



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 9, 2007**

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

U.S. federal court on Friday upheld a FERC decision to reject North Baja Pipeline's formula for sharing the costs of service interruptions resulting from a natural disaster. FERC in 2004 had rejected the company's attempt to establish shipping agreements that contained a cost-sharing mechanism in the event of severe weather or another type of unexpected occurrence that forces the pipeline to shutter operations. Under the plan, shippers on the pipeline would get no refund for the first 10 days of an interruption and beyond 10 days would only get a percentage refund for out of service days.

Supplies of natural gas entering the United Kingdom from the Norwegian North Sea via the Langeled pipeline have fallen significantly due to ongoing repairs at the Sleipner riser platform. Imports through the line yesterday reached only 13.6 million cubic meters a day. Flows this morning while better at a 31 million cubic meters per day but still off recent flows of 45.9 million cubic meters.

Constellation Energy announced late Thursday that it has signed a definitive purchase agreement to acquire certain coal bed methane properties from EnergyQuest Resources located in the Cherokee Basin of Kansas and Oklahoma. The properties have an estimated proven reserve of 49 bcf.

Philadelphia based PECO reported today that as a result of the colder January and February period, natural gas demand along its system was up 17%.

Swift LNG, of Denver, announced this week that it had licensed a thermoacoustic natural gas liquefaction technology that will allow it to sharply lower the cost of gas liquefaction, so as to make it economically viable for oil producers around the world to liquefy the gas that many just flare off their associated oil production. Some 3.3 tcf of natural gas is flared over every year globally. The company hopes to have the process available for commercial operations by 2010.

The FERC Chairman said today that his agency will continue processing two applications for two rival LNG terminal projects in Maine despite growing opposition by Canadian officials to the potential of LNG tankers traversing their waters.

#### **PIPELINE RESTRICTIONS**

#### **Generator Problems**

**MAPP** – Xcel Energy's 593 Mw Prairie Island #2 nuclear unit was at 54% of capacity this morning, as it returns from a March 1<sup>st</sup> shutdown for repairs.

**ERCOT** – South Texas #2 1250 Mw nuclear unit continues to ramp down to its planned refueling and maintenance outage. The unit this morning was at 87% of capacity.

**SPP** - Entergy's 836 Mw Unit #1 at the Arkansas Nuclear One dropped to 75% of capacity Friday morning.

**NPCC** – Constellation Energy's 1135 Mw Unit #2 at the Nine Mile Point nuclear unit was taken off line for repairs on a recirculation pump.

**Canada** – OPG's 881 Mw Unit #4 at the Darlington nuclear power station was taken off line. The company also reported that its 490 Mw Unit #3 at the Nanticoke coal fired power station though returned to service. The unit had been offline since February 10<sup>th</sup>.

**The NRC reported that 85,041 Mw of nuclear capacity is on line, down 1.21% from Thursday, but still 1.46% higher from a year ago.**

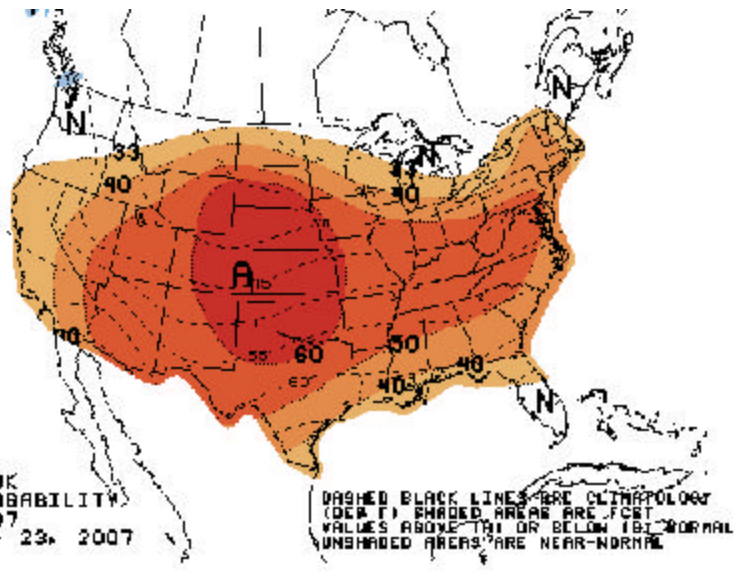
Tennessee Gas Pipeline said that effective Cycle 1 today, due to reduced nominations, it will accept increases for nominations pathed for delivery at the Leidy Delivery Meters (005030/005031). Also effective today due to nominations at capacity, the company will not accept Interruptible Services increases for nominations pathed through Station 834.

