



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR MARCH 20, 2007

#### NATURAL GAS MARKET NEWS

Credit Suisse said it raised its 2008-2010 outlook for NYMEX natural gas price at Henry Hub by 50 cents to \$7.50, and also raised its 2007 forecasted average price for 2007 by 25 cents to \$7.25 per Mmbtu.

The head of the IEA predictably said today the prospects of creating a cartel of gas exporting countries would hurt producers and consumers alike. He said he had doubts about how a gas cartel would work in practice, given that supplies are mainly locked into long-term contracts with undertakings to provide specific quantities of gas. He also noted that gas, unlike oil directly competes with other energy sources such as coal, nuclear and renewable fuels in power generation and heating.

ONEOK Partners announced today that it will spend \$30 million to expand capacity at its Grasslands natural gas processing facility in North Dakota by 60% to 100 million cubic feet per day. The addition in capacity will come in phases, starting in the summer of 2007 and ending 1Q08.

The NYMEX said today that it soon will offer alternative energy index futures and options contracts on its Globex electronic trading platform. The exchange has signed a license to offer alternative energy indexes developed by Ardour Global Indexes. The weighted indexes will incorporate companies engaged in biomass and wind and solar energy, as well as energy efficiency and environmental controls. It is expected that it will take at least 90 days to clear regulatory review and approvals.

#### PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that effective Cycle 1 today,

#### Generator Problems

**NPCC-** Constellation Energy's 497 Mw Ginna nuclear power station returned to full power today. The unit had tripped off line last Friday due to a safety injection signal.

Entergy's 684 Mw Pilgrim nuclear unit was continuing to ramp higher from its recent restart and stood at 20% of power this morning.

**MAIN –** Exelon's 1120 Mw LaSalle #2 nuclear unit returned to full power today up 26% from Monday's levels.

**SERC-** Duke Energy's 1129 Mw Unit #1 at the Catawba nuclear plant was at 90% of capacity this morning up 25% from this past weekends reduced levels due to valve testing and work.

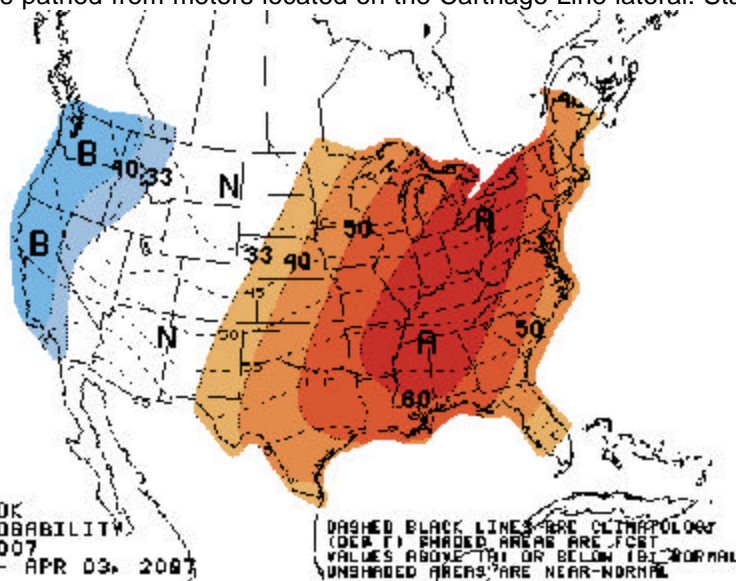
**ERCOT –** TXU's 750 Mw Martin #1 coal fired unit was expected to be taken offline today to fix a tube leak.

**WSCC-** Palo Verde #2 nuclear unit returned to full power today after running at 59% capacity Monday morning. Operators had taken power down to 59% of capacity for control valve work.

