



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 30, 2006**

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

Total U.S. natural gas heating demand will be about 1.0% above normal during the week ending November 4, according to the National Weather Service.

NiSource unit Columbia Gulf Transmission said that a natural gas pipeline leak in the Gulf of Mexico had caused production platforms to be shut in until further notice. Columbia Gulf said the leak on the Bluewater West Leg between Vermilion 245 and Pecan Island off the Louisiana Coast had shut in Columbia Gulf Transmission and El Paso Tennessee Gas Pipeline platforms.

Indiana Gov. Mitch Daniels recently unveiled plans to build a \$1.5 billion coal gasification plant in the Hoosier state, which would be the first in the country to make pipeline quality natural gas from eastern coal. Several sites are being considered and the governor said all of them are in the southwestern corner of the state.

Duke Energy Corp. said that the natural gas business that it is in the process of spinning off will be named Spectra Energy Corp. Spectra will include Duke's natural gas transmission unit, which owns about 17,000 miles of pipeline, as well as its 50% stake in Duke Energy Field Services.

Bluewater Gas Storage can own and operate two natural gas storage facilities in Michigan under a certificate issued by the U.S. FERC. The commission approved the operation of storage in St. Clair and Macomb Counties, Michigan, which includes about 29 Bcf/d of working gas capacity and related sendout pipelines.

#### **Generator Problems**

**ERCOT** – American Electric Power's 675 Mw Pirkey coal-fired power station will restart October 29 – November 1 following maintenance to the boiler, precipitator and scrubber.

AEP's 690 Mw Oklaunion coal-fired power station shut October 29-30, when the bottom ash chain stalled.

AEP's 528 Mw Welsh #3 coal-fired power station is expected to restart following short maintenance.

**FRCC** – FPL's 693 Mw Turkey Point #4 nuclear unit shut for a planned month long refueling outage. On Friday, the unit was operating at full power.

**MAIN** – Dominion Resources' 591 Mw Kewaunee nuclear unit ramped production to 87% capacity today. Yesterday, the unit was operating at 40%.

**NPCC** – Dominion Energy's 1,131 Mw Millstone #3 nuclear unit reduced power to 88%. On Friday, the unit was operating at full power. Millstone #2 remains shut for a refueling outage.

**SERC** – Entergy's 858 Mw Arkansas #2 nuclear unit reconnected to the grid and ramped output to 60% capacity. Arkansas #1 continues to operate at full power.

Progress Energy's 710 Mw Robinson #2 nuclear unit returns to full power. The unit was offline at 3% on Friday after exiting an outage.

Southern Co.'s 1,152 Mw Vogtle #1 nuclear unit exited an outage and ramped up to 3% capacity today. Vogtle #2 continues to operate at full power.

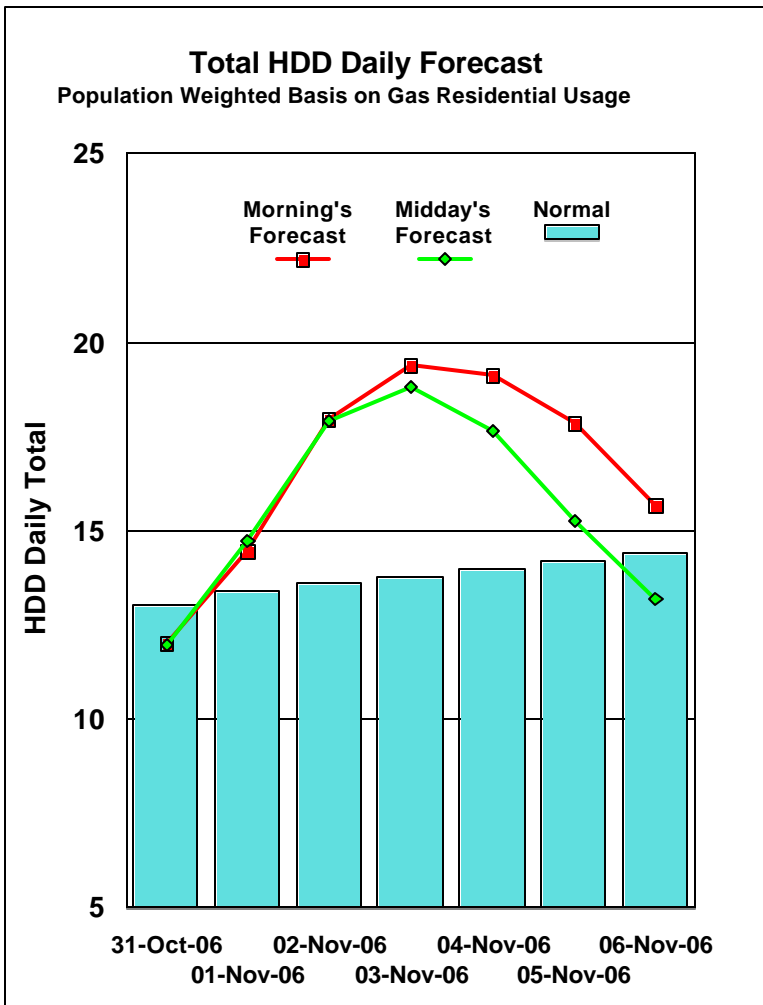
**WSCC** – Southern California Edison's 1,020 Mw Big Creek hydropower project increased output by more than 400 Mw.

