



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR SEPTEMBER 1, 2005**

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

Apache Corp. said that it lost eight of its production platforms in Hurricane Katrina, which means 12.1 MMcf/d of natural gas is offline.

CenterPoint Energy continues to assess and repair damage to its natural gas facilities that were damaged by Katrina. Additional company crews from Arkansas, north Louisiana and Houston have been deployed to help handle emergencies and ultimately work to restore natural gas service.

El Paso Corp. continues its force majeure for receipt points upstream of Toca Compressor Station of its Southern Natural Gas Pipeline, but further assessments will have to wait until floodwaters recede. About 550 MMcf of gas still remains shut in by producers on the Southern Pipeline. Field personnel have found it difficult to reach certain locations because of high water. The company is also finding difficulty securing fuel for its helicopters and diesel for vehicles east of Houma, Louisiana.

Williams Cos.' Transcontinental Gas Pipe Line said it is seeing a return of production from its offshore laterals in the GOM and anticipates the remainder of production area natural gas supply will return to normal over the next five days. Today, about 700-800 MMcf/d is still shut in by producers on the Transcontinental Gas Pipe Line. That is down from yesterday's 900 MMcf/d shut in. Processing facilities on the Transco system have yet to return to full operations because of the lack of sufficient supply and power outages.

#### **EIA Weekly Report**

	08/26/2005	08/19/2005	Net chg	Last Year
<b>Producing Region</b>	751	746	5	799
<b>Consuming East</b>	1503	1452	51	1532
<b>Consuming West</b>	379	377	2	352
<b>Total US</b>	2633	2575	58	2683

#### **Generator Problems**

**SERC**— Duke Energy's 846 Mw Oconee #3 nuclear unit automatically shut during a routine test yesterday. Oconee #1 and #2 continue to operate at full power.

Entergy Nuclear's 1,207 Mw Grand Gulf #1 unit ramped output to 92% capacity. Yesterday, the unit was operating at 81%. The unit reduced power as the storm came through.

**WSCC**— Calpine Corp.'s 530 Mw Sutter natural gas-fired power plant shut in an unplanned outage early today. The unit was available for service late yesterday.

**Canada**— Ontario Power Generation said its 515 Mw Pickering A #1 nuclear unit, which has not operated since 1997 will enter commercial service in October to meet growing demand for electricity.

**The NRC reported that U.S. nuclear generating capacity was at 93,037 Mw down .72% from Wednesday and down 1.55% from a year ago.**

The Minerals Management Service reported 7.866 Bcf/d of natural gas still shut-in. This is equivalent to 78.66% of the daily production of gas in the GOM, an improvement from yesterday.

Meteorologists at energy consultancy Planalytics see further storm threats to the US and the Gulf of Mexico in the coming week and a half based on three tropical systems they are following. It appears that the Cape Verde hurricane genesis region has become active once again with three distinct tropical disturbances extending across the lower Atlantic Basin from just south of the Cape Verde islands westward to approximately 1100 miles east of the Windward Islands. In general,

environmental conditions ranging from favorable sea water temperatures, increasingly favorable upper level shear profiles, and the future elimination of dry mid level desert air will support additional organization of these features over the next few days. They expect a hurricane threat to the eastern US or Gulf of Mexico by late next week.

