



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 24, 2006**

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

The Interior Department's Minerals Management Service (MMS) has agreed to delay future offshore oil and natural gas lease sales off the coast of Louisiana until a complete environmental review of state's coastal region has been done, as well as forestall any exploration activities on the recently completed western Gulf Lease Sale 200, Louisiana Gov. Kathleen Blanco said Tuesday in announcing a settlement between the state and federal government.

The chairman of the U.S. House Energy and Commerce Committee won't accept the Senate's version of a bill to open up part of the U.S. Outer Continental Shelf to oil and gas drilling. Chairman Joe Barton said there is not much energy in the Senate version of the bill and added that that version of the bill would merely let there be drilling where there's already going to be drilling. The Senate measure passed in early August would open 8.3 million acres in the Gulf of Mexico to drilling, including nearly 2 million acres that were dropped from the federal government's OCS Lease Sale 181 five years ago. It also includes a provision to share with four Gulf states 37.5% of revenues derived from gas and oil produced in the region. The House bill passed in late June is much broader in scope. It would lift the congressional moratorium on nearly all OCS drilling beyond 100 miles and allow states to decide whether to allow drilling between 50 and 100 miles of their shores.

Private forecaster WSI Corp. reiterated that the November to January outlook for the Northeast will average cooler-than-normal. States in the Northeast should see warmer-than-normal temperatures in November before cooling down in December and January.

#### **PIPELINE RESTRICTIONS**

KM Interstate Gas Transmission said that it is at capacity for deliveries through the Ulysses Lateral (Segment 340). Depending on the level of nominations, IT/AOR and secondary out-of-path volumes are at risk of not being scheduled.

Texas Eastern Transmission Corp. said that the restriction prohibiting the acceptance of due pipe resolution nominations is 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 contracts balanced except for the scheduling of Due Shipper payback, and point operators to perform according to nominated volumes. Tetco will force balance TABS-1 pools or restrict the system as required. Tetco has restricted receipts sourced between

#### **Generator Problems**

**ECAR** – Allegheny Energy's 555 Mw Fort Martin #1 coal-fired power unit returned to service today. The unit shut over the weekend.

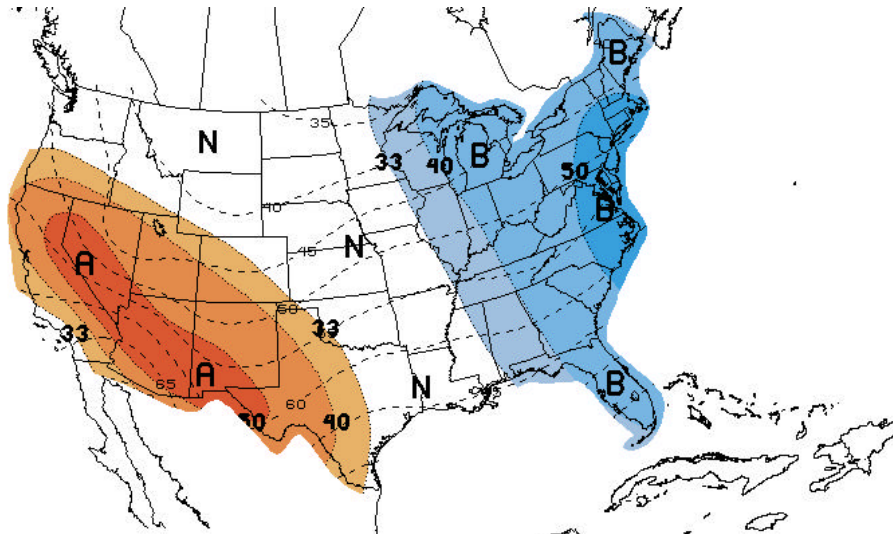
**MAAC** – Reliant Energy's 850 Mw Conemaugh coal-fired power station returned to service today. The unit shut over the weekend.

**SERC** – Entergy Corp.'s 968 Mw River Bend nuclear unit ramped up to 55% of capacity by early today. On Monday, the unit was operating at 17% capacity after exiting an outage.

