



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR SEPTEMBER 15, 2005

#### NATURAL GAS MARKET NEWS

The National Weather Service reported that U.S. Midwestern and Northeastern states have an equal chance for above- to below-normal temperatures as the winter heating season begins amid tight energy supplies caused by Hurricane Katrina. In a three-month outlook, U.S. government weather forecasters said there were no clear indications from computer models whether the Eastern half of the nation would have average winter temperatures or not.

Alaskan Governor Frank H. Murkowski has delivered a contract term sheet for a natural gas pipeline agreement to North Slope producers and has requested a response by next week. Three groups are vying to build a pipeline to bring North Slope gas to Market, but progress on the project has been slow, with several hurdles – including acceptance by the Alaskan legislature – remaining to be cleared before the pipeline can go ahead. The \$18-20 billion Alaskan gas pipeline is expected to be built by 2012-2014. If completed, it will have a capacity of about 4.5-6 Bcf/d, and transport gas down from Alaska's North Slope into Alberta and then down to the lower 48 states.

Algeria's state oil and gas company Sonatrach has started discussions with a number of companies developing planned LNG import terminals in North America with a view to taking an equity participation in a project. Sonatrach has started talks with Cheniere Energy, McMoRan, Sempra, and Gaz de France.

#### Generator Problems

**MAAC**— PSEG Nuclear returned its 1,100 Mw Hope Creek station to full power today. Yesterday the unit was operating at 80% for planned maintenance.

Exelon's 1,116 Mw Peach Bottom #2 nuclear unit returned to full power today. The unit was operating at 82% yesterday. Peach Bottom #3 is operating at 87% today, down 1%.

**MAIN**— Exelon Corp.'s 850 Mw Dresden #2 nuclear unit exited an outage and ramped up to 34% of capacity by early today. Yesterday, the unit was operating at 9%. Dresden #3 continues to operate at full power.

**SERC**— Entergy Corp.'s 1,089 Mw Waterford #3 nuclear unit ramped up to 97% of capacity by early today. Yesterday, the unit was operating at 68% of capacity after exiting an outage.

Progress Energy does not expect to shut the 1,838 Mw Brunswick nuclear power station in North Carolina as Hurricane Ophelia pummels the coast. Both units at the plant continued to operate at full power today.

**The NRC reported that U.S. nuclear generating capacity was at 94,019 Mw up .92% from Wednesday and up 3.76% from a year ago.**

#### **EIA Weekly Report**

	09/09/2005	09/02/2005	Net chg	Last Year
<b>Producing Region</b>	767	745	22	844
<b>Consuming East</b>	1601	1543	58	1644
<b>Consuming West</b>	390	381	9	372
<b>Total US</b>	2758	2669	89	2860

\*storage figures in Bcf

The Minerals Management Service reported that today's shut-in gas production is 3.411 Bcf/d, equivalent to 34.11% of the daily gas production in the Gulf of Mexico.

As Ophelia slowly nudges up the East Coast of the U.S., AccuWeather is tracking two tropical waves that have potential to develop and become more organized. One is located northeast of Puerto Rico

and is generating plenty of showers. Models track this wave across South Florida Sunday and into the Gulf of Mexico Tuesday and Wednesday. The second wave is located 1,000 miles east-southeast of the Windward Islands in the Atlantic, and is becoming better organized, perhaps becoming a depression within 12-24 hours. Most computer modes show this wave slowly organizing into a tropical system within the next 2-3 days.

**PIPELINE RESTRICTIONS**

Florida Gas Transmission said that due to hot temperatures and reductions from Hurricane Katrina shut-ins, 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 Mobil; East Texas; and Bayou Sale to Napoleonville.

Natural Gas Pipeline Company of America said that capacity is available in Segment 18 for gas received to be transported eastbound. ITS/AOR and Secondary out-of-path transport volumes are available. Segment 18 is located in the South Texas-Gulf Coast Zone in Jim Hogg County, Texas

Texas Eastern Transmission said that gas sourced in STX, ETX for delivery outside of these zones have been restricted to capacity. M1 24-inch and M2 24-inch have been sealed to capacity. Increases in physical receipts between Mont Belvieu and Batesville for delivery outside that area will not be accepted. Nominations for receipts sourced at Monroe Station have put that station at capacity. No physical increases of receipts sourced at Monroe will be accepted.

TransColorado Gas Transmission said it is at capacity for deliveries through Segment 220, Segment 240 and Segment 300/310. Depending on the level of nominations, IT/AOR and secondary out-of-path volumes are at risk of not being scheduled.

