



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR AUGUST 31, 2005

#### NATURAL GAS MARKET NEWS

El Paso Corp. declared force majeure on portions of two key natural gas pipelines emanating from the Gulf of Mexico in the aftermath of Hurricane Katrina. The Southern Natural Gas Pipeline and the Tennessee Gas Pipeline are the two affected pipelines. The shut-ins may be fairly long-lasting if the experience of Hurricane Ivan from a year ago is repeated. Even if production facilities are undamaged, they cannot move gas onshore until the integrity of pipelines is assured.

ExxonMobil said a preliminary assessment has found a company-owned gas processing plant and related facilities on Grand Isle, Louisiana, sustained damage during Hurricane Katrina. Onshore gas treating facilities along Mobile Bay in Alabama suffered no visible damage, and damage assessments of the major's offshore structures in the Gulf of Mexico were underway. ExxonMobil still has 780,000 Mcf/d of its gas output shut in.

#### Generator Problems

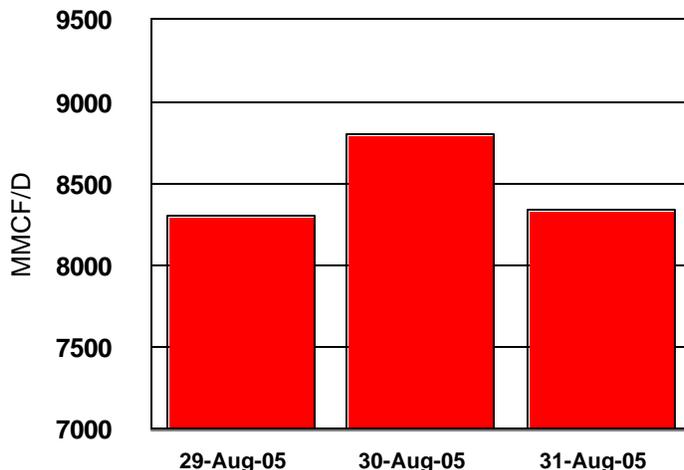
**ERCOT**— The Sandow #4 coal-fired unit will be in startup following boiler tube leak repairs.

**MAIN**— Exelon Corp.'s 850 Mw Dresden #2 nuclear unit shut by early today to work on a main transformer. The unit was operating at 77% capacity yesterday. Dresden #3 continues to operate at full power.

**Canada**— Ontario Power Generation's 515 Mw Pickering B #6 nuclear unit shut for a planned maintenance outage expected to last into late autumn.

**The NRC reported that U.S. nuclear generating capacity was at 93,707 Mw down .81% from Tuesday and down .66% from a year ago.**

**U.S. Natural Gas Daily Production Shut In From Hurricane Katrina**  
Cumulative Shut In Crude Production- 34.19 bcf



Williams Cos. lifted the force majeure on its Transco natural gas pipeline this morning at around 10:30 AM ET. The force majeure had been declared for Tuesday and Wednesday gas day deliveries due to damage caused by Katrina. Production is starting to come back to normal levels, with shut ins down to 800-900 MMcf/d from 1.3 Bcf/d yesterday.

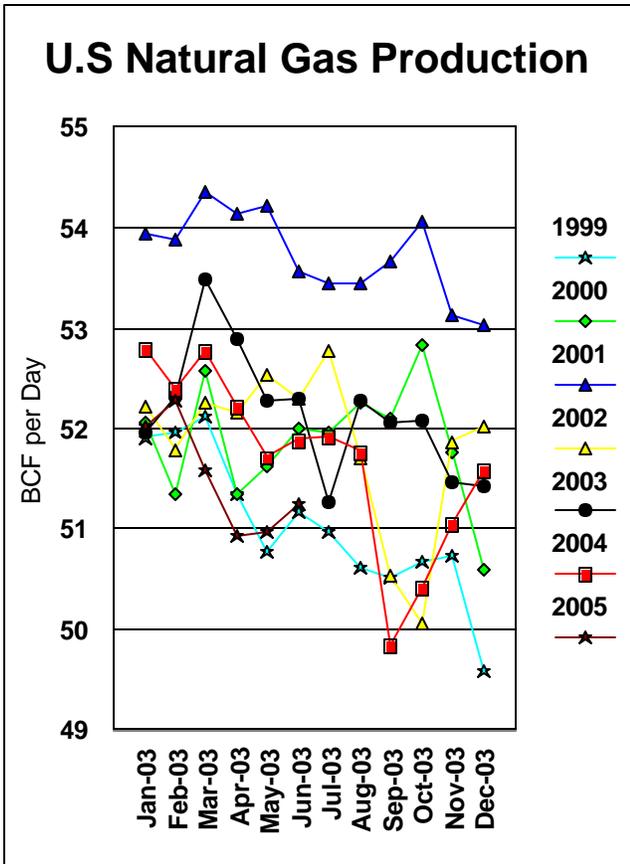
ANR Pipeline Co. saw natural gas volumes up 70% from Monday and continuing to rise after Hurricane Katrina. Total gas flow on the pipeline is around 700 MMcf/d. Outages because of producer shut-ins due to Hurricane Katrina had been as high as 1.2 Bcf/d. ANR is now only out 200-300 MMcf/d.

