



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JANUARY 22, 2007**

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

Imperial Oil Ltd., which is leading the Mackenzie Gas Project consortium, took another baby step forward after agreeing to a benefits package with Northwest Territories provincial authorities. The Socio-Economic Agreement outlines guarantees for aboriginal residents who would be living along the proposed natural gas pipeline's 750-mile route.

Now that much of the country has finally seen weather that can be called winter-like, Raymond James & Associates Inc. analysts are predicting that the current year-over-year gas storage surplus of 354 Bcf will be completely wiped out over the next three weeks and storage will stand at about 1,500 Bcf by winter's end. Further, they predicted that gas prices have seen their lows for the year. Meanwhile analysts at Strategic Energy and Economic Research believe storage operators are going to force gas onto the market because they need to cycle their inventories to maintain the integrity of their fields. They look for stocks to end the heating season at 1.7 tcf. If in fact storage operators force storage down, they see spot natural gas prices in late February and into March crashing below \$6.00.

According to a Reuters poll, U.S. natural gas prices in 2007 should average 3% higher than last year's levels, but prospects for a huge inventory surplus after another mild start to the U.S. winter forced analysts to prune previous estimates. The survey showed expectations for spot prices this year at Henry Hub averaged \$7.19, up 3% from last year's \$6.98 average but 8% lower than the estimates offered in October 2006.

Mexican average natural gas output was slightly higher at 5.573 billion cubic feet per day from 5.563 Bcf/d, and natural gas imports rose to 348.0 MMcf/d from 317.0 MMcf/d in November.

Russia's gas giant Gazprom has invited Algeria's Sonatrach to participate in the Baltic LNG project on the Russian Baltic Sea coast, as well as offering a number of upstream assets for swap deals.

Congressman Bart Stupak, a democrat from Michigan and the new chairman of the House Energy and Commerce Committee's Oversight and Investigations subcommittee has proposed a bill that would have all U.S.

#### **Generator Problems**

**ERCOT** – TXU Corp.'s 750 Mw Martin Lake #2 coal-fired power station restarted following repairs to a tube leak.

TXU Corp.'s 565 Mw Monticello #1 coal-fired power unit restarted following repairs to a tube leak. Monticello #2 shut due to a malfunction in the voltage supply for the turbine controls.

AEP's 690 Mw Oklaunion coal-fired power shut to fix a tube leak.

**SERC** – Southern Nuclear's 862 Mw Hatch #1 nuclear unit has increased output to 90% capacity. The unit dropped to 62% over the weekend.

**WSCC** – LS Power Group's 510 Mw Moss Landing #1 natural gas-fired power station shut yesterday for planned work.

Calpine Corp.'s 750 Mw Pastoria natural gas-fired power station cut output by 500 Mw for planned work.

Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit dipped to 65% of capacity by early today. On Friday, the unit was operating at full power. San Onofre #2 continues to operate at 99% power.

**Canada** – Bruce Power's 822 Mw Bruce #6 nuclear unit shut for planned maintenance. The outage is expected to last about two and a half months.

**The NRC reported that 96,260 Mw of nuclear capacity is on line, down .55% from Friday, but 2.45% higher from a year ago.**

