



## ***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 JULY 25, 2005**

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

The movement of Tropical Storm Gert ashore Sunday evening, removed any tropical threat to the U.S. Gulf for at least the near term. While forecasters were watching three tropical waves moving across the Atlantic currently, the development of these systems was being hindered by the presence of large amounts of African dust kicked up by winds in Africa.

Private weather forecasting service, WSI Corp. said today that it expected above-normal temperatures to continue into August for much of the nation. These warmer than normal temperatures could continue for September and October, except in the Northeast where temperatures are expected to move toward cooler than normal.

The final U.S. energy bill gives the FERC "exclusive authority" to permit onshore LNG terminals and would make it difficult for FERC to deny a plant application before 2015.

#### **PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company of America said that the force majeure is still in effect due to the pipeline failure that occurred on May 13 on the Gulf Coast #3 mainline. In other news, Segment 17 is at capacity today. Deliveries to Florida Jefferson are at capacity. NGPL is at capacity for gas received upstream of Compressor Station 155 in Wise County, Texas in Segment 1 going northbound. ANR South Joliet #2 is at capacity for deliveries.

ANR Pipeline Company said that owners and/or operators of the processing plants that service ANR's Southeast Area have informed it that based on their current analysis of processing economics for August, most will not process gas absent the issuance of a gas quality requirement by ANR. Based on these representations ANR has determined that it must take temporary action to enable it to continue to provide safe and reliable service for the month of August.

#### **Generator Problems**

**MAAC**— PPL Corp.'s 1,140 Mw Susquehanna #1 nuclear unit dipped to 73% of capacity by early today to fix a feedwater pump. On Friday, the unit was running at full power. Susquehanna #2 continues to operate at full power.

**MAIN**— Exelon Corp.'s 846 Mw Quad Cities #1 nuclear unit dipped to 20% of capacity by early today and has since increased output to 75% following repair on a bad switch. On Friday, the unit was operating at 85% of capacity. Quad Cities #2 dipped from 98% of Friday to 97% today.

**MAPP**— Nebraska Public Power District's 800 Mw Cooper nuclear unit is operating at 89% this morning, off from full power on Friday.

**SERC**— Progress Energy resumed full power at its 938 Mw Brunswick #1 nuclear unit after a weekend of fluctuating levels. Brunswick #2 remains at full power.

Duke Power Company said its 1,100 Mw McGuire #1 was operating at 94% power this morning. The unit was operating at full power on Friday. McGuire #2 continues to operate at full capacity.

**WSCC**— Reliant Energy's 741 Mw Ormond Beach #1 natural gas-fired power station returned to service late Sunday. The unit shut July 19 for unplanned reasons. Ormond Beach #2 remains available for service.

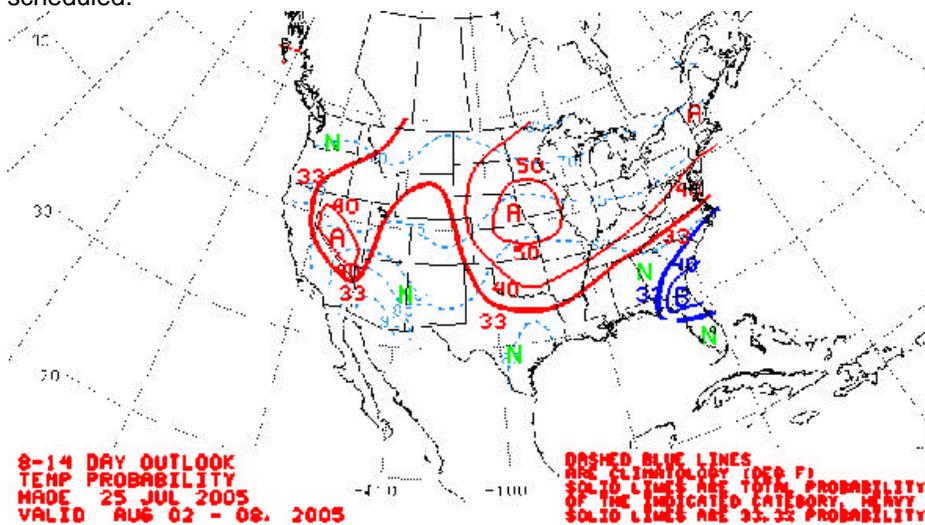
**The NRC reported that U.S. nuclear generating capacity was at 96,266 Mw down .96% from Friday and down .33% from a year ago.**

