



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 1, 2006**

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

The U.S. FERC staff on Friday issued final environmental impact statements on three proposed LNG terminals – Crown Landing, Dominion Cove Point and Port Arthur – finding in each case that the projects would have limited effects on the environment if recommended mitigation actions are followed. Dominion's proposal to expand its 1 Bcf/d Cove Point, Maryland, LNG terminal by 800,000 Mcf/d would have limited adverse environmental impacts. FERC also found no environmental issues that would block the 1.2 Bcf/d Crown Landing terminal on the Delaware River in Gloucester County, New Jersey. The project includes an 11-mile, 30-inch pipeline that would connect the facility to Texas Eastern Transmission's existing pipeline in Brookhaven, Pennsylvania. In a third order, FERC staff also found no environmental problems with Sempra LNG's plan to build the 1.5 Bcf/d Port Arthur LNG terminal in Jefferson County, Texas, and 73 miles of associated pipeline in Texas and Louisiana.

Australia's North West Shelf joint venture has signed a heads of agreement for the ongoing supply of LNG to Japan's Toho Gas, marking the second long-term contract renewal among the North West Shelf's eight original Japanese LNG customers. Under the terms of the agreement, the new 10-year contract with Toho Gas would start in April 2009, covering up to 760,000 mt/year of LNG on an ex-ship basis. The new contract would represent a tripling in the volume of LNG currently sold to Toho Gas by the North West Shelf joint venture.

Bolivian President Evo Morales signed a decree on Monday to nationalize the hydrocarbons sector, requiring that foreign-

#### **Generator Problems**

**ECAR**— FirstEnergy's 946 Mw Davis-Besse nuclear unit increased output to 61% up from 34% on Friday.

**ERCOT**— The Harrison #1 coal-fired power unit is expected to return to service tomorrow following short-term maintenance.

TXU Corp.'s 565 mw Monticello #2 coal-fired power unit shut today for a scheduled maintenance. The unit is expected to return to service in a few weeks. Monticello #3 is expected to return to service later today following a maintenance outage that began a couple weeks ago.

NRG Energy's 610 Mw WA Parish #8 coal/natural gas-fired power unit restarted on April 29 following an electrical malfunction.

TXU Corp.'s 545 Mw Sandow #4 coal-fired power unit fixed a water chemistry problem last week before shutting the unit for planned work on April 25-26.

**MAAC**— PPL Corp.'s 1,140 Mw Susquehanna #2 nuclear unit shut by early today. On Friday, the unit was operating at full power. Susquehanna #1 continues to operate at full power.

**MAPP**— Omaha Public Power District's 476 Mw Fort Calhoun nuclear unit shut April 29 for planned maintenance. The unit was operating at full power on Friday.

Xcel Energy's 522 Mw Prairie Island #1 nuclear unit shut for a planned refueling outage on April 28. Prairie Island #2 continues to operate at full power.

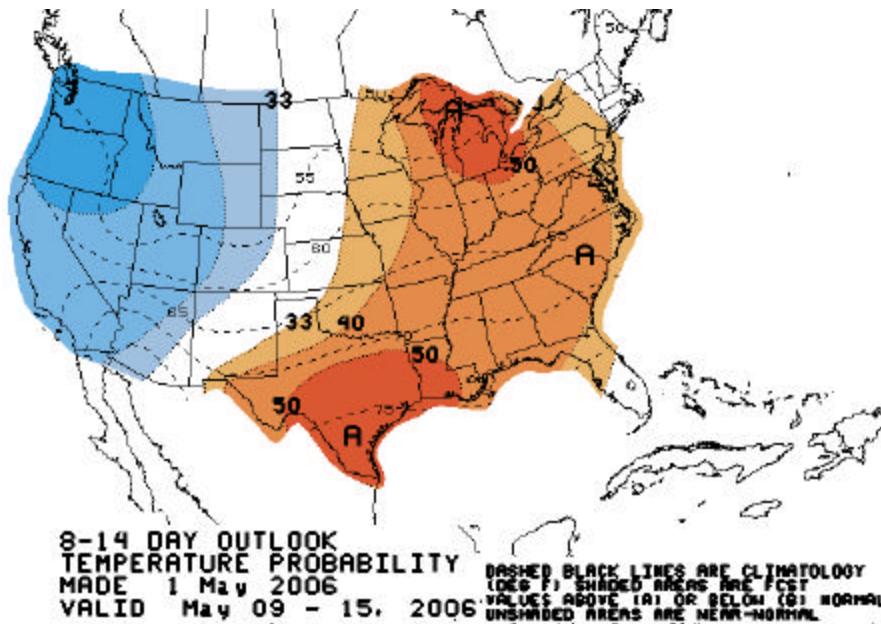
**SERC**— Duke Energy's 846 Mw Oconee #3 nuclear unit shut by early today for a refuel. On Friday, the unit was operating at 87% as it coasted down for a planned month long refueling. Oconee #1 and #2 continued to operate at full power.

**WSCC**— Southern California Edison's 1,050 Mw Mountainview power station shut by Friday afternoon.

Duke Energy's 739 Mw Moss Landing #6 natural gas-fired power station returned to service by Sunday afternoon.