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	1,314,000	\$7.046	(\$0.098)	(\$0.500)	(\$0.070)	(\$0.123)
Chicago City Gate	541,600	\$7.059	(\$0.047)	(\$0.111)	\$0.018	(\$0.023)
NGPL- TX/OK	644,500	\$6.674	(\$0.032)	(\$0.496)	\$0.033	(\$0.459)
SoCal	839,900	\$6.156	(\$0.258)	(\$1.014)	(\$0.193)	(\$0.670)
PG&E Citygate	446,800	\$6.901	(\$0.096)	(\$0.270)	(\$0.031)	(\$0.126)
Dominion-South	359,400	\$7.426	(\$0.284)	\$0.256	(\$0.219)	\$1.053
Transco Zone 6	307,700	\$7.834	(\$1.100)	\$0.664	(\$1.035)	\$4.381

Dominion Transmission said that it was rescinding OFO #1, FTNN Hourly Limit and OFO #2, Conform Transportation Services to Scheduled Nominations for the Northern New York System effective Saturday, march 10<sup>th</sup>.

Algonquin Gas Transmission said that it has restricted all IT and a portion of priority 3 nominations flowing through Stony Point compressor station. No increases for nominations flowing through Stony Point, except for Firm No-Notice nominations, will be accepted.

KM Interstate Gas Transmission said that it is at capacity for deliveries through Segment 340. Depending on the level of nominations, IT/AOR and secondary out-of-path quantities are at risk of not being scheduled. KMIGT also announced that SSC Grant, CIG Weld, NNG Milligan and WIC Cottonwood were classified as AOR/IT/Secondary Risk. SSC Grant is also at Primary At Risk. The West End Segment and Segment 775 Pony Herndon were listed as AOR/IT/Secondary Risk.



Natural Gas Pipeline Company announced several points of capacity constraints. Effective today and until further notice, Natural has capacity available for gas going southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22. It also reported available capacity for deliveries to ANR South Joliet #2 as well as northbound flow upstream and through Station 309, on its Gulf Coast System. It did report though until further notice it was at capacity for gas received upstream of Compressor Station 155 at Wise County, TX. Also on the Amarillo system, Segment 13, Segment 15 and Segment 1 are at capacity, while Segment 14 is at limited capacity. On the gulf Coast system, Segment 18 has limited capacity, while Segments 23, 24 and 25 are at capacity.

Texas Eastern has scheduled and sealed all nominations flowing through Batesville. Increases in nominations for receipts sourced between Little Rock and Batesville for delivery downstream of Batesville will not be accepted.

