



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 24, 2007**

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

The Canadian Enerdata weekly survey of Canadian natural gas in storage showed that for the week ending May 18<sup>th</sup> gas in storage increased by 9.4 bcf or 9% from the previous week. Currently Canadian storage is 36.2% full versus 52% a year ago. The Canadian data year on year comparisons though are a bit harder to make as the yet another participant has pulled out of the survey.

Marathon Oil announced it and its partners had loaded the first LNG cargo at their newly completed Equatorial Guinea export terminal. The cargo was pumped into a 138,000 cubic meter tanker and is tentatively scheduled to be delivered to Lake Charles, Louisiana.

#### **EIA Weekly Report**

	05/18/2007	05/11/2007	Net chg	Last Year
<b>Producing Region</b>	740	717	23	750
<b>Consuming East</b>	905	838	67	1112
<b>Consuming West</b>	301	287	14	289
<b>Total US</b>	1946	1842	104	2151

\*storage figures in Bcf

#### **PIPELINE MAINTENANCE**

Colorado Interstate Gas Company released their updated June maintenance schedule today. All the work currently is expected to be completed with no impact on nominated activities.

Northwest Pipeline said that based on the early completion of the annual inspections of the Buhl and Burley compressor stations, it has reduced the anticipated two day outage for the Lave Hot Springs inspections originally scheduled for May 29-30 to a one day outage on May 30<sup>th</sup>. The available capacity during the outage is estimated to be 578,000 Dth/d.

Alliance Pipeline said that due to mechanical issues unplanned maintenance will require the Estlin Compressor Station to be offline for eight hours Thursday. System throughput (AOS) will be impacted.

#### **Generator Problems**

**NPCC** – OPG's 490 Mw Unit #1 and #7 at the coal fired Nanticoke power station returned to service this morning. Unit #1 had been off line since Feb 26 and Unit #7 since May 15<sup>th</sup>.

**PJM** – PSEG's 1130 Mw Salem #2 nuclear station was shut Thursday morning due low steam generator water levels. The unit had been at full power on Wednesday.

**SERC** – TVA shut the 1155 Mw Browns Ferry #1 nuclear unit. The unit had reached 3% on Wednesday. Operators wanted to shut the unit to test systems over the next several weeks as part of its plan to return the unit to service for the first time in 22 years.

Southern's 888 Mw Farley #2 nuclear unit was up to 54% of capacity this morning as the unit continues to ramp back from its recent refueling outage.

**ERCOT** – TXU's 750 Mw Martin Lake #3 coal fired unit was taken off line to fix a boiler tube leak.

**ECAR** – FirstEnergy's 1260 Mw Perry nuclear unit was at 92% of capacity this morning up 38% from Wednesday.

**MAIN** – Exelon's 855 Mw Quad Cities #1 nuclear unit was at 20% of capacity this morning and was expected to be reconnected to the grid shortly.

**WECC** – California Department of Water Resources had four units at the 848 Mw Hyatt-Thermalito pumped storage hydropower stations returned to service today after a brief shutdown earlier in the day.

**MAPP** – NPPD's 760 Mw Cooper nuclear power station was up to 85% of power, as operators continue to ramp up the unit. The unit was at 51% of capacity on Wednesday.

**The NRC reported that 85,674 Mw of nuclear capacity is on line, down 0.19% from Wednesday, and up 3.94% from a year ago.**

National Fuel Gas Supply Corporation said that TGP is performing maintenance work on the Niagara Spur Line and an OFO is in place on the Niagara Spur Line with capacity running at 350,947 Dth.

TransColorado gas Transmission said that due to maintenance work, Segment 220, 250 and 310 are listed as IT/AOR/Secondary at Risk. Segment 250 is also listed as Primary at Risk.

Texas Eastern announced that due to unforeseen delays, the outage at the Monroe Station will now last through May 31<sup>st</sup>.

