



## ***ENERGY RISK MANAGEMENT***

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

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

As other Republican energy proposals were falling by the wayside, Sen. Craig Thomas (R-WY) on Thursday introduced legislation that offers incentives to expand energy supply and infrastructure in an attempt to lower fuel prices. A key provision in the bill would remove a barrier to the construction of the proposed Weaver's Cove liquefied natural gas terminal in Fall River, MA.

End-users of natural gas are on the same page with much of the rest of the industry, seeking increased supply, more price certainty and stepped-up efficiency/conservation programs, according to an industry panel Thursday representing the industrial, utility and energy service sectors at GasMart in Denver. The panelists examined the topic of "End Users in a High-Priced Environment."

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose 17 to 1,625 in the week ending May 5. The number of rigs searching for natural gas rose 12 to 1,365 and the number of rigs searching for oil rose 5 to 259.

#### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said that due to warm temperatures, it is issuing an Overage Alert Day at 25% tolerance.

Kern River Pipeline said that line pack has increased and is high throughout the system. Kern River requests that shippers do not bank gas on the pipe.

Texas Eastern Transmission said it has restricted and sealed M1 and M2 24-inch to capacity. No increases between Little Rock and Batesville for delivery outside that area will be accepted. Tetco has also restricted and sealed

#### **Generator Problems**

**ECAR**— DTE Energy's 1,111 Mw Fermi #2 nuclear unit started to exit an outage and ramped up to 10% capacity by early today. The unit shut March 27 for a refuel.

FirstEnergy's 946 Mw Davis-Besse nuclear unit increased output to full capacity from 94%.

**ERCOT**— Lower Colorado River Authority's 598 Mw Fayette #2 coal-fired power unit restarted yesterday a few hours after the unit tripped offline. The unit tripped due to low furnace pressure caused by the loss of the forced draft fan inlet vanes.

TXU Corp.'s 750 Mw Monticello #3 coal-fired shut to fix a tube leak. Monticello #1 and #2 are currently shut but are expected to return later in the month.

NRG Energy's 646 Mw WA Parish #5 coal- and natural gas-fired power unit restarted today following an unplanned outage.

CPS Energy's 585 Mw JK Spruce coal-fired power unit shut May 5-19 to upgrade the turbine controls.

**MAAC**— PPL Corp.'s 1,140 Mw Susquehanna #2 nuclear unit started to exit an outage and ramped up to 12% capacity by early today. Susquehanna #1 continues to operate at full power.

PSEG's 1,050 Mw Hope Creek nuclear unit increased production to 20%. Yesterday, the unit was operating at 12%.

**MAIN**— Exelon Corp.'s 867 Mw Quad Cities #1 nuclear unit shut by early today. Yesterday, the unit was operating at 85% capacity. Quad Cities #2 continues to operate at 85%.

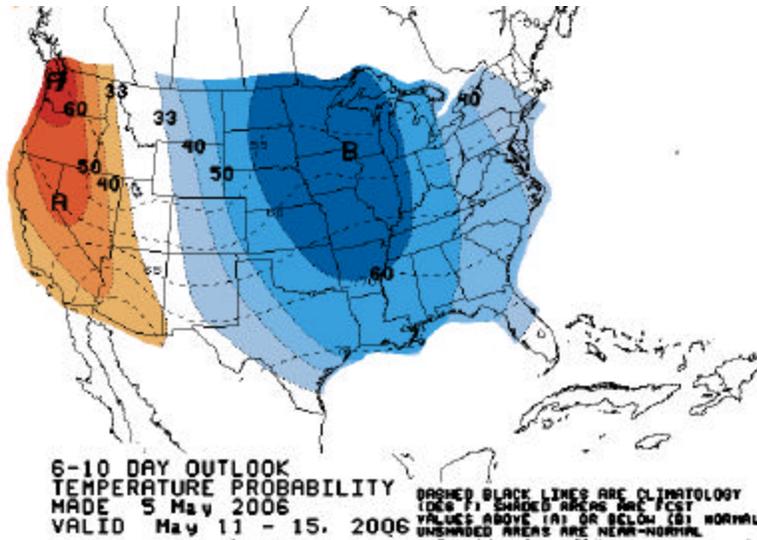
Exelon Corp.'s 1,178 Mw Braidwood #1 nuclear unit ramped up to 70% capacity. Yesterday, the unit was operating at 29% after exiting a refueling outage. Braidwood #2 continues to operate at full power.

