



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR JANUARY 18, 2007**

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

Taking a hard line on Alaska's long-term energy plan, newly elected Republican Gov. Sarah Palin said Wednesday in her State of the State address that her "primary" energy focus is to get a natural gas pipeline serving the North Slope off of the drawing board and into service. She added that the state also needs to ramp-up the development of its energy resources.

The FERC today approved Sempra Energy's plan to expand its Cameron LNG project. The expansion project would increase LNG storage capacity from 480,000 cubic meters to 640,000 cubic meters by building a fourth full containment storage tank. The company also plans to increase the LNG unloading rate and modify gas processing facilities to permit the dilution of imported gas if needed to meet gas quality standards.

#### **PIPELINE RESTRICTIONS**

KM Interstate Gas Transmission stated restrictions for several points today. Named as AOR/IT/Primary At Risk was PIN 6501 SSC Grant (Receipts Unavailable). Named as AOR/IT/Secondary At Risk were PIN 6997 CIG Weld (Deliveries Unavailable) and PIN 8737 WBI Bridger. Also, Segment 190 Big Springs X (Primary Only), Casper C.S. (Segment 45 and 730) (Maintenance) and West End (PINS 7738, 8737 and 8963).

#### **EIA Weekly Report**

	01/12/2007	01/05/2007	Net chg	Last Year
<b>Producing Region</b>	913	933	-20	753
<b>Consuming East</b>	1660	1712	-52	1464
<b>Consuming West</b>	363	380	-17	364
<b>Total US</b>	2936	3025	-89	2582

\*storage figures in Bcf

Natural Gas Pipeline Company said that Segment 15 (Station 801) is at capacity and Segment 1 has limited capacity available. Also, PIN 900964 Lukens W. (Segment 4) is at capacity due to gas quality and PIN 901519 Scott #1 (Segment 6) at capacity due to shut in.

Northwest Pipeline said that cold weather remains in the forecast for the Pacific Northwest, with a warming trend predicted for the upcoming weekend. Therefore, Northwest is adjusting the Entitlement to a Stage III (13%) Overrun Entitlement for all Receiving Parties located north of the Kemmerer Compressor Station—including the Wenatchee and Spokane Laterals—effective January 19 and until further notice.

Tennessee Gas Pipeline said that Station 245 is restricted through 100% of Supply to Market Interruptible Service nominations. Station 314, Tennessee is restricted through approximately 44% of Supply to Market Secondary Out of the Path nominations. Also, at MLV 321

#### **Generator Problems**

**ERCOT** – TXU Corp.'s 575 Mw Big Brown #1 coal-fired power station restarted following electrical repairs to a primary air fan.

TXU Corp.'s 750 Mw Martin Lake #3 coal-fired power station restarted today after fixing a tube leak. The unit shut yesterday for the work.

**MAPP** – Xcel Energy's 569 Mw Monticello nuclear unit is expected to return to service in the next couple days.

**The NRC reported that 96,806 Mw of nuclear capacity is on line, unchanged from Wednesday, and 6.80% higher from a year ago.**

#### **Canadian Gas Association**

#### **Weekly Storage Report**

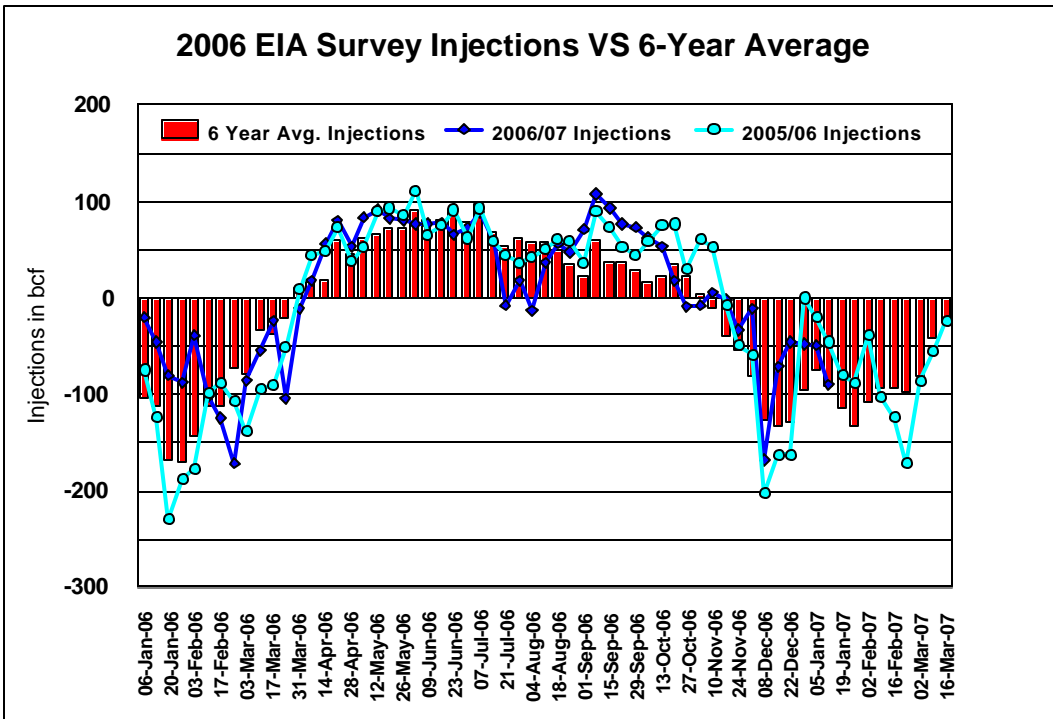
	12-Jan-07	05-Jan-07	13-Jan-06
<b>East</b>	223.2	227.4	182.5
<b>West</b>	180.7	186.0	179.2
<b>Total</b>	403.8	413.5	361.7

