



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR NOVEMBER 7, 2006**

---

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

The EIA's Short-Term Energy Outlook for November reported that relatively high levels of natural gas in storage and a forecast of slightly warmer-than-normal weather (though not as warm as last winter) should keep Henry Hub spot prices below \$9 per Mcf through the winter heating season. The EIA projects the monthly average Henry Hub spot price will peak in January at roughly \$8.70 per Mcf. The Henry Hub price is expected to average \$7.06 per Mcf in 2006 and \$7.79 per Mcf in 2007. The EIA does not expect any growth in total consumption in 2006 compared with 2005, where last month they forecasted a 1.1% decline. In 2007, the EIA projects a 1.3% increase in consumption. Residential and commercial sector consumption are forecast to grow by 7.5% and 3.9% respectively in 2007, as the number of heating degree-days is expected to increase by about 7%. The EIA forecasts that supply is expected to increase by about 1.3% in 2006 and 0.4% in 2007. LNG imports in 2006 are projected lower than 2005 levels because of price competition with Europe, though LNG imports are expected to rise 2.6% in 2007. Total stocks are at a record level of 3.452 Tcf, near the estimated maximum capacity of 3.6 Tcf. The EIA expects that inventories will end the winter season at about 1,405 Bcf, 285 Bcf below the level of 1,690 Bcf reached at the end of March 2006, but still about 150 Bcf above the average of the last 5 years.

The International Energy Agency said natural gas demand will increase less rapidly than previously forecast because higher prices are making coal more popular for power generation. Demand for gas will rise by 2% a year through 2030, down from 2.1% forecast last year and from growth of 2.6% experienced in 1980-2004.

Goldman Sachs said that the estimated level of investment in commodity indexes would increase to \$110 billion as of January from \$70 billion previously. Goldman also said the composition of the GSCI will not change in 2007.

#### **PIPELINE MAINTENANCE**

#### **Generator Problems**

**MAAC** – Exelon's 810 Mw Three Mile Island returned to full power today. The unit was operating at 67% capacity yesterday, after exiting an outage.

**MAIN** – Exelon's 1,120 Mw Braidwood #2 nuclear unit ramped output to 82% capacity. Yesterday, the unit was operating at 73%. Braidwood #1 continues to operate at full power.

**NPCC** – FPL Group's 1,159 Mw Seabrook nuclear unit started to exit a refueling outage and ramped up to 9% by early today.

Entergy's 844 Mw FitzPatrick nuclear unit ramped up to 88% capacity by early today. Yesterday, the unit was operating at 53% after exiting a refueling outage.

