



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR AUGUST 3, 2005**

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

In a letter to exchange members, equity owners and staff Wednesday, Nymex Holdings Chairman Mitchell Steinhaus said the exchange board has received proposals from two private investment groups and will make a decision before the end of the month on whether to accept their proposals, move directly to an initial public offering (IPO) or take some other strategic alternative.

Columbia Gas Transmission Corp., a subsidiary of NiSource Inc., launched an open season this week to offer existing and potential shippers expanded firm natural gas storage and transportation services in its eastern markets, primarily Maryland, New Jersey, Pennsylvania and Virginia. The open season will run through Aug. 15.

#### **PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company of America said that the force majeure is still in effect on the Gulf Coast #3 mainline. In other news, Segment 17 is at capacity. 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.

East Tennessee Natural Gas said nominations sourced upstream of the Flatwoods compressor station for delivery downstream of Flatwoods have been sealed to capacity. No increases in nominations flowing through Flatwoods will be accepted.

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

Texas Eastern Transmission Corp. said that M1 24-inch has been sealed to capacity. Nomination increases sourced between Little Rock and Fagus, for delivery outside of this area, will not be accepted.

#### **PIPELINE MAINTENANCE**

Gulf South Pipeline said that scheduled maintenance activity on FPL 11 located in Smith County was suspended as of the end of yesterday. Gulf South will resume maintenance on FPL 11 beginning August 9, and continue through August 10.

#### **Generator Problems**

**SERC**— Dominion Energy reduced production at its 921 Mw North Anna #1 nuclear unit to 78% to replace a cooling fan. The unit was operating at full capacity yesterday. North Anna #2 continues to operate at full power.

**WSCC**— Intermountain Power Agency's 820 Mw Intermountain #2 coal-fired power unit shut late yesterday for planned reasons.

**The NRC reported that U.S. nuclear generating capacity was at 96,965 Mw down .20% from Tuesday and up 2.57% from a year ago.**

Questar Pipeline Company said that as part of the southern system expansion project, it will be replacing one of the compressors at its Greasewood facility beginning August 23. To facilitate the work deliveries to TransColorado will be limited to 25 MMcf/d for three weeks beginning August 23. Nominations will return to normal in cycle 1 gas day September 13. Based on recent nominations, no customer impact is expected.

Williston Basin Interstate Pipeline Company said that maintenance will be performed at the West Short Pine Hills Compressor Station. Volumes from receipt point 04435 will be zero for gas day September 12-14 and reduced to approximately 570 Mcf/d for gas day September 15.

**ELECTRICITY MARKET NEWS**

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended July 30 jumped 13.9% from the same 2004 week to 92,697 GWh. The tally is shy of last week's all-time weekly high of 95,259 GWh. For the first 31 weeks of the year, production increased 2.5% from last year. In the 52 weeks ended July 30, production rose 2.1% from the corresponding period in 2004.

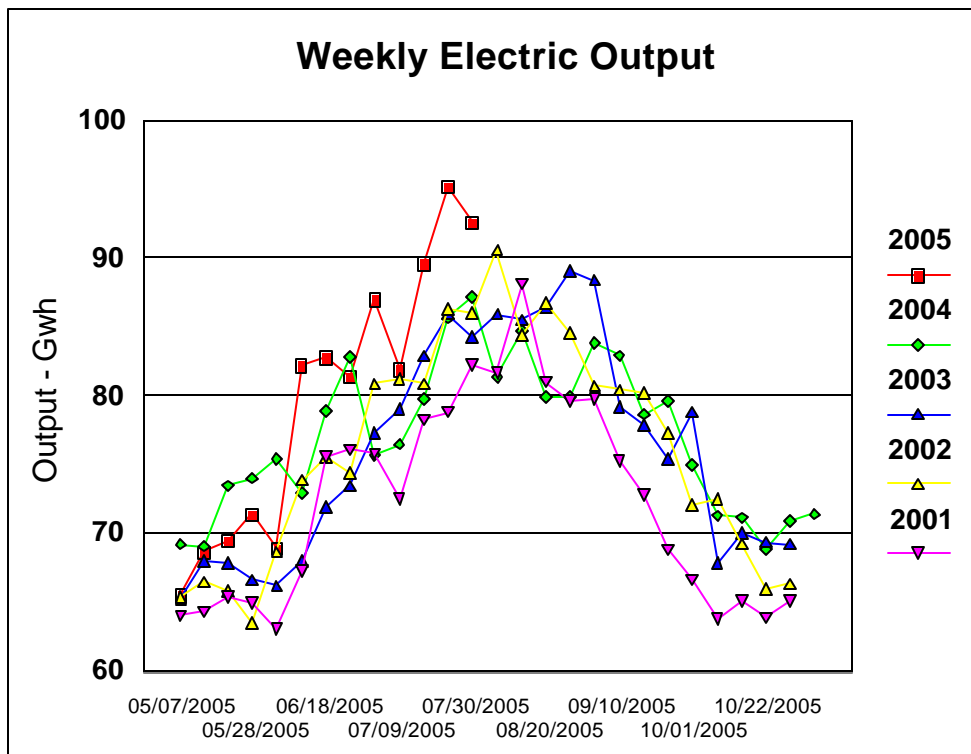
FERC ordered the Tennessee Valley Authority to interconnect its power system with East Kentucky Power Cooperative and to provide EKPC with

coordination services necessary to deliver energy to Warren Rural Electric Cooperative Corp. Under the Federal Power Act, the FERC may order an interconnection if the interconnection would encourage overall conservation of energy or capital, optimize efficiency of use of facilities and resources, or improves the reliability of any electric utility system to which the order applies.

