



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR OCTOBER 31, 2006**

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

The Commodity Futures Trading Commission (CFTC) Tuesday issued a policy statement basically reaffirming its process for individually issuing jurisdictional waivers or "no-action letters" for exchanges located in other countries and subject to regulation in those countries and which allow access to their electronic trading systems in the U.S. The statement essentially supports the position of the IntercontinentalExchange (ICE) over that of the New York Mercantile Exchange (Nymex), and adds some strictures on information sharing with and among regulators.

#### **PIPELINE RESTRICTIONS**

Williston Basin Interstate Pipeline Company said that several points are in pipeline Capacity Constraint for first intraday delivery and that penalties will be imposed. The points include: 002 Dickinson-Bismarck; 003 Bismarck-Cleveland; 004 Cleveland-Grafton; 007 Williston-Bismarck; 024 Cleveland-Mapleton; 025 Portal-Tioga.

#### **PIPELINE MAINTENANCE**

Columbia Gulf Transmission said it has a leak on Line 100 of the West Leg of the Bluewater Project near the interconnection assembly with Bois D'Arc, CGT, and Tennessee Gas Pipeline in Vermilion 127. Total CGT production associated with this leak is approximately 15 MMcf. CGT is currently working with Crosstex at the Bluewater Plant to reduce the pressure on Line 100 to a level that will allow divers to safely assess the situation. Line 200 on the Western Shore Line has been isolated from the 100 Line. Several CGT and Tennessee Gas Pipeline platforms should be shut in, and all associated nominations reduced to zero until further notice.

Gulf South Pipeline said that pipeline maintenance on Index 391-05 has been rescheduled to begin October 31, and last through November 1. Gulf South also said that compressor maintenance on the Jackson Unit #1 has been extended for approximately two weeks. Gulf South began repairs on September 12. Capacity through Jackson Compressor Station could be reduced by as much as 125 MMcf/d during this maintenance.

Williston Basin Interstate Pipeline said that planned maintenance will be performed at Fort Peck Compressor Station between November 1 and November 2. At this time, the company does not anticipate any restriction to the system.

#### **Generator Problems**

**ERCOT** – TXU's 1,150 Mw Comanche Peak #2 nuclear unit started to exit an outage and ramped up to 8% capacity by early today. Comanche Peak #1 continues to operate at full power.

TXU's 750 Mw Monticello #3 coal-fired power station shut to repair a tube leak. The unit is expected to return to service in a couple days.

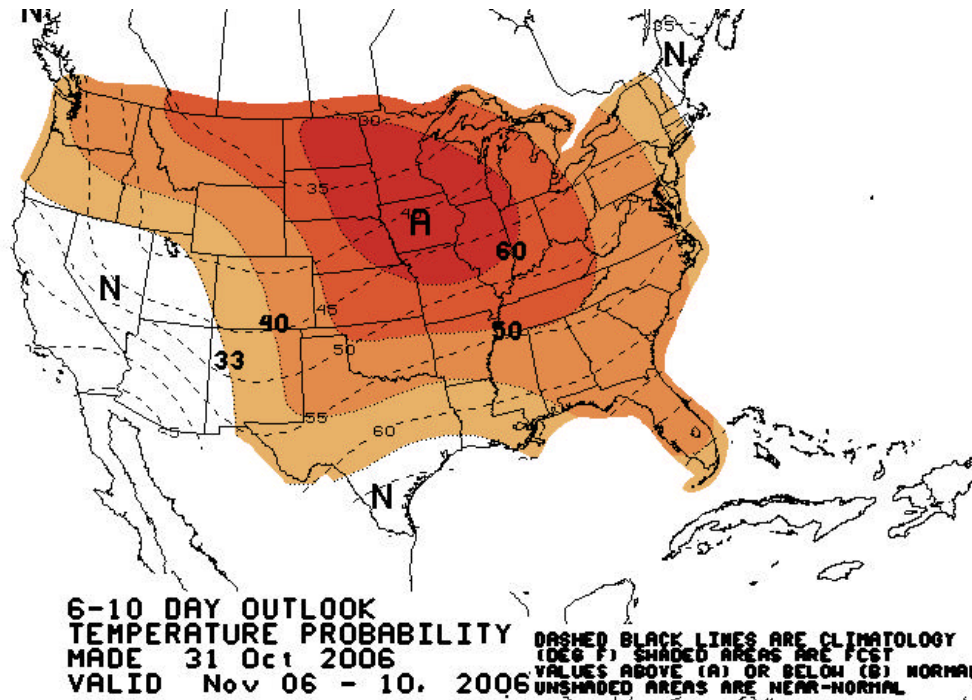
**MAIN** – Dominion's 591 Mw Kewaunee nuclear unit shut after a reactor trip. The unit was operating at 92% yesterday.

