



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR FEBRUARY 27, 2007**

---

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

The premier of the Canadian province of New Brunswick has asked the U.S. FERC to suspend review of two LNG terminals in Maine, saying the projects are "not viable." Premier Shawn Graham said that the recent decision of the government of Canada to prohibit LNG vessels from transiting the Canadian waters of Head Harbour Passage makes it impossible for the Downeast LNG facility in Robbinston, Maine, and the Quoddy Bay LNG facility in nearby Pleasant Point to receive LNG cargoes.

FERC Chairman Joseph Kelliher Monday said he backed Alaska Gov. Sarah Palin's new proposal to bring about the construction of the long-awaited natural gas pipeline from the North Slope to the Lower 48 states.

The Bush administration, in order to avoid widespread litigation, needs to use "sugar" rather than a "hammer" to get producers to renegotiate their faulty 1998-1999 leases that are costing the

federal government billions in lost royalties, the head of the Interior Department's Minerals Management Service told a House Natural Resources' subcommittee Tuesday.

#### **PIPELINE RESTRICTIONS**

Dominion Transmission said that effective today, DTI has rescinded OFO #1, FTNN Hourly Limit and OFO #2, Conform Transportation Services to Scheduled Nominations for the Northern New York System.

KM Interstate Gas Transmission announced AOR/IT/Primary and Secondary at-risk restrictions for today. KMIG said that SSC Grant, CIG Weld, WBI Bridger, CIG Glenrock and CheyPGP 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 several points of capacity constraints and pipeline conditions for today. On the Amarillo system, NGPL said that segment 13 and 15 are at capacity while Segment 14 and Segment 1 are at limited capacity. On the Gulf Coast system, Segment 17 has limited capacity, while Segment 25, 23 and 24 are at capacity, as are Fla Jefferson and Col Chalkley. Trunkline (Seg 23), MRT Harris (Seg 26), Fla Vermillion (seg 24), TGT Lowry (seg 23) and PEPL Moultrie (seg 28) have limited capacity. NGPL also said effective today and until further notice, Natural has limited capacity available for gas received upstream of Compressor Station 155 in Wise County, Texas. Limited ITS/AOR and Secondary out-of-path Firm transports are available. Also until further notice, Natural has limited capacity available for northbound flow through and

#### **Generator Problems**

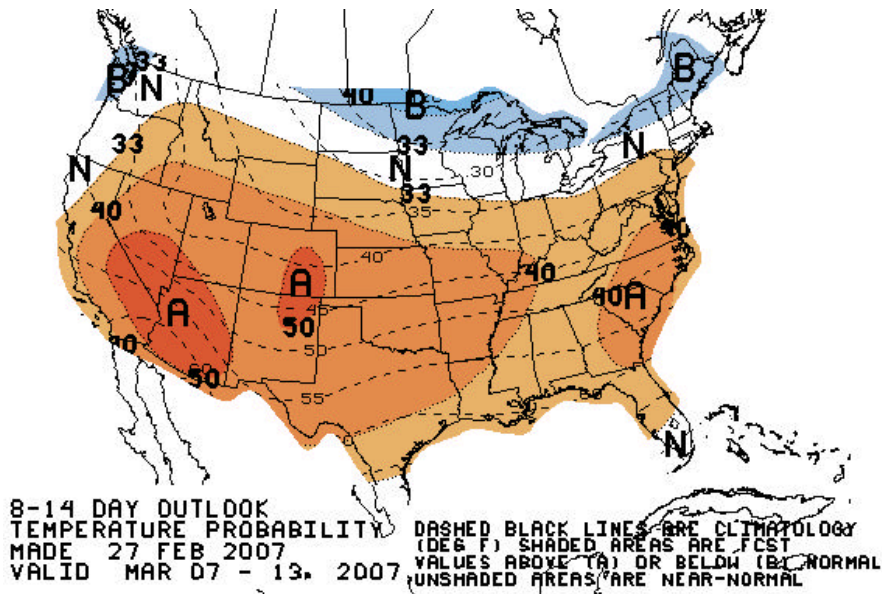
**ECAR** – CMS Energy Corp.'s 778 Mw Palisades nuclear unit shut from full power early today to conduct maintenance in preparation for uninterrupted summer operation.

