



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 25, 2007**

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

The Canadian Association of Oilwell Drilling Contractors (CAODC) signaled that the latest revision to its drilling forecast "continues, and deepens, the trend of reduced natural gas drilling." The forecast reduction issued Thursday follows lower gas drilling numbers, primarily in Alberta and British Columbia, which began to fall dramatically last year.

Confirming that the transition from physical pit trading to electronic marketplaces is indeed impacting the way traders and exchanges do business, a Reuters article said Friday that Nymex Holdings, parent company of the New York Mercantile Exchange, has plans to consolidate its energy and metals trading floors in an effort to cut costs. The question remains as to whether floor trading will ultimately go the way of the Dodo bird.

Gulf South Pipeline's proposal to build a natural gas pipeline to carry up to 1.7 Bcf/d from production fields in East Texas to markets in the Gulf Coast, Midwest and eastern US is in the public interest and can be built with minimal harm to the environment, US FERC staff said today in a final environmental impact statement. The companies proposed East Texas to Mississippi Expansion Project would consist of roughly 244 miles of 36-inch and 42-inch diameter from east Texas to Simpson County, Mississippi.

#### **PIPELINE MAINTENANCE**

ANR Pipeline said that it will continue with unplanned engine repairs at its Sardis Compressor Station along the SE Mainline located in Mississippi in ANR's Southeast Southern Fuel Segment. The total SEML capacity will be reduced by the following: 250 MMcf/d through May 29. Based on current nominations, it is anticipated that the above reductions will result in the curtailment of interruptible services. ANR also said that it has completed engine repairs at its Havensville Compressor Station located in Kansas in the Southwest Southern Fuel Segment.

El Paso Natural Gas Company said that the Williams 'C' plant developed an exhaust leak that required corrective action. The unit was taken down yesterday, though El Paso did not cut North Mainline Capacity for Cycle 4. However, the company will cut North Mainline capacity by 200 MMcf/d for Cycle 2. The capacity reduction was set to be removed for Cycle 3 if repairs were successful.

#### **Generator Problems**

**SERC** – Southern Nuclear's 888 Mw Farley #2 nuclear ramped output to 85% capacity. Yesterday, the unit was operating at 54% capacity. Farley #1 continues to operate at full power.

Entergy's 1,207 Mw Grand Gulf nuclear unit restarted but was kept offline and is warming up at 9% capacity.

**ECAR** – FirstEnergy's 1,260 Mw Perry nuclear unit ramped production to 96% capacity today. Yesterday, the unit was operating at 92%.

**MAIN** – Exelon's 855 Mw Quad Cities #1 nuclear unit ramped output to 26% capacity today. Yesterday, the unit was operating at 20%. Quad Cities #2 was reduced to 78% capacity.

**MAPP** – Nebraska Public Power District's 800 Mw Cooper nuclear unit ramped production to 95% capacity. Yesterday, the unit was operating at 85%.

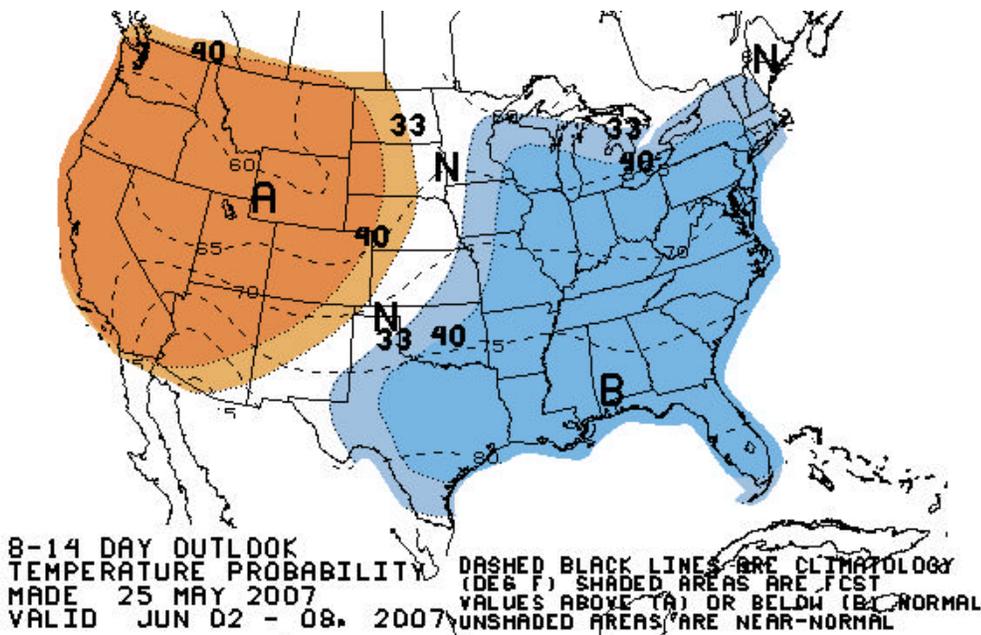
**The NRC reported that 86,118 Mw of nuclear capacity is on line, up 0.52% from Thursday, and up 3.17% from a year ago.**

Gulf South Pipeline said that it began unscheduled maintenance on Bistineau Compressor Station Unit #5 today and will continue for approximately 10 days. The injection capacity at Bistineau will be reduced by 150,000 Dth/d due to the maintenance on this unit. Withdrawal capacity will not be affected.

