



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR APRIL 24, 2006**

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

According to an April 21 Bloomberg News survey, natural gas may decline in New York as mild weather and abundant stored reserves curtail demand. Seven of 14 traders and analysts, or 50%, said prices will drop. Five said gas will gain and two predicted little change. Last week's gain in gas prices surprised to 57% of survey respondents who forecast a drop a week ago. The survey has correctly predicted the direction of prices in tow of the past four weeks. The survey has called for declining prices for the past seven weeks.

#### **PIPELINE RESTRICTIONS**

East Tennessee Natural Gas said that certain shippers on its system have built up significant due shipper imbalances; ETNG has limited operational flexibility to continue to manage these imbalances. If ETNG does not continue to see corrective action to address this issue over the next several days, ETNG warned that it will take action.

Florida Gas Transmission said that due to warm temperatures and low linepack, it is issuing an Overage Alert Day at 20% tolerance.

Kern River Pipeline said that line pack has returned to normal over its entire system.

Texas Eastern Transmission Corp. 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 sourced 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.

Trunkline Gas Company said there was a fire at the Kaplan Compressor Station on the morning of April 21. Though there was no impact to nominations, Trunkline personnel are in the process of

#### **Generator Problems**

**ERCOT**— TXU Corp.'s 575 Mw Big Brown #1 coal-fired power unit is expected to return to service tomorrow. The unit has been shut since April 20 for maintenance.

Topaz Power Group's 632 Mw Coletto Creek coal-fired power unit shut April 21-22 for planned maintenance. The work is expected to last till April 27.

CPS Energy's 405 Mw JT Deely #2 coal-fired power unit is expected to return to service today following a short work outage.

AEP's 528 Mw Welsh #2 coal-fired power unit is expected to return to service today April 26. The unit shut April 20 for planned maintenance.

**FRCC**— FPL's 839 Mw St. Lucie #2 nuclear unit shut for a planned refueling outage. On Friday, the unit was operating at full power. St. Lucie #1 continues to operate at full power.

**MAAC**— FirstEnergy's 821 Mw Beaver Valley #1 nuclear unit returned to full power by early today. On Friday, the unit was operating at 65% capacity. Beaver Valley #2 continues to operate at full power.

**MAIN**— Exelon's 855 Mw Quad Cities #2 nuclear unit is operating at 85% power today, up from the 72% level held on Friday. Quad Cities #1 continues to operate at 85% capacity.

**MAAP**— The 580 Mw Duane Arnold nuclear unit increased output to 96%, up from the 63% level held on Friday.

Entergy's 825 Mw FitzPatrick nuclear unit has increased to full power. On Friday, the unit was operating at 55% capacity.

**SERC**— Duke Energy Corp.'s 1,129 Mw Catawba #2 nuclear unit started to exit a refueling outage and ramped up to 3% capacity. The unit was been shut since March 18. Catawba #1 continues to operate at full power.

Entergy's 966 Mw River Bend nuclear unit shut for a planned refueling and maintenance outage. The unit was operating at full capacity on Friday. The outage is expected to restart in about a month.

determining the long-term effects to capacity at this time.

**PIPELINE MAINTENANCE**

Gulf South Pipeline said that unscheduled maintenance on Bistineau Compressor Station Unit #2 has been extended until further notice. Capacity on injections to the Bistineau Storage Field could be reduced by 100 MMcf/d. Capacity on Bistineau storage withdrawals will not be affected during this maintenance. Gulf South also said that it will be performing scheduled pipeline maintenance on Index 296 beginning April 26 for approximately 12-18 hours. Due to this maintenance, capacity into the New Orleans area will be limited to 140 MMcf for the duration of the maintenance.

Northwest Pipeline said the Snohomish C/S Units #1 and #2 capacity replacement project originally scheduled from May 1 through May 27 has been moved to April 24 through May 7. From April 24 to May 7, Snohomish C/S will undergo piping modifications to replace unit piping with larger diameter pipe as part of the 2006 capacity replacement project. Both units will be unavailable for the duration of the work. Based on historical operations, customers may be impacted.

PG&E California Gas Transmission has scheduled general maintenance on the Topock Compressor for May 8-10. Capacity on the Baja Line will be reduced to 1,050 MMcf/d during the work, roughly 92% of capacity.

**Generator Problems**

**SERC**— Dominion Energy's 810 Mw Surry #1 nuclear unit shut over the weekend for a planned refueling outage. Surry #2 continued to operate at full power.

Southern Co.'s 1,152 Mw Vogtle #1 nuclear unit started to exit a refueling outage and ramped up to 14% of capacity by early today. Vogtle #2 continues to operate at full power.

**WSCC**— Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit reconnected to the grid and ramped up to 40% capacity. On Friday, the unit was operating at 18% as it started to exit a refueling outage.

