



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MARCH 21, 2007**

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

The British forecasting group, Tropical Storm Risk (TSR) said today that they expect an exceptionally active hurricane season. They are looking for 17 tropical storms, of which 9 will strengthen into hurricanes. Some 4 of these hurricanes will become more destructive "intense" hurricanes. The long-term average for the Atlantic season is for 10 tropical storms and six of those storms to reach hurricane status. Dr. Gray and his staff at Colorado State University are expected to update their upcoming hurricane season prediction next month.

National Fuel Gas Supply Corp has filed an application with the FERC to abandon by the sale the Owls Nest Storage Field in Elk County, PA. The company is also seeking permission to sell the field's base gas.

Williams said that it will hold a non-binding open season March 21-23<sup>rd</sup> to gauge interest in expanding natural gas storage service for its Transco pipeline. New service from the Eminence storage facility in Covington County, Mississippi and could be available as early as the autumn of 2009. The existing facility has a 15 bcf storage capacity.

The Algerian energy minister today said that gas producers may set a committee of experts to consider the idea of forming a "gas OPEC" but added that gas consumers already view the prospects of such a group as a "monster".

PEMEX reported that Mexican natural gas production in February rose to a record 5.811 Bcf from 5.736 bcf/d recorded in January. Natural gas imports dropped to 313.7 million cf/d from 376.2 Mmcf/d.

The AGA reported today that U.S. natural gas reserves totaled more than 205 TCF at the end of 2006, the highest level since 1978. In 2005 reserves were estimated at 204 tcf. The group noted that a record 30,000 gas wells were completed last year, but most of these wells were drilled onshore and in shales, tight sands and coal

#### **Generator Problems**

**NPCC-** Entergy's 684 Mw Pilgrim nuclear power plant continued to ramp up and was at 65% of capacity this morning.

**PJM** – Exelon's AmerGen 636 Mw Oyster Creek nuclear plant remained at 82% capacity today. The unit has been running at reduced rates since March 6<sup>th</sup> as operators investigate a problem with a water recirculation pump seal.

**MAPP** – FPL's 580 Mw Duane Arnold nuclear unit was restarted and was at 6% of capacity this morning. The unit had been offline since February 4<sup>th</sup> for refueling.

**SERC-** Southern's 883 Mw Unit #2 at the Hatch nuclear power plant was up to 95% of power this morning as it continues to ramp up from its recent refueling outage.

**ERCOT** – TXU's 750 Mw Martin Lake #1 unit coal fired power plant was expected to be restarted following completion of repairs for a tube leak.

AEP's 528 Mw Unit #1 at the Welsh coal fired power plant is expected to be offline from March 21 through the 25<sup>th</sup> for planned maintenance work on an auxiliary equipment.

South Texas Project 1250 Mw #2 unit was ramping down to its Saturday refueling outage. The unit was at 80% of capacity this morning.

**WSCC-** Reliant Energy's 741 Mw Ormond Beach Unit #1 natural gas fired power plant was shut yesterday for planned maintenance work.

**The NRC reported that 83,227 Mw of nuclear capacity is on line, up 0.9% from Tuesday, and some 3.7% better than a year ago.**

seams, and thus it takes many more smaller wells to sustain production. The group estimated that U.S. gas output capacity will stay around 18-19 tcf for the foreseeable future.

