



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR NOVEMBER 8, 2006**

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

Natural gas association officials on Wednesday publicly expressed optimism about working with a new Democratic Congress, although they acknowledged that the direction of energy policy would likely shift to alternative energy and away from oil and gas in the short run, and that offshore drilling legislation -- if not passed by Republicans in the upcoming lame-duck session -- would become a back-burner issue.

Alaska voters decisively rejected a ballot proposition that would have imposed a 3 cents/Mcf annual tax on natural gas reserves. The tax would have cost major North Slope leaseholders a billion a year, according to state Department of Revenue estimates.

North America's natural gas supplies are enough to keep it self sufficient -- but not in the long run. By 2030, North America will emerge as a major liquefied natural gas (LNG) importer, according to the International Energy Agency (IEA), which has released its 2006 World Energy Outlook (WEO). By 2030, LNG imports will meet 16% of total gas needs worldwide, and North America is expected to become the largest importer in the next 25 years.

#### **PIPELINE RESTRICTIONS**

Alliance Pipeline said that unforeseen difficulties have arisen that will delay the start-up of the Tampico Mainline Compressor Station. At this time it is unclear when it will return to service. This will impact AOS capacity for Cycle #2 for November 8 to 2%. The Tampico Station is located in Illinois.

Natural Gas Pipeline Company said that on November 6, a force majeure event occurred on one of the compressor units at Station 343 in Liberty County, Texas (Segment 25 of Natural's Texok Zone). Repairs are currently ongoing but the outage duration is unknown at this time. Effective today, and continuing until further notice ITS/AOR and secondary out-of-path transports will be at risk of not being fully scheduled. Additionally primary firm and secondary in-path transports are at risk of not being fully scheduled. The associated capacity reduction through the affected area would require Natural to schedule primary firm and secondary in-path transports to a minimum of 87% of MDQ for each contract with Segment 25 primary/secondary in-path rights, assuming that each such contract is nominated at full applicable contract MDQ eastbound into Segment 25. The actual scheduling percentage will depend on the level of nominations each day.

#### **Generator Problems**

**ERCOT** – TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power station restarted today following repairs to a boiler tube leak. The unit shut November 6 for the repairs.

South Texas Nuclear Project's 1,250 Mw South Texas #1 power plant returned to full capacity following a refueling outage.

**MAIN** – Exelon's 1,120 Mw Braidwood #2 nuclear unit ramped output to 90%. The unit was operating at 82% yesterday. Braidwood #1 continues to operate at full power.

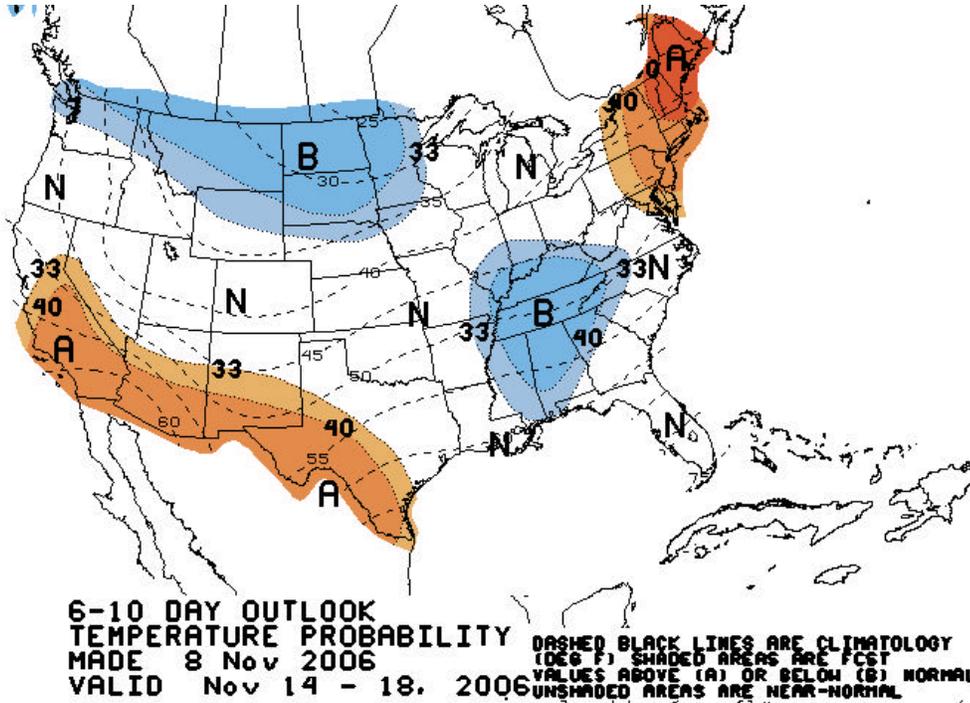
**NPCC** – Entergy's 825 Mw FitzPatrick nuclear unit increased output to 98% as it returns from a recent refueling outage. Yesterday, the unit was operating at 88% capacity.

Constellation Energy's 495 Mw Ginna nuclear unit increased output to 92% as it returns from planned maintenance.

FPL's 1,240 Mw Seabrook nuclear unit increased output to 17%, though the unit remains offline following a refueling outage.

