



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JULY 29, 2005**

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

Late Friday afternoon, the Energy Information Agency reported that in May it saw U.S. domestic production at 51 bcf/d. This was some 0.9% less than April and 1.5% less than the same month a year ago. Consumption during the month was estimated at 52.5 bcf/d some 3.17% higher than the same month a year ago. Residential consumption led the way, up 15% from a year earlier, while commercial and electric power sector consumption rose by 7.9% and 7.4% respectively. Industrial usage though continues to limp along down 5.5% from May 2004. The monthly report also pegged working gas in storage at the end of May at 1.875 bcf/d this was some 33 bcf higher than the weekly storage report estimated working gas stocks.

Long-awaited omnibus energy legislation is headed to the White House after it cleared the Senate by a nearly three-to-one margin Friday and was voted out by the House a day earlier, crossing the finishing line ahead of the Aug. 1 deadline set by President Bush.

With a joint federal-local port draft environmental impact report expected in September on the proposed liquefied natural gas (LNG) receiving terminal that would be the first along California's coast, the city of Long Beach and the joint venture LNG proponents are negotiating a gas supply deal for the city and eventually a 2.4-mile, 24-inch-diameter pipeline the city would own between the port-based terminal and Southern California Gas Co.'s transmission pipeline system.

Cheniere Energy announced that its affiliate Sabine Pass LNG has submitted an application to FERC to expand the capacity of its LNG receiving terminal from 2.6 Bcf/d to 4 Bcf/d. Construction started this past March and Start-up is targeted in early 2008.

The National Hurricane Center was keeping a close eye on the development of a "vigorous" tropical wave over the northern Leeward Islands, which had become better organized over night. While forecasters believed that the system could become a tropical depression later Friday or Saturday, all the major computer models point to the system moving just north of the leeward islands and eventually moving northward following in the path of Tropical

#### **Generator Problems**

**ERCOT**— Texas Genco will shut the 836 Mw Limestone #1 coal-fired power station on July 30 for maintenance.

**NPCC**— Constellation Energy Group's 497 Mw Ginna nuclear unit returned to service and ramped up to 49% of capacity by early today.

Entergy Corp.'s 825 Mw FitzPatrick nuclear unit dipped to 54% of capacity by early today to work on a feed water pump. Yesterday, the unit was operating at full power.

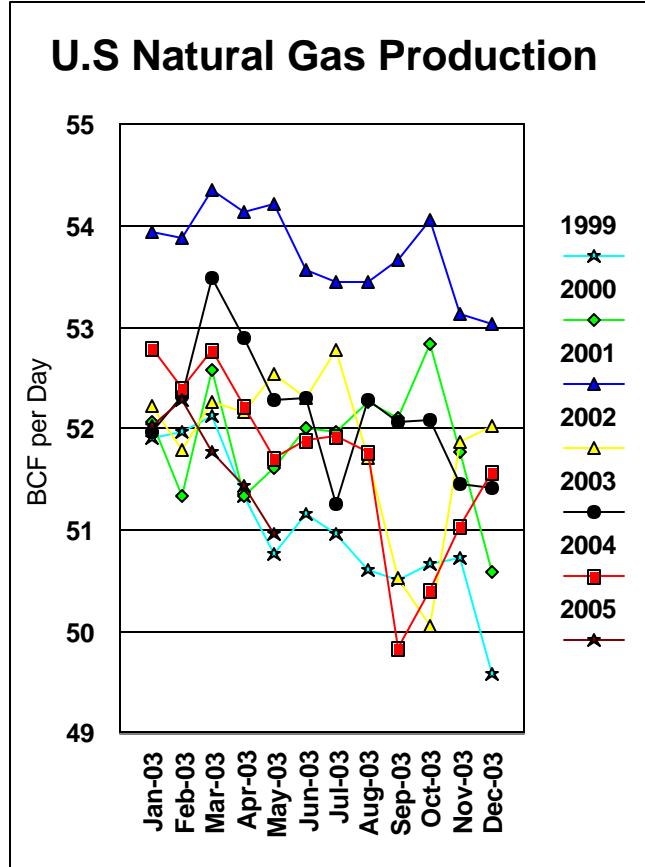
Entergy Corp.'s 506 Mw Vermont Yankee nuclear unit exited an outage and ramped up to 98% of capacity by early today. Yesterday, the unit was operating at 2% of capacity.

**WSCC**— Reliant Energy's 741 Mw Ormond Beach #1 natural gas-fired unit returned to full service by late yesterday. Ormond Beach #2 is also fully available for service.

Duke Energy Corp.'s 739 Mw Moss Landing #7 natural gas-fired power unit was shut early today for unplanned reasons. The unit was available for service late yesterday. All of the other units at the station were available for service.

