



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 9, 2006**

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

The EIA Short-Term Energy Outlook for May 2006 reported that in 2006, total U.S. natural gas consumption will likely fall below 2005 levels by about 0.24 Tcf, or 1.1%, then increase by over 0.7 Tcf, or 3.4%, in 2007. Moderate temperatures this year have and will reduce the consumption of natural gas for electricity generation by 2.8% in 2006, but then that is expected to increase by 2.3% in 2007. Residential consumption is projected to fall by 5.1% from 2005 levels in 2006 and then increase by 6.5% in 2007. Recovery in natural gas-intensive industrial output following the 2005 hurricanes will likely contribute to growth in industrial gas consumption this year (3.5%) and in 2007 (2.3%). Dry natural gas production is projected to increase by 0.8% in 2006 and 1.6% in 2007. Total LNG imports are expected to increase from their 2005 level of 630 Bcf to 740 Bcf in 2006 and 970 Bcf in 2007.

To prevent a crippling US energy crisis, two House Republicans floated contentious proposals to restrict natural gas use by the electricity sector, rely primarily on nuclear power and increase fuel economy standards, saying the time has come for Congress and the White House to make "difficult choices" that have been put off for decades. The Congressmen said natural gas must not be squandered on baseload and new electricity generation, but rather should be reserved for industries that use it as a feedstock or for primary energy. They recommended that nuclear power be made the primary generation source, saying it would bring cheaper electricity and cleaner air.

#### **PIPELINE RESTRICTIONS**

#### **Generator Problems**

**ECAR**— FirstEnergy's 1,260 Mw Perry nuclear unit was taken offline and reduced to 8% production for unplanned reasons.

AEP's 1,020 Mw Cook #2 nuclear unit increased production to 69% capacity this morning. Cook #1 continues to operate at full power.

DTE's 1,139 Mw Fermi #2 nuclear unit increased production to 86% this morning. The unit was at 65% power yesterday.

**ERCOT**— AEP's 528 Mw Welsh #3 coal-fired power station will restart May 9/13 following planned maintenance. The unit shut March 3.

AEP's 690 Mw Oklaunion coal-fired power unit shut May 8-18 due to a boiler superheater section tube failure.

The Harrison County Power Project Unit #2 is expected to return to service either today or tomorrow, following some planned work.

**MAAC**— PSEG's 1,049 Mw Hope Creek nuclear unit ramped up to 70% capacity by early today. Yesterday, the unit was operating at 32% after exiting a refueling outage.

PPL's 1,115 Mw Susquehanna #2 nuclear unit increased production to 95% capacity this morning. Susquehanna #1 remains at full power.

**MAPP**— The Omaha Public Power District increased production at its 492 Mw Fort Calhoun nuclear unit to 88% today.

**WSCC**— Duke Energy Corp.'s 739 Mw Moss Landing #6 natural gas-fired power unit shut yesterday afternoon.

Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit started to exit an outage and ramped up offline to 1% capacity. San Onofre #2 continues to operate at 97% capacity.

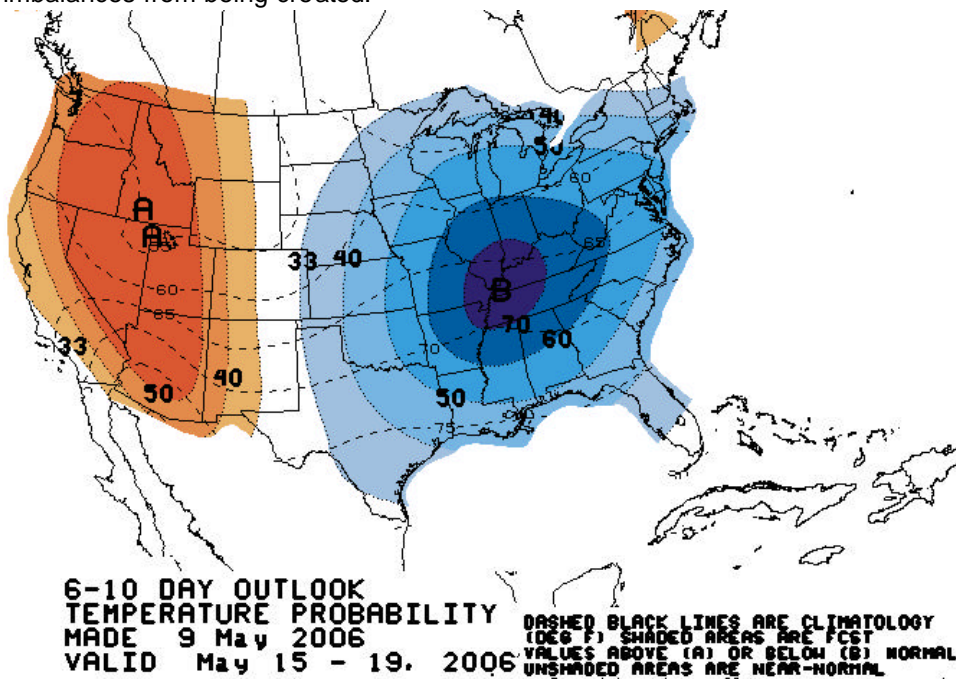
**Canada**— Ontario Power Generation's 490 Mw Nanticoke #7 coal-fired power station returned to service early today.

