



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR FEBRUARY 15, 2007

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

Private Meteorologists are calling the current weather the worst of the winter. The cold snap gripping the eastern U.S. should ease next week, ushering in warmer temperatures into March. DTN Meteorologix expects a turn to more moderate temperatures beginning in the later part of next week. Jim Rouiller of Planalytics believes he has seen the worst of winter and that the kind of warmth that will we will see next week should hold through the start of spring.

FERC clarified its policy on when it may invoke jurisdictional authority to guard against abusive practices gathering pipelines that bring natural gas drilled in the Gulf of Mexico onshore. Under current law, gathering pipelines beyond state waters are unregulated, and the FERC generally lacks express authority to oversee their costs and rates. However, the agency said it will assert jurisdiction over a gathering pipeline that is affiliated with a regulated interstate pipeline if the gathering entity uses its market power to the unfairly benefit of the parent company.

#### **EIA Weekly Report**

	02/09/2007	02/02/2007	Net chg	Last Year
<b>Producing Region</b>	676	744	-68	706
<b>Consuming East</b>	1147	1326	-179	1259
<b>Consuming West</b>	265	277	-12	316
<b>Total US</b>	2088	2347	-259	2281

\*storage figures in Bcf

U.S. The open season will run through April 12.

FERC gave final approval to two LNG import terminals along the Mississippi coast. The LNG Clean Energy Project, located in the Port of Pascagoula, will be able to send out up to 1.5 Bcf/d. The \$450 million terminal, which will be owned by the Houston-based private investor group Gulf LNG Energy, will be able to handle 150 LNG tankers a year. Separately, Chevron Corp.'s Casotte Landing LNG project will be located next to the company's Pascagoula refinery and will process imported LNG for distribution to industrial, commercial and residential customers in Mississippi and the Southeast region, including the growing Florida market. The terminal will be able to send out 1.6 BCF/d.

#### **Generator Problems**

**NPCC** – Entergy's 535 Mw Vermont Yankee nuclear unit increased output to 96% capacity. Yesterday the unit was operating at 83% capacity.

**SERC** – Tennessee Valley Authority's 1,100 Mw Browns Ferry #3 nuclear unit ramped output to 87% capacity. Yesterday, the unit was operating at 82% capacity. Browns Ferry #2 continues to operate at full power.

**Canada** – Ontario Power Generation's 515 Mw Pickering #5 nuclear unit exited an outage by early today.

**The NRC reported that 95,247 Mw of nuclear capacity is on line, up .09% from Wednesday, and 7.37% higher from a year ago.**

Enterprise Products Partners and Duncan Energy Partners said they would begin a binding open season on Friday to gauge shipper interest in a new natural gas storage facility at Mont Belvieu, Texas. The new storage site would provide up to 10 Bcf of firm natural gas storage capacity to meet increased demand in southeast Texas and the northeastern

