



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 30, 2007**

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

ExxonMobil CEO said today that the construction of the Mackenzie pipeline project in Canada is not viable at current cost levels. Earlier this year industry estimates for the pipeline project costs were doubled from earlier projections and now expected to cost \$14.8 billion.

The Minerals Management Service reported today that offshore production platforms in the Gulf of Mexico are better prepared for hurricanes than they were in 2005. The agency also said it has prepared and is in the process of formally implementing seven operational enhancements to further clarify special engineering practices and reporting procedures used by offshore operators on all structure types from Mobile Offshore Drilling Units and Jack-up rigs to existing and new fixed platforms. The agency estimated that up to 20% of the existing moored rig fleet will not be able to operate in all areas of the Gulf of Mexico during the 2007 hurricane months, a restriction that could impact oil and natural gas production there,

NiSource Gas Transmission announced it was holding a nonbinding open season to determine interest in expansion of its Crawford storage field south of Columbus, Ohio. The company could add up to 15bcf on new storage.

#### **PIPELINE MAINTENANCE**

Texas Eastern reported today its maintenance schedule for June. It will be doing DOT pipe replacement between Danville and Owingsville, which will cause a restriction of capacity for gas flowing through Danville through July 2<sup>nd</sup>. The Gillis Compressor Station will be taken off line June 1<sup>st</sup> for one week, resulting in capacity reduction and as a result a restriction of receipts upstream of Gillis is possible. Pipeline replacements between Eagle and Lambertville will cause reduction of flowing gas from June 3- October 30<sup>th</sup>. The company also noted that pipeline investigations will result in pressure reductions for gas flowing through Five Points for June 5<sup>th</sup>-6<sup>th</sup>. Also the company has scheduled expansion work on the pipeline between Bedford and Chambersburg that will restrict deliveries through these two points between June 16-22<sup>nd</sup>.

#### **Generator Problems**

**FRCC** – FPL said this morning that it expected its 693 Mw Turkey Point #4 nuclear unit to return to full power by the end of Wednesday. The unit was at 40% this morning as operators conducted tests on a turbine valve.

FPL's St. Lucie 839 Mw nuclear Unit #1 ramped up to 95% Wednesday morning, up 25% from Tuesday.

**PJM** – PSEG shut the 1061 Mw Hope Creek nuclear power plant late Tuesday after an electrical transient caused the reactor feed pumps to trip off line.

PSEG shut its 1130 Mw Salem #2 nuclear unit due to a hydrogen leak discovered on the main generator, after being restarted on May 27<sup>th</sup>.

**SERC** – Duke Energy's 1100 Mw McGuire #1 nuclear unit was up to 48% of capacity this morning. The unit was at 20% of power on Tuesday.

**SPP** – Entergy's 836 Arkansas Nuclear One Unit #1 remained offline this morning at just 9% of power.

**WECC** – AES' 480 Mw natural gas fired Unit #8 at the Redondo Beach power station returned to service Tuesday afternoon.

APS' 1247 Mw Palo Verde #3 nuclear unit was at 40% of capacity down 50% from Tuesday.

