



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JANUARY 31, 2007**

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

The Commodity Futures Trading Commission (CFTC) says it is still waiting on trader position data that it requested from the IntercontinentalExchange (ICE) two months ago.

CenterPoint Energy Gas Transmission Co. (CEGT) and Spectra Energy Corp., which comprises the former natural gas business of Duke Energy, said Wednesday they have agreed to discontinue the development of their proposed Mid-Continent Crossing (MCX) pipeline. The project had called for the construction of a massive pipeline system that would have stretched from the supply basins in West Texas to the metropolitan Pittsburgh, PA, area, providing western producers with greater access to midwestern and eastern markets.

Two former American Electric Power gas traders have been charged in federal court in Washington with providing false gas-price data to Platts publications. Attorneys with the US Department of Justice filed criminal information complaints against John Baggett and Michael Hoover in the US District Court for the District of Columbia for violating the Commodity Exchange Act.

#### **PIPELINE RESTRICTIONS**

Algonquin Gas Transmission said that it has restricted a portion of priority 3 nominations flowing through Stony Point compressor station for today. No increases for nominations flowing through Stony Point, except for Firm No-Notice nominations, will be accepted. Additionally, due shipper makeup nominations, or due pipe creation will not be accepted. AGT requires shippers to schedule receipts commensurate with anticipated deliveries, and point operators to perform to the level of scheduled volumes.

East Tennessee Natural Gas said that it has placed restrictions on its system effective 9:00 AM ET today. ETNG will be implementing the following restrictions: no secondary receipts upstream of station 3104; no secondary receipts upstream of station 3205; no secondary deliveries downstream of station 3313 on the 8-inch 3300 line between Rural Retreat and Roanoke. In addition, Maximum Allowable Delivery Service will be in effect beginning for today. The unauthorized overrun charges for exceeding MAD will remain in effect until further notice. ETNG will not assess an Unauthorized Overrun charge on a Balancing Party unless the quantity of gas by which the Balancing Party exceeds its MAD is more than the great of 50 DTH or 2% of MAD.

#### **Generator Problems**

**MAAC** – Constellation Energy Group's 873 Mw Calvert Cliffs #1 nuclear unit shut to fix a high-pressure turbine steam leak. The unit is expected to return within a week. Calvert Cliffs #2 continues to operate at full power.

PSEG's 1,050 Mw Hope Creek nuclear unit restarted and is warming up offline at 5% capacity.

**NPCC** – Constellation Energy Group's 495 Mw Ginna nuclear unit increased output to 56% capacity.

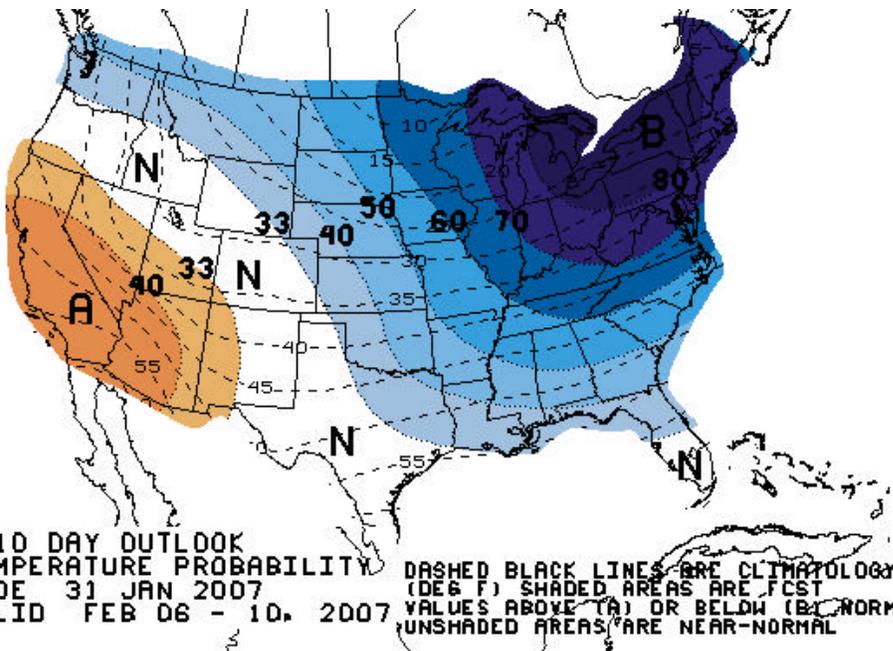
Dominion Energy's 1,131 Mw Millstone #3 nuclear unit ramped output to 85% capacity. Millstone #2 continues to operate at full power.