**Canada**— Bruce Power's 750 Mw Bruce A #4 nuclear unit shut for a two-month maintenance and inspection outage.

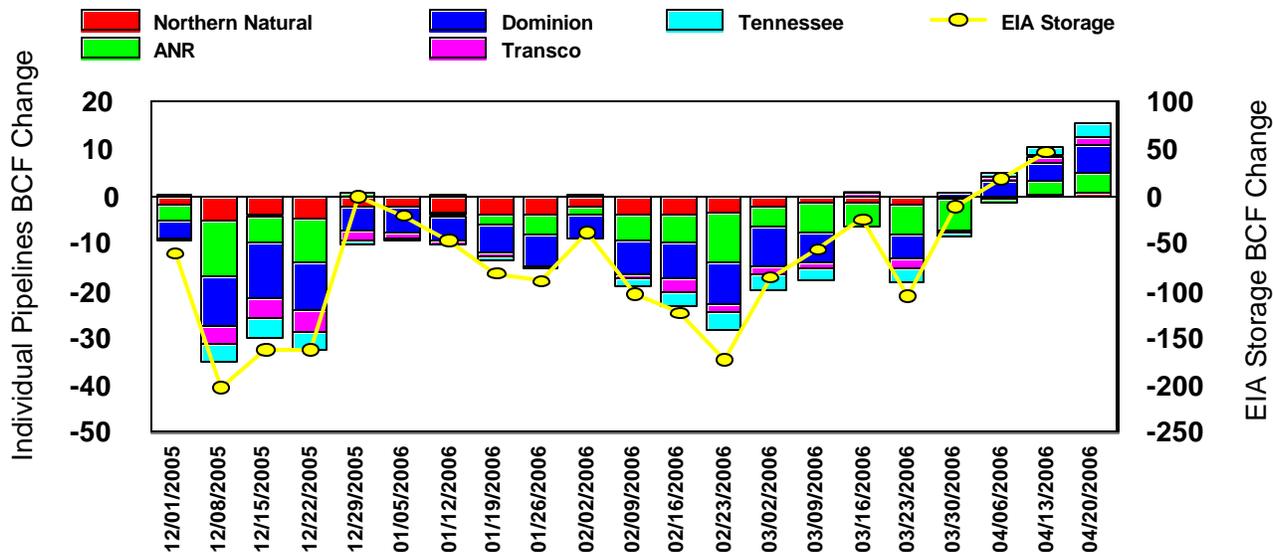
Ontario Power Generation's 494 Mw Lambton #2 coal-fired power unit shut for a short-term planned work.

OPG's Nanticoke coal-fired power station shut unit #6 for a short-term maintenance, unit #4 for a longer outage and unit #7 for a full maintenance outage. Nanticoke units #1, #2, and #5 remain available for service.

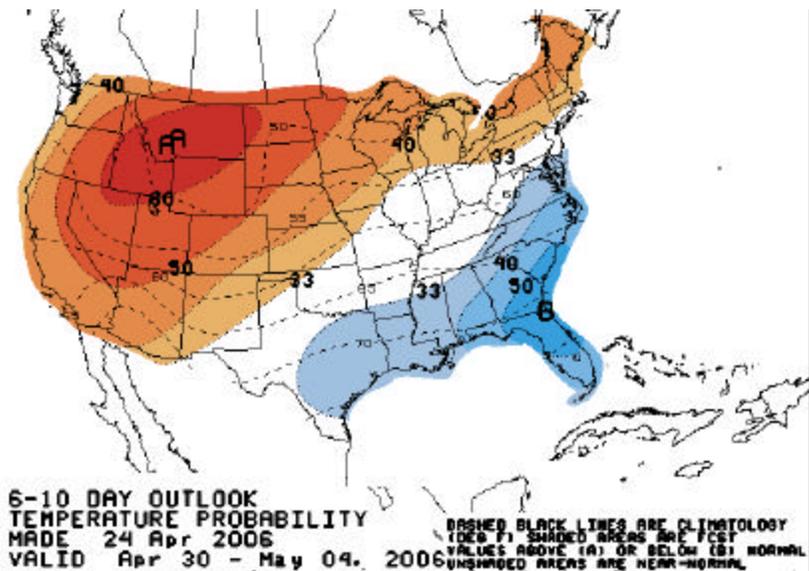
OPG's 515 Mw Pickering B #7 nuclear unit shut on April 21 for short-term inspection and maintenance of a valve.

**The NRC reported that U.S. nuclear generating capacity was at 77,200 Mw down 1.63% from Friday and up 3.21% from a year ago.**

**Weekly Change In Nat Gas Stocks**



Transcontinental Gas Pipe Line said that the work required for the Texas Highway 181 relocation, near Refugio, Texas was finished late Friday, April 21. Transco has returned this portion of its system to normal operations.



**ELECTRIC MARKET NEWS**

Pinnacle West Capital Corp. said the FERC issued an order last week revoking its right to charge market-based rates in its Arizona Public Service Company unit's service area. The company said that according to the order it must charge cost-based rates, rather than market-based rates, and needs to refund any over-collection of rates since February 25, 2005. Pinnacle West said it does not believe the order will have a material adverse effect on its financial position, results or cash flow. It will seek rehearing of the matter on or before May 17.

**MARKET COMMENTARY**

The natural gas market opened 15 cents softer, pressured by a softening

petroleum complex and technical selling from last weeks dollar-plus bull run. With a lack of bullish news coming out of Nigeria and Iran, crude oil sank more than \$2.00 at its lowest level on the day, and natural gas likewise pulled back from its recent rally. The soon to expire May contract traded above the 7.67 support level until following crude oil on a late day push lower breaking key support at 7.65. The May contract traded as low as 7.52 today before settling down 42.3 cents at 7.558.

Without fresh bullish impetus, natural gas will struggle to continue higher. The summer demand season is still several weeks away, and with a near record amount of storage in place and more injections on the way, without the support of a tight oil complex, natural gas will feel the weight of its fundamental situation. Looking ahead to Thursday's storage report, basis pipeline storage, we are expecting a 77-83 Bcf injection. With the settlement below the key technical support at 7.65, there is room to the downside, especially if crude keeps coming off. We see support at \$7.54, \$7.36 and \$7.00. Further support we see at \$6.66, \$6.45 and \$6.13. We see resistance at \$8.28-\$8.31, \$8.65, \$9.00 and \$10.50.

With tomorrow's expiration of the May natural gas options it appears that open interest in these options offers little insight into the potential direction that prices may move tomorrow without a significant change in price of the underlying futures. While puts held a slight advantage over calls in trade interest today, the most active natural gas option strike was the May \$8.00 calls which traded nearly 3300 times between 3-7.5 cents.

