



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR OCTOBER 4, 2005

#### NATURAL GAS MARKET NEWS

Sabine Pipe Line said it lifted its force majeure at the Gulf South and Columbia Gulf natural gas lines today. As a result, the New York Mercantile Exchange lifted force majeure on delivery obligations for both the September and October 2005 natural gas futures contracts.

Apache Corporation has restored half of its gross operated natural gas production in the Gulf of Mexico in the wake of Hurricanes Katrina and Rita. The restored amount is equivalent to 415 MMcf/d, and comprises both onshore and offshore production in the region.

El Paso Corporation proposed a natural-gas pipeline project, the Continental Connector, to link its western pipelines, which bring supply from the Rocky Mountain and mid-continent regions, with its pipelines in the south and east, which serve the East Coast and the Midwest. The project would also provide a link to production in northeast Texas. The project would involve the construction of more than 1,000 miles of up to 42-inch diameter pipeline to connect its Colorado Interstate, WIC, and Cheyenne Plains pipelines to points on the company's ANR Pipeline, Tennessee Gas Pipeline, and Southern Natural Gas

systems. El Paso anticipates that the project can be placed in service as early as November 2008.

The overall damage caused to the Gulf of Mexico natural gas sector infrastructure by Hurricanes Katrina and Rita will become more evident over the next few weeks, a top analyst from Wood Mackenzie said. An analyst from North American Gas Research believes that more damage will be revealed in the next few weeks. He noted that a lot of super majors are relatively slow to announce damages. In the next two weeks he thinks

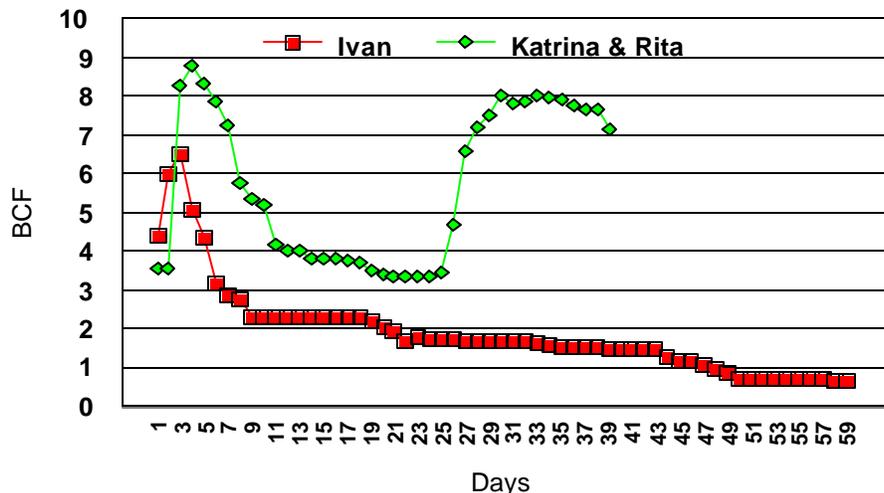
#### Generator Problems

**ERCOT**— TXU Corp. will restart its 750 Mw Monticello #3 coal-fired power unit today. The unit shut September 30 for repairs

**SERC**— Progress Energy increased production to full capacity at its 900 Mw Harris #1 nuclear unit. The unit was operating at 55% yesterday for repairs.

**The NRC reported that U.S. nuclear generating capacity was at 82,867 Mw up .40% from Monday and down 1.98% from a year ago.**

**USG Natural Gas Production Shut Ins**  
 Total Shut Ins following in the Wake of Ivan and Katrina & Rita



companies like ExxonMobil, BP and Chevron must report more details on damages as part of their third quarter results.

A preliminary damage assessment indicates 108 platforms in the Gulf of Mexico were destroyed by either Hurricane Katrina or Rita, Interior Secretary Gale Norton said Tuesday. Norton, who provided a preliminary report on damage to oil and natural gas facilities, said 3,050 of the 4,000 platforms administered by the Minerals Management Service (MMS) were in the hurricanes' paths.

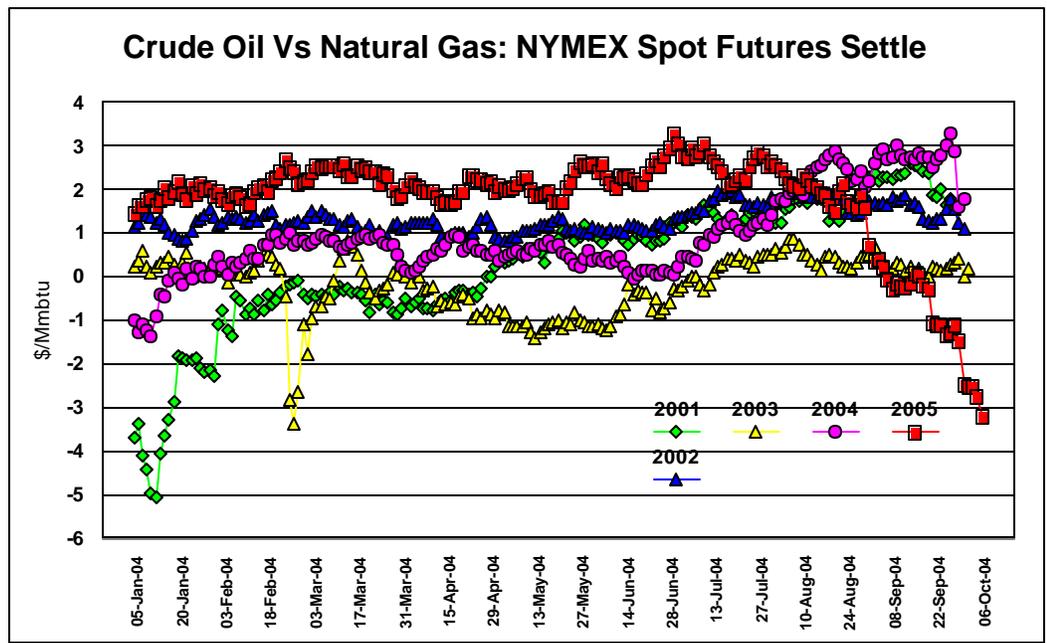
The Minerals Management Service reported that 7.169 Bcf/d of natural gas production in the Gulf of Mexico is shut-in. That is equivalent to 71.69% of the daily gas production in the Gulf of Mexico.

