



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR DECEMBER 9, 2005**

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

The head of the American Gas Association, David Parker, said U.S. natural gas supplies should be adequate this winter to meet demand for home heating customers, thanks partly to high inventory levels. However, Parker cautioned that if this winter brings unusually cold temperatures, supplies to some big industrial users could be disrupted in February or March. Parker also said that if temperatures drop significantly this winter, industrial companies and others that pay for natural gas at discounted rates, interruptible customers, could have problems receiving gas supplies early next year.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. rose by 23 to 1,483 in the week ended December 9. The number of rigs searching for gas rose 30 to 1,222 and the number searching for oil fell 7 to 257.

The Minerals Management Service reported that 2.347 Bcf/d remains shut-in in the Gulf of Mexico. That is equivalent to 23.47% of the daily gas production in the Gulf of Mexico.

The city of Boston, in a late motion filed at FERC, said it opposed a proposal by Tennessee Gas Pipeline to build a nearly eight-mile pipeline expansion to provide additional capacity to transport regasified gas from a liquefied natural gas (LNG) terminal in Everett, MA.

FERC on Thursday issued a certificate to Liberty Gas Storage LLC to build a 17.6 Bcf natural gas storage facility in Louisiana to accommodate the expanding network of liquefied natural gas (LNG) projects in the Southeast and satisfy the demand of gas-fired power plants in the region.

The NYMEX reported that it is increasing margins on natural gas futures. The first month margin for non-members is increasing to \$20,925 from \$16,875. The second month margin for non-members is increasing to \$21,600 from \$17,550. The third month margin for non-members is increasing to \$20,925 from \$16,875.

#### **PIPELINE RESTRICTIONS**

East Tennessee Natural Gas said that nominations delivering downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke have been restricted to capacity. No increases will be accepted in this

#### **Generator Problems**

**SERC**— Duke Power Company's 1,129 Mw Catawba #2 nuclear unit increased power to 96% this morning, one percent higher than yesterday. Catawba #1 continues to operate at full power.

Southern Nuclear Operating Company's 888 Mw Farley #2 nuclear unit increased power to operate at 91% capacity. The unit was operating at 87% power yesterday.

**WSCC**— Pacific Gas and Electric's 1,100 Mw Diablo Canyon #1 nuclear unit returned to full capacity today. The unit was operating at 94% capacity yesterday. Diablo Canyon #2 continues to operate at full power.

**Canada**— Ontario Power Generation's 494 Mw Lambton #4 coal-fired power station returned to service by early today. The unit shut December 7 for a short-term unplanned outage.

**The NRC reported that U.S. nuclear generating capacity was at 93,293 Mw up .11% from Wednesday and up 6.88% from a year ago.**

