



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR APRIL 5, 2006**

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

Crosstex Energy said it completed construction of the 140-mile 24-inch North Texas Pipeline that will gather and transport natural gas out of the Barnett Shale. The Barnett Shale produces about 1.5 Bcf/d of natural gas and is recognized as the most active gas field currently in North America. Crosstex said the pipeline project, with a cost of approximately \$115 million, allows for delivery to distributors Conserv Energy and Atmos Energy for sale to consumers and businesses in North Texas. The line has the capacity to deliver 250 MMcf/d and with added compression, capacity could increase to 375 MMcf/d.

Duke Energy Gas Transmission announced plans to expand its Texas Eastern Transmission system from Lebanon, Ohio, to New Jersey by up to 150 MMcf/d. The Texas Eastern Incremental Market Expansion will provide phased-in additional capacity to serve natural gas shippers PSEG Power and New Jersey Natural Gas, both of which have signed binding long-term transportation commitments. The capacity increase will be accomplished by adding approximately 10 miles of additional pipeline facilities at two locations in Ohio, approximately 21 miles of additional pipeline facilities at three locations in Pennsylvania and approximately 30,000 horsepower of additional compression facilities at two locations in Pennsylvania. An initial in-service date of late 2007 is planned.

The Minerals Management Service reported that 1.393 Bcf/d of natural gas remains shut-in in the Gulf of Mexico. That is equivalent to 13.93% of the daily gas production in the Gulf of Mexico.

A Reuters poll showed that U.S. natural gas prices in 2006 are expected to slip below last year's record highs after a mild winter left a huge amount of gas in inventory at the start of the spring and summer stock building season. The survey of 24 industry experts showed most expected prices this year at Henry Hub to average \$7.73 /MMBtu, down 18% from 2005's record high average of \$8.81.

#### **PIPELINE RESTRICTIONS**

#### **Generator Problems**

**ERCOT**— Entergy Corp. expects to restart the 144 Mw units #1 and #2 at the 485 Mw Harrison County natural gas-fired combined cycle power plant in Texas on about April 14.

The Gibbons Creek #1 coal-fired power station shut today to repair a boiler tube leak.

**SERC**— Southern Nuclear Operating Co.'s 888 Mw Farley #1 power unit reduced power to 91% capacity as it coasts down for refueling and maintenance this weekend. Farley #2 continues to operate at full power.

Southern Co.'s 883 Mw Hatch #2 nuclear unit automatically shut from full power while two technicians were performing a 24-month calibration on the megavar and voltmeter recorder. Hatch #1 increased output to 66% from 39% after exiting a refueling outage over the weekend.

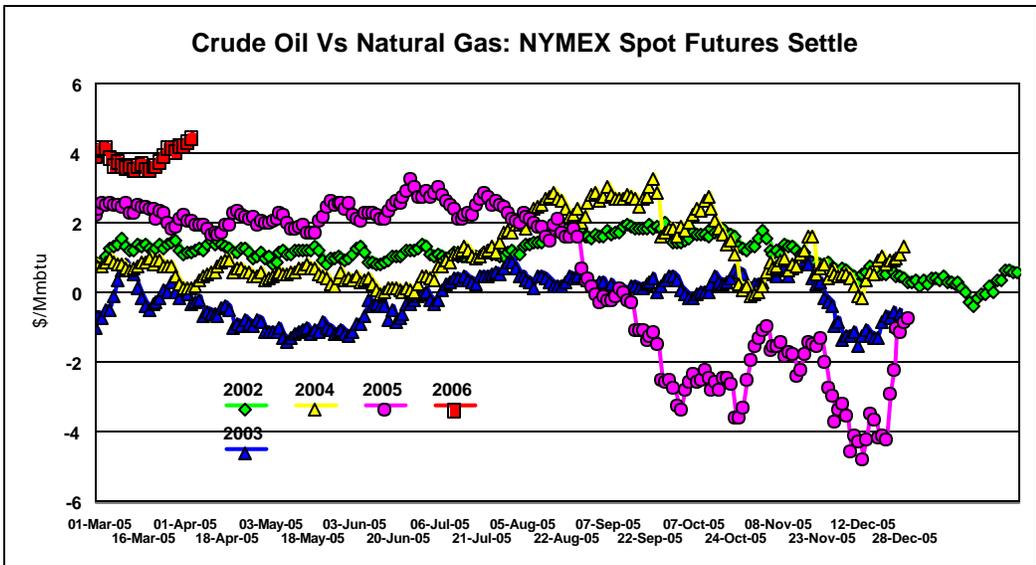
TVA's 1,125 Mw Sequoyah #1 nuclear unit reduced power to 87% from 90% as it coasts down for refueling and maintenance. Sequoyah #2 continues to operate at full power.

