



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR AUGUST 9, 2006**

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

As the dominoes begin to fall in the wake of the collapse of energy hedge fund MotherRock LP. last week, reports were circulating that Dutch bank ABN AMRO could be stuck with losses totaling \$100 million, putting in jeopardy the banking giant's plans to sell its global futures business to Swiss bank UBS, according to a story in the *New York Post* Wednesday. Calls for comment to ABN AMRO were not returned as of press time.

The National Hurricane Center reported that the tropical wave approaching the Windward Islands at approximately 20 mph is showing signs of strength and organization. An Air Force reconnaissance plane has flown into the disturbance and reports 35 mph winds, suggesting that this system may be upgraded to a tropical depression and be named. However, Accuweather meteorologists note that a significant amount of wind shear in the way of the storm may break it up as it did to tropical storm Chris.

Initial sentiments are that BP's Prudhoe Bay crude oil pipeline woes will not derail the efforts by BP, Exxon Mobil and ConocoPhillips to build a \$20 billion natural gas pipeline from Alaska to the lower 48 states.

#### **PIPELINE RESTRICTIONS**

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

East Tennessee Natural Gas said that it has scheduled and sealed nominations flowing through the Bristol compressor station (station 3309). No increases sourced west of Bristol for delivery east of Bristol will be accepted.

El Paso Natural Gas Company said that Bluewater Station DOT inspections scheduled for August 9 will be postponed to August 22 due to the unforeseen outage on Line 1204 upstream of Seligman Station on the North Mainline. The capacity of the San Juan Crossover will be raised to 620 MMcf/d effective Cycle 2, August 9. Line 1204 will be in service by close of business August 9. Therefore, the total shutdown of the San Juan Crossover will proceed as scheduled August 10 and 11.

#### **Generator Problems**

**ECAR**— DTE's 1,111 Mw Fermi #2 nuclear unit dipped to 64% of capacity. Yesterday, the unit was operating at full power.

Dominion Resources 524 Mw Mount Storm #1 coal-fired power station shut for short-term work to fix a tube leak.

**ERCOT**— TXU's 750 Mw Martin Lake #2 coal-fired power station is planned to restart today following repairs to a tube leak.

AEP's Pirkey #3 coal-fired power plant shut to repair precipitator rappers.

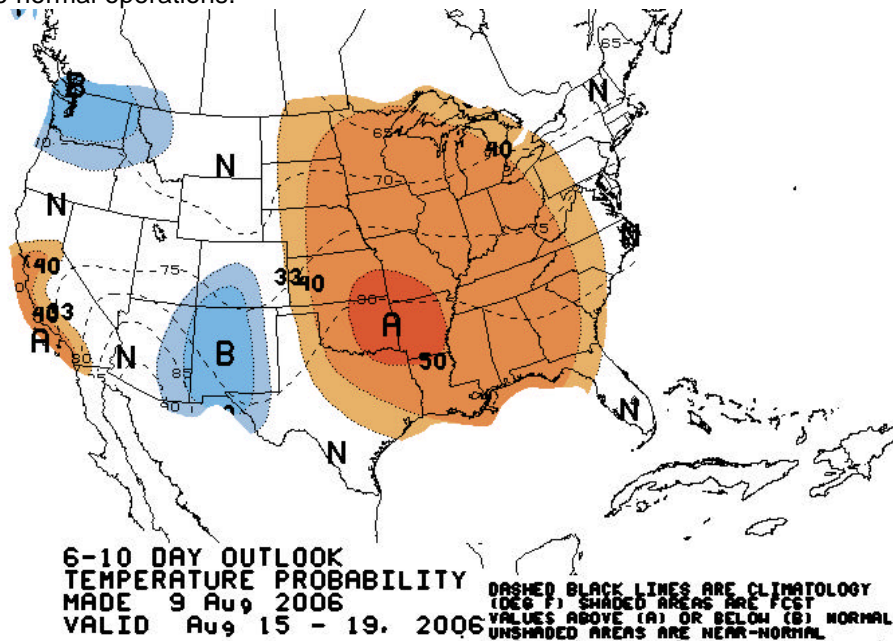
**MAIN**— Exelon Generation's 855 Mw Quad Cities #2 nuclear unit reduced output to 85% capacity. Yesterday, the unit was operating at 98%. Unit #1 continues to operate at 98%.

