



## **ENERGY RISK MANAGEMENT**

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

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

According to a Reuters' poll, U.S. natural gas prices this year are expected to average 18% below last year's record highs as a huge surplus of gas in inventory eased concerns about building supplies for next winter. The survey of 26 industry experts showed most expected spot prices this year at Henry Hub to average \$7.21 per MMBtu, down 7% from last quarter's estimate and 18% below 2005's record high average of \$8.81.

Enterprise Products Partners is acquiring natural gas gathering systems in South Texas and related gathering and processing contracts from Cerrito Gathering for \$325 million. Cerrito is an affiliate of San Antonio, Texas-based Lewis Energy Group and the assets being purchased include 484 miles of pipeline and 31,000 horsepower of compression that are connected to more than 1,450 wells in the Olmos and Wilcox Trends in South Texas.

#### **Generator Problems**

**Canada**— Ontario Power Generation's 494 Mw Lambton #3 coal-fired power station in Ontario shut for short-term work by early today. The unit is expected to return to service in about a week.

Ontario Power Generation's 490 Mw Nanticoke #3 coal-fired power station shut for short-term work by early today. The unit is expected to return to service within a week.

**The NRC reported that U.S. nuclear generating capacity was at 96,283 Mw up .07% from Wednesday and up 2.51% from a year ago.**

#### **PIPELINE RESTRICTIONS**

Algonquin Gas Transmission said Tennessee Gas Mahwah has been scheduled to capacity on its system.

Texas Eastern Transmission said that it has restricted M1 and M2 24-inch. No increases between Little Rock and Sarahsville for delivery outside that area will be accepted.

#### **EIA Weekly Report**

	07/06/2006	06/30/2006	Net chg	Last Year
<b>Producing Region</b>	864	844	20	727
<b>Consuming East</b>	1464	1409	55	1196
<b>Consuming West</b>	376	362	14	355
<b>Total US</b>	2704	2615	89	2278

\*storage figures in Bcf

#### **PIPELINE MAINTENANCE**

Gulf South Pipeline said it would perform scheduled maintenance beginning Friday at unit 1 of the Kiln natural gas compressor station in Mississippi. Capacity through the station during the planned eight-hour work could be reduced by as much as 100 MMcf.

#### **Canadian Gas Association**

##### **Weekly Storage Report**

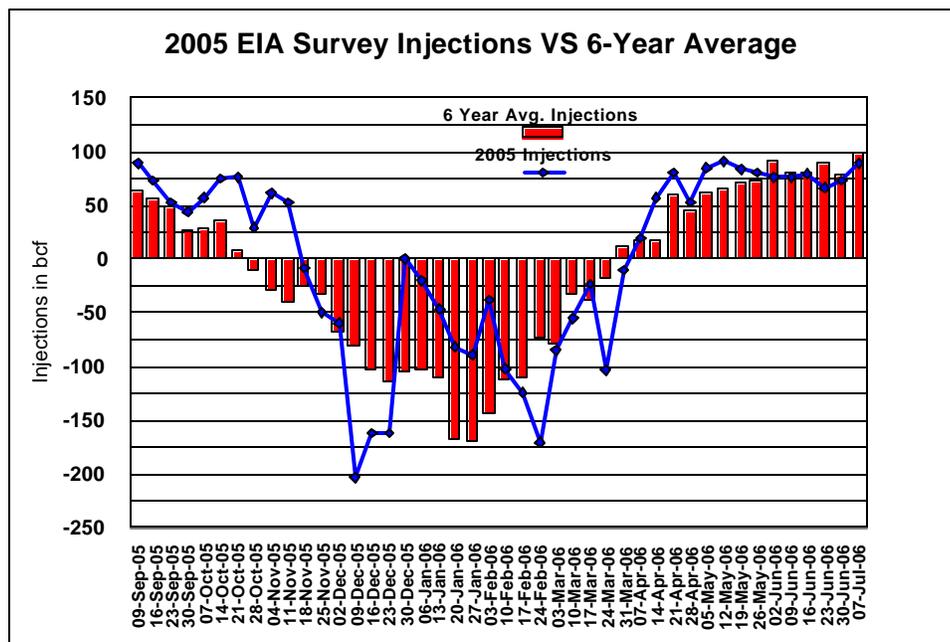
	07-Jul-06	30-Jun-06	08-Jul-05
<b>East</b>	179.5	172.0	145.5
<b>West</b>	176.7	171.5	185.0
<b>Total</b>	356.2	343.5	330.5

