



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 23, 2006**

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

A Kentucky producer has called on FERC to quickly approve Equitrans LP's proposed pipeline to ease the capacity constraint in the eastern part of the state that has led to natural gas production being shut in over the past two years.

The Fraser Institute released a study saying the U.S. and Canada could improve their energy security and their oil and gas industries through enhanced access to supplies, more reliance on market forces and further integration of the two countries' oil and gas sectors. The report recommended policymakers make a long-term commitment to market-based solutions, streamline and consolidate regulatory procedures for a more integrated market and develop best practices in the exploration and production of unconventional oil and gas.

#### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said that 90-degree weather is again forecasted in Florida. Consequently, for the gas day of October 20, FGT would like to notify their customers in FGT's Market Area that it is issuing an Overage Alert Day at 15% tolerance.

Kern River Pipeline said that linepack has returned to normal over its entire system.

PG&E California Gas Transmission has called a system-wide operational flow order on its California natural gas pipeline for today's gas flow. PG&E issued the restriction because of high gas supplies on its system. Tolerance was set at 9%.

#### **PIPELINE MAINTENANCE**

Alliance Pipeline said that inspection and maintenance require the Tampico station to be unavailable for four hours on October 26. System throughput (AOS) will be affected and will be determined closer to the outage date. The Tampico Station is located in Illinois. Alliance also said that maintenance requires the Kerrobert station to be unavailable for four hours

#### **Generator Problems**

**ECAR** – Duke Energy's 1,300 Mw Zimmer coal-fired power station shut.

Allegheny Energy's 1,107 Mw Fort Martin coal-fired power station shut.

**ERCOT** – AEP's 690 Mw Oklaunion coal-fired power station will restart October 22-24 following repairs to fix a condenser leak.

AEP's 675 Mw Pirkey coal-fired power station will shut October 22-25 for maintenance to work on the boiler.

**MAAC** – PPL's 1,115 Mw Susquehanna #2 nuclear unit returned to full capacity. On Friday, the unit was operating at 38% capacity. Susquehanna #1 remains at full power.

Reliant Energy's 850 Mw Conemaugh coal-fired power station shut early today.

**MAPP** – Nebraska Public Power District's 800 Mw Cooper nuclear unit shut for a 30-day scheduled refueling outage.

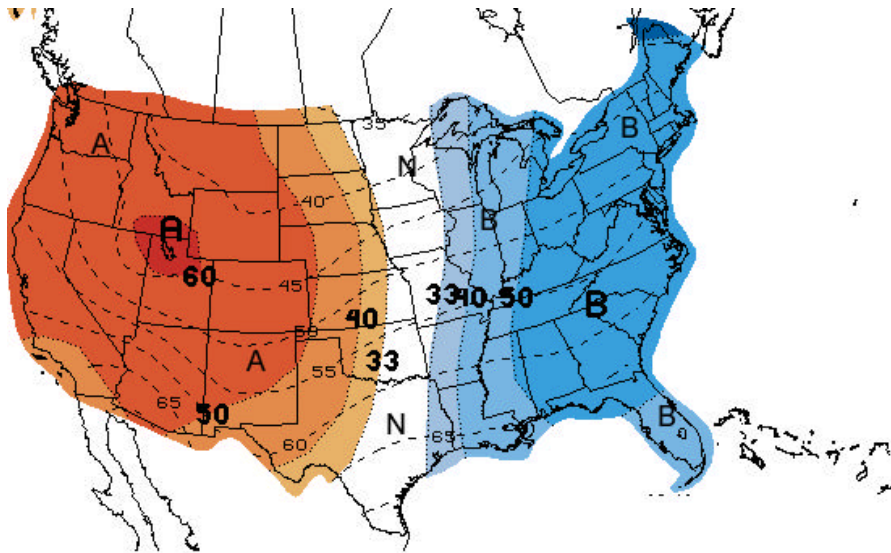
**SERC** - TVA's 1,100 Mw Browns Ferry #2 nuclear unit has restarted and ramped up to 80% capacity. Browns Ferry #3 continues to operate at full power.