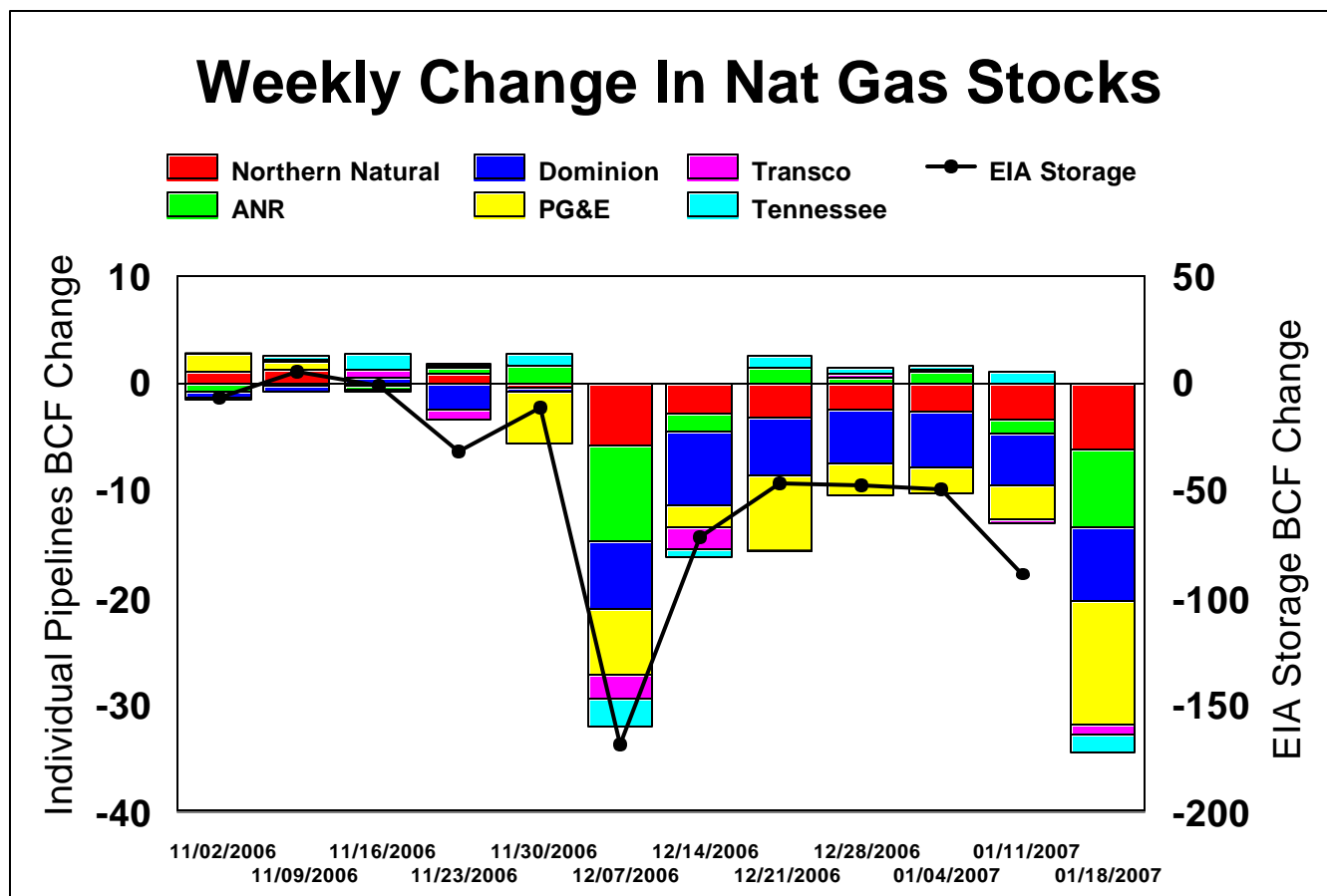
over the counter trading activity reported to the CFTC. The Congressman said that this measure is needed because the number of energy futures contracts not traded on the NYMEX is at least equal to or greater than the NYMEX volume which is regulated.

Endesa and Gas Natural said they faced delays on their plans to build liquefied natural gas terminals in the north of Italy following problems with local permits. The two companies have been planning to build an LNG terminal each to help them expand in Italy's gas market.

**PIPELINE RESTRICTIONS**

Algonquin Gas Transmission announced 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.

Questar Pipeline Company said that at the request of Northwest Pipeline, Questar will begin limiting volumes delivered to NPC from Clay Basin 240 MMcf/d beginning Cycle 1 January 23.



Tennessee Gas Pipeline said at station245, Tennessee is restricted through 53% of Supply to Market Secondary out of the Path nominations. At MLV 314, Tennessee is restricted through approximately 46% of Supply to Market Secondary Out of the Path nominations. At Station 321, Tennessee is restricted through approximately 35% of Supply Market Secondary Out of the Path nominations.

Williston Basin Interstate Pipeline Company said that Northern Border-Manning is in pipeline Capacity Constraint for deliveries in today's Timely cycle.

