



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 4, 2008**

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

In attempting to forecast the energy future in the United States through 2030, the Energy Information Administration (EIA) said Tuesday that energy prices will continue to fluctuate and renewable supply will continue to grow, but the liquefied natural gas (LNG) supply market remains the great unknown.

FERC Monday approved PetroLogistics Natural Gas Storage LLC's proposal to build a high-deliverability natural gas salt dome storage cavern and header pipeline at its Bayou Choctaw storage facility in Iberville Parish, LA.

Maryland's congressional delegation has sent another letter to the U.S. FERC opposing the siting of a LNG terminal in an urban area just outside Baltimore.

Canada's National Energy Board decided to reject a portion of a pipeline route proposed by Emera Brunswick Pipeline based on the objections of Galbraith Construction and Galbraith Equipment. The NEB issued a certificate to Brunswick Pipeline on May 31, 2007 approving the construction and operation of a 145 Km pipeline with a 30-inch diameter. It would run from the proposed 1 Bcf/d Canaport LNG facility at Mispic Point in Saint John to a point on the U.S.-Canadian border near St. Stephen, New Brunswick.

U.K. gas imports through Royal Dutch Shell's Bacton terminal, which was closed from February 28 – March 3 after a fire, recovered today after tumbling early in the day. Flow rates through the terminal into the network in eastern England passed 22 million cubic meters a day around 3pm in England, close to the highest rates seen on Monday before flows dived to around 5 mcm/d in the early hours of Tuesday morning.

Norway's SatoilHydro has restored more than half of production at its Sleipner gas and condensate field after a gas leak at platform A caused a shutdown.

Gazprom has decided to cut gas supplies to Ukraine by a further 25% today, due to the lack of progress in resolving the gas-debt dispute between Moscow and Kiev. The move would mean a halving of gas supplies to Ukraine, as Gazprom has already reduced deliveries to the country by 25% since Monday morning.

#### **Generator Problems**

**FRCC** – FPL's 760 Mw Turkey Point #3 nuclear unit returned to full power this morning.

**MAIN** – Exelon's 1,162 Mw LaSalle #1 nuclear unit ramped up to 96% power, up from 65% power. LaSalle #2 remains at full power.

**NPCC** – Dynergy's 982 Mw Independence natural gas-fired power station shut.

Dominion Resources' 612 Mw coal/natural gas-fired unit #3 at the Brayton Point power station in Massachusetts shut to fix a tube leak and would likely return over the next day or so.

**PJM** – PPL's 1,115 Mw Susquehanna #1 nuclear unit shut from 96% power for a scheduled refueling outage. Susquehanna #2 continues to operate at full power.

**SERC** – Progress Energy's 938 Mw Brunswick #2 nuclear unit reduced power to 74% capacity. The unit was operating at full power yesterday. Brunswick #1 continues to operate at full power.

Entergy's 966 Mw River Bend nuclear unit reconnected to the grid and ramped up to 28% power

**The NRC reported that 87,436 Mw of nuclear capacity is online, down .05% from Monday, and up 1.33% from a year ago.**

The first train at Qatar's gas-to-liquids plant will start in 2010. The Pearl GTL plant to make super-clean fuels is Shell's largest foreign investment and will be the world's largest such plant. Spiralling costs have taken the price to \$18 billion from an original budget of \$5 billion.

**PIPELINE RESTRICTIONS**

Algonquin Gas Transmission said that delivery nominations have exceeded receipt nominations at the Tennessee Gas Pipeline interconnect at Mahwah, a physical receipt meter station. As a result, AGT has restricted delivery nominations to Mahwah. No increases in deliveries to Mahwah will be accepted.

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	1,362,000	\$9.234	\$0.164	(\$0.186)	\$0.306	(\$0.291)
Chicago City Gate	833,700	\$9.575	\$0.048	\$0.155	\$0.193	\$0.065
NGPL- TX/OK	907,600	\$9.035	\$0.103	(\$0.385)	\$0.248	(\$0.511)
SoCal	939,600	\$9.026	\$0.217	(\$0.394)	\$0.362	(\$0.680)
PG&E Citygate	1,024,600	\$9.365	\$0.074	(\$0.055)	\$0.219	(\$0.214)
Dominion-South	387,100	\$9.625	\$0.111	\$0.205	\$0.256	\$0.347
Transco Zone 6	154,200	\$10.133	\$0.369	\$0.713	\$0.514	\$2.852

Northwest Pipeline said it will perform a turbine change-out at the Cisco Compressor Station through March 6. Primary firm nomination requests through the Cisco Compressor have exceeded the available capacity of 276 MMcf/d.

