



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 23, 2006**

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

El Paso Corporation announced today that it is continuing the binding open season for a project under development by the Continental Connector Pipeline Company, a subsidiary of El Paso. The open season, which began May 1, will be extended until June 8. Several prospective shippers requested additional time to allow them to further evaluate and fully respond to the open season.

U.S. Senate Majority Leader Bill Frist (R-TN) is negotiating with other senators on the Lease Sale 181 bill that was voted out by the Senate Energy and Natural Resources Committee in March, Frank Macchiarola, majority counsel for the Senate Energy Committee said Tuesday in a briefing to gas industry representatives in Washington, DC. He said he expects the legislation, which would allow drilling in a small portion of the Eastern Gulf of Mexico, to be taken up for a floor.

#### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said that due to warm temperatures and low linepack, it is issuing an Overage Alert Day at 20% tolerance.

Kern River Pipeline said that line pack is posted as high across its entire system. Shippers are asked not to bank or draft gas from the system.

Westcoast Energy said that due to residue gas quality issues, the company was required to interrupt flow through the McMahon Gas Plant at approximately 6:55 PM MT Monday for duration of approximately 45 minutes. This event, coupled with the previously existing constraint to treatment capacity, resulted in elevated system pressure throughout the McMahon gathering system. Westcoast Energy said producers can expect the high system pressure to persist until the plant is returned to full treatment capacity.

#### **PIPELINE MAINTENANCE**

#### **Generator Problems**

**ECAR**— Consumers Energy's 798 Mw Palisades nuclear unit increased output to 99% capacity. Yesterday, the unit was operating at 85% power.

**FRCC**— FPL's 693 Mw Turkey Point #4 exited an outage and ramped up to full power. Yesterday, the unit was operating offline at 1% capacity. Turkey Point #3 continues to operate at full power.

**MAAC**— PSEG's 1,050 Mw Hope Creek nuclear unit increased capacity to full power today. The unit was operating at 80% yesterday.

**MAIN**— Dominion Resources' 591 Mw Kewaunee nuclear unit was warming up offline at 1% capacity this morning.

Exelon's 1,162 Mw LaSalle #1 nuclear unit increased output to full capacity today. The unit was operating at 88% capacity on Monday. LaSalle #2 continues to operate at full power.

Exelon's 855 Mw Quad Cities #1 nuclear unit ramped up to 84% capacity. Yesterday, the unit was operating at 30% capacity. Quad Cities #2 continues to operate at 95% capacity.

**MAPP**— Nebraska Public Power District's 800 Mw Cooper nuclear unit scrambled shut due to the loss of service air pressure.

**SERC**— Entergy's 1,270 Mw Grand Gulf nuclear unit shut. The unit was operating at 57% yesterday.

**Canada**— OPG's 494 Mw Lambton #2 coal-fired power station shut for short-term planned work by early today.

OPG's 490 Mw Nanticoke #1 and #3 shut early today, while unit #8 returned to service.

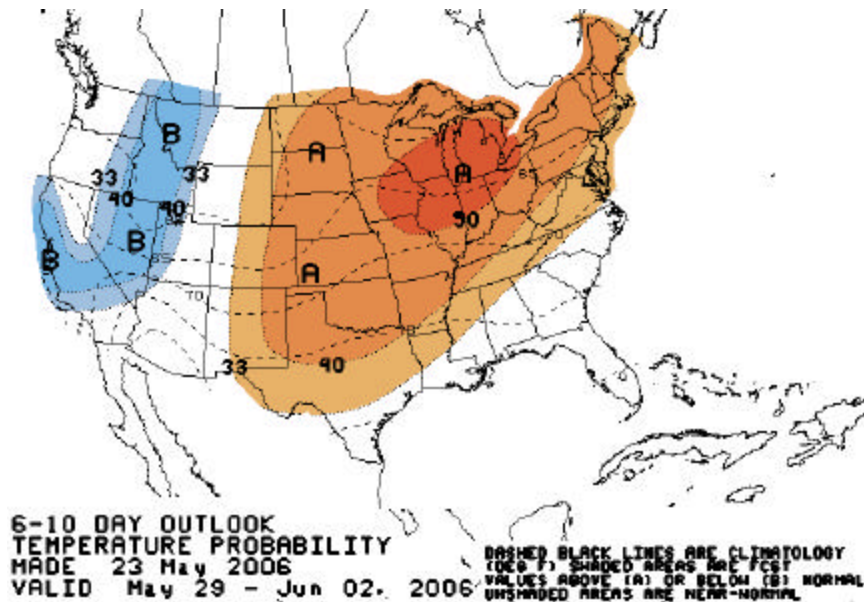
**The NRC reported that U.S. nuclear generating capacity was at 81,502 Mw up 0.07% from Monday and down 3.50% from a year ago.**