**Canada** – Ontario Power Generation's 490 Mw Nanticoke #4 coal-fired power station shut, while Nanticoke #2 returned to service.

OPG's 494 Mw Lambton #3 coal fired power station shut for planned work.

OPG's 515 Mw Pickering B #5 nuclear unit shut for short-term maintenance.

**The NRC reported that 74,294 Mw of nuclear capacity is on line, up .58% from Friday, but 4.99% lower than a year ago.**



Russia's Gazprom has postponed the start of LNG production from its huge Shtokman gas field in the Barents Sea by at least two years for the period after 2013. LNG production will start after 2012 when the Shtokman field is tapped.

**PIPELINE RESTRICTIONS**

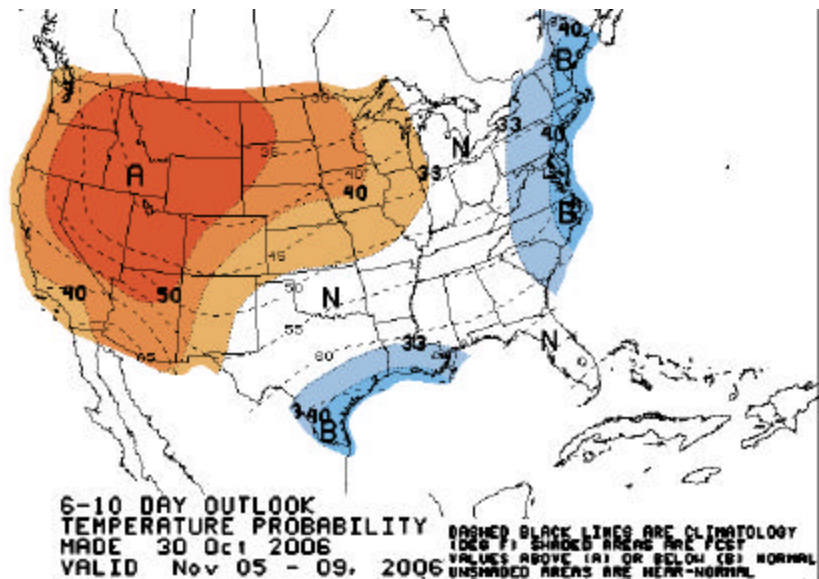
Texas Eastern Transmission Corp. said that it has restricted receipts sourced between Little Rock and Batesville for delivery downstream of Batesville. No increase of receipts between Little Rock and Batesville for delivery downstream of Batesville will be accepted. Tetco has restricted receipts sourced between Mt. Belvieu and Little Rock for delivery outside of that area. No increases of receipts between Mt. Belvieu and Little Rock for delivery outside of that area will be accepted.

**PIPELINE MAINTENANCE**

Alliance Pipeline said that an inspection and maintenance require the Gold Creek station in Alberta to be unavailable for five hours on November 2. Station capacity will be lowered to 41.2 MMcf/d. Alliance also said that inspections and maintenance require the Kerrobert Compressor station to be unavailable for 36 hours starting on October 31. System throughput (AOS) will be impacted but will be determined closer to the outage date. The Kerrobert Station is located

in Saskatchewan. Alliance also said that inspections and maintenance require the Tampico Compressor Station in Illinois and the Wimbledon Compressor Station in North Dakota to be unavailable for 80 hours starting on October 31.

El Paso Natural Gas Company said that it has determined that additional maintenance is required on the Bondad 1B unit, for which parts are currently unavailable. It has subsequently been determined that the unit can operate until final repairs are made. The full station capacity of 746 MMcf/d was available starting October 28. Final repairs are scheduled for October 31. Capacity through the station on gas day October 31 will be reduced by 131 MMcf/d. The reduction will be in force for cycles 1, 2, and 3. If repairs are completed as planned, the unit will be available for cycle 4 and the capacity restriction will be reduced from 131 MMcf to 65 MMcf. Full capacity should be available for gas day November 1.