**WSCC**— Arizona Public Service's 1,335 Mw Palo Verde #2 nuclear unit reduced power to 90%. Palo Verde #1 and #3 are currently offline.

**Canada**— Ontario Power Generation's 490 Mw Nanticoke #1 coal-fired power unit shut by early today for a short-term forced outage.

**The NRC reported that U.S. nuclear generating capacity was at 77,537 Mw down .99% from Tuesday and up 1.82% from a year ago.**

Columbia Gas Transmission said April 6 would be deemed a “critical day” in its market area 21 in southeastern New York, extending the alert for a third day in a row due to unspring-like cold weather and high natural gas demand on its system. Columbia said it made the declaration based on forecasts showing that all available capacity will be required to meet firm obligations, leaving no non-firm capacity available.



Kern River Pipeline said that line pack on Kern River has been set at low from the Elberta Compressor Station to the end of the Common Facility. Line pack is normal from Muddy Creek to the Elberta Compressor Station.

Natural Gas Pipeline Company said that a force majeure event has occurred on Natural's Segment 16 in Latimer County, Oklahoma. On April 3, Natural identified a

leak on its pipeline in Segment 16 and due to safety concerns Natural isolated the affected section of Segment 16 so necessary repairs can be performed. Two receipt points were impacted by this event – BP Red Oak and Superior. Both receipt points have been shut in and were unavailable for scheduling. Natural has since completed repairs to its pipeline Segment 16 and lifted the force majeure.

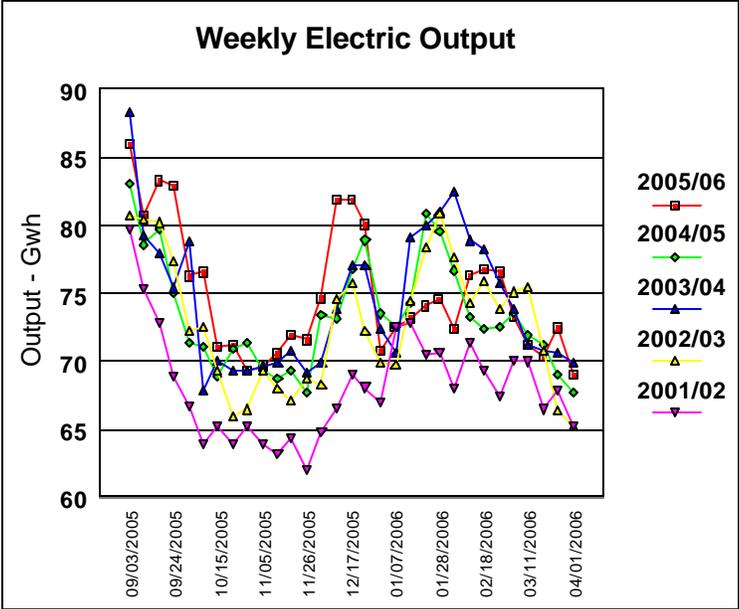
Texas Eastern Transmission said it has scheduled and sealed M1 and M2 24-inch. No increases between Little Rock and Batesville for delivery outside that area will be accepted. Tetco has scheduled and sealed receipts between Mt. Belvieu and Little Rock. No increases in receipts sourced between Mt. Belvieu and Little Rock for delivery outside that area will be accepted.

**PIPELINE MAINTENANCE**

Gulf South Pipeline said that it will be performing scheduled maintenance on the Olla Compressor Station Unit #1 and Unit #2 beginning April 6, and continuing for two weeks. Capacity through the Olla Compressor Station could be reduced as much as 250 MMcf/d, however, with current nominations, capacity should not be affected.