**SERC** – Southern Co.'s 869 Mw Hatch #1 nuclear unit shut to repair main condenser tubes. Hatch #2 continues to operate at full power.

**WSCC** – Southern California Edison's 1,070 Mw San Onofre #2 nuclear unit increased output to 99%. The unit had been operating at 84% power. San Onofre #3 remains at full power.

**The NRC reported that 92,487 Mw of nuclear capacity is on line, up .76% from Tuesday, but .51% lower from a year ago.**

KM Interstate Gas Transmission is still requesting shippers to match supply to the increased load activity due to significantly colder temperatures in the Kansas and Nebraska market area east of Big Springs. The request was first issued on January 10. This bulletin is a reminder that the advisory is still in effect and for shippers to continue efforts in remedying any supply imbalance.



Southern Natural Gas Pipeline continues to project the likelihood of implementing a Type 6 OFO for Wednesday and Thursday based on current receipts and projected deliveries. At this point, short and UL for long imbalances are projected for today; UL for long or short imbalances is projected for Thursday.

Williston Basin Interstate Pipeline Company said that several line sections remain in pipeline capacity constraint for today's timely cycle. Penalties will be imposed at the following

line section: Dickinson-Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Belle Fourche-Recluse; Cleveland-Mapleton; Portal-Tioga; Belle Creek-Manning.

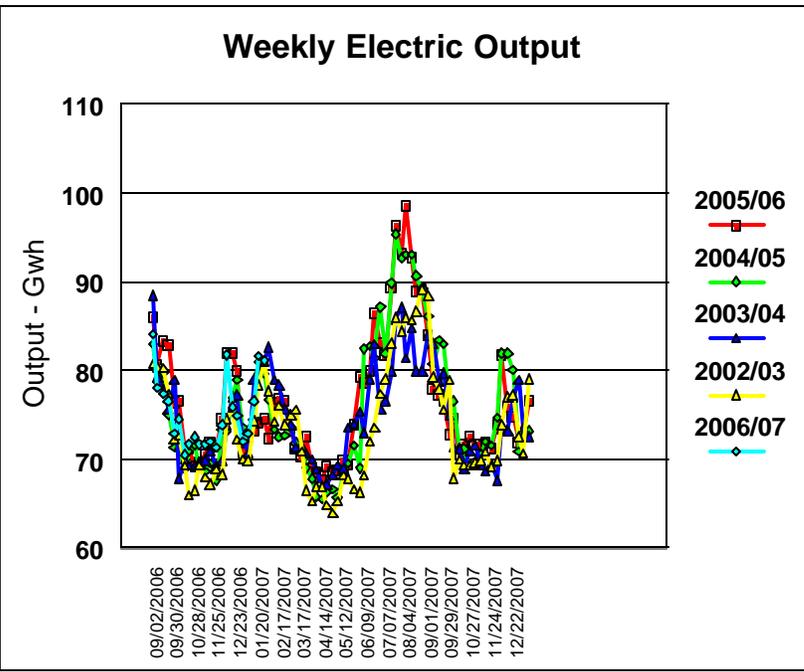
**PIPELINE MAINTENANCE**

Texas Eastern Transmission Corp. said that repairs on the Grantville compressor station are ongoing and as a result the compressor unit will not be available today. Due to this outage and the anticipated demand in the Texas Eastern service territory, Texas Eastern has restricted all IT-1 volumes sourced west of Grantville for delivery east of Grantville for today. Additionally, no due shipper imbalance resolution and no due pipe creation will be accepted until further notice.

**ELECTRIC MARKET NEWS**

The Edison Electric Institute reported that power production in the continental U.S. for the week ended January 27 rose 8.7% from the same 2006 week to 81,048 GWh. For the first four weeks of the year, power production totaled 312,078 GWh, up 6% from last year.

General Electric Financial Services said four companies were winners in an auction of transmission capacity to bring additional power into New York City. GE held a three-month open season and chose Cargill Power & Gas Markets, Conectiv Energy Supply, Consolidated Edison Energy and a fourth company that requested its name



not be disclosed. The capacity is for a merchant transmission project that would bring 300 Mw of capacity from the PJM Interconnection to the New York City area and the New York Independent System Operator. The line would stretch from GE's 900-Mw Linden, New Jersey, cogeneration plant, which GE intends to expand to 1,190 Mw this year, to Consolidated Edison's substation in Staten Island.

