



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 11, 2007**

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

Chicago Mercantile Exchange Holdings Inc. (CME) and CBOT Holdings, parent of the Chicago Board of Trade (CBOT), jointly announced Friday morning that they have revised the terms of their definitive merger agreement, potentially leaving the rival bid for CBOT from Atlanta-based IntercontinentalExchange (ICE) in jeopardy.

The \$4 billion, 1,663-mile Rockies Express Pipeline (REX) that will transport Rocky Mountain natural gas to the Midwest and East will change market dynamics unlike any project before, said the head of Bentek Energy at GasMart 2007 Thursday.

OPEC additions to its crude oil capacity tell only half the story as the producers' group is also expanding its production of natural gas liquids. Between 2006 and 2016, OPEC is expected to increase production of gas liquids, which include ethane, propane, butane and ultra-light gas condensate, by more than 2.6 million barrels per day to 7.1 million bpd.

A proposal by Weaver's Cover Energy to use smaller liquefied natural gas tankers than originally proposed appears unsuitable, the US Coast Guard said after a preliminary review of the plan. Reducing the size of tankers and doubling the frequency of LNG deliveries will not solve the navigation safety and security issues, according to the Coast Guard.

NOAA hurricane researchers investigating the destructive potential of land-falling hurricanes indicated that the overall size of the storm, as well as the area reached by its winds should be considered when assessing its possible damage. NOAA, however, has not proposed modifying the current Saffir-Simpson hurricane scale.

#### **PIPELINE RESTRICTIONS**

El Paso Natural Gas Company said that the Line 1300 Pipeline Integrity Project scheduled to begin today has been postponed to begin on May 12. The capacity reduction for May 11 will be 29 MMcf/d for the Belen #1 overhaul.

Natural Gas Pipeline Company said that there will be several capacity constraints and pipeline restrictions for today. Effective today and until further notice Segment 14 and Segment 15 on the Amarillo system are At Capacity. Segment 13 and Segment 1 each have limited capacity. Also, all Louisiana Line Segments (25, 23

#### **Generator Problems**

**SERC** – Entergy's 966 Mw River Bend nuclear unit boosted output to full capacity today. Yesterday, the unit was operating at 76% capacity.

**MAIN** – AmerenUE's 1,190 Mw Callaway nuclear unit reconnected to the grid and operating at 45% capacity. Yesterday, the unit was warming up offline at 10% power.

Exelon's 1,225 Mw Byron #2 nuclear unit increased output to 90% capacity. The unit was operating at 85% power yesterday. Byron #1 continues to operate at full power.

**NPCC** – Entergy's 670 Mw Pilgrim nuclear unit ramped output to 75% today as it returns from a refueling outage. Yesterday, the unit was operating at 20% capacity.

**MAPP** – Xcel's 538 Mw Prairie Island #1 nuclear unit slipped offline and was operating at 18% capacity. Yesterday, the unit was operating at 55% capacity. Prairie Island #2 continues to operate at full power.

**The NRC reported that 85,649 Mw of nuclear capacity is on line, up 1.28% from Thursday, and up 5.99% from a year ago.**



With summer heat ahead and the ever-precarious threat of hurricanes, market participants, despite the fundamentals, are reluctant to add short positions to this market. According to the Commitment of Traders Report, non-commercial traders reduced their net short futures position by 6,072 and their combined net short futures and options position by 5,128. We continue to see this market maintain its 7.50-8.00 range as net shorts cover look to get long ahead of the summer. We see support at 7.605, the daily upward trend crossing. We see further support at 7.54, \$7.40 and \$7.15. We see resistance at \$7.96, \$8.00-\$8.04 and \$8.20.