**Canadian Gas Association**

**Weekly Storage Report**

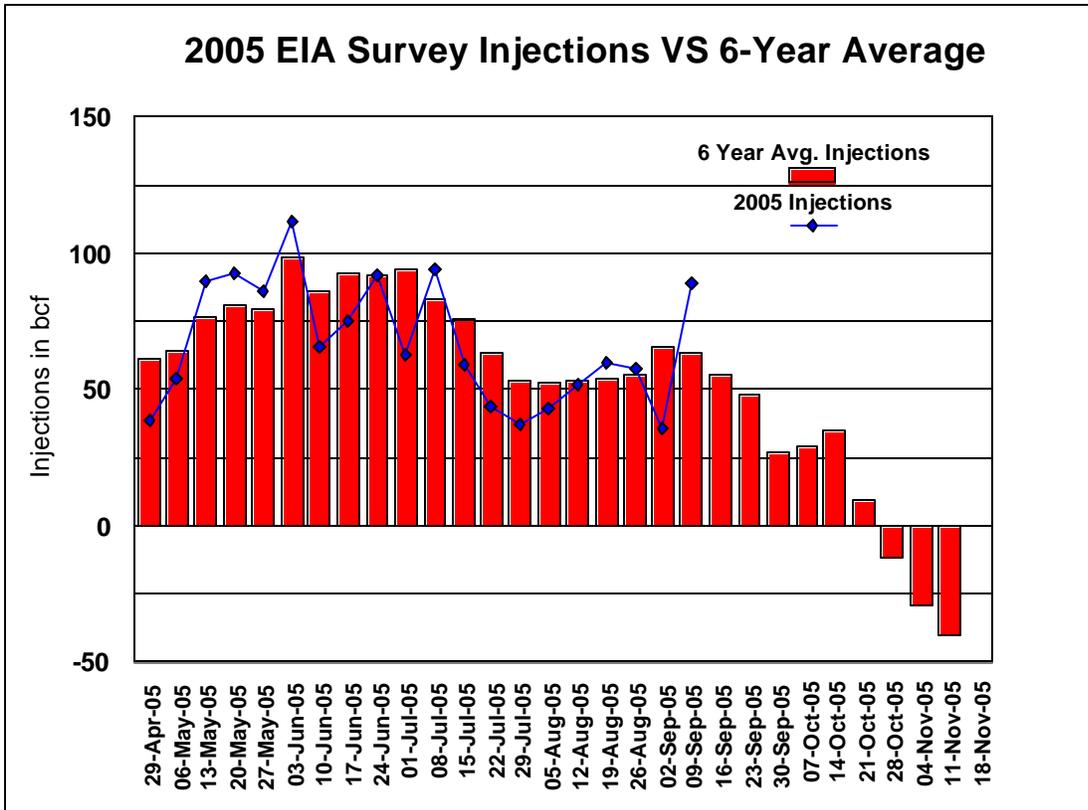
	09-Sep-05	02-Sep-05	10-Sep-04
<b>East</b>	211.0	203.6	257.6
<b>West</b>	234.5	204.2	208.2
<b>Total</b>	445.5	407.8	465.8

storage figures are in Bcf

**PIPELINE MAINTENANCE**

El Paso Corp.'s Southern Natural Gas Pipeline continues to shut-in its system upstream of the Toca Compressor Station south of New Orleans as a result of Katrina. Throughput remains curtailed by producers at 550 MMcf/d, an amount that has steadied at that level since before the Labor Day holiday.

El Paso Natural Gas Company said that Alamo



Lake 1 turbine maintenance has been completed ahead of schedule. The capacity of the Havasu Crossover was increased by 20 MMcf/d effective Cycle 4, yesterday and return to full seasonal capacity of 650 MMcf/d effective Cycle 2, today.

PG&E California Gas Transmission scheduled an emergency shut down test of the Kettleman Compressor for September 21. Capacity on the Baja Line will be reduced to 940 MMcf/d, 82% of capacity.

Transcontinental Gas Pipe Line Corp. said a pipeline anomaly repair related to Job #5 is required near Station 40. Currently, Transco plans to perform this work from September 22-26. During the work gas receipts will not be available from Humphreys #1 1715; or Craig #1 1684.

Williston Basin Interstate Pipeline Company said there will be scheduled maintenance on Units 8, 9 and 10 at the Cabin Creek Compressor Station between September 19-23. At this time, there are not anticipated restrictions to the system at current operating conditions.

### **ELECTRIC MARKET NEWS**

North Carolina's electric cooperatives are reporting power outages totaling just under 70,000 as a result of Hurricane Ophelia. The outages are primarily in southeastern coastal counties.

Some 390,000 electricity customers still lacked power today in Louisiana and Mississippi. About 311,000 of the homes and businesses in Louisiana or 28% remained without power. In Mississippi, about 80,000 customers remained without power.

Power producer Constellation Energy Group and a U.S. subsidiary of France's Areva said they are forming a venture that would help in the construction of new nuclear plants in the U.S. The joint enterprise, called UniStar Nuclear, will offer a business framework for other companies to develop joint ventures with Constellation Energy that in turn would license, construct, own and operate nuclear power plants.

### **ECONOMIC NEWS**

The U.S. Consumer Prices Index rose 0.5% in August, following a 0.5% rise in July. Excluding energy and food, the increase was less than expected, suggesting inflation was limited before Hurricane Katrina pushed gasoline costs to a record. The core prices index, excluding food and energy, rose 0.1%, restrained by auto discounts, declining hotel rates and steady medical costs.

The Philadelphia Federal Reserve reported little growth in its region in September and broadening price pressures. The bank's index measuring such growth dropped to 2.2 from 17.5 in August and 9.6 in July. Economists had expected a reading of 13 this month. The bank's new-orders and employment indexes turned in their worst performances since April 2003 and September 2003, respectively.

### **MARKET COMMENTARY**

The natural gas market opened up over 18 cents in anticipation of a bullish storage report today. The street had centered around an estimated injection of 59 Bcf, but the market was surprised with an 89 Bcf injection that sent the market down to the day's low of 10.86. This surprise report might have to do with decreased industrial demand of natural gas for chemical companies and manufacturers affected by Katrina. The sell off after the figure was really an advertisement to buy, as the bulls took over and brought the market back over the 11.00 level. In the last hour of trading, following the MMS report, which stated that production was still coming back slowly, the market took off, rallying to a high of 11.45 before settling up 17 cents at 11.336.

The EIA report showed that this year, we are 102 Bcf under where stocks were last year at this time, but 98 Bcf above the five-year average. The market is jittery with over 3.4 Bcf/d still offline as the heating season approaches. Traders are also nervous over the possibility of additional storms making their way into the Gulf. The market traded above the old resistance of 11.38, extending its upward trend for a second day. We see resistance at \$11.47, \$11.80, and \$12.25. We see support at \$11.00 followed by \$10.65. Further support we see at \$10.01.