



## ***ENERGY RISK MANAGEMENT***

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

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

Swinging its support behind the federal action to cut greenhouse gas emissions, the American Gas Association (AGA) said Thursday that policymakers must provide energy utilities with the opportunity to make greater use of domestic resources to "make meaningful advances in addressing climate change."

Liquefied natural gas is not going to be the "silver bullet" that people in the natural gas industry once thought it would be, and to ensure that North America gets its share, gas utilities need to commit to longer term supply contracts and the continent's storage resources need to be developed further, said Spectra Energy Transmission President Martha Wyrsh.

Establishing itself as one of the largest natural gas storage operators in North America, TransCanada Corp. said Thursday that the company and its TC Pipelines partnership have closed on the previously announced US\$4.135 billion acquisition of El Paso Corp.'s ANR Pipeline Co., its Michigan storage assets, and its 50% interest in Great Lakes Gas Transmission. El Paso said the sale, which was first announced in late December, includes the assumption of US\$744 million of debt as of Dec. 31, 2006, US\$269 million of which has been retired.

#### **PIPELINE RESTRICTIONS**

KM Interstate Gas Transmission announced AOR/IT/Primary and Secondary at Risk restriction for today. KMIG said SSC Grant, CIG Weld, WBI Bridger, CIG Glenrock and CheyPG Cheyenne were classified as AOR/IT/Secondary Risk. SSC Grant is also at Primary At Risk. The West End Segment was listed as AOR/IT/Secondary Risk.

Natural Gas Pipeline Company announced that effective today and until further notice, Trunkline Lakeside has limited capacity available for deliveries. Limited ITS/AOR and Secondary Firm transports are available. Also today, PEPL Moultrie and MRT-Harrison have limited capacity available for deliveries. Limited ITS/AOR and Secondary Firm transports are available. NGPL said that on the Amarillo System, Segment 13, 14 and 15 are at capacity, while Segment 1 has limited capacity. On the Gulf Coast System, Segment 17 has limited capacity, while Segment 25, 23 and 24 on the Louisiana Line are at capacity.

#### **Generator Problems**

**ERCOT** – TXU's 1,150 Mw Comanche Peak #1 nuclear unit will shut for a refueling and maintenance outage Saturday. Today, the unit was operating 95% capacity today.

**FRCC** – Progress Energy's 870 Mw Crystal River #3 nuclear unit is offline today after tripping shut during maintenance.

**MAAC** – Constellation Energy's 825 Mw Calvert Cliffs #2 nuclear unit is expected to shut Saturday for a refueling and maintenance outage. Calvert Cliffs #1 is operating at full power.

**MAIN** – Exelon's 1,162 Mw LaSalle #2 nuclear unit is expected to shut on Monday for a scheduled refueling and maintenance outage. LaSalle #1 continues to operate at full power.

**NPCC** – Entergy's 825 Mw FitzPatrick nuclear unit returned to full power. The unit was operating at 93% capacity yesterday.

**SERC** – Southern Nuclear's 1,215 Mw Vogtle #2 nuclear unit ramped output to 97% capacity. Yesterday, the unit was operating at 80% capacity. Vogtle #1 continues to operate at full power.

**WSCC** – Arizona Public Service's 1,270 Mw Palo Verde #2 nuclear unit remains offline after being forced shut over the weekend. Palo Verde #1 and #3 remain at full power.

**The NRC reported that 91,415 Mw of nuclear capacity is on line, down .42% from Wednesday, but 376% higher from a year ago.**

### EIA Weekly Report

	02/16/2007	02/09/2007	Net chg	Last Year
<b>Producing Region</b>	616	676	-60	675
<b>Consuming East</b>	996	1147	-151	1185
<b>Consuming West</b>	253	265	-12	301
<b>Total US</b>	1865	2088	-223	2161

\*storage figures in Bcf

Texas Eastern Transmission Corp. said that it has extended restrictions for the system today. The company said it has restricted nominations flowing through Batesville. Increases in nominations for receipts sourced upstream of Batesville for delivery downstream of Batesville will not be accepted. In addition, Texas Eastern has restricted nominations sourced in zones STX and ETX for delivery outside

that area. No increases in receipts between Little Rock and Mt. Belvieu for delivery outside that area will be accepted.

Tennessee Gas Pipeline said that effective 9:00 AM CT today, due to nominations in excess of the available capacity Tennessee anticipates numerous restrictions. At Carthage Lateral, Tennessee anticipates restricting through approximately 10% of supply to market secondary out of the path nominations. At Station 245, Tennessee anticipates restricting through approximately 22% of supply to market secondary out of the path nominations. At Station 321, Tennessee anticipates restricting through approximately 15% of supply to market secondary out of the path nominations.