#### **Canadian Gas Association**

##### **Weekly Storage Report**

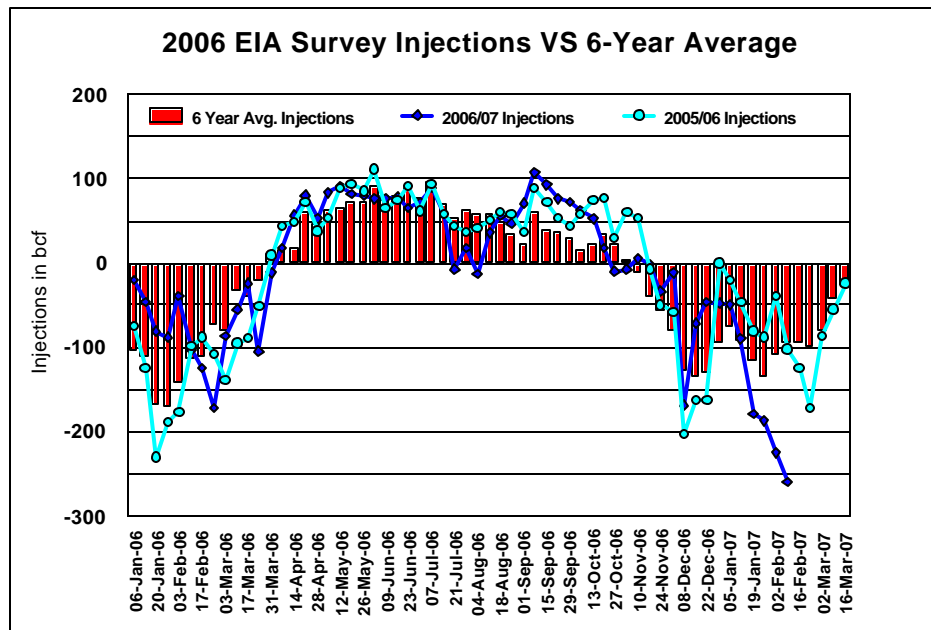
	09-Feb-07	02-Feb-07	10-Feb-06
<b>East</b>	142.0	167.7	156.4
<b>West</b>	133.6	145.5	154.5
<b>Total</b>	275.6	313.3	310.9

storage figures are in Bcf

The CFTC said that the wholesale power generator NRG Energy will pay a \$2 million civil penalty to settle agency charges that NRG knowingly reported false information concerning natural gas trades to manipulate energy markets.

**PIPELINE RESTRICTIONS**

Algonquin Gas Transmission said that the AGT interconnect with Tennessee Gas Pipeline at Mendon has been restricted to capacity for today. No increases in nominations sourced at Mendon will be accepted.



Columbia Gas Transmission extended an alert to natural gas shippers on its pipeline system for a 14<sup>th</sup> consecutive day, as cold weather kept hold over much of the eastern United States. Columbia deemed Friday a critical day for natural gas shippers in its eastern U.S. market areas, extending the designation of critical days that began on February 3. Therefore, zero non-firm capacity is available.

Florida Gas Transmission issued an alert to natural gas shippers, as near-freezing temperatures forecast for the northern part of the state were expected to boost demand on

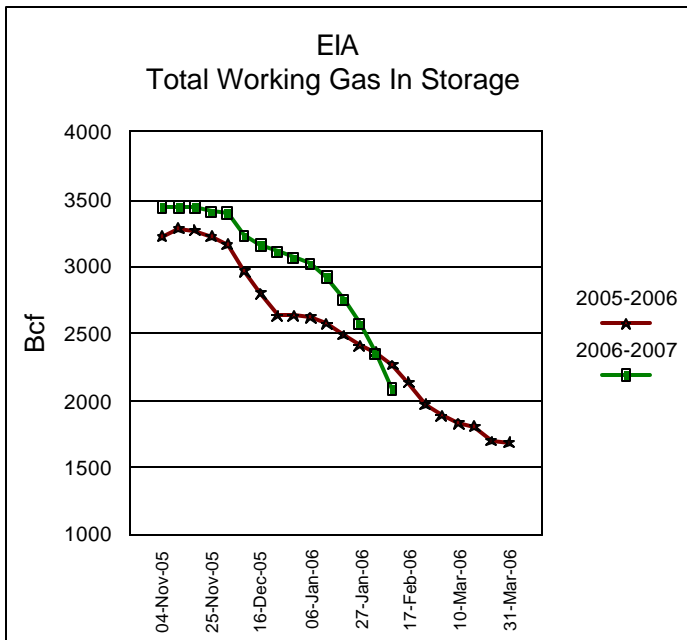
its pipeline system. To maintain system integrity, the company issued an overage alert at 25% tolerance.

KM Interstate Gas Transmission announced AOR/IT/Primary and Secondary at Risk restriction for today at the following points: SSC Grant, CIG Weld, WBI Bridger, CIG Glenrock and CheyPGP Cheyenne.