**PJM**— One of the units at Edison Mission's Homer City power station returned to service today and the other is expected tomorrow. The company closed the 614 Mw unit 2 and the 650 Mw unit 3 last week to fix an electrical problem.

**WSCC**— LS Power Group's 739 Mw Moss Landing #6 natural gas fired power station returned to service yesterday afternoon.

**The NRC reported that U.S. nuclear generating capacity was at 96,965 Mw down .42% from Tuesday and up 1.33% from a year ago.**

Questar Pipeline said that it has scheduled the annual injection test at Clay Basin from October 4 to October 19. From October 4-10, the field restricted to physical injection only. Questar will not net injection and withdrawal nominations during this period. On October 12-18, the field will be shut in, and on October 19, the field will return to normal operations.



**PIPELINE MAINTENANCE**

ANR Pipeline Company said that due to an unplanned engine outage, ANR will begin engine maintenance at its St. John Compressor Station located in Indiana in the Northern Fuel Segment, which will reduce the total St. John W-E capacity. Capacity will be reduced by 115 MMcf/d (leaving 1,190 MMcf/d available) through August 11. Based on current nominations along the Michigan Leg, it is anticipated that the above reductions may result in the curtailment of firm secondary and IT nominations.

Gulf South Pipeline said that maintenance as the Hall Summit Compressor has been extended to continue for approximately nine days. Gulf South began performing maintenance at the Hall Summit Compressor Station on unit 1 on August 8. Repairs were originally scheduled to end on August 12. Capacity through Hall Summit Compressor Station could be reduced by as much as 100 MMcf/d during this maintenance.

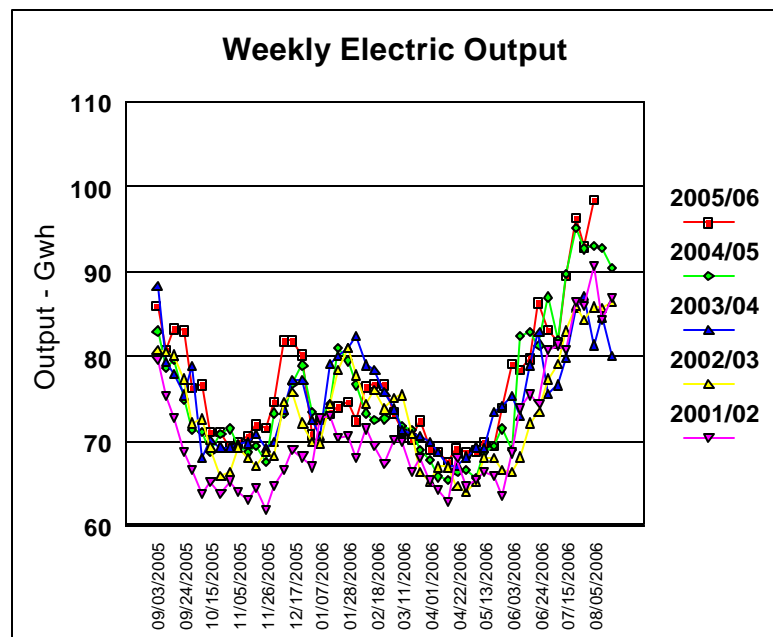
Panhandle Eastern Pipe Line Company said that there will be an outage on the Houstonia 100 Line from East Missouri River Header to Gate Valve 106 to install a new pressure protection valve at Gate Valve 105 beginning August 31. Expected duration is three days. Capacity will be limited to 1,250 MMcf/d through Houstonia for the duration of the outage. This scheduled project is part of an ongoing integrity program conducted by Panhandle.

Transcontinental Gas Pipe Line said that the work being done at the Cameron Meadows processing facility is behind schedule and that the outage will last through gas day August 9.