**SERC**— Southern Nuclear's 862 Mw Hatch #1 reconnected to the grid and boosted production to 33%. Yesterday the unit was offline at 13%. Hatch #2 remains at full power.

**The NRC reported that U.S. nuclear generating capacity was at 77,273 Mw up .42% from Thursday and down 3.59% from a year ago.**

receipts in ETX and STX. No increases in receipts sourced in ETX and STX for delivery will be accepted.

TransColorado Gas Transmission said capacity is available for southbound deliveries through Segment 240 (Redvale Compressor to Dolores Compressor) and Segment 300 (Colo./N.M St Line to La Maquina). Interruptible flow, authorized overrun and secondary out-of-path volumes are available.



**PIPELINE MAINTENANCE**

Alliance Pipeline said that the Blueberry Hill Compression Station Unit #1 is currently offline due to mechanical difficulties. Capacity at Constraint Point #2 was lowered to 418.5 MMcf/d yesterday and will continue until further notice. Alliance is working to correct the situation but is unable to forecast when the unit will return to service at this time. Unit #2 is still in operation. The Blueberry Hill Compressor is located in Alberta.

Gulf South Pipeline said that scheduled maintenance is complete on Unit #2 and continuing on Unit #1 until further notice. Capacity through the Olla Compressor

Station could be reduced as much as 250 MMcf/d however with current nominations capacity should not be affected.

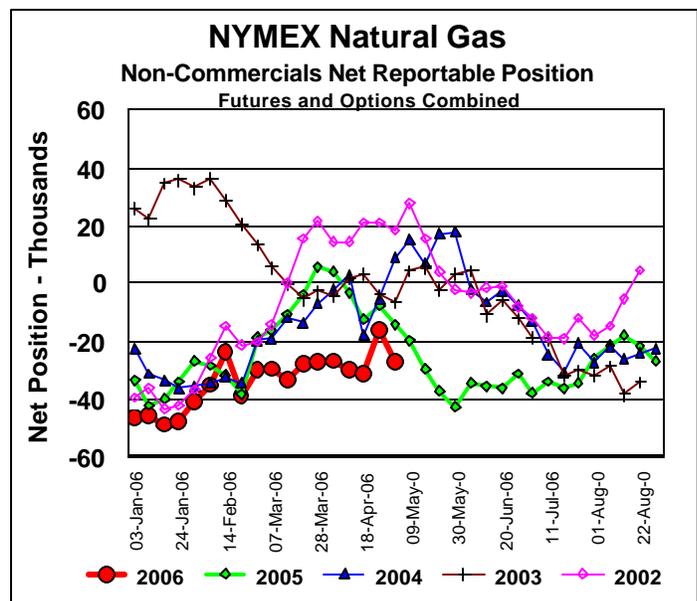
Panhandle Eastern Pipe Line Company said that there will be an outage at the Michigan Consolidated Gas Meter to replace regulators. The outage was scheduled to begin April 17 but has been postponed until September 25. The expected duration is 17 days. Panhandle will limit the total customer nominations at the MCON and 02864 – Southern Station points to 150 MMcf each day for the duration of the outage. This scheduled project is part of an ongoing integrity program conducted by Panhandle.

Williston Basin Interstate Pipeline Company said that it has completed maintenance at the Elk Basin Compressor Station, which has cut Receipt Point ID 03255 South Elk Basin to zero.