Southern Natural Gas Pipeline said that there is a Type 6 OFO probability for the upcoming weekend. While not an actual OFO notice, it is the company's best projection of the likelihood of implementing a Type 6 OFO for the following dates based on current receipts and projected deliveries, today, Saturday and Sunday.

**PIPELINE RESTRICTIONS**

East Tennessee Natural Gas said that it has limited operational flexibility to manage imbalances. As the long holiday weekend approaches, ETNG requires that shippers schedule their receipts commensurate with expected deliveries, and point operators perform according to nominated volumes.



Tennessee Gas Pipeline said that effective Cycle 1 today, due to reduced nominations, Tennessee will accept increases for nominations pathed from meters located on the Carthage Line Lateral as well as increases for nominations pathed for delivery to the Leidy Delivery Meters.

Texas Eastern Transmission Corp. said the following restrictions are in place for today. Tetco has scheduled and sealed nominations flowing through Batesville. Increases in

nominations for receipts sourced between Little Rock and Batesville for delivery downstream of Batesville will not be accepted. Also, Tetco has scheduled and sealed nominations flowing through St. Francisville. Increases in nominations for receipts sourced between Little Rock and St. Francisville for delivery downstream of St. Francisville will not be accepted. Additionally, TE has forced balanced all long TABS-1 pools in STX, ETX, and M1 24-inch.

TransColorado Gas Transmission said that effective today and until further notice, Segmetn 220, Segment 250 and Segment 310 are listed as IT/AOR/Secondary At Risk, as is PIN 36100 Questar Greasewood. Segment 250 is also listed as Primary at Risk due to maintenance.

Williston Basin Interstate Pipeline said that there will be one point in capacity constraint for today's Timely Cycle. Penalties will be imposed at Northern Border-Manning.

**ELECTRIC MARKET NEWS**

The DOE concluded that any of the four sites under consideration to host the US Department of Energy's proposed near-zero emissions coal-fired power plant would be suitable, according to a draft environmental impact statement. The \$1.8 billion 275 Mw integrated gasification combined-cycle power plant with carbon capture and sequestration capabilities will be located in either Mattoon, Il., Tuscola, Il., Jewett, Texas, or Odessa, Texas.

US Senate Environment and Public Works Committee Chairwoman Barbara Boxer and Tennessee Senator Lamar Alexander, the senior Republican on a global warming subcommittee, are pursuing legislation to reduce

greenhouse gas emissions from the Capitol Power Plant. The Boxer-Alexander bill would create a \$3-million grant program to demonstrate existing technologies to capture carbon dioxide emissions from the nearly 100 year old coal burning plant that sits about four blocks from the US Capitol.

Connecticut Lawmakers have come up with a new wrinkle for the path to allowing utilities to own power plants. They would allow them to do so, but at the same time allow merchant generators to earn a guaranteed rate of return.

#### **MARKET COMMENTARY**

The natural gas market opened a penny lower today as the market took aim at the 7.50 level on June option expiration. Early attempts for the market to recover above the four-month upward trend line failed early in the session at a high of 7.74. Fundamental weakness allowed the bears to maintain technical control as they pressured the market lower, ultimately touching the 7.50 level. Low volume and a relative lack luster feel in the market ahead of the long weekend kept the market from pressing lower and a small short covering rally supported the market, taking it back above the 7.60 level. June natural gas, which expires on Tuesday, settled down 4.1 cents at 7.64, and the July contract settled down 5.5 cents at 7.795.

The Commitment of Traders Report showed that non-commercial traders increased their net short futures position by 840 lots to 14,531. With the long term temperature outlook for the southern half of the country looking to be normal to below normal, demand will decrease and we feel that the market will make another attempt at the key 7.50 level. However, with summer unofficially here this weekend, new shorts will be reluctant to enter the market at these levels, and a firming oil complex will certainly keep natural gas from crumbling under its short-term fundamentals. We see support at \$7.60, \$7.50, \$7.40 and \$7.15. We see resistance at 7.91, \$8.00, \$8.20 and \$8.50.