



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR JANUARY 23, 2007

#### NATURAL GAS MARKET NEWS

Private and government weather forecasters call for below normal temperatures to persist in most of the U.S. for the next two weeks, with the deepest cold in the Midwest. Private forecaster WSI Corp. said in its long term forecast that temperatures in the U.S. Northeast and Midwest will average above normal in February and March.

Connecticut's attorney general lodged formal objections to a proposed LNG terminal near New York City in Long Island Sound, joining a long list of opponents to the project.

PAA/Vulcan Gas Storage LLC, a joint venture between Plains All American Pipeline LP and Vulcan Capital, said it purchased an additional 240 acres of land adjacent to the proposed 24 Bcf Pine Prairie Energy Center gas storage project near Pine Prairie, LA, in order to provide space for future expansions. The company said that along with existing acreage the additional land could provide space for another 11 salt caverns, bringing ultimate working gas capacity to 112 Bcf.

#### Generator Problems

**WSCC** – Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit, which was operating at 65% this morning, is expected to return to full power by late today. San Onofre #2 continues to operate at full power.

**The NRC reported that 96,338 Mw of nuclear capacity is on line, up .08% from Monday, and 2.47% higher from a year ago.**

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	918,200	\$7.434	\$0.239	(\$0.158)	(\$0.177)	(\$0.043)
Chicago City Gate	478,100	\$7.272	\$0.195	(\$0.208)	(\$0.215)	(\$0.057)
NGPL- TX/OK	607,900	\$7.082	\$0.186	(\$0.398)	(\$0.224)	(\$0.271)
SoCal	902,900	\$7.160	\$0.231	(\$0.320)	(\$0.179)	(\$0.115)
PG&E Citygate	771,700	\$7.482	\$0.283	\$0.002	(\$0.127)	\$0.157
Dominion-South	351,600	\$7.713	\$0.346	\$0.233	(\$0.064)	\$0.148
Transco Zone 6	214,700	\$8.674	\$0.519	\$1.194	\$0.109	\$0.969

Sen. Mary Landrieu (D-LA) and Rep. John Peterson (R-PA) said they plan to introduce legislation this year that would build on a 2006 bill that opened up an additional 8.3 million acres in the Central Gulf of Mexico to oil and natural gas drilling.

#### 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.

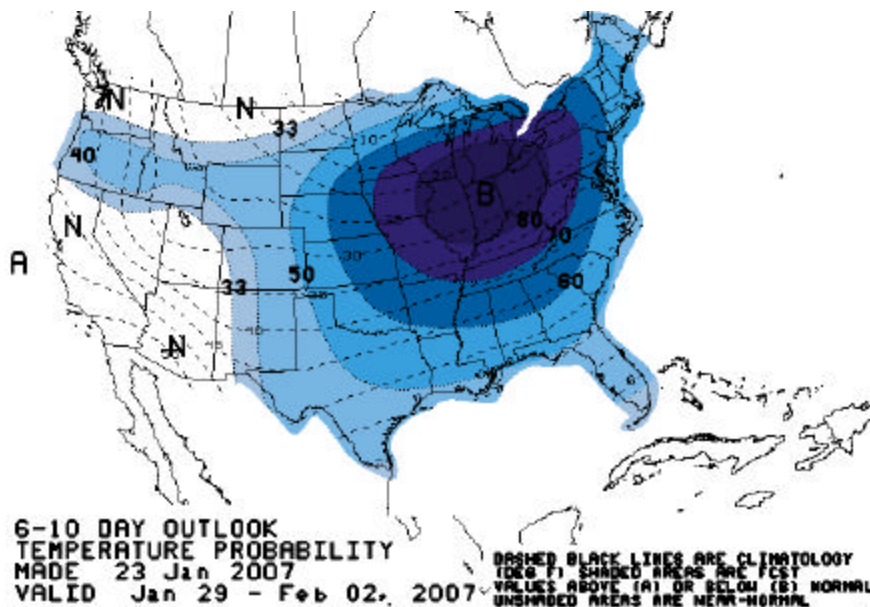
KM Interstate Gas Transmission said PIN 6501 SSC Grant (AOR/IT/Secondary) is At Risk as well as Primary at Risk (Receipts Unavailable); PIN 6997 CIG Weld (deliveries unavailable) and PIN 8737 WBI Bridger-At Risk AOR/IT/Secondary. Also, the following points were declared At Risk AOR/IT/Secondary: Segment 190 Big Springs (Primary Only), and West End (PINS 7738, 8737, 8963).

Natural Gas Company listed the following Amarillo segments and points as At Capacity or Limited Capacity: Segment 13 (Station 107) and Segment 1 are listed as having Limited Capacity Available for today while Segment 15 (Station 801) is At Capacity. The following Gulf Coast Segments At Capacity are: Segment 25 (Station 302), Segment 23 (Station 342) and Segment 24 (Station 346). The following points have Limited Capacity for today: Fla Vermillion (Segment 24); Fla Jefferson (Segment 25); Cnpt Hot Sp (Segment 27); Trunkline (Segment 23); and Col Chalkley (Segment 23).

Questar Pipeline Company said that based on operational conditions on January 21, the HDP threshold for reductions will be 60 F. The following receipt points were above this level at some point during gas day January 21 and will be subject to a 62% reduction beginning Cycle 1 today: Hill Creek; Island 52-3; Riverbend; Peters Point; and River Tap. These reductions are expected to last through January 26.

Tennessee Gas Pipeline said at station 245, Tennessee is restricted through 100% 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 30% of Supply Market Secondary Out of the Path nominations. At North Hampton Lateral, Tennessee anticipates restricting 100% of Supply to Market Interruptible Service nominations. Tennessee also said that effective 9:00 AM today, due to increased nominations the Leidy Delivery Meters would be restricted

through approximately 83% of Supply to Market evening cycle nomination increases pathed for delivery.



