sup>th</sup>, the CPC is estimating that the nation will experience some 33 CDD, some 8.3% less than normal and 8.3% less than the same week a year ago.

**PIPELINE RESTRICTIONS**

Natural Gas Pipeline of America said that the force majeure is still in effect on the #3 mainline in Segment 26. In other news, Segment 17 is at capacity today. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound.

El Paso Natural Gas Company said that it is currently experiencing extremely high line pack with low demand. The possibility exists that an SOC (Strained Operating Condition) may need to be issued for today.

Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other

**Generator Problems**

**WSCC**— Calpine Corp. curtailed the power output of the 811 Mw Delta Energy Center by about 611 Mw for planned reasons late yesterday. The unit was available for service Friday.

Constellation Energy's 780 Mw High Desert natural gas-fired unit curtailed output by 760 Mw.

Duke Energy's 510 Mw Moss Landing #1 and 260 Mw Moss Landing #2 natural gas-fired power units shut today for planned reasons.

Duke's 222 Mw Southbay #4 gas-fired power unit shut and a return date is unknown.

PG&E's 407 Mw Helms #2 hydro-electric power station shut today.

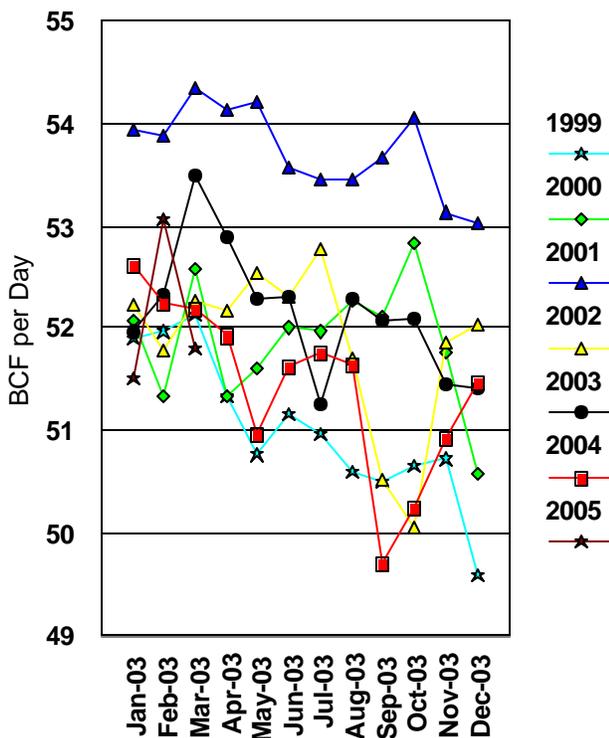
**Canada**— Ontario Power Generation's 535 Mw Lennox #4 oil- and natural gas-fired power station shut by early today for a short-term planned outage. The unit was available for service Friday.

OPG's Lambton #3 and Nanticoke #1 and #2 coal-fired power stations shut for maintenance till about June 7.

**Mexico**— Sempra Energy's 600 Mw Termoelectrica de Mexicali natural gas-fired power station shut by late Monday for planned reasons but has returned to service.

**The NRC reported that U.S. nuclear generating capacity was at 85,616 Mw up .12% from Friday and down 4.01% from a year ago.**

**U.S Natural Gas Production**



factors, Gulf South may be required to schedule available capacity and implement scheduling reductions for Tyler 12-inch/Palestine 8-inch/Dallas 18-inch in Area 8.

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

Trailblazer Pipeline said that it anticipates that capacity will be available for a limited amount of secondary out-of-path transport volumes going eastbound through Compressor Station 602 effective tomorrow. The scheduling of any interruptible flow and authorized overrun transport volumes will depend on the level of nominations received and will only be scheduled to the extent that Secondary out-of-path and primary in-path are not fully utilized.

**PIPELINE MAINTENANCE**

National Fuel Gas said it has scheduled construction on line N-20 from May 30 through June 3. NFGSC has the ability to accept approximately 5 to 7 MMcf/d at Bristoria during this period. The work may restrict

