



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR JULY 27, 2006

#### NATURAL GAS MARKET NEWS

FERC chairman Joseph Kelliher said the recent substantial drop in U.S. natural gas prices may not carry over into next winter even though storage inventories currently are well above normal. Kelliher warned that an increase in summer LNG imports could cause U.S. gas storage to fill up routinely by the end of August instead of October, easing prices in the summer but possibly contributing to volatility in the winter. Imports are expected to drop off in the winter when European markets are better positioned to command LNG shipments with higher prices.

#### Generator Problems

**ERCOT**— TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power station shut yesterday to fix a boiler tube leak.

**WSCC**— Arizona Public Service's 1,335 Mw Palo Verde #2 nuclear unit automatically tripped shut yesterday while operating at 90% capacity as a main turbine control valve was being returned to service.

**The NRC reported that U.S. nuclear generating capacity was at 96,063 Mw down 1.34% from Wednesday and down .15% from a year ago.**

The New York Mercantile Exchange said Thursday that after-hours physically delivered energy futures contracts will make the migration from its Access system to CME Globex beginning on Aug. 6 for trade date Aug. 7. Nymex also announced margin increases for natural gas related contracts to take effect at the close of business tomorrow. Margins on the first month for non-member customers will increase to \$11,475 from \$8,775, and for the second and third months, margins will increase to \$12,150, from \$8,775 and \$10,800 respectively.

#### EIA Weekly Report

	07/21/2006	07/14/2006	Net chg	Last Year
<b>Producing Region</b>	850	870	-20	730
<b>Consuming East</b>	1525	1509	16	1283
<b>Consuming West</b>	381	384	-3	365
<b>Total US</b>	2756	2763	-7	2377

\*storage figures in Bcf

In an effort to boost trading volumes and exchange value ahead of an initial public offering (IPO), the New York Mercantile Exchange Inc. (Nymex) announced this week that it would expand its existing membership structure to allow nontraditional entities, including hedge funds, pools, and other collective investment vehicles, to become

Nymex member firms.

#### PIPELINE RESTRICTIONS

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

El Paso Natural Gas Company said that operating conditions on its system have improved due to moderation in the weather that has resulted in reduction in overall takes. In addition, customer response has sufficiently balanced receipts to takes. EPNG linepack is at acceptable levels and withdrawal from the Washington Ranch storage facility has been discontinued. As a result, the notice of strained operating condition has been lifted.

#### Canadian Gas Association

##### Weekly Storage Report

	21-Jul-06	14-Jul-06	22-Jul-05
<b>East</b>	189.4	186.7	158.0
<b>West</b>	185.1	181.3	190.7
<b>Total</b>	374.5	368.0	348.7

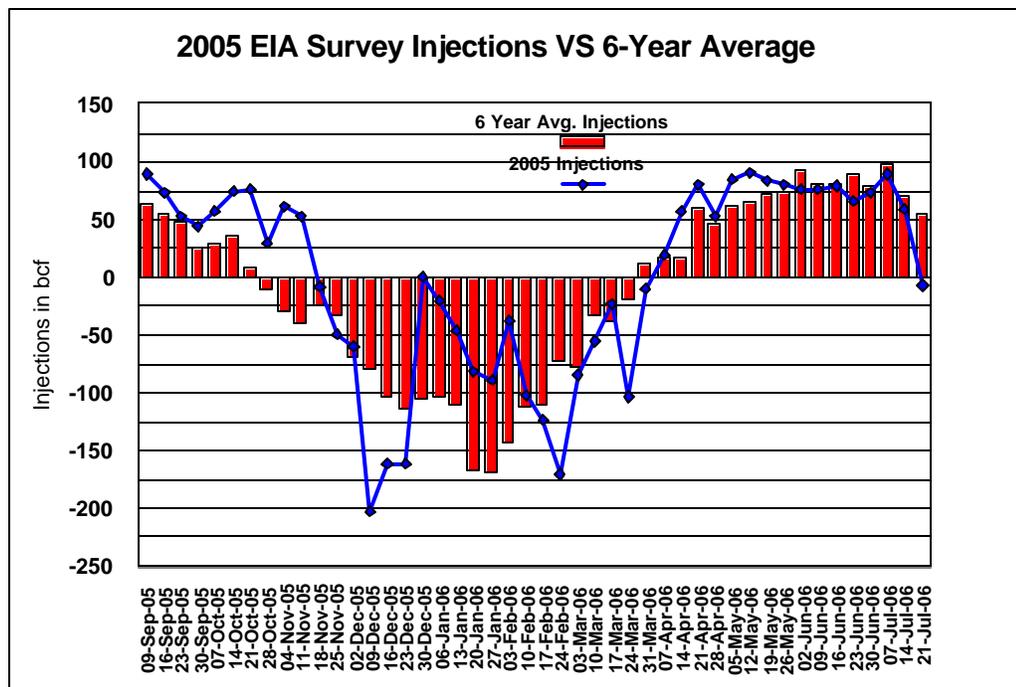
storage figures are in Bcf

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.

**PIPELINE MAINTENANCE**

Natural Gas Pipeline Company said that the drip replacement project is still on schedule for gas days August 2-7. Natural filed for FERC authorization to allow a waiver of its tariff to extend the Opposite Leg Rights to all of Gulf Coast Receipt Zones during this outage. FERC has granted this waiver request. Therefore, Amarillo shippers impacted by this outage can use the entire Gulf Coast System as alternate paths to route gas around this constraint.