Natural Gas Pipeline Company announced capacity constraints for several sections of its delivery system effective for today and until further notice. NGPL said that on the Amillo System, Segment 13, 15 and 1 are at capacity, while Segment 14 is at limited capacity. On the Gulf Coast System, Segment 27 and 25 are at capacity and on the Louisiana Line, Segment 23 and 24 are at capacity.

Northern Natural Gas Company said that due to extreme cold at most reporting stations in the market area, SOL is being called for all market areas for today.

Southern Natural Gas Pipeline Co. said that based on current receipts and projected deliveries, for today and tomorrow, there is a probability of an OFO for short and UL long imbalances. For Saturday, there is a probability of TCTC for short and UL long imbalances. Southern will evaluate very closely system conditions and supply nominations for each cycle. If Southern determines that adverse changes have occurred in system conditions and/or one of



the scheduling cycles, a Type 6 OFO can be implemented on four hours notice or less depending on the situation.

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	1,027,000	\$8.913	\$0.013	\$1.080	(\$0.149)	\$0.594
Chicago City Gate	619,500	\$7.833	(\$0.891)	\$0.651	(\$0.883)	\$0.760
NGPL- TX/OK	822,900	\$7.194	(\$0.223)	\$0.012	(\$0.215)	(\$0.137)
SoCal	1,013,000	\$7.028	(\$0.153)	(\$0.154)	(\$0.145)	(\$0.261)
PG&E Citygate	1,025,900	\$7.360	(\$0.143)	\$0.178	(\$0.135)	\$0.094
Dominion-South	597,700	\$10.867	\$0.428	\$3.685	\$0.436	\$2.321
Transco Zone 6	238,600	\$16.778	(\$2.492)	\$9.596	(\$2.484)	\$7.816

Tennessee Gas Pipeline said that due to current weather conditions and limited operational flexibility, it does not have the ability to absorb imbalances caused by over takes from the system by delivery point operators and under deliveries into

the system by receipt point operators. Tennessee also said that it expects numerous restrictions due to nominations in excess of the available capacity.

Texas Eastern Transmission Corp. said that due to anticipated weather conditions and no-notice load requirements, it has restricted all forward haul IT-1 for delivery into Market Areas 2 and 3. Tetco has scheduled all receipts sourced between Vidor and Little Rock for delivery outside of that area. No increase of receipts between Vidor and Little Rock for delivery outside of that area will be accepted.

Tetco also has restricted a portion of IT-1 sourced upstream of Opelousas for delivery downstream of Opelousas. No increases in nominations sourced upstream of Opelousas for delivery downstream of Opelousas will be accepted. TE has sealed all receipts between Little Rock and Opelousas for delivery outside that area. Due to the cold, TE will continue to restrict due pipe creation and due shipper make-up until further notice. Additionally, TABS-1 parties are expected to schedule their pools balanced.