### Canadian Gas Association

#### Weekly Storage Report

	16-Feb-07	09-Feb-07	17-Feb-06
<b>East</b>	118.1	142.0	143.9
<b>West</b>	120.4	133.6	149.1
<b>Total</b>	238.5	275.6	293.0

storage figures are in Bcf

Trailblazer Pipeline said that effective immediately, Trailblazer receipt point Rockies Express Owl Creek is changing its name to Rockies Express Lone Tree.

TransColorado Gas Transmission said that southbound transportation on Segment 220 is at AOR/IT/Secondary Risk for today. All points and segments northbound have available capacity.

### PIPELINE MAINTENANCE

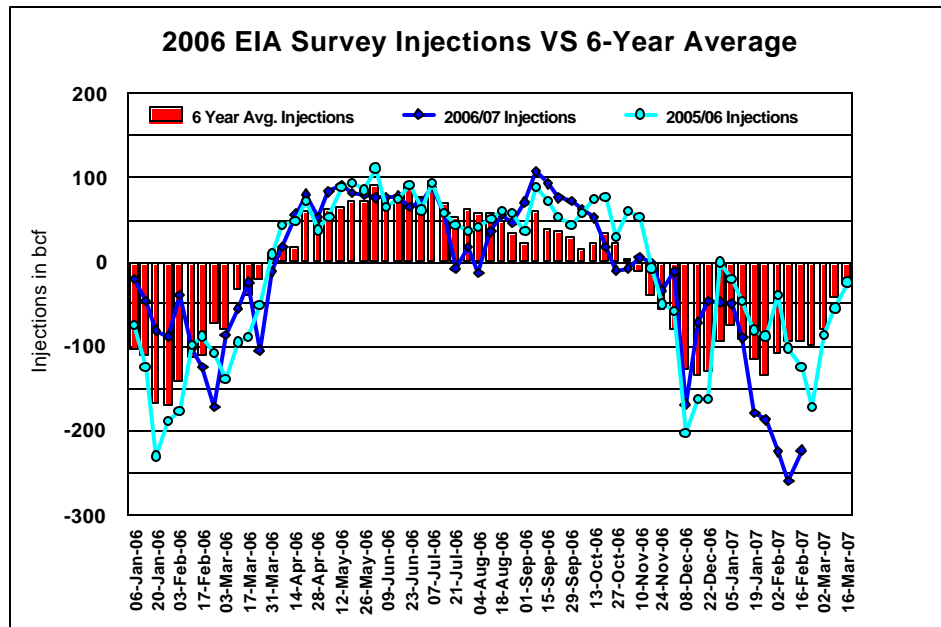
Alliance Pipeline said that maintenance at 7A Irma Compressor and 17A Towner Compressor through today will result in AOS being limited to 10-15%.

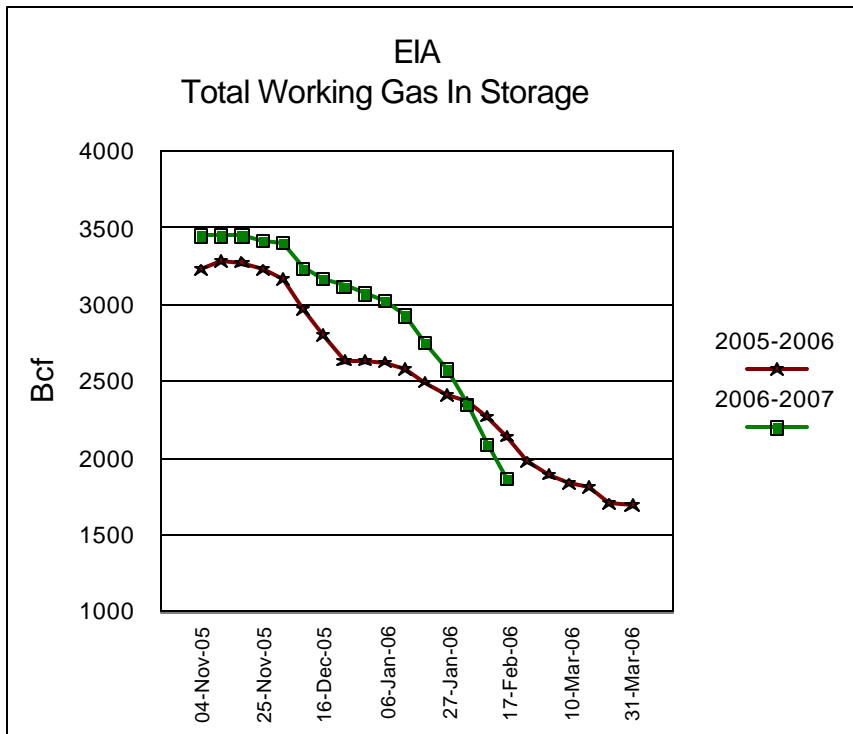
Panhandle Eastern Pipe Line Company said that the scheduled work date for