Tennessee Valley Authority's 1,100 Mw Browns Ferry #2 nuclear unit ramped up to 89% capacity. Yesterday, the unit was operating at 80%

**WSCC** – Arizona Public Service's 1,270 Mw Palo Verde #1 nuclear unit increased output to 19% capacity as it prepares to reconnect to the grid.

**The NRC reported that 72,352 Mw of nuclear capacity is on line, up .85% from Monday, but 7.87% lower than a year ago.**



**6-10 DAY OUTLOOK  
TEMPERATURE PROBABILITY  
MADE 24 Oct 2006  
VALID Oct 30 - Nov 03, 2006**

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

Little Rock and Fagus for delivery downstream of Fagus. No increase of receipts between Little Rock and Fagus for delivery downstream of Fagus will be accepted. Tetco has restricted receipts sourced between Mt. Belvieu and Little Rock for delivery outside of that area. No increase of receipts between Mt. Belvieu and Little Rock for delivery outside of that area will be accepted.

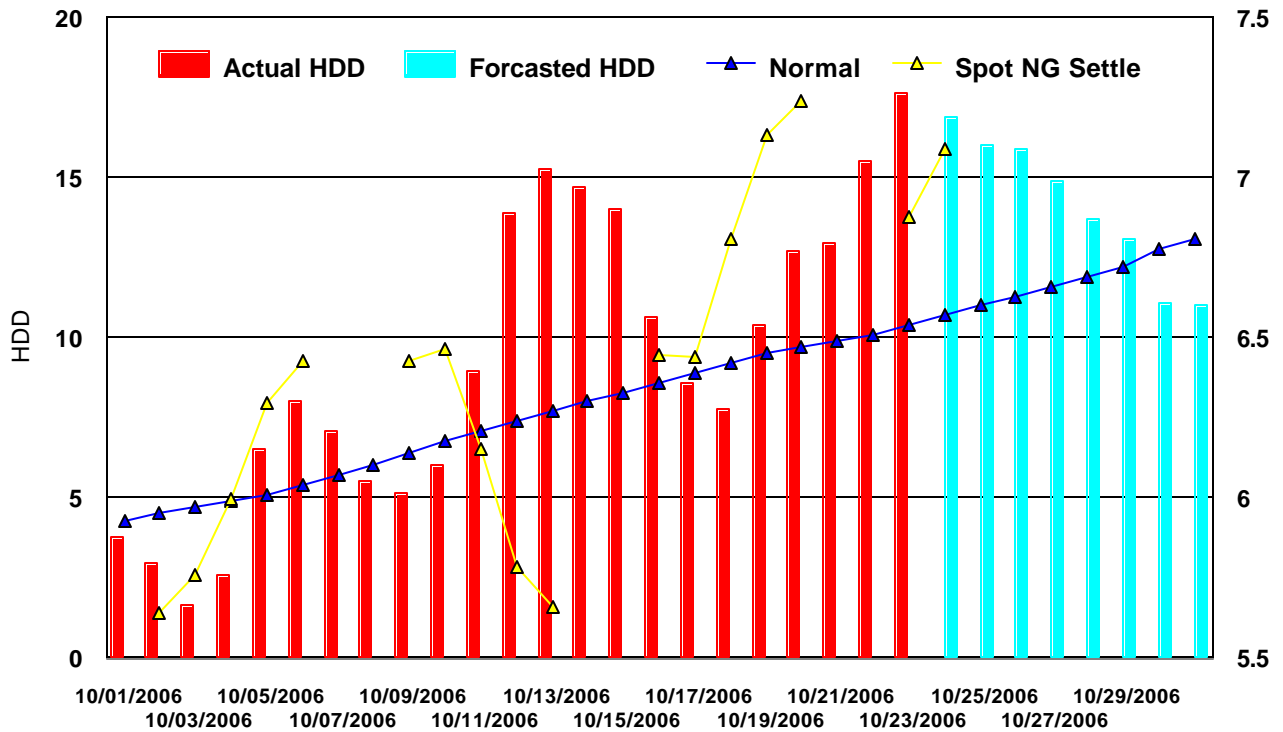
**PIPELINE MAINTENANCE**

Florida Gas Transmission will be performing maintenance on the station piping at Compressor Station #7 in Acadia Parish, Louisiana starting on November 1 and lasting one day. During

this work FGT will scheduled up to approximately 300 MMcf/d through Compressor Station #7. During normal operations, FGT schedules up to 465 MMcf/d. FGT will also be performing scheduled maintenance on the largest compressor located at Compressor Station #8 in East Baton Rouge Parish, Louisiana starting November 1. This outage is expected to last through the end of November. During this work FGT will schedule up to

# U.S. Heating Degree Days

Basis Weighted Natural Gas Home Heating



approximately 950 MMcf/d through Compressor Station #8. During normal operations FGT schedules up to 1,150 MMcf/d.

