



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JULY 28, 2006**

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

Congressman Devin Nunes (R-CA) has introduced new legislation that would open up a portion of the Alaska National Wildlife Refuge (ANWR) to oil and gas drilling and would use the leasing revenue and the federal share of royalties from the ANWR production -- estimated at \$40 billion -- to fund a number of renewable energy programs.

Another piece of the giant puzzle known as the Rockies Express Pipeline LLC Project is falling into place. Questar Corp.'s Overthrust Pipeline has filed an application at FERC seeking authorization to build a nearly 80-mile extension that would be the westernmost end of the Rockies Express project, a 1,663-mile, 42-inch diameter pipeline that would transport Rocky Mountain gas supplies to markets in the Midwest and East.

Although it is not a well known name in the energy industry, NorthernStar Natural Gas Inc. aims to be recognizable by the time in 2010 when it opens its proposed Bradwood Landing liquefied natural gas (LNG) receiving terminal on the Oregon side upriver about 40 miles from the mouth of the Columbia River at the Pacific Ocean-hugging town of Astoria, OR. The next step is a completed draft environmental impact report (EIR) or an announcement on a major source of LNG in the next two to three months, said Gary Coppedge the firm's president.

Baker Hughes reported that the number of rigs searching for oil and gas in the United States rose 31 to 1,714 in the week ending Friday. The number of rigs searching for oil rose three to 302, while the number of rigs searching for gas rose 27 to 1,408. There were four miscellaneous rigs, one more than last week.

In an effort to boost trading volumes and exchange value ahead of an initial public offering, the 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 members.

#### **PIPELINE RESTRICTIONS**

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

Kern River Pipeline said that line pack is high on the north end of the system to Elberta.

KM Interstate Gas Transmission said that until further notice, Burlington Resources Lost Cabin (PIN 8963) is at capacity for receipt volumes. Based on the current level of nominations, IT/AOR and secondary volumes are at risk of not being scheduled.

#### **Generator Problems**

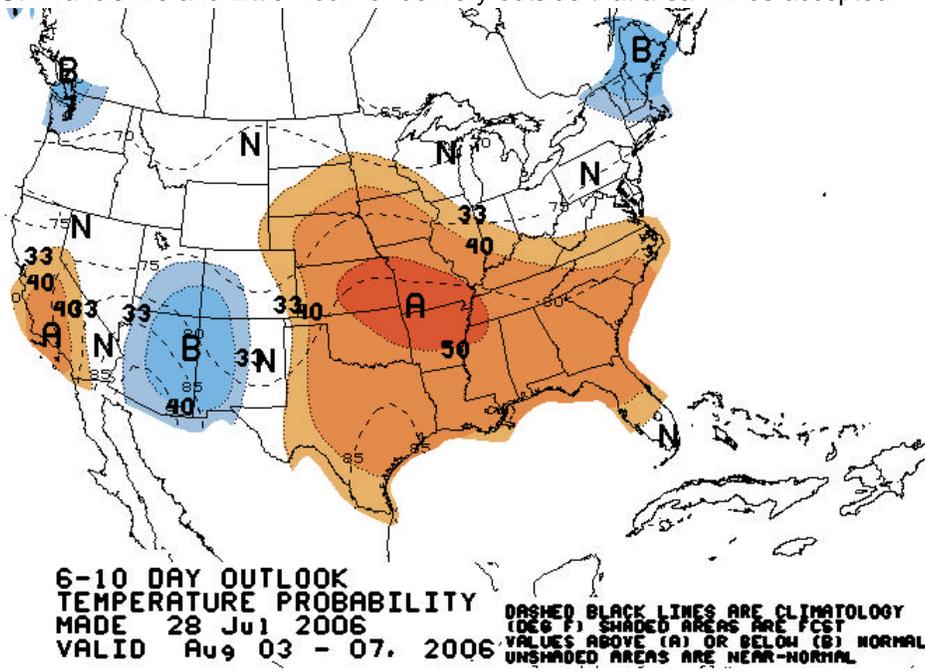
**ERCOT**— TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power unit is planned to restart today after repairs to boiler tube leaks are made.