**PIPELINE MAINTENANCE**

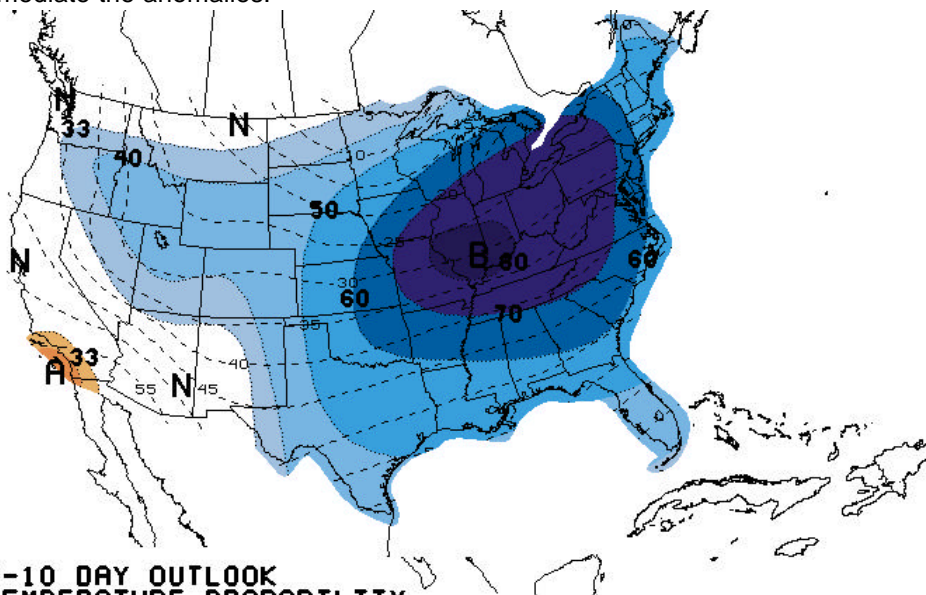
Colorado Interstate Gas Company said that at the Cheyenne Plains Jumper Compressor Station, one unit will be out of service February 6 through February 7. Capacity will be reduced from 200 to 100 MMcf/d.

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	860,900	\$7.195	\$0.798	\$0.018	\$0.472	\$0.060
Chicago City Gate	562,900	\$7.077	\$0.646	\$0.007	\$0.405	\$0.037
NGPL- TX/OK	775,400	\$6.896	\$0.748	(\$0.174)	\$0.507	(\$0.178)
SoCal	794,300	\$6.928	\$0.663	(\$0.142)	\$0.422	\$0.011
PG&E Citygate	620,400	\$7.199	\$0.627	\$0.129	\$0.386	\$0.252
Dominion-South	415,200	\$7.367	\$0.755	\$0.297	\$0.514	\$0.185
Transco Zone 6	105,700	\$8.155	\$0.733	\$1.085	\$0.492	\$1.414

El Paso Natural Gas Company said a 4,000-hour inspection will be performed at Rio Vista February 5 through February 6. From a base capacity of 150 MMcf/d, the estimated capacity reduction for those days is 113 MMcf/d.

Enbridge Offshore Pipelines said that the line freeze in the P-80 8-inch pipeline in Barber County, Kansas, has been repaired. Enbridge said that it has removed the ice block and fluid from the pipeline and the P-80 is now back in service.

Natural Gas Pipeline Company said that it would remediate smart pig anomalies discovered during an earlier pig run from January 22-27. NGPL will isolate a section of the Amarillo #2 Main Line north of Station 102 to remediate the anomalies.



**6-10 DAY OUTLOOK  
TEMPERATURE PROBABILITY  
MADE 22 Jan 2007  
VALID Jan 28 - Feb 01, 2007**  
DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST  
VALUES ABOVE (A) OR BELOW (B) NORMAL  
UNSHADED AREAS ARE NEAR-NORMAL

**ELECTRIC MARKET NEWS**

Constellation Energy Group's Baltimore Gas and Electric subsidiary said declining wholesale electricity and natural gas prices would reduce the amount of a pending 2007 residential electric rate increase. The power company also proposed a plan to state regulators to give customers options to delay the transition to market rates as mandated by the state legislature in 2006. Customers would have the option to transition directly to market rates on June 1, 2007, or delay the move to full market rates until January 1, 2008. The

company will not determine the precise amount of the 2007 residential electric rate increase until the power company completes wholesale power auction in Mid-February and publishes retail rates in early March.

