



## **ENERGY RISK MANAGEMENT**

Howard Rennell & Pat Shigueta  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

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### **POWER MARKET REPORT FOR JUNE 23, 2005**

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

The EIA stated that expansion of the gas transmission network in the US slowed in 2004. However it said the apparent decline in pipeline development may prove temporary due to the development of additional liquefied natural gas terminals. It said the total US natural gas pipeline system mileage increased by less than 1% or 1,450 miles while overall system capacity increased by slightly more than 4% or 7.7 bcf/d.

#### **EIA Weekly Report**

|                         | 06/17/2005 | 06/10/2005 | Net chg | Last Year |
|-------------------------|------------|------------|---------|-----------|
| <b>Producing Region</b> | 691        | 679        | 12      | 617       |
| <b>Consuming East</b>   | 1028       | 976        | 52      | 949       |
| <b>Consuming West</b>   | 312        | 301        | 11      | 268       |
| <b>Total US</b>         | 2031       | 1956       | 75      | 1833      |

Severe thunderstorms shut several natural gas processing plants near Empress on Tuesday night. TransCanada Pipelines said six processing plants and related operations lost power and suffered some damage, including plants owned by ConocoPhillips, EnCana, Atco, InterPipeline and BP Canada. Atco Midstream declared force majeure on one of the gas supply contracts from its Empress Gas Liquids Joint Venture Straddle Plant. EnCana Corp also declared force majeure at its facilities at Empress.

LADWP led a group of Southern California municipal utilities in purchasing all of Anshutz Oil & Gas' natural gas reserves in southwestern Wyoming. The purchase is reported at \$300 million.

A tropical wave continues to move slowly across the central Caribbean today bringing showers and thunderstorms to Jamaica and Cuba. While upper level winds appear unfavorable for near term development, one private weather forecaster is leaving open the possibility of this system entering the western Gulf of Mexico early next week and developing over a two day period before making landfall.

#### **Generator Problems**

**ERCOT**— American Electric Power's 528 Mw Welsh #3 coal-fired power plant will restart on June 24-28 following miscellaneous maintenance on auxiliary equipment.

**MAPP**— Omaha Public Power District's 476 Mw Fort Calhoun nuclear unit dipped to 29% of capacity by early today. Yesterday, the unit was operating at 60%.

**SERC**— Progress Energy's 811 Mw Brunswick #2 nuclear unit dipped to 75% of capacity by early today. Yesterday, the unit was operating at full power. Brunswick #1 continues to operate at full power.

Entergy Corp.'s 978 Mw River Bend nuclear unit shut early today. Yesterday, the unit was operating at full power.

**WSCC**— Duke Energy Corp.'s 739 Mw Moss Landing natural gas-fired units #6 and #7 returned to service late yesterday. The units were shut June 20 to prepare them for the peak summer air conditioning season.

Energy Northwest's 1,200 Mw Columbia Generating nuclear unit continued to ramp output, operating the unit at 20%. The unit was warming up at 1% yesterday.

The 1247 Mw Palo Verde Unit #3 was in the process of returning to service and was expected to be back on line late Thursday.

**The NRC reported that U.S. nuclear generating capacity was at 92,472 Mw down 1.13% from Wednesday and down 2.17% from a year ago.**

Enbridge Gas Distribution announced it received approval from the Ontario Energy Board to adjust its prices effective July 1, 2005. The changes include increases in the Gas Supply Charge and the Delivery Charge and a new Gas Cost Adjustment refund. As of July 1, 2005 residential customers who buy the natural gas they use from the utility will pay 26.99 cents per cubic meter for the commodity, based on the combined effect of the Gas Supply Charge and the Gas Cost Adjustment refund.

The U.S. Senate today voted to end debate on its energy bill and it was expected a final vote would be possible be made late Thursday evening.

