



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 18, 2006**

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

FERC on Thursday issued a certificate clearing the way for Freeport-McMoRan Energy LLC to build a 5.1-mile, 36-inch diameter onshore pipeline in Alabama that would interconnect with a much longer offshore pipeline extending from a proposed offshore Louisiana liquefied natural gas (LNG) terminal and gas storage project.

Between now and 2015 the Atlantic basin liquefied natural gas (LNG) market will grow to about half of the world market, and North America will account for half of the basin's LNG demand. Along the way there will be "drastic structural changes" in LNG liquefaction as well as in shipping as train capacities double.

FERC on Thursday issued a proposed rule that implements provisions of the Energy Policy Act of 2005 (EPA) giving the Commission the authority to coordinate the schedule of other federal and state agencies in processing natural gas pipeline, liquefied natural gas and storage projects and to maintain a consolidated record of all agency decisions for use in judicial reviews.

According to a report released by Cambridge Energy Research Associates and the World Economic Forum, fast-growing natural gas demand worldwide will present new challenges to maintaining global energy and economic security. Total global gas demand should reach 369.4 Bcf/d by 2020, up more than 40% from 262.7 in 2003. At the same time, LNG should claim 17% of the global gas market by 2020, up from only 7%

#### **EIA Weekly Report**

	05/12/2006	05/05/2006	Net chg	Last Year
<b>Producing Region</b>	733	714	19	607
<b>Consuming East</b>	1068	1008	60	731
<b>Consuming West</b>	279	267	12	248
<b>Total US</b>	2080	1989	91	1586

\*storage figures in Bcf

#### **PIPELINE RESTRICTIONS**

Natural Gas Pipeline Company said that it is at capacity for gas going southbound through Segment 26 (Compressor Station 303). Therefore, ITS/AOR and secondary out-of-path transports are at risk of not being fully scheduled.

#### **Generator Problems**

**ECAR**— Consumers Energy continued to increase production at its 798 Mw Palisades nuclear unit, reconnecting the unit to the grid and operating it at 37% capacity following control rod repairs.

**MAAC**— Exelon's 1,143 Mw Limerick #1 nuclear unit shut by early this morning. Yesterday, the unit was operating at full power. Limerick #2 continues to operate at full power.

**MAIN**— Ameren's 1,125 Mw Callaway nuclear unit shut today as it plans for a short-term planned outage. The unit was operating at 90% capacity yesterday.

**NPCC**— Entergy Nuclear's 535 Mw Vermont Yankee power unit reduced output to 64% from full power today.

**SERC**— Entergy Nuclear's 966 Mw River Bend power station returned to full power today. Yesterday, the unit was operating at 93% capacity.

The Tennessee Valley Authority's 1,125 Mw Sequoyah #1 nuclear unit increased output to 94% capacity. Yesterday, the unit was operating at 47% capacity. Sequoyah #2 continues to operate at full power.

**The NRC reported that U.S. nuclear generating capacity was at 84,635 Mw down 2.32% from Wednesday and down .25% from a year ago.**

in 2003. Much of that demand can be traced to gas becoming the fuel of choice for new power generation worldwide, with economic growth driving the power demand. The report also said that gas prices in North America, Europe and Asia will, to a degree unanticipated just a few years ago, increasingly influence each other through LNG.

TransColorado Gas Transmission said that the force majeure that was issued on May 15, for the outage at the Whitewater Compressor Station in Mesa County, Colorado, was lifted yesterday. Therefore, until further notice, TransColorado will schedule volumes up to full capacity through Segments 210 and 240. Depending on the level of nominations, ITS/AOR, secondary out-of-path and secondary in-path volumes may be scheduled.