**NYMEX Nat Gas Options Most Active Strikes for October 30, 2006**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	3	7	C	10	02/23/2007	0.541	4,950	66.21
LN	12	6	C	12	11/27/2006	0.0239	4,150	89.13
LN	3	7	P	7.5	02/23/2007	0.9359	3,000	68.61
LN	12	6	C	11	11/27/2006	0.0514	2,800	87.90
ON	4	7	C	10.5	03/27/2007	0.217	2,033	53.90
LN	3	7	C	9	02/23/2007	0.7385	2,000	63.08
LN	3	7	P	7	02/23/2007	0.6662	1,950	66.17
LN	12	6	C	9	11/27/2006	0.2169	1,700	82.81
LN	12	6	C	14	11/27/2006	0.0053	1,450	91.36
LN	12	6	P	7	11/27/2006	0.4403	1,425	81.28
LN	3	7	C	13	02/23/2007	0.2124	1,400	71.01
LN	3	7	C	15	02/23/2007	0.1172	1,400	72.92
LN	5	8	P	7.6	04/25/2008	1.2139	1,195	44.93
LN	1	7	P	6	12/26/2006	0.1317	1,100	66.77
LN	10	8	C	8.5	09/25/2008	1.1918	1,051	23.54
LN	12	6	P	6.5	11/27/2006	0.2473	1,025	79.83
ON	4	7	P	6	03/27/2007	0.322	1,006	49.41
LN	12	6	P	5	11/27/2006	0.0161	1,000	77.83
LN	1	7	P	5	12/26/2006	0.0249	1,000	66.21
LN	1	8	P	8	12/26/2007	1.1204	850	52.79
ON	12	6	C	8	11/27/2006	0.438	836	81.69
LN	7	10	P	7.25	06/25/2010	1.3237	800	43.17
LN	8	10	P	7.25	07/27/2010	1.3162	800	43.22
LN	1	10	P	7.25	12/28/2009	0.9529	800	42.06
LN	5	10	P	7.25	04/27/2010	1.358	800	43.33
LN	2	10	P	7.25	01/26/2010	0.9659	800	42.24
LN	6	10	P	7.25	05/25/2010	1.3375	800	43.22
LN	5	7	C	9	04/25/2007	0.4487	800	44.76
LN	3	10	P	7.25	02/23/2010	1.0469	800	42.97
LN	1	7	P	7	12/26/2006	0.4034	800	67.62
LN	4	10	P	7.25	03/26/2010	1.2895	800	42.59
LN	4	7	C	8	03/27/2007	0.6556	800	44.77
ON	4	10	C	7.25	03/26/2010	1.029	800	29.96
ON	5	10	C	7.25	04/27/2010	0.968	800	29.85
ON	3	10	P	7.25	02/23/2010	1.142	800	33.84
ON	1	10	P	7.25	12/28/2009	1.041	800	33.30
ON	8	10	P	7.25	07/27/2010	1.423	800	32.13
ON	6	10	C	7.25	05/25/2010	1.008	800	30.02
ON	1	10	C	7.25	12/28/2009	1.976	800	36.92
ON	3	10	C	7.25	02/23/2010	1.841	800	36.68
ON	4	10	P	7.25	03/26/2010	1.38	800	31.47
ON	2	10	C	7.25	01/26/2010	1.986	800	37.10
ON	5	10	P	7.25	04/27/2010	1.456	800	32.06
ON	7	10	C	7.25	06/25/2010	1.046	800	30.28
ON	7	10	P	7.25	06/25/2010	1.428	800	32.06
ON	6	10	P	7.25	05/25/2010	1.436	800	31.97
ON	8	10	C	7.25	07/27/2010	1.078	800	30.50
ON	12	10	C	7.25	11/23/2010	1.874	800	41.21
ON	12	10	P	7.25	11/23/2010	1.529	800	39.50
ON	2	10	P	7.25	01/26/2010	1.057	800	33.43

PG&E California Gas Transmission has scheduled maintenance at L-300B for November 6-9. Capacity on the Redwood Line will be reduced to 1,050 MMcf/d on November 6-8, roughly 92% of capacity. On November 9, flow will increase to 1,090 MMcf/d, roughly 96% of capacity.