Northwest Pipeline has given notice of a Declared Deficiency Period at the Kemmerer Compressor beginning today. The deficiency period is expected to last until the end of gas day October 27. Northwest will replace a section of mainline and install pigging facilities. North flow capacity will be reduced to 537 MMcf during the work.

Questar Pipeline Company said that due to high system demand and Kern River line work, Questar has postponed its Payson station maintenance originally scheduled for October 24-26.

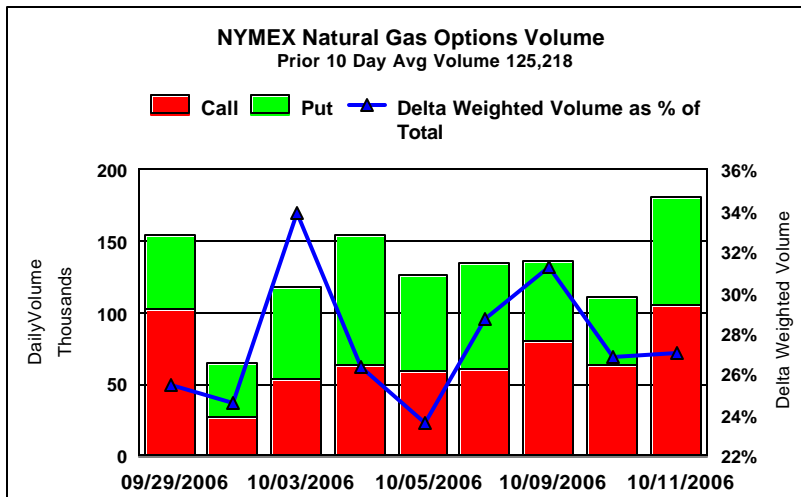
Williston Basin Interstate Pipeline said that planned maintenance will be performed at the Belle Fourche Compressor Station today and that it does not anticipate any restriction to the system. In addition, the company said unplanned maintenance will be performed at the Elk Basin Compressor Station today. Maximum capacity at the Elk Basin Compressor Station will be approximately 11.5 MMcf for receipt on Elk Basin South.

#### **ELECTRIC MARKET NEWS**

Entergy New Orleans filed a proposed plan of reorganization that would have the company emerging from bankruptcy by the end of 2007. The Entergy subsidiary filed for chapter 11 bankruptcy in September 2005 after its electric and natural gas distribution systems were devastated by Hurricane Katrina. Entergy New Orleans will have sufficient financing and liquidity to accomplish the remaining restoration of the New Orleans gas and electric systems and create a storm reserve that positions the business to pay for future hurricane damage.

Florida Power & Light Company said it expects to cut customers' rates by about 5% from 2007, following revision to its fuel