**PIPELINE MAINTENANCE**

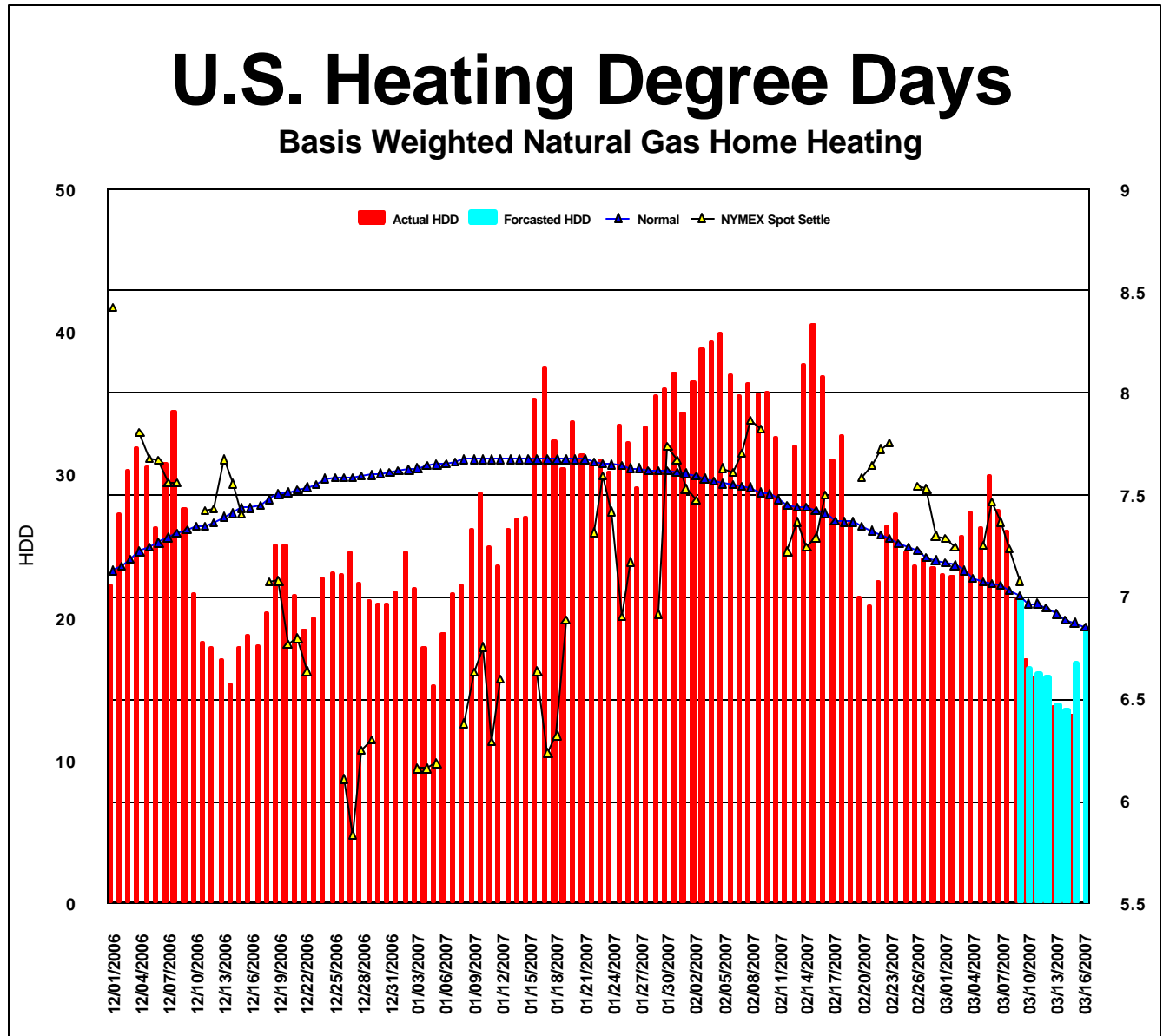
El Paso natural Gas noted today that maintenance on its North Mainline during March will reduce a base capacity of 2313 MMcf/d by 243 MMcf/d on March 10<sup>th</sup>; 133 MMcf/d during March 11-16<sup>th</sup>; 488 Mmcf/d on March 17-21; 385 MMcf/d on March 22-24 and by 38 MMcf/d during March 26-27<sup>th</sup>. On the company's San Juan Crossover, maintenance work thi s month will reduce the base capacity of the 650 MMcf/d line by 47 MMcf/d from March 30- April 1<sup>st</sup>. It also noted that Washington Ranch #1 is unavailable at this time and will be limited to 70 MMcf/d injection capacities until the unit becomes available.

Questar Pipeline said that the Fidler #3 compressor will undergo maintenance March 12-15<sup>th</sup>.

Transcontinental Gas Pipeline reported that work on the Guerra meter Station would be completed on schedule and the affected locations will be able to flow to Transco markets today.

**ELECTRIC MARKET NEWS**

Texas Energy Future Holdings and TXU announced today that the two companies have started the planning process for two integrated gasification combined cycle commercial demonstration plants, which will be located in Texas. TXU said it will issue a RFP from companies that offer coal gasification technologies with carbon dioxide capture.

