



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR DECEMBER 20, 2006**

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

Mexican Authorities have granted a Houston-based energy company necessary environmental permits to build a LNG import terminal located in Puerto Libertad in Mexico's northwest province of Sonora. UBS Securities LLC is negotiating to procure gas supply for the terminal. The bank will market the gas supplies in the U.S. and Mexico, and finance the construction of the terminal.

Britain has imported more gas than expected through new pipelines from Norway and the Netherlands, which have come on stream since October. Imports through the Norwegian Langeled pipeline, and through the Dutch BBL line, had so far been higher than projected rates used to calculate supply and demand this winter.

Dwindling natural gas output is set to slash Indonesia's LNG exports by about 6% in 2007, putting the country's spot as top global exporter in jeopardy. The lower supplies mean Asia's only OPEC member is likely to again fail to meet contractual commitments for LNG supply to major users such as Taiwan, South Korea and Japan.

#### **PIPELINE RESTRICTIONS**

East Tennessee Natural Gas said that it has limited operational flexibility to absorb due shipper imbalances. Meter operators, shippers, LMSMA and LMSPA parties are reminded of the requirement to be balanced daily. In order to prevent the issuance of force balance letters to individual parties or the necessity of issuing system wide Balancing Alerts, all LMSMA parties should take immediate action to reduce nominations to their points if meter takes are less than scheduled deliveries. In addition LMSPA parties should flow at scheduled volumes and not create daily due shipper imbalances.

Natural Gas Pipeline Company said that effective until further notice, Trunkline Lakeside is at capacity for deliveries. ITS/AOR and secondary firm transports are at risk of not being fully scheduled. Trunkline Lakeside is located in Cameron Parish, Louisiana (Segment 23) in Natural's Louisiana Receipt/Delivery Zone.

Texas Eastern Transmission Corp. said that it has scheduled receipts sourced between Little Rock and Batesville for delivery downstream of Batesville. No increase of receipts between Little Rock and Batesville for

#### **Generator Problems**

**ECAR** – FirstEnergy's 1,260 Mw Perry nuclear unit exited an outage and ramped up to 30% power by early today. Yesterday, the unit was operating at 4% capacity.

**SERC** – Dominion Resources' 800 Mw Surry #1 nuclear unit remains at reduced power, operating at 71% capacity. Yesterday, the unit was operating at 73% capacity.

**WSCC** – Pacific Gas & Electric's 1,100 Mw Diablo Canyon #2 nuclear unit ramped up to full power after restarting on December 14. Yesterday, the unit was operating at 71% capacity. Diablo Canyon #1 remains at full power.

Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit inched higher to 82% capacity as it struggles to return from a refueling outage. Yesterday, the unit was operating at 79% capacity. San Onofre #2 remains at 99% capacity.

**Canada** – Ontario Power Generation's 881 Mw Darlington #1 nuclear unit shut for a short-term forced outage today. The unit is expected to return within a week.

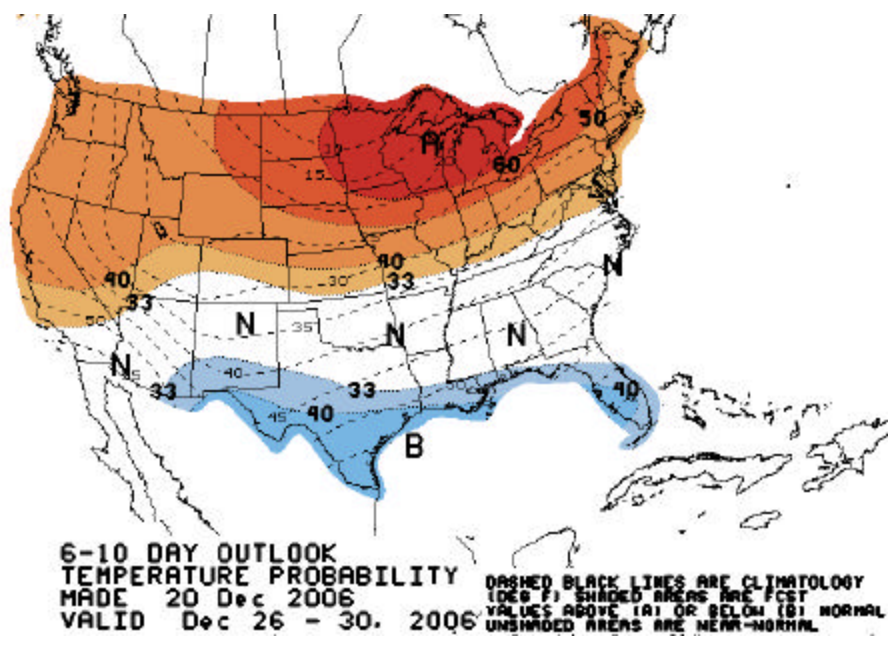
Ontario Power Generation's 494 Mw Lambton #4 coal-fired power unit shut for short-term work by early today.

