



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR DECEMBER 26, 2006**

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

FERC has approved Golden Pass Pipeline LP's request to amend -- for a second time -- its certificate to build a pipeline in East Texas that will transport regasified natural gas from the Golden Pass liquefied natural gas receiving terminal now under construction in the southeastern part of the state.

The tax relief legislation that President Bush signed last Wednesday to open the eastern Gulf of Mexico to drilling also included a permanent ban on all new oil and gas drilling in Montana's Rocky Mountain Front Range.

The Interior Department's Minerals Management Service said it is immediately beginning an environmental review of about 580,000 acres in the eastern Gulf of Mexico portion of the Lease Sale 181 area that will be made accessible to producers as a result of legislation approved by Congress and signed into law by President Bush earlier this month.

#### **PIPELINE RESTRICTIONS**

ANR Pipeline Company said that due to a force majeure event arising from third party damage to its pipeline, ANR is continuing inspections and repairs on its pipeline segment just west of the LaGrange Compressor Station. Effective as of this weekend, ANR has placed the 22-inch line segment between MLV 82-83 located in Cass County, Michigan back into service. The 24-inch line segment between MLV 82-83 remains isolated until further notice. During this period, the total Bridgman East CFTP capacity will be limited to 1,091 MMcf/d. Based on current nominations, it is anticipated the above reductions may result in the curtailment of nominations associated with Firm Secondary and IT through Bridgman East CFTP.

Kern River Pipeline said that linepack has returned to normal across the entire system.

#### **Generator Problems**

**ECAR** – FirstEnergy's 1,260 Mw Perry nuclear unit continued to ramp production over the weekend, returning the unit to full power today. The unit was operating at 82% capacity on Friday.

**ERCOT** – TXU Corp.'s 750 Mw Martin Lake coal-fired power station restarted all three units by today, which had been shut periodically since last week for minor repairs.

**MAAC** – Constellation Energy's 825 Mw Calvert Cliffs #1 nuclear unit ramped up to full power today. On Friday, the unit was operating at 30% capacity. Calvert Cliffs #2 continues to operate at full power.

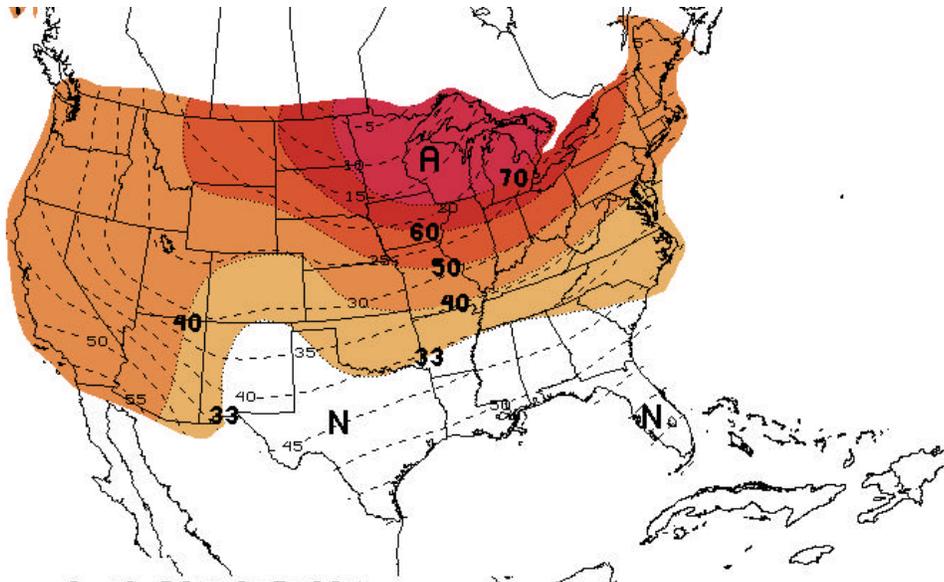
**SERC** – Progress Energy's 938 Mw Brunswick #2 nuclear unit shut due to an automatic reactor scram. The unit was operating at 64% at the time of the scram. Brunswick #1 remains at full power.

Tennessee Valley Authority's 1,125 Mw Sequoyah #2 nuclear unit restarted following a refueling outage and ramped up to 16% capacity. Sequoyah #1 continues to operate at full power.

Dominion Resources' 800 Mw Surry #1 nuclear unit remains at reduced operations, operating the unit modestly higher at 80% capacity. On Friday, the unit was operating at 74% capacity. Surry #2 continues to operate at full power.

