



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
Karen Palladino & Zachariah Yurch  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR MARCH 27, 2007**

---

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

Accuweather reported at midday today that while they looked for an increase in the number tropical storms and hurricanes over last year's quiet hurricane season, they still feel that the number of storms will still be down from the active 2005 season. But Joe Bastardi the chief Accuweather forecaster warned that the trend is towards stronger hurricanes and tropical storms and that this should be a major concern. He saw the entire USG region as susceptible or at higher risk to storms and thus could be a significant impact on natural gas and oil production in the region. But the company declined to predict an actual number of storms, but could see 11 storms "prowl" the USG region this year. The full Accuweather hurricane forecast will be released in early May.

Energen Resources said today that it had entered into its first natural gas and NGL hedge contracts for 2008. The company said it has sold NYMEX natural gas contracts totaling 3.6 bcf or 30 contracts/month at a price of \$8.47. The company said it also hedged approximately 4.5 million gallons or 378,000 gallons per month of NGL production at a price of 86.5 cents per gallon. The company earlier said it has hedges in place for approximately 1.9 million barrels or 160,000 barrels per month of its 2008 oil production at an average price of \$66.00 per barrel.

The CEO of Huntsman said today that greater transparency beyond pricing is needed in the U.S. natural gas markets, which could lead to less volatility. Peter Huntsman, called for the names of the parties involved in NYMEX transactions should be made public. He noted that in U.S. securities markets, shareholders in public companies are disclosed and observers can see what position shareholders have, which could help reveal motivations behind large position taking. He felt such a measure would make large speculation by hedge funds less likely. He felt that the increase in trading outside of government regulation has led to increased volatility in the natural gas market.

PetroLogistics Natural Gas Storage LLC said it will launch an open season tomorrow for 1 Bcf of firm gas storage service at its proposed 6 bcf salt dome storage cavern, located at the Choctaw storage facility in Iberville Parish, LA. The open season will conclude April 11<sup>th</sup>, will offer contracts for up to 20 years.

The NYMEX announced today that it was changing its margin requirement on its natural gas contracts. The changes will take effect at the close of business Wednesday. Margins for the first month of the natural gas, natural gas penultimate financial and natural gas last day financial futures contract will decrease from \$7,425 to \$6,750

#### **Generator Problems**

**PJM** – PSEG Nuclear's 1100 Mw Salem #1 nuclear unit was at 85% of capacity today and may be taken off line as early as this evening for its refueling outage.

**MAIN** – Exelon's 1225 Mw Byron #2 nuclear unit was at 92% of capacity this morning off 1% from yesterday as the unit coasts down to its refueling outage scheduled for April 2<sup>nd</sup>.

**WSCC** - Reliant Energy's 775 Mw Unit #2 at the natural gas fired Ormond Beach natural gas fired station returned to service today. The unit had been down since February 24<sup>th</sup>.

AES shut its 485 Mw Unit #5 natural gas fired unit at the Alimitos power station.

Energy Northwest's 1200 Mw Columbia Generating nuclear unit returned to full power today up 15% from yesterday.

**ERCOT** – TXU's 750 Mw Unit #3 at the Martin Lake coal fired power station is expected to be restarted today. The unit was shut Monday for repairs to a tube leak.

**The NRC reported that 82,580 Mw of nuclear capacity is on line, up 0.29% from Monday, but some 2.97% better than a year ago.**

for customers. Margins on the second and third months will stay the same while margins on the fourth to six month contracts will increase from \$7,425 to \$8,100 for customers. Margins on the seventh to 11 months will increase from \$8,100 to \$8,775. Margins on the 12<sup>th</sup> to 23<sup>rd</sup> months will increase by \$675 to \$6.75 for customers while all other months will remain the same. Margins on the first month NYMEX miNY natural gas and Henry Hub swap and penultimate swap futures contracts will decrease to \$1,688 from \$1856 for customers. Margins on the second and third months will remain unchanged, while margins on the fourth to six months will go from \$1,856 to \$2,025 for customers. Margins on the 7-12<sup>th</sup> months will increase by \$169 to \$2,194. Margins for the 12<sup>th</sup> to 23<sup>rd</sup> months will go up by \$169 to \$1,519.

### **PIPELINE RESTRICTIONS**

El Paso Natural Gas said that the High Inventory warning issued on March 23<sup>rd</sup> has been cancelled. Conditions on its transmission system have improved sufficiently to allow the warning of Strained Operating Condition to be cancelled as of today.

TransColorado gas Transmission said that Southbound Segment 220 and Segment 250 are listed as AOR/IT/Secondary at Risk for today.

Gulf South Pipeline has scheduled available capacity and implemented scheduling reductions for the nomination cycle today within the following scheduling groups. East Holly Field Desoto Parish, LA.

NGPL reported that until further notice it was at capacity on Segment 1 for gas received upstream of Compressor Station 155 in Wise county TX. ITS/AOR and Secondary out of Path Firm transports are at risk of not being fully scheduled. It was also at capacity for northbound flow on Segment 14 through downstream of Compressor Stations 109 and 110. ITS/AOR and Secondary out of path firm transports are at risk of not being scheduled.

### **PIPELINE MAINTENANCE**

Panhandle Pipeline announced maintenance work for April today. It noted that there will be an outage on the Zionsville 100 line from Gate Valve 108 to Gate Valve 112 for ILI modifications beginning April 6<sup>th</sup> and continuing for up to 60 days. Capacity will be limited to 1350 Mmcf/d through Montezuma. Other maintenance work is not expected to impact natural gas flows along the line.

Gulf South Pipeline reported that it will be performing Scheduled Pipeline Maintenance on Index 140 beginning April 2<sup>nd</sup> for 12 hours. During the maintenance gas flow on the North Terrebonne Plant will be by-passed without processing.