Ontario Power Generation's 490 Mw Nanticoke coal-fired power station shut for some short-term maintenance.

**The NRC reported that 91,011 Mw of nuclear capacity is on line, down .42% from Tuesday, and 2.19% lower from a year ago.**

delivery downstream of Batesville will be accepted. Tetco has also scheduled 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 a number of line sections are in pipeline Capacity Constraint. Penalties will be imposed for all those mentioned below. Line Sections include: Cabin Creek-Dichinson; Dickinson-Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Belle Fourche-Recluse; Cleveland-Mapleton; Portal-Tioga; and Belle Creek-Manning.



**PIPELINE MAINTENANCE**

ANR Pipeline said that due to a force majeure event arising from third party damage to its pipeline, effective immediately ANR will need to inspect and repair its pipeline segment just west of the LaGrange Compressor Station. Specifically, ANR will need to isolate the 22-inch and 24-inch line segment between MLV 82-83 located in Cass County, Michigan, in the Northern Fuel Segment. During this period, the total Bridgman East CFTP capacity will be limited to 650 MMcf/d. Based on current nominations, it is anticipated the above reductions

may result in the curtailment of nominations associated with firm secondary and IT through Bridgman East CFTP.

**ELECTRIC MARKET NEWS**

ReliabilityFirst, a body responsible for ensuring electric reliability in 13 Midwest and Eastern states and the District of Columbus, said it expects peak power demand in its region to rise by 3% this winter compared with last. In a 2006-2007 winter assessment released last Tuesday, the council projected an internal winter peak demand of 154,800 Mw in January, 5,000 Mw above last winter's actual peak of 149,800 Mw. February's peak demand is projected to be 148,700 Mw.

Workers at Browns Ferry nuclear plant began loading fuel into the unit #1 reactor last Friday, a key step in returning the unit to safe and reliable operation next year as planned. The unit #1 restart project is 97% complete with return to service scheduled by May 2007 as planned.

Wisconsin Electric Power has reached a definitive agreement to sell its Point Beach Nuclear Plant to FPL Energy for about \$998 million.

**MARKET COMMENTARY**

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-D:
Location	Traded	Price		(As of 12:30 PM)		Moving A:
Henry Hub	600,600	\$6.427	\$0.154	(\$0.342)	\$0.469	(\$0.:
Chicago City Gate	638,200	\$6.581	\$0.184	(\$0.279)	\$0.349	(\$0.:
NGPL- TX/OK	609,500	\$6.162	\$0.221	(\$0.698)	\$0.386	(\$0.:
SoCal	527,300	\$6.691	\$0.101	(\$0.169)	\$0.266	(\$0.:
PG&E Citygate	644,000	\$7.008	\$0.127	\$0.148	\$0.292	(\$0.:
Dominion-South	331,700	\$6.657	\$0.181	(\$0.203)	\$0.346	(\$0.:
Transco Zone 6	317,600	\$7.073	\$0.114	\$0.213	\$0.279	\$0.:

