



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR JULY 21, 2005

#### NATURAL GAS MARKET NEWS

The U.S. Federal Regulatory Energy Commission approved a Texas LNG project proposed by affiliates of Occidental Petroleum. The affiliates, Ingleside Energy Center and San Patricio Pipeline, plan to build a terminal and related pipelines near Corpus Christi, Texas. The LNG facility will be used to import and store about 1 Bcf/d of LNG.

#### **EIA Weekly Report**

	07/15/2005	07/08/2005	Net chg	Last Year
<b>Producing Region</b>	741	736	5	701
<b>Consuming East</b>	1247	1200	47	1203
<b>Consuming West</b>	351	344	7	313
<b>Total US</b>	2339	2280	59	2217

The U.S. Federal Regulatory Commission approved a Louisiana natural gas project proposed by Starks Gas Storage. The project would create about 19Bcf of additional working gas storage capacity and link up to three interstate pipelines. Starks plans to convert two existing salt dome caverns to natural gas storage facilities. The caverns are located about 25 miles west of Lake Charles, La., near the Texas border.

This evening the National Hurricane Center announced that Tropical Depression Six has become Tropical Storm Franklin. While this tropical system currently over the Bahamas appears will remain in the Atlantic and on the east coast of the U.S. But a tropical wave in the northwest

#### **Canadian Gas Association**

#### **Weekly Storage Report**

	15-Jul-05	08-Jul-05	16-Jul-04
<b>East</b>	152.6	145.5	185.0
<b>West</b>	189.4	185.0	177.0
<b>Total</b>	342.0	330.5	362.0

sourced at Mahwah will not be accepted.

Caribbean headed for the Mexican Yucatan this weekend, could emerge into the southwestern Gulf of Mexico Sunday or early next week and potentially develop into a tropical system.

#### **PIPELINE RESTRICTIONS**

Algonquin Gas Transmission said that Tennessee Gas Mahwah has been nominated to capacity today. Nomination increases for receipts

#### Generator Problems

**ERCOT**— American Electric Power's 528 Mw Welsh #1 coal-fired power unit shut July 20-24 to repair an auxiliary transformer. The unit is expected to restart soon.

TXU Corp. will restart the 553 Mw Sandow #4 coal-fired power unit on July 22. The unit was shut on July 20 to repair a boiler tube leak.

**MAAC**— Exelon Corp.'s 1,134 Mw Limerick #1 nuclear unit ramped up to 90% of capacity by early today. The unit, which was shut on July 18, was operating at 24% yesterday. Limerick #2 continues to operate at full power.

**SERC**— Progress Energy's 938 Mw Brunswick #1 nuclear unit increased power and is operating at 90% capacity. The unit was offline at 4% power after restarting yesterday.

**WSCC**— Arizona Public Service's 740 Mw Four Corners #4 coal-fired power unit returned to service late yesterday after tube leak repairs.

Southern California Edison's 790 Mw Mohave #2 coal fired power unit in Nevada was shut Thursday for unplanned maintenance.