**WSCC** – Arizona Public Service's 1,270 Mw Palo Verde #2 nuclear unit reconnected to the grid and ramped up to 78%. The unit was operating offline at 12% yesterday. Palo Verde #1 and #3 remain at full power.

**PJM** – Exelon Corp.'s 1,122 Mw Peach Bottom #3 nuclear unit reduced output to about half power following a small fire in a device attached to a transformer.

**FRCC** – Progress Energy's 870 Mw Crystal River #3 nuclear unit ramped output to 98% capacity. The unit was operating at 75% power yesterday.

**The NRC reported that 90,503 Mw of nuclear capacity is on line, up .51% from Monday, and 2.04% higher from a year ago.**



downstream of Compressor Stations 109 and 110 (Segment 14). Limited ITS/AOR and Secondary out-of-path Firm transports are available.

Texas Eastern Transmission Corp. said that it has extended restrictions for the system today. The company said it has scheduled nominations flowing through Batesville. Increases in nominations for receipts sourced upstream of Batesville for delivery downstream 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

Vidor for delivery outside that area will be accepted. Additionally, TE has forced balanced all long TABS-1 pools in STX, ETX and M1 24-inch zones.

Tennessee Gas Pipeline said that effective 9:00 AM CT today, due to nominations in excess of the available capacity, it still had restrictions in the following places: at Carthage Lateral, , at Station 47, at Station 245, at MLV 314, at Station 321; at the Harrison Storage Meter. Tennessee also said it will not accept any nominations for in-field storage transfers from Tennessee to Dominion at the Harrison storage facility.

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

Williston Basin Interstate Pipeline Company said that several line sections remain in pipeline capacity constraint for today's timely cycle. The line sections are: Dickinson-Bismarck; Bismarck-Cleveland; Cleveland-Grafton; Williston-Bismarck; Cleveland-Mapleton; and Portal-Tioga.

### **PIPELINE MAINTENANCE**

ANR Pipeline Company said that it will continue engine repairs at Patterson Compressor Station, restricting the Southeast Gathering Area, Patterson to Eunice delivery capacity located in Louisiana in the Southeast Area Fuel Segment to 650 MMcf/d through March 16. Based on current nominations for this segment, it is anticipated that the reductions will result in the curtailment of Firm Secondary and IT nominations. It is also anticipated that meters between Patterson and Eunice will experience lower than normal delivery pressures for the duration of this outage.

El Paso Natural Gas Company said that it has updated two maintenance projects. Regarding the company's North Mainline maintenance, the overhaul project at Navajo 2D has been extended. From a base capacity of 2,352 MMcf/d on the North Mainline, the estimated capacity reduction today through Thursday is 31 MMcf/d. At the San Juan Crossover, the Lincoln station will be down for maintenance through February 27. From a base capacity of 650 MMcf/d, the estimated capacity reduction is expected to be 40 MMcf/d.

Gulf South Pipeline today offered a summary of its ongoing maintenance projects. Maintenance at Index 195, which began January 9, will cause SLN Deep Lake CP#1 and SLN 3298 Bridgeline at Grand Chenier to be shut-in during maintenance until further notice. Capacity could be affected by as much as 50 MMcf/d at Goodrich Compressor Station units 1, 2 and 3 with 1 unit down at a time through March 1. Capacity could be affected by as much as 150 MMcf/d at Marksville Compressor Station Unit #1 through today. The project that began February 21 at Index 301 should last several days according to the company, though capacity is not expected to

be impacted. Capacity at Arnaudville Compressor Station Unit #1 could be affected during the maintenance. AT Bistineau Compressor Station Unit #5, capacity could be affected by as much as 150 MMcf/d.

**ELECTRIC MARKET NEWS**

Dynergy is exploring the sale of three of its gas-fired power plants through an auction run by JPMorgan Chase. Dynergy is considering selling its Bluegrass plant in Kentucky, its Heard County plant in Georgia and its Cogen Lyondell plant in Texas.