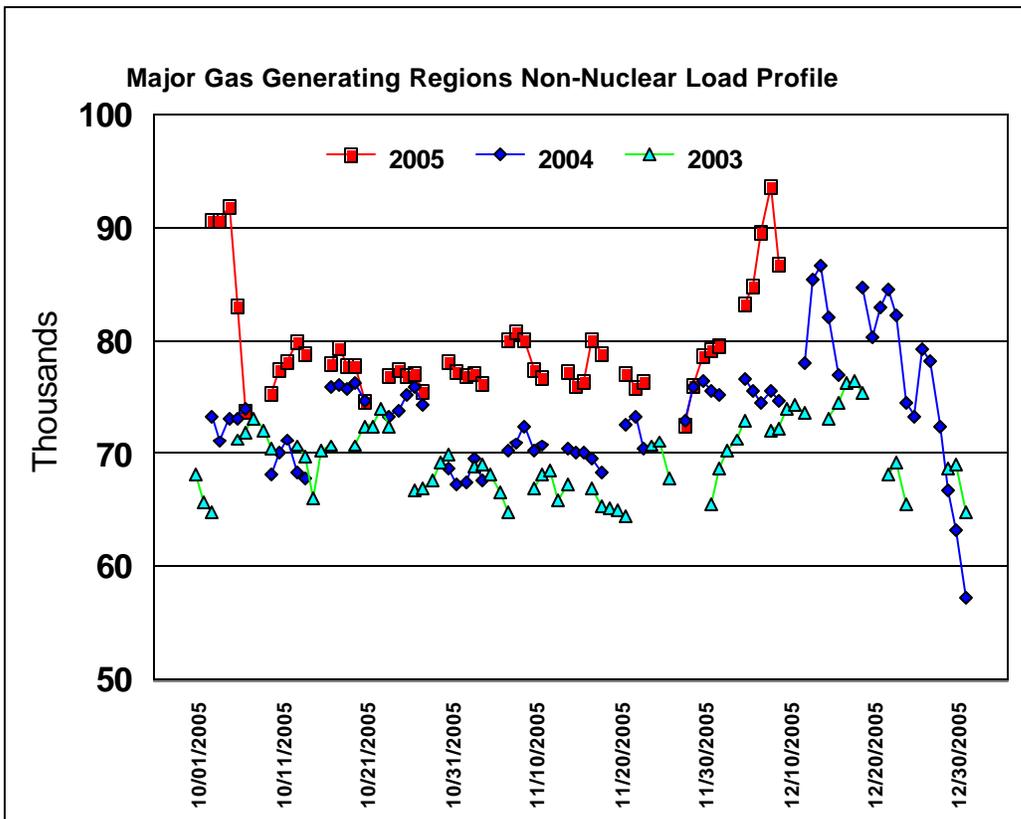
section. In addition, there will be no secondary receipts out of path upstream of station 3104, and no secondary receipts out of path upstream of station 3205.

El Paso Natural Gas Company has declared a Critical Operating Condition system-wide. Linepack on the EPNG transmission system continues to decline due primarily to receipt under-performance. Performance caps are being placed on all receipt locations that are supplying volumes at less than scheduled rates. Receipt shortfalls from the San Juan Basin are currently running in excess of 350 MMcf/d. Receipt shortfalls in the Permian Basin are currently running in excess of 300 MMcf/d.

Gulf South Pipeline said that based upon its initial review of nominations, NNS demand, and other factors, Gulf South may be required to schedule available capacity and implement scheduling reductions on Sarepta to Sterlington 18-inch Index 250; Tyler 12-inch Index 8 / Palestine 8-inch Index 11 & 70 / Dallas 18-inch Index 1; Hall Summit; Koran Station; West 30 North; Barron (To Columbia Gulf); Bayou Sale to Napoleonville; Montpelier to Kosciusko, Kiln to Mobile, and Lake Charles Receipts – Capacity Area 6.

Kern River Pipeline said line pack has been posted as low. Due to low line pack as well as current maintenance at the Salt Lake Compressor Station, Kern River requests that shippers refrain from drafting.

Natural Gas Pipeline Company of America said that capacity is available for northbound flow through and downstream of Compressor Stations 109 and 110 (Segment 14). Based on the current level of nomination in Segment 14, a limited amount of interruptible flow, authorized overrun and secondary out-of-path firm transportation is available. However, Natural remains at capacity for eastbound flow through Compressor Station 801 (Segment 15). ITS/AOR and secondary out-of-path Firm transportation are not available. In addition, Natural also remains at capacity for gas going northbound through Segment 13 located in Mills County, Iowa. ITS/AOR and secondary out-of-path firm transportation are at risk of not getting fully scheduled.



PG&E California Gas Transmission has called a customer specific operational flow order on its California natural gas pipeline for today's gas flow.