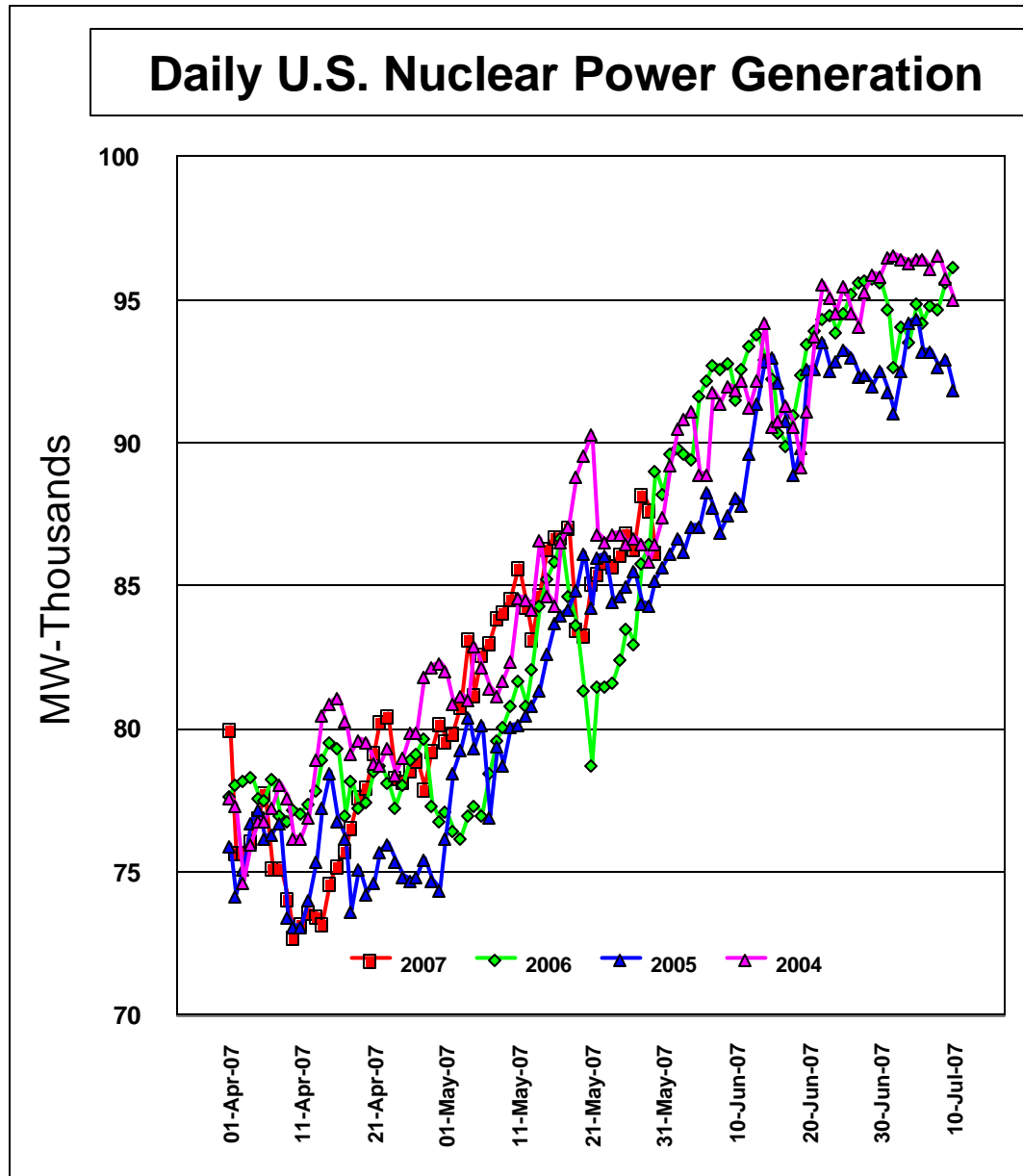
PG&E's 1100 Mw Diablo Canyon #1 nuclear unit reconnected to the grid and was at 28% of capacity this morning. The plant restarted this past weekend.

**The NRC reported that 86,207 Mw of nuclear capacity is on line, down 1.62% from Tuesday, and down 2.28% from a year ago.**

Questar Pipeline said that on June 12-14<sup>th</sup> it will be performing required maintenance at its Nightingale compressor station.

As a result, capacity through the East Fields scheduling point will be reduced to 100,000 Dth/d for all cycles during this time.

Northwest Pipeline today reminded customers about the potential for an OFO and Deficiency Period due to the maintenance work from June 5-7<sup>th</sup> in the mainline corridor between Cisco and La Plata B compressor stations. At the La Plata B Compressor Station (Southbound) on June 5<sup>th</sup>, available capacity will be 187,000 Dth down from a design capacity of 355,000 Dth. At the Moab Compressor Station on June 6<sup>th</sup>, available capacity will be 241,000, down from design capacity of 352,446 Dth. Finally the Pleasant View



Compressor Station on June 7<sup>th</sup> will have available capacity of 311,000 dth down from a capacity of 352,446 Dth.