**ELECTRIC MARKET NEWS**

The deadline for states to submit proposals for the nation’s first emissions-free coal-fired power plant arrived yesterday with at least seven states competing for the \$1 billion, 275 Mw FutureGen project. Battelle, a member of the FutureGen Alliance, will sort all of the submissions. Once all submissions have been reviewed, the alliance and the Department of Energy will announce the list of bidders at the Federal Carbon Capture and Storage Conference in Washington. States that have submitted proposals include Illinois, Texas, Ohio, Oklahoma, Kentucky, Wyoming and West Virginia. Some of those same states have signed agreements with other states eager to double their chances of landing the project. One such partnership hoping to cash in on the strength of their collective coal experience and resources is Ohio, Kentucky and Pennsylvania.

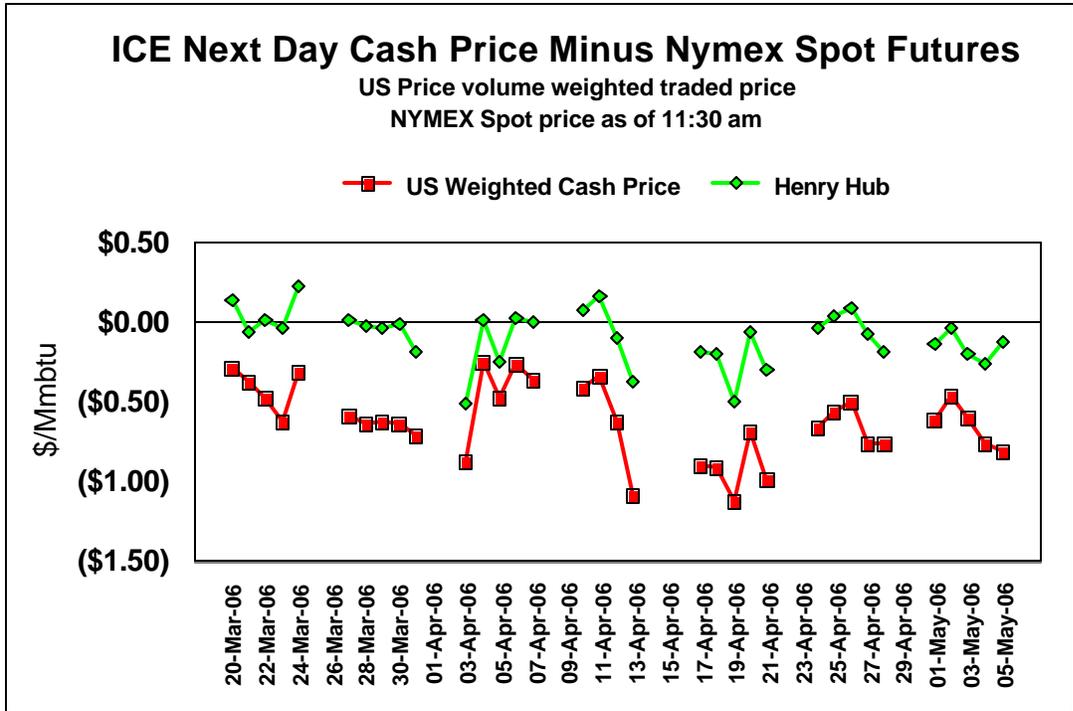
The U.S. Nuclear Regulatory Commission renewed



the operating licenses for Units #1, #2, and #3 at Tennessee Valley Authority's Browns Ferry nuclear power station in Alabama for another 20 years. The renewals extend the license for Unit #1 until December 20, 2033, Unit #2 until June 28, 2034, and Unit #3 until July 2, 2036. The Browns Ferry renewals bring the total number of renewals to 42 units.

A Connecticut bill that would have allowed utilities to

once again own generation died late Wednesday when the state's general assembly failed to take action before the legislative session ended at midnight. The utility ownership provision had the support of Connecticut Light & Power, the state's largest utility, but was opposed by the New England Power Generators Association.