**PIPELINE RESTRICTIONS**

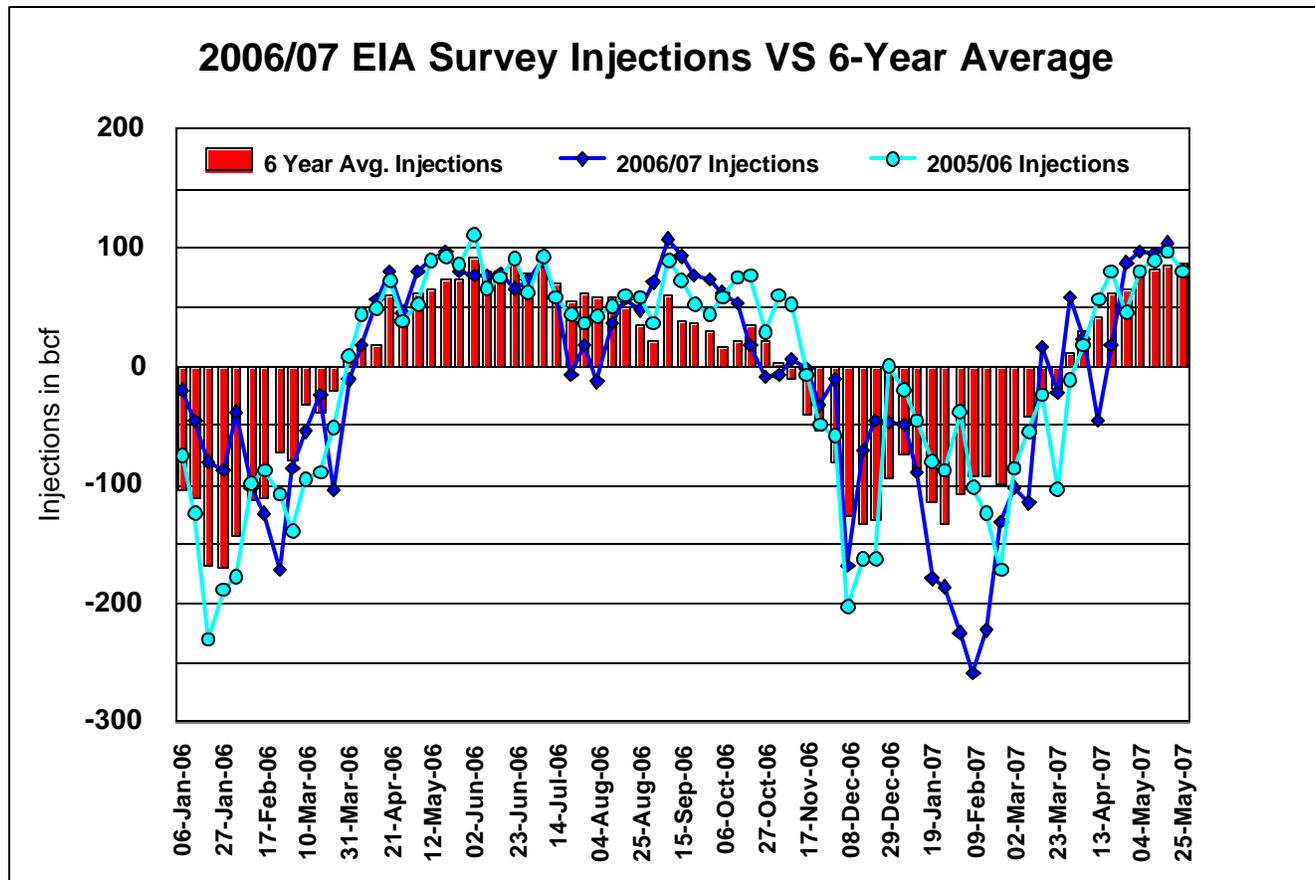
Williston Basin Interstate Pipeline said that 01010 Northern Border – Mannin has been lifted from pipeline Capacity Constraint for delivery effective Evening Cycle.

Tennessee Gas

Pipeline said it anticipated the following restrictions: Carthage Line Lateral it anticipates restricting through approximately 48% of Supply to market Secondary Out of Path nominations. Niagara River Meter the company anticipates restricting through 10% of Supply to market primary in Path nominations.

SONAT said that there was a Type 6 OFO potential for this upcoming weekend.

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	964,700	\$7.561	\$0.051	(\$0.349)	\$0.129	(\$0.448)
Chicago City Gate	352,300	\$7.431	(\$0.015)	(\$0.244)	\$0.116	(\$0.384)
NGPL- TX/OK	793,700	\$7.191	\$0.031	(\$0.484)	\$0.162	(\$0.637)
SoCal	709,000	\$7.078	(\$0.066)	(\$0.597)	\$0.065	(\$0.626)
PG&E Citygate	862,800	\$7.268	(\$0.183)	(\$0.407)	(\$0.051)	(\$0.306)
Dominion-South	508,600	\$8.191	\$0.080	\$0.516	\$0.211	\$0.372
Transco Zone 6	213,700	\$8.352	\$0.148	\$0.677	\$0.279	\$0.432



KMIGT reported that constraints remained in place at Segment 340 Ulysses, Segment 620-790 Rockport, Segment 773 and Segment 775 which all are at AOR/IT/Secondary at Risk.