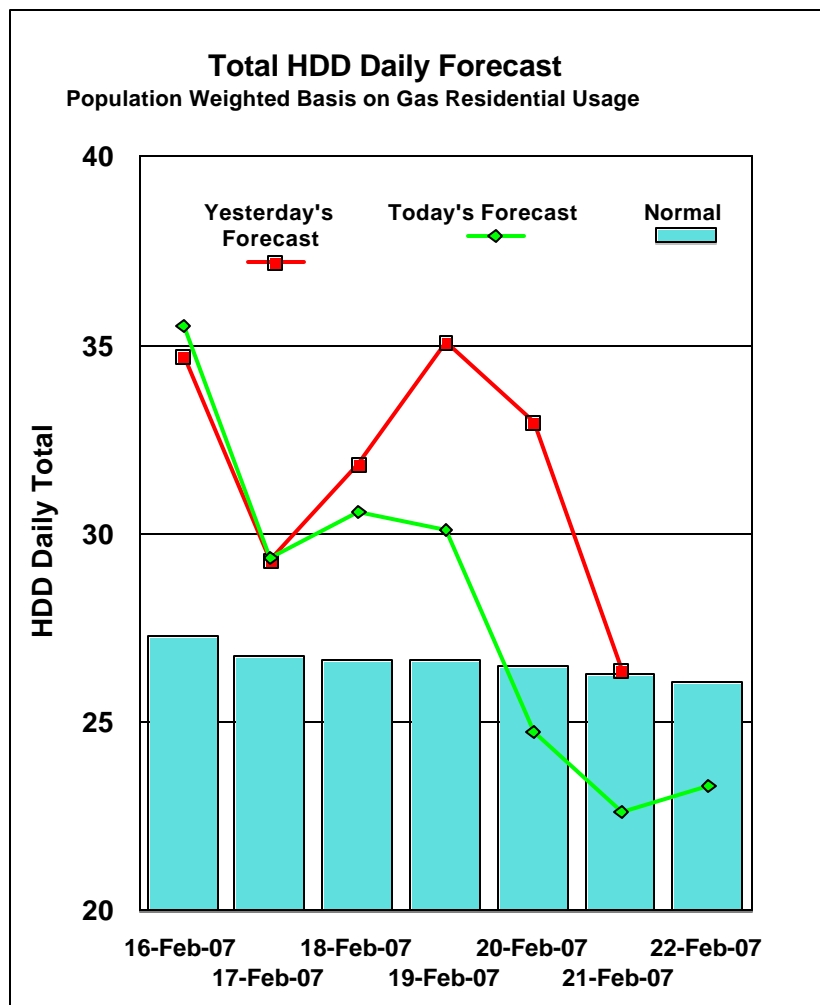
TransColorado Gas Transmission said that southbound transportation on Segment 220 is at AOR/IT/Secondary Risk for today.

**PIPELINE MAINTENANCE**

Alliance Pipeline said that a routine maintenance outage performed February 13 at the Towner Compression Station encountered an unanticipated issue. This issue will impact system throughput (AOS) for today.

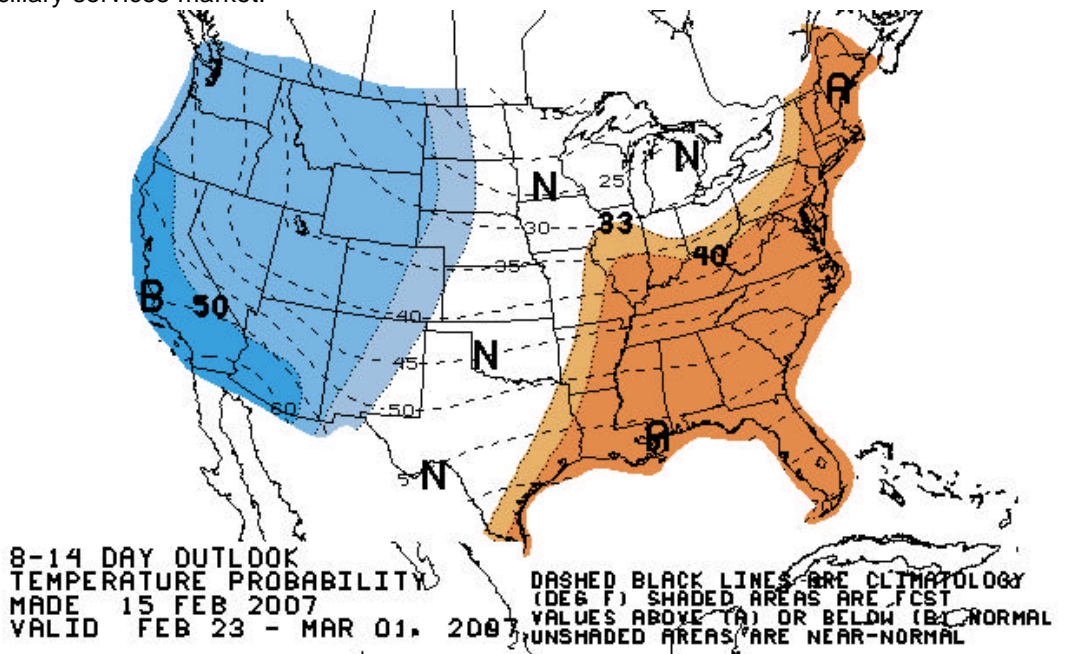
**ELECTRIC MARKET NEWS**

Midwest ISO said its energy market has brought about \$70 million in financial benefits to market participants annually.



