



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

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

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR SEPTEMBER 25, 2006**

---

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

Looking at temperature predictions over the next three months, Andover, MA-based WSI Corp. said it expects the northwest and the coastal cities of California to average colder than normal conditions while a majority of the southern U.S. and the East are anticipated to see warmer than normal readings.

Russia may re-direct gas supplies from the huge Shtokman field it is developing in the Barents Sea from the U.S. to Europe, to guarantee stable energy exports to its traditional market, Russia's president Vladimir Putin said.

McMoRan Exploration said the U.S. Maritime Administration and Coast Guard have issued an environmental assessment and draft finding no significant impact for the company's proposed Main Pass Energy Hub LNG import terminal. The proposal is for a 1 Bcf/d Main Pass Energy Hub in the Gulf of Mexico, 38 miles offshore of Venice, Louisiana.

A joint federal and state draft environmental impact statement said that a 126-mile natural gas pipeline expansion proposed by North Baja Pipeline in Arizona and California can be built without having major environmental consequences on the region. The report issued by the U.S. FERC and the California State Lands Commission said the pipeline would be environmentally acceptable if it ran along existing rights-of-way as designed and if the developer takes measures to mitigate damage to natural resources and neighborhoods along the route.

#### **PIPELINE RESTRICTIONS**

El Paso Natural Gas said that the Laguna Station must be taken out of service on September 26 for eight hours. The reduction in capacity for Cycles 1 and 2 on the San Juan Crossover is 130 MMcf/d from a base capacity of 628 MMcf/d. If all goes according to plan, the capacity reduction for Cycles 3 and 4 should decrease from 130 MMcf/d to 43 MMcf/d.

Florida Gas Transmission said that 90-degree weather is forecasted in Florida for today. Therefore, FGT is notifying customers in FGT's Market Area that it is issuing an Overage Alert Day at 25% tolerance.

#### **Generator Problems**

**ERCOT** – South Texas' 1,250 Mw South Texas #1 nuclear unit slipped to 87% capacity as the unit prepares for a refueling outage. South Texas #2 continues to operate at full power.

**MAPP** – Nebraska Public Power District's 800 Mw Cooper nuclear unit continues to slow down for a refueling outage, operating at 94% capacity today.

FPL's 580 Mw Duane Arnold nuclear unit automatically shut on September 23 after a breaker tripped on the reactor recirculation pump. The unit has made repairs and has restarted, ramping up to 26% capacity.

**SERC** – Progress Energy's 900 Mw Brunswick #2 nuclear unit cut power to 61% over the weekend. On Friday, the unit was operating at full power. Brunswick #1 continues to operate at full power.

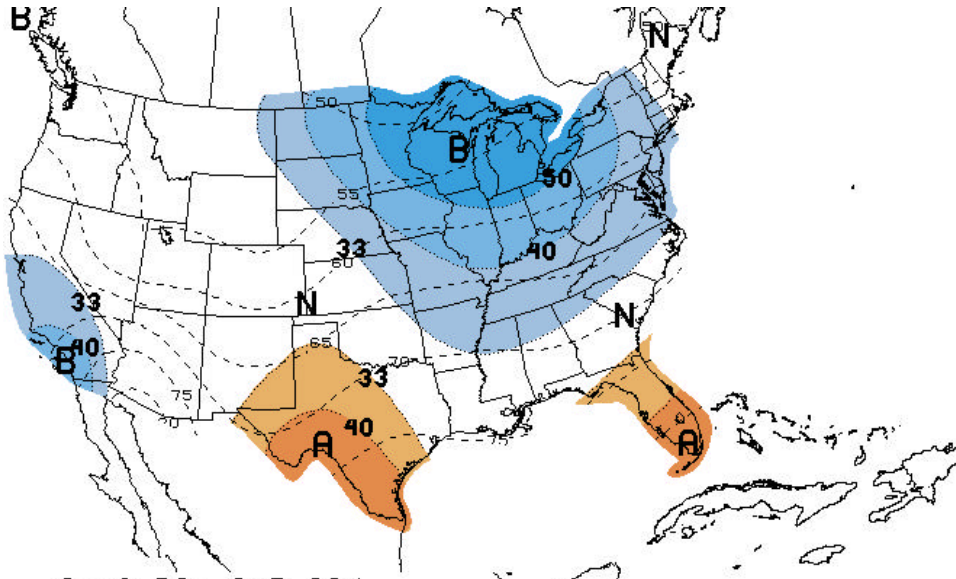
Entergy's 1,207 Mw Grand Gulf nuclear unit reduced power to 80% capacity. On Friday, the unit was operating at full power.