NYMEX Nat Gas Options Most Active Strikes for February 27, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	5	7	P	7	04/25/2007	0.2058	4,400	41.80
LN	7	7	C	13	06/26/2007	0.0295	4,400	45.07
LN	4	7	P	7	03/27/2007	0.1326	4,290	43.41
ON	4	7	P	7	03/27/2007	0.133	3,847	41.76
LN	6	7	P	7	05/25/2007	0.2649	3,050	41.87
LN	6	7	P	6	05/25/2007	0.0552	2,750	40.97
LN	10	7	P	4	09/25/2007	0.0124	2,500	46.68
LN	7	7	P	7	06/26/2007	0.3193	2,375	42.52
LN	7	7	C	10	06/26/2007	0.1637	2,300	39.09
LN	5	7	P	6.5	04/25/2007	0.0843	2,225	40.97
LN	9	7	C	11	08/28/2007	0.234	2,225	41.46
ON	6	7	P	6	05/25/2007	0.055	2,115	38.86
LN	4	7	C	8.5	03/27/2007	0.0889	2,000	43.72
LN	4	7	P	6.5	03/27/2007	0.0371	1,552	42.57
LN	4	7	P	6	03/27/2007	0.009	1,500	44.30
LN	4	7	P	7.5	03/27/2007	0.3332	1,400	44.87
LN	5	7	P	7.75	04/25/2007	0.5471	1,350	44.00
ON	4	7	P	8	03/27/2007	0.651	1,205	43.89
LN	3	8	P	5	02/26/2008	0.0701	1,200	44.14
LN	4	8	C	15	03/26/2008	0.084	1,200	34.41
LN	5	8	P	5	04/25/2008	0.0863	1,200	35.07
ON	6	7	P	7	05/25/2007	0.266	1,200	38.82
LN	6	7	C	8.5	05/25/2007	0.3117	1,150	36.73
LN	5	7	C	8.5	04/25/2007	0.1991	1,100	39.13
LN	7	7	P	6	06/26/2007	0.0824	1,100	41.05
LN	8	7	C	10	07/26/2007	0.2475	1,050	38.65
LN	4	7	P	7.2	03/27/2007	0.1991	1,000	43.95
LN	5	7	P	7.6	04/25/2007	0.4609	1,000	43.27
LN	9	7	C	9	08/28/2007	0.5488	1,000	36.58
LN	11	7	C	10	10/26/2007	0.7089	1,000	37.25
LN	12	7	C	10	11/27/2007	0.9625	1,000	34.08

Consumer groups and others that want the power industry to return to vertically integrated utilities with cost-of-service regulation need to remember cost overruns and inefficiencies of past decades, speakers told the U.S. FERC today. Kicking off FERC's examination of competition in wholesale power markets, former congressman Phil Sharp, MIT economist Paul Joskow and utility executive John Rowe said FERC should not turn away from competition, as a collection of groups have urged following higher power prices and concerns with regional transmission organizations.

The Bush administration may soon decide to contract for large quantities of alternative fuels in an effort to help establish a market for them, Energy Secretary Samuel Bodman told governors yesterday.

**MARKET COMMENTARY**

The natural gas market opened 16.3 cents lower as

the April contract starting its run as the front month. Forecasts calling for a wave of warmer-than-normal air to sweep across the nation have encouraged the bears to pressure the market. However, intraday strength in the oil complex lifted natural gas by midday to moderately positive territory as it posted an intraday high of 7.75. By the end of the session, as crude oil declined to unchanged on the day, natural gas made lower lows trading to 7.51 before settling down 17 cents at 7.533.

Spot cash natural gas prices offered no support today as all price points traded lower today, citing mild weather forecasts by midweek across much of the nation. Expectations for this week's EIA storage report range from a draw of 130 Bcf to 160 Bcf, stepping away from the 200+ draws of the last three reports, and adding to the bearish trend of the market. The large drop in the equity markets today put some added pressure on the energy complex in after hours trading today, as crude oil has dropped \$1.15 and natural gas \$.09. We see support in natural gas at \$7.40, \$7.25, \$7.05, \$6.92 and \$6.20. We see resistance at \$7.75, \$7.90, \$8.00, \$8.28-\$8.35 and \$9.00.

