



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 2, 2006**

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

The Natural Gas Supply Association reported that natural gas producers are making the best use of all available supply resources to help overcome the unprecedented challenges caused by last summer's Hurricane Katrina and Rita, but meeting U.S. demand continues to be a struggle. Natural gas recovery in the Gulf of Mexico has been largely ahead of the best estimates that followed last year's unprecedented hurricane devastation. The number of producing gas wells in the U.S. continues to increase. In 2005, the number of new gas wells hit an all time high of more than 27,000, while rig counts are also up for onshore areas. The NGSA however, believes more years of market tightness appear likely as long as the most economical supply options continue to be kept out of reach.

ONEOK Inc. said that its Texas Gas Service division received approval to implement new rates in two of its service areas. The implementation will affect 56,500 customers and will increase annual revenues by \$2.5 million. The new rates went into effect on April 28. The first of the two areas consists of 11 cities between Abilene and Ft. Worth. The request was approved for \$865,000, or a 4.2% increase, in revenue and includes an approved return on equity of 10.85%. Texas Gas Service also received approval to increase rates in its service area in south Jefferson County, which includes the city of Port Arthur. The cities agreed to a \$1.6 million increase in revenue, or 95, and an approved return on equity of 11%

#### **PIPELINE RESTRICTIONS**

KM Interstate Gas Transmission said that Burlington Resources Lost Cabin is at capacity for receipt volumes. Based on the current level of nominations, interruptible flow, authorized overrun and secondary volumes are at risk of not being scheduled.

#### **PIPELINE MAINTENANCE**

Panhandle Eastern Pipeline Company said that the E-301 Compressor was taken out of service March 7 for maintenance and was expected to be back in service April 28. However, this in-service date has been extended until May 12. The expected capacity through the Seiling segment will be limited to 280 MMcf/d. At this time, there is no anticipated impact to customer nominations.

Texas Eastern Transmission said that due to heavy rain in the area of maintenance at Mt. Belvieu, the schedule for the line 11 pipeline-cleaning project and the Department of Transportation maintenance at Mt. Belvieu has

#### **Generator Problems**

##### **ECAR—**

**ERCOT—** TXU Corp.'s 750 Mw Martin Lake #3 coal-fired power unit shut early today to fix a boiler tube leak. The unit is expected to return within a week.

TXU Corp.'s 750 Mw Monticello #3 coal-fired power unit is expected to restart today following a maintenance outage.

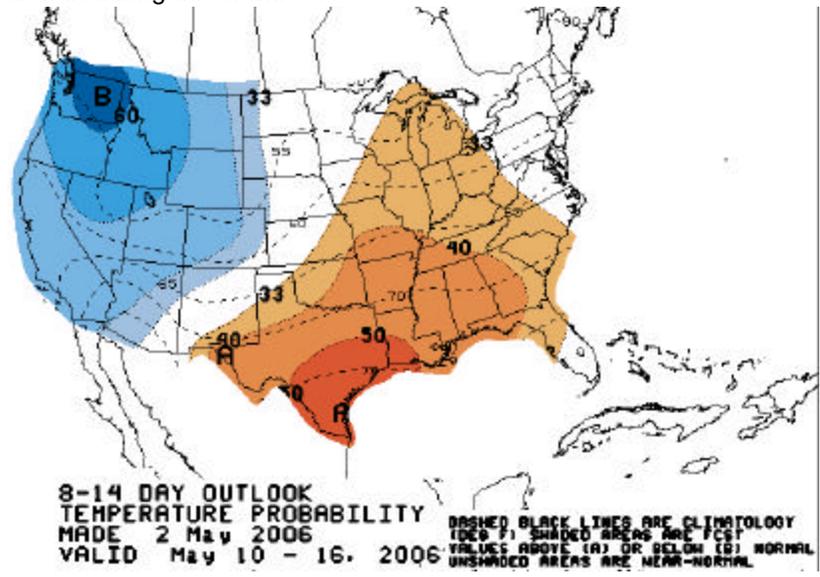
**SERC—** Southern Co.'s 869 Mw Hatch #1 nuclear unit dipped to 20% by early today. Yesterday, the unit was operating at full power. Hatch #2 continues to operate at full power.

**WSCC—** Southern California Edison's 525 Mw Mountainview #3 and #4 natural gas-fired power units returned to service yesterday afternoon.

PG&E Corp's 404 Mw Helms Pumped Storage #1 and #3 hydropower units shut yesterday for planned maintenance.

**The NRC reported that U.S. nuclear generating capacity was at 76,414 Mw down .85% from Monday and down 3.56% from a year ago.**

changed. The pipeline-cleaning project will begin on May 4 and end on May 8. During this maintenance, restrictions on the 24-inch system downstream of Longview, as well as a significant restriction of receipts in ETX between Huntsville and Longview will be required. The DOT pipeline replacement on the discharge of Mt. Belvieu has been rescheduled to begin May 5 and end on May 7. During this outage, depending on the level of nominations at that time, a restriction of receipts in STX may be required. The interconnect with the Moss Bluff Gas Storage Chambers Co, Texas is located in the valve section where the replacement is occurring and will be shut-in during this work.