**The NRC reported that U.S. nuclear generating capacity was at 96,509 Mw up .31% from Thursday and up .26% from a year ago.**

Storm Franklin, and thus not a threat to the U.S. Gulf. While no other tropical wave in the Atlantic basin appears that impressive at this time, some forecasters were leaving open the opportunity that thunderstorms along the U.S. Gulf this weekend could lead to some potential tropical development there early next week.



Cinergy Corp reported Thursday that it was scaling back its gas trading activities following losses recorded by its wholesale gas trading operations in the second quarter of this year which dragged overall corporate income down by 14%.

#### 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. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf Chalkley are at capacity. 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.

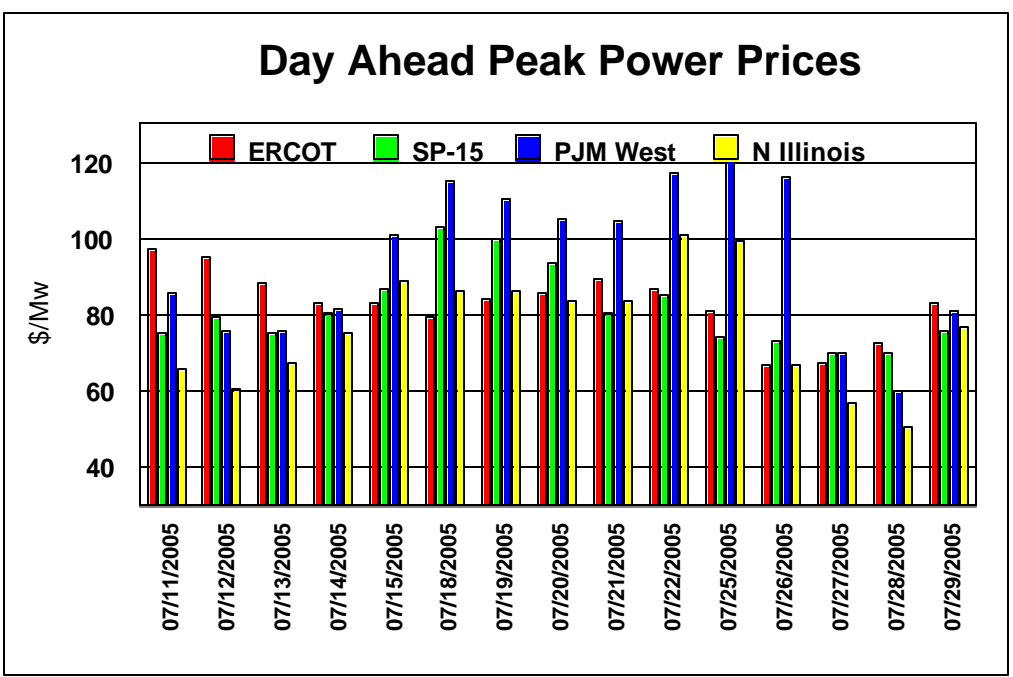
Algonquin Gas Transmission said that Tennessee Gas Mahwah has been nominated to capacity today. Nomination increases for receipts sourced at Mahwah will not be accepted.

Florida Gas Transmission on said that due to hot temperatures in its market area, it is issuing an Overage Alert Day at 10% 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, and Kiln to Mobile.

Kern River Pipeline said that its line pack is now at normal operating levels throughout the system except at the north end of the system.

Texas Eastern Transmission said that STX, ETX, M1 24-inch and M2 24-inch have



been restricted to capacity. Nomination increases between Vidor and Batesville will not be accepted.

### **PIPELINE MAINTENANCE**

El Paso Natural Gas Company said that Wenden maintenance was completed. The capacity of the Havasu Crossover was raised to full capacity of 650 MMcf/d.

Williston Basin Interstate Pipeline Company said that due to unplanned maintenance, Unit #1 at the Baker Booster Compressor Station will be down approximately eight hours on August 3. Based upon current operating conditions, receipt Point ID 04018 Baker Area Mainline and Receipt Point ID 04015 Baker Area Mainline-Grasslands will be affected by approximately 3.8 MMcf/d.

### **ELECTRICITY MARKET NEWS**

The Province of New Brunswick will proceed with a C\$1.4 billion refurbishment of NB Power's Point Lepreau nuclear power station with Atomic Energy of Canada as the general contractor. The province is seeking to generate a third of its future energy from nuclear power, a third from renewable sources and a third from existing fossil and hydro sources. NB Power and AECL will start the detailed engineering and procurement this summer, with completion expected by March 2008. The planned maintenance outage will start in April 2008 with completion expected by September 2009. NB Power has said the refurbishment would extend the reactor's life until about 2032.

OPG reported that the Canadian Nuclear Safety Commission agreed to allow the company to restart the refurbishment of Pickering #1 nuclear unit. The unit is expected back in service sometime this fall.

