



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR DECEMBER 7, 2006

#### NATURAL GAS MARKET NEWS

The Climate Prediction Center reported that the El Nino weather pattern will peak during the northern hemisphere winter and then weaken during March to May 2007. El Nino was a key factor for a mild 2006-hurricane season.

British hurricane forecasting group Tropical Storm Risk said it expected a busier-than-normal Atlantic hurricane season in 2007 with 16 tropical storms, of which nine would strengthen into hurricanes. TSR's long-range forecast anticipates Atlantic Basin and U.S. landfalling hurricane activity will be 60% above the 1950-2006 norm next season.

AGL Resources said it is planning a \$180 million 12 Bcf storage facility in the Spindletop salt dome in Beaumont, TX, with the potential to increase the field's working gas capacity to 36 Bcf.

#### PIPELINE RESTRICTIONS

East Tennessee Natural Gas said that there will be no secondary receipts out of path upstream of station 3104; No secondary receipts out of path upstream of station 3205; and not secondary deliveries downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke. In addition, Maximum Allowable Delivery Service will be in effect beginning for gas day December 7, in accordance with Section 7 of Rate Schedule LMS-MA of its FERC Gas Tariff. The unauthorized overrun charges for exceeding MAD will remain in effect until further notice.

#### EIA Weekly Report

	12/01/2006	11/24/2006	Net chg	Last Year
<b>Producing Region</b>	1010	1010	0	880
<b>Consuming East</b>	1946	1936	10	1867
<b>Consuming West</b>	450	471	-21	428
<b>Total US</b>	3406	3417	-11	3174

\*storage figures in Bcf

Kern River Pipeline said that linepack has returned to normal over its entire system.

Texas Eastern Transmission Corp. said that it has restricted to capacity 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 Vidor and Little Rock for delivery outside of that area. No increase of receipts

#### Generator Problems

**MAIN** – AmerGen's 1,022 Mw Clinton nuclear unit increased production to 49% from 47% held yesterday. As repairs are made following an ice storm damaged several transmission lines.

**MAPP** – The Omaha Public Power District's 492 Mw Fort Calhoun nuclear unit increased output to 52% capacity today. Yesterday, the unit was operating at 37% capacity.

**SERC** – Entergy's 966 Mw River Bend nuclear unit is operating at 74% capacity, down 1% from yesterday.

Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit increased output to 80% capacity today as it returns from a refueling outage. Yesterday, the unit was operating at 75%.

**The NRC reported that 89,453 Mw of nuclear capacity is on line, down .10% from Wednesday, and 4.01% lower from a year ago.**

