



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR DECEMBER 8, 2006

#### NATURAL GAS MARKET NEWS

According to the Colorado State University forecasting team, El Nino conditions that led to a quiet hurricane season in 2006 are likely to dissipate by next summer, leading to above-average hurricane activity for 2007. The team's first extended-range forecast for the 2007 hurricane season anticipates 14 named storms forming in the Atlantic basin between June 1 and November 30. Seven of the 14 storms are predicted to become hurricanes, and of those seven, three are predicted to develop into intense or major hurricanes with sustained winds of 111 mph or greater.

Units of El Paso Corp. Centerpoint Energy and Duke Energy said they would expand the capacity of a planned natural gas pipeline project that will bring supplies to growing markets in the U.S. Southeast. The companies said they signed a definitive agreement for the Southeast Supply Header, a proposed 270-mile line that will bring gas from the Perryville Hub in northern Louisiana to interconnecting pipelines serving the Eastern United States.

Baker Hughes reported that the number of rigs searching for oil and gas in the United States rose seven to 1,724 in the week ending Friday. The number of rigs searching for oil fell seven to 282, while the number of rigs searching for gas rose 14 to 1,437.

#### Generator Problems

**MAIN** – AmerGen's 1,022 Mw Clinton nuclear unit increased output to 96% capacity today as it ramps power following last week's ice storm. Yesterday, the unit was operating at 49% power.

**MAPP** – The Omaha Public Power District's 492 Mw Fort Calhoun nuclear unit ramped production to 70% as it returns from a refueling outage. The unit was operating at 52% capacity yesterday.

**SERC** – Entergy's 966 Mw River Bend nuclear unit returned to full power today. Yesterday, the unit was operating at 74% capacity.

Tennessee Valley Authority's 1,121 Mw Watts Bar nuclear unit increased production modestly to 83% capacity as it returns from a refueling outage. Yesterday, the unit was operating at 80%.

**The NRC reported that 90,531 Mw of nuclear capacity is on line, up 1.20% from Thursday, but 2.96% lower from a year ago.**

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	751,100	\$7.448	(\$0.157)	(\$0.113)	(\$0.047)	(\$0.183)
Chicago City Gate	474,600	\$7.269	(\$0.342)	(\$0.450)	(\$0.411)	(\$0.220)
NGPL- TX/OK	510,100	\$6.795	(\$0.287)	(\$0.924)	(\$0.356)	(\$0.804)
SoCal	522,700	\$7.088	(\$0.102)	(\$0.631)	(\$0.171)	(\$0.625)
PG&E Citygate	471,500	\$7.384	(\$0.078)	(\$0.335)	(\$0.147)	(\$0.336)
Dominion-South	352,500	\$7.552	(\$0.314)	(\$0.167)	(\$0.383)	(\$0.062)
Transco Zone 6	238,900	\$8.208	(\$0.432)	\$0.489	(\$0.501)	\$0.546

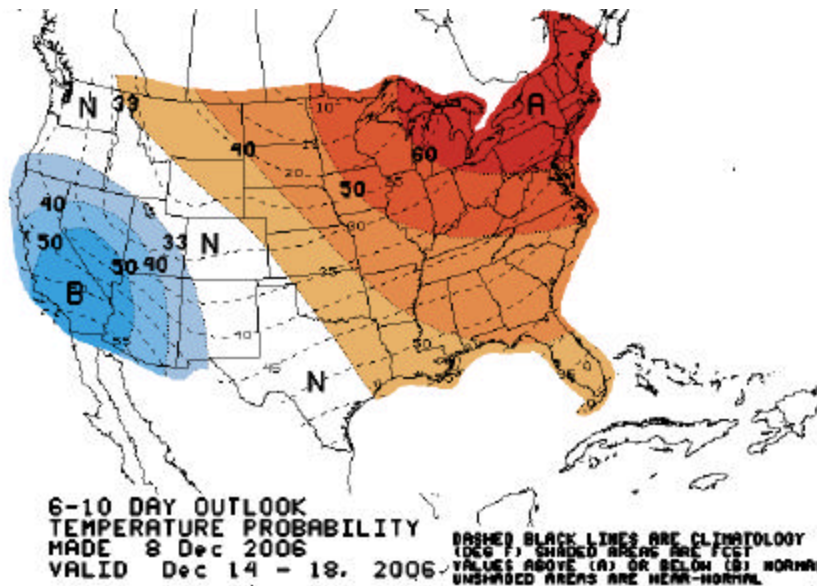
A U.S. District Judge in Houston gave preliminary approval to a proposed settlement and set a final hearing in the class action suit involving shareholders of El Paso Corporation. The suit was initially filed on behalf of shareholders who suffered losses when El Paso's stock prices

declined precipitously in the early months of 2002. Under the proposed settlement the defendants, El Paso and its auditor PricewaterhouseCoopers, will pay out \$285 million.

### **PIPELINE RESTRICTIONS**

Algonquin Gas Transmission said that it has restricted a portion of priority 3 nominations flowing through Stony Point compressor station. No increases for nominations flowing through Stony Point, except for Firm No-Notice nominations, will be accepted.