Entergy's 966 Mw River Bend nuclear unit restarted over the weekend and ramped up to 17% capacity following an unscheduled shut down late last week.

TVA's 1,232 Mw Cumberland #1 nuclear unit shut to fix a tube leak and is expected to return in a few days.

**WSCC** – APS's 1,270 Mw Palo Verde #1 nuclear unit shut due to an automatic reactor trip but has since restarted the unit. The unit is currently offline at 2%. Palo Verde #3 restarted following an unscheduled outage and has ramped back to full power. Palo Verde #2 remains shut for its scheduled refueling.

**The NRC reported that 71,746 Mw of nuclear capacity is on line, up 1.58% from Friday, but 7.29% lower than a year ago.**



**6-10 DAY OUTLOOK  
TEMP PROBABILITY  
MADE 22 Oct 2006  
VALID Oct 28 - Nov 01, 2006**

**DASHED LINES ARE CLIMATOLOGY (DEG F)  
SOLID LINES ARE TOTAL PROBABILITY  
OF THE INDICATED CATEGORY.**

on October 26. System throughput will be affected and will be determined closer to the outage date. The Kerrobert Station is located in Saskatchewan.

Gulf South Pipeline said that it will be performing scheduled maintenance at the Carthage Junction Compressor Station affecting all units beginning October 26 and continuing for two days. Capacity through Carthage Junction Station could be reduced by as much as 75 MMcf/d with this maintenance.

**ELECTRIC MARKET NEWS**

The Nuclear Regulatory Commission has issued its final environmental impact statement on the proposed renewal of the operating license for the Palisades

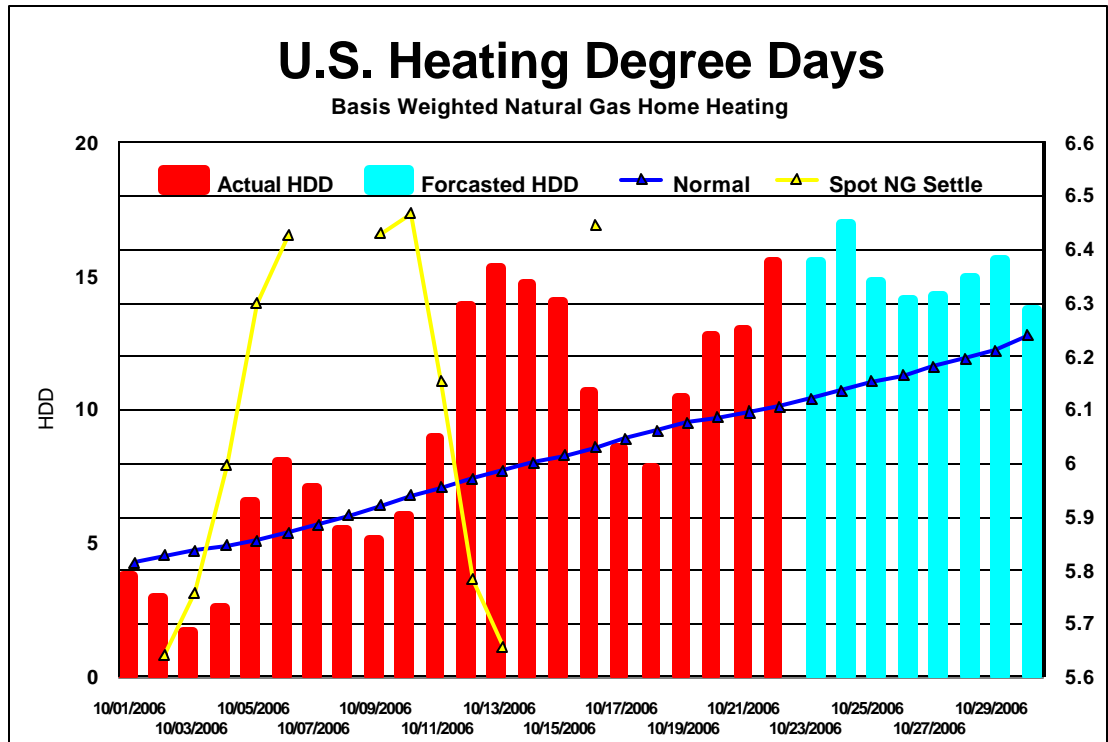
Nuclear Plant. The report contains the NRC's finding that there are no environmental impacts that would preclude license renewal for an additional 20 years of operation.

