



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR AUGUST 2, 2006**

---

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

The National Hurricane Center reported in its 5pm update that though Tropical Storm Chris has weakened just slightly from this morning, forecasts continue show that conditions are favorable for future development and that this storm may be a category 1 hurricane by the weekend. Current sustained winds are 60 mph. The trajectory of the system has it passing between Florida and Cuba on its way into the southeast Gulf of Mexico. With water temperatures in the Gulf near 85 F there is a high potential for strengthening.

Shell reported that it was monitoring Tropical Storm Chris closely but has not yet taken any action to evacuate personnel or shut-in production, though plans are in place to do so if necessary.

NaturalGasStocks.com reported that as the sweltering heat wave engulfs the country more and more consumers are turning to their air conditioners for relief, placing additional pressure on the power grid, resulting in spotted blackouts across the country. With natural gas used to power a significant portion of U.S. power plants, the increased demand for electricity has the potential of overcoming the supply surplus created by a mild winter and placing upward pressure on natural gas moving forward.

#### **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 20% tolerance.

KM Interstate Gas Transmission said that effective today and until further notice, the combined quantities of the following three points located in Fremont County, Wyoming are at capacity, due to operational conditions.

Texas Eastern Transmission Corp. said that it has restricted and sealed receipts sourced between Longview and Hope for delivery downstream of Hope. No increases in receipts sourced between Longview and Hope 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. No due pipe makeup nominations will be accepted. Shippers and point operators should ensure they are flowing at scheduled volumes and take immediate action to alter flow or change nominations so as to remain balanced. TE will force balance TABS-1 pools as required.

#### **PIPELINE MAINTENANCE**

#### **Generator Problems**

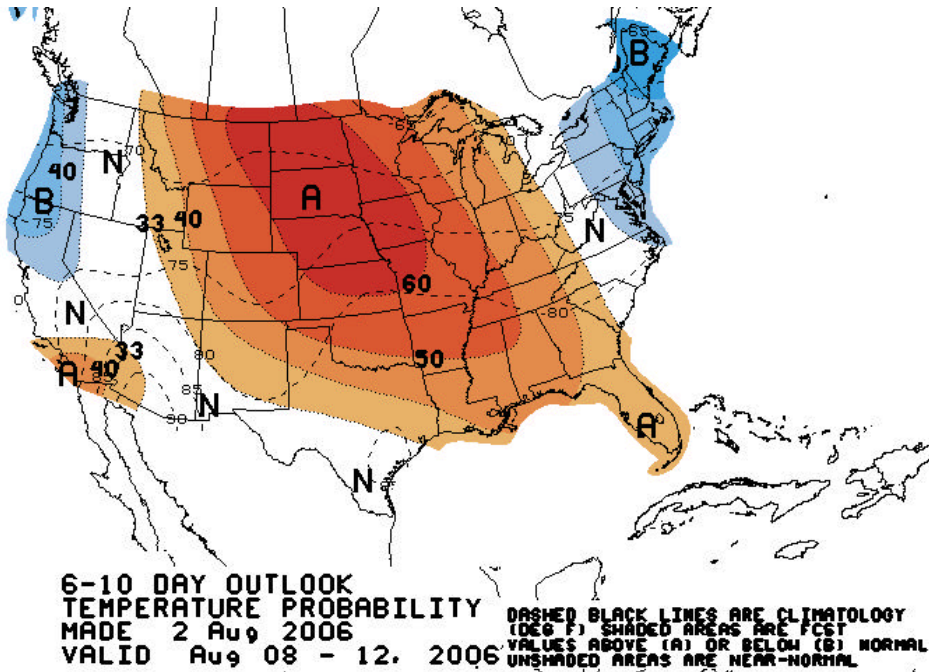
**ECAR**— DTE's 1,139 Mw Fermi #2 nuclear unit continued to increase power, ramping production to 95% capacity. The unit was operating at 10% yesterday.

**MAIN**— Exelon's 855 Mw Quad Cities #1 and #2 continued to reduce production, operating the units at 56% and 57% respectively. The company was forced to reduce production due to the rising temperatures of the Mississippi River, which is used to cool the plant.

**Canada**— Ontario Power Generation's 535 Mw Lennox #3 oil and natural gas fired power station shut early today.

Ontario Power Generation's 515 Mw Pickering #1 nuclear unit exited and outage and returned to service today.

