



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR OCTOBER 13, 2006**

---

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

Gulfport Energy Corp. shut down most of its hydrocarbons production yesterday after an explosion occurred near its West Cote Blanche Bay field in southern Louisiana, killing three people. The shutdown amount to 3,900 boe a day. As of August, the Oklahoma City-based company's total production averaged 4,300 boe a day. The explosion happened after a tug pushing two barges apparently struck a natural gas pipeline yesterday afternoon.

Up to two feet of snow from an extraordinary fall storm closed roads, cut power to some 230,000 customers and left Buffalo, New York paralyzed.

Merrill Lynch is emerging as a player in the physical market for LNG with the launch of a spot trading desk before the end of the year, and plans to start delivering cargoes from a new plant in Papua New Guinea by 2011.

Outgoing Alaska Governor, Frank Murkowski said he may sign a deal for a \$20 billion North Slope natural gas pipeline even if state lawmakers fail to approve the measure, which has been criticized as too generous to oil companies.

Royal Dutch Shell will import two LNG cargoes for tests at a new plant on Russia's Sakhalin island to ensure it can be launched on schedule in 2008. Last year, Shell announced the doubling of costs at its Sakhalin-2 project to \$20 billion and said the first LNG shipment would be delayed by at least six months to mid-2008. The group has already pre-sold a big part of its LNG output of 9.6 million tones to customers from Japan to the United States, and some of them committed to buy gas from late 2008.

Rasgas, a joint venture between Qatar Petroleum and Exxon Mobil, will start up its train 5 LNG plant in January, two months ahead of schedule.

#### **Generator Problems**

**ERCOT** – American Electric Power's 528 Mw Welsh #3 coal-fired power station is scheduled to shut October 13-18 for maintenance on auxiliary equipment.

**FRCC** – FPL's 760 Mw Turkey Point #4 increased output to 85% following adjustments to control rods ahead of an outage due at the end of the month. Turkey Point #3 remains at full power.

**MAAC** – Exelon Corp.'s 1,112 Mw Peach Bottom #2 nuclear unit ramped up to full power by early today. The unit restarted from a refueling outage earlier in the week.

**MAIN** – WE Energies 516 Mw Point Beach #2 nuclear unit is expected to shut for a regularly scheduled refueling outage. Point Beach #1 remains at full power.

Exelon's 1,120 Mw Braidwood #1 reduced output to 90% from 93% as it coasts down for a planned refueling. Braidwood #2 is operating at full power.

**NPCC** – Entergy's 670 Mw Pilgrim nuclear unit returned to full capacity.

**SERC** – South Carolina Electric & Gas Co. will take the 1,000 Mw Summer nuclear unit offline this weekend. The unit was operating at 80% today.

**WSCC** – Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit is operating at 94% down from 96% as it prepares for an October 17 refueling outage.

Constellation Energy Group's 780 Mw High Desert natural gas-fired power station has returned to service. The unit closed October 1 for planned maintenance.

Mirant's 682 Mw Pittsburg #7 natural gas-fired power station returned to service after a two-day shutdown for planned maintenance.

**Canada** – Ontario Power Generation's 494 Mw Lambton #2 coal-fired power station shut overnight for short-term work. The unit has since returned to service.