**The NRC reported that 82,482 Mw of nuclear capacity is on line, up 2.09% from Monday, and some 3% better than a year ago.**

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	1,023,900	\$6.812	\$0.108	(\$0.469)	\$0.157	(\$0.478)
Chicago City Gate	773,100	\$6.690	\$0.070	(\$0.232)	(\$0.007)	(\$0.252)
NGPL- TX/OK	762,600	\$6.293	\$0.069	(\$0.629)	(\$0.008)	(\$0.595)
SoCal	933,500	\$5.849	\$0.373	(\$1.074)	\$0.296	(\$1.040)
PG&E Citygate	489,200	\$6.730	\$0.165	(\$0.192)	\$0.088	(\$0.292)
Dominion-South	370,000	\$7.223	(\$0.054)	\$0.301	(\$0.131)	\$0.433
Transco Zone 6	388,600	\$7.626	\$0.011	\$0.704	(\$0.066)	\$0.833

the following restrictions were in place today: the Carthage Line Lateral should see restrictions of approximately 53% of Supply to Market Secondary out of path Nominations. In addition the company will not accept any Supply to Market increases pathed from meters located on the Carthage Line lateral. Station 834 should see restrictions of 27% to Supply to market Interruptible pathed through the station; Station 245 is expected to see restrictions through 100% of Supply to Market Secondary Out of Path nominations. The company will not accept any Supply to market increases pathed through the station, but will allow shippers to adjust nominations if the net volume change does not exceed previously scheduled volumes through the station; The Leidy meters should see restrictions of 64% of Supply to Market Secondary



of Supply to Market Secondary Out of Path nominations. The company will not accept any Supply to market increases pathed through the station, but will allow shippers to adjust nominations if the net volume change does not exceed previously scheduled volumes through the station; The Leidy meters should see restrictions of 64% of Supply to Market Secondary

Out of Path nominations; Station 17 will not accept any Supply to Market increases through Station 17; Station 834 will not accept any Supply to Market Interruptible Increases pathed through Station 834; Station 321 will not accept any Supply to market increases pathed through Station 321.

Texas Eastern continues restrictions on nominations flowing through Batesville. Increases in nominations for receipts sourced between Little Rock and Batesville for deliveries downstream of Batesville will not be accepted. Nominations remain restricted sourced in zones STX and ETX for delivery outside of the area. No increases in receipts between Little Rock and Mt. Belvieu for delivery outside of the area will be accepted. The company has also scheduled and sealed deliveries downstream of Castor, on the Castor lateral. The company has forced balance all long TABS-1 pools in STX, ETX and the M1 24 inch line.

Algonquin Gas Transmission has scheduled and sealed all nominations flowing through Stony Point, except for Firm No-Notice nominations, will be accepted.

Transco said that in order to resolve technical issues, the 1Line system is anticipated to be unavailable intermittently until March 22<sup>nd</sup>.

Questar Pipeline said it has experience an electrical issue at its Clay Basin facility. As a result injection capacity will be reduced to 175,000 Dth/d FSS/ISS and 25,000 Dth/d Park and Loan beginning to day.

**PIPELINE MAINTENANCE**

Gulf South Pipeline reported that scheduled maintenance on the Bistineau Compressor Station Unit #5 has been completed.

Transco said today that due to relocation work on its mainline system in New Jersey, the company will reduce to zero the availability of interruptible transportation or secondary firm transportation through Linden, NJ for the 24<sup>th</sup> of March.

**ELECTRIC MARKET NEWS**

The CEO's from six U.S. utilities spoke before Congress today and said their companies would support global-warming legislation that would cap CO2 emissions as long as the measure contained certain economic safeguards. The group felt that any legislation should not only regulate CO2 but five other main greenhouse gases and should contain a "safety value" to ensure that the price of tradable emission allowances does not soar

to a level that would hurt the economy. In addition the U.S. government should support for carbon capture and sequestration technologies, so that utilities can continue to use the U.S vast coal reserves.

