



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR AUGUST 12, 2005**

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

With an earlier federal appeals court decision authorizing its review of the matter, the California Coastal Commission Thursday voted unanimously to oppose federal efforts to extend three dozen oil/natural gas leases off the state's central coast from Oxnard north to San Luis Obispo.

The biggest disappointment of the newly enacted energy bill is its failure to overturn the moratorium on oil and natural gas drilling in much of the federal Outer Continental Shelf (OCS), an American Gas Association (AGA) official said Friday.

FERC on Friday gave El Paso Corp. subsidiary Wyoming Interstate Co. Ltd. (WIC) final environmental clearance to carry out an expansion of its system to transport additional natural gas production out of the central Rocky Mountains.

#### **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 Main Line in Harrison County, Texas in Segment 26 just south of Compressor Station 304. The affected line #3 south of Station 304 was available for service July 21, but remains out of service north of Station 304.

TransColorado Gas Transmission said it has capacity available for deliveries through Segments 300/310. Depending on the level of nominations, IT/AOR and secondary out-of-path volumes may be scheduled.

#### **PIPELINE MAINTENANCE**

El Paso Natural Gas Company said that the Guadalupe Station will be taken down for internal turbine inspection one day earlier than previously announced. The station will be down beginning August 14, and possibly continuing through August 19, depending on the findings during the inspection. The capacity of the South Mainline will be reduced by 180 MMcf from August 14-19. Based on recent scheduled volumes through the South Mainline, this outage should have no effect on markets.

#### **ELECTRIC MARKET NEWS**

#### **Generator Problems**

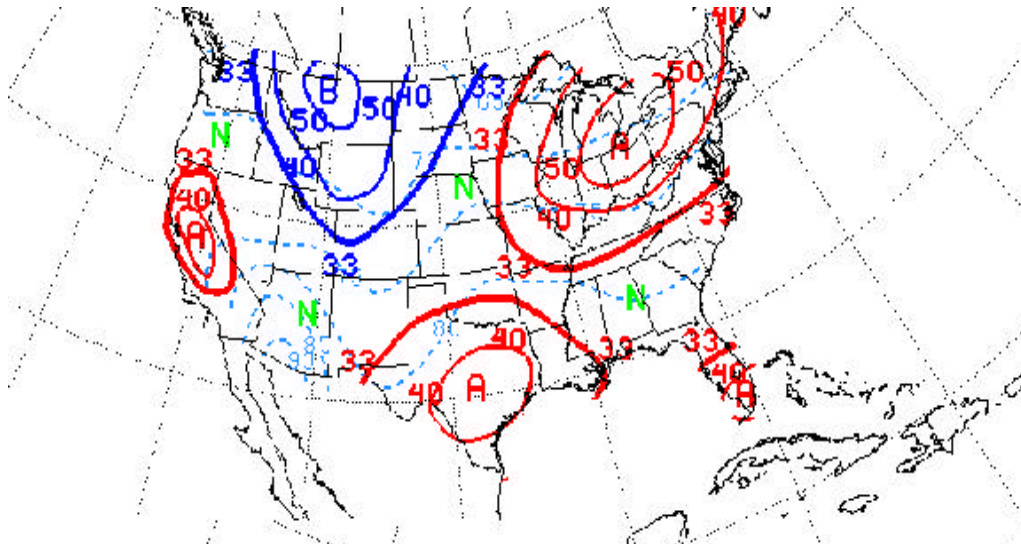
**FRCC**— FPL Group shut the 839 Mw St. Lucie #2 nuclear unit yesterday due to the loss of main feed water. The unit was operating at full power yesterday morning. St. Lucie #1 continues to operate at full power.

**SERC**— Progress Energy's 938 Mw Brunswick #1 nuclear unit ramped up to 93% of capacity by early today. The unit was operating at 25% yesterday after exiting an outage. Brunswick #2 exited an outage and is warming up offline at 1%.

**WSCC**— Arizona Public Service's 1,243 Mw Palo Verde #1 nuclear unit dipped to 34% by early today as it goes through a shutdown because one of the backup diesel generators has gone offline. Yesterday, the unit was operating at 95%.

**Canada**— Bruce Power prepared its 800 Mw Bruce B #7 nuclear unit to return to service early today. The unit shut May 7 for planned maintenance.