**Canadian Gas Association  
Weekly Storage Report**

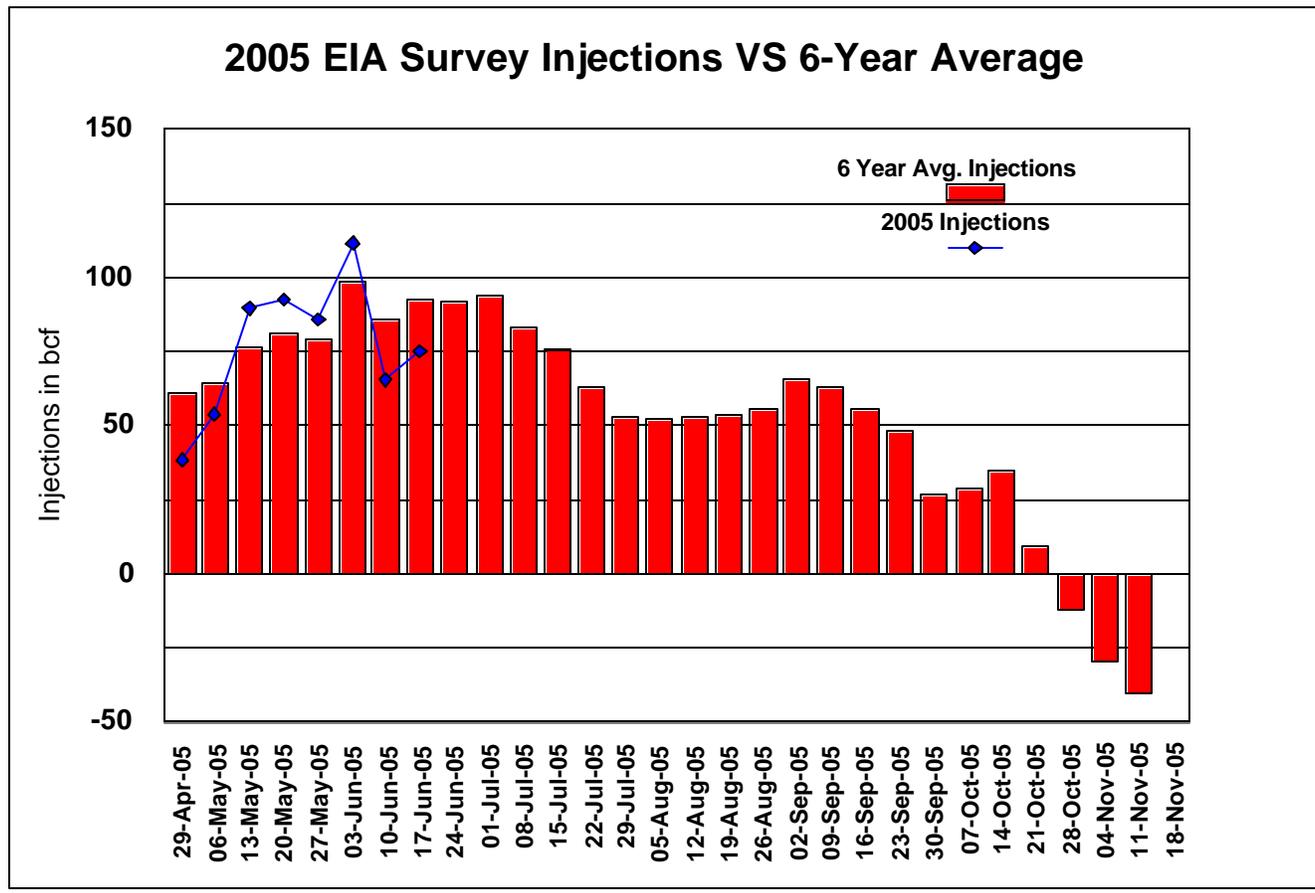
|              | 17-Jun-05 | 10-Jun-05 | 18-Jun-04 |
|--------------|-----------|-----------|-----------|
| <b>East</b>  | 118.0     | 110.4     | 138.9     |
| <b>West</b>  | 164.1     | 155.0     | 154.4     |
| <b>Total</b> | 282.1     | 265.4     | 293.3     |

Iroquois Gas Transmission announced a new Open season for capacity on a proposed 22-mile pipeline lateral and said it had recently received a positive response for about 805,000 Dth/d of firm capacity in its recent mainline open season. Both proposed projects could begin service in 2007.

