



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR NOVEMBER 1, 2006**

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

The Energy Information Administration has confirmed that gas demand from power generation posted a new record in July of 923.7 Bcf (29.8 Bcf/d), far surpassing the old record set in August 2005 of 780.9 Bcf. In a significant revision to its prior estimates, EIA sharply raised its demand estimate for July by about 138 Bcf. Furthermore, Denver-based consulting firm Bentek Energy said in several reports Wednesday that gas demand from generation remains well above levels last year, in part due to more nuclear maintenance outages in the shoulder months.

Dominion, whose diversified portfolio includes about 6.6 Tcfe of proved natural gas reserves, announced Wednesday it will sell nearly all of its highly profitable North American exploration and production (E&P) assets to focus on its less risky utility businesses. Only the company's Appalachian Basin properties, with 17% of Dominion's total proved reserves and 8% of average daily production, will be retained.

Arizona regulators made it clear Tuesday that they expect the new renewable energy standard and accompanying rules they enacted to be a buffer against overreliance on natural gas-fired electricity in their state. Through stepped-up distributed generation and other means, a majority of the five members on the Arizona Corporation Commission (ACC) see their state being inundated with rooftop solar panels on homes and businesses.

#### **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: 001 Cabin Creek-Dickinson; 002 Dickinson-Bismarck; 003 Bismarck-Cleveland; 004 Cleveland-Grafton; 007 Williston-Bismarck; 014 Belle Fourche-Recluse; 024 Cleveland-Mapleton; 025 Portal-Tioga; 026 Belle Creek-Manning; 01010 Northern Border-Manning.

#### **PIPELINE MAINTENANCE**

Natural Gas Pipeline Company said that from November 7-8, it will be performing piping modifications at Columbus Junction Storage facility (Station 204) in Louisa County, Iowa. This project is only a partial storage outage and therefore should not impact overall storage scheduling on Natural. NGPL also said that from November 1-3, it will replace a section of the Wise County Lateral south of Station 155 and possibly a section north of Station 155 in Wise County, Texas (Segment 1 of Natural's MidContinent Zone). Any Segment 1

#### **Generator Problems**

**ERCOT** – TXU's 1,150 Mw Comanche Peak #2 nuclear unit reconnected to the grid and ramped up to 76% capacity. Comanche Peak #1 continues to operate at full power.

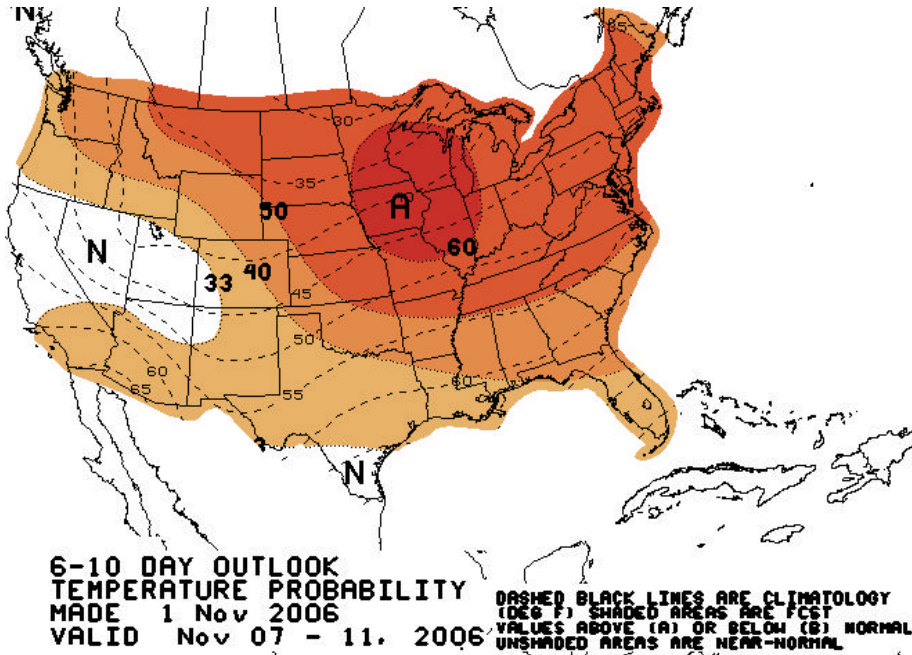
TXU's 750 Mw Monticello #3 coal-fired is scheduled to restart November 1-2 after fixing a tube leak.