#### Canadian Gas Association

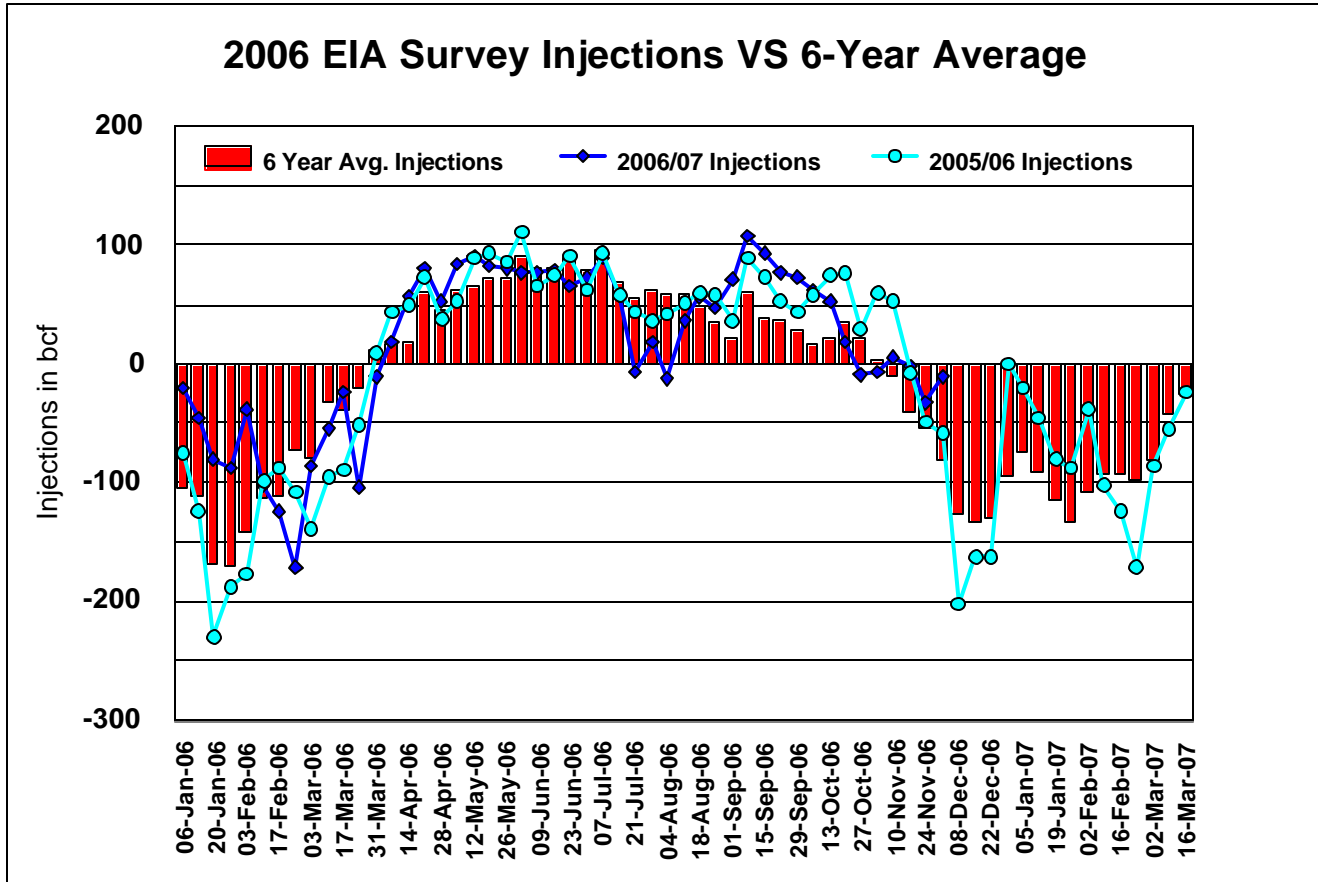
##### Weekly Storage Report

	01-Dec-06	24-Nov-06	02-Dec-05
<b>East</b>	244.2	241.8	238.2
<b>West</b>	202.3	211.1	234.8
<b>Total</b>	446.4	452.8	473.0

storage figures are in Bcf

between Vidor and Little Rock for delivery outside of that area will be accepted.

Williston Basin Interstate Pipeline Company said that one point and several line sections are in pipeline Capacity Constraint. Penalties will be imposed for the timely cycle for delivery at the following line sections: Cabin Creek -



Dickinson; Dickinson-Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Belle Fourche-Recluse; Cleveland-Mapleton; Portal-Tioga; Belle Creek-Manning. Penalties will also be imposed at the Northern Border-Manning.

### PIPELINE MAINTENANCE

Gulf South Pipeline said it will be performing scheduled compressor maintenance at the Clarence Compressor Station on Unit #3 beginning December 11 at 7:00 AM and continuing for approximately three days. Capacity through the Clarence Compressor Station facility will be reduced by as much as 100 MMcf/d during this maintenance, however with current nominations, capacity on the West 30 North should not be affected.

Williston Basin Interstate Pipeline Company said that unplanned maintenance at the Manning Compressor Station will continue through today,

during which the maximum capacity will be approximately 82 MMcf.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	660,900	\$7.605	\$0.286	(\$0.066)	\$0.342	(\$0.162)
Chicago City Gate	593,600	\$7.611	\$0.048	(\$0.039)	\$0.128	(\$0.148)
NGPL- TX/OK	677,000	\$7.082	\$0.223	(\$0.568)	\$0.303	(\$0.773)
SoCal	836,000	\$7.190	\$0.229	(\$0.460)	\$0.309	(\$0.607)
PG&E Citygate	568,700	\$7.462	\$0.209	(\$0.188)	\$0.289	(\$0.330)
Dominion-South	284,500	\$7.867	\$0.307	\$0.217	\$0.387	(\$0.011)
Transco Zone 6	270,800	\$8.640	\$0.516	\$0.990	\$0.596	\$0.578