**Canadian Gas Association**

**Weekly Storage Report**

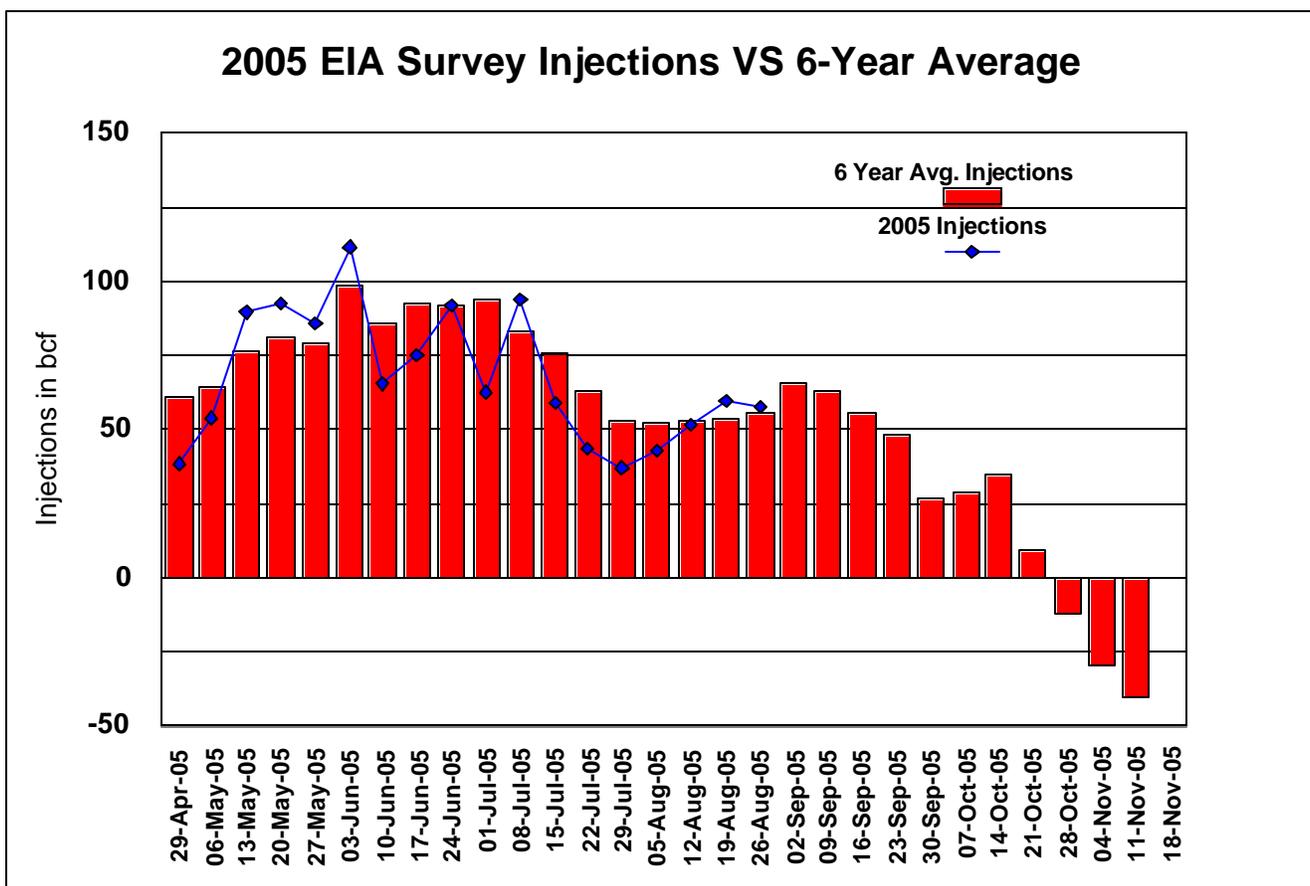
The NYMEX said it would again increase margins for its natural gas market futures. The first month will remain at \$13,500 for customers. The second and third month contracts will increase to \$16,200 from \$13,500 and \$13,163 for customers. The fourth month will increase to \$15,525 from \$13,163 for customers.

	26-Aug-05	19-Aug-05	27-Aug-04
<b>East</b>	194.6	185.2	240.4
<b>West</b>	201.7	199.5	202.1
<b>Total</b>	396.3	384.7	442.5

storage figures are in Bcf

**PIPELINE RESTRICTIONS**

East Tennessee Natural Gas said that 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 15% 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 East Texas - Koran Area; Tyler 12-inch Index 8/Palestine 8-inch Index 11 & 70/Dallas 18-inch Index 1; West 30 North; Montpelier to Kosciusko, Kiln to Mobile, East Texas, and Bayou Sale to Napoleonville.

Gulfstream has issued an Operational Flow Order as a result of the effects of Katrina, the interruption of gas supplies in the Gulf of Mexico area and warm weather conditions in the State of Florida. This OFO is effective at the start of the Gas Day yesterday, and will remain in effect until further notice.

Kern River Pipeline said line pack has returned to normal levels.

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 cannot accept receipts upstream of its Toca Compressor Station.