**MAAC** – PSEG's 1,130 Mw Salem #2 nuclear unit exited a refueling outage and ramped up to 18% capacity. The unit shut October 11. Salem #1 continues to operate at full power.

**SERC** – Entergy's 996 Mw Arkansas One #2 nuclear unit started to exit an outage and ramped up to 7% capacity. Arkansas One #1 continues to operate at full power.

Southern Co.'s 1,152 Mw Vogtle #1 nuclear unit ramped up to 76% capacity today. Yesterday, the unit was operating at 30% capacity. Vogtle #2 continues to operate at full power.

**The NRC reported that 74,200 Mw of nuclear capacity is on line, up .58% from Tuesday, but 6.63% lower than a year ago.**



capacity reduction resulting from the continuing remediation work will be a force majeure event on Natural's system. Effective November 1, through November 3, ITS/AOR, secondary out-of-path, secondary in-path and primary in-path transports, as well as Interruptible Balancing Services will be unavailable received from or delivered to the following points: Deveon-Bridgeport Plant; Brazos Electric; Wise Fuels-Tractebel; and Lone Star-Wise. Targa-Chico Plant will be available for scheduling transports, but at a very limited basis. The points on the Love County Lateral in Love and Marshall Counties, Oklahoma will not be impacted by this outage as they are all downstream of the

isolated section of Segment 1..