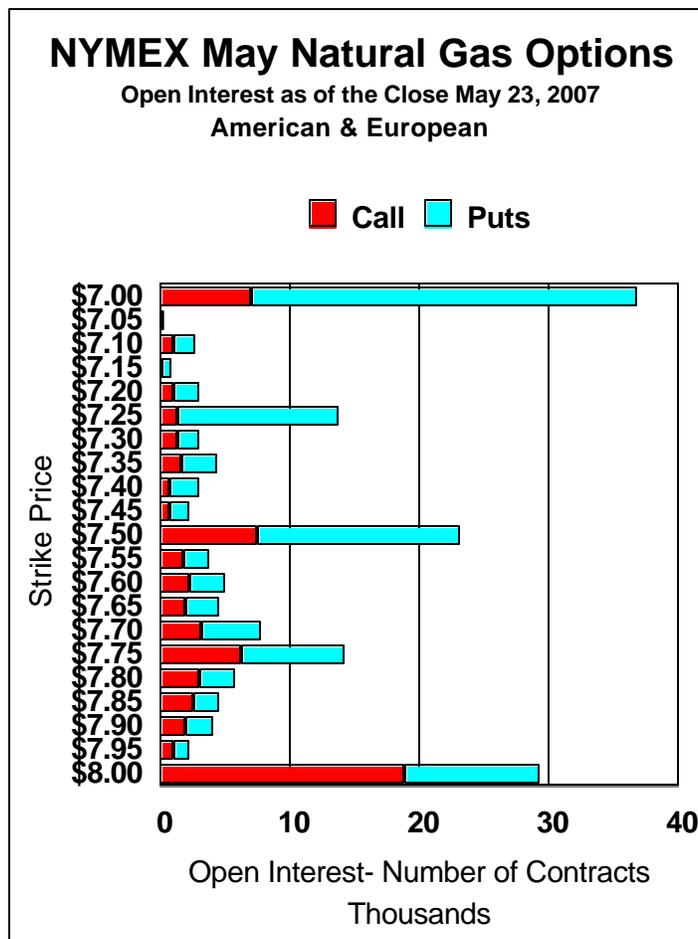
Texas Eastern reported it has restricted and sealed deliveries downstream of castor on the Castor Lateral. No increases in deliveries downstream of castor will be accepted.

**ELECTRIC MARKET NEWS**

A compromise worked out in the Texas Legislature on Wednesday gives state regulators oversight on future sales of electric delivery companies while exempting the pending TXU deal. The proposal would require functional separation of TXU's three business units—power generation, power delivery and retail sales, without requiring any sales, according to the conference committee report. The bill also increases the authority of regulators to penalize companies that manipulate the wholesale power market.

The California Public Utilities Commission is scheduled to vote today on whether to review whether it can and should again allow retail customers to buy electricity from power providers other than local utility. Several key state lawmakers have urged the PUC to not reopen this issue. The state legislature suspended direct access in 2001 after the State's Department of Water Resources signed numerous long-term power contracts during the states energy crisis.

PECO said it is on schedule to complete key infrastructure projects in order to meet peak summer electrical demand this year. The company expects electrical demand this summer to see peak demand grow by 1.5% over last year.



U.S. coal production for the week ending May 19<sup>th</sup> totaled 21.847 million tons, up 3.9% from the prior week but still running behind year ago levels by 2.2%. Year to date totals for production stand at 435.996 million tons off 2.8% from 2006.

**MARKET COMMENTARY**

The natural gas market this morning started out a couple of pennies lower but received a shove to the downside when the EIA released their weekly storage report which showed a larger than expected build in inventories with a 104 bcf build. This was the largest build in stocks since September 8<sup>th</sup> of last year, a weekly report that showed the only triple digit build in last year's injection season. The market following the report breached the 4 month support line at \$7.711 , and by midday had fallen to \$7.652 before finally finding support and slowly attempting to recover, but failed to break above this prior support line before the close. With today's price action it appears that the bears may remain in control of this market for a day or two, given daily stochastics remain pointing lower and this price action today took out a key support point. This morning's price move downward also received a boost from the fact that some 12,578 lots of June put options moved into the money, a day before they are set to expire. It is obvious that a move towards \$7.50 on Friday, the June option expiration day, could trigger

sellers of put options to potential run to cover some of their exposure. The June \$7.50 put has some 15,710 lots of open interest as of the close Wednesday night.

We would look for support tomorrow at \$7.65 followed by \$7.608, \$7.597 \$7.556, \$7.52 and \$7.50. More distant support we see at \$7.461 and \$7,387 and \$7.359. Resistance we see at \$7.724, \$7.755, \$7.85-\$7.869 and \$7.902. Additional resistance we see at 47.936 and \$8.003. These resistance levels could be more closely examined if forecasters begin to beat the threat or risk of tropical development next week once again.