## **ELECTRIC MARKET NEWS**

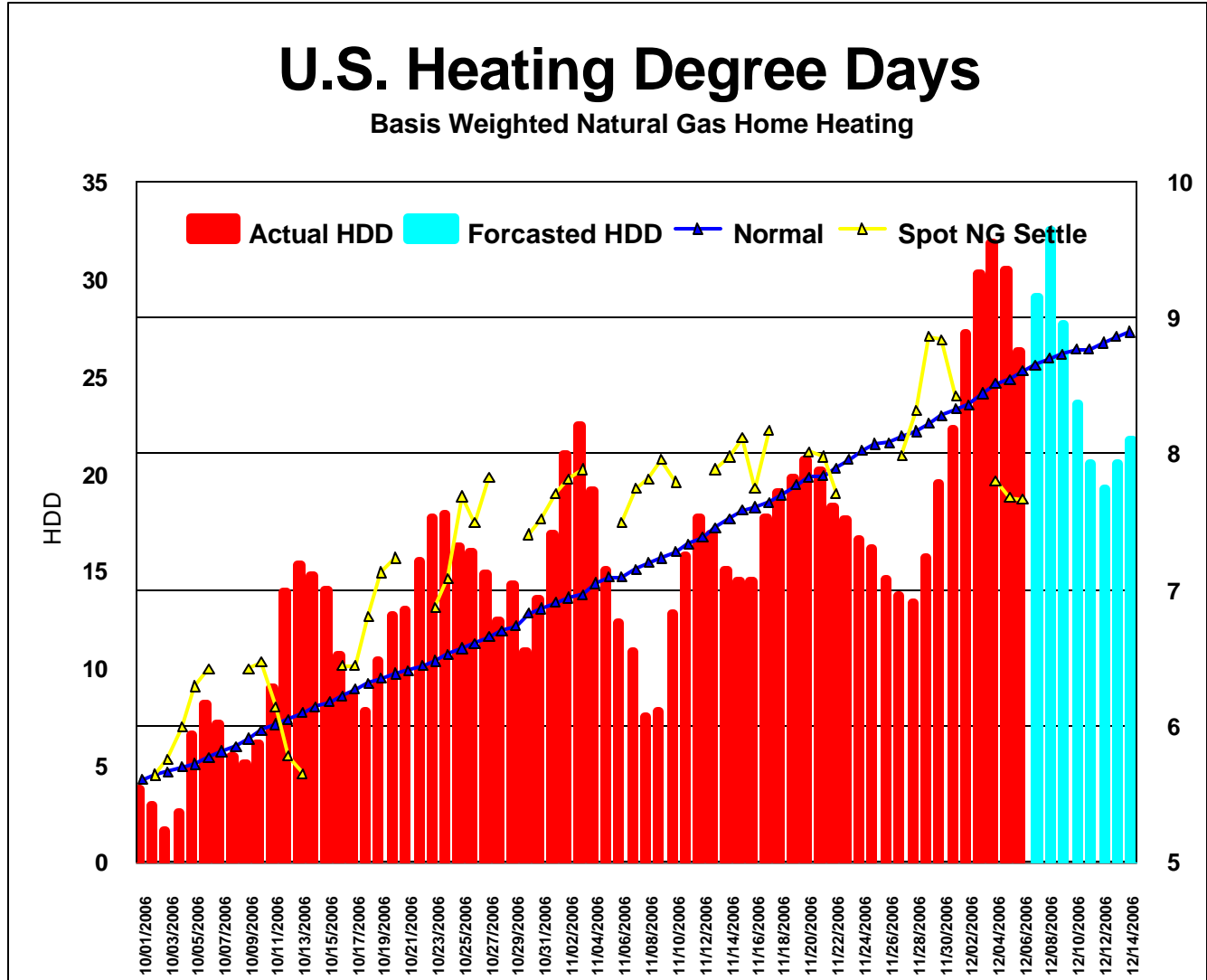
The Tennessee Valley Authority said that its Shawnee Fossil Plant Unit 6 has set a national record by generating power continuously everyday for more than two years and nine months, longer than any generating unit in the country. The unit set the record November 30 when it had operated for 1,017 days and three hours.

The International Energy Agency recently reported that "Clean" coal-fired power plants that bury greenhouse gases will be up and running in 5-10 years but will be money-losers unless governments impose tougher policies for fighting global warming.

## **MARKET COMMENTARY**

The natural gas market opened 6.7 cents lower, as traders awaited the release of the EIA inventory report. The report came out within expectations, showing that 11 Bcf was drawn from the ground, resulting in a choppy market that saw prices chop between 7.60 and 7.81, as the market really felt like it had no where to go. The January contract maintained support at the 7.60 level and finished the day down 5.6 at 7.671.

The natural gas option market was active again today with nearly 130,000 contracts traded between the American and European natural gas options. The key trade of the day was the 1x2 \$15-\$20 call spreads traded in the May through October 2008 European options. These spreads accounted for nearly 25% of the days total natural gas option activity.