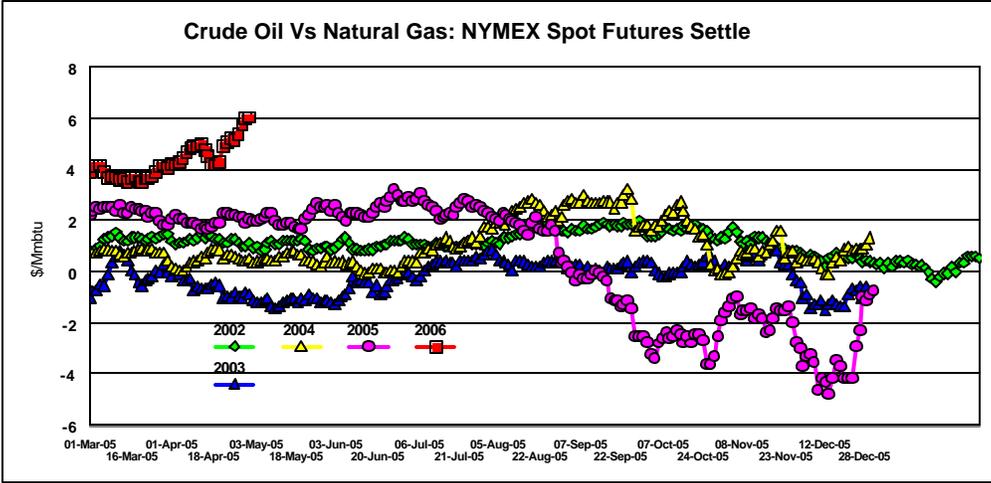


Williston Basin Interstate Pipeline Company said that during the month of May and June, planned, unplanned and preventative maintenance in the Baker Gathering Field will be performed at compressor stations on an as needed basis. Williston Basin does anticipate restrictions during these outages. Williston said that maintenance is scheduled at the Little Beaver Compressor Station on June 7. Point ID 04018 Baker Area Mainline and Point ID 04015 Baker Area Grasslands Mainline will be affected by approximately 2.2 MMcf/d during the work. Williston also said that due to maintenance at the Lovell Compressor Station, planned for June 12, maximum capacity through the Lovell

Compressor Station will be approximately 35 MMcf/d. This has the potential to affect receipts in Line Sections 19 and 20 depending upon nominations. Finally, Williston said there will be maintenance at the Saco Compressor Station on May 10-11. Maximum capacity at Receipt Point ID 00880 Whitewater will be approximately 14.7 MMcf for May 10 and approximately 15.7 MMcf for May 11. Maximum capacity at the Saco Compressor Station will be approximately 24 MMcf for May 10 and approximately 25 MMcf for May 11.

**ELECTRIC MARKET NEWS**

Power grid operator PJM Interconnection said that generating companies in its U.S. Mid-Atlantic and Midwest region would have no problem meeting consumers' demand for electricity this summer. PJM manages the electricity grid and wholesale power market in all or parts of 13 states and the District of Columbia-from Illinois to New Jersey and from Pennsylvania to North Carolina. PJM forecasts consumers would use up to 131,439 Mw of electricity this summer, slightly less than the all-time record of 133,761 Mw set last summer. Also, PJM expects the region's generators to have 165,303 Mw of generating capacity on line this summer, providing a reserve margin of 25.8%, well above the 15% reserve margin the grid operator requires for reliability.



According to NUS Consulting Group, electricity prices in April 2006 for large customers were up 10.9% compared with the same period in 2005, a survey of 24 of the largest investor-owned utilities showed. The survey found

