



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 11, 2006**

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

FERC on Thursday granted Rockies Express Pipeline LLC, formerly Entrega Gas Pipeline LLC, more time to complete work on Phase I of a 327-mile pipeline system that would tie in with the rest of the mammoth Rockies Express pipeline in northern Colorado. The company is a joint venture of Kinder Morgan Energy Partners LP and Sempra Pipelines & Storage, co-sponsors of the Rockies Express pipeline.

Southern Natural Gas Company projects that it could reach maximum storage capacity at its storage fields before mid-summer. If recent injection trends continue, the company could implement restrictions across its storage facilities to preserve firm obligations and interruptible quantities. Southern Natural notified customers that storage transfers may be limited at the Bear Creek Storage field and nominations may not be accepted for interruptible storage service and park and loan injections. Southern Natural operates two storage fields in Muldoon, Mississippi, and Bear Creek, Louisiana, with a total working gas storage capacity of 60 Bcf. According to Southern Natural postings Wednesday and Thursday, however, current storage levels are 42 Bcf – 70% full and 16.5 Bcf ahead of 2005 for a similar time during the month of May.

#### **PIPELINE RESTRICTIONS**

Kern River Pipeline said that line pack on Kern River has increased to high on the north and middle segments of the system. Line pack is posted as normal from Goodsprings to the end of facilities.

Tennessee Gas Pipeline said effective Cycle 1 for the gas day of May 11, due to reduced nominations, Tennessee will accept increases for nominations sourced from the Niagara River Meter.

#### **PIPELINE MAINTENANCE**

Questar Pipeline Company said that during recent maintenance on ML 68, it identified pipeline anomalies that will require the section of ML 68 between Rifle Cogen and Clough Station to be taken out of service. The following receipt/delivery points will be taken to zero volume effective immediately and individual customers will also be notified by the Scheduling department: Divide Creek MAP 99; Hunter Mesa MAP 103; Hunter Mesa 2 MAP 340; Philpot Tap MAP 100; and Rifle Cogen MAP 160. Questar expects this part of ML 68 to be out of service through gas day May 13.

#### **Generator Problems**

**ECAR**— DTE's 1,139 Mw Fermi #2 nuclear unit decreased output to 67% capacity today. The unit was operating at 80% yesterday.

Consumers Energy restarted its 798 Mw Palisades nuclear unit and is operating the unit at 23% capacity

FirstEnergy's 1,260 Mw Perry nuclear unit continues to operate offline, and is currently at 9% power. Yesterday the unit was operating at 8% capacity.

**MAAC**— PSEG's 1,050 Mw Hope Creek nuclear unit increased output to full capacity. Yesterday, the unit was operating at 86%.

**WSCC**— Arizona Public Service's 1,247 Mw Palo Verde #3 nuclear unit is warming up and should connect to the grid tomorrow. The unit shut March 31 for a refueling.

Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit increased output to 74% by early today. Yesterday, the unit was operating at 20% capacity. San Onofre #2 continues to operate at 97%.

**Canada**— Ontario Power Generation's 494 Mw Lambton #2 coal-fired power station shut for short-term maintenance today.

**The NRC reported that U.S. nuclear generating capacity was at 81,672 Mw up 1.05% from Wednesday and up 1.53% from a year ago.**

**ELECTRIC MARKET NEWS**

The Federal Energy Regulatory Commission said an electric-grid reliability plan proposed by the North American Electric Reliability Council, North America's grid watchdog, may not be strong enough to comply with a 2005 energy law. FERC is concerned with the Blackout Plan, Compliance, and Competition. FERC staff maintains that the electric grid plan needs to be made stronger.

**EIA Weekly Report**

	05/05/2006	04/28/2006	Net chg	Last Year
<b>Producing Region</b>	714	690	24	585
<b>Consuming East</b>	1008	959	49	681
<b>Consuming West</b>	267	255	12	236
<b>Total US</b>	1989	1904	85	1501

\*storage figures in Bcf

**Canadian Gas Association**

**Weekly Storage Report**

	05-May-06	28-Apr-06	06-May-05
<b>East</b>	106.5	100.6	73.3
<b>West</b>	125.7	146.7	113.5
<b>Total</b>	232.2	247.3	186.9

