



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR SEPTEMBER 7, 2006**

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

The National Hurricane Center reported that the tropical wave located about 1,200 miles west of the Cape Verde Islands and about 650 miles east of Tropical Storm Florence is showing no signs of development as it moves west-northwest at 10 to 15 mph. Elsewhere, tropical storm formation is not expected through Friday, resulting in a softening of the natural gas market.

The Bureau of Land Management's (BLM) proposed Roan Plateau resource management plan (RMP) released Thursday appears to be overly restrictive in requiring only one oil and gas development company to be the operator for all the leases on top of the plateau itself, which represents about 50% of the total western Colorado planning area in the Piceance Basin, said Greg Schnacke, executive vice president of the Colorado Oil and Gas Association. Schnacke said the idea of having one company do all the development is unprecedented and will probably backfire on the agency.

#### **EIA Weekly Report**

	09/01/2006	08/25/2006	Net chg	Last Year
<b>Producing Region</b>	853	834	19	746
<b>Consuming East</b>	1716	1673	43	1537
<b>Consuming West</b>	407	398	9	381
<b>Total US</b>	2976	2905	71	2664

\*storage figures in Bcf

#### **Generator Problems**

**ERCOT** – American Electric Power's 675 Mw Pirkey coal-fired power unit shut yesterday for maintenance. The unit will stay closed to at least September 11 as work is done on the boiler, precipitator and scrubber.

**The NRC reported this morning that 94,972 Mw of nuclear generating capacity were on line, slightly higher by .011% from Wednesday but some .32% lower than a year ago.**

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Alaska Gov. Frank Murkowski most likely won't call another special session of the legislature this month to try and move the proposed natural gas pipeline forward, essentially leaving the issue to his successor.

#### **PIPELINE RESTRICTIONS**

Kern River Pipeline said that line pack south of Elberta is low due to excessive drafting. Kern River requests that all operators be on rate and arrange to payback gas drafted off the pipeline.

KM Interstate Gas Transmission said that until further notice, it is at capacity for deliveries through the following segments: Segment 773 (Colorado/Kansas Border to Herndon Compressor Station), Segment 775 (Herndon Compressor Station to Solomon River), and Segment 790 (Rockport Lateral): Depending on the level of nominations at these segments, AOR/IT and secondary out-of-path quantities are at risk of not being scheduled.

#### **Canadian Gas Association**

##### **Weekly Storage Report**

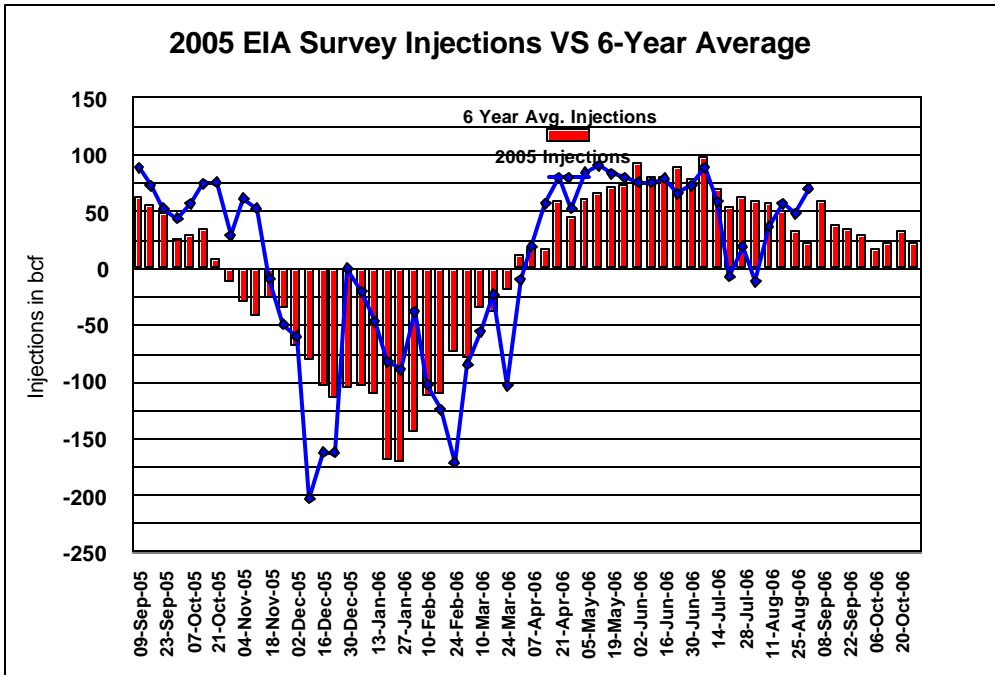
	01-Sep-06	22-Jul-00	02-Sep-05
<b>East</b>	209.9	204.2	203.6
<b>West</b>	200.7	197.8	204.2
<b>Total</b>	410.6	402.0	407.8