Panhandle's Seiling E-301 compressor has been changed. The compressor will be out of service from March 26 to May 7. Panhandle's E-301 compressor will be taken out of service March 5 for installation of a new turbine control panel. The compressor is expected to be back in service April 16. During the project, the capacity through the Seiling segment will be limited to 280 MMcf/d. At this time, there is no anticipated impact to customer nominations.

### ELECTRIC MARKET NEWS

The NRC announced it has placed the biggest nuclear power plant in the U.S., the Palo Verde Nuclear Generating Station in Arizona, under a tighter watch because of a safety violation.





PNM asked state regulators to approve a \$68.9 million, or 12.3%, general rate increase, the first for the Albuquerque, New Mexico-based electric utility in more than 20 years. The proposed rate hike includes several key provisions that will allow the utility to add new generation and transmission with timely cost recovery, according to testimony filed with the New Mexico Public Regulation Commission.

FERC gave Consumers Energy the go-ahead to sell its 798 Mw Palisades nuclear plant to Entergy Nuclear Palisades as long as Entergy agrees not to raise wholesale rates for Edison Sault Electric through the end of 2007.

The Florida Public Service Commission submitted a report to the Governor and Legislature analyzing

the reliability of the existing transmission system and coordinated efforts for future transmission developments. The report shows that Florida's electric transmission grid is reliable for providing service to retail customers and procedures are in place to address long-range transmission needs. Florida's transmission system currently has about 15,700 miles of transmission lines. Over the next five years, Florida's utilities plan to add approximately 1,100 miles of transmission lines at a cost of approximately \$1.7 billion to accommodate the needs of the state's expanding population. In response to a special transmission study of the central Florida region, four utilities plan to spend approximately \$277 million for additional transmission facilities, to be completed by 2011.

### MARKET COMMENTARY

The natural gas market opened near 10 cents lower as the market awaited the release of the EIA storage report, which was inline with expectations showing that 223 Bcf of natural gas was taken from the ground last week.

The market remained range bound, maintaining its upside bias with support from the oil complex and short covering as expiration for the March contract approaches. March natural gas finished the session at 7.727, up 8.1 cents, its highest close since February 9.

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	575,800	\$7.474	(\$0.034)	(\$0.464)	\$0.060	(\$0.018)
Chicago City Gate	661,900	\$7.423	\$0.098	(\$0.270)	\$0.123	(\$0.090)
NGPL- TX/OK	721,400	\$6.858	\$0.055	(\$0.835)	\$0.080	(\$0.598)
SoCal	737,600	\$7.106	(\$0.026)	(\$0.587)	(\$0.001)	(\$0.463)
PG&E Citygate	710,100	\$7.599	\$0.012	(\$0.095)	\$0.037	(\$0.049)
Dominion-South	288,700	\$8.087	\$0.176	\$0.394	\$0.201	\$0.853
Transco Zone 6	217,700	\$8.348	\$0.156	\$0.655	\$0.181	\$3.244

Total storage now stands at 1,865 Bcf, 296 Bcf below last year's levels, but 182 Bcf above the five-year average of 1,683 Bcf for the same week. With stocks still 11% above the five-year average, it is a comfortable cushion to meet the balance of winter heating demand. If draws for the rest of winter match the five-year average, inventories will begin the injection season in April at 1.414 Tcf, below last year's record high of 1.695 Tcf but still 15% above the 1.23 Tcf average for March 31. Though inventories at the end of the heating season are not likely to be as bearish as previously expected after more than a month of extreme cold helped trim some of the huge stock surplus, the storage situation is still comfortable and with no more arctic air on the horizon, any price

rally in the near-term is unlikely. We see support at \$7.50, \$7.25, \$7.00, \$6.92, \$6.20 and \$6.00. We see resistance at \$7.80, \$8.00 and \$8.28-\$8.35.

