



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR NOVEMBER 21, 2006**

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

Private forecaster, WSI Corp., said cooler weather was expected for major cities along the U.S. East Coast during the December to February period. The western two-thirds of the world's biggest energy consumer will receive warmer-than-normal temperatures, according to the updated winter outlook.

Merrill Lynch plans to invest in LNG production plants as the U.S. and Europe import more of the fuel. ML is considering investing in plants in countries including Papua New Guinea. The company earlier this year bought capacity at a Sempra Energy LNG import terminal being built in Louisiana, owns capacity at a U.K. terminal and is studying another LNG port in Europe.

Mexican state oil monopoly Pemex reported that average natural gas output crept down to 5.559 Bcf/d from 5.587 Bcf/d, and imports of natural gas were up slightly at 389.6 MMcf/d from 333.1 MMcf/d in September.

The Interior Department's Minerals Management Service (MMS) is seeking comments on a proposal to significantly expand the acreage available for bidding in a Central Gulf of Mexico Planning Area lease sale to be held in September 2007. Comments on the expanded Lease Sale 205 are due at the agency on Dec. 29.

#### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said that it is issuing an Overage Alert Day at 10% tolerance due to colder weather and low linepack.

Kern River Pipeline said that linepack has returned to normal levels over the entire pipeline.

Texas Eastern Transmission Corp. said that it has restricted to capacity deliveries downstream of Castor on the Castor lateral. No increase of deliveries downstream of Castor on the Castor lateral will be accepted. Tetco has scheduled to capacity all 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

#### **Generator Problems**

**MAAC** – Constellation Energy's 862 Mw Calvert Cliffs #2 nuclear unit started to exit an outage and ramped up to 10% power by early today. Calvert Cliffs #1 continues to operate at full power.

**NPCC** – Dominion Energy's 866 Mw Millstone #2 nuclear unit returned to full capacity following a refueling. The unit was operating at 52% power yesterday. Millstone #3 remains at full power.

Entergy's 535 Mw Vermont Yankee nuclear unit returned to full capacity, increasing output from 87%.

**SERC** – Entergy's 968 Mw River Bend nuclear unit ramped up to full power by early today following planned work on the condenser.

Progress Energy's 937 Mw Brunswick #2 nuclear unit ramped up to 86% of capacity by early today. Yesterday, the unit was operating at 40% after exiting an outage. Brunswick #1 increased output to 80% from 65%.

Dominion Resources' 800 Mw Surry #1 nuclear unit restarted and ramped up to 30% capacity. Surry #2 continues to operate at full power.

Duke Power's 1,100 Mw McGuire #2 nuclear unit increased output to 99% following a dip to 80% to conduct some tests. McGuire #1 continues to operate at full power.

**WSCC** – Complete Energy's 960 Mw La Paloma natural gas-fired power station returned all four units to service.

**The NRC reported that 85,517 Mw of nuclear capacity is on line, up 1.91% from Monday, but 2.91% lower from a year ago.**

be accepted. Tetco has restricted receipts sourced between Mt. Belvieu and Little Rock for delivery outside of that area.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	489,600	\$7.575	(\$0.211)	(\$0.414)	(\$0.180)	(\$0.486)
Chicago City Gate	59,400	\$7.312	(\$0.217)	(\$0.695)	(\$0.250)	(\$0.605)
NGPL- TX/OK	540,900	\$6.652	(\$0.449)	(\$1.355)	(\$0.482)	(\$1.137)
SoCal	896,800	\$6.565	(\$0.276)	(\$1.442)	(\$0.309)	(\$1.488)
PG&E Citygate	340,000	\$7.219	(\$0.315)	(\$0.788)	(\$0.348)	(\$0.702)
Dominion-South	259,100	\$7.835	(\$0.356)	(\$0.172)	(\$0.389)	(\$0.159)
Transco Zone 6	127,400	\$8.025	(\$0.363)	\$0.018	(\$0.396)	\$0.022

Williston Basin Interstate Pipeline Company said that several points and line sections are in pipeline capacity constraint for today's timely cycle. Penalties will be imposed at the following line sections: Northern Border-Manning and Northern Border Glen Ullin.