storage figures are in Bcf

Texas Eastern Transmission said that it will not accept due pipe resolution nominations. Any party with a due shipper imbalance is requested to resolve it as soon as is practicable. Tetco also requires that shippers and TABS parties schedule their contracts balanced, and point operators to perform according to nominated volumes. Tetco will force balance TABS-1 pools or restrict the system as required. Due to an outage on line 1-A downstream of Chester Junction, the following delivery points are unavailable for nominations: M&R 72649 Sun R&M Point Breeze; M&R 70030 PGW Point Breeze; M&R 73318 Liberty Electric; M&R 72930 PECO Eddystone; M&R 73127 Mobil Oil; M&R 71682 PGW Penrose; M&R 73060 PGW Harkness.

**PIPELINE MAINTENANCE**

Gulf South Pipeline said that it will be performing Scheduled Pipeline Maintenance on Index 301 Jackson 18" North pipeline beginning at 7:00 AM September 23, and continuing for approximately 8 hours. Service to LOC 2532 – Rex Brown Power Plant will be unavailable for the duration of the maintenance.



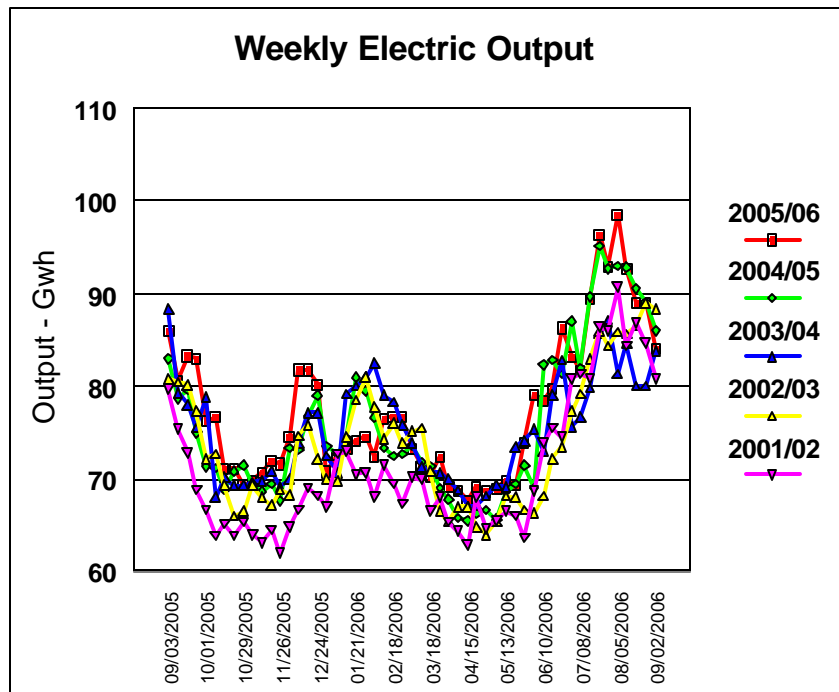
Natural Gas Pipeline Company said that from September 12-18, it will be modifying station piping, performing test of the Emergency Shut Down and unit inspections at Station 342 in Cameron Parish, Louisiana (Segment 23 of Natural's Louisiana Zone). Due to the reduction of Segment 23 capacity, AOR/ITS and secondary out-of-path will not be available. On these gas days the associated capacity reduction through the affected area will require Natural to initially schedule primary firm

and secondary in-path transports to a minimum of 91% of MDQ for each contract with Segment 23 primary/secondary in-path rights, assuming that each such contract is nominated at full applicable contract MDQ through the east of Station 342. The actual scheduling percentage will depend on the level of nominations each day.

Southern Natural Gas Pipeline said that it will be performing integrity work on the 14" Logansport Line between its Bienville Compressor Station and Perryville, both of which are located in North Louisiana. During this work, capacity west of Perryville will be reduced from about 316 MMcf/d to about 236 MMcf/d. Based on the best information available at this time, the work will start on Wednesday, September 20, and will continue until around the end of October.