**The NRC reported that U.S. nuclear generating capacity was at 80,064 Mw up .60% from Monday and up .03% from a year ago.**

Algonquin Gas Transmission issued an imbalance warning reminding meter operators, shippers and OBA parties on the Algonquin Gas Transmission system of the requirement to be balanced daily. AGT has limited flexibility to absorb due shipper imbalances. All meter operators and OBA parties are requested to reduce nominations to their gates if meter takes are less than scheduled deliveries.

Tennessee Gas Pipeline said effective Cycle 1, for the gas day of May 9, due to reduced nominations, Tennessee will accept increases for nominations sourced from the Niagara River Meter.

Texas Eastern Transmission said effective immediately, for gas day May 9, Texas Eastern cannot accept requests for incremental due pipe imbalance resolution or due shipper creation. Customers are requested to resolve existing due shipper imbalances. Tectco will force balance TABS-1 pools or restrict the system as required. Meter operators are subject to restriction for due shipper imbalances. Meter operators should monitor receipts into the system and deliveries out and adjust nominations expeditiously in order to prevent due shipper imbalances from being created.



**PIPELINE MAINTENANCE**

Transcontinental Gas Pipe Line said that it continues to undertake repairs to its offshore pipeline facilities that were damaged as a result of Hurricane Rita. Transco has completed repairs at South Marsh Island 107 and that location is now available for flow. However, two production platforms remain out of service: Ship Shoal block 274/269b and Ship Shoal block 322. The platforms affect approximately 1 MMcf/d. Repairs that will allow these production points to flow are not expected to be completed until the end of June.

Williston Basin Interstate Pipeline said that due to maintenance at the Cabin Creek Compressor Station over the next week, one unit will be down and has the potential to affect deliveries in the East Mon-Dak and Sheyenne Sub-System. At this time, the company does not anticipate any restrictions to the system. Williston Basin Interstate also said that during May, planned, unplanned and preventative maintenance in the Baker Gathering Field will be performed on an as needed basis. Actual dates for planned and preventative maintenance will be updated in this posting as soon as known. Unplanned will be posted as soon as practical. Williston Basin does anticipate restrictions during these outages.

**ELECTRIC MARKET NEWS**

American Electric Power was close to completing the \$306 million 765-kilovolt power transmission line expected to bolster the reliability of the electricity system in southern West Virginia and western Virginia. AEP said it expected the 90-mile line, between substations in Wyoming County, West Virginia and Jackson's Ferry, Virginia, to enter service in June following a long 16-year permitting and construction period. The line, which can carry more than 3,000 Mw of electricity, will also reduce transmission losses by about 65 Mw.

Entergy Corp. said last week it completed the two-month process to increase the power output at the Vermont Yankee nuclear power station by about 20%, or 110 Mw. Entergy said it would increase the plant's output from about 510 Mw to about 620 Mw.

