



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 20, 2005**

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

FERC Chairman, Joseph Kelliher, reiterated that the agency would take action against companies that use market manipulation to raise natural gas prices this winter. The government has warned consumers that heating fuel costs will be sharply higher this winter, compared with last year, due in part to the disruption in natural gas and petroleum supplies caused by hurricanes Katrina and Rita. The Energy Department has forecast that consumers who warm their homes with natural gas will see their costs jump 48% nationwide, and increase by 61% in the Midwest region. Kelliher urged Americans to reduce their heating bills by cutting back on energy use. He said, "if the consumers understand ahead of time that gas prices will be high this winter, they are more likely to conserve."

Ohio steel producers, saying they are "gravely" concerned over high natural gas prices, threw their support behind planned legislation that would open public lands in the state and Lake Erie to oil and natural gas drilling. The Ohio Steel Council also called for the streamlining of the approval process for new pipelines to bring additional gas supplies to the state. The council supports a proposal by Ohio State Rep John Hagan that would allow drilling on public lands and Lake Erie. Hagan is expected to introduce legislation in the next three weeks. The council, however, said the United Steelworker of America, which is a voting member of the group, does not support the proposed legislation and instead supports the so-called Apollo Initiative, which calls for large scale federal commitment to the development of renewable energy resources, including wind, solar and biomass, as well as conservation incentives.

#### **Generator Problems**

**ECAR**— CMS Energy Corp.'s 730 Mw Palisades nuclear unit returned to full power today after reducing power yesterday to check on an indication of a vibrating turbine.

**ERCOT**— American Electric Power's Welsh #1 coal-fired power unit will be in start up following completion of outage activity.

**FRCC**— FPL Group's 693 Mw Turkey Point #3 nuclear unit exited an outage and ramped up to 56% of capacity by early today. Yesterday, the unit was warming up offline at 2%. Turkey Point #4 continues to operate at full power.

**MAAC**— Exelon Corp.'s 1,112 Mw Peach Bottom #3 nuclear unit dipped to 71% of capacity by early today. Yesterday, the unit was operating at full power after exiting a refueling outage earlier in the week. Peach Bottom #2 continues to operate at full power.

**MAIN**— Exelon Corp.'s 1,162 Mw Byron #2 nuclear unit started to exit an outage and ramped up to 12% capacity this morning. The unit shut October 19 due to the shutdown of a condensate booster pump. Byron #1 continues to operate at full power.

**SERC**— Southern Co.'s 1,152 Mw Vogtle #1 nuclear unit ramped up to 88% of capacity by early today. Yesterday, the unit exited an outage and ramped up to 26% of capacity by midday. Vogtle #2 continues to operate at full power.

Dominion Resources' 810 Mw Surry #1 nuclear unit shut by early today. Yesterday, the unit was operating at full power. Surry #2 continues to operate at full power.

Duke Energy Corp.'s 1,100 Mw McGuire #1 nuclear unit ramped up to 45% of capacity by early today. Yesterday, the unit was operating at 15% after exiting a refueling outage. McGuire #2 continues to operate at full power.

**The NRC reported that U.S. nuclear generating capacity was at 76,850 Mw up .45% from Tuesday and down 5.64% from a year ago.**

### EIA Weekly Report

	10/14/2005	10/07/2005	Net chg	Last Year
<b>Producing Region</b>	820	796	24	922
<b>Consuming East</b>	1819	1774	45	1875
<b>Consuming West</b>	423	417	6	417
<b>Total US</b>	3062	2987	75	3214

\*storage figures in Bcf

The U.S. Coast Guard and the U.S. Maritime Administration are preparing an environmental impact statement for a proposed LNG import terminal offshore Massachusetts and are seeking comments on the proposal. Neptune LNG, a subsidiary of Suez LNG, which operates the Distrigas LNG terminal in Boston, would have peak send-out capacity of 750,000 Mcf/d. The terminal is

proposed for a site roughly 22 miles northeast of Boston and about 7 miles south-southeast of Gloucester, Massachusetts. The Coast Guard and MARAD will hold public meetings in Boston on November 2 and in Gloucester on November 3 to discuss issues related to the project.