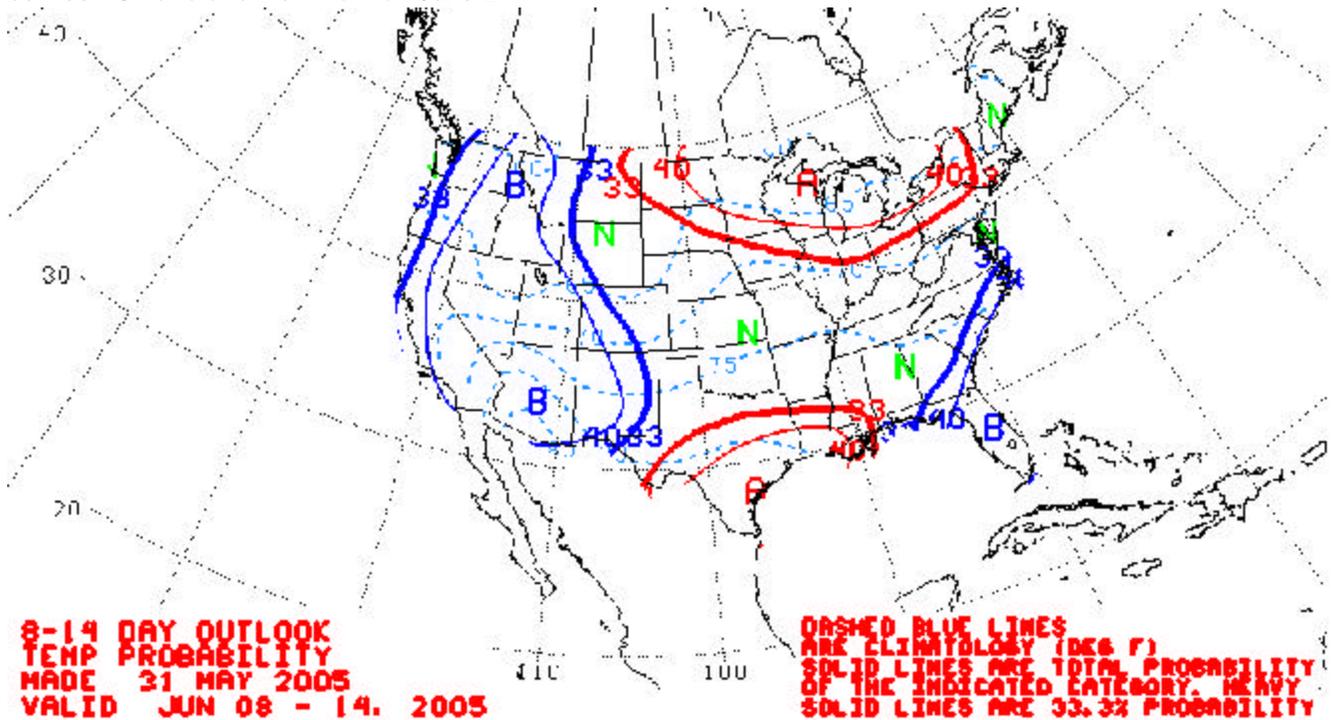
interruptible, secondary and firm transportation with receipts at Bristoria above these quantities.

### **ELECTRICITY MARKET NEWS**

The Edison Electric Institute said in a release that it will publish its Weekly Electric Output report for the week ended May 28 on Thursday, June 2 instead of Wednesday due to the U.S. Memorial Day Holiday.

Southern Company reported that it expects both of its 620 Mw natural gas fired Units 10 and 11 at the McIntosh power plant in Georgia to enter into commercial service on Wednesday. The units had been under construction since 2003.

Several outages will likely boost congestion costs, including the Moses-Adirondack line (900 Mw) in the North-Central region from May 31-June 3, the Ramapo-Buchanan (750 Mw) and the Leeds-Pleasant Valley lines (1,100 Mw) in the Hudson Valley from June 1-2 and June 1-3, respectively, and the Niagara-Niagara W line (1,000 Mw) between Ontario and New York on June 2.



Responding to increased customer demand for electricity in rapidly growing southeast Washington County and nearby areas, Portland General Electric will add a new 230 kV transmission line between Beaverton and Sherwood. The line will travel along the existing right-of-way from the Murrayhill Substation near S.W. Scholls Ferry Road to the Sherwood Substation near U.S. Highway 99. The \$6.1 million project will increase electric service capacity and reliability for approximately 100,000 customers served by the substations.

A newly updated, long-range analysis by Puget Sound Energy shows a continuing need to acquire new electricity and natural-gas resources to serve customers' energy demands. The utility's 2005 Least Cost Plan, which forecasts PSE's long-range electricity and natural gas requirements and guides its resource-acquisition strategy, identifies a need to acquire more than 2,000 average megawatts of power supply by 2025. Population growth, and increased business activity are cited as factors for the increase in energy demand.