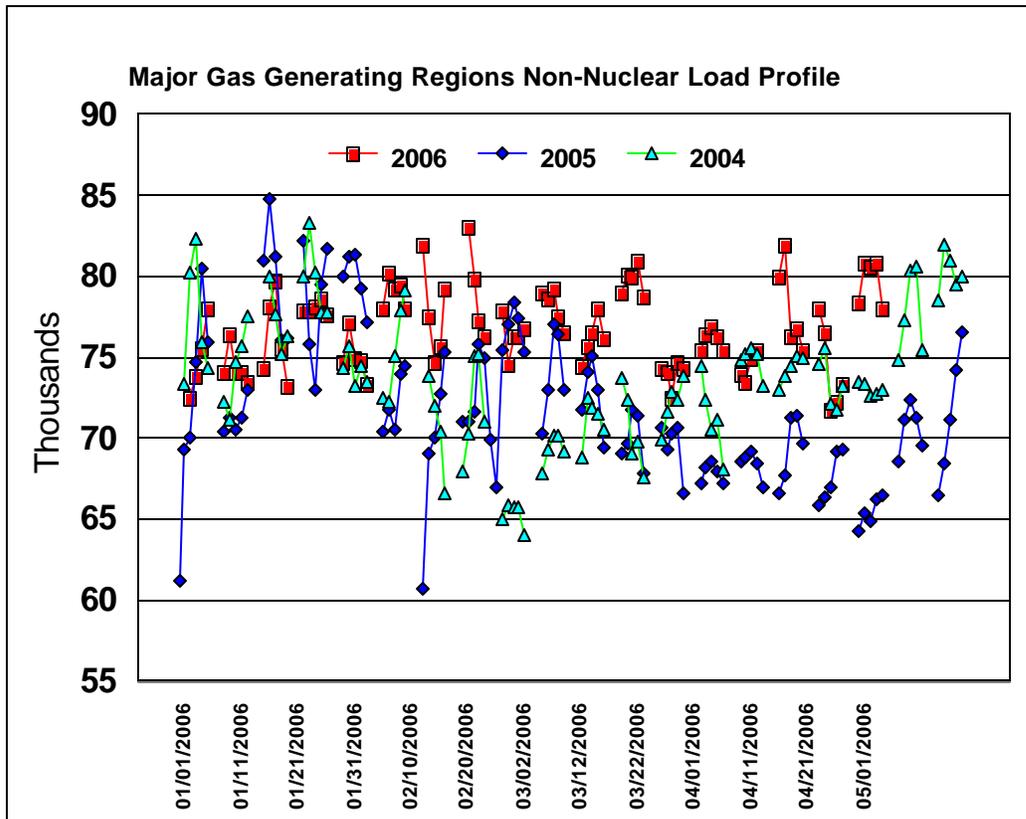


#### ECONOMIC NEWS

The Labor Department reported that 138,000 non-farm payroll jobs were added in April, short of the 200,000 jobs that was expected by Wall Street. The unemployment rate remained at 4.7%. Wages, however, increased by 0.5%

#### MARKET COMMENTARY

The natural gas market opened 7.4 cents higher on follow through buying following yesterday's slightly bullish storage number. June natural gas extended its upside push through the 7.00 level to a high of 7.07, but with



little weather demand and overall bearish fundamentals, natural gas chopped back through well-trod territory, trading to a low of 6.75 just before the close. June natural gas settled down 13.1 cents at 6.775.

Aside from Thursday's lower than expected injection into storage, which popped the market to the upper of its range, there is no fundamental evidence such as a late spring heating load or the presence of a tropical storm to help the market gain traction above 7.00. The market is content to remain in its range as it waits for the summer season. The Commitment of Traders report showed that non-commercial traders increased their net short futures position by 13,142 contracts. In the combined futures and options report, non-commercial traders increased their net short position by 11,029 contracts. Following last week's short covering, non-commercial traders came back into the market realizing the weight the bearish fundamentals have. We see support at \$6.45-\$6.50, \$6.25, \$6.13 and \$6.00. We see resistance at \$7.12, \$7.20 and \$7.47. We see further resistance at \$7.52, \$7.85, \$8.00 and \$8.28-\$8.31.