



## ***ENERGY RISK MANAGEMENT***

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

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

Hurricane Katrina made landfall this morning just east of New Orleans with 140 mph winds, a category 4 storm. The Henry Hub Pipeline was shut down over the weekend and a force majeure was declared. In overnight Access trading, the September natural gas contract traded up over \$12. As a result of Henry Hub being closed, the NYMEX issued a force majeure for the August contract. Sabine Pipeline LLC, owner and operator of the Henry Hub pipeline, reopened the pipeline and ended the force majeure around midday after finding no significant damage from Hurricane Katrina.

El Paso Corp. pipeline subsidiary Tennessee Gas Pipeline Co. shut in 1.1 Bcf/d of natural gas as Gulf of Mexico producers cut output ahead of Hurricane Katrina. Tennessee Gas has a total capacity of 6.4 Bcf/d. The pipeline is pulling gas from storage to meet delivery needs. Southern Natural Gas Co. said that as of late Sunday more than 850 MMcf/d had been cut on its system as a result of Hurricane Katrina. The Southern pipeline system's total capacity is about 3 Bcf/d. Williams Co.'s Transcontinental Gas Pipeline shut it as much as 1.5 Bcf/d out of a total of 8 Bcf/d.

The Minerals Management Service reported that 8.299 Bcf/d of natural gas still shut-in by Hurricane Katrina. That is the equivalent to 82.99% of the daily production of gas in the Gulf of Mexico, which is approximately 10 Bcf/d.

FERC proposed rules that would require potential developers of new LNG terminals to initiate pre-filing procedures at least six months prior to filing a formal application. The commission is proposing the rule in accordance with the recently enacted Energy Policy Act of 2005. The new law requires FERC to issue within 60 days of enactment regulations implementing a mandatory, rather than an elective, pre-filing process for LNG facility authorizations.

NYMEX is extending the delivery period for its August natural gas futures contract one day, through September 1.

#### **Generator Problems**

**MAAC**— Public Service Enterprise Group's 1,049 Mw Hope Creek nuclear unit shut by early today. On Friday, the unit was operating at full power.

**MAIN**— Exelon Corp.'s 850 Mw Dresden #3 nuclear unit ramped up to 99% of capacity by early today. On Friday, the unit was operating at 61% of capacity. Dresden #2 dipped to 99% today, down from full power on Friday.

**SERC**— Entergy Corp. shut the 1,089 Mw Waterford #3 nuclear unit yesterday as Hurricane Katrina approached southern Louisiana. On Friday, the unit was operating at full power.

SCANA Corp.'s 966 Mw Summer nuclear unit exited an outage and returned to full power by early today.

**WSCC**— Arizona Public Service's 1,243 Mw Palo Verde #1 nuclear unit exited an outage and ramped up to 18% capacity by early today. The 1,335 Mw Palo Verde #2 also exited an outage and ramped up to 91% capacity today. Palo Verde #3 continues to operate at 99% capacity.

**The NRC reported that U.S. nuclear generating capacity was at 93,864 Mw up .37% from Friday and down 2.13% from a year ago.**

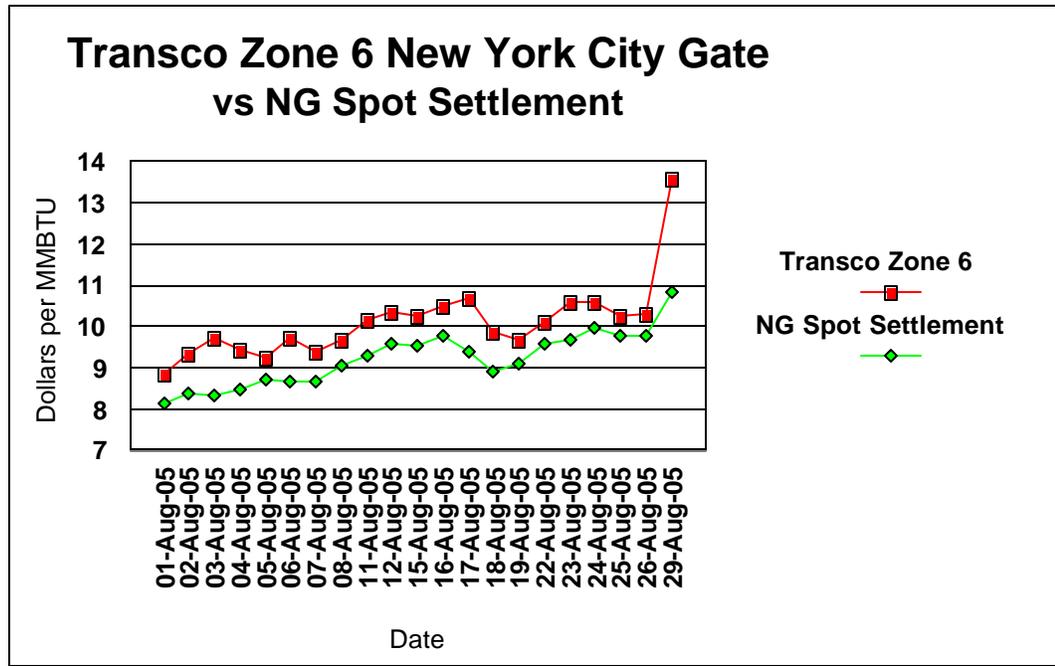
NYMEX said it would increase the margins for natural gas futures at the close of business today. Margins on the first and second months will increase to \$13,500 from \$10,800 for customers. Margins for the third and fourth months will increase to \$13,163 from \$10,463 for customers.