Capacity along the AC and DC Pacific Interties were expected to be lower by 600-700 Mw each during peak hours on Monday.

The EIA reported that U.S. coal production for the week ended July 23 totaled 20.944 million short tons, down slightly from the prior week's production of 20.997 million short tons.

Reliant Energy Inc. said it agreed to settle all shareholder class action lawsuits stemming from alleged securities law violations for Reliant's trading activities from 1999 to 2001. The Texas energy company said the settlement, which is subject to court approval, provides for a payment by Reliant of \$68 million.

Texas utility TXU Corp. said it plans to build a big coal-fired power plant in the state that could reduce emissions that help produce acid rain and ozone. TXU filed on Wednesday for an air permit for the 1,720 Mw power plant with the Texas Commission on Environmental Quality. The plant would burn Texas lignite coal to produce electricity and use selective catalytic reduction – SCR – technology to reduce emissions of nitrogen oxide.

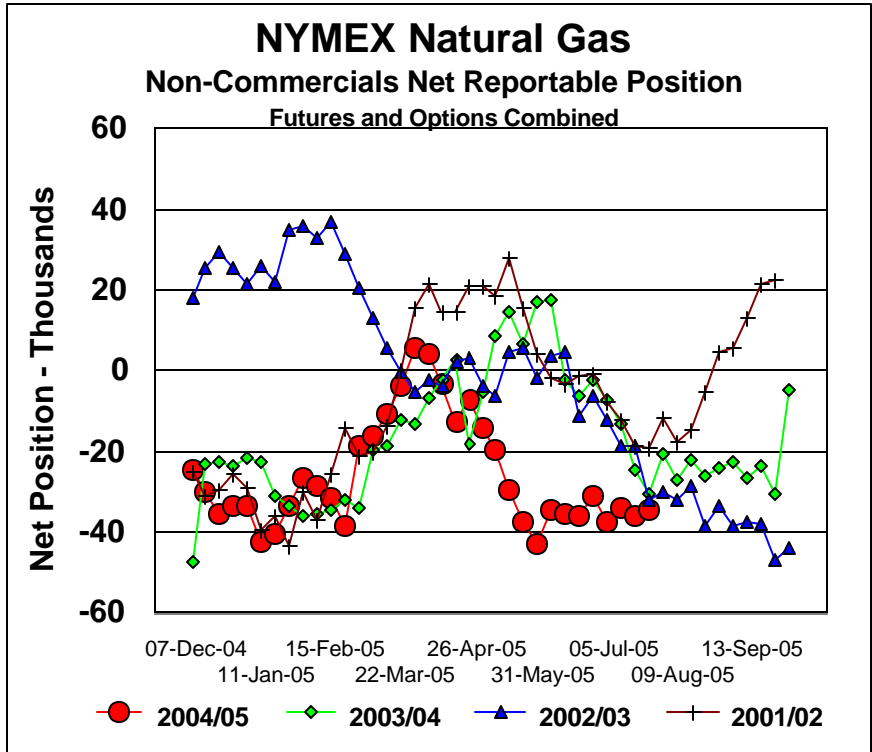
### **ECONOMIC NEWS**

The U.S. economy grew at a 3.4% annual pace from April through June, the ninth straight quarter exceeding 3%. The Government's first estimate of the second quarter GDP is slightly lower than the first quarter's 3.8% gain. The string of quarterly growth increases exceeding 3% is the longest since the 13 quarters ended in the first three months of 1986. Booming sales allowed companies to pare bloated inventories. Discounts, low interest rates and warmer weather lured consumers to auto dealerships and retailers, contributing to the first decline in stockpiles since 2003. A measure of demand excluding inventories rose 5.8%, the most in almost two years. Fewer goods on hand and rising sales are likely to boost growth in coming months.

### **MARKET COMMENTARY**

The natural gas market opened 8.6 cents higher this morning at 7.78 mirroring the oil complex's response to a refinery fire at BP's Texas City refinery. Following the oil complex, natural gas rallied breaking the resistance at the 7.83-7.87 gap, and posted the day's high of 7.90. The market traded sideways the rest of the afternoon finding support around the 7.80 level before mirroring oil at the close to end the secession near the highs up 19 cents at 7.885.

The Commitment of Traders Report for the week ending July 26 showed that non-commercials continued to hold their basic net short position in the natural gas market for the eighth week in a row.



Natural gas is trading at a larger discount to crude oil though, as the last time crude was at \$60/barrel, natural gas was at the 8.00 level. We see any higher price movements in natural gas as an opportunity to be a scale up seller, or buy some puts below the market. We see support initially at the gap from \$7.71-\$7.76 followed by \$7.618, \$7.452, and \$7.35. More distant support we see at \$7.185. Resistance we see at \$8.02 and \$8.14, the contract high.