Xcel Energy subsidiary Public Service Company of Colorado said it had reached a settlement agreement with various parties in the state that would allow it to raise retail electricity rates by \$151 million beginning January 1.

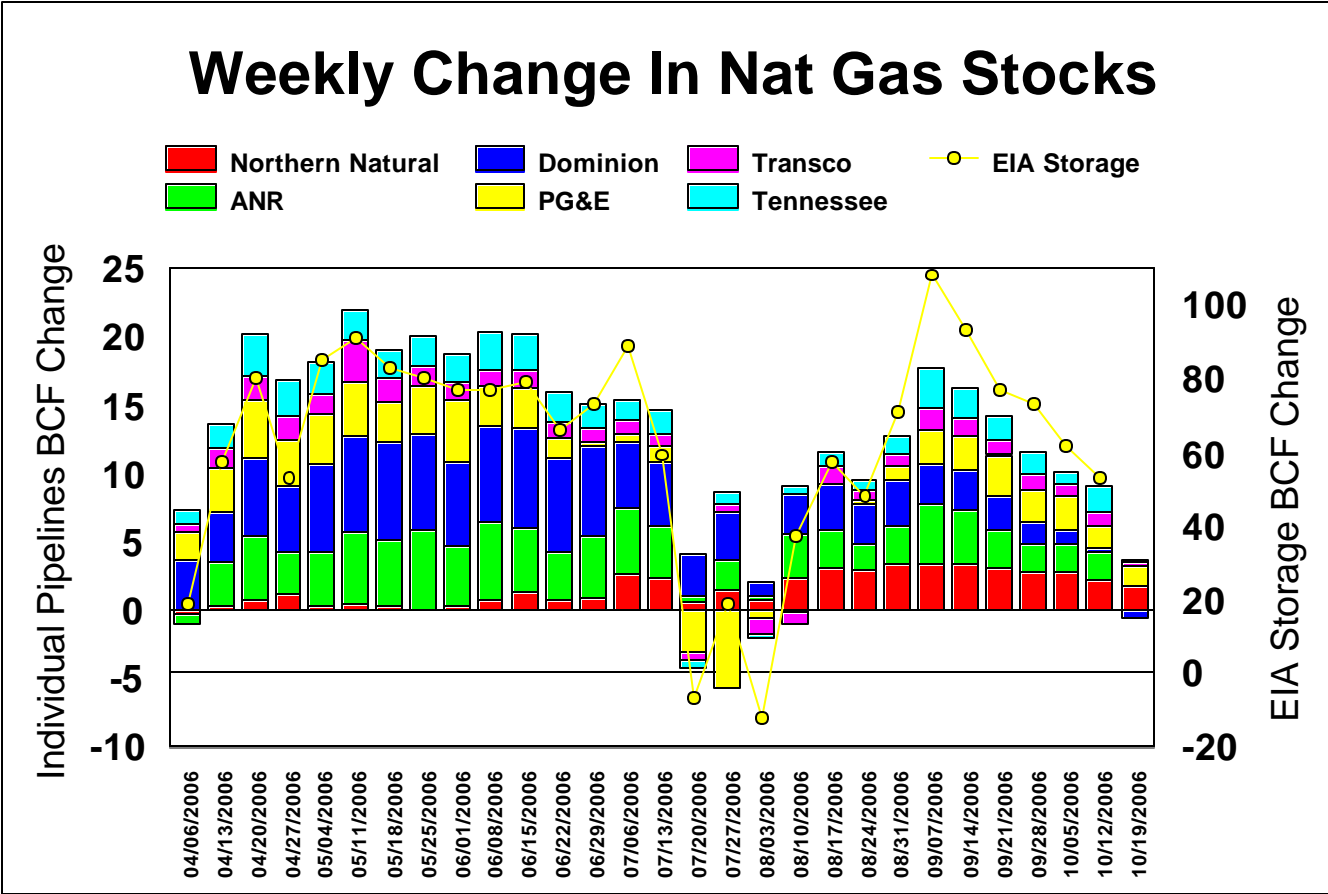
**MARKET COMMENTARY**

The natural gas market opened unchanged today after trading to a high of 7.40 overnight on continued strength given the cool temperatures dipping into the Midwest and the Northeast.