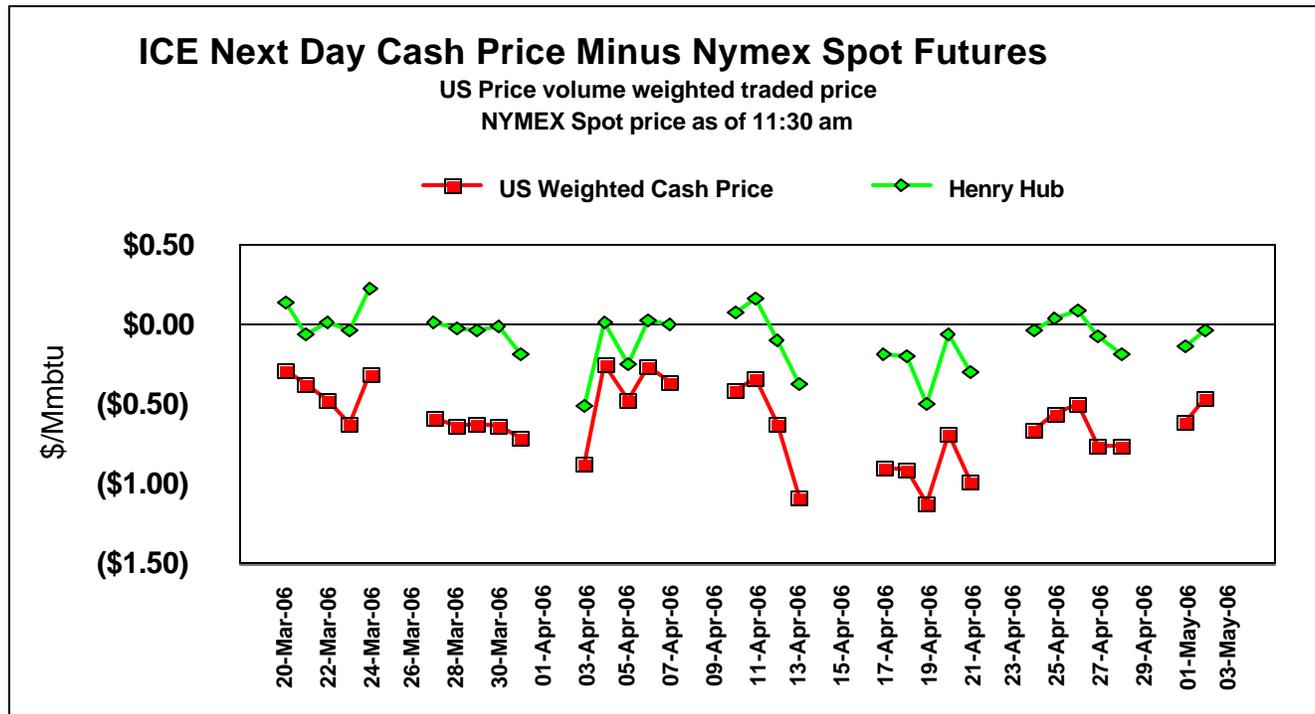
that the average price for industrial customers with monthly usage of 450,000 kWh was 8.82 cents/kWh as of April 1, compared with 7.95 cents/kWh in April 2005. NUS said utilities with the highest prices in the survey can be found in states that have restructured their retail markets and have retail competition, and it noted that utilities in Texas joined the group and power prices there have risen, following gas prices in the past year. The five highest-priced utilities in the survey were Con Ed in New York, Reliant Energy in Texas, PSEG in New Jersey, Texas Utilities and National Grid in New York. The lowest-priced utilities were Dominion Power in Virginia, AmerenUE in Missouri, Duke Energy in North Carolina, Ohio Power and Xcel Energy in Minnesota.

**CME Weather Futures- Cooling Degree Days**

May CDD Contract		Prior		
City	Settle	Change	11 Year Avg	Volume
Atlanta	190	45	203	50
Chicago	44	-1	37	0
Dallas	360	20	308	0
Houston	415	10	387	0
Las Vegas	420	-6	388	0
New York	45	2	51	0
Portland	15	0	14	0

The Clean and Safe Energy Coalition today released a new national public opinion poll that shows strong U.S. support for nuclear energy and reveals a dearth of knowledge among many that currently shapes opinion. The new polling data reveals Americans see a clear need for electricity production solutions that focus on affordability, energy independence and protecting the environment. According to the poll, 66% of Americans do not believe enough is being done to increase affordable electricity supplies for the future. In addition, 69% do not

believe enough is being done to reduce greenhouse gas emissions and air pollution associated with electricity production. After brief education, nuclear energy's favorability rating increased, with 73% of respondents very favorable or somewhat favorable to it.



**MARKET COMMENTARY**

The natural gas market opened 2.5 cents higher but could not keep par with a rallying petroleum market. June natural gas traded between 6.60 and 6.87 today, as it was unable to muster much enthusiasm to the upside. Natural gas was content in further consolidating in its current range as it awaits some serious summer demand. The June contract was able to add 5.1 cents to settle at 6.746.

The market is still plagued by the shoulder season tug of war between higher petroleum prices and bearish fundamentals. However, with forecasts showing warming temperatures creeping into consuming regions in the 8-14 day time frame, time is running out for bears to take a shot at the formidable support at 6.50 and 6.00. Also, the crude-natural gas relationship seems to have de-coupled for now, as natural gas is content to watch crude oil

take another look at 75.00. We see support at \$6.60, \$6.45-\$6.50, \$6.13, \$6.00. We see resistance at \$6.80, \$7.00, \$7.47 and \$7.85. We see further resistance at \$8.00, \$8.28-\$8.31 and \$8.50.