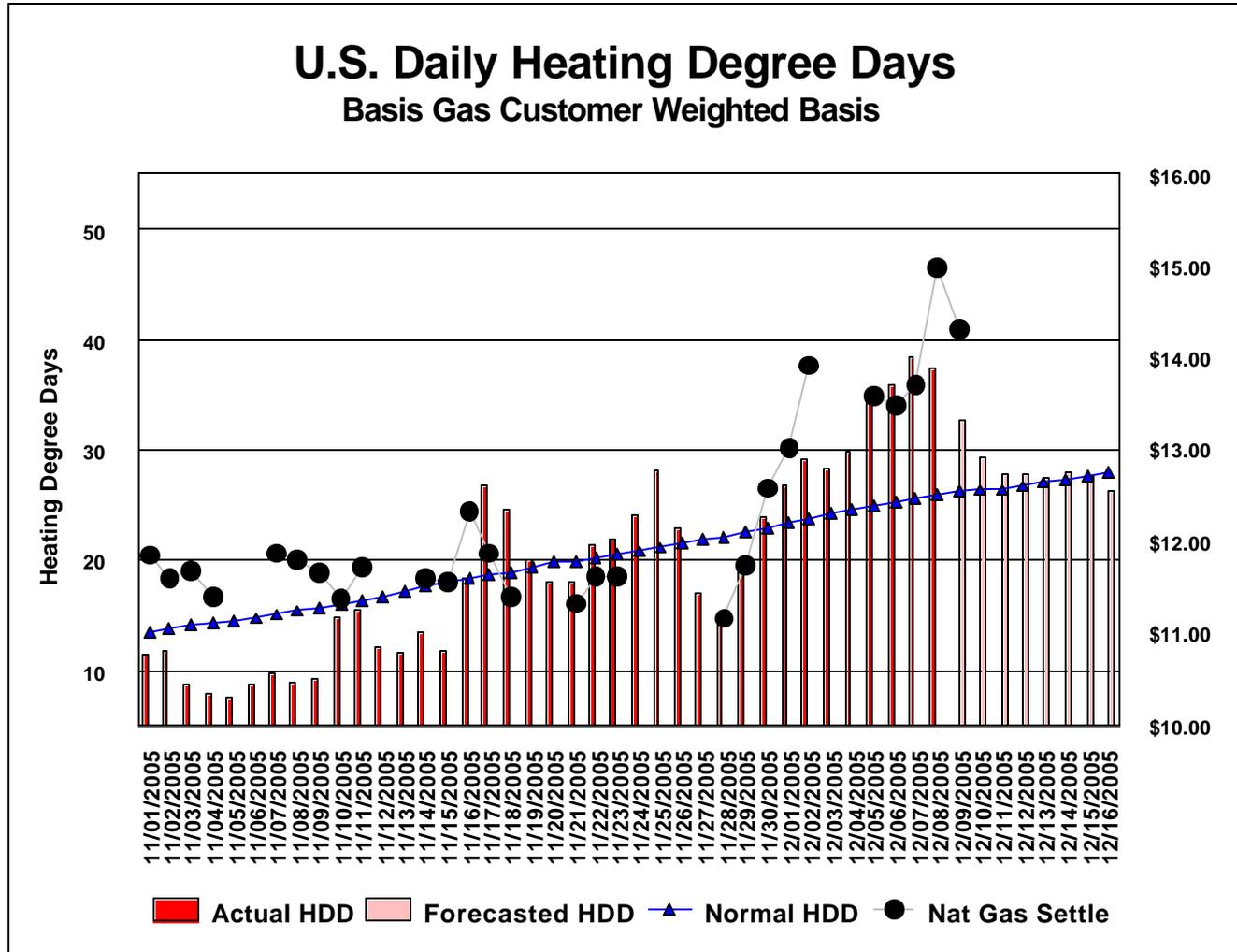
TransColorado Gas Transmission said that it anticipates that the Redvale Compressor Station in Montrose County, Colorado will be available for service on December 13. On November 29, TransColorado issued a force majeure due to an event at the Redvale Compressor Station.

**PIPELINE MAINTENANCE**

Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Saco Compressor Station beginning immediately. Receipts in Line Section 8 may potentially be affected. At this time, Williston does not anticipate any restrictions to the system.

