

# W The Windham Group



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR JULY 16, 2007

#### NATURAL GAS MARKET NEWS

Weather forecasts today appeared to have moderated a bit from Friday as weather models looked for normal to cooler than normal in the Northeast and the Midwest when expectations on Friday had been for normal to warmer than normal. Now the expectations for an extended heat wave for these areas has been pushed back several days at least until the last week of July and into the beginning of August. Meanwhile the tropical Atlantic remains quiet with no expectations for development of any tropical systems this week. One private forecaster though noted this morning that GFS long range model continues to look for increasing activity developing after July 23<sup>rd</sup> and continuing until at least July 31<sup>st</sup>, with increasing risk to the Gulf of Mexico and Southeastern U.S. for late July through August.

The U.S. EPA reported that it was investigating Nicor's natural gas distribution system in Park Ridge, IL for PCB-contaminated liquids.

#### Generator Problems

**MISO** – NIPSCO reported that it had restarted all four coal units at its R.M. Chahfer generating Station over the weekend but was forced to take one unit back off line. All four units tripped off line on July 10<sup>th</sup> due to a storm.

**WECC** – APS' 1314 Palo verde #1 nuclear unit was expected to be restarted on Monday. The unit went off line on May 19<sup>th</sup> for a refueling outage. The unit had originally been expected to be restarted a week ago but was delayed due to a problem with a valve in the safety injection system.

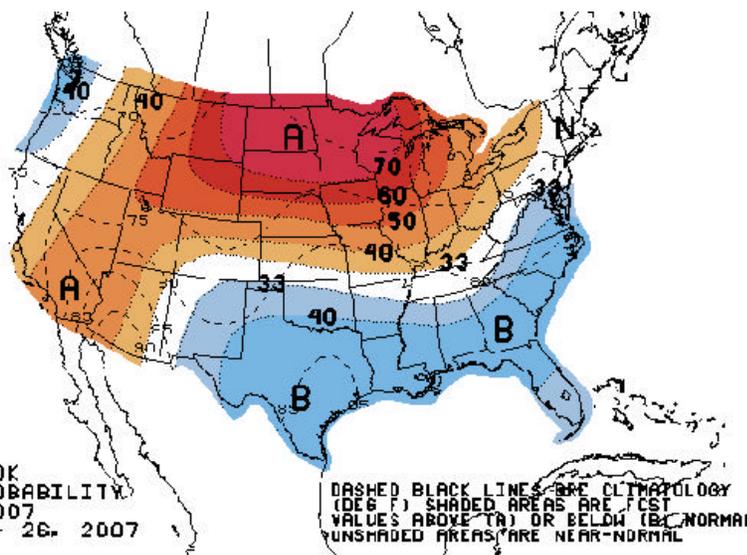
**NPCC** – Entergy's 684 Mw Pilgrim nuclear unit was back to full power today. The unit had been taken off line on July 10<sup>th</sup> for cleaning a condenser when it tripped off line.

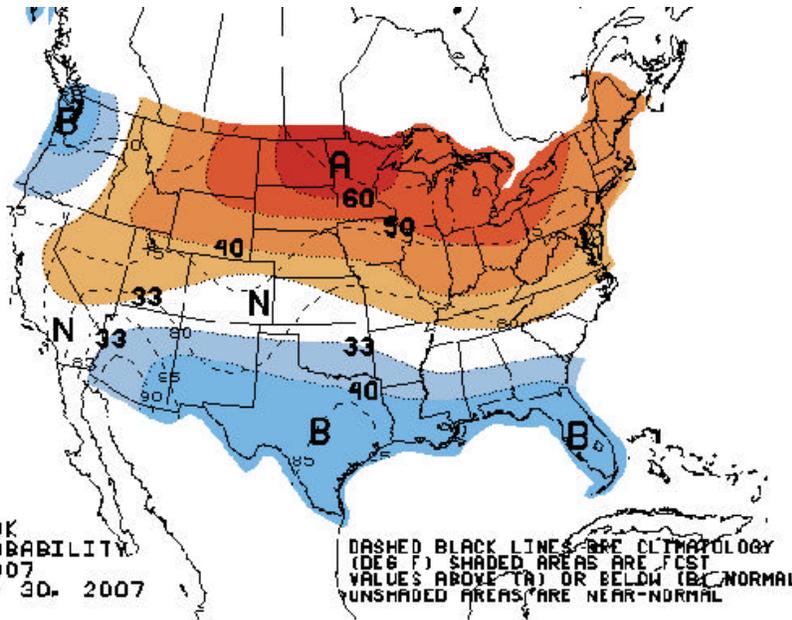
**The NRC reported that 96,163 Mw of nuclear capacity is on line, up 0.6% from Friday, but off 0.1% from a year ago.**