The National Hurricane Center said that it is tracking a tropical wave spreading out across the Bahamas, and that this wave is becoming a little more concentrated as it moves westward.

**PIPELINE RESTRICTIONS**

ANR Pipeline Company said that due to Hurricane Rita, it has identified damage to the South Marsh Island 108D production platform and ANR's interconnected pipeline facilities. This damage will impact ANR's 24-inch pipe from Vermillion397 through South Marsh Island 108D to Eugene Island 188 compressor station.

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 Hall Summit,



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.

Kern River Pipeline said that its linepack has returned to normal except at the common facilities where linepack is low.

Natural Gas Pipeline Company of America said that Compressor

station 342 remains unavailable for operation. Several meter locations along the Louisiana Line are not accessible due to high water. In upcoming days, evaluations will be made at each site to determine any damage and future availability. Due to the continuing unavailability of compressor station 342 and the meter location issues, the capacity of the Louisiana Line (segment 25, 23 and 24) was reduced and the Force Majeure continues. Natural will continue to schedule to the same level for gas day September 26.

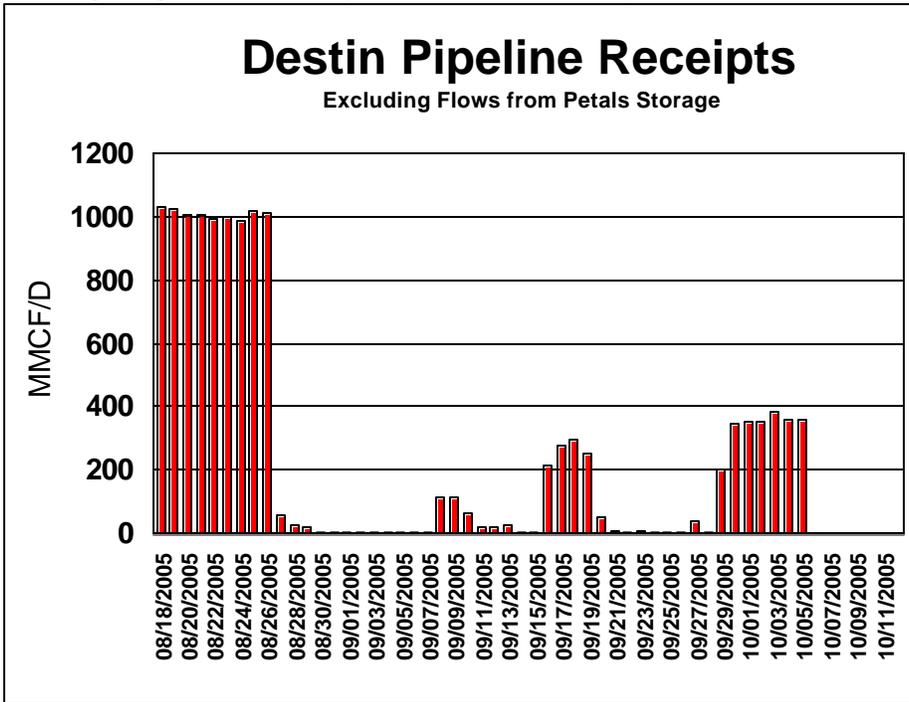
Texas Eastern Transmission Corp. said it has restricted receipts from production that has been shut-in due to Hurricane Rita. Tetco will continue to take action to ensure physical receipts are commensurate with physical deliveries. STX and ETX have been restricted to capacity. M1 24-inch and M2 24-inch have been restricted to capacity through the Batesville compressor station. Nomination increases sourced between the Mont Belvieu compressor station in STX and the Batesville compressor station in M2 24-inch will not be accepted.

**PIPELINE MAINTENANCE**

El Paso Natural Gas Company said that Alamo Lake #2 maintenance scheduled for October 4 and 5 will be done on October 6, reducing the capacity of the Havasu Crossover by 145 MMcf/s from a base capacity of 650 MMcf/d.

**MARKET COMMENTARY**

The natural gas market opened 6.7 cents lower today, as the force majeure was lifted on the Henry Hub delivery point. Selling continued early in the session as natural gas sold off down to 13.75, the low of the day and the lowest the market has been since September 28. Bulls came back into the market and momentum carried it easily back above 13.90 and then 14.00. The rally continued right into the close, topping yesterday's high and reaching a high of 14.24 today. The market settled up 20.7 cents at 14.224 on a very light 41,000 contracts.



Even with the news that the Henry Hub force majeure had been lifted, fundamentally the market is still very bullish and waiting to hear real concrete damage assessments from the major producing companies. The market feels that any dip is a signal to buy. The weakness in the oil complex today was no indicator for the natural gas market, which continued on its bullish trend. Natural gas is now at its widest point compared to crude, a premium of \$3.21/MMbtu. A year ago, Crude was trading at a \$1.88/MMbtu premium to natural gas. We see resistance at \$14.55 and \$15.00. We see support at \$13.75, \$13.65 and \$13.37. Further support we see at \$13.12 and \$13.00.