



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR FEBRUARY 1, 2007

#### NATURAL GAS MARKET NEWS

Russian President Vladimir Putin said that the concept of forming a group of gas producing countries was interesting, but he did not want to see a cartel similar to the OPEC group.

Gazprom will be able to begin selling gas directly to consumers in Italy starting in April, Alexander Medvedev, the deputy CEO of the Russian oil giant said in an interview to be published on Friday. Medvedev told the Italian weekly news magazine Espresso that Gazprom would initially be able to sell 100 million cubic meters of gas in Italy, but this figure would rise gradually from October and he hoped to eventually reach 3.5 billion cubic meters.

An Exxon Mobil Corp. spokesman said three trains at the company's RasGas joint venture in Qatar are essentially back up after it was forced to close them in January due to hydrate formations in the pipelines bringing gas from Qatar's North Field.

#### PIPELINE RESTRICTIONS

ANR Pipeline Company said that based on current weather forecasts for the state of Wisconsin it has become increasingly important that ANR maintain sufficient receipt volume nominations at the interconnect with Viking Gas Transmission at Marshfield, Wisconsin.

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

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	1,107,200	\$7.931	\$0.174	\$0.327	\$0.330	(\$0.002)
Chicago City Gate	863,600	\$8.081	\$0.304	\$0.585	\$0.415	\$0.132
NGPL- TX/OK	791,100	\$7.668	\$0.248	\$0.172	\$0.359	(\$0.225)
SoCal	1,209,000	\$7.497	\$0.205	\$0.001	\$0.316	(\$0.300)
PG&E Citygate	636,400	\$7.768	\$0.209	\$0.272	\$0.320	(\$0.007)
Dominion-South	427,000	\$8.211	\$0.179	\$0.715	\$0.290	\$0.390
Transco Zone 6	264,600	\$9.359	(\$0.181)	\$1.863	(\$0.070)	\$3.138

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

#### Generator Problems

**ERCOT** – AEP's 690 Mw Oklaunion coal-fired power station shut due to the main fuel trip.

**MAAC** – Constellation Energy's 825 Mw Calvert Cliffs #1 nuclear unit shut to fix a steam leak in the high-pressure turbine exhaust piping. The unit was offline at 8% this morning. Yesterday, the unit was operating at 80% capacity. Calvert Cliffs #2 continues to operate at full power.

PSEG's 1,050 Mw Hope Creek nuclear unit reconnected to the grid and ramped up to 43% capacity.

**NPCC** – Dominion Energy's 1,131 Mw Millstone #3 nuclear unit ramped output to full power. Millstone #2 remains at full power.

**WSCC** – Arizona Public Service's 1,270 Mw Palo Verde #3 nuclear unit is warming up offline at 14%. Palo Verde #1 and #2 remain at full power.

**The NRC reported that 92,646 Mw of nuclear capacity is on line, up .17% from Wednesday, and .09% higher from a year ago.**

### EIA Weekly Report

	01/26/2007	01/19/2007	Net chg	Last Year
<b>Producing Region</b>	807	852	-45	724
<b>Consuming East</b>	1465	1585	-120	1357
<b>Consuming West</b>	299	320	-21	337
<b>Total US</b>	2571	2757	-186	2419

\*storage figures in Bcf

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.

MRT said that due to cold weather conditions, effective 9:00 AM CT tomorrow the system protection warning is subject to the following

conditions. MRT will not schedule any Main Line IT or AOR volumes for delivery north of Glendale. Firm volumes will be limited to their primary direction of flow. MRT will not schedule volumes that result in a daily short position. Shippers may not nominate supply from existing long positions.

Northern Natural Gas said that due to single digit system weighted forecasted temperatures and below zero low temperatures at most reporting stations in the market area, an SOL is being called for all market areas for tomorrow.

Panhandle Eastern Pipe Line Company said that in order to properly schedule daily pipeline operations to meet all customer requirements during cold weather conditions, shippers will be required to adhere to tariff requirements of their specific rate schedules' limitations for takes for all delivery points. Panhandle said that this operational alert will be in effect until further notice