Natural Gas Pipeline Company said that on May 24, a smart pig run is scheduled for the Amarillo #3 main line from Station 110 (Henry County, Illinois) to Station 113 (Will County, Illinois) in Segment 14 of Natural's Iowa-Illinois Receipt Zone. This pig run will impact transport scheduling putting Primary Firm and Secondary in-path Firm at risk. With a reduction in available capacity through the affected area, Natural expects to schedule primary firm and secondary in-path firm transports to a minimum of 74% of MDQ for each contract with Segment

14 Primary/Secondary in-path rights that are nominated through and downstream of Station 110.

Panhandle Eastern Pipe Line Company said that the outage on the Houstonia 400 line from Houstonia Station to Gate Valve 402 for anomaly repairs that began May 19 has been extended to May 25. During this outage, the capacity through Houstonia will be limited to 1,155 MMcf/d. This scheduled project is part of an ongoing integrity program conducted by Panhandle.

Texas Eastern Transmission said that the outage originally scheduled for three days for work at the Joaquin compressor station has been reduced to two days. Restrictions will begin



May 23, and be complete by May 24. Restrictions between Joaquin and Longview, with the possibility of 24-inch restrictions, will be required during the outage.

### **ELECTRIC MARKET NEWS**

The Nuclear Regulatory Commission issued its final environmental impact statement on the proposed renewal of the operating licenses for the Nine Mile Point Nuclear Station, Units 1 and 2. The report contains the NRC's finding that there are no environmental impacts that would preclude license renewal for an additional 20 years of operation.

Sixteen companies are seriously pursuing plans to build the next generation of nuclear power plants in the U.S., the head of the NRC told U.S. lawmakers yesterday. All together, 25 new units are being planned. The energy law enacted in August included four significant provisions aimed at recharging nuclear power industry by reducing some of the risks associated with building new plants.

The Florida Public Service Commission has approved the Orlando Utilities Commission's request to build a 283 Mw electric generating plant in Orange County. The Stanton B power plant is expected to be completed by June 1, 2010. The total costs for the project will be reduced by \$285 million through the President's Clean Coal Initiative. The plant will operate primarily on coal-derived synthetic gas, and will demonstrate a significant advance in the clean coal technology known as integrated gasification combined cycle.

Sierra Pacific Power Company broke ground yesterday on the 514 Mw Tracy Combined cycle plant, located adjacent to the utility's Tracy Generating Station east of Reno. The plant is expected to start producing electricity for northern Nevada and the Lake Tahoe area of California by June 2008. The Tracy plant will reduce the state's reliance on volatile energy markets and increase the utility's generating capacity by nearly 50%. Fueled by natural gas, the facility, expected to cost some \$420 million, will be the largest generating plant built in the northern Nevada since Sierra Pacific completed the second unit at the Valmy Generating Station in 1985.

