



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JULY 19, 2006**

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

Rockies Express Pipeline LLC said it received market interest in about 1 Bcf/d of firm transportation capacity on its proposed extension from Clarington, OH, to Oakford, PA. With some space on the proposed extension still available, the company said it intends to continue negotiations with prospective shippers through the rest of the summer before making a determination on the size of the extension.

An Idaho renewable alternative energy technology firm announced Tuesday a successful gas quality test for its system of producing biogas from dairy manure, turning it into what the company claims is another form of pipeline-quality natural gas. Intrepid Technology and Resources, Inc., Idaho Falls, ID, officials said the firm is now prepared to make its first commercial delivery of manure-to-gas supplies to the local utility, Intermountain Gas Company.

The National Hurricane Center said that the newly formed Tropical Storm Beryl shows signs of strengthening and could take a northerly path in the days ahead, as opposed to the northeast hook out to sea previously projected. The new projected path shows the storm hugging the New Jersey coastline and in some cases slamming into Long Island or parts of New England. Maximum sustained winds are 45 mph with higher gusts.

#### **PIPELINE RESTRICTIONS**

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

Florida Gas Transmission said that due to warm temperatures, it is issuing an Overage Alert Day at 25% tolerance.

Kern River Pipeline said that line pack is posted as normal on the north end of the system and low from Elberta to the end of facilities.

Texas Eastern Transmission said that it has restricted and sealed receipts sourced between Little Rock and Fagus. No increases in receipts sourced between Little Rock and Fagus for delivery outside that area will be accepted. Tetco also scheduled and sealed receipts sourced between Little Rock and St. Francisville for deliveries downstream of St. Francisville. No increases in receipts sourced between Little Rock and St. Francisville for delivery outside that area will be accepted.

#### **PIPELINE MAINTENANCE**

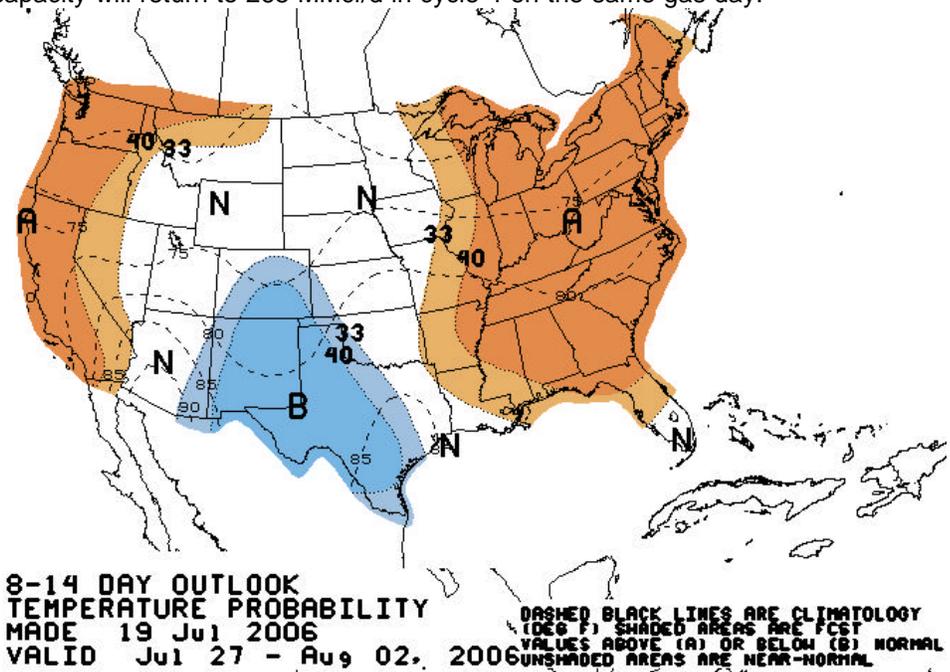
Gulf South Pipeline said that it will be performing scheduled pipeline maintenance on Index 8 (Longview-Tyler 8-inch) beginning July 25 at 7:00 AM CT and continuing for approximately 10 hours. Gas Point Starrville CP will be shut in during this maintenance.

#### **Generator Problems**

**MAAC**— AmerGen Energy's 636 Mw Oyster Creek nuclear unit decreased production to 85% capacity this morning. The unit returned to full power yesterday after cleaning grass out of an intake.

**The NRC reported that U.S. nuclear generating capacity was at 96,423 Mw down .09% from Tuesday and up .81% from a year ago.**

Questar Pipeline Company said that on August 8 it will be performing required maintenance at its Fidar compressor station. As a result, the ML 80 capacity will be reduced to 180 MMcf/d in cycles 1, 2 and 3 for this gas day. Based on current nominations, this represents a 55% reduction to flexed nominations. The ML 80 capacity will return to 265 MMcf/d in cycle 4 on the same gas day.