**NPCC** – Dominion Energy's 1,131 Mw Millstone #3 nuclear unit returned to full capacity. Yesterday, the unit was operating at 88%. Millstone #2 remains offline for a refueling outage.

**SERC** – Entergy's 858 Mw Arkansas One #2 nuclear unit shut after an electric fire prompted the declaration of an alert. Arkansas One #1 continues to operate at full power.

Southern Nuclear's 1,215 Mw Vogtle #1 nuclear unit reconnected to the grid and ramped up to 30% capacity. Vogtle #2 remains at full power.

**The NRC reported that 73,769 Mw of nuclear capacity is on line, down .71% from Monday, and 6.19% lower than a year ago.**



**ELECTRIC MARKET NEWS**

PPL Corporation said the U.S. Nuclear Regulatory Commission accepted its application to renew the operating licenses for the Susquehanna nuclear power plant in Pennsylvania for another 20 years. The acceptance of the application does not mean the NRC approved the application that process takes about two to three years.

Constellation Energy said regulators had renewed the operating licenses for its Nine Mile Point nuclear power station in New York state. The renewed

licenses also both its units to operate an additional 20 years.

Entergy Corporation has received U.S. antitrust approval to acquire a 798 Mw nuclear power plant in Michigan from a CMS Energy Corporation unit. Antitrust authorities completed their review of the \$380 million deal without taking any action to block it. The Palisades nuclear plant near South Haven, Michigan, has already applied for a 20-year extension of its current operating license.

**MARKET COMMENTARY**

The natural gas market opened 23.6 cents lower as forecasts continue to show moderating temperatures through the country for the beginning of November. December natural gas traded to a low of 7.18 early in the session but chopped on either side of 7.30 for the remainder of the morning. Further news that Columbia Gulf Transmission's natural gas pipeline leak in the Gulf of Mexico had caused production platforms to be shut-in, boosted prices into positive territory and lifted December to an intraday high of 7.60. December natural gas finished the session up 11.8 cents at 7.534.

Aside from the bullish pipeline news, most market players continue to see largely bearish fundamentals facing the natural gas market through the first half of November, as weather looks mild, and storage will be at a record 3.5 Tcf. Early expectations for Thursday's EIA report call for a draw of 10 Bcf to a build of 19 Bcf, keeping the market choppy in the next couple sessions, but we see more downside risk than upward potential for this market over the intermediate term. We see support at \$7.30, \$7.08, \$7.00 and \$6.84. We see resistance at \$7.60, \$7.72 and \$8.10-\$8.20.