The reduction in natural gas supplies from

the Gulf of Mexico due to Hurricane Katrina shut some natural gas-fired power plants in the eastern U.S. Several utilities in the Southeast, including FPL and Progress Energy urged customers to conserve energy to reduce the amount of natural gas supplies needed to generate electricity. PJM Interconnection said some natural gas-fired generating facilities were out of service or operating at less than full power due to the reduced fuel supplies.

The Minerals Management Service reported that 8.345 Bcf/d of natural gas is still shut-in by Hurricane Katrina. This shut-in natural gas production is equivalent to 83.46% of the daily production of gas in the GOM.

Nigeria Ltd. has declared force majeure on two of its LNG trains in the country. The news follows a pipeline fire last week, which affected the company's production units at the Bonny Island LNG plant.



The EIA reported late this afternoon that it estimates U.S. natural gas production in June reached 51.2 bcf/d, up some 0.5% from May but still some 1.3% less than production levels in June 2004. The agency significantly revised downward its consumption estimates for May by 5.2%, but placed the nation's consumption of natural gas at 50.5 bcf/d some 1.7% higher than the same time a year ago. While industrial demand for natural gas continues to limp along, in June some 7.3% less than the same month a year ago, residential and commercial sectors saw consumption of natural gas up 4.1% and 6.8% respectively. The sector that saw the largest gains though was the power generation sector, which consumed some 52 bcf more of gas during the month of June or 10.4% more than the same month a year ago. Net imports of natural gas during the month were estimated at 9.8 bcf/d up 16.8% from the previous month and some 5.7% better than a year earlier. LNG imports though while some 10.7% higher than the previous month, were still lagging behind year ago levels, off 1.4% from June 2004.

**PIPELINE RESTRICTIONS**

Alliance Pipeline said effective September 1, it will change tolerance to -4/+4 percent.

East Tennessee Natural Gas said that nominations sourced upstream of the Bristol compressor station for delivery downstream of Bristol have been restricted to capacity.

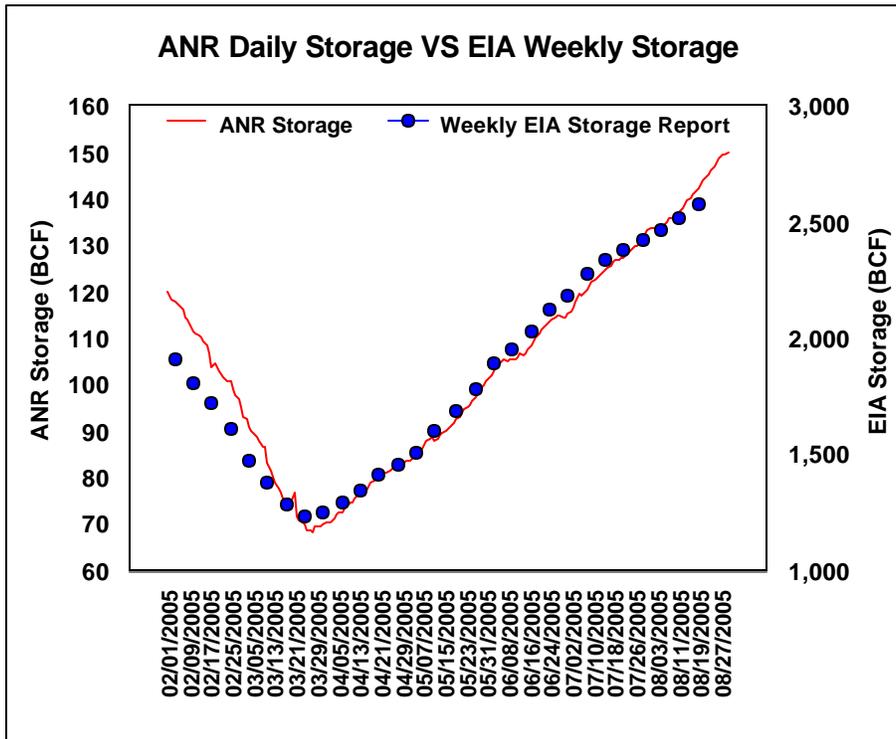
No increases in nominations flowing through Bristol will be accepted. Nominations sourced upstream of the Glade Springs compressor station for delivery downstream of Glade Springs have been restricted to capacity. No increases in nominations flowing through Glade Springs will be accepted.

