



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR SEPTEMBER 13, 2006**

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

Scientists with the Climate Prediction Center of the National Oceanic and Atmospheric Administration (NOAA) on Wednesday said ocean temperatures have "increased remarkably" in the equatorial Pacific in the last two weeks, and these El Nino conditions are likely to continue into early 2007. Such El Nino conditions have resulted in a weaker than expected Atlantic Hurricane season.

A final environmental impact report (EIR) for the proposed liquefied natural gas (LNG) receiving terminal in Long Beach, CA, harbor has been pushed back to November, a spokesperson for the Port of Long Beach told *NGI* Wednesday, noting that the public comments were more extensive than previously expected. A final EIR was scheduled for release this month.

BP and Gazprom Marketing and Trading, announced today that they had reached an agreement for BP to supply a number of LNG cargoes, which Gazprom Marketing and Trading will market in the Atlantic Basin. The cargoes, which will be sourced from within BP's portfolio, will be supplied over the period 2006 and early 2007 and transported in LNG ships chartered by BP to Gazprom Marketing & Trading.

#### **PIPELINE RESTRICTIONS**

KM Interstate Gas Transmission said that effective for gas day today, and until further notice, Panhandle Pony (PIN 9673) has capacity available for delivered volumes. Based on the level of nominations, IT/AOR and secondary volumes may be scheduled.

Texas Eastern Transmission said that the restriction prohibiting the acceptance of due pipe resolution nominations is still in effect. All parties with a due shipper imbalance are requested to resolve them as soon as practicable. TETCO requires that shippers and TABS parties schedule their contracts balanced except for the scheduling of Due Shipper payback, and point operators to perform according to nominated volumes. The pipeline operator will force balance TABS-1 pools or restrict the system as required. TETCO has scheduled and sealed receipts sourced at Monroe Station. No increases in receipts sourced at Monroe will be accepted.

TransColorado Gas Transmission said it has reevaluated the force majeure event that occurred September 11 at its Redvale Compressor Station and has determined that the needed repairs can be delayed until a future time period. Until further notice, TransColorado will schedule volumes through the Redvale Compressor Station without any capacity reduction.

#### **PIPELINE MAINTENANCE**

#### **Generator Problems**

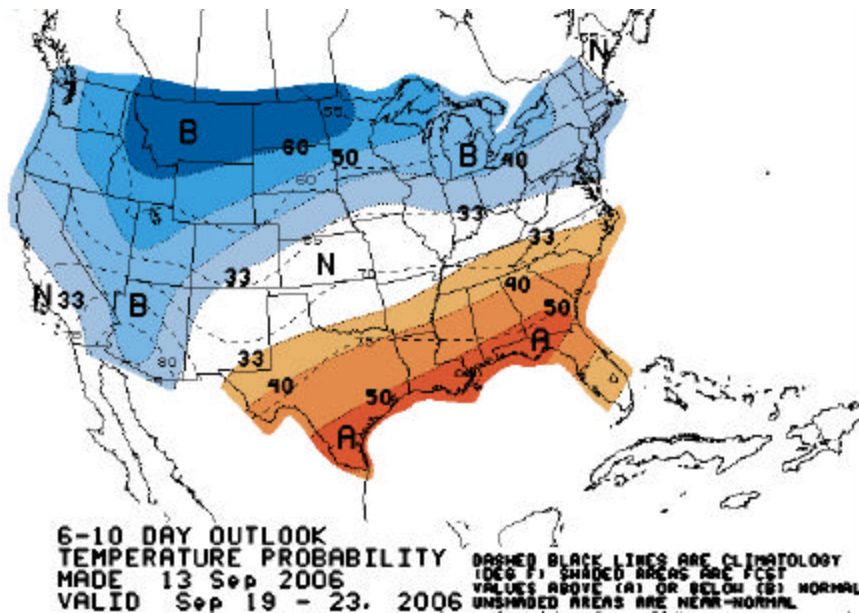
**ECAR** – AEP's 1,020 Cook #1 nuclear unit reduced output an additional 10% to 58% as of early this morning as the unit coasts down for a refueling and maintenance outage. Cook #2 continues to operate at full power.

FirstEnergy's 1,260 Mw Perry nuclear unit ramped up 16% to return to full power.