**PIPELINE MAINTENANCE**

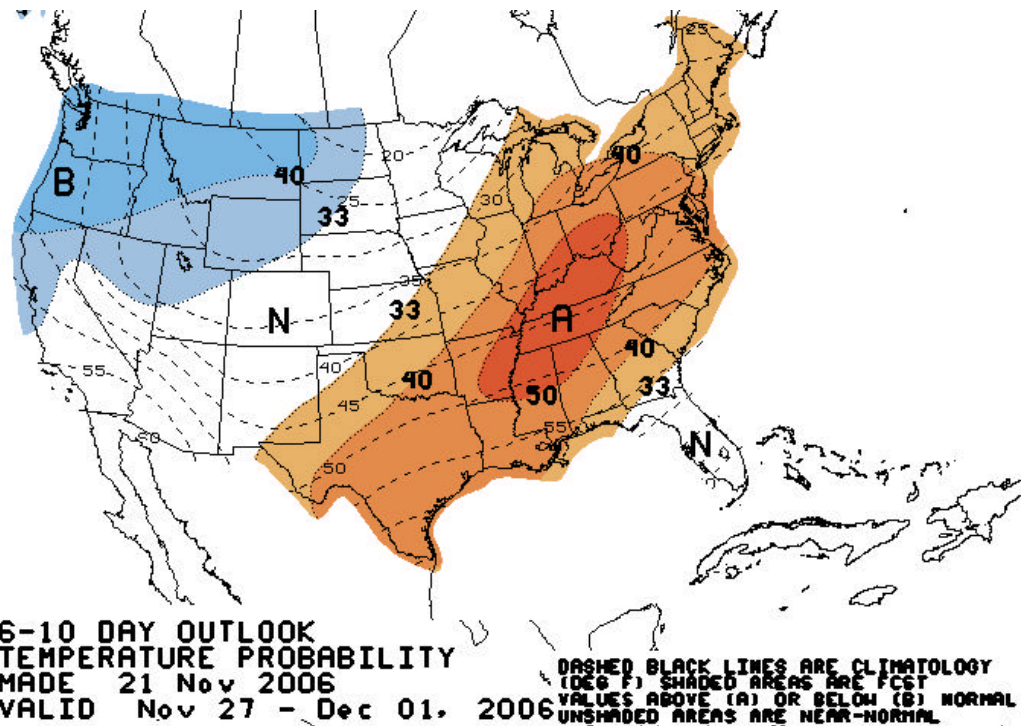
Southern Natural Gas Pipeline said that it has identified a need to make repairs to the 22-inch Lake Washington Line. Based on current system conditions, SoNat said that it does not expect that reductions of firm and/or interruptible quantities at the affected receipt points will be required. A repair plan has been developed and is in progress. Based on the best information available, the repair will be completed around November 28.

**ELECTRIC MARKET NEWS**

Minnesota-based electric cooperative Great River Energy will build a 160 Mw natural gas-fired power plant to meet its members growing power needs. Following a bidding process that began in April, Great River said it planned to add a simple-cycle combustion turbine at its Elk River, Minnesota site. The plant will run in times of high demand, beginning in the spring of 2009, pending board approval and permitting.

Dominion Resources' Dominion Virginia Power last week issued a request for either 300 Mw of new peaking capacity or demand-side management programs to meet the growing demand for power in Northern Virginia.

Tennessee Valley Authority reported a false alarm for a coolant leak at the 1,121 Mw Watts Bar nuclear power station. At about 6:15 am, the Knoxville, Tennessee-based federal power authority declared an unusual event to the U.S. Nuclear Regulatory Commission due to an indication of possible water leaks greater than the plant's technical specifications.