Utilities Duke Energy, FPL Group, PNM Resources and PG&E joined other industries and environmental groups to call on federal policymakers to take up the "urgent need" for a mandatory climate change policy with an economy-wide, market-based approach to limit industry's greenhouse emissions.

**MARKET COMMENTARY**

The natural gas market opened 31 cents stronger boosted by continued forecasts calling for colder-than-normal temperatures to dominate the eastern half of the country. The February contract trekked to a high of 7.35 early in the session then came under pressure, mirroring the expiring crude oil contract. The front month tested and

broke below 7.00 to an intra day low of 6.93 before surging back to the highs in the last hour of open outcry. The market settled at its highest level since December, ending up 43.3 cents at 7.319.

Forecasts calling for an extension of the cold temperatures for the U.S. east of the Rocky Mountains through the first week of February extended the short covering rally today. Market players are increasingly focusing on the affect the temperatures will have on storage inventories and what will happen to the current over hang of supply. Early expectations for this week's report call for a draw of between 160 and 190 Bcf. Our model calls for a draw of 185 Bcf. Draws for the subsequent weeks are predicted to be at least 200 Bcf, which will cut into the supply situation and keep prices elevated in the near term. We see support at \$7.00, \$6.80, \$6.20, \$6.00 and \$5.75. We see resistance at \$7.40, \$7.50 and \$8.00.

NYMEX Nat Gas Options Most Active Strikes for January 22, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN		2	7 C	8	01/26/2007	0.0617	4,200	86.98
LN		3	7 P	6	02/23/2007	0.0821	4,150	62.37
LN		4	7 C		15 03/27/2007	0.0081	4,000	69.68
LN		3	7 C	8	02/23/2007	0.32	3,950	64.80
LN		2	7 P	6	01/26/2007	0.0025	3,690	84.90
LN		4	7 P	6	03/27/2007	0.1553	3,575	56.77
LN		2	7 C	8.5	01/26/2007	0.0168	3,500	88.59
LN		4	7 C	8	03/27/2007	0.4211	3,250	52.10
LN		3	7 C		12 02/23/2007	0.0106	3,050	75.52
LN		6	7 C	8	05/25/2007	0.6299	2,950	44.66
LN		7	7 C	8	06/26/2007	0.7488	2,950	42.67
LN		10	7 C	8	09/25/2007	1.1301	2,950	40.66
LN		3	7 P	6.5	02/23/2007	0.2013	2,775	64.31
LN		3	7 P	5	02/23/2007	0.0064	2,750	61.22
LN		5	7 C	8	04/25/2007	0.5127	2,700	47.01
LN		6	7 P	6	05/25/2007	0.2383	2,700	52.34
LN		8	7 C	8	07/26/2007	0.8798	2,700	42.31
LN		9	7 C	8	08/28/2007	0.9953	2,700	41.46
LN		7	7 P	6	06/26/2007	0.2852	2,600	52.39
LN		8	7 P	6	07/26/2007	0.3316	2,600	53.01
LN		9	7 P	6	08/28/2007	0.3811	2,600	53.54
LN		4	7 P	5.5	03/27/2007	0.0724	2,550	56.79
LN		10	7 P	6	09/25/2007	0.4167	2,550	54.56
LN		2	7 C		12 01/26/2007	0.0001	2,500	137.81
LN		5	7 P	6	04/25/2007	0.2036	2,500	54.20
LN		2	7 C	7.5	01/26/2007	0.1855	2,455	85.25
ON		2	7 P	6	01/26/2007	0.002	2,404	81.83
ON		3	7 P	8	02/23/2007	1.007	2,164	67.45
ON		2	7 P	8	01/26/2007	0.742	2,032	87.52
ON		3	7 P	5	02/23/2007	0.006	1,900	59.68
LN		3	7 C		20 02/23/2007	0.0001	1,750	88.59
ON		6	7 P	6	05/25/2007	0.239	1,700	49.25
LN		2	7 P	7	01/26/2007	0.126	1,680	85.83
ON		2	7 C	8	01/26/2007	0.062	1,571	87.71
ON		2	7 C	7.5	01/26/2007	0.185	1,531	85.98

# U.S. Heating Degree Days

## Basis Weighted Natural Gas Home Heating