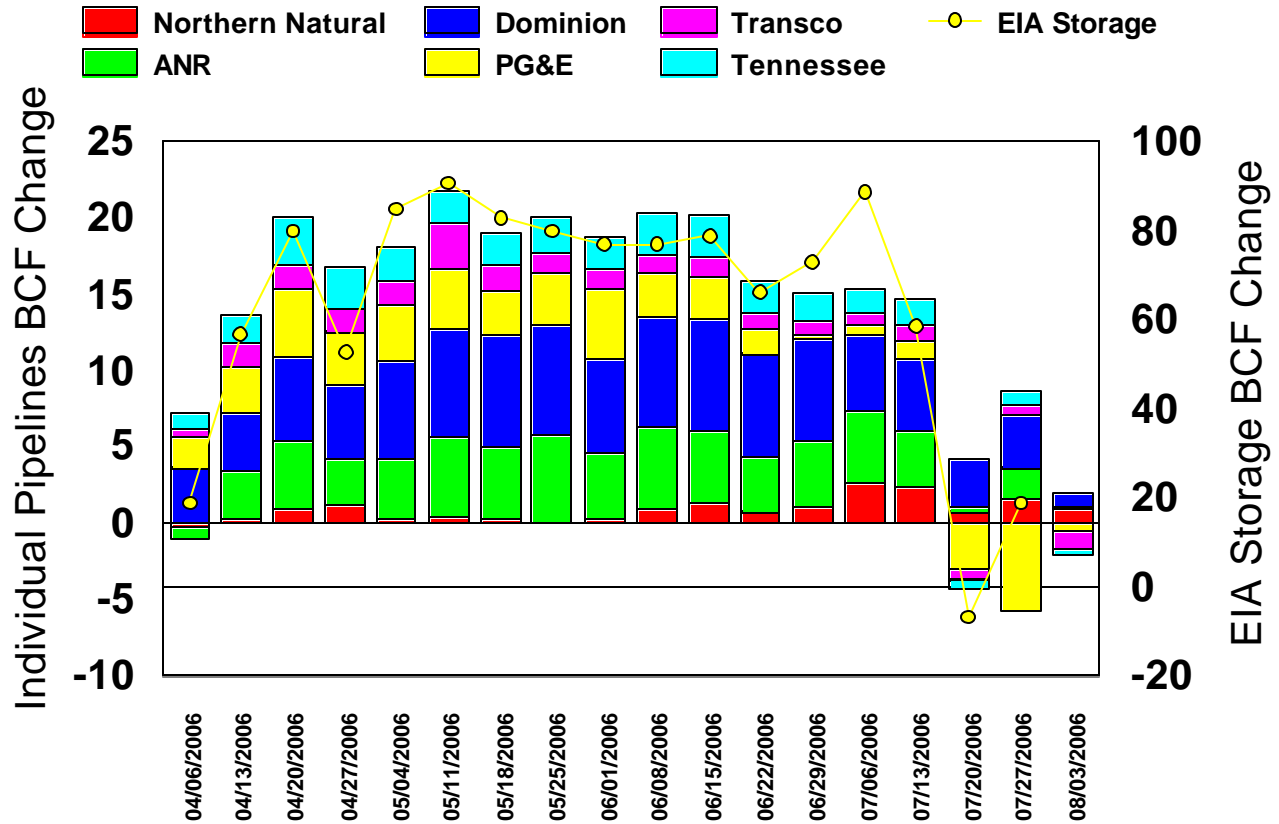
Williston Basin Interstate Pipeline Company said that planned maintenance to overhaul one unit at the Belle Fourche Compressor Station will be performed through today.

**ELECTRIC MARKET NEWS**

Fueled by record-setting heat across much of the country, US utilities generated 98,583 GWh in the week that ended August 5, breaking the previous all-time record of 96,314 GWh in the week ending July 22, the Edison Electric Institute reported.