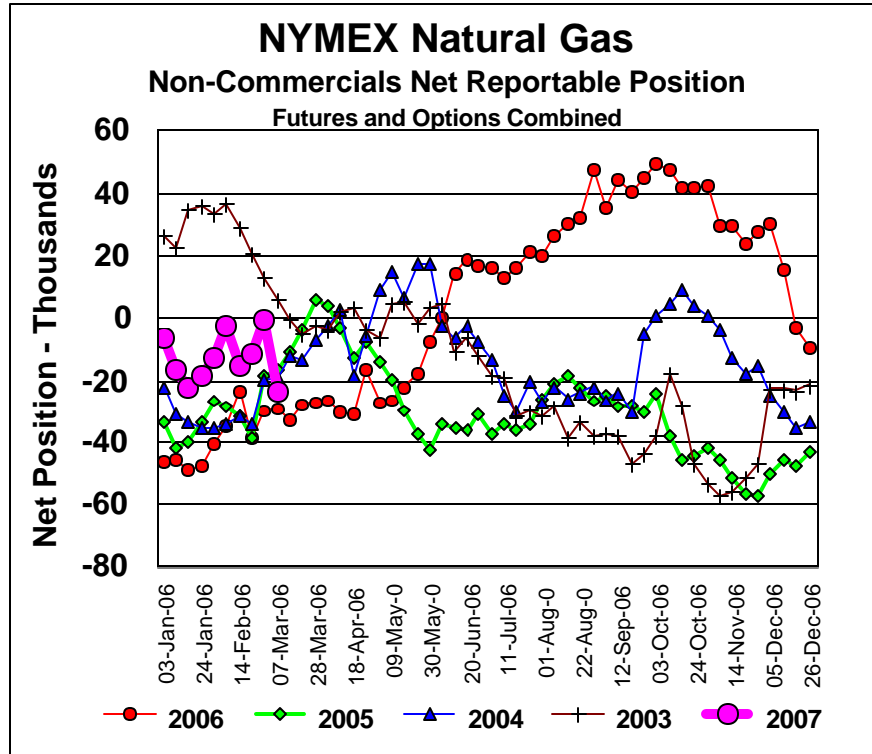


A federal court told the FERC that it must analyze three rate cases to assure that they are just and reasonable rather than relying on the conclusions of the electric grid operator, ISO New England. The New England Utility Nstar asked the court to overturn reliability must run rates FERC granted Mirant in three agreements back in 2001.

TXU and the private equity firm leading in its \$32 billion takeover said on Friday that the company still plans on building two clean coal power demonstration plants in Texas.

**MARKET COMMENTARY**

The market opened basically unchanged this morning and quickly failed to break convincingly above Thursday's highs, in the April contract and failed to even approach yesterday's high in the May contract. The market then went on the defensive as moderating temperatures across the Midwest and the East allowed cash prices to back off 10-13 cents and allow futures prices to slowly eroding throughout the morning and into the afternoon. Then in the final 10 minutes of trading prices plunged following oil prices lower. The April contract settled at its lowest level since January 29<sup>th</sup>. Volume during the final part of the day was relatively strong, booking over 41% of the volume in the final 45 minutes of trading. Volume in the natural gas contract by the bell on Globex had reached 58,056 for the day.



The market appears to be teetering on the edge of plunging below the \$7.00 barrier early next week, especially as spring like temperatures are expected throughout much of the nation. In addition with funds building a growing net short position, (the latest Commitment of Traders Report saw their net short position in futures and options increase by over 23,000 contracts) selling pressure next week could receive additional selling pressure as sellers flock to the market to cover short \$7.00 put positions, which as of Thursday night saw over 28,000 contracts open at that strike in the April contract alone between the American and European option contracts. As a result we think the \$6.885-\$6.82 is a reasonable downside target with more distant support seen at \$6.56 and \$6.15. Resistance we still see in the April contract at \$7.26-\$7.265 followed by \$7.33 and \$7.525.