**WSCC** – Energy Northwest's 1,200 Mw Columbia Generating nuclear station increased output offline to 16% capacity.

**The NRC reported that 78,754 Mw of nuclear capacity is on line, up .87% from Tuesday, but 1.06% lower than a year ago.**



Texas Eastern Transmission said that it has scheduled to capacity all receipts sourced between Little Rock and Batesville for delivery downstream of Batesville. No increase of receipts between Little Rock and Batesville for delivery downstream of Batesville will be accepted. Tetco also has restricted receipts sourced between Mt. Belvieu and Little Rock for delivery outside of that area. No increase of receipts between Mt. Belvieu and Little Rock for delivery outside of that area will be accepted.

Williams Cos. unit

Northwest Pipeline Corp. warned its natural gas shippers about excess supply on its pipeline system in the U.S. Northwest. Northwest was unable to make rate through its Kemmerer compressor station in Wyoming due to high linepack in the midsection of the system, therefore, the company said it would cut all alternate capacity through the Roosevelt compressor station in Washington State in an attempt to reduce the pack.

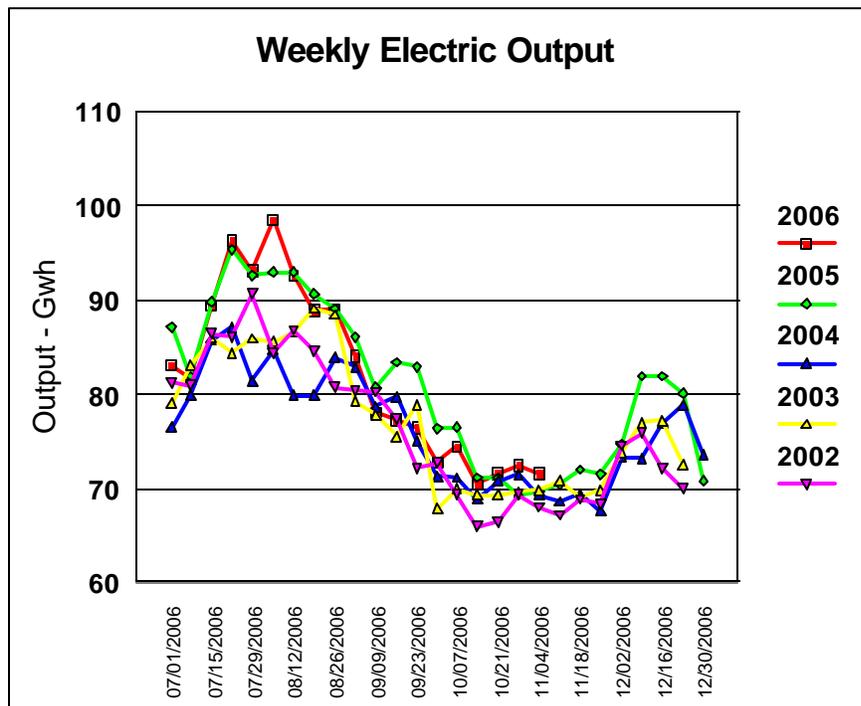
**PIPELINE MAINTENANCE**

Gulf South Pipeline said that it will be performing scheduled pigging maintenance on Index 363 30-inch from Erath, Louisiana to Weeks Island, Louisiana beginning November 8 and continuing for approximately one week. Capacity reduction is not expected during the subject maintenance. Gulf South also said that scheduled maintenance at Longview #1 Compressor Station has been postponed until November 28, with an anticipated completion date of December 15.

**ELECTRIC MARKET NEWS**

The Edison Electric Institute reported today that for the week ending November 4th, electrical production in the continental U.S. stood at 71,648 Gwh, down 1.08% from the previous week, but some 2.68% higher than the same week a year ago. For the first 44 weeks of 2006, power production is running some 0.2% higher than the same period a year ago.

TXU has notified ERCOT that it will begin retiring eight aging natural gas



fired power plants as early as next fall. These units will be replaced with 9000 Mw of new coal fired generation to be built at those existing facilities. Most of the units will remain inservice until 2009 when the planned coal units will begin coming on line.

The NRC Wednesday renewed the operating license of Xcel's 569 Mw Monticello nuclear power unit for another twenty years.

The NRC has dispatched a special inspection team to the Palisades Nuclear Power Plant after an NRC inspector found that the plant's three auxiliary feedwater pumps were set in an incorrect operating mode during reactor shutdown and subsequent startup.

### **MARKET COMMENTARY**

The natural gas market opened 12.5 cents higher as traders digest yesterday's rally on the revised cooler weather forecast. Prices remained elevated early in the session, propped up by bullish oil inventory data, and traded to a high of 8.04. Cash prices rebounded today at most price points, as colder weather was expected to make its way back to key consuming regions of the nation late this week and next week. But longer-term forecast maintain expectations for moderating temperatures, keeping a lid on prices. Resistance held at the 8.00 level and December natural gas pulled back to negative territory, trading to a low of 7.63. The December contract returned to positive territory and chopped on either side of the 7.80 level as it awaits its inventory data tomorrow. December natural gas settled up 6.8 cents at 7.823

Early expectations for the EIA's weekly inventory report call for a draw of 4 Bcf, with expectations ranging from a draw of 32 Bcf to a build of 10 Bcf. Cool temperatures last week and ongoing nuclear plant maintenance likely offset injections, though further upside remains limited given the record levels of gas. Also limiting upside traction is the return of nuclear generation following seasonal refueling outages. Above normal refueling outages provided extra demand to natural gas for electrical generation, and as these nukes come back on line, that will cut into natural gas demand that we have seen over the past month. We see support at \$7.65, \$7.40, \$7.27 and \$7.00. We see resistance at \$8.10, \$8.20, \$8.45, \$8.54 and \$9.00.