storage figures are in Bcf

Williston Basin Interstate Pipeline Company said that planned maintenance will be performed today at the Worland Compressor Station. At this time, Williston Basin does not anticipate any restrictions to the system. Williston also said that planned maintenance will be performed August 7-11 to replace mainline valves at Palermo, North Dakota. There is potential for restrictions on August 8 for 8-10 hours, which would affect receipts in Line Sections 06, 07 and 25. Also in North Dakota, planned maintenance will be performed on Line Section 07 from Minot to Bismarck beginning August 7 and running to September 8. At this time, Williston Basin does not anticipate any restrictions to the system.

## **ELECTRIC MARKET NEWS**

A heat wave in California caused the power grid operator, Cal ISO, to call for restrictions to power plant maintenance from noon until 10 PM today. Cal ISO expects peak demand to reach at least 43,675 Mw today, which is nearing the record of 45,431 set last July 20. Cal ISO further said that California's power grid could post a new electricity demand record by Monday as air conditioners across the state battle a powerful heat wave. New temperature data, indicating a warm air mass is pushing up temperatures even more than expected. The highest demand is expected Monday when the hottest temperatures are forecast in the current heat wave over most of the western United States.



U.S. FERC Chairman Kelliher warned that power supplies for New York City and Long Island have grown tighter in the last few weeks and are fragile in southwestern Connecticut as it faces the high demand summer season. Speaking to the Energy and Resources Subcommittee of the House Government Reform Committee, Kelliher also noted the potential for trouble in the highly import-dependant markets of Southern California and Ontario.

The state of Wyoming is pushing to upgrade power links with Colorado, Nevada and other states in the U.S. West to export electricity to power-hungry cities like Denver, Salt Lake City, Phoenix and Las Vegas. The Wyoming Infrastructure Authority has struck agreements with the U.S. unit of Britain's National Grid Plc, closely-held transmission builder Trans-Elect Inc., and Western utilities to study and develop new regional power lines.

Ontario plans to boost energy conservation efforts with C\$400 million in new funding, as it tries to ease pressure on the provincial power grid and create what the provincial government called "a conservation culture." Ontario Energy Minister Dwight Duncan said that local distribution utilities will be able to use the money over three years for conservation programs, including encouraging customers to dump old, inefficient appliances and giving them credits for reduced consumption. New generating plants are planned and the provincial power grid appears to be in good shape to handle demand this summer, but the overall supply-demand balance remains tight.

## **MARKET COMMENTARY**

The natural gas market opened 7 cents stronger in anticipation of the EIA's storage figure release. The larger than expected 89 Bcf build shot prices down to 5.72, but with forecasts calling for a steamy weekend and new record highs in the jittery crude oil market, the market fended off the bearish news and rallied, boosting the August contract back above the 6.00 level. The August contract traded to a high of 6.18 before settling up 34.7 cents at 6.129.

Current stocks now stand at 2,704 Bcf, 581 Bcf above the five-year average, continuing its declining trend. With temperatures in the mid to upper 90s stretching from Chicago to New York over the next several days and a soaring cash market, a short-term bottom has been put in place. We feel the market will remain elevated off the lows as market players wait and see how long the heat wave lasts. We see support at \$6.00, \$5.76, \$5.64 and \$5.50. We see further support at \$5.25 and \$5.00. We see resistance at \$6.33-\$6.37, \$6.89 and \$7.12.