**WSCC** – AES Corp.'s 332 Mw unit #3 and 335 Mw unit #4 at the Alamos natural gas fired plant shut for planned work.

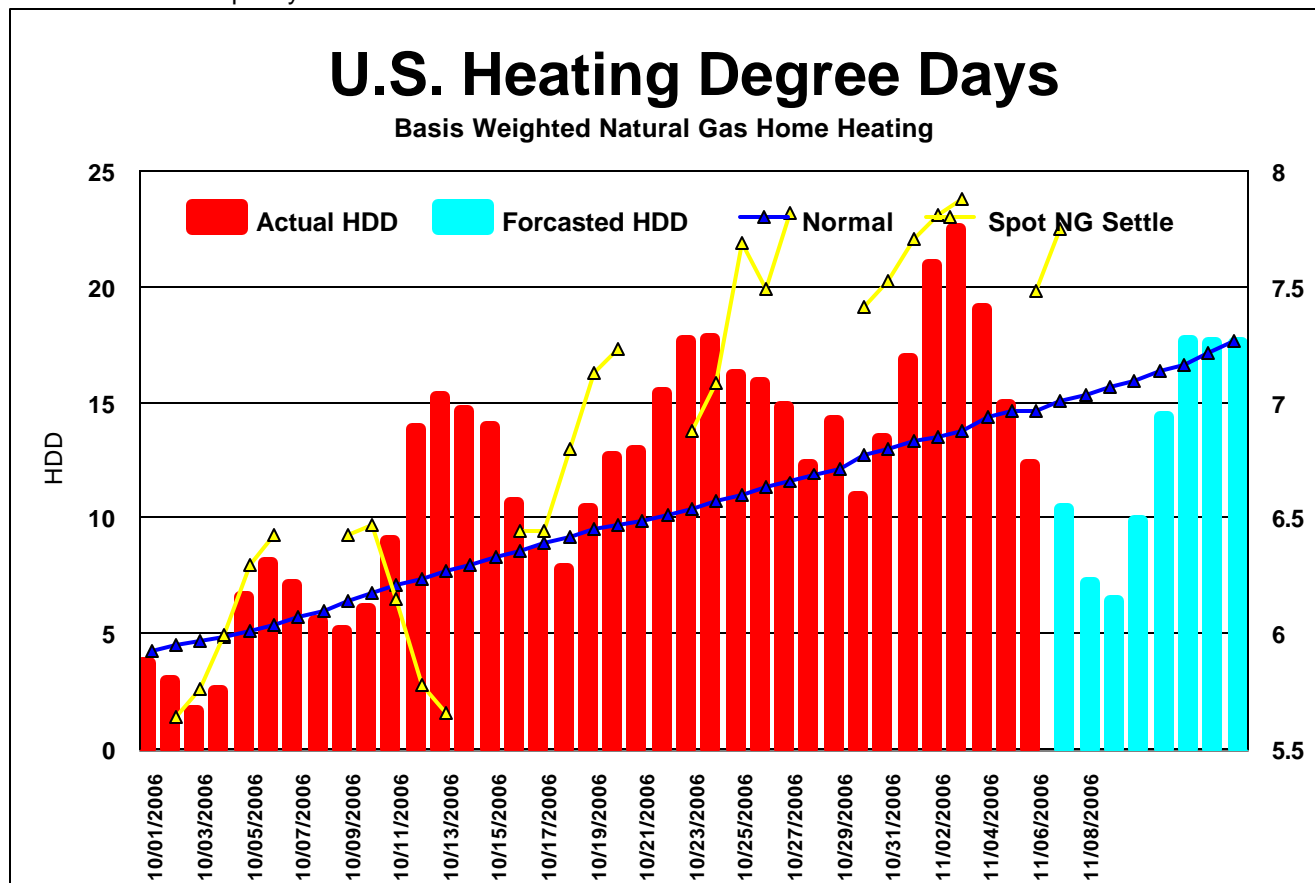
Energy Northwest's 1,200 Mw Columbia nuclear unit restarted, but remains offline at 1%.

**CANADA** – Ontario Power Generation's 494 Mw Lambton #1 coal-fired power station returned to service by early today. The unit shut yesterday for short-term work.

Ontario Power Generation's 490 Mw Nanticoke #2 coal-fired power station shut for short-term planned work. The unit is expected to return to service within a week.

**The NRC reported that 78,073 Mw of nuclear capacity is on line, up 1.09% from Monday, but 1.66% lower than a year ago.**

El Paso Natural Gas Company said that the Gallup 1B unit liner inspection will be conducted as soon as the insulation work on the unit has been completed. Based upon current projection for the work, the unit should be available for service beginning gas day November 8. Until the unit is available, capacity through Gallup is reduced by 110 MMcf/d from a base capacity of 2,900 MMcf/d. El Paso also said that Dilkon A overhaul has been extended to November 9. Combined with other ongoing maintenance the capacity reduction on the North Mainline for November 6 through November 8 is 76 MMcf/d from a base capacity of 2,328 MMcf/d. On November 9 the capacity reduction will be 159 MMcf/d.



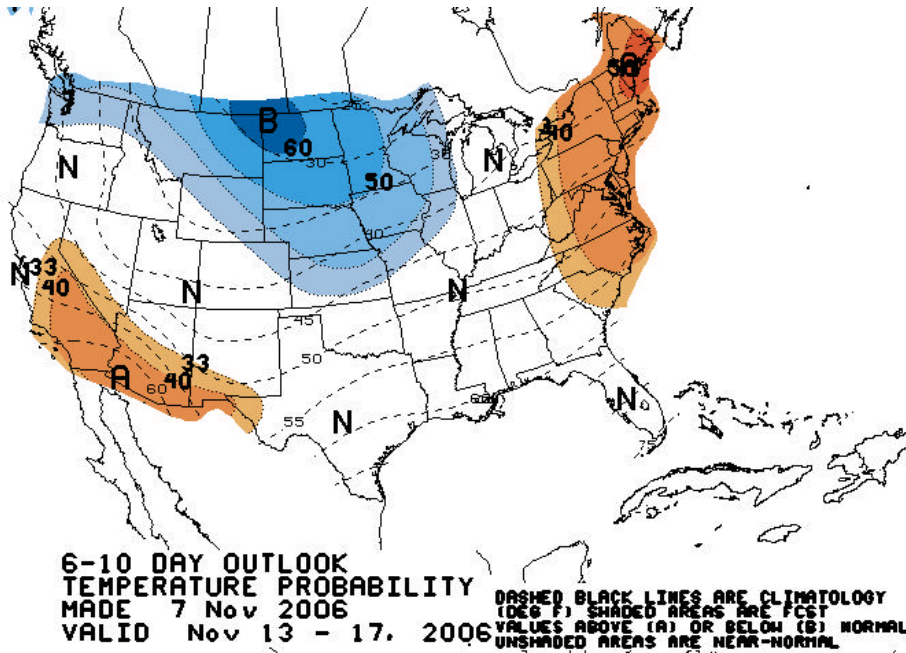
Gulf South Pipeline said that it will be performing unscheduled maintenance on Bistineau Compressor Station Unit #1 beginning immediately and continue for approximately four days. Bistineau injection capacity could be reduced by as much as 90 MMcf/d during this maintenance.