**PIPELINE RESTRICTIONS**

Sonata said that it has restrictions on non-firm

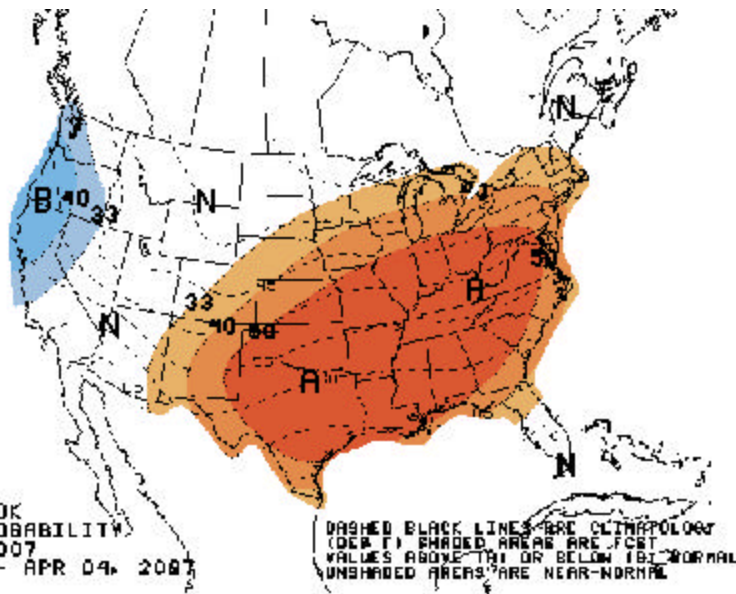
storage transfers from Tennessee Gas Pipeline at Bear Creek to Southern at Bear creek. The restriction are in place to ensure the proper inventory balance between Southern's Bear Creek and Muldon Storage fields. Based on current storage conditions, the company will begin evaluating daily its ability to accept non-firm storage transfers from TGP Bear Creek to Southern Bear Creek

MRT said that due to high line pack and warm weather forecasts that effective this morning and until further notice the company will not schedule any volumes that result in a daily long position, and it will not accept any makeup of short positions. The company said it will not schedule any Southbound Main Line IT, AOR or Secondary Firm Capacity from any receipt point north of Perryville.

NGPL said that effective today and until further notice limited capacity is available for deliveries to ANR South Joliet #2. Limited ITS/AOR and Secondary Firm transports are available. The line is at capacity going

southbound through Segment 26 for deliveries eastbound into Segment 25 or southbound into Segment 22. ITS/AOR and Secondary out of path transports will be at risk of not being fully scheduled. Withdrawals from South Texas Storage Point will be included for purposes of scheduling. The company noted it has limited capacity available for gas received upstream of Compressor Station 155. It also noted though it is at capacity at MRT-Harrison for deliveries, as well as ANR-Lake Arthur.

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	874,500	\$6.825	\$0.013	(\$0.614)	(\$0.145)	(\$0.506)
Chicago City Gate	657,800	\$6.619	(\$0.071)	(\$0.431)	(\$0.199)	(\$0.273)
NGPL- TX/OK	608,400	\$6.284	(\$0.008)	(\$0.766)	(\$0.136)	(\$0.626)
SoCal	724,100	\$6.023	\$0.175	(\$1.027)	\$0.047	(\$1.102)
PG&E Citygate	525,000	\$6.599	(\$0.131)	(\$0.451)	(\$0.259)	(\$0.329)
Dominion-South	458,700	\$7.130	(\$0.094)	\$0.080	(\$0.222)	\$0.416
Transco Zone 6	387,900	\$7.344	(\$0.283)	\$0.294	(\$0.411)	\$0.815



TransColorado Gas Transmission said that southbound Segment 220 and Segment 250 are listed as AOR/IT/Secondary At Risk again today.