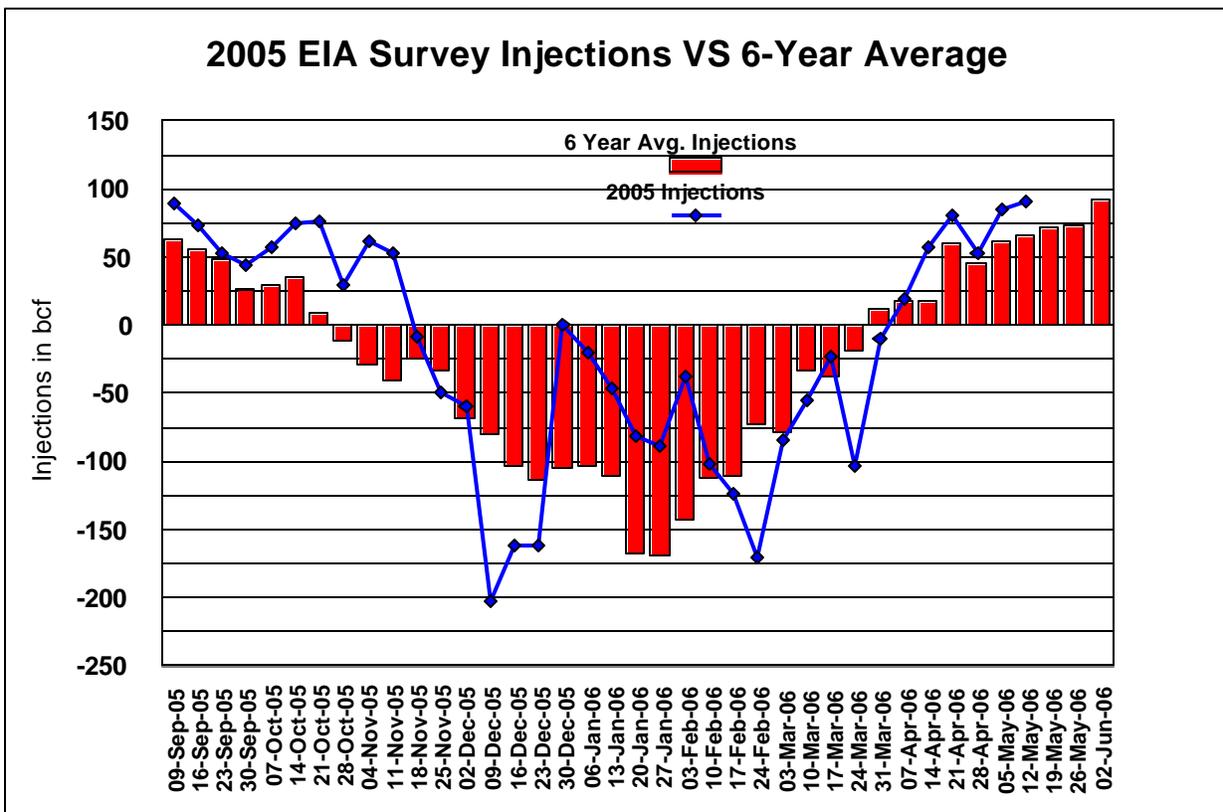
**Canadian Gas Association  
Weekly Storage Report**

	12-May-06	05-May-06	13-May-05
<b>East</b>	114.1	106.5	80.3
<b>West</b>	137.9	125.7	123.5
<b>Total</b>	252.0	232.2	203.8

storage figures are in Bcf

**PIPELINE MAINTENCE**

El Paso Natural Gas Company said that the total shutdown of Line 1104 (Havasu Crossover) for installation of pigging facilities, originally scheduled to be completed on May 18, will continue through May 19. Full capacity of 670 MMcf/d will be restored effective Cycle 1, May 20.



**ELECTRIC MARKET NEWS**

The U.S. FERC reinforced what the North American Electric Reliability Council said a few days ago, that though concerns exist for certain key load pockets, such as Southern California and the Northeast, over all the country's electrical reliability is firm as the summer cooling season nears. FERC said that investment has kept up with demand throughout the country, and most parts of the country would see few supply problems this summer, though concerns exist for Southern California and southwest Connecticut.

**MARKET COMMENTARY**

The natural gas market opened 6.9 cents lower as it expected another large build to an already overwhelming storage situation. In overnight access trading, the front month traded down to 6.01paving the way for lower activity today. The EIA reported that 91 Bcf was injected into the ground, slightly higher than expectations, and now stocks now stand 722 Bcf above the five-year average. June natural gas broke through the psychological level of 6.00 and traded to a low of 5.86, where it found support from the 5.85 level. Natural gas rebounded at the close due to a brief rally in the petroleum markets, to finish the day down 13.2 cents at 5.997, the first settlement under 6.00 since February 18, 2005.

The bears are taking this market lower one level at a time, as they remain in technical and fundamental control. Yet, with the market at levels not seen in over a year, and cash prices across the board weakening, these prices may entice industrial and utility demand. Upside traction is still hard to come by, as temperatures in key consuming regions have yet to provide serious load demand. We expect this market to maintain a downside bias but further exploration into new territory will be cautious as market players await summer demand. We see support at \$5.85, \$5.76 and \$5.71. We see resistance at \$6.30, \$7.00, \$7.12 and \$7.20. We see further resistance at \$7.47-\$7.52, \$8.00 and \$8.28-\$8.31.