Southern Natural Gas Pipeline Company said that it has identified a need to make repairs to the 22-inch Lake Washington Line. Based on current system conditions, SoNat said that it does not expect that reductions of firm and/or interruptible quantities at the affected receipt points will be required. A repair plan has been developed and is in progress. Based on the best information available, the repair is anticipated to be completed around November 16.

TransColorado Gas Transmission said it will perform maintenance at the Williams Raccoon Hollow interconnect today. TransColorado previously stated that nominations would not be accepted while this maintenance was being performed. However, current operating conditions have changed such that limited nominations will be accepted. Based on the level of nominations, AOR/IT, secondary and primary quantities are at risk of not being scheduled.

**ELECTRIC MARKET NEWS**

The EIA's Short-Term Energy Outlook report for November said that residential electricity prices in 2006 are projected to be 10.9% higher than 2005 prices. However, the agency noted increasing difficulty predicting the



direction of electricity prices in the years ahead as the industry is facing an uncertain future. A number of States instituted temporary retail price caps over the past decade in order to ease uncertainties associated with the restructuring of the electric power industry. Many of these caps are expiring during 2006-2007, while peak-load fuel prices have been extremely volatile, and some regions have witnessed double-digit growth in electricity prices. The EIA did say that rates are likely to increase as higher fuel costs are passed through to retail customers. During 2007, residential electricity prices are projected to increase by about 2.4% to 10.7 cents per kilowatt-hour.

The EIA said total U.S. coal consumption is expected to remain flat in 2006 and increase by 1.9% in 2007. Coal consumption in the electric power sector is likewise expected to be flat in 2006, but grow by 2.1% in 2007.

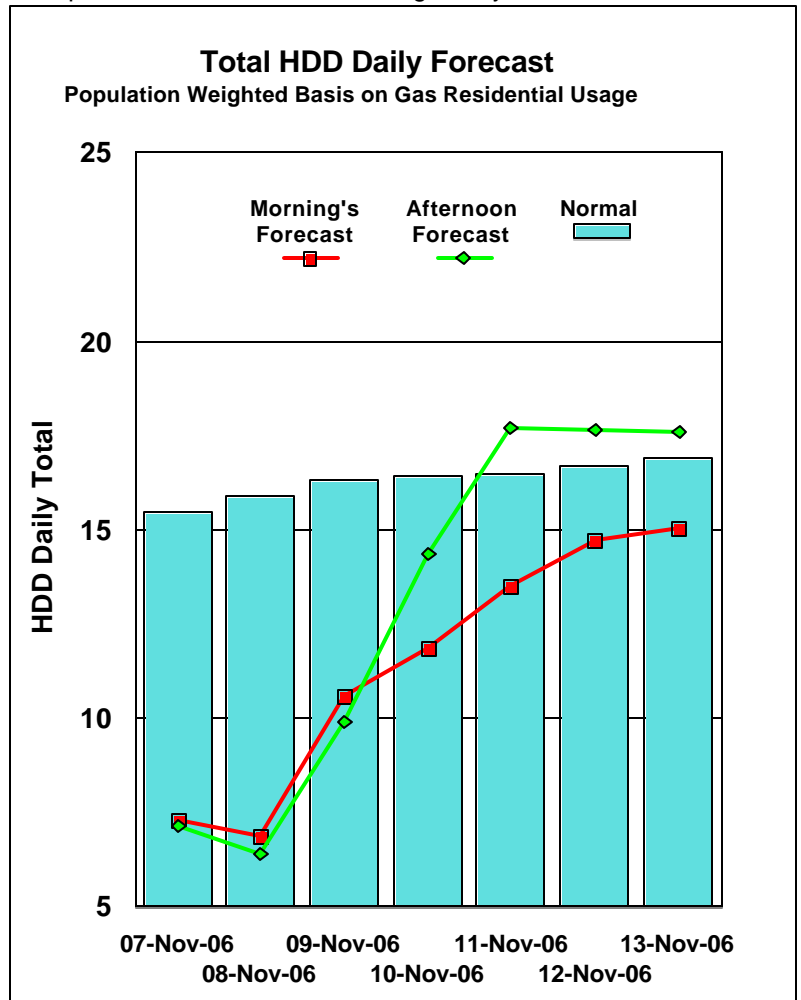
DTE Energy said it plans to sell a number of its unregulated operations to allow it to focus on non-utility businesses that it believes offer the highest growth potential. DTE said it would use proceeds from the sale, which it estimated at about \$1 billion to buy back stock and pay down debt.