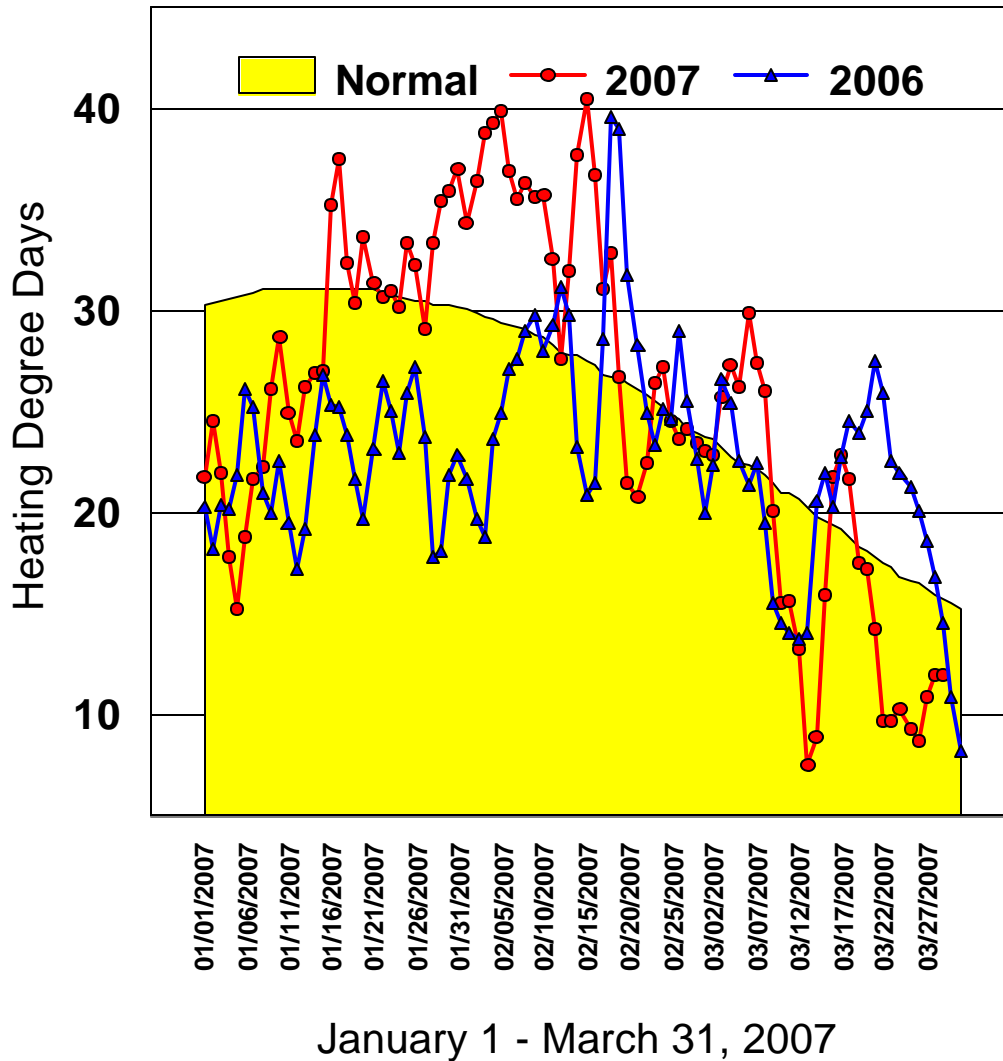
Questar Pipeline said that the electrical problems remain at the Clay Basin continue. As a result Injection capacity will remain at 175,000 Dth/d FSS/ISS and 25,000 Dth/d P&L until further notice.

Tennessee Gas Pipeline announced today that due to decreased nominations it was lifting was lifting the restrictions it had in place at Carthage Line Lateral, Station 245 and Leidy meters.

**PIPELINE MAINTENANCE**

# U.S. Daily Heating Degree Days

(2007 Totals Observed and Forecasted for Next 8 Days)