**PIPELINE RESTRICTIONS**

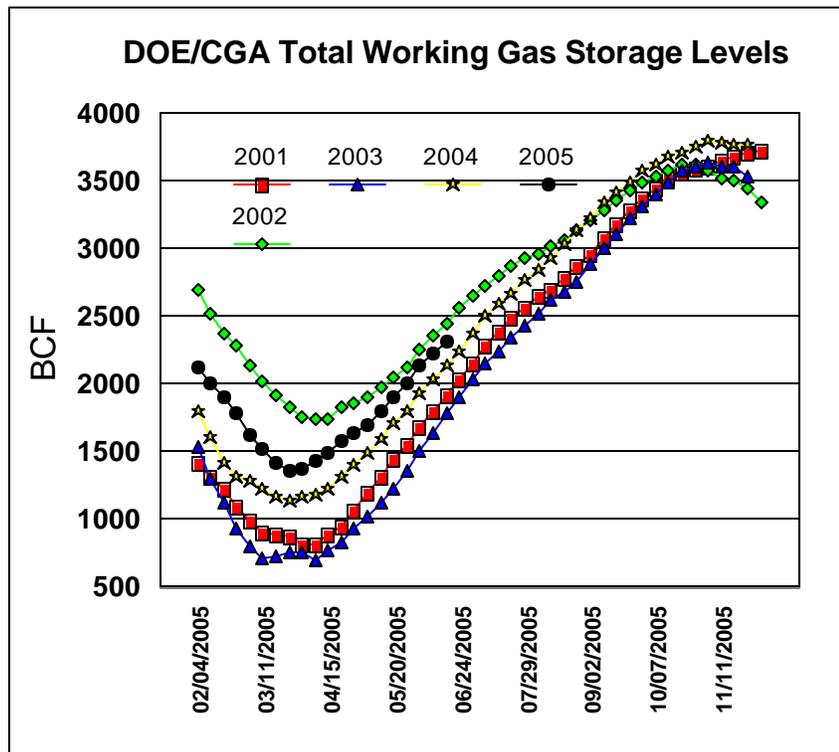
Natural Gas Pipeline Company of America said the force majeure is still in effect due to the failure that occurred on the Gulf Coast #3 mainline in Segment 26. In other news, Segment 17 is at capacity today. Deliveries to Florida Vermilion are at capacity. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound.

El Paso Natural Gas Company said that it continues to experience low linepack on the south system. The Washington Ranch storage facility remains on a maximum withdrawal capacity. Demand continues to exceed supply. Customers are urged to balance their supply and demand. Shippers can obtain supplies at Waha where capacity is operationally available. If the situation does not substantially improve, it is likely that a Strained Operating Condition will be declared.



Kern River Pipeline said line pack levels remain within normal parameters but are getting close to high. Operators should be on rate unless balancing arrangements have been made, said the company.

TransCanada said that as a result of storm activity in the Empress area on the evening of June 21, the Empress extraction plants are presently on bypass. The bypass will result in higher heating values to downstream deliveries on the Canadian Mainline and Foothills Saskatchewan pipeline. The company added that it has not received any indication on the duration of the bypass.