**ERCOT** – AEP's 450 Mw Pirkey #1 coal-fired power unit is shut as maintenance is performed on precipitator rappers.

**Canada** – Hydro-Quebec's 675 Mw Gentilly #2 nuclear unit shut for 2 months for planned maintenance.

**The NRC reported this morning that 93,248 Mw of nuclear generating capacity were on line, .06% higher than Tuesday and .09% higher than a year ago.**



ANR Pipeline Company said that it will be performing the final tie-in of a new unit at its Janesville Compressor Station, located in Wisconsin in the Northern Fuel Segment (ML-7). As a result, ANR will schedule Firm Primary nominations only for Gas Days September 26-27 at the ANR/NNG Janesville receipt. This posting will be updated as more information becomes available.

Northern Natural Gas Company said that deliveries to the NNG/ANR Janesville interconnect will be limited due to downstream construction activities on September 26-27. At this time, it is expected that these construction activities will limit the delivery capacity from Northern to

ANR at the point (POI 180) to primary firm service for gas days September 26-27. Further restrictions are possible based upon actual system conditions.

Northwest Pipeline said that ongoing repairs to the Reno Lateral are currently expected to continue through September 22. To accommodate the repairs, the Owyhee compressor will be limited to 86 MMcf from September 14 through September 22. Full design capacity is expected to be restored on September 23.

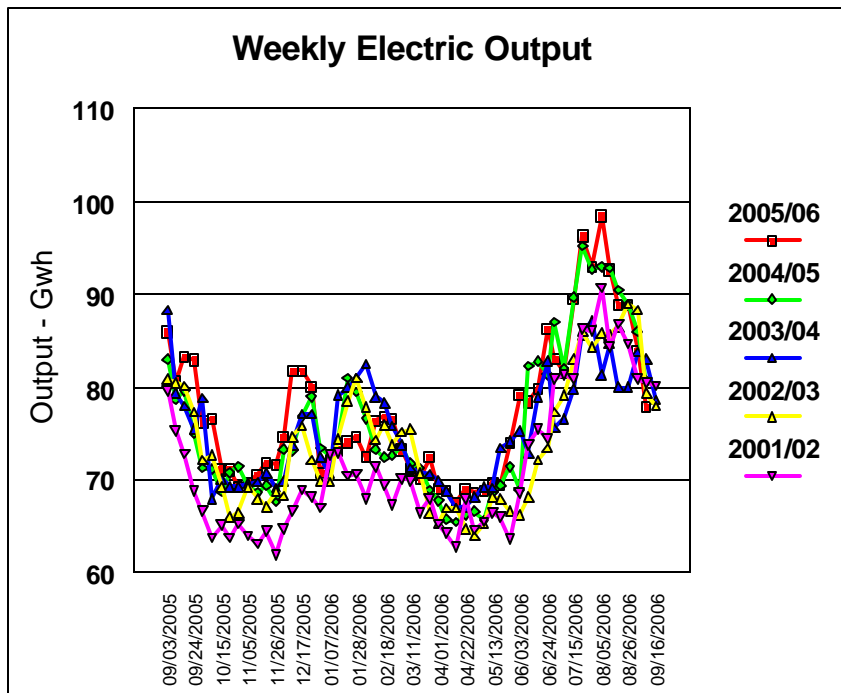
Transcontinental Gas Pipeline said it will be performing maintenance at Station 14, the North Padre Island Plant, near Falfurrias, Texas later this month. Operations will be replacing a relief valve in compliance of DOT regulations and will also perform maintenance associated with slug catcher clean out. The work is scheduled for September 24 through September 28.

**ELECTRIC MARKET NEWS**

Electricity production in the continental U.S. for the week ended September 9 fell for the fourth time in five weeks after hitting a weekly output record in early August. Total weekly power output slid 3.3% from the same 2005 week to 78,027 GWh.

**MARKET COMMENTARY**

The natural gas market opened five cents lower as it started its sixth straight losing session. Continued lack of bullish news pressured prices to a low of 5.425. The October contract traded briefly to positive territory with a high of 5.62, but with a very bearish EIA figure expected tomorrow, natural gas finished the session on its lows. October settled down 12.5 cents at 5.449, the lowest close in almost 2 years. Natural gas has come off 13% the past two weeks and given the mild end of summer, lack of storms, and glut of gas, more downside is expected.



