



## ***ENERGY RISK MANAGEMENT***

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

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

An interstate natural gas pipeline to connect Canadian natural gas supplies to energy-hungry Northeast U.S. markets and regional storage is being proposed by Alliance Pipeline, Duke Energy Gas Transmission and NJR Pipeline Company.

A Raymond James energy analyst Marshall Adkins said natural gas prices have already hit their bottom and are heading up, helped in part by record heat across the country. Adkins also predicted that the market will end the injection season with high levels of gas in storage without a price meltdown.

#### **PIPELINE RESTRICTIONS**

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

Florida Gas Transmission said that due to hot temperatures, it is issuing an Overage Alert Day at 15% tolerance.

Kern River Pipeline said that line pack is low on the south end of the system. Kern River requests that no drafting occur and operators arrange payback where gas is owed to the pipe.

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

#### **PIPELINE MAINTENANCE**

Natural Gas Pipeline Company said that the gas quality problems reported at the receipt from Ozark-White (PIN 6427 in White County, Arkansas) have improved. This point is now available for scheduling. However, NGPL said that it will continue to monitor this receipt and if the gas exceeds Natural's gas quality specifications in the future, intraday scheduling cuts will be made. Ozark-Lawrence (PIN 3988 in Lawrence County, Arkansas) still remains unavailable due to previously reported gas quality issue. Both receipt points are in Segment 27 of Natural's Gulf Coast Main Line Receipt Zone.

Northwest Pipeline Company has scheduled several pig runs from the Pleasant View Compressor Station to the La Plata Compressor Station beginning July 24 and continuing through August 11. Operational capacity during the work will be 300 MMcf/d. Northwest Pipeline also said that on August 1-3 it will be installing pigging facilities on the mainline near the Clay Basin interconnect. During the work, there will be no flow through the mainline at the Green River South Constraint Point, and Clay Basin will be unavailable on August 1. Northwest will cut all nominations at Clay Basin Receipt and Clay Basin Delivery to zero for Gas Day August 1. The Green River South Constraint Point will be cut to a net zero for gas days August 1 through August 3. On August 8-10, Northwest will be performing a stress relief project and pipe replacement on Douglas Pass between the

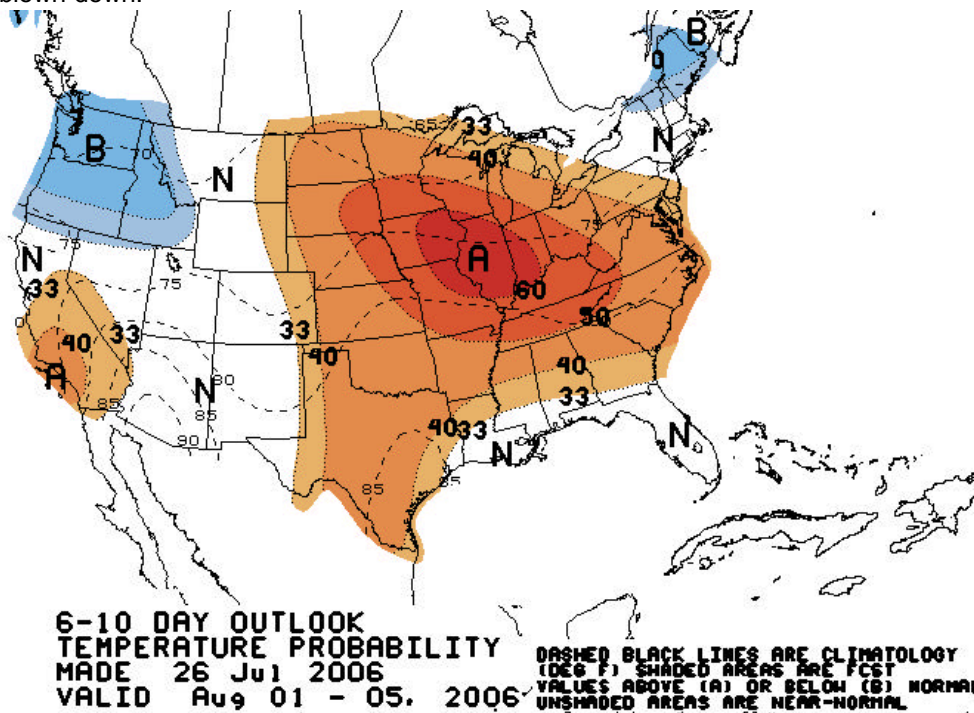
#### **Generator Problems**

**WSCC**— Arizona Public Service's 1,335 Mw Palo Verde #2 nuclear unit tripped offline early this morning. Palo Verde #1 and #3 continue to operate at full power.

Energy Northwest's 1,200 Mw Columbia Generating nuclear unit returned to full power today.

**The NRC reported that U.S. nuclear generating capacity was at 97,364 Mw up .33% from Tuesday and up .85% from a year ago.**

Foundation Creek and Calf Canyon receipt points. This work requires a section of the mainline to be shut in and blown down.