Progress Energy's 900 Mw Harris nuclear unit returned to full power by early this morning. The unit was at 35% capacity on Friday.

**WSCC** – Southern California Edison's 1,020 Mw Big Creek hydropower project reduced power by 638 Mw this weekend.

**Canada** – Ontario Power Generation's 490 Mw Nanticoke #1 and #5 coal-fired power stations restarted.

**The NRC reported this morning that 85,980 Mw of nuclear generating capacity were on line, .56% lower than Friday and 1.10% lower than a year ago.**



**6-10 DAY OUTLOOK  
TEMPERATURE PROBABILITY  
MADE 25 Sep 2006  
VALID Oct 01 - 05, 2006**

**DASHED BLACK LINES ARE CLIMATOLOGY (DEG F)  
SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL  
UNSHADED AREAS ARE NEAR-NORMAL**

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 also scheduled and sealed receipts sourced

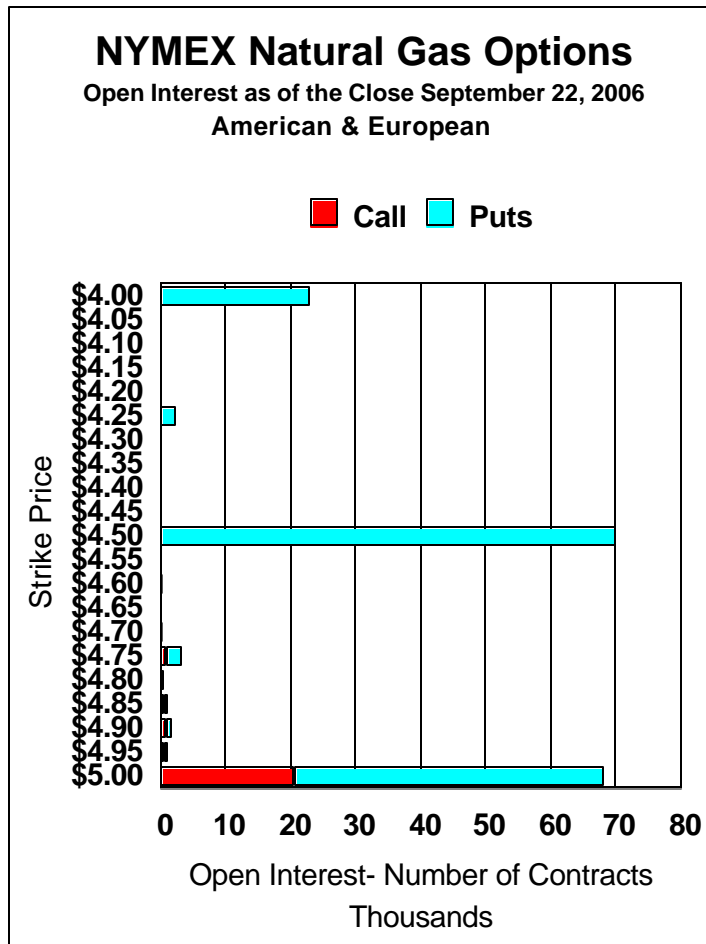
between Longview and Batesville. No increases in receipts sourced between Longview and Batesville for delivery outside that area will be accepted.