**NYMEX Nat Gas Options Most Active Strikes for December 7, 2006**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Sett;e	Volume	IV
LN	4	8	C	20	03/26/2008	0.0481	11,900	36.83
ON	1	7	P	8	12/26/2006	0.587	5,970	56.68
LN	5	8	C	20	04/25/2008	0.0314	5,400	33.74
LN	6	8	C	20	05/27/2008	0.0387	5,400	33.30
LN	7	8	C	20	06/25/2008	0.0518	5,400	33.40
LN	8	8	C	20	07/28/2008	0.0802	5,400	34.53
LN	9	8	C	20	08/26/2008	0.1074	5,400	35.16
LN	10	8	C	20	09/25/2008	0.1837	5,400	37.86
LN	1	7	P	8	12/26/2006	0.5865	5,070	59.37
LN	4	8	C	15	03/26/2008	0.1512	2,700	33.75
LN	5	8	C	15	04/25/2008	0.1092	2,700	30.71
LN	6	8	C	15	05/27/2008	0.1264	2,700	30.19
LN	7	8	C	15	06/25/2008	0.1563	2,700	30.22
LN	8	8	C	15	07/28/2008	0.2135	2,700	31.26
LN	9	8	C	15	08/26/2008	0.2635	2,700	31.82
LN	10	8	C	15	09/25/2008	0.3616	2,700	33.51
LN	1	7	P	7	12/26/2006	0.1231	2,688	56.10
ON	1	7	P	7	12/26/2006	0.123	2,494	54.74
ON	4	7	C	12	03/27/2007	0.082	2,000	55.25
ON	1	7	C	8	12/26/2006	0.259	1,565	56.61
LN	1	7	P	7.5	12/26/2006	0.3009	1,400	57.20
LN	1	7	C	8.5	12/26/2006	0.1336	1,250	56.64
LN	3	7	P	6	02/23/2007	0.1248	1,200	55.12
LN	3	7	C	10	02/23/2007	0.2631	1,100	60.25
LN	9	7	C	7.9	08/28/2007	1.2704	1,025	37.82
LN	9	7	P	7.9	08/28/2007	1.1925	1,025	55.51
LN	10	7	C	8.05	09/25/2007	1.3579	1,025	38.36
LN	10	7	P	8.05	09/25/2007	1.3168	1,025	56.99
ON	4	7	C	10	03/27/2007	0.233	1,007	53.22
LN	1	7	P	6.5	12/26/2006	0.0374	1,000	55.60
LN	1	7	C	9.5	12/26/2006	0.0326	900	60.37
LN	3	9	C	8.95	02/24/2009	1.6082	900	11.72
LN	3	9	P	8.95	02/24/2009	1.57	900	46.78
LN	12	8	C	8.95	11/21/2008	1.481	900	12.66
LN	12	8	P	8.95	11/21/2008	1.4469	900	44.86
LN	1	7	P	7.25	12/26/2006	0.1992	852	56.60
LN	1	7	P	7.75	12/26/2006	0.4302	850	58.06
LN	4	7	P	6	03/27/2007	0.1729	750	50.80
ON	1	8	C	10	12/26/2007	1.424	600	44.05
ON	6	7	C	9	05/25/2007	0.54	600	47.87
ON	2	7	P	5	01/26/2007	0.007	507	55.29
ON	1	7	P	11.45	12/26/2006	3.779	500	87.67
LN	1	7	P	6	12/26/2006	0.0071	500	54.60
LN	3	7	P	5	02/23/2007	0.0217	500	54.49
LN	4	7	C	15	03/27/2007	0.0213	500	56.83
LN	5	7	C	15	04/25/2007	0.031	500	52.87
LN	6	7	C	15	05/25/2007	0.0526	500	51.28
LN	7	7	C	15	06/26/2007	0.0769	500	49.17

Despite the overwhelmingly bearish picture right now of a record amount of gas in storage (3.406 Tcf), and well above average temperatures forecast through the month resulting in dismal heating demand, the market is reluctant to make new lows at this time. Short-term support is seen from next week's inventory report, which will show a substantial drawdown, possibly as high as 140 Bcf due to this week's bone-chilling cold in the Midwest and Northeast. Yet the market remains in check due to the prospect of extended mild conditions. This market will chop in its current range of roughly 7.50-7.90 until decisively fundamental pressures, such as cold weather forecasts or a failure of the record storage levels to diminish, move the market to a new level. We see support at \$7.50, \$7.44, \$7.35, \$7.25 and \$7.00. We see resistance at \$7.88, \$8.00, \$8.13, \$8.29-\$8.30, \$8.70 and \$9.12.