



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JUNE 6, 2005**

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

The good news for North American energy consumers is that U.S. and Canadian natural gas producers found more gas last year than they produced. The bad news is that relief from high natural gas prices may still be out of sight. According to a new research report by Ziff Energy Group of Calgary, record natural gas drilling in North America last year resulted in new reserve additions that more than offset production in both countries. Ziff reported a 15% increase in natural gas reserves in the U.S. lower 48 states at the end of 2004 compared with the previous year. In Canada, reserves rose 8%. Martin King, an energy commodities analyst with FirstEnergy Capital Group, reported that a hot U.S. summer could push up natural gas demand for power generation. King noted that the limitations in coal transportation and emissions regulations will put more demand on natural gas-fired generation.

The Climate Prediction Center reported that for the week ending June 4<sup>th</sup>, the US saw 30 cooling degree days, down 17% on the year. It is also 17% lower than normal cooling demand. For the current week ending June 11<sup>th</sup>, the CPC is estimating that the US will see some 59 CDD, up 11% on the year and up 37% from normal levels.

#### **Generator Problems**

**ERCOT**— AEP's 690 Mw Oklaunion coal-fired power unit shut June 3-7. The unit will return to service as soon as possible.

Texas Genco's 610 Mw WA Parish #8 coal-fired power unit will return to service on June 5-6 following unplanned repairs.

**FRCC**— FPL Group's 693 Mw Turkey Point #4 nuclear unit is preparing to exit a refueling outage and is in hot standby mode. Turkey Point #3 continues to operate at full power.

**MAAC**— AmerGen Energy's 619 Mw Oyster Creek nuclear unit exited an outage and returned to full power by early today. The unit automatically shut June 1 due to a generator and turbine trip.

PSEG Power decreased output to 91% capacity at its 1,049 Mw Hope Creek nuclear unit. The unit was at full power on Friday.

**MAIN**— Exelon Corp.'s 850 Mw Dresden #3 nuclear unit ramped up to 99% of capacity by early today. Friday, the unit was operating at 20% of capacity. Dresden #2 increased output back to 99% today from 89% on Friday.

Exelon Corp.'s 864 Mw Quad Cities #1 nuclear unit ramped up to 81% capacity by early today. On Friday, the unit was operating at 35% of capacity after exiting an outage. Quad Cities #2 continues to operate at 95% of capacity.

**MAPP**— The Omaha Public Power District's 492 Mw Fort Calhoun nuclear unit shut this weekend. The unit was operating at 13% on Friday.

**SERC**— Duke Energy Corp.'s 1,129 Mw Catawba nuclear unit started to exit a refueling outage and ramped up to 10% of capacity by early today. The unit shut for the refueling on May 7. Catawba #2 continues to operate at 99% of capacity.

SCANA Corp.'s 966 Mw Summer nuclear unit ramped up to 97% of capacity by early today. On Friday, the unit was operating at 23% after exiting a refueling outage.

Progress Energy's 900 Mw Brunswick #2 returned to full power this morning after scaling back over the weekend to conduct a planned rod pattern adjustment. Brunswick #1 remains at full power.

Union Gas announced a binding open season for long-term peak storage space at its Dawn market hub. Storage service will be offered with a term of three years, commencing April 1, 2006. The Dawn Hub is a key North American natural gas trading location with an average of over 6.8 Bcf/d of trading activity in 2004.

Williston Basin Interstate Pipeline Company said it is holding a non-binding open season seeking parties interested in acquiring firm storage service, and firm transportation service if required, through the construction of new facilities on Williston Basin's system. The targeted in-service date is for the 2008 summer injection season. The non-binding open season began June 3 and will end at 4:00 PM CT July 1.

#### **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 for Texas: Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18 – inch Index 1.

Texas Eastern Transmission Corp. said it has scheduled ETX, M1-24-inch, and M2-24-inch to capacity. Nomination increases between Mount Belvieu and Sarahville will not be accepted.

In an update to its ongoing force majeure situation, TransColorado said it has increased capacity due to additional compressor availability. The Dolores, Whitewater, and Mancos compressor units are repaired. Estimated capacity in Segment 220 now stands at 360 MMcf/d, while Segment 240 is flowing at 410 MMcf/d.

Iroquois Gas Transmission System said that effective through October 31, due to reliability issues at the Dover compressor station, as well as an anticipated increase in demand on the pipe, flow control devices will be activated at all meter stations south of the Athens compressor station. Iroquois does not have in place a valid nomination with verified upstream supply. Flow control devices at such meter stations are to be set at a flow rate equivalent of 1 MMcf/d.

KM Interstate Gas Transmission said that it is at capacity for deliveries to Northern Natural Milligan (PIN 8601). Based on 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 the ongoing Gallup B turbine overhaul will extent two days beyond the original schedule, through June 7. the capacity of the San Juan Basin will be reduced by 130 MMcf through June 7.