**ELECTRIC MARKET NEWS**

PJM Interconnection completed an audit of its more than \$18 billion in billings for the fifth consecutive year. The purpose of the audit was to assure accurate and complete billing to member companies each month. PricewaterhouseCoopers conducted the audit, which covered the period from October 1, 2004 to September 30, 2005. The auditor's unqualified opinion covered controls related to PJM's market settlements process as well as the information technology infrastructure that supports PJM markets.



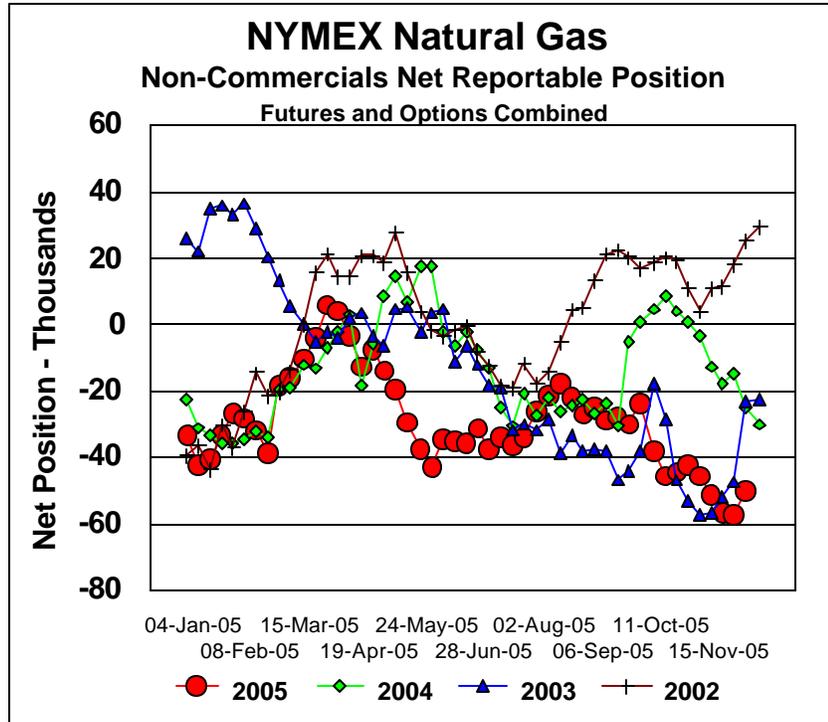
A 500-kilovolt power breaker at Dominion Resources' Mount Storm substation in West Virginia tripped early yesterday, according to a report by the PJM electricity grid operator. The report said the breaker trip isolated Allegheny Energy's Mt Storm-Pruntytown 500 kV line in West Virginia. Electricity traders noted the shutdown of any big power line causes some congestion on the transmission lines, which increases the real-time cost of power by limiting the amount of energy that can flow on the lines.

**ECONOMIC NEWS**

U.S. consumer confidence rose for a second month in December as lower gasoline prices left households with more money to spend during the holiday season. The University of Michigan's preliminary index of consumer sentiment increased to 88.7 from 81.6 in November and 74.2 in October, a 13-year low after the hurricanes.

**MARKET COMMENTARY**

The natural gas market opened 25 cents lower as it reassess yesterday's rally to determine if the market overshot price objectives. The market trended back over the 15.00 level and posted another record high of 15.20, as those still carrying options with that strike were covering their positions. After swinging back into negative territory, the market remained under pressure and failing to recover back over 15.00, it reversed course and profit taking after the week's rally pushed it as low as 14.20. A lot of uncertainty remains in the market at these levels and with cold weather expected through the end of the month and a sizeable draw from inventories in next week's report, natural gas will remain well supported. Today's volatile session finished down 68.2 cents at 14.312.



Following last week's rally, non-commercial traders reduced their net short positions considerably. The Commitment of Traders report showed that non-commercial traders added 8,475 long positions, ultimately reducing their net short positions by 11,298 contracts. In the combined futures and options report, non-commercial traders reduced their net short positions by 7,130 contracts. We see resistance at \$15.20, \$15.60 and \$16.00. We see support at \$14.00, \$13.50 and \$13.30.