**ELECTRIC MARKET NEWS**

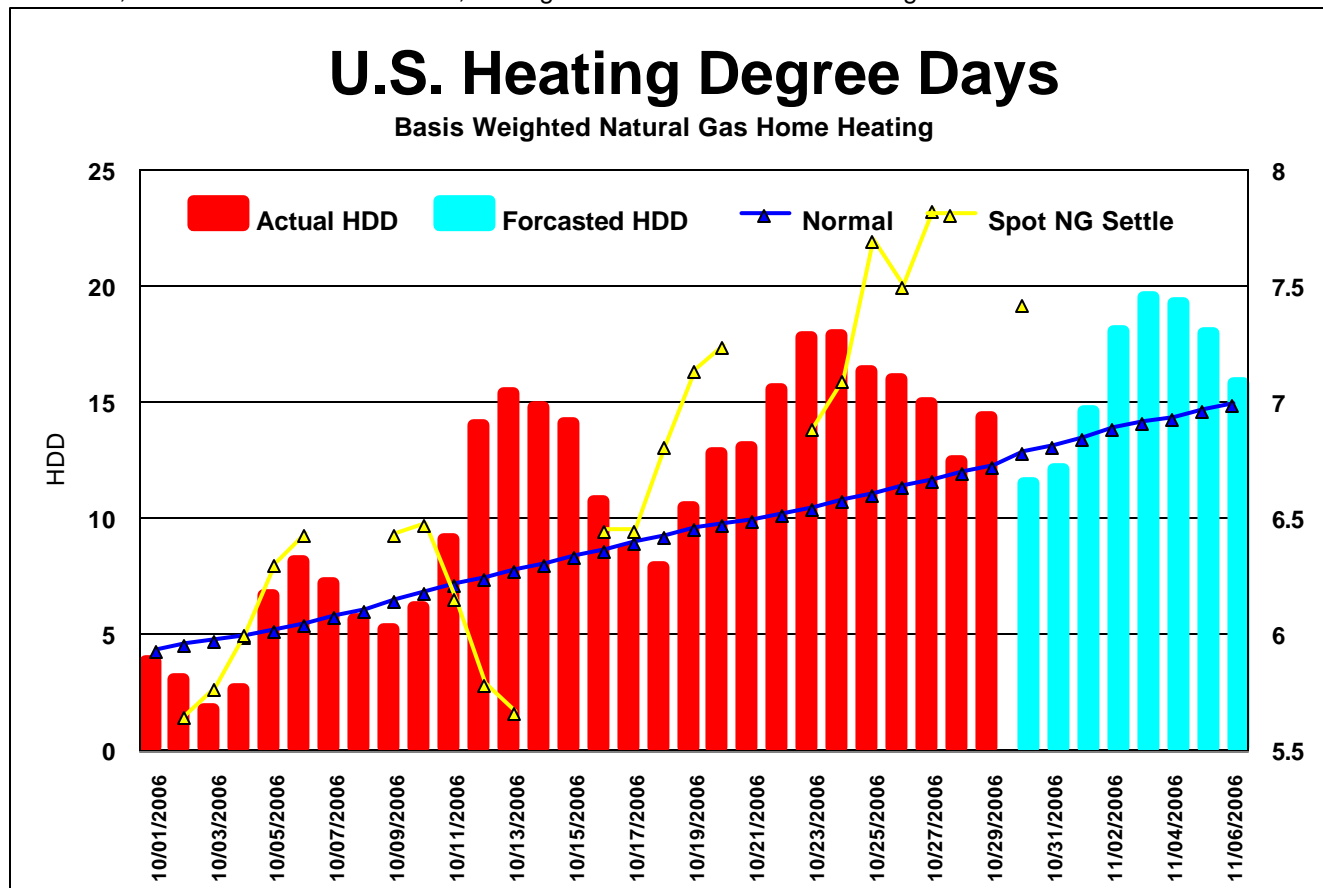
FPL Group plans to give more consideration to “the political environment” it states associated with any prospective merger in the future before deciding to proceed with any such deals. The collapse of the FPL/Constellation Energy Group merger may have been the result of a “perfect storm of interesting election dynamics in Maryland and a one-time, giant rate increase” for retail customers of Baltimore Electric & Gas.

The New York Power Authority did not reveal the profits earned by its hydropower plants on the Niagara and St. Lawrence Rivers though they are a big part of its annual revenues, state comptroller Alan Hevesi said. He said Western New York’s elected officials asked for the audit because they feared the power and revenues from Niagara do not adequately benefit the region. The authority is negotiating a new license with the FERC to reach new agreements with local governments about how much it will give them for cultural and economic projects.

**MARKET COMMENTARY**

The natural gas market opened 25.7 cents weaker pressured by forecasts for milder conditions over the next two

weeks. December natural gas traded as high as 7.605, but with a weakening cash market as temperatures moderate, the market was on the slide, trading to a low of 7.40 before settling down 41.1 cents at 7.416.



A crumbling oil complex added psychological pressure to natural gas, as it broke through a two-week trend line and tests the downside. With just a couple days of chilly temperatures ahead, and the resulting storage data to navigate past, the moderating forecasts will undercut demand to an extent that will let prices drop under the weight of its ongoing storage surplus. We see support at \$7.40, \$7.25 and \$7.08. We see resistance at \$7.74, \$8.10-\$8.20, \$8.37, \$8.50 and \$9.00