Therefore, Northwest is giving notice of a Declared Deficiency Period beginning gas day March 4. Based on a design capacity of 359 MMcf/d, the Daily Deficiency Volume is 83 MMcf. The Deficiency Period is expected to last through the end of gas day March 6.

**PIPELINE MAINTENANCE**

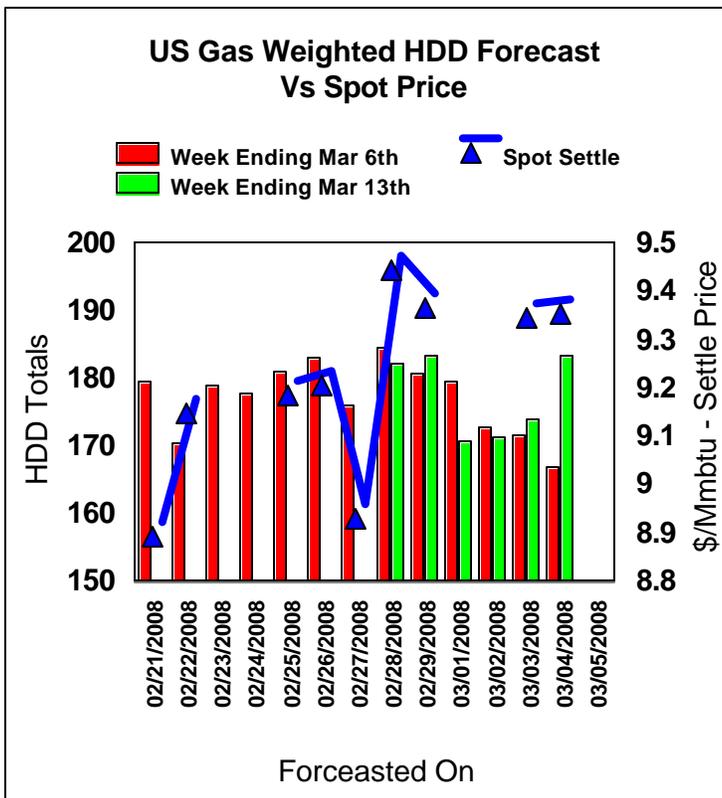
Gulf South Pipeline said it will be performing scheduled maintenance at the Vixen Compressor Station beginning at 7:30 Am March 10, and continuing for approximately four days. Gulf South does not anticipate any service interruptions during this maintenance.

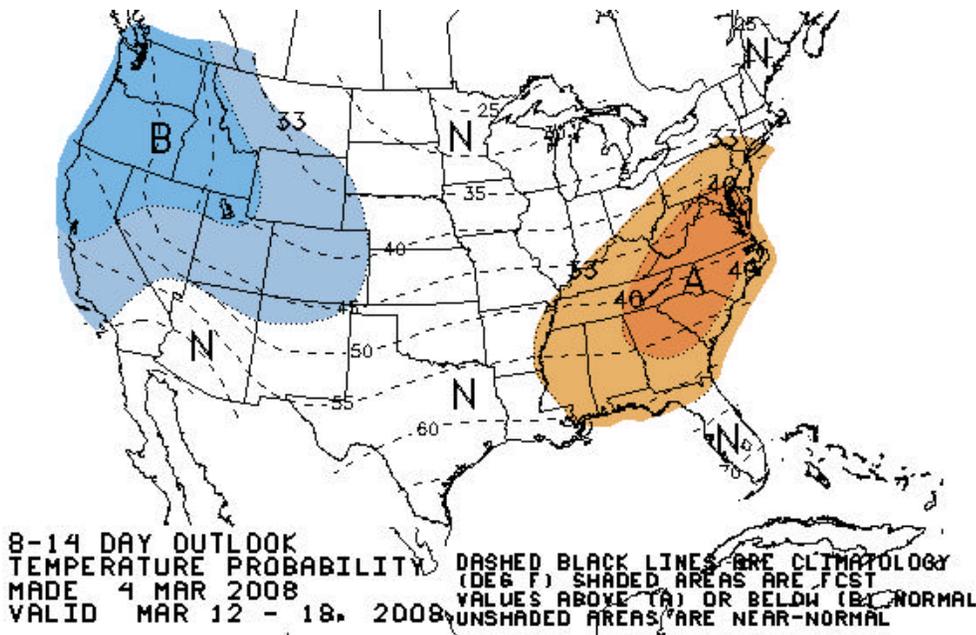
Natural Gas Pipeline has changed the schedule for running a cleaning pig through stations 304 and 305 between Texas and Arkansas this week. From March 5-6 (originally posted as March 4-6) Natural will be running a cleaning pig on the Gulf Coast #2 Line between stations 304 and 305. Natural does not anticipate this work will affect customers.

Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Elk Basin Storage Reservoir from 9:00 Am MT today through 5:00 PM MT March 5. Maximum capacity for aggregate storage will be approximately 275 MMcf/d.

**ELECTRIC MARKET NEWS**

PSEG Renewable Generation and Winery Power Holdings announced today that they have submitted a proposal to the New Jersey Office of Clean Energy to build a 350 Mw wind farm about 16 miles off the shore of South Jersey. The project is expected to consist of 96 turbines arranged in a rectangular grid off the coast of Cape May and Atlantic counties. The wind farm will be located as far offshore as commercially





feasible to make it virtually invisible from land.

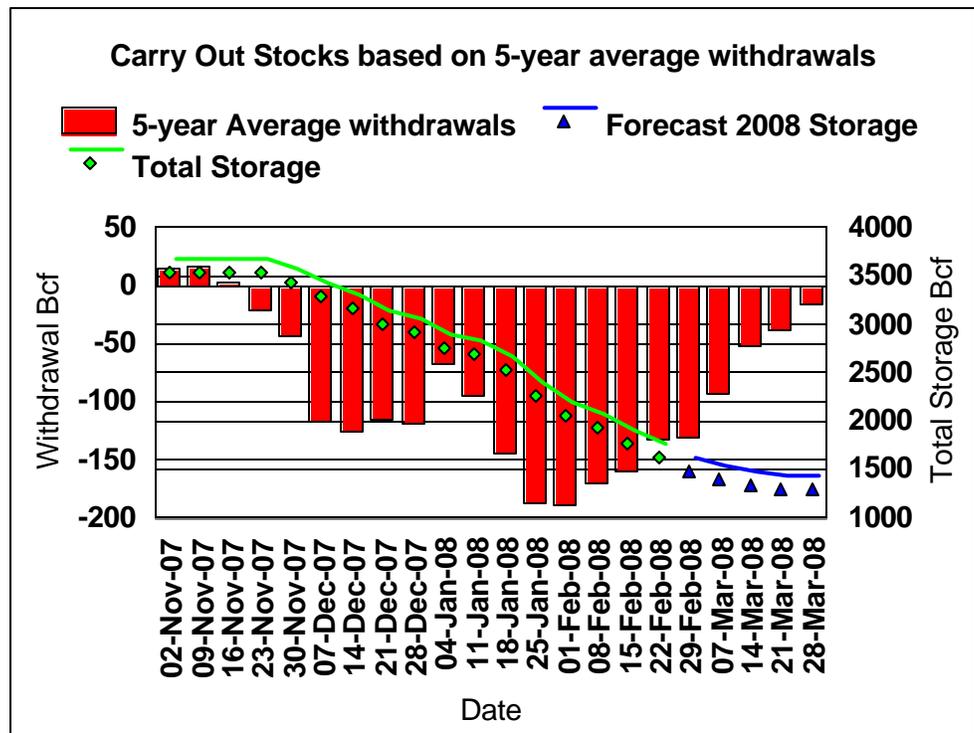
U.S. coal stocks dropped 0.4% last week, and the stockpile cushion over the last year fell 0.5%, according to Genscape. U.S. power generators had slightly less than 142.24 million tons of coal as of the week ended March 3, down 551,532 tons from the previous week. Power stations had coal stockpiles 10.28% greater than they had during the same week in 2007, a cushion that is down 0.54% since last week. The number of days of average coal burn on hand was unchanged at

51.

Dominion Resources is still cleaning the asbestos at the 743 Mw Salem Harbor power station following an accident in November 2007 that killed three workers. Following the accident, there was some talk in the power market that Dominion would retire the plant in part since the coal units entered service in the 1950s.

**MARKET COMMENTARY**

The natural gas market was higher early in the session, supported by bullish heating degree-day forecast and firm cash market. The April contract traded to a high of 9.486 but could not muster follow through as the rest of the energy complex and most commodities came under significant pressure. Crude oil traded below the \$100 mark and was down over \$3 at one point today and with that sort of downward pressure, natural gas cannot ignore that. Natural gas gave back all of its gains by this afternoon, trading back to negative territory. The market managed to settle up .7 cents at 9.353.



Early estimates for this week's EIA storage report call for a withdrawal of around 125 Bcf, which would cut the year-on-five-year average surplus to below 75 Bcf while the year-on-year deficit could once again exceed 150 Bcf. The supportive storage situation is reinforced by estimates for season-ending inventories, which are currently

looking to be near the 1.3 Tcf level, as compared to last year's 1.569 Tcf and 1.695 Tcf the year before that. We see support at 9.30, 9.23, 9.13, 9.00, 8.62 and 8.50. We see resistance at 9.477, 9.63, 9.82 and 10.00.