Our expectation for tomorrow's EIA inventory report is a build of 78 Bcf, with most expectations ranging from an injection of 75 Bcf to 100 Bcf. Storage for the peak winter season is shaping up to be very comfortable with 3,429 Bcf expected to be in the ground by the end of October. Historically, storage totals of 3,100-3,200 Bcf are considered comfortable. This large amount of gas has pressured the winter contracts significantly over the last couple sessions, with December, January and February contracts down roughly 50 cents in the past two days of trading. We see support at \$5.425, \$5.25 and \$5.00. The low from the week of September 13, 2004 of \$4.52 is the next downside target. We see resistance at \$5.60, \$5.90, \$6.08 and \$6.50.

| <b>NYMEX Natural Gas Options Most Active Strikes for September 13, 2006</b> |       |      |          |        |            |        |             |        |       |
|---|-------|------|----------|--------|------------|--------|-------------|--------|-------|
| Symbol  | Month | Year | Call/Put | Strike | Exp Date   | Settle | Prev Settle | Volume | IV    |
| ON  | 11    | 6    | P        | 5.5    | 10/26/2006 | 0.104  | 0.089       | 5,831  | 68.48 |
| ON  | 4     | 7    | P        | 4.5    | 03/27/2007 | 0.06   |             | 4,900  | 48.28 |
| ON  | 10    | 6    | P        | 5      | 09/26/2006 | 0.113  | 0.11        | 4,331  | 72.02 |
| ON  | 1     | 7    | C        | 13     | 12/26/2006 | 0.549  | 0.626       | 3,304  | 77.62 |
| ON  | 1     | 7    | C        | 17     | 12/26/2006 | 0.223  | 0.242       | 3,000  | 82.64 |
| ON  | 5     | 7    | P        | 6      | 04/25/2007 | 0.389  | 0.345       | 2,550  | 46.98 |
| ON  | 4     | 7    | P        | 6      | 03/27/2007 | 0.34   | 0.302       | 2,450  | 48.06 |
| ON  | 11    | 6    | C        | 12     | 10/26/2006 | 0.043  | 0.07        | 2,150  | 87.32 |
| ON  | 10    | 6    | P        | 5.5    | 09/26/2006 | 0.334  | 0.287       | 2,055  | 74.96 |
| ON  | 11    | 6    | C        | 14     | 10/26/2006 | 0.013  | 0.024       | 1,850  | 88.67 |
| ON  | 11    | 6    | P        | 7      | 10/26/2006 | 0.66   | 0.588       | 1,557  | 73.56 |
| ON  | 3     | 7    | C        | 11     | 02/23/2007 | 1.298  | 1.4         | 1,525  | 78.26 |
| ON  | 3     | 7    | C        | 9.5    | 02/23/2007 | 1.71   | 1.837       | 1,500  | 75.58 |
| ON  | 1     | 7    | P        | 5      | 12/26/2006 | 0.03   | 0.026       | 1,402  | 64.56 |
| ON  | 12    | 6    | P        | 9      | 11/27/2006 | 1.272  | 1.179       | 1,400  | 70.70 |
| ON  | 11    | 6    | P        | 6.5    | 10/26/2006 | 0.412  | 0.356       | 1,277  | 72.01 |
| ON  | 5     | 7    | P        | 7      | 04/25/2007 | 0.797  | 0.724       | 1,275  | 47.44 |
| ON  | 11    | 6    | C        | 9      | 10/26/2006 | 0.258  | 0.308       | 1,022  | 83.98 |
| ON  | 11    | 6    | P        | 5      | 10/26/2006 | 0.046  | 0.039       | 900    | 69.94 |
| ON  | 10    | 6    | C        | 6.5    | 09/26/2006 | 0.079  | 0.108       | 704    | 90.44 |
| ON  | 10    | 6    | C        | 6      | 09/26/2006 | 0.146  | 0.193       | 657    | 82.79 |
| ON  | 12    | 6    | P        | 6.5    | 11/27/2006 | 0.18   | 0.158       | 590    | 64.18 |