**The NRC reported that U.S. nuclear generating capacity was at 95,095 Mw down .78% from Thursday and up 1.17% from a year ago.**



**6-10 DAY OUTLOOK  
TEMP PROBABILITY  
MADE 12 AUG 2005  
VALID AUG 18 - 22, 2005**

**DASHED BLUE LINES  
ARE CLIMATOLOGY (DEG F)  
SOLID LINES ARE TOTAL PROBABILITY  
OF THE INDICATED CATEGORY. HEAVY  
SOLID LINES ARE 33.3% PROBABILITY**

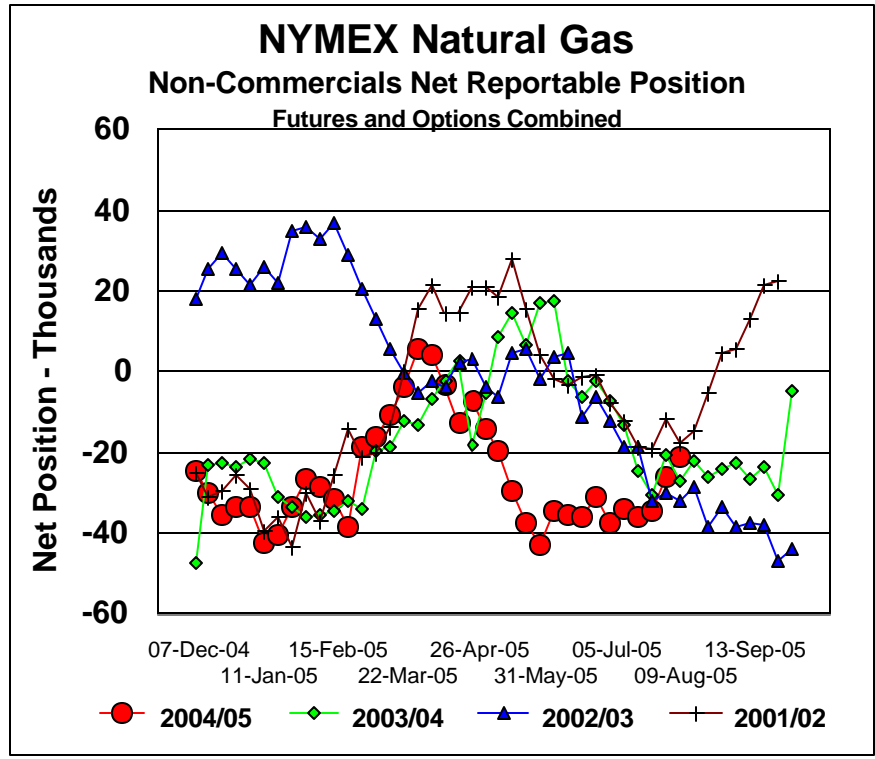
Duke Energy and Cinergy received antitrust clearance from the Federal Trade Commission and U.S. Department of Justice for their \$9 billion merger. The agencies granted early termination of the waiting period imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Allegheny Energy announced that its subsidiary, Allegheny Energy Supply Company has completed the sale of

its Wheatland generating facility to Cinergy Corporation affiliate PSI Energy for approximately \$100 million. The sale is part of Allegheny's strategic divestiture program to help the company focus on its core business. The Wheatland generating facility is a 512 Mw gas-fired peaking facility located in Knox County, Indiana.

**MARKET COMMENTARY**

The natural gas market opened 15 cents stronger today on revised weather reports calling for hot weather, a stronger oil complex, and an overall bullish psychology. Natural gas bulled easily through the 9.50 and 9.70 levels, posting the day's high at 9.91. This is the highest level in more than four years for natural gas, which finds itself driven by power-plant demand for air conditioning generation that is erasing an inventory surplus. The market pulled back somewhat in the afternoon, and settled up 28.7 cents at 9.588. Over the course of this week, September gas has rocketed 88.8 cents or 10.2% higher.



The National Weather Service's 6-10 day forecast for August 17-21 showed a return of hot weather to the Midwest, a key-consuming region, whereas yesterday's forecast had most of the region running at normal temperatures. Hot temperatures lingering in Texas and California are also lending support to the market. The hot weather has U.S. cooling demand for the next 10 days expected to be running 11% above normal, driving the generation demand for natural gas. Further buoying natural gas is the psychological strength it receives from the oil complex, which continues to make higher highs.

The Commitments of Traders report showed that as of Tuesday August

9, the non-commercial traders increased their long positions by almost 12,000 contracts, reducing their net short position by over 5,000 contracts. In the combined futures and options report, non-commercial traders reduced their net-short positions by almost 5,000 contracts. With most of the move this week coming on Wednesday, Thursday and today, and prices near \$10.00, we expect that net-short positions to be much smaller if not reversed to a net long position. We see resistance at \$9.915, \$10.00, and \$10.10. Technical support we see at \$9.00, \$8.87, \$8.83, and \$8.50.