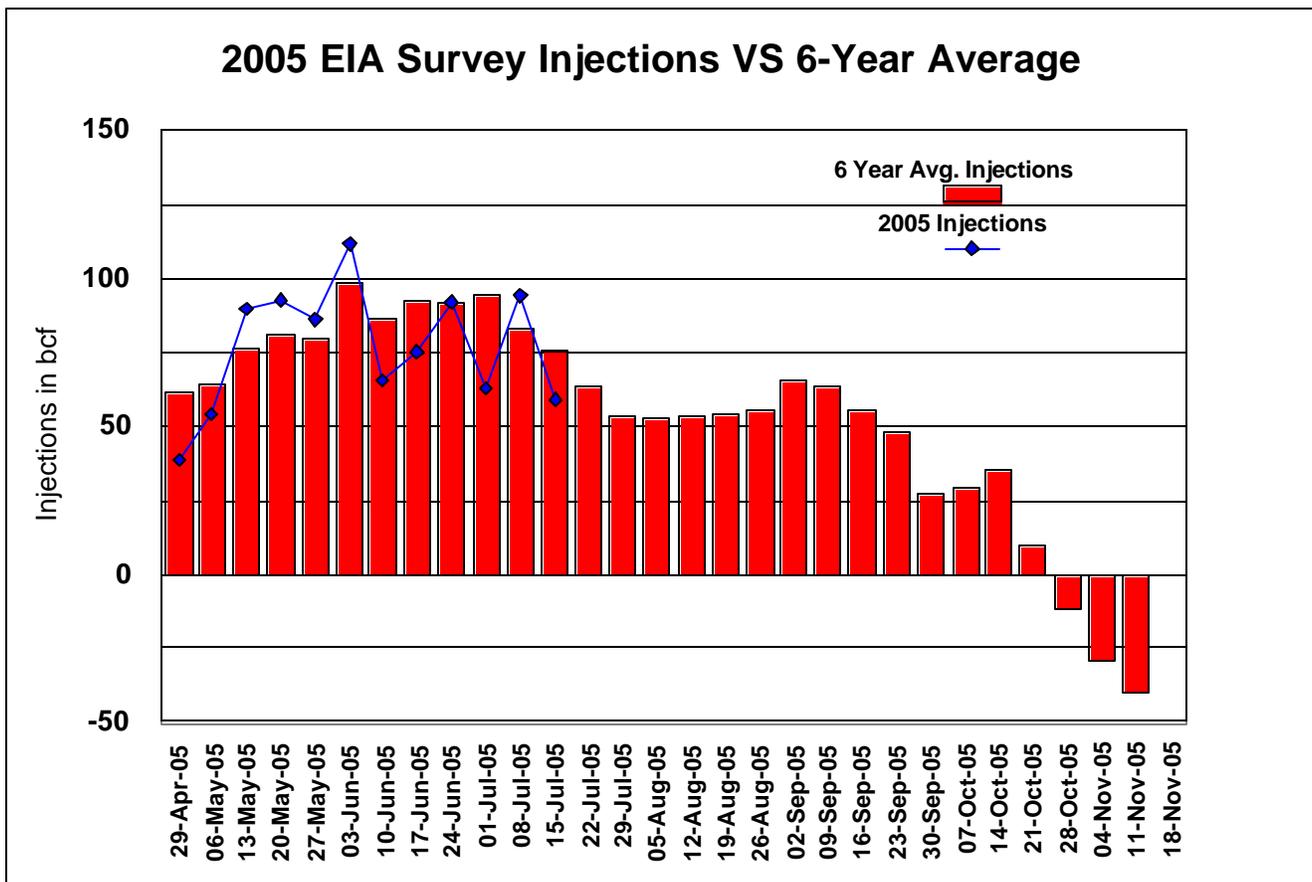
**The NRC reported that U.S. nuclear generating capacity was at 97,101 Mw up 1.52% from Wednesday and up 2.50% from a year ago.**

Florida Gas Transmission said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 25% tolerance.

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 on the Tyler 12-inch Index 8/Palestine 8-inch, Index 11 and 70/Dallas 18-inch Index 1 from Montpelier to Kosciusko.

**PIPELINE MAINTENANCE**

Williston Basin Interstate Pipeline Company said maintenance to replace approximately 500 feet of mainline on the Saco to Morgan Creek Line will be performed August 1-5. Receipt Point ID 00880 Whitewater and Receipt Point ID 00885 Bowdoin will be affected by approximately 8 MMcf/d August 1-4 and by approximately 2,500 MMcf/d August 5.