Connecticut Attorney General Richard Blumenthal announced that in lieu of a court appeal, he is urging the legislature to adopt measures to protect municipalities and residents in the siting of major utility projects. These projects include the siting council's order allowing a 345 kV transmission line between Middletown and Norwalk.

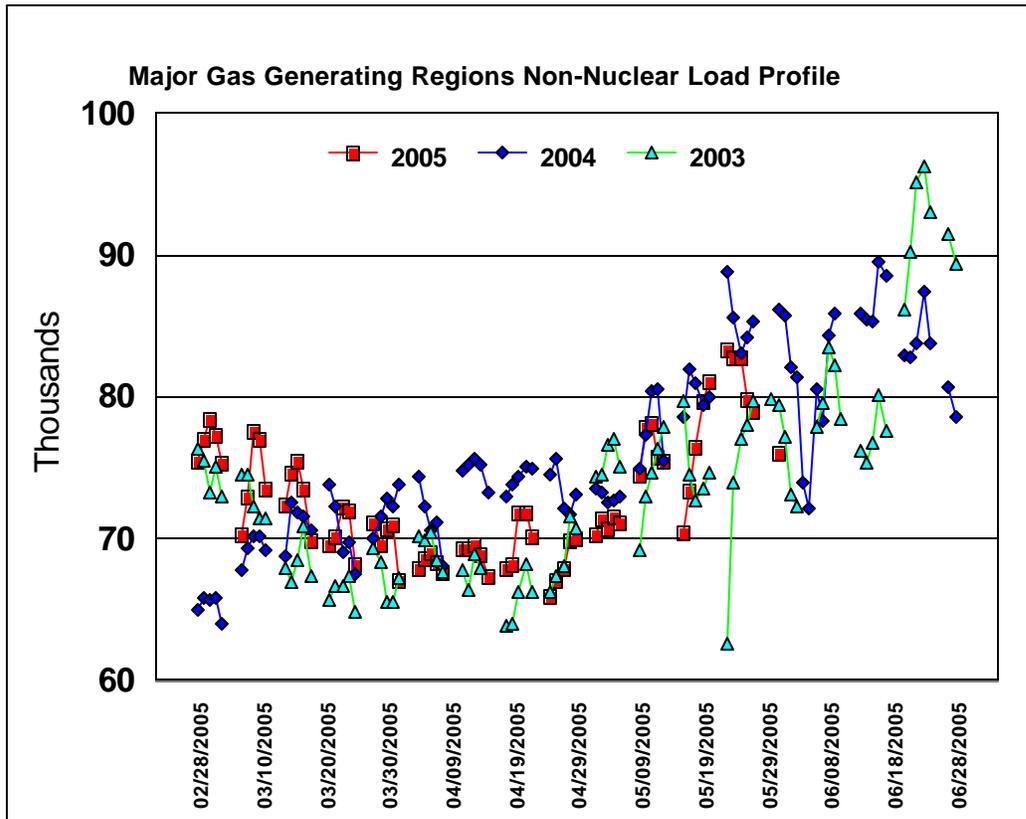
### **ECONOMIC NEWS**

The Consumer Confidence Index rebounded from April's decline, standing at 102.2 for May up from 97.5, suggesting consumers' optimism in the economy.

The Chicago Purchasing Managers Index declined, causing investors second-guessing that Consumer Confidence number. The May reading was 54.1, down from April's 65.6 and short of the street's forecast of 61.

**MARKET COMMENTARY**

The natural gas market today appeared to be nearly a mirror image of Friday's trading activity. The market opened weaker in sympathy with weaker oil prices, and limited near term power demand, only to drift higher as oil prices rebounded yet again.



But the natural gas market continues to find decent resistance over the past three trading sessions at the \$6.37-\$6.39 level and failed to breach Friday's high, despite higher crude oil and heating oil values at the end of the trading session. Volume was relatively light with just 59,000 futures traded.

The natural gas market has failed to demonstrate any true traction to the upside in price given the continued limited call on natural gas as a generating fuel. But technically if this market does finally breach the near term resistance at the \$6.37-\$6.39, helped in part by potentially higher oil prices, we could see gas prices gain upside momentum if the two month trend line is broken, which tomorrow comes in at \$6.482. Additional resistance we see at \$6.53 and \$6.624. More distant resistance would be the gap left from May 12<sup>th</sup> at \$6.68-\$6.72. Support we see at \$6.28-\$6.26 followed by \$6.13, \$6.03, \$5.90 and \$5.85.