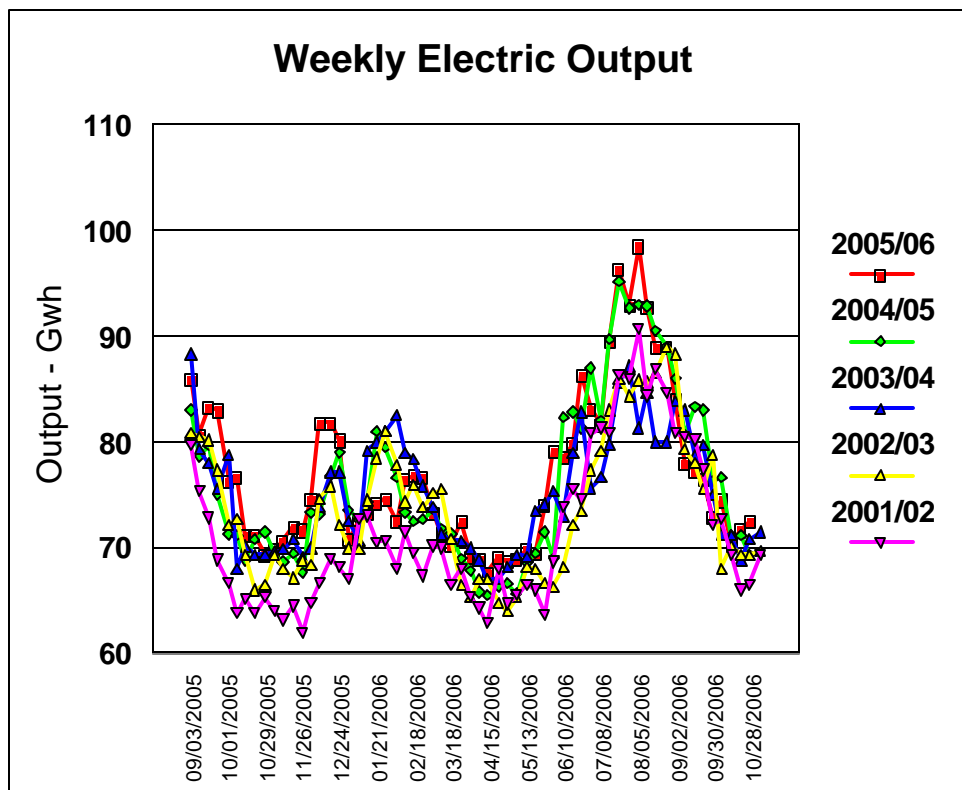
**ELECTRIC MARKET NEWS**

The Edison Electric Institute reported that electricity production in the continental U.S. for the week ended October 28 rose 4.4% from the same 2005-week to 72,427 GWh. For the first 43 weeks of the year, power production is up 0.1% from last year. For the 52 weeks ended October 28, production was up 0.6% from the corresponding period in 2005.

**MARKET COMMENTARY**

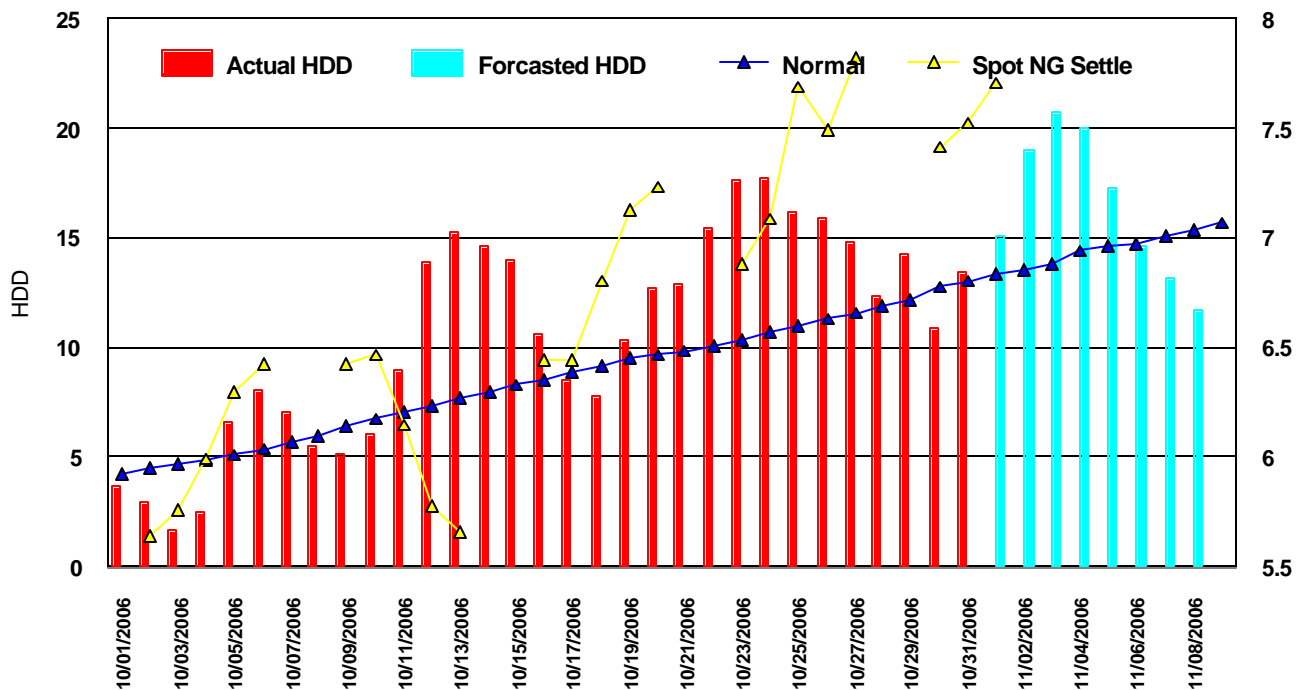
The natural gas market opened unchanged today to start another choppy session that saw prices trade through both positive and negative territory. The market had difficulty finding momentum in either direction today as it vacillated between 7.40 and 7.60 most of the session. A late day forecast calling for cooler conditions for the first half of November than had previously been expected gave the market a late boost to a high of 7.73, back filling the gap from Monday's lower opening.