**WSCC** – Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit reduced output to 29% today. On Friday, the unit was operating at 93% capacity. San Onofre #2 continues to operate at full power.

**The NRC reported that 92,524 Mw of nuclear capacity is on line, down .38% from Friday, and 2.88% lower from a year ago.**



**6-10 DAY OUTLOOK TEMPERATURE PROBABILITY**  
**MADE 26 Dec 2006**  
**VALID Jan 01 - 05, 2007**  
 DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

Texas Eastern Transmission Corp. said that it has scheduled to capacity deliveries downstream of Castor on the Castor lateral. No increase of deliveries downstream of Castor on the Castor lateral will be accepted.

**PIPELINE MAINTENANCE**

Gulf South Pipeline said that it will be performing scheduled compressor maintenance at the Goodrich Compressor Station on Units 1, 2, and 3, with one unit down at a time, beginning January 8 at 7:00 AM and continuing through March 1. Capacity through Goodrich Compressor Station could be

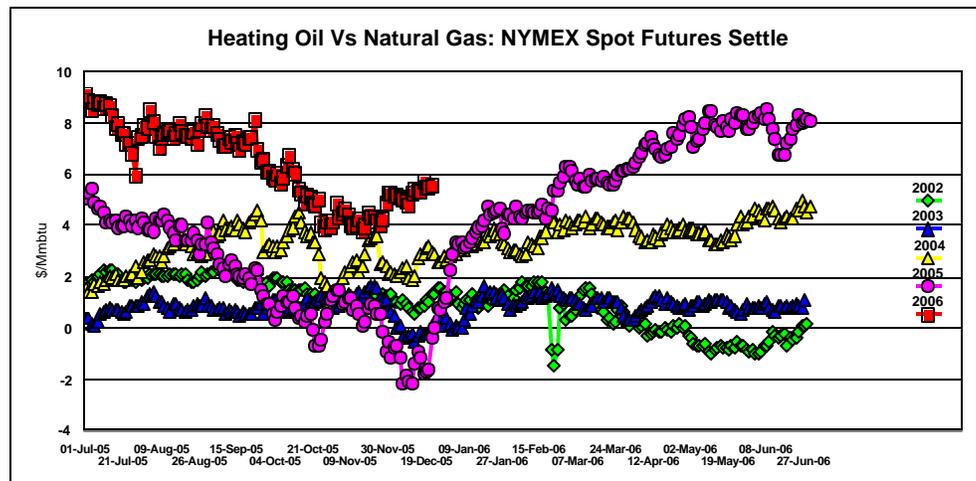
reduced by as much as 50 MMcf/d during this maintenance.

Questar Pipeline Company said that repairs to the Greasewood compression station will not be completed until January 8, 2007.

Williston Basin Interstate Pipeline Company said that planned maintenance will be performed on Line Section 15 through December 28. During the maintenance period there is a potential for capacity restrictions to the system depending on volumes nominated, at this time no restrictions are expected.

**ELECTRIC MARKET NEWS**

Wisconsin regulators have slashed electric and natural gas general rate increases for Wisconsin Public Service. WPS asked the Wisconsin Public Service Commission for a \$136.9 million, or 15.8%, electric rate hike, but the commission approved a 6% hike, in part due to a drop in natural gas prices since the original request was made in March. The bulk of the increase is to cover the cost of transmission and power plant construction. The PSC also approved a 3.3% natural gas rate hike, which was down from WPS' request for a \$22.6 million, or 3.9% increase. WPS asked for the increase to cover costs to improve its distribution system.



**MARKET COMMENTARY**

The natural gas market gapped 36.5 cents lower to start the penultimate trading session of the January contract. Overwhelming bearish fundamentals are dominating the market lower as government and private forecasters predict that as the El Nino weather pattern peaks during January through March, the northern half of the U.S. will continue to experience warmer-than-normal weather. The January contract slid to a low of 6.06 as there is little

demand for natural gas across key consuming regions and record storage that is extending its year-on-year surplus. January finished the session down 52.2 cents at 6.113.

Looking ahead to tomorrow's expiration the January contract will take a shot at the 6.00 level. However, it is more likely that the February contract will take a serious look at the sub-6.00 level next week when the full complement of market players return to work in the New Year. Without any weather, each day that passes is one less in for the peak season of natural gas. The natural gas curve through August of 2007 is now below the 7.00 level and quite flat. On the storage front, expectations for this week call for another bearish figure and the likelihood of a sizeable draw is not on the horizon. We see support in January at 6.00, \$5.95, and \$5.75. We see resistance at \$6.50, \$6.87 and \$7.00.