NYMEX Nat Gas Options Most Active Strikes for March 20, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
ON	4	7	P	7	03/27/2007	0.201	6,378	39.57
LN	4	7	P	6.75	03/27/2007	0.0794	4,825	39.61
LN	4	7	P	7	03/27/2007	0.2006	4,650	41.11
LN	5	7	C	7.75	04/25/2007	0.1316	4,635	40.75
LN	4	7	C	7.25	03/27/2007	0.0431	3,375	39.72
LN	10	7	C	10	09/25/2007	0.4251	2,450	47.26
ON	5	7	P	6	04/25/2007	0.036	2,365	38.64
LN	5	7	P	7.25	04/25/2007	0.4876	2,160	44.41
LN	3	8	C	20	02/26/2008	0.23	2,000	52.72
ON	5	7	P	7	04/25/2007	0.333	1,921	39.37
LN	4	7	C	7	03/27/2007	0.1107	1,865	38.28
LN	5	7	P	7	04/25/2007	0.3326	1,850	42.20
LN	10	7	C	8	09/25/2007	0.8716	1,850	41.35
LN	10	7	P	7	09/25/2007	0.6949	1,800	53.09
LN	1	8	C	20	12/26/2007	0.1358	1,750	50.79
LN	2	8	C	20	01/28/2008	0.1889	1,750	51.35
LN	11	7	C	20	10/26/2007	0.0359	1,750	52.14
LN	12	7	C	20	11/27/2007	0.0666	1,750	49.06
LN	12	7	P	7	11/27/2007	0.377	1,600	46.81
LN	1	8	C	25	12/26/2007	0.058	1,500	53.33
LN	2	8	C	25	01/28/2008	0.0895	1,500	53.94
LN	3	8	C	25	02/26/2008	0.1295	1,500	56.28
LN	5	7	P	5.5	04/25/2007	0.0098	1,500	42.76
LN	11	7	C	25	10/26/2007	0.0136	1,500	55.49
LN	12	7	C	25	11/27/2007	0.0275	1,500	52.49
LN	10	7	C	8.5	09/25/2007	0.7219	1,400	43.06
LN	10	7	P	6	09/25/2007	0.3135	1,350	51.27
LN	4	7	P	6.5	03/27/2007	0.0213	1,200	38.68
LN	6	7	C	9	05/25/2007	0.0758	1,150	41.46
LN	5	7	P	6.5	04/25/2007	0.1319	1,100	40.91
LN	6	9	P	7.4	05/26/2009	0.9688	1,100	37.93
LN	7	7	C	10	06/26/2007	0.0825	1,025	42.93
LN	8	7	C	11	07/26/2007	0.0991	1,000	45.91

Meanwhile KCP&L, the Sierra Club and a citizens group from in Missouri announced an agreement today in which the utility agreed to a commitment to offset carbon emissions from its proposed latan 2 coal fired power plant, slated to be built near Weston, MO. The facility is to have a 850 Mw generating capacity. The plant is estimated to produce 6 million tons/year of CO2, but will be offset by adding 400 Mw of wind power, 300 Mw of energy efficiency and a yet to be determined combination of wind power, efficiency improvements or the closing, altering or repowering of existing KCP&L plants. The CO2 offsets will be partially implemented by 2010 and fully implemented by 2012.

The PJM Power Providers officially launched its campaign today to promote competitive wholesale electricity markets in the 14 state region served by the PJM Interconnection. The group composed of major utilities in the region is seeking to promote investments in alternative energy and demand response technology. The group also seeks to work with state and federal policymakers and other stakeholders including PJM and

the Organization of PJM States to advance the more toward more competitive wholesale markets.

### MARKET COMMENTARY

The natural gas market failed to breach yesterday's lows overnight and as a result the rebounding cash market, (that also saw its best volume on ICE since March 7<sup>th</sup>) this morning seemed to spur natural gas into positive territory later this morning and remained there throughout the afternoon to settle up on the day at \$6.91. Prices seemed to have moved back into the area of comfort of \$6.90-\$7.05 that the market has demonstrated in the day session for much of the past week. In addition the relatively oversold condition of this market on the daily charts also seemed to have spurred some short covering that further supported the market today. With the daily stochastics on the verge of swinging back higher tomorrow this should allow prices to hold in its comfort level and prevent a fresh assault on the recent lows at least until after the EIA Storage Report is released on Thursday.

We see near term resistance at today's high of \$6.96 as well as a three-week trend line, which tomorrow will cross at the \$7.007 area. More distant resistance we see at \$7.094, \$7.166-\$7.181, \$7.268 and \$7.55. Support we see at \$6.82-\$6.81 followed by \$6.56-\$6.51, \$6.38 and \$6.33.