The Minerals Management Service reported that 5.196 Bcf/d of natural gas production is shut-in in the Gulf of Mexico. That is equivalent to 51.96% of the daily gas production in the Gulf of Mexico.

Hurricane Wilma may mean yet another delay in efforts to restore offshore oil and natural gas production to pre-Hurricane Katrina levels, but so far the restoration effort appears to be continuing because of Wilma's projected sharp right turn around Cuba and course toward southern Florida. Nevertheless, some offshore operators started to evacuate nonessential personnel as a precaution on Thursday.

### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said that due to warm temperatures and low linepack it is issuing an Overage Alert Day at 35% 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 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.

Natural Gas Pipeline Company of America said that Columbia Gulf-Chalkley (PIN 11295) is at capacity for deliveries. Interruptible flow, authorized overrun and secondary out-of-path firm transport volumes are at risk of not getting fully scheduled. Columbia Gulf-Chalkley is located in Cameron Parish, Louisiana in Segment 23 of Natural's Louisiana Zone.

<b>Canadian Gas Association</b>			
<b>Weekly Storage Report</b>			
	14-Oct-05	07-Oct-05	15-Oct-04
<b>East</b>	242.8	239.7	247.0
<b>West</b>	250.9	247.5	219.8
<b>Total</b>	493.7	487.1	466.8

storage figures are in Bcf

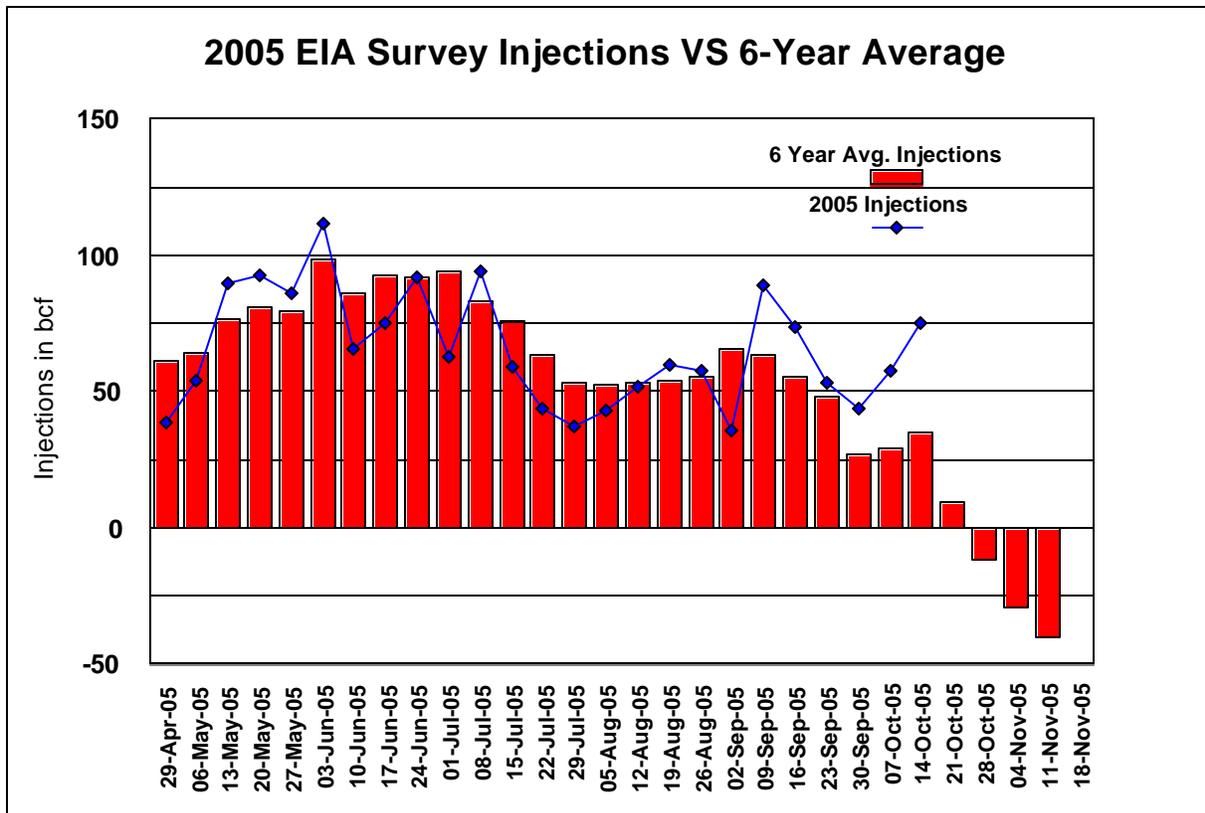
PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system. The pipeline restriction has 5% tolerance, with shippers who violate the OFO subject to a \$1.00/Mcf monetary penalty.