**The NRC reported that U.S. nuclear generating capacity was at 94,259 Mw up .54% from Tuesday and down 2.79% from a year ago.**



Kern River Pipeline said that on August 8, Williams Field Services will perform maintenance and tie-in work at their Opal Plant. WFS has communicated that the Opal Plant will be entirely down for gas day August 8. This outage is a significant impact to Kern River's supply and because it is occurring during system peak demand, it is imperative that shippers and operators align actual and scheduled quantities on gas days August 6-10. Kern River will take whatever action is necessary during this period to maintain system integrity, including controlling flow at any delivery point that attempts to take a quantity that is greater than

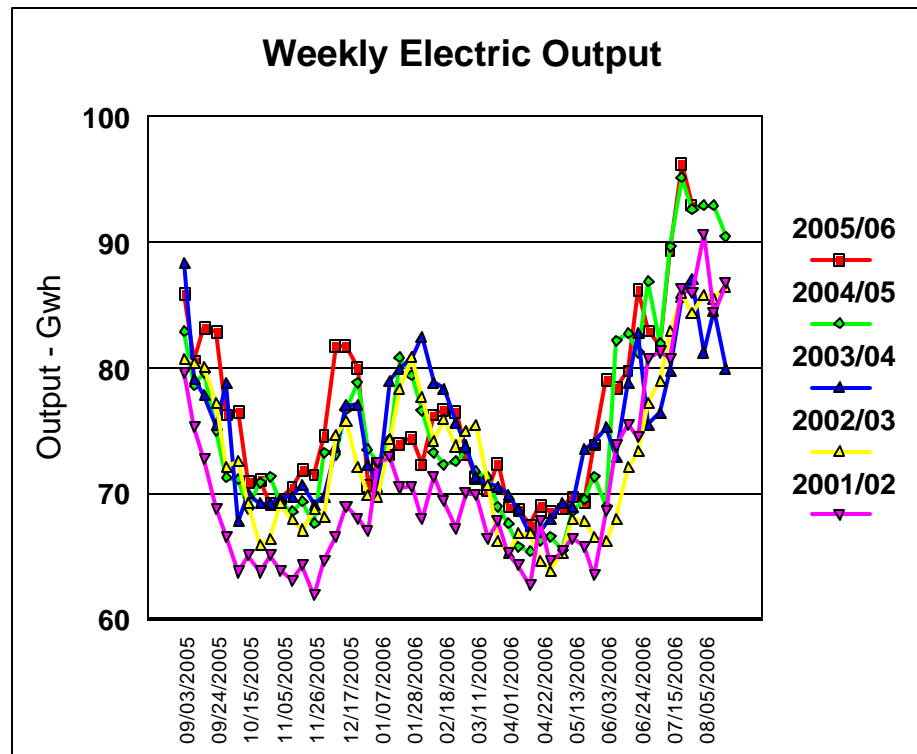
their scheduled quantity.

Northwest Pipeline said it has completed ahead of schedule the Pocatello District Line replacement, which began June 1 and was scheduled to run through August 30. The Pocatello Compressor has been returned to its full design capacity of 599 MMcf/d. Northwest also announced that it has revised the South End pigging schedule due to the delayed pig runs and the upcoming maintenance. The pig runs between the Pleasant View and La Plata B compressor stations are currently scheduled as follows: August 7 – Cleaning Pig Run; August 11 – Cleaning Pig Run; August 12 – Gauge Plate Pig Run; August 15 Cleaning Pig Run. Northwest will also schedule several more pig runs in October for the caliper pig and the inspection tool.

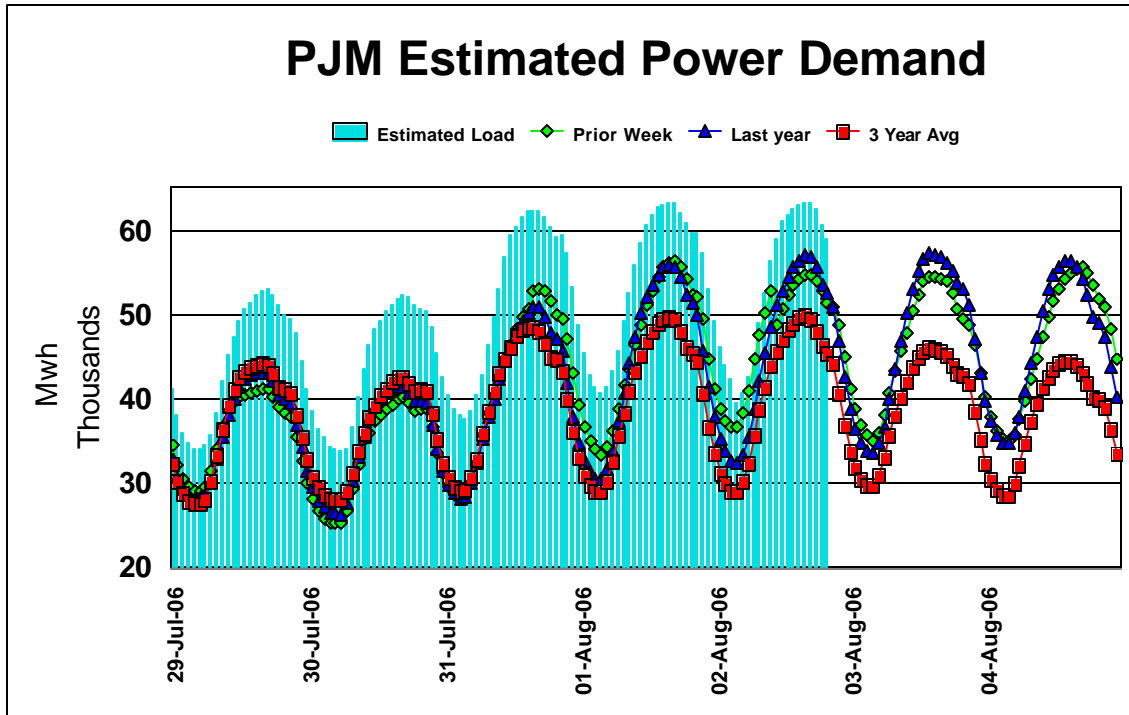
Questar Pipeline Company said that it will be performing line work that will reduce the flow through Payson Gate station. As a result, the ML 80 capacity will be reduced to 230 MMcf/d for August 13-19. Based on current nominations this represents a 25% reduction to flexed nominations. ML 80 capacity will return to normal (265 MMcf/d) in cycle 1 gas day August 20.