Gulf South Pipeline said that the scheduled compressor maintenance on all units at the Jackson Compressor Station is now complete.

Williston Basin Interstate Pipeline Company said that unplanned maintenance

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	1,281,500	\$7.706	\$0.199	(\$0.523)	(\$0.187)	(\$0.465)
Chicago City Gate	387,000	\$7.677	\$0.390	(\$0.285)	(\$0.017)	(\$0.340)
NGPL- TX/OK	659,600	\$7.348	\$0.328	(\$0.614)	(\$0.079)	(\$0.604)
SoCal	633,100	\$7.216	\$0.031	(\$0.746)	(\$0.376)	(\$0.724)
PG&E Citygate	668,900	\$7.525	\$0.136	(\$0.437)	(\$0.271)	(\$0.406)
Dominion-South	486,300	\$8.349	\$0.281	\$0.387	(\$0.126)	\$0.430
Transco Zone 6	281,400	\$8.691	\$0.412	\$0.729	\$0.005	\$0.598

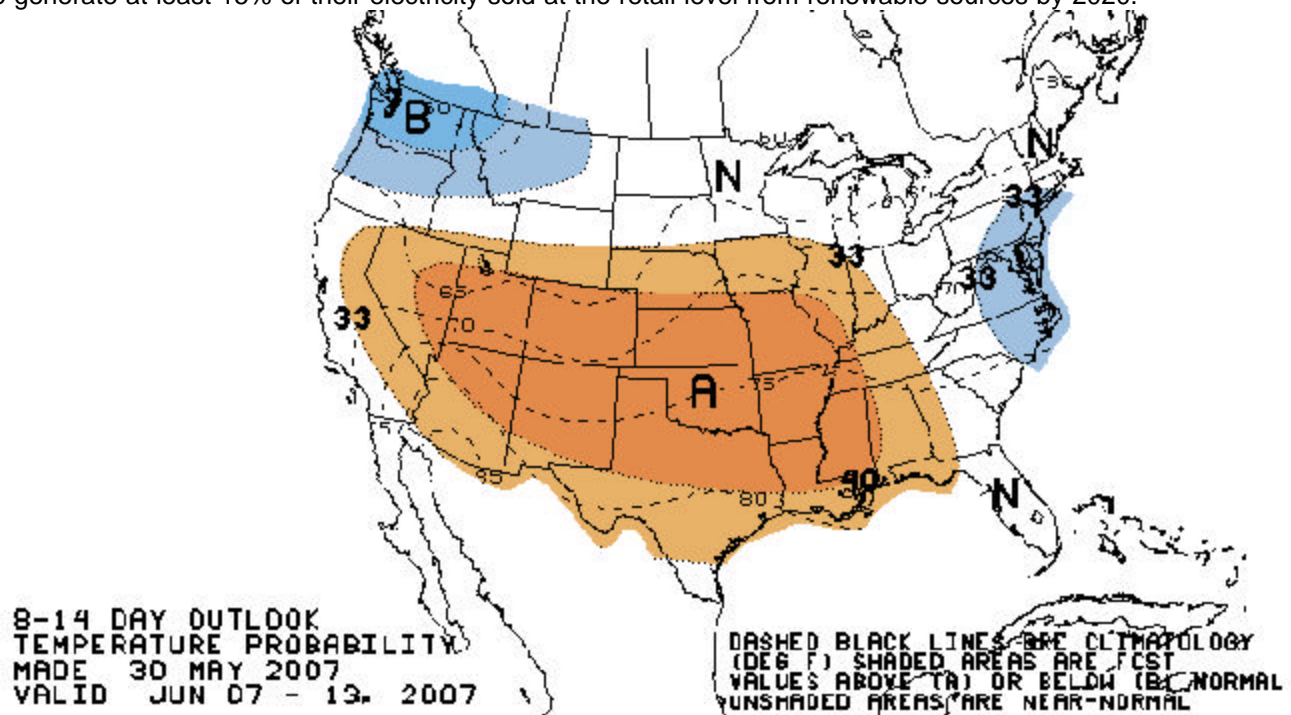
will be performed at the Saco Compressor Station through today. Maximum capacity at the station will be approximately 24,700 Dth/d. In addition the company noted planned maintenance at the Hathaway Compressor Station has been extended through June 22<sup>nd</sup>. At this time the company does not expect any restriction to the system.