### PIPELINE MAINTENANCE

Natural Gas Pipeline Company of America recently released its slate of maintenance projects for the month of July. NGPL has been performing scheduled pipeline integrity maintenance on the Gulf Coast #3 Main Line between Station 302 and Station 303. This work will continue into July and along with the force majeure work in Segment 26 being at capacity for transports pathed east and south out of the segment. On July 6, Natural will replace the three meter tubes at the delivery to Florida Gas-Vermilion (Segment 24). From July 7 to August 5, Natural will be performing hydrostatic testing of the Oklahoma Extension #2 between Station 111 and Station 154 (Segment 6). Based on the expected level of nominations, Natural does not anticipate any scheduling limitations from this project.

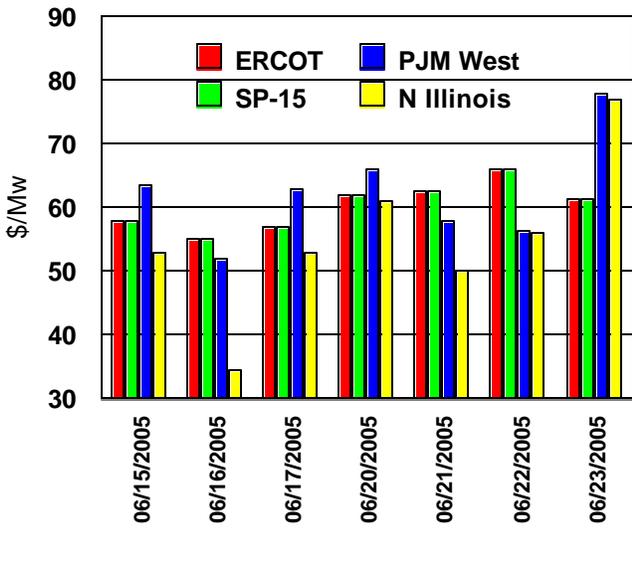
From July 11-14, Natural will lower the Gulf Coast #1 Main Line between Station 301 and 302 in Fort Bend County, Texas (Segment 22). During this work, Katy Storage Transportation in Fort Bend County, Texas will be unavailable. On July 12-13, Natural will perform a test of the Emergency Shut Down and perform station maintenance at Station 812 in Atoka County, Oklahoma. The compressor station will only be down eight hours each day, but will be able to run at night. Therefore, although point operators in Segment 16 may see higher line pressure for part of each gas day, transport scheduling will not be affected by this work. On July 19-20, Natural will run a caliper pig on the Amarillo #3 Main Line from Station 104 to Station 105 (Segment 11). Natural does not anticipate this pig to have any impact on scheduling transports. From July 20-23, Natural will lower the Gulf Coast #2 Main Lin between Station s301 and 302 (Segment 22). During this work, PIN 10789 Lone Star-Katy in Fort Bend County, Texas will be unavailable. From July 24- September 30, Natural will be performing integrity work on the Volo #1 line from Streamwood to Penny Road in Lake County, Illinois (Segment 40). This work will not have any scheduling impact but will take one LDC member point delivery PIN out of service, Nicor-Barrington-Lake.

Williams said it plans to repair an underwater section of the Southeast Louisiana Lateral, shutting in about 100 million cf/d of gas from July 12-July 26 on Ship Shoals 332, 354, South Timablier 316, and 317 and green Canyon 205. During the outage the company will not accept nominations from the affected blocks.

### ELECTRICITY MARKET NEWS

The Long Island Power Authority reported that under normal summer weather conditions, it will have a sufficient supply of electricity to meet a base summer peak demand of about 5,185 Mw for the Long Island Control Area. During periods of extreme heat and humidity, when temperatures reach into the high 90s and above for several days, the extreme peak electric demand on Long Island could reach 5,670 Mw, and perhaps higher.

## Day Ahead Peak Power Prices



The US Nuclear Regulatory Commission issued a notice of violation to Entergy Nuclear Operations Inc for temporarily losing track of two spent fuel rod pieces at the Vermont Yankee nuclear power plant. The spent fuel rod pieces never left the spent fuel pool but were in a location not consistent with plant records. Entergy Nuclear has 30 days to respond to the notice.