storage figures are in Bcf

Tennessee is restricted through approximately 26% of Supply to Market Secondary Out of the Path nominations. For the remainder of today, at Station 245 Tennessee will not accept any Supply to Market increases pathed through Station 245.

**PIPELINE MAINTENANCE**

Alliance Pipeline said that inspection and maintenance will be conducted at two compressor stations today as scheduled. The project will require the Tampico Compression Station to be offline for five hours today. System capacity (AOS) will be impacted but will be determined today. Also, the project at the Fairmount Compression Station will require the location to be offline for eight hours. AOS will be impacted but will be determined later today as well.

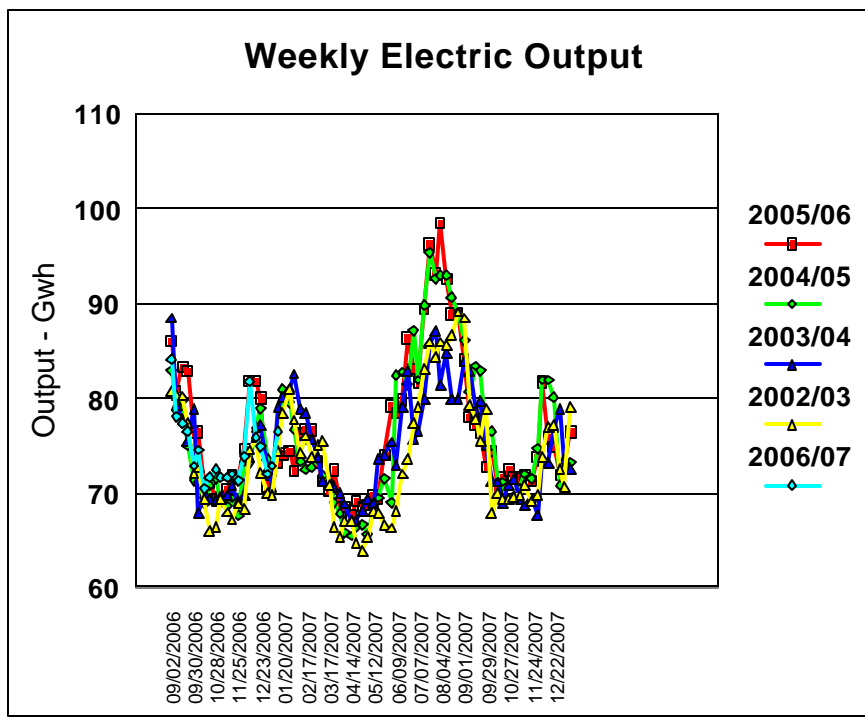


Gulf South Pipeline will be performing unscheduled maintenance on Marksville Compressor Station Unit #1 beginning immediately and continue for approximately two weeks. Capacity through Marksville Compressor Station could be reduced by as much as 150 MMcf/d due to this maintenance.

**ELECTRIC MARKET NEWS**

The CEO of power company AES Corp. said a federal program to cap gases linked to global warming would work better than a state or regional system. Carbon regulation should apply to all economic sectors that emit greenhouse gases so that each source contributing to the problem of global warming bears some of the cost of the solution.

Massachusetts Democratic Governor Deval Patrick said he would join a pact among northeastern U.S. states to control greenhouse gases, bypassing a White House refusal to limit carbon dioxide emissions. The pact, the largest regional effort to limit power-plant pollution in the United States, adopts a market-based approach that would cap and trade carbon dioxide emissions in eight U.S.



states beginning in 2009 to fight global warming. The Massachusetts move is the latest example of U.S. states launching their own efforts against climate change in the face of what critics say is a White House unwillingness to act.

FERC reported that five U.S. energy companies agreed to pay a total of \$22.5 million to settle allegations of rules violations. The companies were Northwestern Corp., Scana Corp., NRG Energy, a unit of Entergy Corp., and PacifiCorp., which is a unit of MidAmerican Energy. The rules violated resulted in civil penalties that ranged from transmission violations to tariff violations.