Southern Natural Gas Pipeline has changed the date for the pipeline pigging on the 14 inch Logansport Line and the 16-inch Logansport Supply line west of its Bienville Compressor Station in North Louisiana. The work had been originally scheduled for June 5-6 and been moved to June 12-13. The company expects a reduction of Approximately 45,000 Dth/d in interruptible capacity in the West of Bienville Group.

Tennessee Gas Pipeline said that pipeline inspections and anomaly repairs continue on the Niagara Spur. A new phase of the project is now expected to begin on May 31<sup>st</sup> instead of May 30<sup>th</sup>. The work is expected to last until June 7<sup>th</sup> and could result in restrictions through a pro-rata portion of Secondary Out of Path nominations sourced from the Niagara River Meter.

### **ELECTRIC MARKET NEWS**

A group of close to 200 trade associations, businesses, utilities and environmental groups are asking the U.S. Senate to pass legislation this year that would set a national renewable portfolio standard that would require electric utilities to obtain a minimum percentage of their power from low emission domestic resources. Senator Bingaman said earlier this week that he would offer the legislation as an amendment to a massive energy efficiency bill that is expected to go to the Senate floor next month. Bigaman's amendment would call for utilities to generate at least 15% of their electricity sold at the retail level from renewable sources by 2020.



NiSource said it has ended talks to sell its Indiana electricity assets, i.e. Northern Indiana Public Service's electricity distribution, transmission and generation operations, but will continue to consider a spin off of that business.

Duke Energy said it will seek permission from North Carolina's Utilities Commission for a rate increase.

NRG Energy announced it has joined the Chicago Climate Exchange, the world's first voluntary and legally binding greenhouse gas emissions reduction, registry and trading program. The company noted that the cap and trade system "...will minimize the cost of achieving carbon reductions because it allows the lowest cost emission reductions to be used to help meet reduction targets."

## **MARKET COMMENTARY**

The natural gas market started this morning stronger and never looked back as prices moved higher throughout the daytime trading session. The market received boosts from growing power demand in key generating areas coupled with unexpected decline in nuclear generation levels. The market received further boost from forecasting models looking for some form of tropical development to move through the Gulf of Mexico by week's end heading toward Florida and Georgia. Currently the GFS model is looking for a tropical system to organize just north of the Yucatan Peninsula on Friday and then track northeast before coming ashore in north Florida on Sunday morning. By the end of the day the market broke a streak of seven consecutive lower settlements and finished up 21 cents and back near the 20-day moving average.

The EIA storage report due tomorrow is expected to show a 95-105 bcf build. For the same week a year ago there was a 81 bcf build with a five year seasonal average build of 86 bcf.

Tomorrow inventory report may initially impact this market, but we feel that it will be weather forecasts that will ultimately be a driving force for prices. These forecasts will include the updated long-term hurricane outlook from Dr. Gray, as well as temperature outlooks and the potential for a tropical system to wander through the Gulf of Mexico by this weekend.

We feel that this market will probably will float within a range of \$7.85-\$8.05 through the end of the end of the week as traders probably will be reluctant to move this market significantly either direction given the current weather forecasts. We see support tomorrow at \$7.92-\$7.90 followed by \$7.813, \$7.74, \$7.644-\$7.63 and \$7.557. Resistance we see at \$7.986 followed by \$8.012, \$8.069 and \$8.103. Additional resistance we see at \$8.155 and \$8.325.