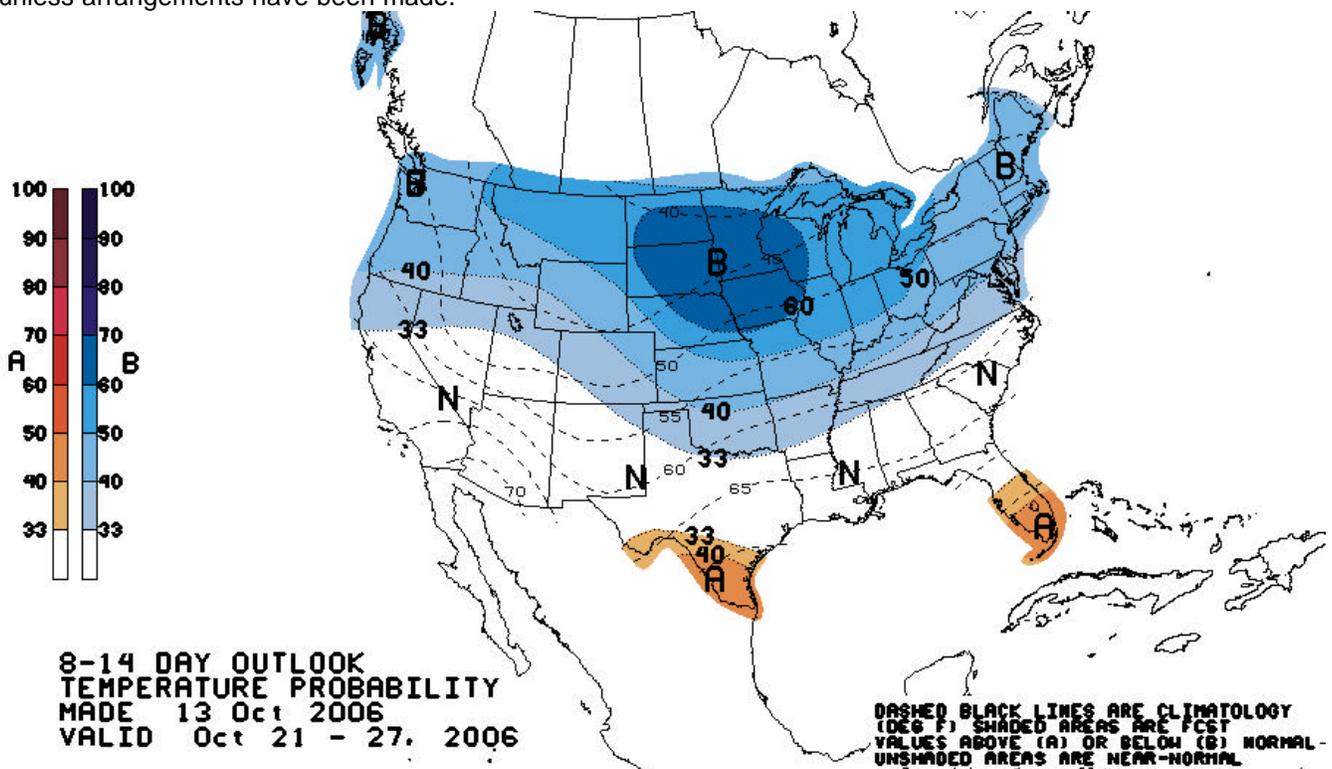
**The NRC reported that 73,906 Mw of nuclear capacity is on line, up .90% from Thursday, but 4.17% lower than a year ago.**

Nigeria may boost capacity at its Bonny Island LNG facility by 2011 as it aims to become the world's second-biggest exporter of the fuel. Nigeria LNG, the state oil company's venture with partners including Royal Dutch Shell, now runs five LNG production lines, or trains, at Bonny Island with a total capacity of about 21 million metric tons a year. A sixth train is expected to start in 2008 and a seventh is planned for 2011. Most of the LNG exports go to the U.S. and Europe and plans are under way to open two more LNG production facilities, one called Brass LNG and the other OK LNG, which will help the country more than double production of the fuel to as much as 51 million tons by 2011.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose four to 1,728 in the week ending Friday, October 13. The number of rigs searching for oil fell 4 to 284, while the number of rigs searching for gas rose 7 to 1,439. There were five miscellaneous rigs, up one from last week.

**PIPELINE RESTRICTIONS**

Kern River Pipeline said that linepack is high from Muddy Creek to Elberta and normal downstream of Elberta. Due to maintenance at the Fillmore Compressor Station, shippers and operators must endeavor to be on rate unless arrangements have been made.



KM Interstate Gas Transmission said that effective today and until further notice, Panhandle Pony (PIN 9673) has capacity available for delivered volumes. Based on the level of nominations, IT/AOR and secondary volumes may be scheduled.

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system. Tolerance was set at 5%.

Williston Basin Interstate Pipeline Company said that several line inspections are in pipeline capacity constraint and that penalties will be imposed. Line sections in constraint for receipts in the timely cycle include 016 Cabin Creek-Hathaway; 017 Hathaway-Hardin; 018 Hardin-Lovell; 019 Madden-Worland; 020 Worland-Lovell; 021 Lovell-Elk Basin; and 022 Elk Basin-Basin-Billings.

**PIPELINE MAINTENANCE**

Alliance Pipeline said that inspection and maintenance require the Alameda Compression Station to be unavailable for 60 hours beginning on October 17. System Throughput (AOS) will be impacted but will be determined closer to the outage date. Alliance also said that inspection and maintenance require the Albert Lea Compression Station to be unavailable for 80 hours beginning on October 17. Alliance also said the Morinville Compression Station will be unavailable for 24 hours beginning October 17 for inspection and maintenance. Finally, Alliance said that inspection and maintenance will require the Steelman meter station to be unavailable for eight hours on October 17. Station capacity will be lowered to 8.8 MMcf/d.