NYMEX Nat Gas Options Most Active Strikes for January 18, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	4	7	P	5	03/27/2007	0.0615	4,850	50.74
LN	3	7	C	7.5	02/23/2007	0.1375	4,500	58.46
LN	10	7	P	5	09/25/2007	0.2316	3,700	52.11
ON	2	7	C	6.5	01/26/2007	0.171	3,551	65.91
LN	2	7	P	6	01/26/2007	0.1083	3,431	65.83
LN	3	7	P	5.5	02/23/2007	0.1089	3,325	55.91
LN	5	7	C	9	04/25/2007	0.1066	3,275	47.59
LN	10	7	P	4	09/25/2007	0.0657	3,100	51.08
ON	2	7	C	7	01/26/2007	0.053	2,998	67.25
LN	3	7	P	5	02/23/2007	0.03	2,800	53.99
LN	4	7	P	5.5	03/27/2007	0.1534	2,300	51.24
ON	4	7	P	6.5	03/27/2007	0.555	2,255	49.85
ON	5	7	P	6.5	04/25/2007	0.588	2,250	47.72
LN	9	7	C	10	08/28/2007	0.2872	2,250	45.21
LN	5	7	C	7.5	04/25/2007	0.3225	1,850	44.25
LN	3	7	C	6.5	02/23/2007	0.3921	1,800	54.23
LN	6	7	P	5	05/25/2007	0.1101	1,650	48.68
LN	10	7	C	10	09/25/2007	0.3787	1,625	45.07
LN	3	7	C	8	02/23/2007	0.08	1,600	60.25
LN	3	7	C	9	02/23/2007	0.0262	1,500	62.98
ON	10	7	P	4	09/25/2007	0.067	1,500	48.12
ON	10	7	P	5	09/25/2007	0.234	1,500	48.22
LN	2	7	P	5.5	01/26/2007	0.0176	1,374	64.75
ON	2	7	P	6	01/26/2007	0.108	1,303	64.75
LN	6	7	C	9	05/25/2007	0.1702	1,275	45.71
LN	2	7	C	7.5	01/26/2007	0.0134	1,225	67.98
LN	7	7	C	9	06/26/2007	0.2403	1,225	43.95
LN	8	7	C	9	07/26/2007	0.3321	1,225	43.92
LN	9	7	C	9	08/28/2007	0.4187	1,225	43.27
LN	10	7	C	9	09/25/2007	0.5218	1,225	42.74
LN	4	7	C	9	03/27/2007	0.0616	1,175	51.70
LN	5	7	P	5	04/25/2007	0.0929	1,150	50.37
LN	4	7	P	6.5	03/27/2007	0.5544	1,075	53.70
ON	7	7	C	11	06/26/2007	0.093	1,050	50.91
LN	2	7	C	7	01/26/2007	0.0528	1,025	66.37
ON	4	7	C	15	03/27/2007	0.003	1,001	71.52
LN	3	7	C	7.75	02/23/2007	0.1049	1,000	59.37
LN	4	7	C	7.5	03/27/2007	0.2331	1,000	48.32
LN	8	7	C	8	07/26/2007	0.5219	1,000	41.64

support level. The remainder of the session saw light trading as natural gas trended off the lows to settle up 9 cents at 6.324.

Total gas in storage now stands at 2,936 Bcf, 354 Bcf over last year's levels for the same week and 491 Bcf above the five-year average of 2,445 Bcf. Below normal temperatures remain a staple of the medium-term

OEG Energy Corp.'s OG&E Electric Services filed the first part of a six-year \$3.3 billion construction initiative to meet the growing demand for power with Oklahoma regulators. The company proposed to build the 950 Mw ultra super critical coal-fired power unit at Red Rock with American Electric Power Co.'s Public Service of Oklahoma subsidiary and the Oklahoma Municipal Power Authority. The companies plant to build the Red Rock plant next to OG&E's Sooner plant in northern Oklahoma.

The U.S. NRC renewed the operating license of CMS Energy Corp.'s 767 Mw Palisades nuclear power plant in Michigan for an additional 20 years until March 24, 2031.

#### **MARKET COMMENTARY**

The natural gas market opened 7 cents higher ahead of the EIA inventory report, which was a bit larger than average expectations. The report showed that 89 Bcf was drawn from the ground and the market reacted initially with a small rally to 6.38, but the overwhelmingly bearish oil report that saw crude oil trade down to \$50 dragged natural gas to a low of 6.16. As crude oil failed to muster momentum below \$50, natural gas recovered above the 6.20

**11-14 DAY TEMP FORECAST**  
*How much below normal?*



SUNDAY, JAN. 28 THROUGH THURSDAY, FEB. 1

weather forecast, which should easily bring higher withdrawals as winter plods along. However, unless there are a few major winter storms or long-lasting frigid conditions in the consuming regions, storage may very well leave a healthy surplus by the end of the withdrawal season. We see support at \$6.20, \$6.00, \$5.75, \$5.58, \$5.35, \$5.20 and \$5.00. We see resistance at \$6.80, \$7.00, \$7.20 and \$7.40. (These two charts show current weather forecasts for Chicago area)

**THE NEXT TWO WEEKS (JAN. 18-31)**

*Computer models identify three cold surges*