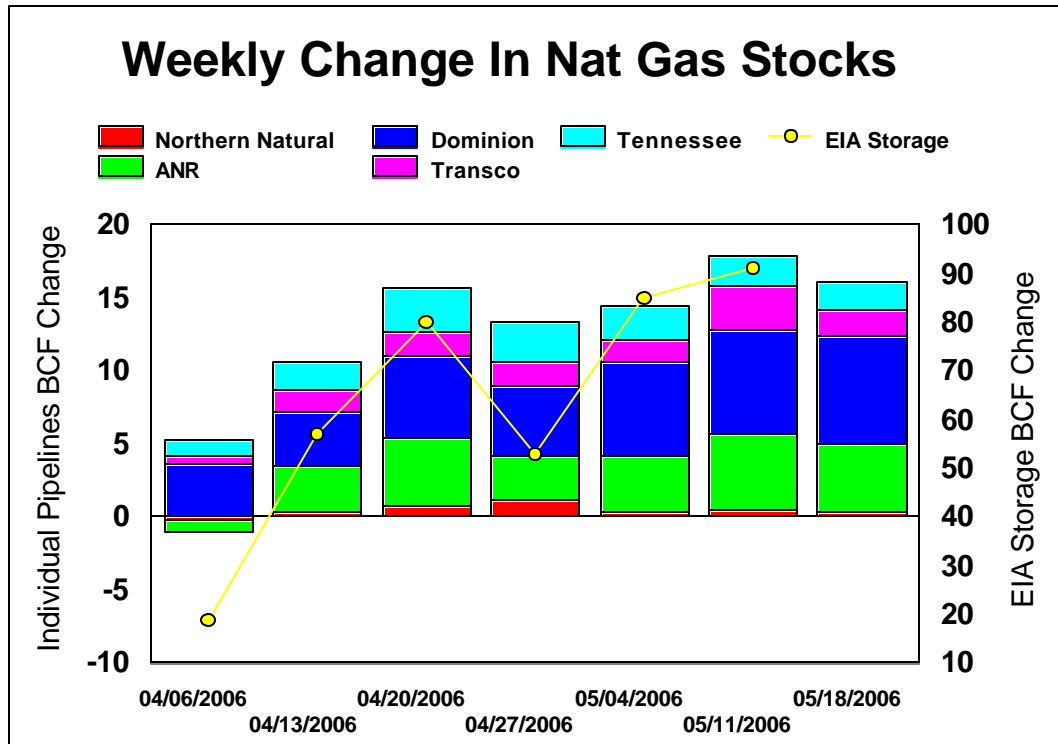
Avista said it has begun construction on a new 115 kV substation to meet the growing demand for electricity in the communities of Sandpoint, Sagle and Dover, Idaho. The new Sagle Substation represents an investment by

Avista of more than \$1 million in new infrastructure to serve customers with improved capacity and reliability. The Sagle Substation is designed to ease the electrical demand on Avista's nearby facilities.

Exelon Corp.'s Commonwealth Edison Co. proposed a plan to limit rising electric rates for Illinois customers for three years as the state moves to market-based prices in 2007. ComEd's "rate stabilization" proposal would limit average residential rate increases to 8%, 7% and 6% in 2007, 2008 and 2009.

**MARKET COMMENTARY**

The natural gas market opened 8.4 cents stronger, fueled by a second straight session of rising cash prices, as well as a firming petroleum complex. June natural gas traded to a high of 6.42 early in the session, but continued bearish fundamentals put a lid on further upside traction. At midday the market sold off, finding support at 6.14, and making a modest recovery from there. June natural gas finished the session near par, and settled at 6.258, down 1.8 cents.



Following yesterday's rally, market players are on hold waiting to see what this week's inventory reports have to say. Both the oil and the natural gas reports are expected to be bearish, and given this week's run up in both oil and natural gas, a pull back is likely. Early estimates for Thursday's EIA storage report call for an 80 to 108 Bcf build, comparing favorably to last year's 93 Bcf build and the 89 Bcf five-year average injection. Temperatures are expected to increase through the Memorial Day Holiday and when traders return from their long break, if temperatures stick around, we expect this market to move off the five-month lows. We see support at \$6.00, \$5.85, and \$5.71-\$5.76. We see resistance at \$6.40, \$6.60 and \$7.00. We see further resistance at \$7.12, \$7.20, \$7.47-\$7.52 and \$8.00.