**ELECTRIC MARKET NEWS**

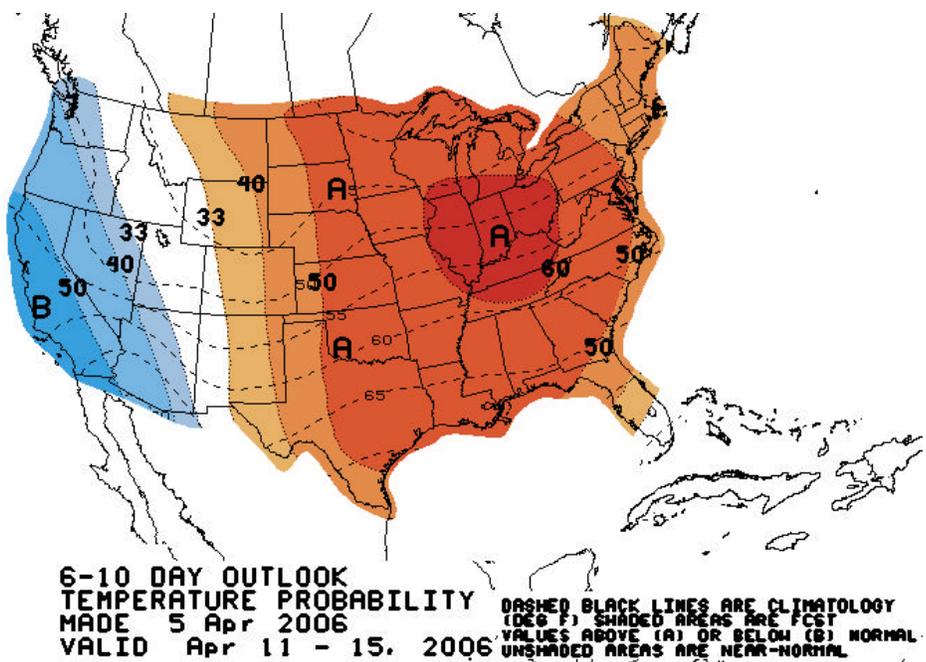
E&L Westcoast announced it has signed a contract to develop, build, and then sell a 660 Mw natural gas-fired combined cycle power plant to Pacific Gas & Electric Company. Development will begin immediately on the project located in northern Colusa County, about 60 miles northwest of Sacramento. The project is scheduled to enter commercial operations to meet the summer demand in 2010. The plant is designed to be amongst the most efficient power facilities in the State using advanced natural



gas-fired combined cycle technology. The project will use GE equipment including two 7FA gas turbines and a single steam turbine. The project site is rurally located accessing natural gas and electrical transmission interconnection nearby.

The U.S. Mid-Atlantic power grid operator said the ongoing outage of a transformer at Jersey Central Power and Light's East Windsor substation in central New Jersey should not have a major impact on system reliability this summer. In a transmission report, PJM Interconnection, the grid operator, said the East Windsor No. 1 500/230 kilovolt transformer failed on March 3 and will not be available for the summer. PJM also noted the grid would remain reliable even if the second 500/230 kV transformer at East Windsor or the nearby 500/230 kV transformer in Smithburg were to fail.

The Luna Energy Facility, a 570 Mw natural gas-fired power station near Deming, New Mexico, opened for commercial operation today. The plant is owned equally by PNM Resources, Tucson Electric Power and Phelps Dodge Energy Services. Each of the three owners will receive 190 Mw of electricity production from the plant. The three companies chipped in to pay \$40 million for the partially constructed plant in November 2004 from Duke Energy. Collectively, they have spent about \$100 million to finish building the plant.



Electricity wholesaler Calpine Corp. said that it will jettison about 20 power plants and lay off another 775 workers, continuing to retreat from a rapid expansion that buried the company in debt and drove it into bankruptcy.

U.S. electric utilities' emissions of pollutants that cause acid rain and smog have fallen sharply since the federal government adopted stricter standards in 1990, but greenhouse gas emissions have risen in that time. The report found that between 1990 and 2004, the power producers' emissions of sulfur dioxide decreased by about 44%, and those of nitrogen

oxide fell 36%. However, the report said their emissions of carbon dioxide, the main cause of global warming, rose about 27% in that period and can be expected to increase further as new coal-fired power plants are built.

U.S. utilities, breaking with their own trade association, urged Congress to impose mandatory restrictions on emissions of carbon dioxide, a gas that contributes to global warming. Exelon Corp. and Duke Energy Corp., the two largest U.S. utility owners, joined PNM Resources and Sempra Energy at a Senate hearing Tuesday to express support for creation of a federal program to set limits for U.S. greenhouse gas emissions. The utility industry's official stance, through its trade group, the Edison Electric Institute, opposes government-imposed restrictions in favor of voluntary efforts to reduce emissions.

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended April 1 rose 1.9% from the same 2005 week to 69,031 GWh. For the first 13 weeks of the year, production decreased by 0.3% from last year. For the 52 weeks ended April 1, however, production rose 3.2% from the corresponding period in 2005.

**MARKET COMMENTARY**

The natural gas market opened 11.5 cents lower extending its recent down turn to 6.94. The market could not muster any more downward momentum because of the strength in the oil complex following a larger than expected draw in unleaded gasoline. The May contract traded to a high of 7.16 as crude oil broke back above 67.00. Natural gas slipped back to par, to finish the session up just 4 point at 7.069.

With little change in the overall fundamental situation, natural gas remains a lame duck market, held from going lower by the oil complex. With tomorrow's EIA inventory report expecting a modest draw of about 18 Bcf or even a small build, upside potential is slight. The market will remain stuck until the next move is absolutely clear. We see support at \$7.00, \$6.86, \$6.66 and \$6.45-\$6.50. We see further support at \$6.13 and \$5.68. We see resistance at \$7.562, \$7.62 and \$7.85. We see further resistance at \$8.00 and \$8.13.