Texas Eastern Transmission Corp. said that the Department of Transportation pipe replacement project between the U.S./Mexico border and Santa Fe will be completed sometime around midday today, October 20. Effective 9:00 AM ET, Texas Eastern will accept nominations for meters between Pemex and Santa Fe that were previously shut in due to the maintenance.

### **PIPELINE MAINTENANCE**

El Paso Natural Gas Company said that Castle Dome turbine maintenance was completed in time to resume compression. The capacity of the Yuma Lateral was increased by 11 MMcf/d effective as of yesterday. EPNG also said that Line 1201 repairs downstream of Leupp Station, scheduled for October 20, have been postponed. Ongoing maintenance at Flagstaff Station will continue as scheduled. The capacity of the North Mainline will be reduced by 90 MMcf/d October 20.

Kern River Pipeline's upcoming maintenance is as follows: At the Salt Lake Compressor Station, semi-annual maintenance originally scheduled for October 25-26 has been rescheduled for December 67. Any impact to system capacity will be in December rather than October and will be communicated prior to the maintenance; At



the Salt Lake Compressor Station, the Valve Relocation Project originally scheduled for October 27-28 has been rescheduled for December 8-9. Any impact to system capacity will be in December rather than October and will be communicated prior to the maintenance.

#### **ELECTRICITY MARKET NEWS**

Improvements and upgrades to the high-voltage power grid controlled by the California Independent System Operator are showing their value for California energy consumers as the costs associated with congestion bottlenecks on the grid continue to drop dramatically. The Market Monitoring Report delivered to the ISO Board of Governors details savings of nearly \$54 million in just two months. The report also notes a collaborative effort between the ISO and major Load Serving Entities to reduce under-scheduling of load.

#### **MARKET COMMENTARY**

The natural gas market started its volatile day down 37 cents as Wilma weakened and traders waited for the weekly EIA storage report. Estimates centered around a 57 Bcf injection, but the market was surprised with an actual injection of 75 Bcf. Natural gas got smoked, trading quickly to a low of 13.75, but the 13.70 support level held and the market began retracing its sell off through the afternoon. The market returned back above 13.00 and made its way to its opening price. But with a surprise injection like today, the bears were able to pressure the market back below 13.00 and settle it down 57.2 cents at 12.977, the first settlement under 13.00 in 10 days.

Supplies are just below where they were last year at this time, but are still 56 Bcf above the five-year average. The cash market was over the screen the entire week suggesting that firm demand still exists, and with a hurricane on the radar, it is unlikely that the market will be able to retreat further ahead of the weekend. Next week, with Wilma out of the way, we can expect to see a test to the downside of the 12.70 level. We see support at \$12.70 followed by \$12.20 and \$12.00. On the upside, we see resistance at \$13.62, \$14.00 and \$14.25. Further resistance we see at \$14.75.