# Weekly Change In Nat Gas Stocks



The US Department of Energy named Southern California and the Mid-Atlantic region from New York City to northern Virginia “critical congestion areas” for electricity transmission, a designation the agency hopes will speed the construction of new Transmission lines in the region. In releasing its National Electric Transmission Congestion Study, the agency also cited other areas of concerns: New England; Phoenix-Tucson, Arizona; Seattle-Portland, Oregon; and San Francisco. Further areas to watch out for include Montana-Wyoming, Dakotas-Minnesota, Kansas-Oklahoma, Illinois, Indiana, upper Appalachia and the Southeast.

Independent Power producer Mirant Corp. said it plans to sell six intermediate and peaking natural gas-fired power plants in the U.S., representing a total of 3,504 Mw of generating capacity. The company said it expects to record a total impairment loss of \$500 million to \$700 million from the plants.

## **MARKET COMMENTARY**

The natural gas market opened 27.2 cents higher in line with a firmer crude oil market, strong cash prices and an overall bullish feel given tomorrow's expected draw to stocks. September natural gas charged higher today, breaking through resistance at 7.50 and 7.75 on its way to a high of 7.94. Also lending support to the market is the unwinding of positions due to the collapse of the hedge fund Motherrock as an abnormally large 202,000 contracts traded hands. The floor fell out of the market in the final 20 minutes of trading, with the September contract dropping 30 cents. The front month finished the session up 49.3 cents at 7.651.

Expectations for tomorrow's EIA inventory report call for a withdrawal of between 15 Bcf to a build of 10 Bcf. Most expectations center around a withdrawal of 2 Bcf and our model expects a withdrawal of between 2 to 8 Bcf. This will compare bullishly to a 42 Bcf build last year and the five-year average injection of 61 Bcf. Traders will focus on further developments of the tropical wave heading towards the Caribbean, and signs that cooling

**NYMEX Most Active Natural Gas Options for August 9, 2006**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN	10	6	P	6	09/26/2006	0.2465	0.3015	8,600	91.04
ON	9	6	P	7	08/28/2006	0.323	0.479	8,458	89.29
LN	11	6	P	7	10/26/2006	0.333	0.4025	7,600	81.08
LN	10	6	C	9	09/26/2006	0.7584	0.4993	5,000	100.58
LN	12	6	P	8	11/27/2006	0.4332	0.4651	4,550	73.50
ON	3	7	C	25	02/23/2007	0.529	0.358	3,957	88.18
LN	11	6	P	6	10/26/2006	0.1403	0.1671	3,900	81.35
ON	9	6	C	8	08/28/2006	0.535	0.3	3,569	98.21
ON	10	6	P	6	09/26/2006	0.247	0.302	2,719	89.21
LN	11	6	C	15	10/26/2006	0.3579	0.2073	2,675	90.63
ON	3	8	C	15	02/26/2008	1.537		2,500	52.20
ON	9	6	P	7.5	08/28/2006	0.575	0.782	2,359	94.48
LN	10	6	C	20	09/26/2006	0.0201	0.0063	2,350	112.36
ON	11	6	P	7	10/26/2006	0.334	0.404	2,216	78.77
LN	10	6	C	8	09/26/2006	1.0575	0.7339	2,200	95.74
LN	10	6	C	15	09/26/2006	0.1085	0.0477	2,125	111.95
LN	11	6	P	8	10/26/2006	0.6575	0.7926	2,000	81.86
ON	6	7	P	7	05/25/2007	0.542	0.557	2,000	45.99
LN	10	8	P	5.75	09/25/2008	0.4293		2,000	44.16
LN	9	6	P	6	08/28/2006	0.056	0.1022	1,970	82.44
ON	10	6	P	7	09/26/2006	0.619	0.751	1,950	93.21

demand will creep back up as summer is definitely not over yet. We see support at \$7.37, \$7.20, \$6.89, \$6.75-\$6.76, \$6.50 and \$6.43. We see further support at \$6.32 and \$6.00. We see resistance at \$7.95, \$8.00, \$8.25, \$8.44 and \$8.50.