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.

Iroquois Gas Transmission System said that due to the system being at capacity through the Athens Compressor Station, current loans, I.T. and ER/ED, and secondary firm through Athens are subject to allocation through today. Receipts at Brookfield will be available.

KM Interstate Gas Transmission said it has limited capacity available for gas delivered through the Casper Compressor Station (Segments 45 and 730). Depending on the level of nominations, IT/AOR and secondary volumes may be scheduled.



Southern Natural Gas Pipeline said that damage assessments began yesterday on its offshore and coastal facilities. Until the integrity of Southern's system upstream of Toca can be assured, Southern can not accept receipts upstream of its Toca Compressor Station. Southern has been forced to shut in its facilities at Toca and upstream of Toca due to Katrina. This constitutes an even of Force Majeure.

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 endure physical receipts are commensurate with physical deliveries. Shippers are

reminded to closely monitor their supply in the event of interruption due to the storm. M1 24-inch and M2 24-inch have been restricted to capacity. Receipts between Little Rock and Batesville for delivery outside of this area will not be accepted.

**PIPELINE MAINTENANCE**

Alliance Pipeline said that scheduled maintenance will require Unit #2 at the Whitecourt Lateral Meter/Compressor Station to be unavailable for six hours on September 14. Station Capacity will be reduced to 30.5 MMcf/d. The Whitecourt Compressor is located in Alberta.

**ELECTRIC MARKET NEWS**

Mississippi Power said it will take weeks to fix the damage caused to its electrical system by Katrina. Mississippi Power said it assessed about three-quarters of its 8,000 miles of transmission and distribution lines, and 70% need to be repaired or rebuilt entirely.

The Florida Reliability Coordinating Council, citing the shutting down of gas production facilities in the Gulf of Mexico due to Katrina, has declared a generating capacity "advisory." "This advisory has been issued to call for public appeals for conservation of electricity," the FRCC said, noting that the FRCC region—namely, peninsular Florida—"receives most of its natural gas from these production facilities. FRCC said that the impact in the disruption of this gas production "may adversely affect the generation capacity in the FRCC region since approximately 30-35% of the electric generation in the region depends upon natural gas as its primary fuel. The FRCC said it is asking that all electric customers in the FRCC region "utilize conservation measures until further notice, especially reduced use of all air conditioning in the late afternoon and early evening."

FPL crew have restored 95% of the more than 1.4 million customers left without power by Katrina.

**ECONOMIC NEWS**

Manufacturing in the Chicago area contracted in August for the first time since April 2003, suggesting record oil prices are slowing factory demand. The Chicago Purchasing Managers Index fell to 49.2 this month from 63.5 in

July. Numbers lower than 50 signal a contraction. Record energy prices that made some companies cautious about the outlook for growth may have restrained production.

### **MARKET COMMENTARY**

The natural gas market opened up 24 cents on continued uncertainty with regards to exact damage inflicted on the natural gas infrastructure. The market broke through the \$12.00 level off the open and traded to the day's high of \$12.25. The market failed to hold above \$12.00 as reports of shut-in production showed that more gas had started to flow. An afternoon announcement by the EPA saying that they waived clean air standards for all 50 states had the oil complex selling, and natural gas mirrored that move, back filling the gap from the open and trading down to a low of \$11.21 on the day. The market settled down 18.7 cents at \$11.472.

Tomorrow's EIA storage report shows estimates running from 57 Bcf to 72 Bcf for the week ended August 26, with most expectations centering on an injection of 64 Bcf. The five-year average for this report is an injection of 64 Bcf. Given the pace of injections into storage in ANR storage facilities, it appears that a high likelihood for the overall EIA storage could come in between 65-70 bcf. The auction of options by ICAP Energy and NYMEX implies that the market is looking for a 64 bcf build. But given the current uncertainty of USG natural gas production capabilities, we would look for the report tomorrow to offer little market impact.