Also lifting the market late in the session is the expected bullish inventory report tomorrow. Expectations range from a sizeable

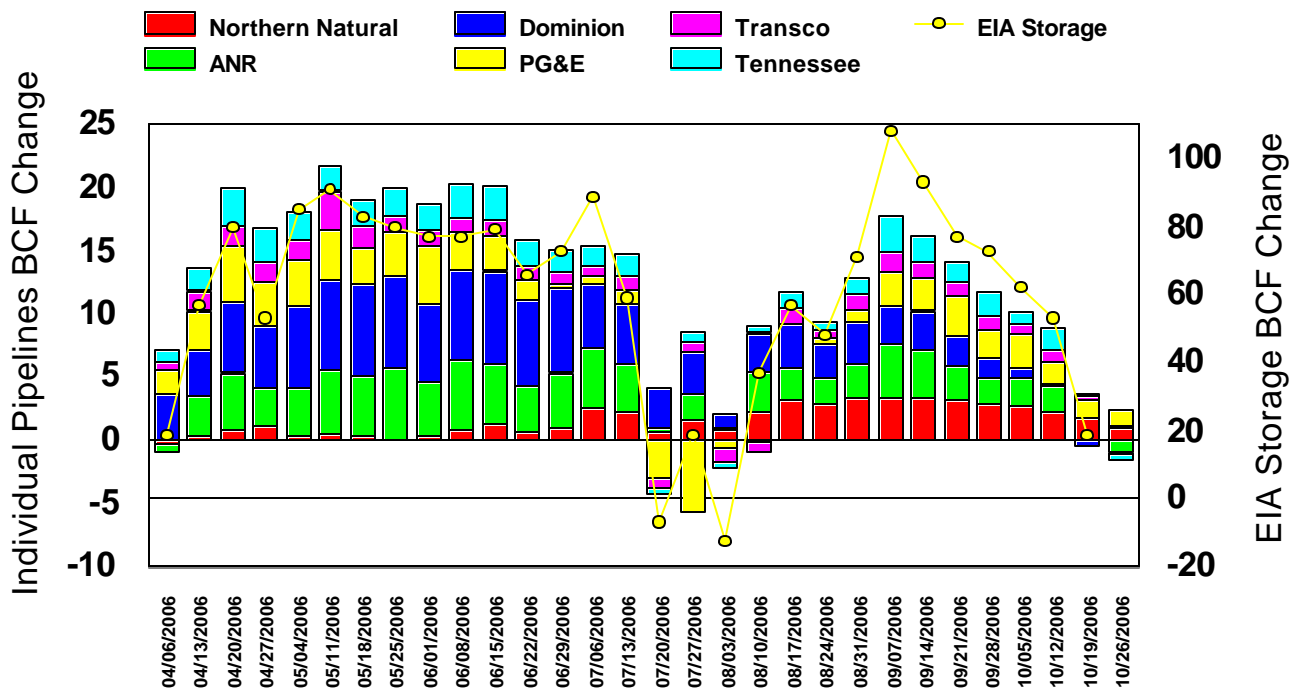


# U.S. Heating Degree Days

Basis Weighted Natural Gas Home Heating



# Weekly Change In Nat Gas Stocks



withdrawal of 29 Bcf to a modest build of 26 Bcf. The average expectation is for a draw of 4 to 6 Bcf given the