<b>NYMEX Natural Gas Options Most Active Strikes for October 24, 2006</b>								
<b>Symbol</b>	<b>Month</b>	<b>Year</b>	<b>Call/Put</b>	<b>Strike</b>	<b>Exp Date</b>	<b>Settle</b>	<b>Volume</b>	<b>IV</b>
LN	11	6	P	6	10/26/2006	0.002	6,550	100.28
ON	12	6	C	9	11/27/2006	0.327	2,711	72.35
LN	4	7	P	7	03/27/2007	0.5146	2,600	47.74
ON	3	8	C	20	02/26/2008	0.33	2,600	52.45
LN	5	7	P	7	04/25/2007	0.5691	2,350	47.36
LN	5	7	P	5	04/25/2007	0.0664	2,200	45.68
LN	8	7	P	7	07/26/2007	0.6902	2,050	49.44
LN	4	7	C	8	03/27/2007	0.7019	2,000	37.36
LN	10	7	P	7	09/25/2007	0.8072	1,950	52.37
LN	12	6	C	9	11/27/2006	0.3263	1,950	70.06
LN	9	7	P	7	08/28/2007	0.7521	1,950	50.73
LN	6	7	P	7	05/25/2007	0.5906	1,950	47.07
LN	7	7	P	7	06/26/2007	0.6241	1,950	47.58
LN	11	6	C	8	10/26/2006	0.0197	1,930	110.97
LN	3	7	P	4.5	02/23/2007	0.0165	1,900	54.49
LN	11	6	C	7	10/26/2006	0.2654	1,835	103.44
ON	11	6	C	7	10/26/2006	0.265	1,818	104.13
LN	11	6	P	7	10/26/2006	0.1744	1,800	104.94
LN	10	7	P	5	09/25/2007	0.1853	1,700	50.09
LN	4	7	P	5	03/27/2007	0.0476	1,700	45.82
LN	7	7	P	5	06/26/2007	0.0932	1,700	45.42
LN	9	7	P	5	08/28/2007	0.1534	1,700	48.38
LN	8	7	P	5	07/26/2007	0.1242	1,700	47.31
LN	6	7	P	5	05/25/2007	0.0755	1,700	44.90
ON	5	7	P	6.25	04/25/2007	0.301	1,650	42.47
LN	4	7	C	11	03/27/2007	0.1615	1,600	44.27
LN	7	7	C	14	06/26/2007	0.1031	1,500	43.06
LN	4	7	C	14	03/27/2007	0.0436	1,500	48.39
LN	5	7	C	11	04/25/2007	0.1906	1,500	42.49
LN	10	7	C	14	09/25/2007	0.2958	1,500	45.62
LN	6	7	C	11	05/25/2007	0.2455	1,500	41.33
LN	1	7	C	10	12/26/2006	0.373	1,500	63.37
LN	9	7	C	14	08/28/2007	0.218	1,500	44.56
LN	8	7	C	14	07/26/2007	0.1569	1,500	44.00
LN	6	7	C	14	05/25/2007	0.0741	1,500	44.22
LN	7	7	C	11	06/26/2007	0.3156	1,500	40.59
LN	8	7	C	11	07/26/2007	0.404	1,500	41.08
LN	9	7	C	11	08/28/2007	0.4986	1,500	41.49
LN	10	7	C	11	09/25/2007	0.5997	1,500	41.96
LN	5	7	C	14	04/25/2007	0.0497	1,500	45.26



cost forecast due to recent drop in natural gas and oil prices. The company said it now expects rates for residential customers to fall to \$103.51 from \$108.61 per 1,000-kilowatt hours, excluding local fees and taxes, starting in January 2007. Business customers can also expect a similar reduction.

#### **MARKET COMMENTARY**

The natural gas market opened 11 cents stronger to start an inside trading session that saw prices chop on either side of 7.00, but remain in positive territory. November traded between 6.88 and 7.15 during the session as the market consolidated ahead of expiration.

Physical cash prices edged lower for the first session, following three days of gains amid the cooler weather that is sweeping across the country. However, natural gas finished at the upper end of the day's range given the heating demand in key consuming regions right now. The November futures contract finished the session up 21 cents at 7.091.

The cool temperatures at this time of year are enough to keep the market elevated, but the record amount of gas in the ground and temperatures forecast to moderate, will keep a lid to further upside traction. We expect the market to chop around the current levels as expiration of the November contract comes this Friday. The combination of record storage and the relatively high prices opens risk to the downside as temperatures begin to moderate in key consuming regions next month. Early expectations for this week's EIA inventory report range between a modest 20 to 40 Bcf injection. With about two weeks left in the injection season, only 29 Bcf needs to be stored weekly to get stocks to a record 3.5 Tcf by November 1. We see support at \$7.00, \$6.81, \$6.40, \$6.22 and \$6.00. We see further support at \$5.75, \$5.58, and \$5.49. We see resistance at \$7.40, \$7.54, \$7.94, \$8.00, \$8.20 and \$8.61.