Centerpoint Gas Transmission said that due to heavy overall demand on the system, as of July 26, CEGT will be limiting intra-day swings and requiring pool managers to avoid short imbalances on a system-wide basis. CEGT is requiring customers, particularly whose swings can cause operational difficulties for CEGT's system or discrete segments thereof, to take deliveries as close to ratably as possible throughout the day during the period that this alert is in effect.

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 Index 11 and 70 (Palestine 8-inch), Index 1 and 8 (Dallas 18-inch – Tyler 12-inch), and Montpelier to Kosciusko.

KM Interstate Gas Transmission said it has limited capacity available for deliveries to NNG Milligan (PIN 8601). Based on the level of nominations, interruptible flow, authorized overrun, and secondary volumes may not be scheduled.



Trailblazer Pipeline Company said effective gas day August 1 it anticipates that capacity will be available for a limited amount of ITS/AOR and secondary firm out-of-path transport volumes going eastbound through Compressor Station 602. The scheduling of any ITS/AOR and secondary firm out-of-path transport volumes will depend on the level of nominations received and will only be scheduled to the extent that primary firm in-path and secondary firm in-path are not

fully utilized.

### **PIPELINE MAINTENANCE**

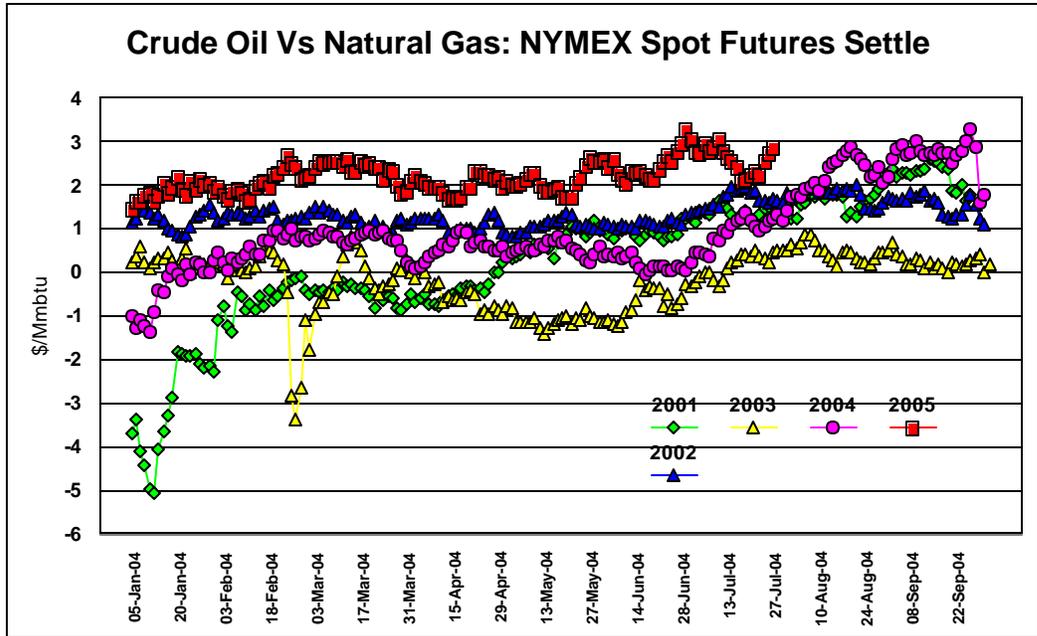
Florida Gas Transmission said that it is performing unscheduled maintenance with one of the two compressors located at Compressor Station #3 in Port Lavaca, Texas. The resulting one unit outage is expected to last through September 15. During this work FGT will schedule up to approximately 160 MMcf/d through Compressor Station #3. During normal operations FGT schedules up to 230 MMcf/d.