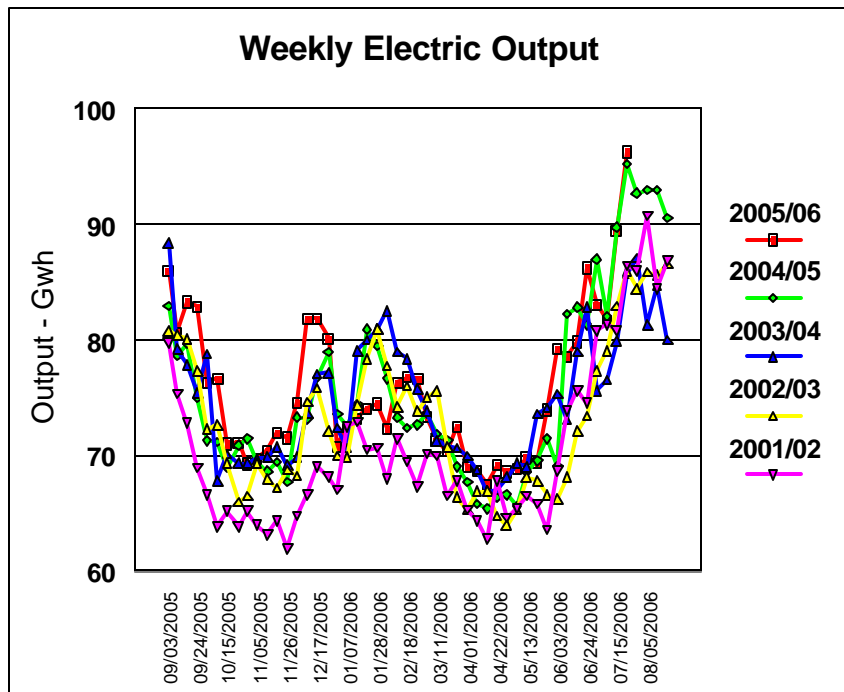
Questar Pipeline Company said that it will be performing required Department of Transportation compliance maintenance at its Oak Spring compressor station August 22-24. As a result, the ML 104 scheduling point will be reduced as follows: August 22 – zero in cycles 1 and 2 then increased to 270 MMcf/d in cycles 3 and 4; August 23 – 270 MMcf/d in all cycles; August 24 – 320 MMcf/d in all cycles; August 25 - return to normal 370 MMcf/d in cycle 1.

Williston Basin Interstate Pipeline Company said that unplanned maintenance

will be performed at the Manning Compressor Station Unit #1 between July 31 and August 4. At this time, Williston does not anticipate any restrictions to the system. Williston also said that planned maintenance will be performed at the Monarch Compressor Station on August 1 for an ESD test. At this time, Williston Basin does not anticipate any restrictions to the system.

**ELECTRIC MARKET NEWS**

Con Edison reported today that customers in the Long Island City area of Queens who lost electric service on July 18 have been restored. The company said some restored customers may experience lower than normal voltage conditions or sporadic outages as crews reinforce the area's power cable system. The outage affected approximately 25,000 customers in the Long Island City, Sunnyside, Woodside, Hunters Point, and Astoria neighborhoods of Queens. Residential customers may file a claim for losses of food due to lack of refrigeration up to \$350. Commercial customers may claim losses up to \$7,000.



Even as the heat wave in California loosened its grip, the state's electric grid operator again asked generators and transmission owners to avoid doing unnecessary maintenance on Wednesday. The Cal ISO forecast electricity usage is expected to peak at 49,471 Mw today, which is less than the record on Monday but still higher than last week's demand.

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended July 22 rose 1.1% from the same 2005 week to an all-time weekly output record of 96,314 Mw. For the first 29 weeks of the year, power production is up 0.9% from last year.

#### **MARKET COMMENTARY**

The natural gas market opened 19.1 cents higher boosted by strong demand as hot weather eased only slightly in the western U.S. and was expected to shift back to the Midwest and Northeast. Expectation for a bearish storage report number tomorrow also spurred short covering. The expiring August contract held at 6.75 for most of the session until a flurry of short covering lifted it to a high of 6.90 before settling up 47.8 cents at 6.887. The September contract, which traded around the 6.80 level most of the session rallied to 7.00 at the close to settle up 46.1 cents at 6.974.

It is warm across the country and we still have the hottest part of the summer ahead of us. With a supportive build of just 5-15 Bcf, and some calling for even a small draw, the year-on-five-year average storage surplus, which stands at 562 Bcf, will continue to decline, possibly more sharply tomorrow and that has bears lightening up their positions. Inhibitors to the firming natural gas chart remain the lack of tropical activity and the surplus of storage, though declining is still there. In August, we see support at \$6.75, \$6.32, \$6.12, \$5.96 and \$5.50. We see resistance at \$7.00, \$7.12, \$7.23-\$7.25 and \$7.50. In the upcoming September contract, we see support at \$6.80, \$6.65, \$6.00 and \$5.70. We see resistance at \$7.00, \$7.25, \$7.30 and \$7.50.