**NYMEX Nat Gas Options Most Active Strikes for November 1, 2006**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	12	6	P	6	11/27/2006	0.0675	5,650	76.12
LN	12	6	P	6.5	11/27/2006	0.1563	3,865	77.00
LN	12	6	P	7	11/27/2006	0.3069	2,950	78.38
LN	12	6	C		12 11/27/2006	0.0291	2,650	88.82
LN	3	7	P	6.5	02/23/2007	0.3415	2,600	62.00
ON	12	6	C		12 11/27/2006	0.029	2,110	89.75
LN	3	7	P	7	02/23/2007	0.5314	1,550	63.96
LN	3	7	P	6	02/23/2007	0.2129	1,500	61.58
ON	3	7	C		11 02/23/2007	0.466	1,461	71.04
ON	3	7	C		12 02/23/2007	0.34	1,441	72.04
LN	1	7	C	9	12/26/2006	0.575	1,200	66.32
ON	12	6	P	7	11/27/2006	0.307	1,103	76.63
LN	6	7	C	7.5	05/25/2007	1.1251	1,065	37.55
LN	6	7	P	7.5	05/25/2007	0.9282	1,065	53.23
LN	1	7	C		16 12/26/2006	0.0181	1,050	77.83
LN	1	7	C		18 12/26/2006	0.0064	1,050	78.37
LN	12	6	C		11 11/27/2006	0.0603	1,000	86.61
LN	1	7	P	5	12/26/2006	0.0165	1,000	67.41
ON	12	6	C		10 11/27/2006	0.124	900	85.08
LN	3	7	P	5	02/23/2007	0.0616	900	60.85
ON	3	7	C		8 02/23/2007	1.184	855	64.11
LN	3	7	C		11 02/23/2007	0.4638	850	67.11
LN	2	7	C		12 01/26/2007	0.2644	800	70.88
LN	1	7	P	7.5	12/26/2006	0.5026	800	69.89
LN	3	7	C		14.5 02/23/2007	0.1574	700	71.18
LN	1	7	C		14.5 12/26/2006	0.0396	700	77.21
LN	2	7	C		14.5 01/26/2007	0.1026	700	72.94
LN	2	7	P	7.5	01/26/2007	0.6339	700	67.96
ON	12	6	C	9	11/27/2006	0.256	671	82.05
LN	12	6	C	9	11/27/2006	0.2556	650	80.23
LN	12	6	C	8	11/27/2006	0.5224	650	76.43
LN	7	8	C	7.6	06/25/2008	1.257	650	14.85
LN	2	7	P	5	01/26/2007	0.0432	650	65.73
LN	5	7	P	6	04/25/2007	0.301	650	52.04
LN	7	8	P	7.6	06/25/2008	1.118	650	44.14
LN	4	7	C	7.5	03/27/2007	0.9831	640	41.58
LN	4	7	P	7.5	03/27/2007	0.8442	640	54.64
ON	12	6	P	6	11/27/2006	0.068	623	75.10
LN	12	6	C	8.25	11/27/2006	0.4383	600	77.44
LN	11	7	P	8	10/26/2007	1.2382	575	55.75
LN	5	7	P	5.5	04/25/2007	0.1822	550	51.75
LN	12	6	C	7.5	11/27/2006	0.7356	530	74.39
LN	12	6	C		10 11/27/2006	0.1238	500	83.65
LN	1	7	C		14 12/26/2006	0.0502	500	76.64
LN	4	7	C	8	03/27/2007	0.7898	500	43.49
LN	10	7	P	5	09/25/2007	0.2372	500	54.83
LN	9	7	P	5	08/28/2007	0.2012	500	53.14

cold temperatures across the country last week. Based on our heating degree-day model, we expect a withdrawal of 8-9 Bcf. But with such ample stocks and the mild temperatures this week, next week should see a build putting total stocks at or above 3.5 Tcf, keeping the bulls at bay. We see support at \$7.40, \$7.18, \$7.06, \$7.00 and \$6.84. We see resistance at \$7.72, \$8.00, \$8.10-\$8.20 and \$9.00.