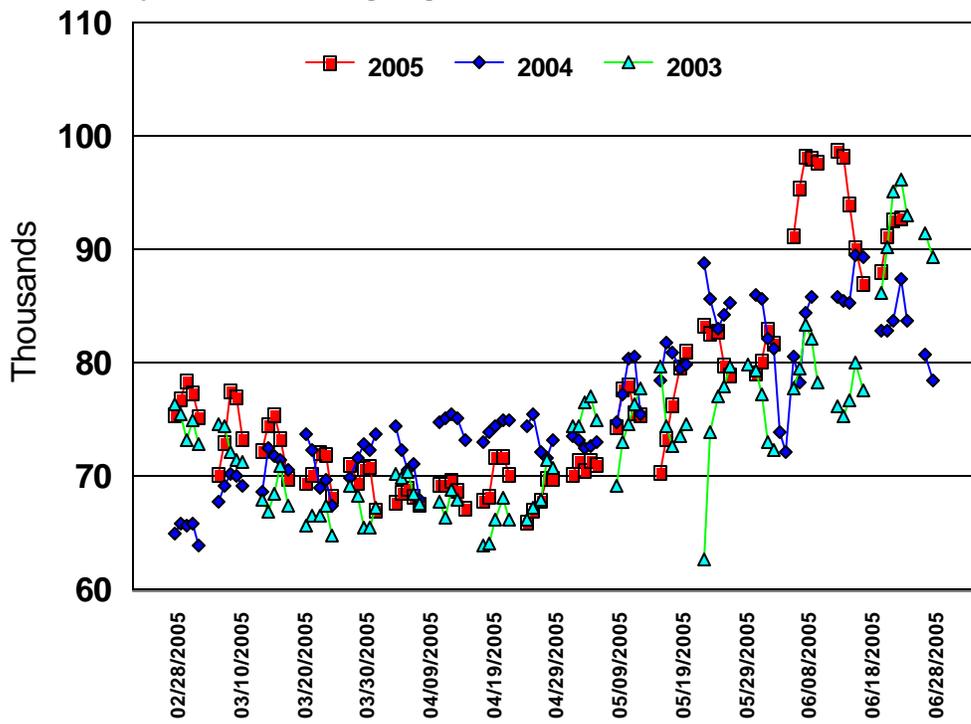
### MARKET COMMENTARY

The natural gas market gapped higher this morning as escalating power prices in the Midwest and eastern U.S. seemed to help to push spot cash gas prices higher. While the release this morning of the EIA storage report, which came in basically right on expectations, still seems to have had a dampening effect on prices, despite the revision downward by 7bcf of last week's total stock number. It appeared the fact that U.S. storage was some 200 bcf ahead of last year's storage levels kept the bulls restrained, even as oil prices headed higher. While natural gas prices did bounce off initial support at yesterday's

lows of \$7.39 basis the July contract, late in the morning, as gas prices were dragged higher by escalating oil prices, natural gas prices were only able to hold onto half of the gains recorded in the afternoon's rebound, settling up just over three cents in the July contract. Final estimated futures volume was pegged at 67, 413 contracts.

The natural gas market continues to be poor stepchild of the energy complex, as it appears to continue to defer to the oil markets for price direction. But with escalating power prices we would look for natural gas to find some support from the heat wave that is expected to establish itself over the eastern two thirds of the country for the next couple of weeks. This heat wave we feel will continue to limit the pace of restocking in the United States, which for the second week in a row this week, dropped below the pace of the six-year seasonal injection rate. As a result if the oil market finally post a strong

### Major Gas Generating Regions Non-Nuclear Load Profile



downward price correction, we would look for that as a potential signal to look to be a buyer in the natural gas market.

We support basis the July natural gas contract at \$7.39 followed by the gap at \$7.34-\$7.315, with additional support at \$7.20-\$7.19 and \$7.12. Resistance we see at \$7.60, \$78.64 followed by \$7.80, \$7.90 and \$8.04.