**NYMEX Nat Gas Options Most Active Strikes for November 21, 2006**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	1	7	P	7	12/26/2006	0.1313	3,950	62.54
LN	12	6	P	7	11/27/2006	0.006	3,915	54.60
LN	12	6	P	7.5	11/27/2006	0.057	3,830	55.64
LN	3	7	P	5	02/23/2007	0.0297	3,250	57.79
ON	4	7	P	5	03/27/2007	0.048	2,780	51.45
LN	2	7	C	10	01/26/2007	0.4472	2,600	66.55
LN	12	6	C	8.5	11/27/2006	0.07	2,540	58.33
LN	1	7	C	10	12/26/2006	0.2134	2,300	66.29
LN	2	7	C	12	01/26/2007	0.1785	2,225	70.02
LN	2	7	C	11.5	01/26/2007	0.2269	2,200	69.53
LN	3	7	C	10	02/23/2007	0.562	2,050	66.34
ON	2	7	C	10	01/26/2007	0.448	1,811	66.62
LN	5	7	P	5	04/25/2007	0.0694	1,700	50.28
ON	12	6	C	8.5	11/27/2006	0.07	1,557	58.33
LN	3	7	P	7	02/23/2007	0.3683	1,550	57.98
LN	12	6	C	8.25	11/27/2006	0.1302	1,500	57.52
ON	12	7	P	7	11/27/2007	0.512	1,500	42.98
LN	2	7	C	8.5	01/26/2007	0.8977	1,275	63.66
LN	3	7	C	8.5	02/23/2007	0.978	1,250	62.87
LN	2	7	P	5	01/26/2007	0.0131	1,250	61.37
ON	12	6	C	8	11/27/2006	0.226	1,216	56.81
LN	4	7	C	8	03/27/2007	0.925	1,150	51.14
LN	2	7	C	9.5	01/26/2007	0.5643	1,100	65.58
LN	12	6	C	8	11/27/2006	0.2256	1,050	56.72
LN	4	7	P	5	03/27/2007	0.0474	1,050	51.31
LN	1	7	P	6	12/26/2006	0.0232	1,050	63.45
LN	2	7	P	7	01/26/2007	0.2545	1,050	60.48
LN	5	7	C	8	04/25/2007	0.9806	1,000	50.03
LN	2	7	C	14	01/26/2007	0.0702	1,000	72.02
LN	5	7	C	10	04/25/2007	0.4359	1,000	52.12
LN	2	7	P	6	01/26/2007	0.0732	925	60.43
ON	12	6	C	8.25	11/27/2006	0.13	913	57.49
ON	1	7	C	13	12/26/2006	0.024	756	72.52
LN	1	7	C	9	12/26/2006	0.4424	728	64.29
LN	11	7	C	13	10/26/2007	0.5801	700	51.44
LN	8	7	C	13	07/26/2007	0.3272	700	54.16
LN	7	7	C	13	06/26/2007	0.2365	700	52.67
LN	6	7	C	13	05/25/2007	0.1806	700	53.50
LN	5	7	C	13	04/25/2007	0.1327	700	54.55
LN	12	7	C	13	11/27/2007	0.712	700	49.63
LN	10	7	C	13	09/25/2007	0.5209	700	56.19
LN	4	7	C	13	03/27/2007	0.1068	700	56.95
LN	9	7	C	13	08/28/2007	0.4066	700	54.50
LN	2	7	C	13	01/26/2007	0.1112	700	71.00
LN	1	7	C	13	12/26/2006	0.0237	700	72.37
LN	3	7	C	13	02/23/2007	0.1885	700	70.49

**MARKET COMMENTARY**

The natural gas market opened 11 cents lower as the market chopped tamely a dime to either side of 8.00 as traders pointed to a thinning market ahead of the Thanksgiving holiday. Cash points weakened across the nation, taking steam from the bulls, as industrial usage over the next few days winds down ahead of the long weekend. Overall the front month contract edged a modest 3.1 cents lower to settle at 7.988.

Expectations for tomorrow's EIA inventory report, which will be released at 12:00 noon due to the holiday, range between a draw of 10 Bcf and a modest build of 5 Bcf. The average expectation is for a modest withdrawal of 4 Bcf. Our heating degree-day model calls for a draw of 8 Bcf. With short-term weather forecasts not expected to provide any immediate support, we see this market continuing to chop in familiar territory as it awaits the winter heating season. We see support at \$7.90, \$7.66, \$7.50, \$7.40-\$7.38, and 7.06. We see resistance at \$8.25-\$8.26, \$8.45, \$8.54, \$8.62 and \$9.00.

Last year we found that the Arctic and North Atlantic Oscillators Indexes showed a 36-day lead-time to a correlation to colder or warmer than normal

temperatures across the lower 48 states. If using the same relationship this year it looks like come the middle part of December we could again see a colder than normal period of weather.