**WSCC**— Arizona Public Service's 1,314 Mw Palo Verde #2 nuclear unit restarted after automatically tripping offline yesterday. The unit is reported as operating offline at 8%.

Energy Northwest's 1,200 Mw Columbia nuclear unit decreased output to 62% capacity. On Thursday the unit was operating at full capacity.

**The NRC reported that U.S. nuclear generating capacity was at 95,638 Mw down .44% from Thursday and down .90% from a year ago.**

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



**PIPELINE MAINTENANCE**  
Williston Basin Interstate Pipeline Company is proposing to make minor modifications at its Manning Compressor Station, which will allow better utilization of the existing capacity in Line Section 26. It is estimated that this change, along with design pressure assumptions based upon actual experience, will allow Williston Basin to offer an additional 7,000 equivalent dekatherms per day of uncommitted firm delivery capacity to the Northern Border-Manning delivery point, Point ID 01010, commencing on November 1. This capacity is in addition to the currently

available unsubscribed capacity of approximately 2,000 equivalent dekatherms per day.

**ELECTRIC MARKET NEWS**

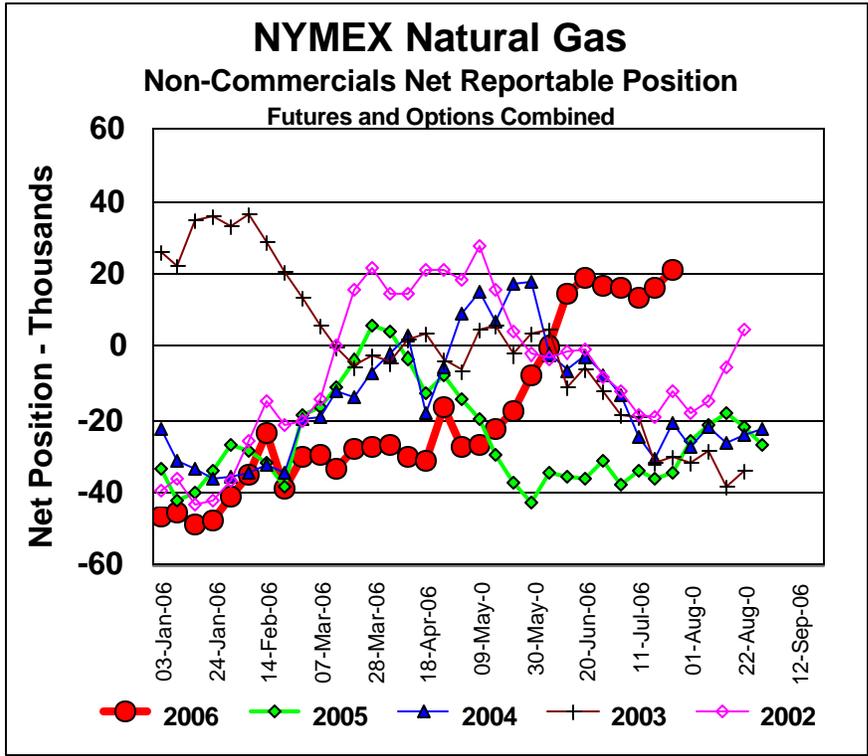
State and Federal officials in California reported that a northern California fire has not spread toward major power lines and was not an immediate threat to the electricity flow into California from the Pacific Northwest. Two major power corridors with three 500-kilovolt lines capable of bringing enough electricity to power about 3 million homes bracket a 340 acre wildfire about 50 miles south of the Oregon border in the Shasta National Forest.