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 no 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.



Florida Gas Transmission said that it is issuing an Overage Alert Day at 25% tolerance due to colder weather.

Texas Eastern Transmission Corp. said that it has scheduled 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 Mt. Belvieu and Little Rock for delivery outside of that area. No increase of receipts between Mt. Belvieu and Little Rock for delivery outside of that area will be accepted.

Williston Basin Interstate Pipeline Company said that 01010 Northern Border-Manning remains in pipeline Capacity Constraint through December 9. Penalties will be imposed for the timely cycle for delivery.

### **PIPELINE MAINTENANCE**

Alliance Pipeline said that inspections and maintenance on Blueberry Hill Compression Station Unit #2 encountered unexpected difficulties. Consequently, the capacity at Constraint Point #2 will be lowered back to 418.5 MMcf/d. The Blueberry Hill Station is located in British Columbia.

Gulf South Pipeline said that it will be performing scheduled maintenance on all units at the Jackson Compressor Station, with one unit available at a time, beginning December 11, and continuing for six days. Capacity through the Jackson Compressor Station could be affected by as much as 125 MMcf/d for the duration of this maintenance.

Williston Basin Interstate Pipeline Company said that unplanned maintenance at the Manning Compressor Station will continue through December 9, during which the maximum capacity will be approximately 82 MMcf.

### **ELECTRIC MARKET NEWS**

Three U.S. Democratic governors helped to launch a new campaign by an alliance of labor unions and business and environmental interests to promote among states a plan to cut the nation's oil imports and increase the use of renewable energy by 2025. New Mexico Governor Bill Richardson, Montana Governor Brian Schweitzer and Pennsylvania Governor Edward Rendell urged states to adopt an Apollo Alliance plan that would establish

minimum targets for the use of renewables to produce transportations fuels and electricity and would establish standards for energy efficient buildings.

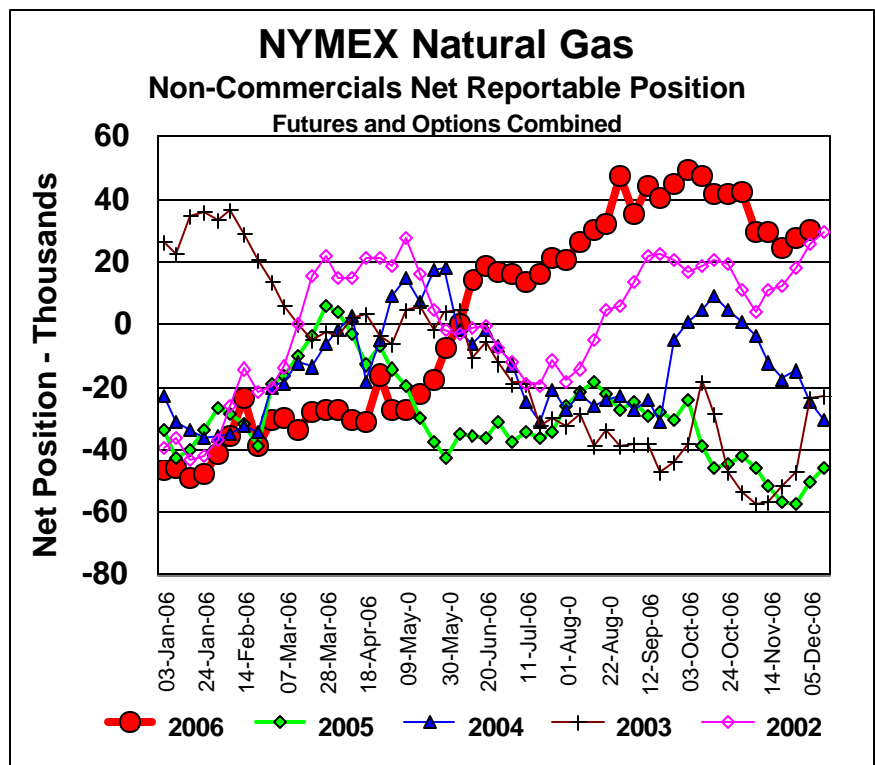
According to researchers with NOAA and the University of Bremen, Germany reported that new satellite observations show that emissions of nitrogen oxides are declining over the eastern U.S. The researchers said that new satellite observations mark the first time space-based instruments have detected the regional impact of pollution controls implemented by coal-burning electric power plants in the 1990s. NOAA and the university said high-precision instruments aboard European satellites have detected a 38% drop in nitrogen dioxide in the Ohio River Valley and nearby states between 1999 and 2005. Computer model results show the nitrogen oxide emission reductions should decrease ozone levels in the six states of the Ohio River Valley.

U.S. Secretary of Energy Samuel W. Bodman next week will travel to Japan and Korea and hold bilateral discussions with his Japanese and Korean counterparts before arriving in Beijing, China for the inaugural meeting of the U.S.-China Strategic Economic Dialogue and the Five-Party Energy Ministerial with China, Japan, Korea and India. During his three-nation visit, Bodman will promote global energy security, encourage greater international cooperation in advancing clean energy technologies, and urge adherence to market principles.