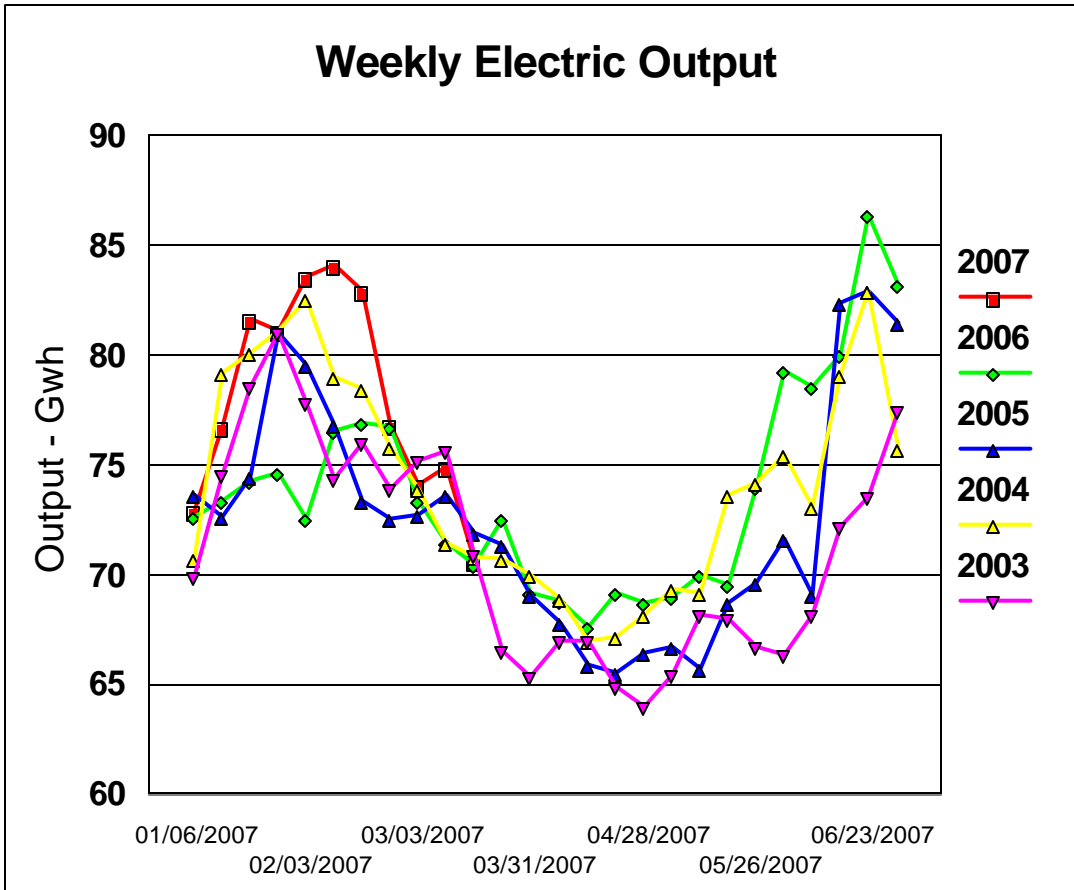
El Paso Natural Gas said that due to improved line pack on the North mainline, although maintenance is still being performed on Line 1204, the company will raise the capacity of the North Mainline as follows: From a base capacity of 2,313 Mmcf/d on the line, the estimated capacity reductions as of today and Thursday would be 538 Mmcf/d, and 385 Mmcf/s for march 23<sup>rd</sup>-24<sup>th</sup>. Hackberry hot gas path will not take place on March 26-27, but there will be no reduction in base capacity of 2,163 Mmcf/d through Hackberry.

## ELECTRIC MARKET NEWS

The Edison Electric Institute reported today that for the week ending March 17<sup>th</sup>, electric generation in the U.S. produced 70517 Gwh, This was some 5.7% less than a week ago but some 0.25% higher than a year ago.

An industry expert from MIT said today that due to limited supplies of uranium fuel for nuclear power plants, it could thwart the renewed interest in nuclear energy in the United States and other nations. He noted that due to the lack on new orders for nuclear power plants, there has been little or no investment over the last 20 years in the production capacity of nuclear fuel. He noted that a few years ago uranium sold for \$10 per pound. The current price is over \$90 per pound. He also noted that the U.S currently relies on half of its supplies of nuclear fuel from Russia under the "Swords to Plowshares" deal, which converts about 20,000 Russian nuclear weapons to fuel for U.S power plants. This deal though ends in 2013, and potentially could leave a substantial supply gap for U.S. utilities. He called for a massive new investment in capacity to mine uranium and facilities to process it.

Puget Sound Energy said higher wholesale power costs and the purchase of a gas fired power plant have prompted it to ask regulators for a 3.7% rate increase for electricity customers starting September 1<sup>st</sup> The



company noted that the utility will have to replace lower cost contracts that are expiring as it faces a projected gap between supplies and demand of 1,500 Mw by 2015.

The North Carolina Utilities Commission late yesterday issued a ruling that supported Duke Energy's efforts to pursue new nuclear generation in the state. The company received assurance that its investment to evaluate and develop an advanced new nuclear power plant in the Carolinas was

prudent and that the North Carolina allocable portion of such costs could be recovered in a timely manner. Prior to securing regulatory approval to begin construction for the project, the company expects to invest millions of dollars to develop the proposed William States Lee III Nuclear Station in Cherokee County, South Carolina, which will be jointly owned by Southern Company.

**MARKET COMMENTARY**

The natural gas continued its technical rebound today as prices moved convincingly higher in two stages today. First the breaching of the three week trend line at \$7.007 this morning allowed prices to move up to the \$7.05-\$7.09 area where trading moved into a sideways pattern through lunchtime. But as the traders returned from lunch one more push higher was in the cards as talk of a more active hurricane season floated about the market. Prices went out near their highs, settling at their highest levels since March 8<sup>th</sup>.