Northwest Pipeline said that due to mechanical equipment failure the pigging (between the Pleasant View to the La Plata section of pipe) that NWP had scheduled for today and tomorrow is cancelled.

Texas Eastern Transmission Corp. said that the pipeline maintenance currently scheduled will restrict Texas Eastern's ability to absorb due shipper imbalances or allow for due pipe resolution from Thursday through Tuesday. Shippers and point operators are required to flow

scheduled volumes and not create due shipper imbalances or resolve due pipe imbalances during this period. No nominations to create due shipper imbalances or resolve due pipe imbalances will be accepted.

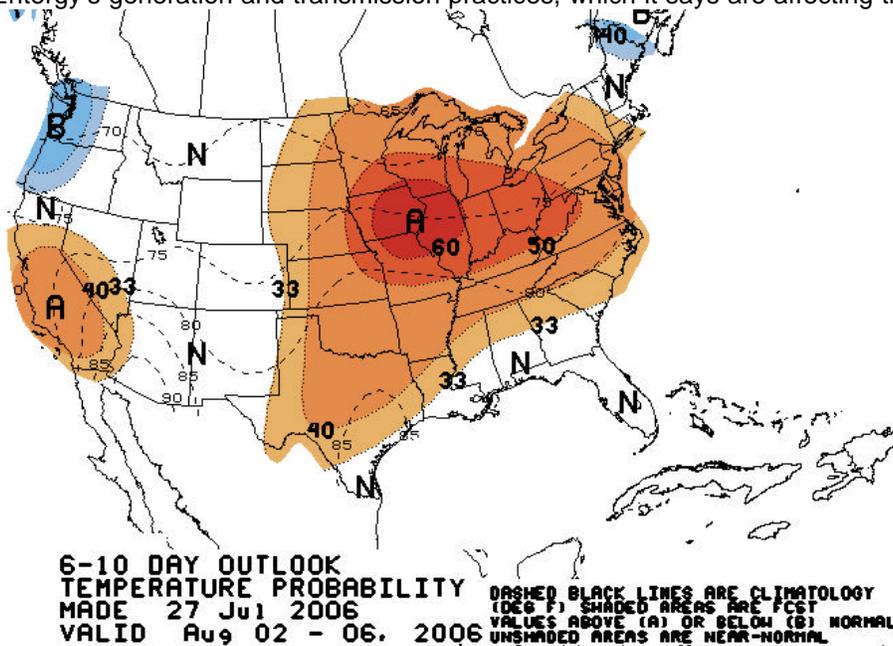
Williston Basin Interstate Pipeline Company said that planned maintenance will be performed on the Bismarck Compressor Station on August 2. At this time, Williston does not anticipate any restrictions to the system. Williston also said that planned maintenance will be performed on the Little Beaver Compressor Station, Units 8 and 9, between July 31 and August 3. Planned maintenance also will be performed on the Little Beaver Compressor Station Unit 10 on August 7 to August 10. At this time, Williston Basin does not anticipate any restrictions to the system.

**ELECTRIC MARKET NEWS**

About 47,800 Ameren customers remained without power Thursday morning, down from about 103,000 a day earlier. The company expects to have power restored to nearly all of its customers by late today. It will take months for the St. Louis-based utility company to develop cost estimates related to damage caused by massive storms that ripped through Illinois and Missouri July 19 and July 21.

Opponents of the proposed merger between Exelon and Public Service Enterprise Group say a new analysis from the PJM Interconnection bolsters their warnings about excessive market power, but the companies said yesterday that PJM ignored a crucial block of divested generation in its analysis. To obtain US FERC approval for the deal, the companies agreed to divest 4,000 Mw of fossil plant and to virtually divest 2,600 Mw of nuclear capacity. But the merger opponents argued that DOJ provided no analysis.

The Electric Power Supply Association filed comments supporting an Arkansas Public Service Commission complaint against Entergy to the FERC. The PSC has asked FERC to thoroughly investigate the prudence of Entergy's generation and transmission practices, which it says are affecting the retail rates of its customers.



Florida Power & Light Company today reported that though the summer is in full swing, its projections for peak daily load have been less than expected. With a number of hot days still ahead, the utility said it anticipates no problems meeting customers' electricity needs, barring any unforeseen circumstances.

**MARKET COMMENTARY**

The expiring natural gas contract opened 9.3 cents stronger in anticipation of a bullish storage figure, given the heat wave that has engulfed the country. The draw of 7 Bcf surprised traders and lifted the August contract to a

high of 7.25, and the September contract rallied to a high of 7.35. But prices found resistance at the 100 day moving average and could not muster any further buying interest to break that resistance. The market stayed elevated through the session and the August contract went off the board 15.5 cents higher at 7.042. September finished the volatile day up 14.9 cents at 7.123.

Total gas in storage now stands at 2,756 Bcf, 379 Bcf over last year at this time and 490 Bcf above the five-year average. With the five-year average surplus continuing to decline and at a faster rate this week, that underlying support will keep prices elevated as September takes over as the front month. This pattern of heat and low injection along with the increased risk of hurricanes, will keep this market above its recent 5.50-6.50 range. Yet the strong resistance stemming from the 100 day moving average will continue to pressure the market until we see serious supply or demand change. We see support at \$6.65, \$6.00, \$5.70 and \$5.68. We see resistance at \$7.25, \$7.35, \$7.50 and \$8.00.