**PIPELINE RESTRICTIONS**

ANR Pipeline Company said it is currently monitoring shipper nominations and the associated production loss due to Hurricane Katrina. As such, all shippers must also monitor their production and adjust nominations to match that production as soon as possible. At this time, in order to protect system integrity, ANR will not tolerate any underproduction and will be forced to cut nominated volumes based on current production rates. Additionally, due to evacuation of offshore production platforms, onshore processing plants and certain ANR Pipeline facilities, the pressures between ANR's Patterson and Eunice compressor stations will be significantly lower than normal.

East Tennessee Natural Gas said that nominations sourced upstream of Glade Springs compressor station for delivery downstream of Glade Springs have been restricted to capacity. No increases in nominations flowing through Glade Springs will be accepted. Nominations sourced upstream of Bristol compressor station for delivery downstream of Bristol have also been restricted to capacity. No increases in nominations flowing through Bristol will be accepted. Nominations sourced upstream of the Boyds Creek compressor station for delivery downstream of Boyds Creek have been sealed to capacity. No increases in nominations flowing through Boyds Creek will be accepted.

Florida Gas Transmission said that due to hot temperatures and reductions in line pack due to Hurricane Katrina, 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 from Koran Station, Montpelier to Kosciusko, Kiln to Mobile, East Texas, and Bayou Sale-Napoleonville.

Natural Gas Pipeline Company of America said

Segment 17 is at capacity today. BP Hutchinson is at capacity for deliveries. Natural is also at capacity for gas received in Segment 1 for northbound flow through Compressor Station 155 in Wise County, Texas. All Louisiana Line Segments (25, 23 and 24) are at capacity for eastbound transport volumes. Deliveries to Columbia Gulf Chalkley are at capacity.

Texas Eastern Transmission Corp. said that in response to Hurricane Katrina, it has restricted receipts coming from the Venice and Cameron systems. Tetco will continue to take action to ensure physical receipts are commensurate with physical deliveries. Shippers are reminded to closely monitor their supply in the event of interruption due to the storm.

Trailblazer Pipeline Company said that effective September 1, Trailblazer anticipates being at capacity for transport volumes going eastbound through Compressor Station 602. The scheduling and 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 primary firm in-path and secondary firm in-path are not fully utilized.

Transcontinental Gas Pipeline Corp. said it will institute the Emergency Gas Supply Procedures for ID1 and ID2 cycles of gas day August 28 and for all cycles of gas day August 29. An emergency spot allocation will be performed such that nominations from the affected locations will be adjusted to more closely match flowing supplies.

### **PIPELINE MAINTENANCE**

Northwest Pipeline Corp. said that due to a mechanical failure, Northwest must complete unplanned maintenance at the Oregon City compressor station. Onsite personnel are currently completing investigatory inspections on the two units at the station in an effort to determine the extent of the work required. Preliminary indications are that the work may take a minimum of 10 days to complete. During the maintenance, NWP will reduce capacity at the Oregon City compressor station to 175 MMcf/d. Though no capacity cuts are expected moving forward, if the scheduled quantity through Oregon City exceeds 175,000 MMcf/d Northwest said it will declare a deficiency period and cut nominations accordingly.

### **ELECTRIC MARKET NEWS**

Entergy Louisiana reported that 939,000 households are without power in Louisiana and Mississippi following Katrina. In Alabama, Alabama Power Co. reported that 186,000 households lost power in the Mobile and southwest Alabama areas.

The NRC dispatched additional personnel to three nuclear power plants in Louisiana and Mississippi in response to Katrina. The three plants are the Waterford Plant, the River Bend plant, and the Grand Gulf plant, all owned by Entergy Nuclear.

Progress Energy has informed the U.S. NRC that the company is making plans that could lead to submitting a combined construction and operating license for a new nuclear power plant. The notification to the NRC also indicated the company expects to select a potential site and reactor vendor by the end of 2005.

Florida Power & Light has completed electric service restoration to 1,139,000 of the 1.45 million customers impacted by Hurricane Katrina three days ago. FPL said it is on track to meet its target of getting power back on for 90% of affected customers no later than Tuesday night. The final 10% of hardest hit customers would be restored between Tuesday and Friday.

### **MARKET COMMENTARY**

After the September natural gas contract traded above \$12.00 on access trading overnight in anticipation of Hurricane Katrina, September opened up over \$1.40 at 11.20. Rumors around the street spoke of \$12 and even \$15 natural gas, but off the open, natural gas drifted up to a high of 11.70 and then traded sideways along the 11.50 level. The oil complex was under pressure most of the afternoon, and natural gas mirrored it at the end of the day, falling down below 11.00 to a day's low of 10.65, before settling the expiring contract at 10.847 up 1.055. The October contract rallied back above the 11.00 level and settled at 11.139, up 1.333.

The market is waiting to hear final damage assessments from Hurricane Katrina, and that will lend direction to the market tomorrow. The physical gas market saw spot prices on the sharp upswing, as Henry Hub went off line over and a force majeure was issued Sunday. Transco saw trades range from \$12.50 to \$14.00. The return of Henry Hub today with no significant damage is good news to the natural gas market, which was threatening a more serious price spike. We see resistance at October's high of \$11.65, and \$12.00. Support we find at today's low of \$10.65, followed by \$10.50 and \$10.00. Further support we see at \$9.625 and \$9.00.