NYMEX Nat Gas Options Most Active Strikes for December 20, 2006								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	4	7	C	20	03/27/2007	0.0028	5,000	69.98
LN	5	7	C	20	04/25/2007	0.0071	5,000	66.60
LN	6	7	C	20	05/25/2007	0.0081	5,000	59.60
LN	5	7	P	4.5	04/25/2007	0.0407	3,000	51.95
LN	3	7	P	5	02/23/2007	0.0353	2,850	54.10
ON	4	7	C	9	03/27/2007	0.2	2,520	51.88
LN	4	7	C	15	03/27/2007	0.0087	2,500	59.75
LN	5	7	C	15	04/25/2007	0.0219	2,500	58.22
LN	6	7	C	15	05/25/2007	0.0321	2,500	54.16
LN	6	7	C	13	05/25/2007	0.0665	2,500	51.83
ON	3	7	P	6.5	02/23/2007	0.402	2,250	55.69
LN	3	7	C	10	02/23/2007	0.0973	2,200	61.85
ON	12	7	P	7	11/27/2007	0.57	2,100	44.14
LN	1	7	P	6.5	12/26/2006	0.0815	1,487	55.64
LN	3	7	P	6	02/23/2007	0.2129	1,475	56.47
ON	3	7	P	7	02/23/2007	0.658	1,267	57.31
LN	3	7	C	9	02/23/2007	0.1879	1,200	59.82
LN	2	7	C	8.5	01/26/2007	0.1196	1,150	60.16
LN	1	7	P	7	12/26/2006	0.3333	1,144	57.83
LN	1	7	C	7.5	12/26/2006	0.0199	1,075	57.14
ON	5	7	P	5.5	04/25/2007	0.183	1,050	49.41
LN	3	7	P	7	02/23/2007	0.6566	1,031	60.93
LN	3	7	C	7	02/23/2007	0.6704	1,000	52.38
LN	3	7	C	10.5	02/23/2007	0.0705	1,000	62.77
LN	6	7	C	10	05/25/2007	0.2354	1,000	47.52
LN	6	7	P	4.5	05/25/2007	0.0512	1,000	50.64
ON	1	7	P	8	12/26/2006	1.233	902	61.52
LN	4	7	P	6	03/27/2007	0.2562	850	51.96
ON	1	7	P	7	12/26/2006	0.333	842	55.87
LN	4	7	C	8	03/27/2007	0.3886	827	47.13
LN	1	7	P	8	12/26/2006	1.2325	800	74.75
LN	4	7	C	12	03/27/2007	0.0329	750	54.22
LN	3	8	C	9	02/26/2008	1.6138	700	32.33
ON	12	7	P	9	11/27/2007	1.573	700	47.07
ON	1	7	P	6.5	12/26/2006	0.082	670	54.99
LN	1	7	P	6.75	12/26/2006	0.1809	650	56.33
ON	1	7	C	7.5	12/26/2006	0.02	544	57.76
ON	5	7	P	6.5	04/25/2007	0.513	525	49.84
LN	1	7	C	7.25	12/26/2006	0.0473	500	56.10
LN	3	7	C	7.7	02/23/2007	0.4293	500	55.40
LN	4	7	P	8	03/27/2007	1.3407	500	58.19
LN	4	7	C	13	03/27/2007	0.0189	500	55.56
ON	5	7	C	7	04/25/2007	0.828	500	48.62
LN	5	7	C	13	04/25/2007	0.0437	500	54.76
LN	7	7	C	13	06/26/2007	0.1002	500	49.90
LN	8	7	C	13	07/26/2007	0.1514	500	49.86
LN	9	7	C	13	08/28/2007	0.2042	500	49.22
LN	10	7	C	13	09/25/2007	0.2766	500	49.44
LN	10	7	P	6	09/25/2007	0.5054	500	54.63
LN	11	7	C	9.75	10/26/2007	0.898	500	40.85

The natural gas market opened a few cents lower hunkering just above the 7.00 level as continued pressures from high inventory levels and mild temperatures leave the market open to downside risk. January natural gas broke through recent support following the release of the EIA oil complex figures, which showed a larger than expected draw down in heating oil stocks. The front month traded lower through the afternoon to an intra day and fresh two-month low of 6.76. The soon to expire January contract finished the session down 31.4 cents at 6.769.

As has been the case over the past two weeks, forecasts for a mild finale to 2006 continued to plague the front month contract and the resulting storage reports reflect the lack of heating demand. Expectations for tomorrow's EIA storage report range from a 40 to 85 Bcf withdrawal, with an average expectation of a 70 Bcf draw. We feel the January contract will expire on its lows and the February will take its lead from weather reports and fresh New Year capital. We see support at \$6.75, \$6.55, \$6.25 and \$6.00. We see resistance at \$7.20, \$7.40, \$7.87-\$7.88, \$8.00 and \$8.13. We see further resistance at \$8.29-\$8.30, \$8.70 and \$9.05.