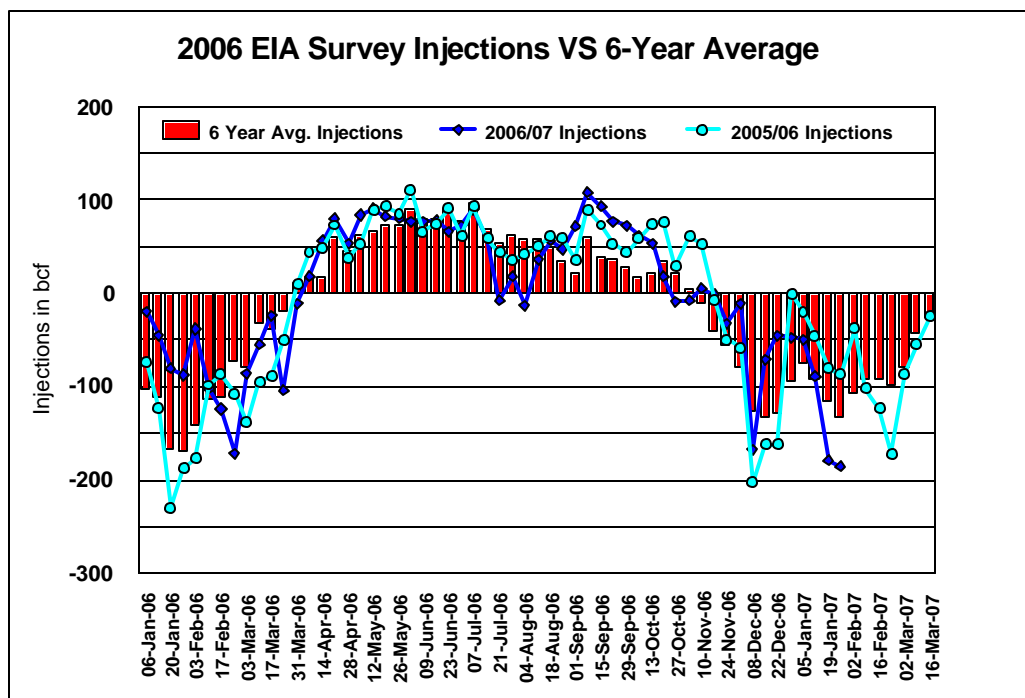
Southern Natural Gas Pipeline said that there was an unscheduled outage at the Elmore Compressor Station located in central Alabama. Based on the best information available at this time, SoNat anticipates that the unit will return will return to service no sooner than February 6.

### Canadian Gas Association

#### Weekly Storage Report

	19-Jan-07	12-Jan-07	20-Jan-06
<b>East</b>	209.0	223.2	173.8
<b>West</b>	167.2	180.7	171.5
<b>Total</b>	376.2	403.8	345.3

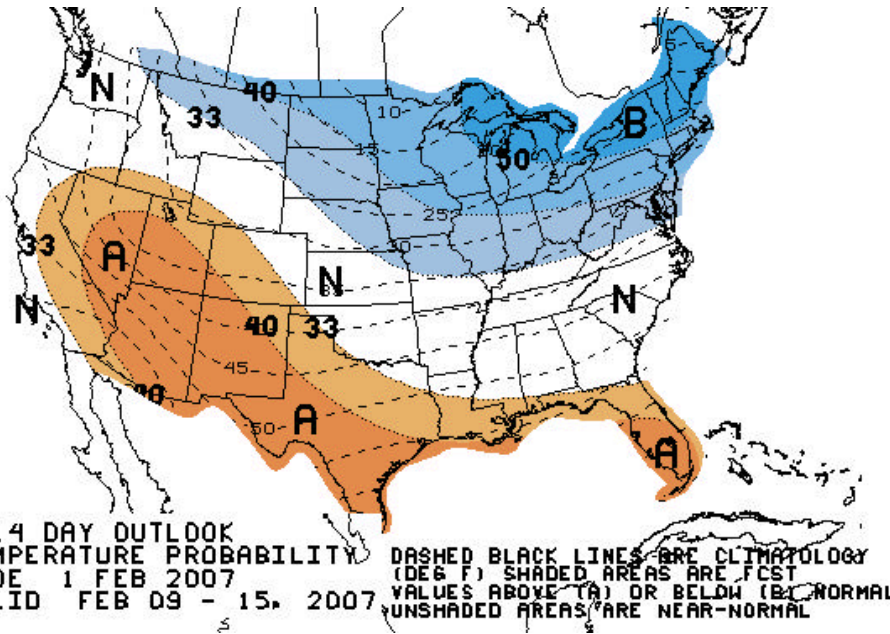
storage figures are in Bcf



Tennessee Gas Pipeline said that effective Cycle 1 today, due to reduced nominations, Tennessee will accept increases for nominations pathed for delivery at the Leidy Delivery Meters. Tennessee said that there are restrictions through approximately 25% of Supply to Market Secondary Out of the Path nominations. At Carthage Lateral Tennessee is restricted through approximately 30% of Supply to Market Secondary Out of the Path

nominations. At Station 245, Tennessee is restricted through approximately 98%, and at Station 321, Tennessee is restricted through approximately 71%.