**PIPELINE MAINTENANCE**

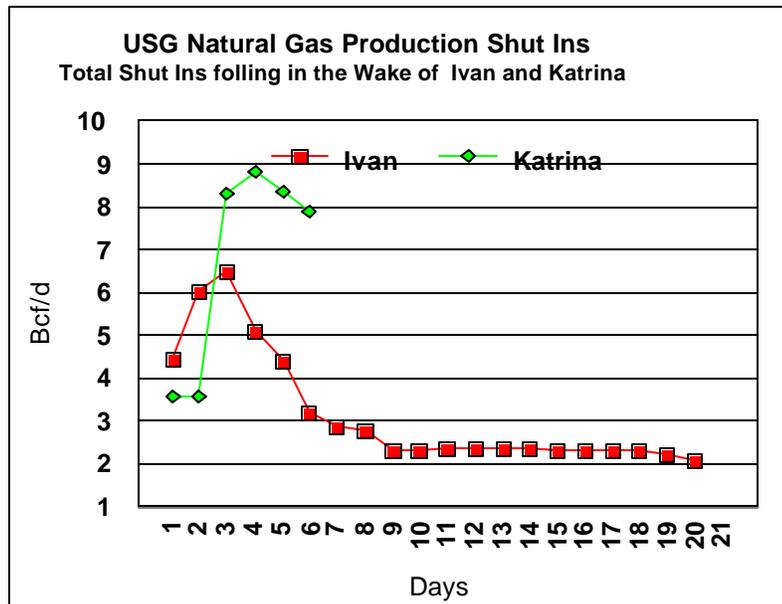
Williston Basin Interstate Pipeline Company said that due to unscheduled maintenance on Line Section 26 from 9:00 AM to 5:00 PM ET today, deliveries and receipts on Line Section 26 and receipts on Line Section 14 may be potentially restricted. Also, due to maintenance at the Little Beaver Compressor Station, the capacity at current conditions for Point ID 04018 Baker Area Mainline will be affected by approximately 11 MMcf/d for gas day September 7.

**ELECTRIC MARKET NEWS**

2.3 million electric customers in the Gulf Coast are still without power as of early today. Louisiana utilities reported about 863,000 customers without power. Mississippi had about 990,000 out, while Alabama had about 310,000 out. The outages in Louisiana and Mississippi actually grew overnight by about 50,000 customers as some of the smaller utilities reported their outages and flooding continues to knock out service. Entergy Corp. had about 702,000 customers out in Louisiana and 233,000 out in Mississippi. Southern Co. had 310,000 customers out in Alabama, and 195,000 out in Mississippi. With help from crews from as far away as New York, New Jersey, Massachusetts, Ohio, and Oklahoma, Southern said it expects to restore full service in Alabama by September 7, while it could take as long as four weeks to restore power in hardest-hit areas of Mississippi. Electricity outages at key pump stations in Louisiana and Mississippi were preventing the full restoration of the Colonial and Plantation pipelines, which provide the majority of gasoline, diesel and jet fuel to the Southeast, Mid-Atlantic and Northeast.

FPL Group said it has released 1,000 workers from emergency crews who were repairing its systems in the wake of Katrina to go to the Gulf Coast and begin restoration efforts there. The company had just over 15,000 customers still without power this morning.

Utility operator Teco Energy said its Bulk Terminal facility in Louisiana remains flooded and without power, and



the company said coal shipments to Tampa Electric would be slower than normal for a few weeks. The company said it would resume limited shipments of coal to Tampa Electric as soon as possible, but added that the utility has a 30-day coal supply and was in "good shape."

FERC said its response to Katrina, it will relax certain requirements for transmission providers. FERC noted rules allow transmission providers to take whatever steps are necessary to keep the system in operation.

**ECONOMIC NEWS**

The Institute for Supply Management's index of national manufacturing activity fell to 53.6 in August from 56.6 in July. The street's economists had forecast an August ISM index reading of 56.5. The ISM

manufacturing prices paid index for August rose to 62.5 from 48.5 in July, signaling the affect that energy costs have had on manufacturing.

### **MARKET COMMENTARY**

The natural gas market opened down almost 25 cents in anticipation of the EIA storage figures and new updates concerning supply data. The street was looking for an injection of 64 Bcf, but the figure came in lower with an injection of 58 Bcf, giving the market a much-unneeded bid. Natural gas rallied above the 11.50 level to an intraday high of 11.87 following the figure, and then fell off, trading sideways for the remainder of the morning and beginning of the afternoon. Today's report though not entirely a strong bullish number, reminded traders that next week they are going to see some terrible numbers. The market finished the day on a rally, posting the day's high of 11.90 before settling at 11.757, up 28.5 cents, as the release of the latest MMS data showed little improvement in returning shut in production.

The market is still very jittery and sensitive to any reports of supply news. The front month is trying to find comfort in its new range, trading between 10.65 and 12.30. The mentality seems to be that any dip in prices is an opportunity to buy. The basis between the October and November contracts has strengthened from 43 cents before Katrina to under 12 cents today. As supply comes back online, that spread is going to weaken, so a good play would be to be long the October-November spread. We see resistance at \$12.00 and \$12.30. Support we see at \$11.50 and \$11.25. Further support we see at \$11.00 and \$10.65.