**ECONOMIC NEWS**

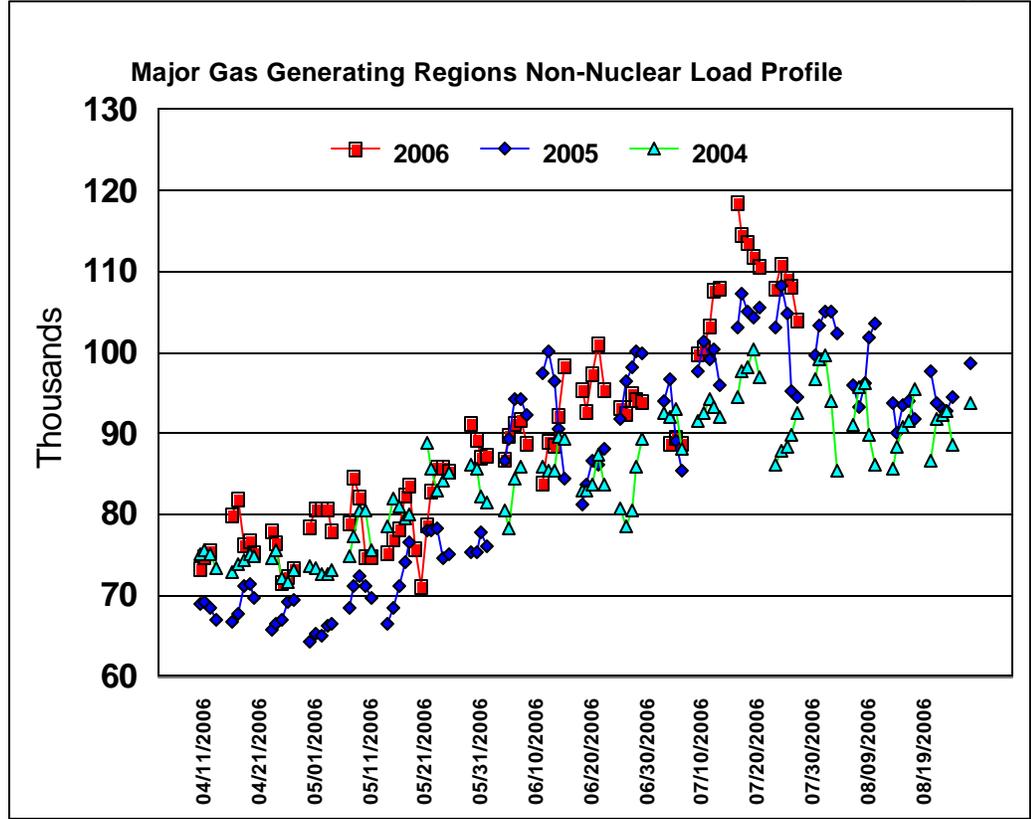
The University of Michigan U.S. consumer sentiment index showed a final reading of 84.7 in July, compared with an 84.9 reading in June. The current conditions index came in at 103.5. The street had been expecting a reading of 83.0 in July.

**MARKET COMMENTARY**

The natural gas market opened 8.7 cents stronger as it maintains its new-elevated levels. The inaugural



session for the September contract saw prices dip briefly below 7.00 to a low of 6.95 on modest profit taking and a sagging crude oil market. September recovered at the end of the session to finish up 6.1 cents at 7.184, as weather forecasts call for severe heat to blanket the Midwest and Northeast through the middle of next week.



An elevated cash market today helped to give a boost to the front months, but winter forecasts for mild weather saw the winter contracts coming under pressure and the wide front to back spreads tightening. The Commitment of Traders report showed that non-commercial traders increased their net long futures position by 7,331 contracts to 22,376 lots, and they increased their net long futures and options position by 5,327 to 21,428 contracts. With the heat wave heading east and the supply

situation feeling tighter than it was a few weeks ago, there's not a lot of advantage being too short right now. We see support at \$7.00, \$6.65, \$6.00, \$5.70 and \$5.68. We see resistance at \$7.25, \$7.30, \$7.35 and \$7.60.