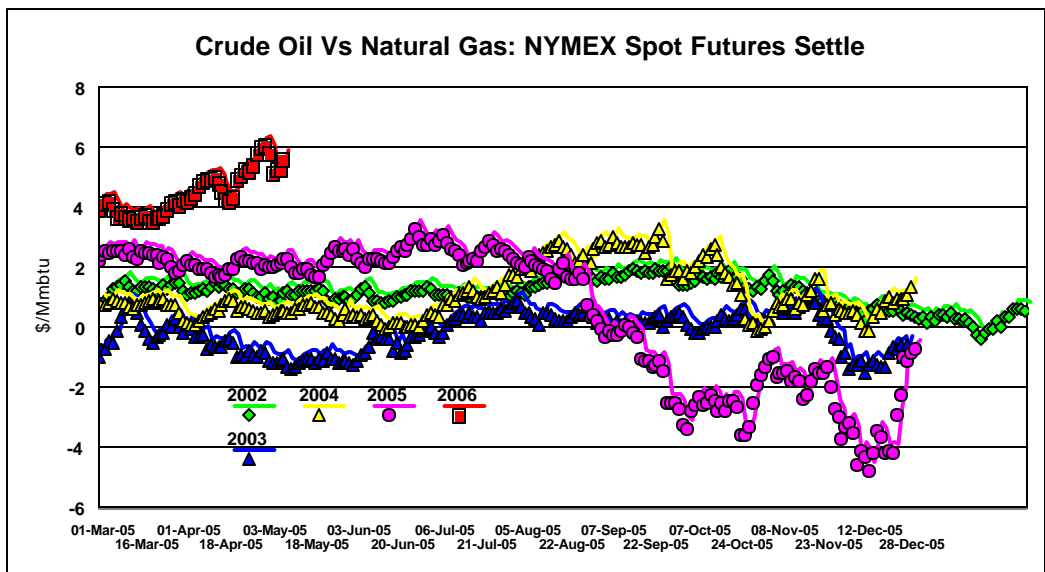
U.S. companies and organizations that conserve electricity by switching to more efficient lightening or by moderating heating and cooling will earn a credit they can trade or bank. Sterling Planet, a Georgia-based company has created 'white tags,' or tradable certificates that are similar to 'green tags,' or tradable credits for creating and delivering renewable energy, such as solar and wind. White-tag programs would work on a state-by-state basis, but could be adjusted if a federal program was set up. Sterling hopes white tags could provide some relief to generators trying to get power to customers.

The U.S. Department of Energy and FutureGen Alliance announced the list of formal proposals to host the FutureGen zero-emissions clean-coal power plant. Formal proposals were received by the May 4 deadline to host the project in or near: Effingham, Illinois; Marshall, Illinois; Mattoon, Illinois; Tuscola, Illinois; Henderson County, Kentucky; Bowman County, North Dakota; Meigs County, Ohio; Tuscarawas County, Ohio; Odessa, Texas; Jewett, Texas; Point Pleasant, West Virginia; and Gillette, Wyoming.

Minnesota Power will spent \$200 million to reduce emissions at its second-largest generating unit in northeastern Minnesota. If approved by state regulators, Minnesota Power's plan will cut emissions of mercury by 90% and reduce nitrogen oxide and sulfur dioxide emissions by 80% at the Boswell #3 generating unit. The retrofit is scheduled to begin next year and be complete by the end of 2009.

**MARKET COMMENTARY**

The natural gas market opened 9.6 cents lower as it continues to chop around in familiar territory awaiting new fundamental news. June natural gas traded between 6.60 and 6.70 most of the session as the oil complex rebounded from some of last



weeks' losses. Natural gas felt pressure toward the end of the session trading to a low of 6.56, but not testing the 6.50 support level. June natural gas finished the day down 11.5 cents at 6.581.

With bearish figures expected for tomorrow's EIA oil complex inventory report, natural gas was content to remain in familiar territory as oil traded higher. The lack of weather and healthy storage are keeping this market under pressure, as it looks to challenge the 6.50 support level that has held for so long. Early estimates for natural gas' storage report call for a build of 70 to 100 Bcf, which will further add to the already burgeoning storage. We see support at \$6.45-\$6.50, \$6.25, \$6.13 and \$6.00. We see resistance at \$7.00, \$7.14 and \$7.47-\$7.52. We see further support at \$7.85, \$8.00 and \$8.28-\$8.31.