Texas Eastern Transmission Corp. said that repairs on the outage and 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 today. Additionally, no due shipper imbalance resolution and no due pipe creation will be accepted until further notice.

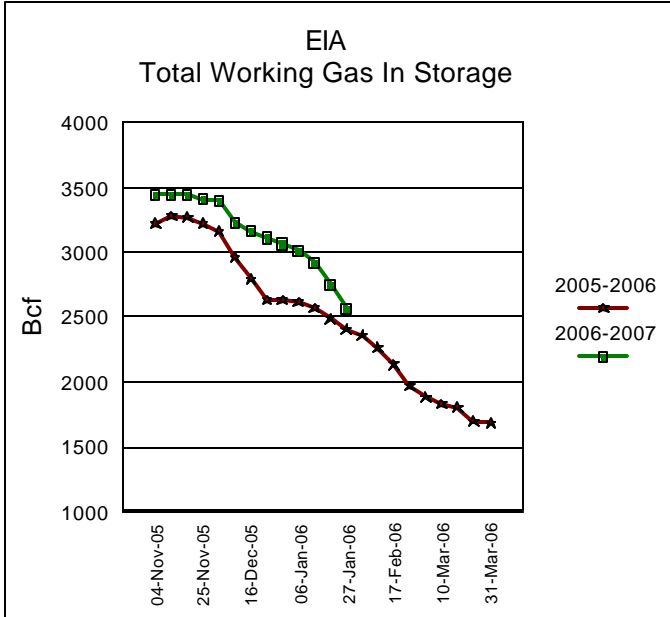
Trailblazer Pipeline said that nominations have been received and scheduled on Trailblazer. Effective today and until further notice, Trailblazer has limited capacity available for gas going eastbound through Compressor Station 602. Limited ITS/AOR and Secondary out-of-path Firm transports are available.

Trunkline Gas Company said that in order to properly schedule daily pipeline operations to meet all customer requirements during cold weather conditions, shippers will be required to adhere to Tariff requirements of their specific rate schedules' limitations for takes for all delivery points. This Operational Alert will be in effect until further notice.

**PIPELINE MAINTENANCE**

Gulf South Pipeline said that the unscheduled maintenance on Koran Compressor Station Unit #2 is complete, but is ongoing on Unit #4. Capacity through Koran Compressor Station with this maintenance could be reduced by as much as 10 MMcf/d.

KM Interstate Gas Transmission announced its pipeline restrictions for February. SSC Grant will be unavailable for receipt nominations, due to operational conditions. At West End, KMIGT said that the combined quantities of the following three points located in Fremont County, Wyoming, are at capacity, due to operational conditions. IT/AOR and secondary quantities are at risk of not being scheduled: Hendry Plt, WBI/Bridger, and Lost Cabin. At Big Springs, KMIGT is at capacity for deliveries through Segment 190 and will only schedule primary and secondary in-path quantities through Segment 190.



**ELECTRIC MARKET NEWS**

Entergy Gulf States has signed an agreement to purchase the Calcasieu power plant from Dynegy for about \$57 million. The 322 Mw Calcasieu facility is a simple-cycle, gas-fired plant near Sulphur, Louisiana, in the southwest portion of the state. Units one and two of the facility began commercial service in 2000 and 2001, respectively.

**ECONOMIC NEWS**

U.S. manufacturing activity unexpectedly contracted in January, the Institute for Supply Management's monthly survey said. The ISM index of national factory activity eased to 49.3 from 51.4 in December, below economists' median forecast for a slight rise to 51.9.