Expectations for tomorrow's EIA Storage Report appear to be running between a 20 bcf build to a 20 bcf draw, with the median of most expectations falling around a 3 bcf drawdown. Our heating degree day model though calls for a unusual late season build in stocks of 4 bcf. Last year saw a 28 bcf draw down, with the five-year seasonal average dropping 64 bcf.

We feel that today's futures price action was a bit overdone and we are ripe for a return of the bears to the market. Cash values have not kept pace with the recent rebound in the futures market and the prospects for limited heating and cooling demand over the next couple of weeks should act as a break on further price gains. We see resistance tomorrow at \$7.20 followed by \$7.27, \$7.412 and \$7.553. Support we see at \$7.05, \$7.00, \$6.95 and \$6.90. More distant support we see at \$6.82-\$6.81 with additional support at \$6.56-\$6.51, \$6.38 and \$6.33.

**NYMEX Nat Gas Options Most Active Strikes for March 21, 2007**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
ON	9	7	P	5.5	08/28/2007	0.122	3,250	45.37
ON	10	7	P	5.5	09/25/2007	0.169	3,250	48.04
LN	4	7	P	7	03/27/2007	0.096	3,120	46.20
LN	5	7	P	6	04/25/2007	0.0288	3,050	44.07
LN	7	7	C	12.5	06/26/2007	0.0238	3,000	48.37
ON	4	7	P	7.5	03/27/2007	0.396	2,698	47.18
LN	4	7	P	6	03/27/2007	0.0001	2,500	44.30
LN	10	7	C	8.5	09/25/2007	0.8347	2,500	43.03
LN	4	7	P	6.75	03/27/2007	0.0312	2,390	45.30
LN	4	7	P	6.5	03/27/2007	0.0067	2,350	44.30
LN	10	7	C	8	09/25/2007	0.9998	2,150	41.20
ON	4	7	C	7.5	03/27/2007	0.056	2,004	47.05
LN	9	7	P	5.5	08/28/2007	0.1206	1,850	48.19
LN	10	7	P	5.5	09/25/2007	0.1673	1,850	51.21
LN	4	7	C	7.85	03/27/2007	0.0145	1,800	48.14
LN	4	7	C	7.65	03/27/2007	0.0323	1,800	47.14
LN	9	7	C	13	08/28/2007	0.1102	1,600	51.01
LN	6	7	C	7.8	05/25/2007	0.3592	1,555	38.66
LN	5	7	P	7	04/25/2007	0.2483	1,450	44.11
LN	4	7	P	7.5	03/27/2007	0.3959	1,305	49.68
LN	10	7	C	8.25	09/25/2007	0.9133	1,250	42.16
LN	5	7	C	8	04/25/2007	0.1498	1,125	42.60
ON	7	7	P	6.5	06/26/2007	0.21	1,050	41.50
LN	3	9	C	10	02/24/2009	1.3133	1,000	22.35
ON	4	8	P	6	03/26/2008	0.266	1,000	33.94
LN	6	7	P	5.5	05/25/2007	0.0205	1,000	43.10
LN	8	7	P	6	07/26/2007	0.1543	1,000	46.47
ON	4	7	P	7	03/27/2007	0.096	982	45.26
LN	8	7	C	10	07/26/2007	0.2133	975	43.86
LN	6	7	C	10	05/25/2007	0.0419	925	44.03
LN	7	7	C	10	06/26/2007	0.1111	925	42.89
LN	9	7	C	10	08/28/2007	0.3316	925	44.88
LN	10	7	C	10	09/25/2007	0.4983	925	47.28
LN	5	7	C	10	04/25/2007	0.0119	900	50.83
LN	6	7	C	8	05/25/2007	0.2987	870	39.32
LN	8	7	C	8	07/26/2007	0.639	850	38.56
LN	4	7	C	7.5	03/27/2007	0.0563	849	46.37
ON	6	7	P	6.5	05/25/2007	0.156	775	41.12
LN	8	7	P	6.5	07/26/2007	0.2774	750	46.94