**MARKET COMMENTARY**

The natural gas market opened 2 cents higher to start a quiet session to finish a big week that saw two-month highs and two month lows. Prices moved higher early in the session on some light short covering to a high of 7.78, but returned to Tuesday night lows of 7.50, breaching the recent support of 7.60 and suggesting lower prices next week unless there is some big change in weather forecasts. The January contract settled down 11 cents at 7.561.

Natural gas options continued to see strong trading interest in the 1x2 \$15-\$20 call spreads for the second straight session.



The frigid air that has encompassed the eastern half of the nation will depart as quickly as it poured down from the arctic. Milder air will return to the eastern U.S. by the end of the weekend, leaving the bears fundamentally in control. The close below 7.60 is further evidence of the bears control as critical technical support was snapped, opening the chart to further downside exploration, through 7.50 and down to 7.44. The Commitment of Traders Report showed that non-commercial traders reduced their net long futures position by 2,464 lots to 49,080 contracts, but in the combined futures and options report, they increased their net long position by 2,275 lots to 30,024 contracts. We see support at \$7.50, \$7.44, \$7.35, \$7.25 and \$7.00. We see resistance at \$7.60, \$7.88, \$8.00, \$8.29-\$8.30, \$8.70 and \$9.05.

NYMEX Nat Gas Options Most Active Strikes for December 8, 2006								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
ON	4	7	C	12	03/27/2007	0.074	5,000	54.91
LN	4	8	C	20	03/26/2008	0.0474	2,700	36.84
LN	5	8	C	20	04/25/2008	0.0311	2,700	33.78
LN	6	8	C	20	05/27/2008	0.0383	2,700	33.30
LN	7	8	C	20	06/25/2008	0.0514	2,700	33.41
LN	8	8	C	20	07/28/2008	0.0799	2,700	34.53
LN	9	8	C	20	08/26/2008	0.107	2,700	35.17
LN	10	8	C	20	09/25/2008	0.1837	2,700	37.87
ON	4	7	C	10	03/27/2007	0.215	2,500	52.83
LN	6	7	C	20	05/25/2007	0.011	2,400	55.64
LN	10	7	C	20	09/25/2007	0.0901	2,400	53.74
LN	8	8	C	15	07/28/2008	0.213	1,450	31.27
LN	9	8	C	15	08/26/2008	0.2629	1,450	31.82
LN	10	8	C	15	09/25/2008	0.3619	1,450	33.52
LN	1	7	P	6	12/26/2006	0.0082	1,350	54.68
LN	4	8	C	15	03/26/2008	0.1496	1,350	33.77
LN	5	8	C	15	04/25/2008	0.1083	1,350	30.74
LN	6	8	C	15	05/27/2008	0.1255	1,350	30.20
LN	7	8	C	15	06/25/2008	0.1553	1,350	30.23
ON	1	7	P	12	12/26/2006	4.439	1,325	103.05
LN	3	7	P	5	02/23/2007	0.022	1,100	54.18
ON	1	7	P	7	12/26/2006	0.141	1,058	54.87
LN	1	7	P	7	12/26/2006	0.1414	1,050	56.33
LN	4	7	C	12	03/27/2007	0.0732	1,000	52.41
ON	5	7	C	9	04/25/2007	0.42	1,000	48.34
ON	5	7	P	7	04/25/2007	0.563	1,000	47.44
LN	4	7	C	20	03/27/2007	0.0042	900	63.98
LN	5	7	C	20	04/25/2007	0.0045	900	56.60
LN	7	7	C	20	06/26/2007	0.0188	900	53.45
LN	8	7	C	20	07/26/2007	0.0357	900	53.62
LN	9	7	C	20	08/28/2007	0.06	900	53.66
LN	2	7	C	10	01/26/2007	0.1361	850	62.59
ON	1	7	C	8	12/26/2006	0.21	815	56.89
LN	3	7	P	6	02/23/2007	0.1279	800	54.83
LN	4	7	C	10	03/27/2007	0.2146	800	49.63
ON	2	7	C	9.5	01/26/2007	0.189	790	63.07
LN	3	7	C	8.5	02/23/2007	0.5235	781	55.74
LN	1	7	P	7.5	12/26/2006	0.3389	750	57.48
LN	4	7	P	5	03/27/2007	0.0391	750	50.22
ON	1	7	P	8	12/26/2006	0.648	732	57.01
ON	3	7	C	9.5	02/23/2007	0.313	700	61.86
LN	4	7	C	8.5	03/27/2007	0.4719	650	45.70
LN	2	7	P	6.5	01/26/2007	0.1609	640	57.10
LN	1	7	P	8	12/26/2006	0.6478	627	60.00
LN	2	7	C	8.5	01/26/2007	0.3695	600	57.16
LN	3	7	P	6.5	02/23/2007	0.2553	600	56.60