Exelon Corp. said it will sell its minority interest in two power plants in Mexico for \$95 million in cash and other adjustments.

**MARKET COMMENTARY**

The natural gas market opened 12 cents lower on near-term mild temperatures and a soft cash market. December natural gas traded to a low of 7.31 early in the session, but as the midday weather forecast was released, showing temperatures 14% colder on the 10-day forecast, prices shot up the chart, rallying to a 7.94 high, before settling up 26.5 cents at 7.755.

With some support holding early in the session, any bit of bullish news was enough to move the market. Funds were large buyers, pushing the market following the weather update, but the new forecasts are far from certain, and the natural gas market could easily find itself on the defensive, as the



choppiness of the market persists. We continue to be wary of any further upside, expecting high inventories and the end of nuclear plant maintenance this month to temper buying until a broader-based cold wave arrives. We see support at \$7.65, \$7.40, \$7.27 and \$7.00. We see resistance at \$7.76, \$8.10, \$8.20, \$8.45, \$8.54 and \$9.00.

NYMEX Nat Gas Options Most Active Strikes for November 7, 2006								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	5	7	C	10	04/25/2007	0.3544	5,650	45.34
LN	3	7	P	5	02/23/2007	0.0479	4,050	59.02
LN	1	7	C	9	12/26/2006	0.4973	3,975	63.87
LN	1	7	C	11	12/26/2006	0.1642	3,100	69.77
ON	3	8	C	20	02/26/2008	0.368	2,500	54.91
LN	4	7	C	10	03/27/2007	0.32	2,400	47.83
LN	5	7	C	8	04/25/2007	0.8296	2,370	40.54
LN	4	7	P	5	03/27/2007	0.0559	2,350	50.12
LN	3	7	C	9	02/23/2007	0.7877	2,325	59.43
LN	12	6	P	6.5	11/27/2006	0.0763	2,200	69.29
LN	1	7	C	13	12/26/2006	0.0496	1,950	72.14
LN	4	7	P	7	03/27/2007	0.5398	1,750	52.15
LN	1	7	C	15	12/26/2006	0.015	1,700	73.83
ON	2	7	P	6	01/26/2007	0.127	1,309	60.48
LN	12	6	P	5.5	11/27/2006	0.0055	1,200	68.44
LN	7	7	C	10	06/26/2007	0.5315	1,150	42.85
LN	6	7	C	10	05/25/2007	0.4339	1,150	43.81
LN	10	7	C	10	09/25/2007	0.875	1,150	43.66
LN	8	7	C	10	07/26/2007	0.6383	1,150	43.08
LN	9	7	C	10	08/28/2007	0.7377	1,150	42.84
LN	12	6	C	8.5	11/27/2006	0.2578	1,075	71.37
ON	12	6	P	7.25	11/27/2006	0.275	954	69.71
LN	6	7	P	7	05/25/2007	0.6412	900	51.71
LN	10	7	P	7.5	09/25/2007	1.0986	900	56.85
LN	6	7	C	7.8	05/25/2007	1.0123	825	38.11
LN	5	7	C	7.75	04/25/2007	0.9255	825	39.77
LN	5	7	P	7.75	04/25/2007	0.9937	825	53.62
LN	6	7	P	7.8	05/25/2007	1.0415	825	53.23
LN	1	7	C	10	12/26/2006	0.2838	800	66.96
LN	3	7	P	8	02/23/2007	0.9932	800	66.55