El Paso Natural Gas Company said that inspections of Dutch Flat units #1 and #2 have been postponed one day and will now occur from October 18-20. From a base capacity of 660 MMcf/d, capacity on the Havasu Crossover will be reduced by the following approximate amounts: October 18 – 35 MMcf/d; October 19-20 – 55 MMcf/d.

Gulf South Pipeline said that it will perform scheduled maintenance at the Montpelier Compressor Station, on all units, with one unit down at a time. The maintenance has been extended for approximately 48 hours. Capacity through Montpelier Compressor Station could be reduced by as much as 50 MMcf/d during this maintenance.

### **ELECTRIC MARKET NEWS**

The NRC has not publicly addressed the risks of terrorist attacks that would be created by the expansion of nuclear power plant in Mississippi. The plan for a second reactor at the Grand Gulf Nuclear Station near Port Gibson is in the permitting phase.

Merchant Power developer GenPower and private equity firm First Reserve said they had formed a joint venture

to develop, acquire and operate merchant power plants in the U.S. and overseas.

Regional Transmission Organizations want the U.S. FERC to require non-organized regions to provide the kind of power market transparency that RTOs almost by their nature provide to the market place.

<b>NYMEX Natural Gas Options Mosat Active Strikes for October 13, 2006</b>									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
ON	11	6	P	5	10/26/2006	0.1	0.095	5,124	82.52
ON	11	6	P	4.5	10/26/2006	0.022	0.025	3,500	80.60
LN	1	7	P	6	12/26/2006	0.1369	0.1408	2,750	61.31
LN	11	6	P	5	10/26/2006	0.0997	0.0946	2,100	83.48
ON	1	7	P	7	12/26/2006	0.38	0.417	2,075	57.11
ON	11	6	P	4	10/26/2006	0.003	0.004	1,764	81.52
LN	3	7	P	5	02/23/2007	0.0858	0.0885	1,525	58.35
LN	12	8	P	6	11/21/2008	0.3044	0.2975	1,500	37.81
ON	11	6	C	7.5	10/26/2006	0.025	0.037	1,301	92.13
LN	2	7	C	15	01/26/2007	0.0828	0.0854	1,100	68.98
LN	1	7	C	15	12/26/2006	0.0338	0.0354	1,100	70.98
LN	3	7	C	15	02/23/2007	0.1347	0.1381	1,100	69.25
LN	11	6	C	8	10/26/2006	0.012	0.019	1,000	93.98
LN	1	7	P	7.5	12/26/2006	0.6238	0.6315	1,000	63.64
LN	12	6	P	6.5	11/27/2006	0.2667	0.2709	1,000	64.37
LN	12	6	P	5.5	11/27/2006	0.0538	0.056	1,000	62.27

### **MARKET COMMENTARY**

The natural gas market opened 13 cents lower in continued weakness given the glut of gas and uncertainty of winter demand. Natural gas traded to a low of 5.59 early in the session and then chopped around on light volume the remainder of the session. A little light short covering boosted the front month to a high of 5.85, but when the buying subsided, the market returned to the lows, settling down 12.3 cents at 5.659. Volume on the day was light with just 39,000 lots traded in the open out cry session.

While the current cold outbreak in the Midwest and eastern U.S. is expected to quickly moderate, as is typical for temperature changes at this time of year, the latest forecast this afternoon from the National Weather Service for the 8-14 day period calls for a significant portion of the nation to see below normal temperatures, which should not only halt storage injections at the end of the injection season, but possibly begin an earlier than normal storage withdrawal. As a result if temperature outlooks continue to show this move back to colder temperatures for the end of October, we feel that this market could be finding a bottom early next week and looking to bounce

back up. We would look for initial support at \$5.60 with more significant support down at the \$5.40-\$5.35 area, followed by \$5.00.

We would look for the \$5.00 area to be a strong area for the sellers of the \$5.00 put to defend. Coming into today's trading action there was some 30,727 open contracts in the November natural gas puts at this strike. Today saw some 5,124 lots traded at this strike between 12 and 8 cents and was settled at 10 cents. With less than two weeks to go before expiration, selling this strike given the weather forecasts appears could be an attractive proposition to start the week.