November futures clawed as high as 7.36, but profit taking and moderating weather forecasts put a stop to the technical rally. The November contract dropped to the 7.20 level where it held through midday on the strength in the physical cash market, but after the close of the cash market, futures dropped to 7.00, broke



through support there as some midday forecasts looked for temperatures to moderate over much of the nation next week. As a result the market made an intraday low of 6.84 in the afternoon before settling down 36 cents at 6.881.



Following last week's 28% surge higher, the market gave some back. Natural gas was a little bit ahead of itself last week, and despite the current chilly temperatures in the Northeast and Midwest, forecasts through the month of November took a turn for the warmer. The warmer forecast coupled with record levels of storage and several weeks remaining until calendar winter tamed the bulls for the time being. We see support at \$6.81, \$6.684, \$6.475, \$6.40, \$6.266 and \$6.00. We see further support at \$5.75, \$5.59 and \$5.35. We see resistance at \$7.40, \$7.54, \$7.94, \$8.00 and \$8.61.

**NYMEX Nat Gas Options Most Active Strikes for October 23, 2006**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
ON	11	6	C	8	10/26/2006	0.015	3,684	102.21
ON	11	6	P	7	10/26/2006	0.303	3,342	95.25
ON	11	6	P	6.5	10/26/2006	0.084	3,152	93.05
LN	11	6	P	7	10/26/2006	0.3034	2,948	96.44
LN	11	6	C	8	10/26/2006	0.0151	2,690	101.98
LN	2	7	P	5	01/26/2007	0.042	2,500	62.35
LN	11	6	P	6	10/26/2006	0.0107	2,380	91.36
LN	12	6	C	10	11/27/2006	0.1519	2,100	73.58
LN	3	7	C	16	02/23/2007	0.0978	2,000	69.50
LN	3	7	C	20	02/23/2007	0.0317	2,000	71.52
LN	11	6	P	6.5	10/26/2006	0.0841	1,832	93.71
LN	12	6	C	13	11/27/2006	0.0177	1,800	78.67
ON	11	6	P	6	10/26/2006	0.011	1,783	91.52
ON	12	6	P	8	11/27/2006	0.77	1,752	69.74
ON	11	6	P	8	10/26/2006	1.134	1,679	103.21
LN	12	6	P	7.5	11/27/2006	0.497	1,620	70.93
ON	11	6	C	7.5	10/26/2006	0.058	1,472	99.05
ON	11	6	C	7	10/26/2006	0.184	1,460	95.21
ON	11	6	C	7.25	10/26/2006	0.106	1,309	97.17
LN	2	8	C	10	01/28/2008	1.3925	1,250	30.75
LN	11	6	C	7.5	10/26/2006	0.0576	1,200	98.32
LN	11	6	P	6.75	10/26/2006	0.1721	1,175	94.82
LN	12	6	C	11.5	11/27/2006	0.0534	1,100	76.94
LN	11	6	C	8.5	10/26/2006	0.0036	1,050	105.82
LN	10	7	C	9	09/25/2007	0.9742	1,000	37.54
ON	12	6	C	10	11/27/2006	0.152	1,000	75.28
ON	1	7	C	16	12/26/2006	0.021	997	74.60
LN	11	6	C	7.25	10/26/2006	0.1059	985	96.51
LN	12	6	C	12	11/27/2006	0.0369	950	77.52
ON	11	6	P	6.25	10/26/2006	0.034	881	92.29
LN	11	6	P	7.25	10/26/2006	0.4747	750	98.63
LN	1	7	P	7	12/26/2006	0.3072	750	63.84
LN	3	8	C	10	02/26/2008	1.3849	750	32.24