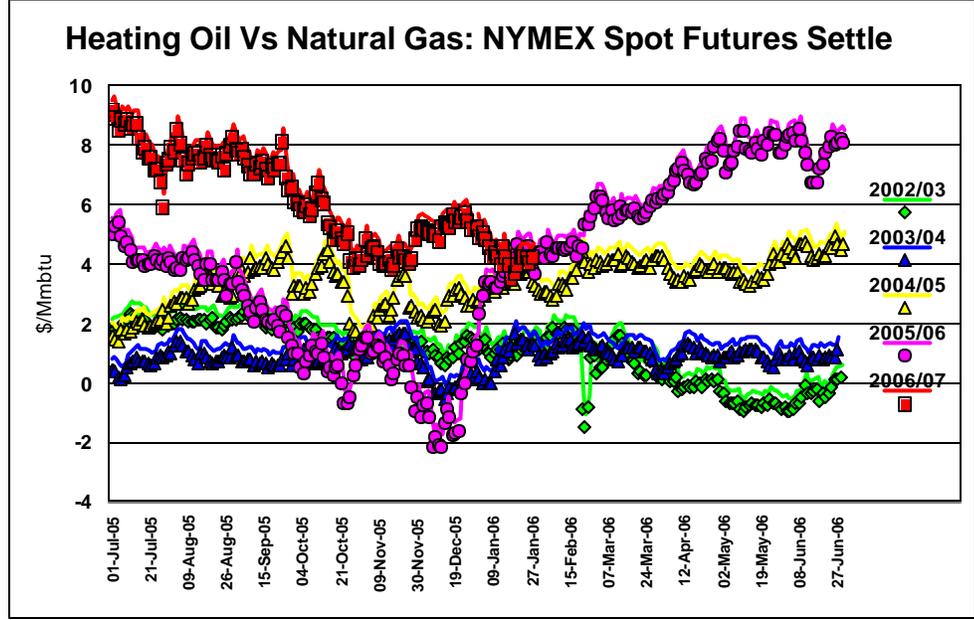
Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	833,600	\$7.757	\$0.435	(\$0.003)	\$0.398	(\$0.043)
Chicago City Gate	702,800	\$7.777	\$0.508	\$0.170	\$0.506	(\$0.008)
NGPL- TX/OK	575,000	\$7.420	\$0.457	(\$0.187)	\$0.455	(\$0.337)
SoCal	1,130,800	\$7.292	\$0.387	(\$0.315)	\$0.385	(\$0.354)
PG&E Citygate	587,300	\$7.559	\$0.368	(\$0.048)	\$0.366	(\$0.057)
Dominion-South	363,100	\$8.033	\$0.431	\$0.426	\$0.429	\$0.359
Transco Zone 6	213,300	\$9.540	(\$0.379)	\$1.933	(\$0.381)	\$6.173

Michigan retail power suppliers would be required to secure at least 10% of their energy needs from renewable resources by 2015 under a Public Service Commission-recommended "balanced" state energy plan unveiled today. The plan also calls for

a new approach for utilities to build a new baseload power plant that will be needed no later than 2015.

**MARKET COMMENTARY**

The natural gas market opened 13 cents lower to start a seesawing session as natural gas moved lower initially on early profit taking and a bearish oil report. Early losses were replaced by a modest midday rally that took March natural gas to a session high of 7.96. Strong resistance from the 8.00 level encouraged additional profit taking that pressured the market back to negative territory. The front month contract finished the session down 7.3 cents at 7.667.



Profit taking this afternoon divorced natural gas from the oil complex as yesterday's almost 12% rally was too much too fast. Weather forecasts acknowledge the cold temperatures engulfing most of the nation through the next two weeks, however forecasts diverge as to what the end of the month weather will be like and that is keeping a lid on this market. Expectations for tomorrow's EIA storage report call for a bullish draw of 200-210 Bcf. With total current storage some 20.7% above the five-year

average, the storage surplus continues to be a weight on this market and even with another two large draws expected, if the weather formally shows signs of moderation, the natural gas market will return to its bearish bias. We see resistance at \$7.80, \$8.00 and \$8.45. We see support at \$7.50, \$7.40, \$7.00, \$6.82, \$6.20, \$6.00 and \$5.75.

