



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR AUGUST 11, 2005**

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

Tidelands Oil & Gas Corp. has signed a consulting services agreement with CenterPoint Energy Pipeline Services, which will provide expertise in the design and development of Tideland's ambitious gas infrastructure project in Northeastern Mexico. The project, which will be the first of its kind in the country, will involve construction of two large diameter border crossing pipelines, a gas storage and pipeline hub, another pipeline to industrial customers in Monterrey and an offshore liquefied natural gas (LNG) import terminal.

#### **EIA Weekly Report**

	08/05/2005	07/29/2005	Net chg	Last Year
<b>Producing Region</b>	730	727	3	744
<b>Consuming East</b>	1365	1326	39	1371
<b>Consuming West</b>	368	367	1	327
<b>Total US</b>	2463	2420	43	2442

\*storage figures in Bcf

#### **PIPELINE RESTRICTIONS**

Kern River Pipeline said that line pack on Kern River is currently at low operating levels throughout the system. The operator is requesting calls in advance to make all balancing arrangements. Line pack is low at Kern ML North-Muddy Creek to Elberta; Kern ML Middle-Alberta to Goodsprings, Kern ML South-Goodsprings and from Common Facilities to End of Facilities.

Tennessee Gas Pipeline said it has posted restrictions effective 9:00 AM CT for the gas day of August 11, due to nominations in excess of the available capacity. Tennessee restricted through approximately 54% of Supply to Market Secondary Out of the Path nominations sourced from the Niagara River Meter. For the remainder of August 11, Tennessee will not accept any Supply to Market increases pathed through Station 40.

#### **ELECTRIC MARKET NEWS**

The EIA reported that U.S. coal production for the week ended August 6 totaled 21.248 million short tons, down 2.19% from the prior week's production.

American Electric Power announced that its Appalachian Power utility subsidiary has agreed to purchase the Ceredo Generating Station from a subsidiary of Reliant Energy for approximately \$100 million. The Ceredo Generating Station is a natural-gas, simple-cycle power plant with a nominal generating capacity of 505 Mw that began commercial operation in 2001.

#### **Generator Problems**

**ERCOT**— Texas Genco's 560 Mw WA Parish #7 coal-fired power unit will restart August 11-12 following unplanned boiler tube leak repairs.

The Sandow #4 coal-fired power unit will be in startup today following completion of repairs for a boiler tube leak.

**SERC**— Progress Energy's 938 Mw Brunswick #1 nuclear unit exited an outage and ramped up to 25% of capacity by early today. The unit shut August 6 due to problems with the diesel emergency generators.

Dominion Resources 917 Mw North Anna #2 nuclear unit returned to full power by early today. Yesterday, the unit was operating at 74% of capacity after exiting a shutdown over the weekend. North Anna #1 continues to operate at full power.

**The NRC reported that U.S. nuclear generating capacity was at 95,847 Mw up .41% from Wednesday and up 2.05% from a year ago.**

**Canadian Gas Association**

**Weekly Storage Report**

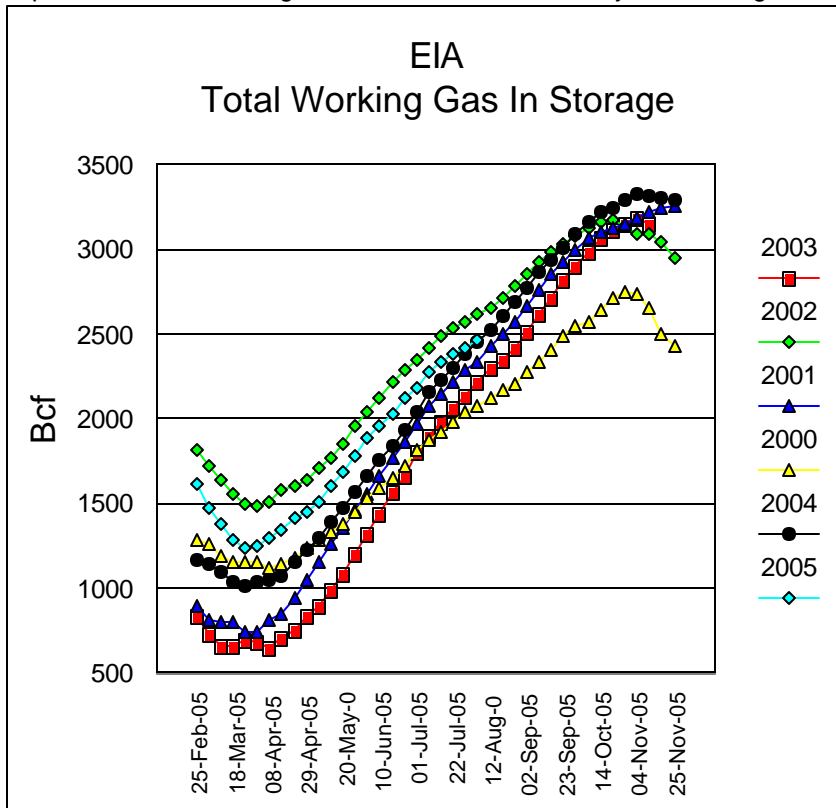
	05-Aug-05	29-Jul-05	06-Aug-04
<b>East</b>	171.2	163.9	212.9
<b>West</b>	194.0	192.4	187.2
<b>Total</b>	365.2	356.3	400.1

storage figures are in Bcf

PPL Corporation plans to increase its investment in pollution control equipment over the next five years, adding a scrubber for two additional generating units. When the scrubber project is complete, all of PPL's major coal-fired generating units will have scrubbers, nearly eliminating sulfur dioxide emissions while improving plant competitiveness.

**MARKET COMMENTARY**

The natural gas market opened 8 cents higher on expectations of a supportive storage figure. The EIA reported that 43 Bcf were injected into storage facilities for the week ending August 5. This report was right in line with expectations. Natural gas found its low of the day at 8.99 right after the number, and then bounced quickly



trading up to 9.20 where it consolidated for the remainder of the morning and into the afternoon. The rest of the trading session, natural gas mirrored the oil complex's bullish reaction to refinery glitches and rallied higher, posting a high of 9.35 and finally settling up 23 cents at 9.301.

Physical gas markets were dragged higher by futures gains, as well as weather forecasts suggesting broader bands of above seasonal normal temperatures in key consuming regions. In the Northeast, where temperatures are expected to move higher in the 90s tomorrow, spot gas prices on the Transco Zone 6 NY citygate were reported from \$10.13 to \$10.25, marking a gain of more than 50 cents on the day. We expect to see natural gas take its cues from the oil complex, and any positive refinery news, would put the markets on the defensive. We see resistance at \$9.50, and further above, along a macro trend, line at \$9.75. Support we

see at \$9.00, \$8.765 and \$8.243. Further support we see at the August 1 gap of \$7.90-\$7.98.