**ELECTRIC MARKET NEWS**

The PJM Interconnection said it appeared poised to set a second electric consumption record in as many days on Wednesday as an extended heat wave bakes parts



of the region. Power demand reached 144,216 Mw at 3:15 PM ET. The region set a record for power consumption at 144,000 Mw yesterday afternoon.



The New York state power operator said it set a new record for peak electricity demand on Wednesday as triple-digit temperatures smothered the state. The New York ISO set the new mark of 33,939 Mw between 1 PM ET and 2 PM ET. After setting the mark, the demand

flattened out even as the afternoon wore on because of programs the NY ISO enacted to curtail power use.

The New England power grid operator said it set a new record for peak electricity demand today, with demand for power reaching 27,949 Mw this afternoon, breaking the old record of 27,401 Mw set yesterday.

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended July 29 rose 0.4% from the same 2005 week to 93,102 GWh, well shy of last week's all-time output record of 96,314 GWh.

**MARKET COMMENTARY**

The natural gas market opened 64.6 cents higher as forecasts signaled that Tropical Storm Chris had strengthened. September natural gas climbed as high as 8.545, but could not muster anymore buying interest and trended lower the rest of the session. After breaking back below 8.00 around midday, the front month traded to a low of 7.76 before settling just above that at 7.799, up 22.5 cents.

Triple digit temperatures continued today and are expected for another day, boosting air conditioning demand and putting the nation's electrical grid under

NYMEX Most Active Natural Gas Options for August 2, 2006									
Contract	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN	3	7	C	25	23-Feb-07	0.5317	0.4617	12,900	82.05
LN	9	6	P	6	28-Aug-06	0.1305	0.1314	9,900	95.48
LN	10	6	P	6	26-Sep-06	0.2818	0.2824	7,400	93.93
LN	3	7	C	30	23-Feb-07	0.3352	0.2867	6,737	83.86
LN	3	7	C	20	23-Feb-07	0.8425	0.773	6,450	77.90
LN	11	6	P	5	26-Oct-06	0.0581	0.0469	6,200	83.96
LN	10	6	P	5	26-Sep-06	0.1046	0.0967	5,825	96.05
LN	1	7	C	25	26-Dec-06	0.2548	0.2124	3,800	79.60
LN	2	7	C	25	26-Jan-07	0.3996	0.343	3,800	80.20
LN	1	7	P	6	26-Dec-06	0.0959	0.0852	3,000	70.35
LN	2	7	P	5	26-Jan-07	0.0584	0.0513	3,000	71.73
ON	9	6	P	6.5	28-Aug-06	0.25	0.266	2,945	95.46

stress. The added demand has kept natural gas prices elevated, and with Tropical Storm Chris currently aimed at the Gulf, and upside bias will remain in this market. Average expectations for tomorrow's storage report call for an 18-22 Bcf build, well under the average 5year injection of 62 Bcf, and moderately under last year's injection of 32 Bcf. Our model shows a lower 1-3 Bcf build given the significant drawdowns experienced in the west. This market will be glued to the progress of Tropical Storm Chris as it could enter the southeast Gulf of Mexico early next week at a location eerily similar to where Katrina and Rita entered last season. We see support at \$7.53, \$7.45, \$7.26, \$7.00 and \$6.95. We see resistance at \$8.25, \$8.62, \$8.72 and \$9.00.