Enel management said today that they hoped to receive all the necessary permits to build an eight billion cubic metre LNG terminal in Sicily by the end of the year. The terminal is slated to begin operations by 2011. Most of

the LNG for the terminal would come from Nigeria under long existing contracts.

Centrica announced it has ended a 15-year agreement to buy gas from Malaysia's Petronas before any of the gas has even been delivered. The companies agreed to terminate the 3 billion cubic metre deal agreed to in 2004 because some of the conditions in the contract had not been met.





UK natural gas rose to its highest level in almost seven months as supply reductions have limited deliveries into Teeside Terminal as well as the Bacton subterminal operated by Royal Dutch Shell. In addition planned maintenance at Scottish & Southern Energy's Hornsea gas storage site for this week along with UK exports of natural gas to Belgium via a reversible subsea pipeline will keep

supplies restricted. As a result gas deliveries through 6 AM Tuesday were forecast at 192 mcm versus an expected to reach 208 mcm. As a result gas prices for next month jumped by 8.4% to a record 32.4 pence per therm or the equivalent of \$6.60 Mmbtu versus a U.S price on the NYMEX of Z\$6.47 Mmbtu, thus possibly restraining future LNG deliveries.

### PIPELINE MAINTENANCE

Alliance3 Pipeline said that maintenance will be performed at AB47 Carson Creek Receipt Compressor Station – Unit #1 beginning today through July 19<sup>th</sup>, which could result in upstream flow restrictions.

Northwest Pipeline said that it was performing a hydro-test between Washougal and Willard compressor stations starting today through July 20<sup>th</sup>. Primary firm nomination requests through the Washougal compressor currently exceed the available capacity.

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	581,600	\$6.322	\$0.052	(\$0.236)	\$0.412	(\$0.359)
Chicago City Gate	382,000	\$6.237	\$0.146	(\$0.137)	\$0.482	(\$0.303)
NGPL- TX/OK	512,400	\$6.014	\$0.091	(\$0.361)	\$0.427	(\$0.494)
SoCal	1,305,800	\$5.989	\$0.141	(\$0.385)	\$0.477	(\$0.478)
PG&E Citygate	838,400	\$6.291	\$0.001	(\$0.083)	\$0.337	(\$0.187)
Dominion-South	352,000	\$6.775	\$0.088	\$0.401	\$0.424	\$0.296
Transco Zone 6	342,700	\$6.955	\$0.198	\$0.581	\$0.534	\$0.455

### ELECTRIC MARKET NEWS

National Grid today said it has gained approval from New Hampshire regulators for its proposed purchase of Keyspan Corp. The company only is awaiting only one other regulatory approval, that from the New York State Public Service Commission. The New York regulators are scheduled to vote on the deal by August 22nd.