**ELECTRIC MARKET NEWS**

Westar Energy announced today that it plans to build a new 345 Kv high-capacity transmission line from northwest of Wichita, Kansas, near its Gordon Evans Energy Center, to



the Hutchinson area. Following construction of that line, Westar plans to build additional high capacity power lines to improve the electric network in Kansas, and strengthen Kansas' access to the broader regional transmission system.

Duke Energy Indiana and Vectren Energy Delivery of Indiana have filed an application with the Indiana Utility Regulatory Commission for "Certificates of Public Convenience and Necessity" to construct an approximately 630 Mw power plant that will use advanced integrated gasification combined cycle technology. If the project proceeds, it will be one of the first commercial-scale IGCC power plants built in the United States in the last 10 years. The projected cost for the clean coal technology power plant is approximately \$1.3 to \$1.6 billion.

The Edison Electric Institute reported that electricity production in the continental United States for the week ended September 2 fell 2.3% from the same 2005 week to 84,076 GWh. For the first 35 weeks of the year, power production is up 0.8% from last year.

### **MARKET COMMENTARY**

The natural gas market opened 12.4 cents lower on forecasts that the tropical wave following in the wake of Florence will not develop further due to its proximity to Florence. The market cautiously awaited the release of the EIA's inventory report and following the larger than expected build of 71 Bcf, moved lower, trading to a low of 5.66. The bearish oil data and subsequent slide of the oil complex offered little support as market players found no reason to be buyers. The October contract settled down 27.6 cents at 5.718.

The natural gas option market continued to see puts attracting the majority of the trading interest for the second day in a row, but nowhere the interest recorded yesterday, when the Oct \$4.50-Nov \$5 put spread, which traded 74,000 times. Today those strikes saw only a combined volume of only 1750 lots.

#### **NYMEX Petroleum Options Most Active for September 7, 2006**

Symbol	Month	Year	Type	Strike	Exp Date	Settle	Prev Settle	Volume	IV
ON	10	6	P	5.5	09/26/2006	0.272	0.189	5,881	72.96
LN	10	6	C	6.5	09/26/2006	0.1652	0.2574	4,450	80.31
LN	10	6	P	5	09/26/2006	0.0929	0.0568	3,450	70.64
ON	10	6	P	4	09/26/2006	0.003	0.002	3,431	69.21
LN	10	6	P	4	09/26/2006	0.0026	0.0016	3,275	68.29
LN	11	6	C	11	10/26/2006	0.1637	0.2616	3,200	83.35
ON	10	6	P	6	09/26/2006	0.566	0.426	3,105	77.40
LN	10	6	C	6	09/26/2006	0.2843	0.4198	3,080	75.23
LN	10	6	P	5.5	09/26/2006	0.2723	0.1885	3,025	74.83
ON	10	6	P	4.5	09/26/2006	0.02	0.013	2,596	67.45
LN	10	6	C	7	09/26/2006	0.0982	0.1598	1,950	85.17
LN	11	6	C	12	10/26/2006	0.1038	0.1737	1,875	85.58
LN	10	6	P	6	09/26/2006	0.5655	0.4258	1,750	79.92
LN	11	6	P	7	10/26/2006	0.5229	0.425	1,750	77.46
LN	10	6	P	4.75	09/26/2006	0.0445	0.029	1,675	68.60
LN	11	6	C	10	10/26/2006	0.2642	0.401	1,650	81.02
ON	12	6	P	9	11/27/2006	0.929	0.831	1,604	69.81
LN	10	6	C	7.5	09/26/2006	0.0606	0.1022	1,600	89.94
LN	11	6	P	6	10/26/2006	0.1704	0.1407	1,600	72.98
ON	10	6	C	6	09/26/2006	0.284	0.42	1,458	77.15
LN	12	6	P	6.5	11/27/2006	0.118	0.1081	1,400	67.45

The nation's total storage now stands at 2,976 Bcf, 312 Bcf over last year at this time and 322 Bcf above the five-year average. Key support at 5.75 was broken today and with little fundamental support, the next level is 5.50. There is still time for an upside move, but that is dependent on the development of a storm that threatens the Gulf. The 2006 Hurricane Season is at its peak point historically so the

potential exists, but until that something concrete actually shows itself, this market will continue with its lack luster chopping around the lows. We see support at \$5.60, \$5.52 and \$5.50. We see further support at \$5.47 and \$5.15 and \$5.00. We see upside resistance at \$5.90, \$6.08, \$6.24, \$6.35 and \$6.53. We see further resistance at \$6.64 and \$7.08.