**The NRC reported that U.S. nuclear generating capacity was at 77,070 Mw down 3.21% from Friday and down 1.74% from a year ago.**

owned energy companies turn over their natural gas fields to the state immediately and sign new operating contracts within 180 days. The leftist leader also ordered the military to occupy fields nationwide. Bolivia has the second-largest natural gas reserves in South America after Venezuela, and the question of how the country should manage these riches has been at the heart of several popular revolts in the last three years.



El Paso Corp. announced today a binding open season for a project under development by the Continental Connector Pipeline Company. The open season will conclude ongoing efforts to finalize shipper commitments. An initial non-binding open season for the project was conducted in October 2005 and received strong interest from a diverse set of potential customers. The project will link the fastest growing supply areas including the Rockies, Mid-Continent, and the Barnett Shale fields of north Texas, with existing infrastructure at the Perryville, Louisiana hub, accessing virtually every gas market in the Eastern and Southeastern U.S.. Continental Connector would span

more than 700 miles and include about 300 miles of new 36-inch diameter pipeline along with leased capacity on other pipeline systems to connect El Paso's Colorado Interstate, WIC, and Cheyenne Plains pipelines to points on the company's ANR Pipeline and Tennessee Gas Pipeline.

### **PIPELINE RESTRICTIONS**

KM Interstate Gas Transmission said that PIN 6501, SSC Grant will be unavailable for nominations due to operational conditions. KMIGT will not accept delivery nominations at CIG Weld to the extent that the point becomes a net delivered volume to CIG. PIN 7221, NGPL Barton will be unavailable for nominations, due to operational conditions. PIN 8601, NNG Milligan is at capacity for delivered volumes. Authorized overrun, interruptible flow and secondary volumes are at risk of not being scheduled.

Trailblazer Pipeline Company said it has limited capacity available. Limited interruptible flow, authorized overrun and secondary out-of-path firm transports are available going eastbound through Compressor Station 602. ITS/AOR and secondary out-of-path firm transportation will only be available to the extent that primary in-path firm and secondary in-path firm transportation are not fully unutilized.

Trunkline Gas Company said that as part of its post-hurricane inspections, it was discovered that Trunkline's lateral extending from EB 305 to GI 82 apparently shifted from its pre-storm location. At this time, Trunkline is unaware of any specific damage to the lateral. However, the nature of the observations requires that Trunkline reduce pressure on the lateral until further information can be obtained and analyzed. As a result, the production on this lateral must be reduced to zero. Therefore, until further notice, nominations will not be accepted from location 81555 – Stone Energy EB 305.

### **PIPELINE MAINTENANCE**

Alliance Pipeline said that Wolf South AB44A meter station maintenance requires this facility to be off-line for four hours on May 2. Station capacity will be lowered to 67.5 MMcf for gas day May 2 as a result. The Wolf South Compressor is located in Alberta.

KM Interstate Gas Transmission said that it will be performing maintenance on gas day May 2, at its Casper Compressor Station. KMIGT does not anticipate that it will schedule down volumes for this work. However,

KMIGT will not accept flowing gas from all receipt points west of the Casper station on Segments 10 and 43 from 9:00 AM CT to 9:00 PM CT.

Panhandle Eastern Pipe Line Company said that there will be an outage on the Louisburg 100 line from Louisburg Station to Gate Valve 101 for anomaly repairs beginning May 12. Expected duration is four hours. During this outage, the capacity through Houstonia will be limited to 1,250 MMcf/d and the PNYEX point will be unavailable for nominations. This scheduled project is part of an ongoing integrity program conducted by Panhandle.

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.

### **ELECTRIC MARKET NEWS**

Public Service Enterprise Group's power subsidiary said that the 1,220 Mw natural gas-fired Linden combined cycle power plant in New Jersey entered commercial service. PSEG said the new plant, which cost about \$1 billion to build, would provide the state and region with a new source of clean and efficient energy. The new Linden plant is one of many facilities PSEG and Exelon Corp. of Chicago, may offer for sale to address potential power market concerns in New Jersey and the eastern part of the PJM mid-Atlantic power grid arising out of the companies' planned merger.

### **ECONOMIC NEWS**

The Institute for Supply Management's index of factory performance climbed to 57.3 last month from 55.2 in March. This report shows that U.S. manufacturing activity powered ahead in April despite soaring energy and metals costs.

### **MARKET COMMENTARY**

The natural gas market opened 10.5 cents higher bolstered by a rallying petroleum complex as well as short covering off last week's losses. June natural gas tracked as high as 6.80, and found support at 6.57 today as it treaded in familiar territory. Natural gas stayed within its range, even as crude oil rallied 1.82 to 73.70 today. June natural gas settled the day at 6.695, up 14 cents.

Following six consecutive losing sessions, the market was ripe to take at least some of it back. The market also drew some support from the rallying petroleum market, also with the shoulder season coming to an end and summer factors making their way to support this market, bears will have trouble pushing the market much lower. In fact the longer-term temperature forecast shows some warmer temperatures making their way into key consuming regions. We see support at \$6.45-\$6.50, \$6.25, \$6.13 and \$6.00. We see resistance at \$6.80, \$7.00, and \$7.12. We see further resistance at \$7.47, \$7.85 and \$8.00.