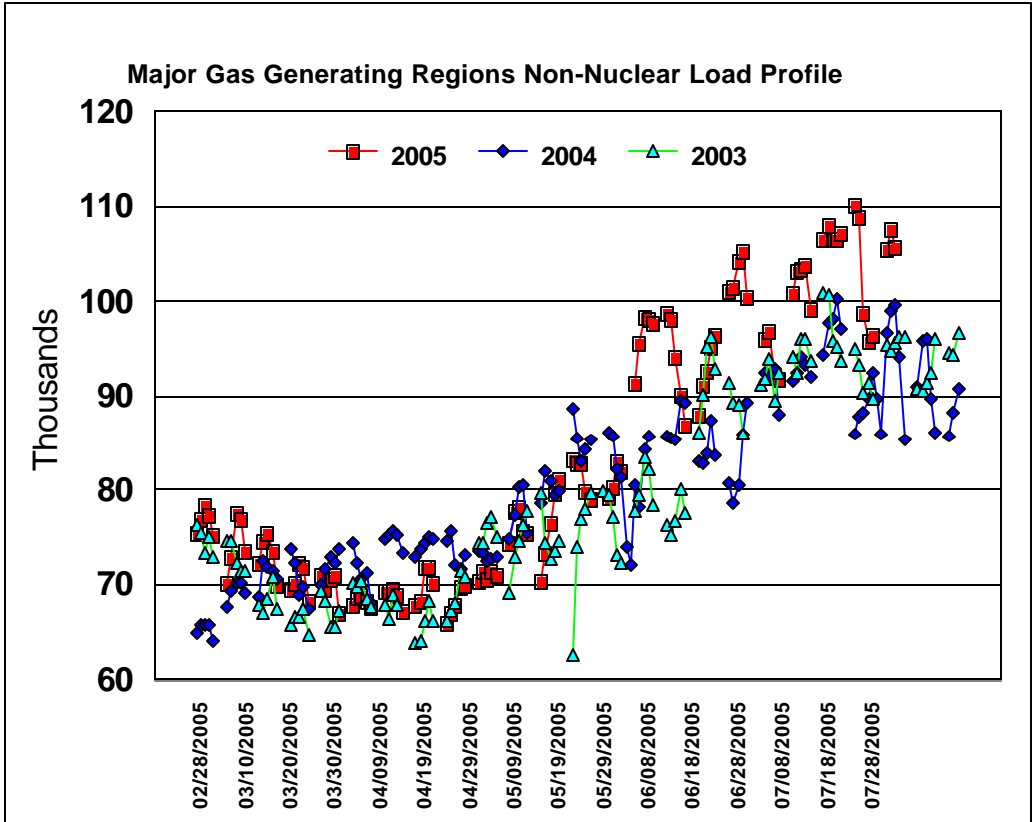
Power grid operators in the U.S. Mid-Atlantic and Midwest expected demand for electricity on Wednesday to exceed records set last week as hot, humid weather blanketed the regions. The grid operators noted that even though generation supplies were ample, the unexpected loss of a major power plant or transmission line could cause them to take emergency steps to manage the flow of energy on the system. PJM Interconnection is forecasting that today's demand will top last Wednesday's record with 135,902 Mw demanded. The New York ISO is also predicting record-breaking demand of well over 32,000 Mw for both Wednesday and Thursday.

**MARKET COMMENTARY**

The natural gas market opened significantly higher, 17.2 cents, continuing its bullish trend feeding off the oil complex, hot weather, and rumors of tropical storms and dwindling coal supplies at power plants. The market posted a high of \$8.59 before the oil complex's inventory numbers, which came in mixed to bearish. Natural gas back filled the gap from the opening trading down to \$8.40 before extending the selling down to the \$8.30 level. The market finished the session trading sideways finishing down 2.7 cents at 8.351 with 74,000 contracts changing hands.



Tomorrow's EIA storage report estimation comes in around a 48 Bcf injection, with estimates ranging from 28 Bcf to 60 Bcf. The five-year average for this week's report is about a gain of 66 Bcf. The heat wave that has blanketed much of the nation for the past two weeks has had electricity grids breaking records day after day, and they must be burning natural gas to supply all that electricity, giving traders psychological support. Even if the storage number comes in greater than expected, traders will see that as an opportunity to establish new long positions, as long as the weather persists. NOAA forecast that it expected 89 cooling degree-days this week, 15 warmer than normal and 19 warmer than the same year-ago week.



With the market still well overbought, and technicals suggesting a near term top, a break in weather and further erosion in the oil complex will ease natural gas prices. We see resistance continuing along the upward trading channel at \$8.612. Support we see the gaps below at \$8.14 followed by the gaps at \$7.90-\$7.98 and \$7.71-\$7.76. Further support we see at \$7.362.