**ELECTRICITY MARKET NEWS**

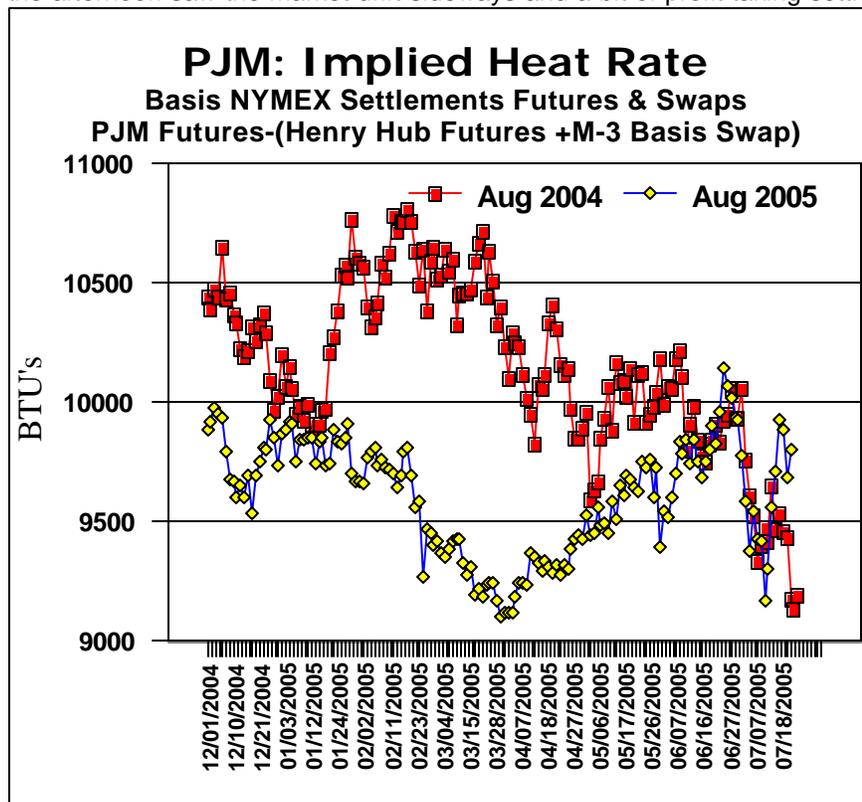
The Californian ISO is issuing a Flex Your Power NOW! Power Watch for today, asking Californian's to reduce energy usage as high temperatures continue throughout the state. Demand reached a peak of 45,431 Mw Wednesday when a late afternoon spike in temperatures (7 degrees warmer than forecast in the Bay Area and 12 degrees above forecast for Los Angeles) sent loads climbing. The ISO does not anticipate any major issues in meeting the expected demand, but the ISO system will be heavily loaded. Conservation – especially across the afternoon peak hours – helps reduce the demand and gives the ISO additional options should contingency actions be required. Late in the day though the Cal ISO declared a transmission emergency for southern California.

FERC Commissioner Kelly assured stakeholders in the Western region today that the FERC was not going to try to impose a standard market design in areas that did not want it, but added that the FERC would instead be focusing on reforming open-access rules to eliminate undue discrimination.

US House and Senate conferees working on a final energy bill, voted today to extend daylight savings time by one extra month beginning in 2007 in an effort to increase conservation.

### MARKET COMMENTARY

The natural gas market opened relatively unchanged today in anticipation of the EIA's storage report, which did not disappoint. The natural gas storage figure topped street expectations by showing a build of 59 Bcf. This sent the natural gas market on the defensive, selling down to the 7.34 level. The market traded sideways the rest of the morning finding support at 7.31 until finally breaking the 7.30 level and posting the low of 7.25. The rest of the afternoon saw the market drift sideways and a bit of profit taking settled the day at 7.30, off 25 cents.



With extended heat forecasted through much of the country for the weekend and into next week, we expect that the natural gas market could retrace some of today's sell off. Any further erosion of prices is an opportunity to be a scale down buyer. Also look for opportunities to buy some calls above the market while they are at a discount. We would look for support tomorrow at that gap in the charts since July 5<sup>th</sup> at \$7.25-\$7.20. More distant support we see at \$7.065 and \$6.90 and \$6.82. Resistance we see at \$7.33, \$7.43 and \$7.575. More distant resistance we see at \$7.675, \$7.775 and \$7.81.