The study by Virginia-based ICF International also determined the benefits would grow as the ISO adds services, including a proposed ancillary services market.

NRG Energy Chief Executive David Crane said Texas needs six to eight new coal-fired power plants, not the 18 currently proposed, to meet growing demand until new nuclear plants can be built. With 18 proposed coal units, Texas, already the largest emitter of carbon dioxide in the U.S., has become the epicenter of the debate over global warming and carbon emissions. NRG, the second largest owner of power plants in Texas, wants to build a mix of natural gas, coal and nuclear to help Texas meet an electric supply crunch anticipated as early as 2009 and beyond.



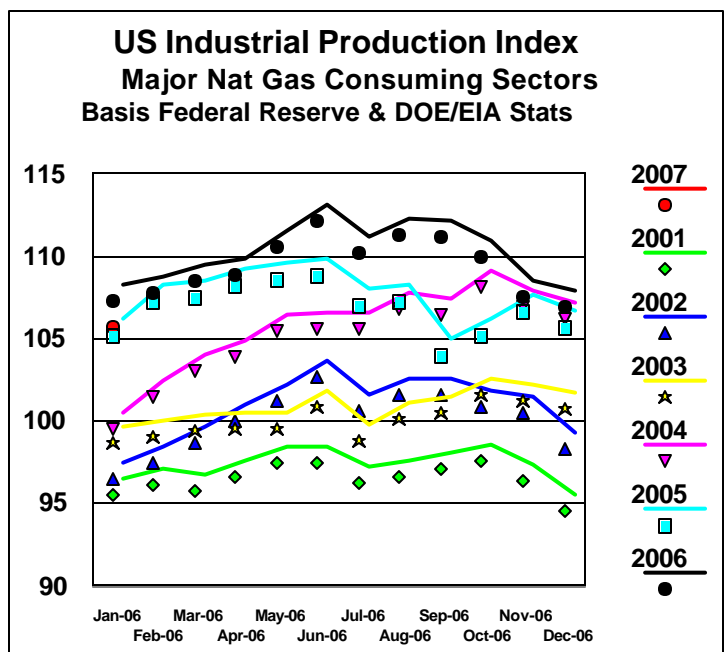
FERC asked for public comment on how to process preliminary permit applications for tidal and wave hydroelectric projects as more companies seek to use new technologies to generate power from oceans.

**ECONOMIC NEWS**

A government report showed that U.S. industrial output unexpectedly plunged 0.5% in January as a big drop in manufacturing, particularly vehicles and parts, more than offset a rebound in utilities. This was the biggest drop in overall output in more than five quarters, or since 1.6% decline in September 2005. The natural gas intensive industries saw a 1.13% decline from December and this group's activity was some 1.4% lower than a year ago. The sector that showed the largest year on year decline was the ag chemical sector which was off some 10.7% from a year ago.

**MARKET COMMENTARY**

The natural gas market opened unchanged and nudged to an intraday high of 7.30 ahead of the EIA inventory number. The report showed that 259 Bcf was drawn from the ground as a result of the arctic temperatures experienced last week. With the data basically inline with expectations, the market reacted by trading lower to 7.05 as the largest draw of the winter had already been priced into the market. Technical support at the 7.00 level quieted the market, which took its queues from the crude oil market and spent the remainder of the session creeping up to settle up 5.1 cents at 7.292.