### **ELECTRICITY MARKET NEWS**

Duke Power has chosen the Midwest ISO as its transmission coordinator. The Midwest ISO will provide independent tariff administration and planning services for Duke Power. While Duke is not formally joining the Midwest ISO, the company is retaining its services to carry out certain transmission functions. Specifically, as Independent Entity, MISO will assume responsibility for a number of core transmission functions, including: evaluation and approval of all transmission service requests; calculation of Total Transfer Capability and Available Transfer Capability; operation and administration of the Duke Open-Access Same Time Information System; evaluation, processing, and approval of all generation interconnection requests, and performance of related interconnection studies, and coordination of transmission planning.

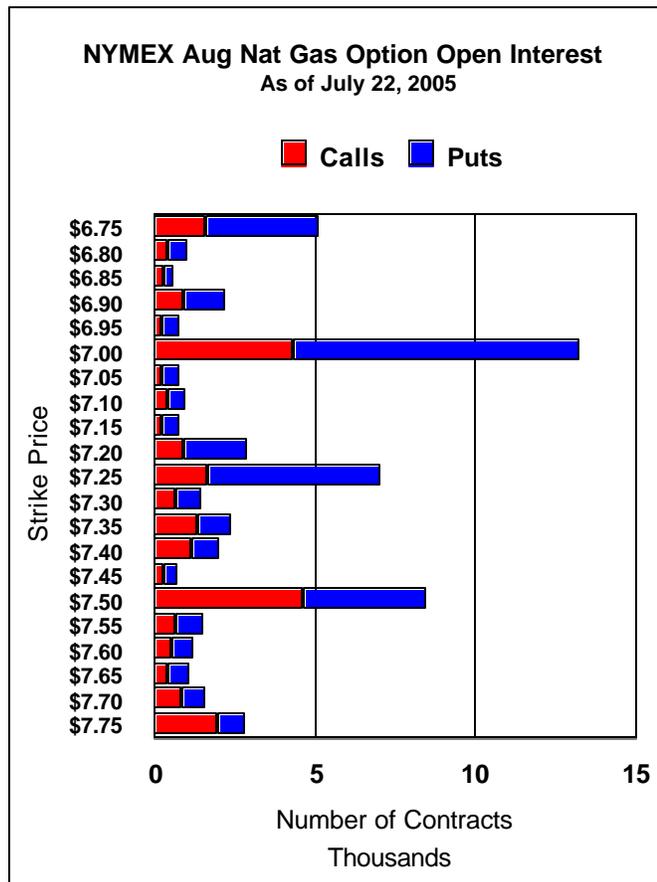
The Pennsylvania Public Utility Commission announced that the regulatory commissions of 13 states and the District of Columbia have formed a non-profit organization called the Organization of PJM States Inc. The new organization formally unites those state commissions within the PJM Interconnection, which provides or oversees electric transmission, market maintenance and monitoring, reliability, security, and other transmission system

operating services as a regional transmission organization approved by the FERC. The organization gives the PJM state commissions a formal means to work together on issues of mutual interest related to PJM operations; the electricity generation and transmission system serving the PJM states; FERC matters; and systems within the states' boundaries



**MARKET COMMENTARY**

The natural gas market opened just over 16 cents lower today on the tails of a weaker oil complex and reports that the tropical storms near the Gulf of Mexico have subsided and pose no immediate threat to production in the region. The market continued lower on the opening finding support at the 7.14 level and then drifted upwards off the lows as these discount prices were attractive to long speculators. Natural gas mirrored the crude oil market retracing over half of its gap from the opening to close down 10 cents at 7.284.



We expect the natural gas market to mirror the oil complex and expect any dip in prices to be a buy signal. Dangerously high temperatures across the upper Midwest will also lend support to the market, as those temperatures make their way across the country this week and the expectations for blister heat to return for much of the nation as well.

Tomorrow is expiration day for the August natural gas contract, and basis current open interest levels we would not expect the market to be dragged toward any strike, unless futures prices late in the session approach the \$7.10 area then we feel the \$7.00 strike price could become a powerful magnet.