**NYMEX Nat Gas Options Most Active Strikes for February 1, 2007**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	4	7	C	10	03/27/2007	0.1052	9,775	57.20
LN	7	7	C	12	06/26/2007	0.1256	6,500	48.16
LN	3	7	P	6.5	02/23/2007	0.0952	5,750	63.56
LN	7	7	C	10	06/26/2007	0.3025	5,300	44.43
LN	8	7	C	10	07/26/2007	0.406	5,300	44.06
LN	9	7	C	10	08/28/2007	0.5032	5,300	43.47
LN	6	7	C	10	05/25/2007	0.2206	5,000	46.62
LN	4	7	P	6	03/27/2007	0.0935	4,775	56.45
LN	10	7	C	10	09/25/2007	0.6225	4,700	43.16
LN	6	7	C	14	05/25/2007	0.03	4,500	53.06
LN	5	7	C	10	04/25/2007	0.1549	4,400	50.24
LN	5	7	C	15	04/25/2007	0.0101	4,250	59.37
ON	4	7	P	6	03/27/2007	0.094	4,200	54.74
LN	3	7	P	7	02/23/2007	0.2327	3,875	65.00
LN	7	7	C	9	06/26/2007	0.4851	3,800	42.13
LN	4	8	C	20	03/26/2008	0.0375	3,750	40.26
LN	4	7	C	9	03/27/2007	0.2238	2,975	54.89
ON	3	7	P	6.5	02/23/2007	0.095	2,948	62.23
LN	4	7	C	8	03/27/2007	0.4684	2,900	52.08
LN	5	7	C	9	04/25/2007	0.2943	2,900	48.00
LN	3	7	P	6	02/23/2007	0.0291	2,825	62.45
LN	5	7	C	7.75	04/25/2007	0.6591	2,775	44.94
ON	5	7	C	15	04/25/2007	0.01	2,662	60.75
LN	4	7	C	12	03/27/2007	0.0275	2,650	62.45
LN	5	7	P	6	04/25/2007	0.1332	2,325	52.80
LN	10	7	C	8	09/25/2007	1.2033	2,300	38.12
LN	5	7	C	8	04/25/2007	0.5638	2,200	45.69
LN	6	7	C	8	05/25/2007	0.6678	2,200	41.74
LN	7	7	C	8	06/26/2007	0.7898	2,200	39.43
LN	8	7	C	8	07/26/2007	0.9274	2,200	38.92
LN	9	7	C	8	08/28/2007	1.0426	2,200	38.23
ON	3	7	P	6	02/23/2007	0.029	2,159	61.37
ON	3	7	P	5	02/23/2007	0.001	2,050	61.52
LN	3	7	C	10.5	02/23/2007	0.0189	2,000	71.60
LN	4	7	P	6.5	03/27/2007	0.1888	2,000	55.81
LN	4	7	C	8.5	03/27/2007	0.3252	1,900	53.58
ON	3	7	P	7	02/23/2007	0.233	1,826	63.39
ON	4	7	P	5	03/27/2007	0.013	1,811	55.76
LN	4	7	C	7.75	03/27/2007	0.5593	1,725	51.22
ON	3	7	C	8.5	02/23/2007	0.178	1,596	67.43
LN	4	7	C	15	03/27/2007	0.0033	1,500	65.83
LN	6	7	C	15	05/25/2007	0.0235	1,500	55.91
LN	7	7	C	10.5	06/26/2007	0.2405	1,500	45.44
LN	7	7	C	15	06/26/2007	0.0424	1,500	52.99
LN	8	7	C	10.5	07/26/2007	0.3344	1,500	45.11
LN	8	7	C	15	07/26/2007	0.0735	1,500	52.14
LN	9	7	C	10.5	08/28/2007	0.4234	1,500	44.47
LN	9	7	C	15	08/28/2007	0.1071	1,500	50.82
LN	10	7	C	15	09/25/2007	0.1637	1,500	51.06
ON	12	7	P	7	11/27/2007	0.448	1,500	42.79

**MARKET COMMENTARY**

The natural gas market opened 20 cents stronger in anticipation of a large draw from storage but shortly after today's EIA inventory report showed a lower than expected withdrawal of 186 Bcf, the front month contract took a nose dive and appeared headed for a minor crash, touching base at 7.31 after a high of 7.92 just before the number. But as this number represents weather for last week, traders had gotten ahead of themselves and as they realized there is still 6 weeks of winter left and the coldest temperatures expected next week, the market posted a slow and steady recovery. March natural gas made a modest recovery to settle at 7.53, down 13.7 cents.

Total storage inventories now stands at 2,571 Bcf, 152 Bcf over last year's levels and 454 Bcf above the five-year average. The next two reports will reflect even colder weather than last week and are expected to show draws of over 200 Bcf, putting total gas in storage below last year's level by next week's report. We feel that the market will remain supported by the weather in the near term and look toward the 11-15 forecast to make its next play. The March-April, which had gone positive on Tuesday's rally, reverted negative today with the sell off, but we feel that this spread will again turn positive with March trading over April as the storage inventories will slip below last year's levels in the coming week. We see support at \$7.40, \$7.00, \$6.82, \$6.20, \$6.00 and \$5.75. We see resistance at \$8.00, \$8.45 and \$9.00.

# NYMEX Natural Gas Options Volume

Call Put Delta Weighted Volume as % of Total