Total storage now stands at 2,088 Bcf, 193 Bcf less than last year at this time, but 268 Bcf above the 5-year average. With what may possibly be the last of the mega-draws of the season in the books, many will now focus on the long-term weather forecasts, of which many point to above average temperatures. We feel the market will test the 7.00 level as the worst of the winter demand is coming to an end and though we are below last year's record amount of storage, there is still 15% above the five-year average. Also, the lack of a bullish surprise with regards to today's report and the subsequent price action, suggests that the supply bears are in control and weather bulls have little to support their cause as winter begins to come to an end. We see support at \$7.00, \$6.92, \$6.20, \$6.00 and \$5.75. We see resistance at \$7.40, \$7.80, \$8.00, \$8.28-\$8.35 and \$8.45.

NYMEX Nat Gas Options Most Active Strikes for February 15, 2007									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV	
LN	4	7	C	8	03/27/2007	0.2362	6,000	47.08	
LN	4	7	P	6	03/27/2007	0.048	5,425	48.74	
LN	4	7	C	9	03/27/2007	0.0786	4,650	50.06	
LN	4	7	C	8.5	03/27/2007	0.1374	3,400	48.66	
LN	3	7	P	7	02/23/2007	0.1206	3,316	57.68	
LN	3	7	P	6	02/23/2007	0.0014	2,880	54.76	
LN	5	7	P	5.5	04/25/2007	0.03	2,300	45.72	
LN	6	7	P	6	05/25/2007	0.1106	2,125	44.32	
LN	3	7	P	6.5	02/23/2007	0.0209	2,007	56.26	
LN	3	7	C	7.5	02/23/2007	0.1639	1,700	57.14	
LN	3	7	C	8	02/23/2007	0.0545	1,600	60.22	
LN	8	7	P	6	07/26/2007	0.1777	1,600	45.09	
ON	3	7	P	7	02/23/2007	0.121	1,540	56.76	
LN	3	7	P	5	02/23/2007	0.0001	1,500	78.75	
LN	8	7	C	11	07/26/2007	0.1688	1,500	42.74	
LN	7	7	P	6.5	06/26/2007	0.2533	1,400	44.12	
ON	3	7	C	8	02/23/2007	0.055	1,351	61.18	
ON	3	7	P	6.5	02/23/2007	0.021	1,289	55.68	
LN	7	7	C	11	06/26/2007	0.1038	1,250	42.98	
LN	4	7	C	10	03/27/2007	0.0254	1,150	52.60	
LN	5	7	C	9	04/25/2007	0.161	1,150	45.34	
ON	4	7	C	8	03/27/2007	0.236	1,125	49.48	
LN	4	7	C	11	03/27/2007	0.0084	1,050	54.91	
LN	5	7	C	11	04/25/2007	0.0323	1,050	49.95	
LN	6	7	C	11	05/25/2007	0.0612	1,050	45.66	
LN	7	7	C	9	06/26/2007	0.3278	1,050	38.82	
LN	9	7	C	11	08/28/2007	0.2473	1,050	42.82	
LN	10	7	C	11	09/25/2007	0.3503	1,050	43.75	
LN	11	7	C	13	10/26/2007	0.3139	1,000	44.38	
LN	3	7	C	7.25	02/23/2007	0.2667	972	55.56	
LN	7	7	P	6	06/26/2007	0.1389	875	43.94	
ON	4	7	C	9	03/27/2007	0.079	852	51.78	
LN	5	7	P	7	04/25/2007	0.3575	850	47.27	
LN	6	7	P	7	05/25/2007	0.3957	850	45.61	
LN	3	7	C	7.75	02/23/2007	0.0964	815	58.74	
LN	4	7	P	6.5	03/27/2007	0.1229	780	47.43	
LN	5	7	P	6.5	04/25/2007	0.1849	750	46.26	
LN	6	7	P	6.5	05/25/2007	0.2203	750	44.57	
LN	8	7	P	6.5	07/26/2007	0.3052	750	45.59	