Williston Basin Interstate Pipeline Company said that several line sections have been lifted from pipeline capacity constraint for deliveries in today's Evening Cycle. The points include: Cabin Creek-Dickinson; Dickinson-Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Belle Fourche-Recluse; Cleveland-Mapleton; Portal-Tioga; and Belle Creek-Manning. In addition, Northern Border-Manning has been lifted from pipeline capacity constraint for deliveries in today's Evening Cycle.

### **PIPELINE MAINTENANCE**

Transcontinental Gas Pipe Line said that the hot tap work on Central Texas Gathering System originally scheduled for January 24 has been delayed due to weather. The work has been rescheduled for February 1. Transco will be performing facility modifications associated with a hot tap installation on the CTGS upstream of Station 24 near Markham, Texas. In order to accommodate the work, Transco will be required to shut in several meters for approximately 12 hours. Shippers are encouraged to adjust their daily nominations to reflect this outage.

Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Vida Compressor Station through January 24. At this time, the company does not anticipate any restriction to the system. Williston also said that unplanned maintenance will be performed at the Saco Compressor Station through January 26. Maximum capacity at the Saco Compressor Station will be approximately 21.5 MMcf/d for gas day January 23 and 24.7 MMcf/d for gas days January 24-26. At this time, the company does not anticipate any restrictions to the system.

### **ELECTRIC MARKET NEWS**

A report by the U.S. Department of Energy's Pacific Northwest National Laboratory has found the U.S. electricity grid is underutilized most of the time and could support most light-duty vehicles as plug-in electric hybrids. The report examined the 12 North American Electric Reliability Council regions as of 2002 – including their congestion issues and distribution systems – in estimating the regional percentages of energy requirements for light-duty cars and trucks that operate as electric vehicles.

GE's energy finance unit will take a 20% stake in a power plant project using coal gasification, a sign that the cleaner-burning technology is attracting the attention of investors with deep pockets. The 630 Mw Cash Creek project in Henderson County, Kentucky, will be one of the largest and most advanced clean coal projects of its kind in the country to use Integrated Gasification Combined Cycle technology.

**NYMEX Nat Gas Options Most Active Strikes for January 23, 2007**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	4	7	P	6.5	03/27/2007	0.2661	9,300	58.67
LN	4	7	C	9	03/27/2007	0.2619	8,475	56.47
LN	3	7	C	8.5	02/23/2007	0.2935	6,675	68.94
LN	2	7	C	8	01/26/2007	0.1262	5,200	99.90
LN	3	7	C	7.5	02/23/2007	0.6223	4,150	64.74
LN	3	7	P	6.5	02/23/2007	0.158	3,550	66.52
LN	3	7	C	9.5	02/23/2007	0.1351	3,350	72.48
ON	2	7	C	8	01/26/2007	0.126	3,174	100.44
LN	5	7	P	4.5	04/25/2007	0.016	3,100	54.91
LN	10	7	C	20	09/25/2007	0.0809	3,100	59.28
LN	3	7	C	9	02/23/2007	0.1992	2,925	70.77
LN	4	7	C	10	03/27/2007	0.1347	2,600	58.58
LN	3	7	C	8	02/23/2007	0.4301	2,375	66.97
ON	3	7	P	6	02/23/2007	0.063	2,148	63.66
LN	6	7	P	5.75	05/25/2007	0.1654	2,100	52.40
ON	3	7	P	6.5	02/23/2007	0.158	2,054	64.93
LN	4	7	C	8	03/27/2007	0.5045	2,050	53.88
ON	4	7	P	6	03/27/2007	0.143	2,012	56.56
LN	8	7	P	4	07/26/2007	0.0233	2,000	52.10
LN	2	7	P	7.25	01/26/2007	0.1269	1,965	99.44
LN	2	7	C	9.5	01/26/2007	0.0026	1,850	104.90
LN	8	7	C	10	07/26/2007	0.4361	1,850	47.22
LN	3	7	C	8.75	02/23/2007	0.2419	1,700	69.87
LN	3	7	C	10	02/23/2007	0.0901	1,625	73.71
LN	2	7	C	8.5	01/26/2007	0.0404	1,600	101.59
LN	6	7	P	7	05/25/2007	0.5681	1,550	54.08
LN	3	8	P	4	02/26/2008	0.0291	1,500	44.99
LN	3	8	P	5	02/26/2008	0.1209	1,500	46.90
ON	4	7	P	5	03/27/2007	0.027	1,453	57.60
LN	7	7	C	10	06/26/2007	0.3386	1,450	47.72
LN	2	7	C	7.5	01/26/2007	0.3217	1,440	98.09
LN	2	7	P	7.5	01/26/2007	0.2248	1,400	99.96

**MARKET COMMENTARY**

The natural gas market opened 15 cents higher to start a session that waffled between 6.40 and 6.60. Cold temperatures forecast to continue through the beginning of February has the market elevated as market players consider the impact it will have on storage. A rallying crude oil market on talk of an increase in the SPR late in the session boosted February natural gas from its intra day low of 7.36 back to its highs before settling up 27.8 cents at 7.597.

The market is near 20% above January 18 settlement and though winter seems to have arrived, storage stands at over 2.9 Bcf and with some forecasters citing a resurgence of the mild El Nino with a return to warmer than normal temperatures by the middle of February and into March, the supply pressures still persist. With expiration for the February contract next Monday, this market may be ready for a correction downward. We see resistance at \$7.75, \$8.00, \$8.05 and \$8.50. We see support at \$7.40, \$7.00, \$6.80, \$6.20, \$6.00 and \$5.75.