Transcontinental Gas Pipe Line said work being done associated with the lowering of the North High Island Gathering System has progressed according to schedule. Transco continues to anticipate the outage necessary for lowering the lateral line will occur from July 26 through August 8, weather permitting. This will require isolating all offshore production on the lateral while blow down and tie-in work is being performed. The lateral typically flows between 250 and 350 MMcf/d. As a reminder the West Cameron lateral outage is scheduled for the same

dates. The West Cameron lateral typically flows 60-75 MMcf/d.

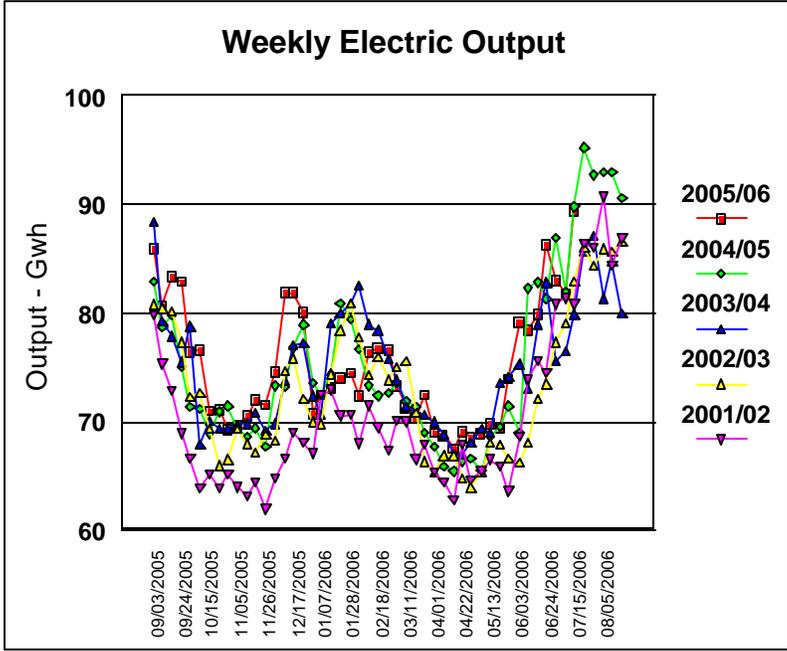
**ELECTRIC MARKET NEWS**

PJM Interconnection has ended its special request for the public to conserve electricity. With lower temperatures forecast for the rest of the week, power use is expected to be lower as well. Peak electricity use in PJM was lower on Tuesday than the record setting peak demand on Monday. However, as expected, peak power use in PJM's eastern states was higher on Tuesday as hot weather persisted there.

New England's electricity use set a new all-time record yesterday, according to ISO New England. Preliminary data collected by the ISO shows that electricity use reached 27,374 Mw, surpassing the previously established record of 26,885 Mw, which was set on July 27, 2005. While electricity use continues to grow, supply has remained stagnant. Between 2004 and 2006, peak demand grew from just over 24,000 Mw to more than 27,000 Mw, while power supplies increased minimally. Without new resources, New England will face an increased reliance on emergency actions to balance supply and demand as early as 2007.

**MARKET COMMENTARY**

The natural gas market opened 10 cents stronger supported by technical buying in front of key support at the recent low of 5.50. Natural gas ignored continued losses in the oil complex and



focused instead on supportive inventory reports that are expected tomorrow and the week after following the intense heat that the nation has been succumbed in. As the market ran out of enthusiasm for pushing the front month into the low 5.00 range, prices rallied, with the front month trading to a high of 5.93 before settling up 30.7 cents at 5.862.

Also supporting today's action was a revised weather forecast calling for a return to warm temperatures in the 8-14 day time frame. With expiration next week, we feel that this market will creep higher as storage reports reflect the strong air conditioning demand. Expectations for tomorrow's report call for a build of between 45-70 Bcf as compared to a 79 Bcf five-year average build and a relatively modest 58 Bcf injection last year. Of even more supportive importance is that next week's report could be as low as a 10 to 40 Bcf build. We see support at \$5.50, \$5.35 and \$5.25. We see resistance at \$6.00, \$6.34, \$6.45, \$6.89 and \$7.12.

Interestingly today saw the November \$3 put post the highest option volume for the day on the NYMEX with over 16,800 lots changing hands between 0.6 and 0.5 cents.