Westcoast Energy said it has investigated the opportunity to flow additional gas through Alliance McMahon on a temporary basis. During the period of the Taylor Gas NGL plant outage September 24 to October 1, the delivery capacity to Alliance McMahon (3355) is increasing to 170 MMcf/d to accommodate gas that would normally flow to Alliance through the NGL facility. Nominations at NGL (637) and NGL (2243) will not be scheduled.

Williston Basin Interstate Pipeline said that several points and line sections are in pipeline capacity constraint and that penalties will be imposed.

**PIPELINE MAINTENANCE**

Alliance Pipeline said that Blueberry Hill Compression Station Unit #2 in Alberta, will be required to be offline for 24 hours to undergo inspections and maintenance. This is scheduled to start at 9:00 AM MT September 27. Capacity at constraint point #2 will be lowered to 418.5 MMcf for the gas day of September 27. Alliance also said that Estlin Compression Station in Saskatchewan will undergo routine maintenance and be unavailable for 104 hours beginning September 26. System capacity (AOS) will be impacted but will be determined closer to the outage date. Alliance also said that Olivia Compression Station in Minnesota will undergo



routine maintenance and be unavailable for 96 hours beginning September 26. System capacity (AOS) will be impacted but will be determined closer to the outage date. Finally, Alliance said that Windfall Compression Station Unit #2 in Alberta will undergo routine maintenance and be unavailable for 60 hours on September 26. This station is equipped with redundant compression and system throughput (AOS) should not be impacted.

<b>NYMEX Natural Gas Options Most Active for September 25, 2006</b>									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Prev Settle	Volume	IV
LN	11	6	P	5	10/26/2006	0.282	0.248	8,225	94.94
LN	10	6	P	4	09/26/2006	0.0036	0.0156	6,869	118.74
LN	10	6	C	6	09/26/2006	0.0001	0.0035	6,731	177.19
ON	10	6	C	5	09/26/2006	0.007	0.075	5,522	130.12
ON	11	6	P	6	10/26/2006	0.771	0.697	5,111	93.23
LN	10	6	C	5	09/26/2006	0.0066	0.0752	4,955	128.58
LN	10	6	P	4.5	09/26/2006	0.1274	0.1352	4,430	122.74
ON	10	6	P	4.5	09/26/2006	0.127	0.135	3,468	121.82
LN	10	6	C	4.5	09/26/2006	0.1024		3,205	121.66
ON	10	6	P	4	09/26/2006	0.004	0.016	3,164	120.59
ON	10	6	P	5	09/26/2006	0.531	0.448	2,472	126.74
LN	10	6	P	5	09/26/2006	0.5314	0.4479	2,190	131.66
LN	10	6	C	4.9	09/26/2006	0.0125	0.0987	2,000	127.35
LN	2	7	C	10	01/26/2007	0.6457	0.6753	1,650	70.60
LN	12	6	P	6	11/27/2006	0.2958	0.2483	1,550	72.23
ON	10	6	P	4.25	09/26/2006	0.032	0.054	1,456	120.59
ON	11	6	C	7.5	10/26/2006	0.17	0.203	1,425	97.55
LN	10	6	C	4.75	09/26/2006	0.0299	0.1454	1,350	125.05
LN	12	6	P	6.5	11/27/2006	0.4852	0.4197	1,300	73.72
ON	10	6	P	6	09/26/2006	1.525	1.376	1,252	196.88
LN	12	7	C	15	11/27/2007	0.4795	0.4625	1,250	46.03
LN	6	7	C	15	05/25/2007	0.0949	0.0941	1,150	52.75
ON	10	6	C	4.5	09/26/2006	0.102	0.262	1,147	121.82
LN	11	6	C	6	10/26/2006	0.5051	0.578	1,100	90.26
LN	1	7	C	15	12/26/2006	0.0862	0.0972	1,050	78.13
LN	1	7	C	14	12/26/2006	0.1205	0.1342	1,000	77.42
LN	3	7	C	7.55	02/23/2007	1.3598		1,000	63.26
LN	11	6	C	5.7	10/26/2006	0.625	0.7128	1,000	89.09
LN	1	7	C	12	12/26/2006	0.2297	0.2544	1,000	74.61
LN	3	7	P	7.55	02/23/2007	1.3031		1,000	76.56
LN	11	6	P	5.7	10/26/2006	0.5921	0.5328	1,000	95.00