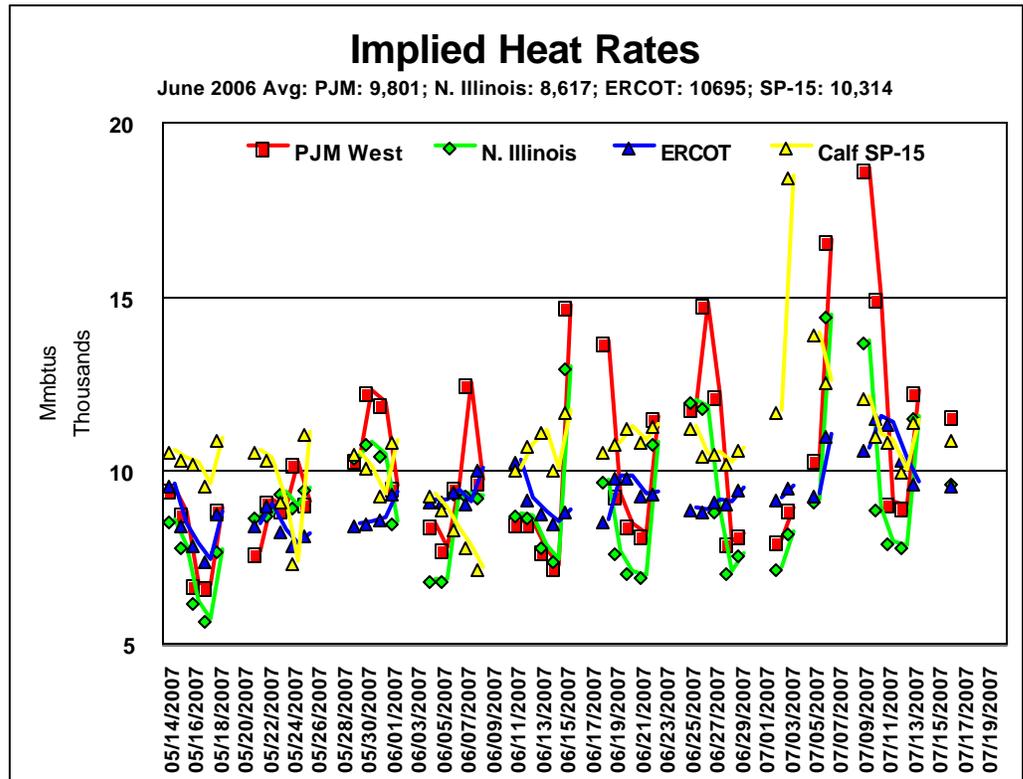
Dominion Virginia has applied to Virginia regulators for permission to build a 585 Mw electric generating power station in Southwest Virginia. The coal-fired power plant would be state of the art and be operational by 2012.

The Pacific DC Intertie will have a capacity of about 2500 Mw for Tuesday up to 3 Pm following which it will return to 3000 Mw. The AC Intertie will have a capacity of 4600 for the whole week.

FirstEnergy completed a \$1.3 billion sale and leaseback of its 779 Mw portion of the Unit #1 at the Bruce Mansfield coal fired power plant in Shippingport, PA. The deal was reached with AIG and Union Bank of California.

**MARKET COMMENTARY**

The natural gas market started the day lower as revised weather forecasts on the 6-10 and 8-14 day period all were more moderate than had been predicted at the end of last week. Prices spent the morning challenging the lows from Thursday, but were unable to breach this support level. Prices bounced off the lows a bit following the release of midday forecasts that appeared to put a little more heat back into the forecasts as well as AccuWeather forecaster Joe Bastardi still sticking to his outlook for a prolonged



heat wave for the Midwest and Northeast for the end of the month, saying that heat wave may be delayed for a few days but still was in the cards.

This market remains unable to really build traction in either direction it seems as weather forecasts continue to fluctuate from one day to the next. It seems that bulls will be unable to build a significant rally without a prolonged severe heat wave, but more importantly need to get at least some market discussion of tropical weather development. The bears though seem to be unable to significantly break this market down to make a true challenge of the \$6.00 barrier in part due to the relatively large spec net short position, as where will the new short come from for this market? As a result we feel that this market may be doomed to remain in a relatively sideways trading range for the next week or so, but we still feel that a modest break to the upside is possible with the first signs of tropical development. We look for support at \$6.301 followed by \$6.276, \$6.195, \$6.15 and \$6.076. Resistance we see at \$6.476, \$6.514, \$6.595 and \$6.676.