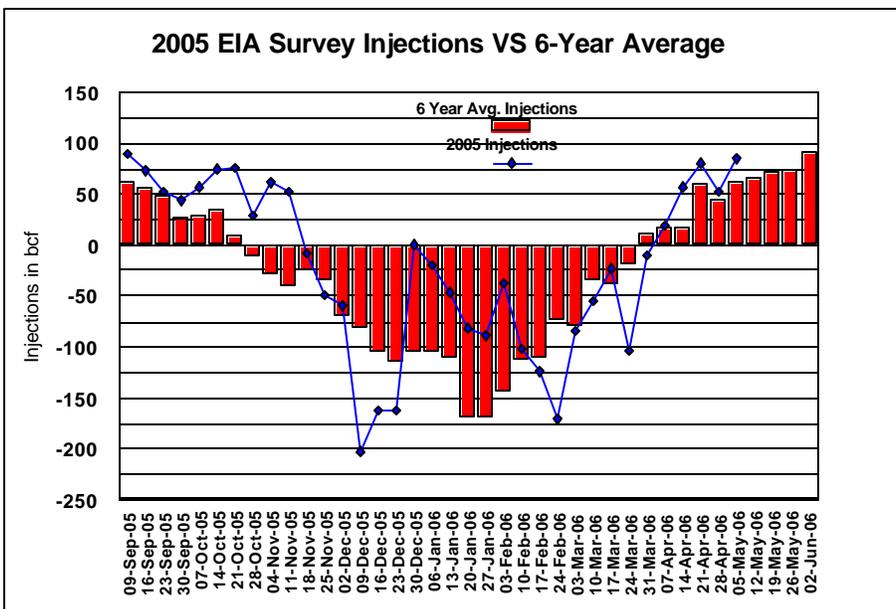
storage figures are in Bcf

Dominion Resources and Virginia state officials said a consortium of power companies to which it belongs has chosen a site in Wise County, Virginia, for final evaluation for a coal power plant that would be cleaner than conventional coal plants. The company said the site, a reclaimed surface coal mine near St. Paul, Virginia, has adequate fuel and water supply and meets electrical transmission requirements. Dominion said that, if constructed, the 500 to 600 Mw plant would use circulating fluidized bed technology, in which coal is burned in a liquid-like mixture, limiting emissions.

Public power utility Salt River Project will spend about \$600 million to \$650 million to build a fourth coal-fired unit at the 800 Mw Springerville power station in Arizona. The new 400 Mw Unit #4 will stand alongside the 400 Mw Unit #3, which is under construction and expected to enter service during the third quarter of this year.

Utility operator PPL Corp. said it has agreed to sell its 50% ownership interest in the 600 Mw Griffith power plant in Kingman, Arizona, to a subsidiary of LS Power Equity Partners for \$115 million in cash. Closing is targeted for June, but is subject to approval by FERC.

The California Public Utilities Commission approved a general rate increase for the Southern California Edison utility unit of Edison International. The commission approved a hike of \$333.1 million, or 9.75%, to \$3.7 billion for SoCalEdison's 2006 authorized electric revenue level, and increase of 3.82% and 4.95% for 2007 and 2008, respectively. CPUC Commissioner Geoffrey Brown said the decision will enable SoCalEdison to modernize its aging power system that serves a population of more than 13 million people in the southern part of the state.



**MARKET COMMENTARY**

The natural gas market opened 8 cents stronger, pulled higher by a firm petroleum complex that reacted to a geopolitical unrest in Nigeria. June natural gas touched the 7.00 level, where sellers came in and pressured the market down to 6.90 before the release of the EIA's storage report. The report showed that 85 Bcf was injected into storage, roughly 10 Bcf more than expectations, but with 488 Bcf more gas in storage than last year at this time, the market returned the premium that the oil markets provided yesterday. June natural gas returned to

familiar support at 6.56 and hovered above that for the remainder of the session. The June contract settled down 25.1 cents at 6.649.

The volatile relationship that that natural gas has with the oil complex widened today as gas decoupled from oil on bearish storage news. Reports that underground storage facilities, particularly in the Gulf region, may reach full capacity by mid-summer resounds around the industry as a potential dumping of natural gas on the market. With temperatures in key consuming regions not providing any electrical load demand, and forecasts remaining that way through the end of the month, we see natural gas maintaining a bearish bias and testing its 6.50 support, as it awaits summer demand. We see support at \$6.45-\$6.50, \$6.25-\$6.30, \$6.13 and \$6.00. We see resistance at \$7.00, \$7.14, \$7.20 and \$7.47-\$7.52. We see further resistance at \$7.85, \$8.00 and \$8.28-\$8.31.