| NYMEX Nat Gas Options Most Active Strikes for October 31, 2006 |       |      |          |        |            |        |        |       |
|--|-------|------|----------|--------|------------|--------|--------|-------|
| Symbol   | Month | Year | Call/Put | Strike | Exp Date   | Settle | Volume | IV    |
| LN   | 3     | 7    | P        | 5      | 02/23/2007 | 0.0815 | 8,425  | 62.60 |
| LN   | 5     | 7    | P        | 5      | 04/25/2007 | 0.1208 | 6,425  | 52.26 |
| LN   | 12    | 6    | P        | 7      | 11/27/2006 | 0.3884 | 3,150  | 80.97 |
| LN   | 2     | 7    | P        | 7      | 01/26/2007 | 0.5041 | 2,900  | 68.37 |
| LN   | 3     | 7    | P        | 7      | 02/23/2007 | 0.6138 | 2,400  | 65.83 |
| LN   | 12    | 6    | C        | 8.5    | 11/27/2006 | 0.3341 | 2,248  | 80.81 |
| LN   | 3     | 9    | P        | 7.5    | 02/24/2009 | 1.0914 | 2,200  | 46.62 |
| LN   | 7     | 8    | P        | 7.5    | 06/25/2008 | 1.131  | 2,200  | 44.80 |
| LN   | 1     | 7    | P        | 7      | 12/26/2006 | 0.393  | 2,150  | 71.06 |
| ON   | 1     | 7    | C        | 9      | 12/26/2006 | 0.526  | 2,008  | 71.91 |
| LN   | 12    | 6    | C        | 10     | 11/27/2006 | 0.1151 | 2,000  | 85.69 |
| ON   | 12    | 6    | P        | 4.5    | 11/27/2006 | 0.003  | 1,950  | 77.83 |
| LN   | 12    | 6    | C        | 8      | 11/27/2006 | 0.4739 | 1,915  | 79.00 |
| LN   | 1     | 7    | C        | 11     | 12/26/2006 | 0.207  | 1,875  | 74.81 |
| LN   | 7     | 7    | C        | 9      | 06/26/2007 | 0.6924 | 1,798  | 42.22 |
| LN   | 8     | 7    | C        | 9      | 07/26/2007 | 0.8046 | 1,798  | 42.29 |
| LN   | 9     | 7    | C        | 9      | 08/28/2007 | 0.926  | 1,798  | 42.71 |
| LN   | 3     | 7    | C        | 11     | 02/23/2007 | 0.436  | 1,775  | 68.58 |
| LN   | 3     | 7    | C        | 15     | 02/23/2007 | 0.1286 | 1,775  | 72.83 |
| LN   | 5     | 7    | C        | 9      | 04/25/2007 | 0.496  | 1,753  | 44.75 |
| LN   | 4     | 7    | C        | 9      | 03/27/2007 | 0.4576 | 1,753  | 47.05 |
| LN   | 6     | 7    | C        | 9      | 05/25/2007 | 0.5837 | 1,753  | 43.16 |
| LN   | 10    | 7    | C        | 9      | 09/25/2007 | 1.0592 | 1,753  | 43.15 |
| ON   | 1     | 7    | P        | 7      | 12/26/2006 | 0.394  | 1,709  | 68.65 |
| LN   | 2     | 7    | C        | 9      | 01/26/2007 | 0.7264 | 1,603  | 65.28 |
| LN   | 2     | 7    | C        | 15     | 01/26/2007 | 0.081  | 1,600  | 74.77 |
| LN   | 1     | 7    | C        | 15     | 12/26/2006 | 0.0293 | 1,600  | 79.17 |
| LN   | 4     | 7    | P        | 7      | 03/27/2007 | 0.671  | 1,550  | 54.32 |
| ON   | 12    | 6    | C        | 12     | 11/27/2006 | 0.026  | 1,512  | 90.40 |
| LN   | 12    | 6    | P        | 6      | 11/27/2006 | 0.0983 | 1,500  | 78.33 |
| LN   | 1     | 7    | P        | 5      | 12/26/2006 | 0.031  | 1,450  | 71.79 |
| LN   | 3     | 7    | C        | 14     | 02/23/2007 | 0.1716 | 1,400  | 71.88 |
| LN   | 2     | 7    | C        | 14     | 01/26/2007 | 0.1162 | 1,400  | 74.00 |
| LN   | 1     | 7    | C        | 14     | 12/26/2006 | 0.0478 | 1,400  | 78.44 |