Questar Pipeline Company said that Clay Basis experienced a mechanical failure in the early hours of Saturday, June 4. It is anticipated that the repairs required will be completed late today. Due to this mechanical failure, nominations were reduced to 255 MMcf/d in cycles 1,2 and 3 for today.

Transcontinental Gas Pipe Line Corp. said the lowering of the North High Island Gathering System lateral – last anticipated to begin July 5 – has been delayed until further notice.

#### **ELECTRICITY MARKET NEWS**

Calpine Corp. reported that the first 300 Mw at its new 560 Mw Fox Energy Center in Wisconsin began commercial operation, providing energy to Midwest markets in time for peak summer demand. The Fox unit is a combined-cycle natural gas and oil-fired plant, which will provide 150 Mw to WPS Resources Corp. unit

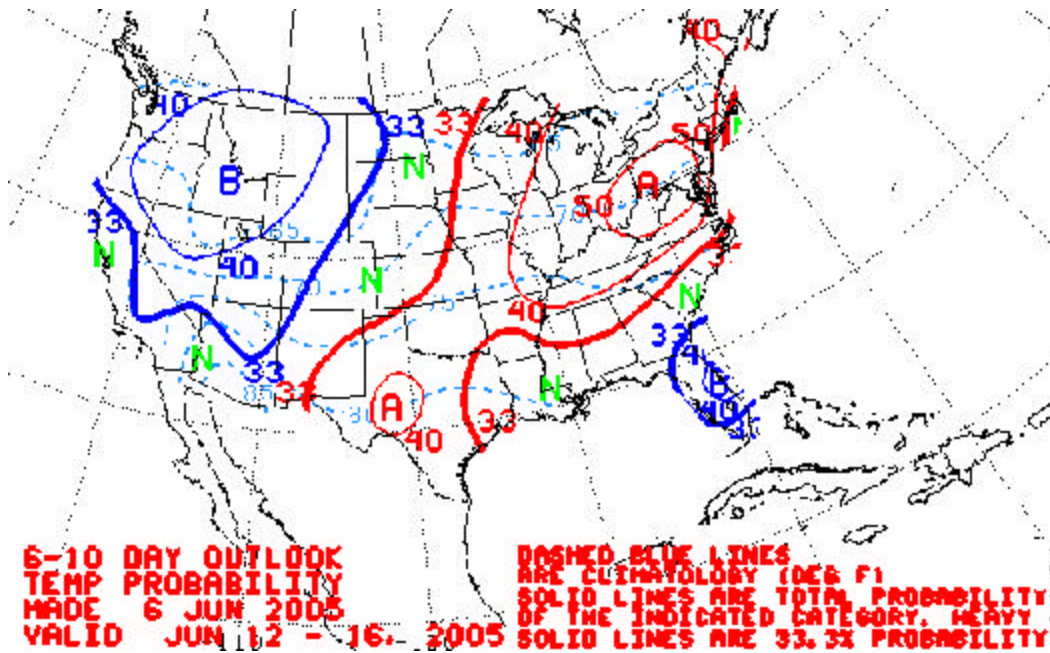
#### **Generator Problems**

**WSCC**— Duke Energy Corp.'s 510 Mw Moss Landing #1 natural gas-fired power station returned to service late Sunday. The unit shut May 31 for planned maintenance.

Calpine Corp.'s 811 Mw Delta Energy Center returned to service by early today. The unit was curtailed on Friday by about 611 Mw.

**Canada**— Ontario Power Generation's 535 Mw Lennox #1 oil- and natural gas-fired power station returned to service early today. The unit shut May 10 for the outage.

**The NRC reported that U.S. nuclear generating capacity was at 88,260 Mw up 2.44% from Friday and down 3.83% from a year ago.**



Wisconsin Public Service Corp. with the remainder of the plant's capacity being sold into the region's wholesale power market.

**MARKET COMMENTARY**

The natural gas market seemed to decouple itself from the crude oil market as it settled sharply higher. The July natural gas contract gapped sharply higher from \$6.925 to \$7.11 as above normal temperatures

across much of the eastern half of the country increased air conditioning demand. The market partially backfilled its opening gap as it posted an intraday low of \$7.035. However it quickly bounced off its low and continued to extend its gains to 36 cents as it posted a high of \$7.24 as the heating oil market also traded to its high. The natural gas market later gave up some of its gains ahead of the close. It settled up 24.2 cents at \$7.122.

The natural gas market may retrace some of today's gains early in the session and is mostly seen driving by the weather forecasts. Its upside could be limited by more moderate temperatures late in the week. The market is technically seen finding support at its gap from \$7.035 to \$6.925. More distant support is seen at \$6.81 followed by \$6.685, \$6.66 and \$6.554. Meanwhile resistance is seen at \$7.15 followed by \$7.24, \$7.275 and \$7.31.