KM Interstate Gas Transmission will be performing maintenance at its Huntsman Storage Facility from October 2-27. Primary firm injections and/or withdrawals will be scheduled. However, ISS and AOR nominations are at risk of not being scheduled. KMITG also said that it will be performing maintenance at its Sterling Compressor Station (Segment 770) on or about gas days October 16-20. Primary and secondary in-path quantities will be scheduled. AOR/IT and secondary out-of-path quantities are at risk of not being scheduled.

Williston Basin Interstate Pipeline Company has changed the schedule for maintenance at the Cabin Creek

Compressor Station, planning the work for October 23-27. At this time, the company does not anticipate any restriction to the system.

### **ELECTRIC MARKET NEWS**

Missouri's electric utilities may see more timely cost recovery under rules approved Thursday by state regulators that allow utilities to pass on to customers through a surcharge their fuel and purchased power costs and environmental compliance expense. The fuel clause, approved by the Missouri Public Service Commission is a 3-2 vote, will take effect 30 days after the new rules are published in Missouri's Code of State Regulations.

Reliant Energy said it had signed an agreement under which Merrill Lynch will guarantee the power-supply purchases of retail electricity business, freeing Reliant from the need to post hundreds of millions of dollars in collateral. The agreement also calls for Merrill to provide credit to finance some of the working capital needs of Reliant's retail business, which serves more than 1.9 million customers, most of them in the Electric Reliability Council of Texas region, and the rest in PJM.

Xcel Energy said it was working on a \$382 million overhaul at its 573 Mw Allen S. King coal-fired power plant in Minnesota to drastically cut pollution and boost electricity output by 60 Mw. The shutdown, which started

September 1 will entail the installation of pollution control equipment, including selective catalytic reduction for nitrogen oxide control and flue gas scrubbers for sulfur dioxide control. Xcel expects emissions to decline by 91% for sulfur dioxide, 89% for nitrogen oxide, 20% for particulates and 20% for mercury. The company will also replace the steam turbine, repair and modify the steam generator, modify the circulating water system and upgrade the coal handling and auxiliary electric systems that will raise the plant's power output by about 60 Mw.

### **MARKET COMMENTARY**

The natural gas market opened 18.7 cents lower as mild autumn weather, a soft cash market and concerns about record high inventories pressured the complex. The October contract, expiring on Wednesday, traded on either side of 4.50, but was dragged as high as 4.58 with a short-covering crude oil market that traded over 1.20 higher on the day. However, the market returned to its lows at the close trading to the day's low of 4.42 before settling down 15.2 cents at 4.475.

Bearish fundamentals offer little relief for this market, as weather forecasters are calling for above normal temperatures for the next 3 months in the key consuming regions of the Midwest and Northeast. Another larger than average injection is expected for stocks this week resulting in gas at levels that will make for a comfortable heating season, when it arrives. With roughly 40% more open interest in the spot October contract this year relative to last year just days before expiration, it seems that the October-November spread, which settled 1.258 has room to tighten as market players look move from October to November. Also of interest is the 70,000 plus in open interest at the 4.50 strike with October Options expiring tomorrow. We can expect to see some volatility as market players attempt to trigger that strike. Looking forward, the November contract can be expected to follow the October contract, as little reason to buy exists. We see support at \$4.40 and \$4.00. We see resistance at \$4.92, \$5.00, \$5.32, \$5.42-\$5.43 and \$5.62. We see further resistance at \$5.86, \$6.00 and \$6.16.