National Fuel Gas Supply said it has scheduled to shutdown one unit at the Roystone Compressor Station starting April 2<sup>nd</sup>. Production volumes will be cut to 50%.

Tennessee Gas Pipeline anticipated certain restrictions today: Carthage Line Lateral anticipates restricting through approximately 45% of Supply to IT, AOT, Payback..

### **ELECTRIC MARKET NEWS**

Union Pacific railroad said today that it has halted an embargo on new business on a section of track that it shares with Burlington Northern in serving the Powder River Basin. The embargo went into effect back on July 18, 2005 when heavy rains resulted in two derailments and necessitated an extensive track repair program. Union Pacific said it would now accept and seek new business.

The U.S. EPA auctioned sulfur dioxide allowances for \$79.7 million. The auctions were for 125,000 allowances for 2007 and 125,000 allowances for 2014. The price of the current vintage was neutral. The winning bidders in the spot auction included Morgan Stanley (\$22.2 million), Koch Supply & Trading (\$13.4 million), Saracen Energy (\$6.8 million), TransAlta (\$4.5 million), South Carolina Public Service Authority (\$3.3 million) Alpha \$2.2 million), Constellation Energy (\$1.1 million) and Merrill Lynch (\$1.1 million). The winning bidders for 2014 auction included AEP (\$16 million), DTE Energy (\$5.4 million) and Cantor Fitzgerald (\$1.8 million). In the spot 2007 auction the weighted average price was \$444.39 per allowance, with the high bid of \$1120 by an environmental organization and a clearing bid of \$433.25. In the 2013 auction, the weighted average price was \$193.35 per

allowance with a high bid of \$400 and a clearing bid of \$176.

The NRC authorized an Early Site Permit to System Energy Resources for the Grand Gulf ESP site near Port Gibson, MS. The staff has 10 business days to carry out the NRC's directions and issue the permit. This will be the second ESP the NRC has issued and it is good for up to 20 years.

The Vermont Public Service Board Monday approved Green Mountain Power's proposed agreement to merge with Northern New England Energy.

#### **MARKET COMMENTARY**

The natural gas market opened a few pennies better this morning and followed a slow and steady upward track helped in part by the forecasts of cooler temps in the first half of April. Prices received an additional boost at midday by the release of the AccuWeather's forecast calling for an active and potentially damaging hurricane season along the USG. Volume for an option expiration day was excellent with over 63,719 lots changing hands in the April contract and a total of 136,140 lots booked on the day throughout the natural gas contract months. The contract received an additional shove higher late in the day on Globex as rumors ran rampant through the oil markets that Iran had attacked a U.S. oil tanker or warship. This sent

<b>NYMEX Nat Gas Options Most Active Strikes for March 27, 2007</b>								
<b>Symbol</b>	<b>Month</b>	<b>Year</b>	<b>Call/Put</b>	<b>Strike</b>	<b>Exp Date</b>	<b>Settle</b>	<b>Volume</b>	<b>IV</b>
LN	5	7	P	6.5	04/25/2007	0.0262	7,031	40.34
LN	11	7	P	6	10/26/2007	0.1503	6,200	47.76
LN	10	7	C	10	09/25/2007	0.5804	5,850	46.66
LN	7	7	P	5	06/26/2007	0.007	5,000	43.84
LN	5	7	P	7	04/25/2007	0.105	4,000	41.18
LN	11	7	P	5.5	10/26/2007	0.0829	3,900	47.25
LN	10	7	P	6	09/25/2007	0.2249	3,700	51.69
LN	12	7	P	6	11/27/2007	0.1119	3,300	45.88
LN	9	7	P	5.5	08/28/2007	0.0887	2,700	48.41
LN	9	7	C	10	08/28/2007	0.417	2,600	45.01
LN	11	7	C	10	10/26/2007	0.8066	2,175	40.98
LN	12	7	P	7	11/27/2007	0.2971	2,150	47.16
LN	7	7	C	9	06/26/2007	0.3039	2,100	40.07
LN	9	7	P	7.5	08/28/2007	0.6482	2,100	50.72
LN	10	7	P	7.5	09/25/2007	0.7353	2,075	53.65
LN	10	7	C	13	09/25/2007	0.2422	2,050	53.19
LN	6	7	P	7	05/25/2007	0.1807	2,000	41.87
LN	6	7	C	8.75	05/25/2007	0.1896	2,000	39.31
LN	11	7	P	7.5	10/26/2007	0.555	2,000	49.90
LN	6	7	C	8	05/25/2007	0.3915	1,850	36.68
LN	6	7	C	9	05/25/2007	0.1476	1,850	40.03
LN	10	7	C	11	09/25/2007	0.437	1,800	49.75
LN	1	8	P	7	12/26/2007	0.3033	1,700	47.80
LN	5	7	P	6	04/25/2007	0.0067	1,500	43.07
LN	10	7	C	9	09/25/2007	0.8078	1,450	43.63
LN	5	7	C	9	04/25/2007	0.0399	1,400	42.18
LN	6	7	C	8.5	05/25/2007	0.2428	1,300	38.53
LN	5	7	C	10	04/25/2007	0.0078	1,250	45.53
LN	8	7	C	15	07/26/2007	0.0367	1,200	54.79
LN	7	7	P	7	06/26/2007	0.2606	1,100	44.56
LN	5	7	P	7.5	04/25/2007	0.2765	1,060	41.55
LN	6	7	C	10	05/25/2007	0.0557	1,050	43.01
LN	3	8	C	10	02/26/2008	1.4668	1,000	37.92
LN	5	7	C	8	04/25/2007	0.1937	1,000	38.26
LN	10	7	C	9.5	09/25/2007	0.6798	1,000	45.09
LN	8	7	C	9	07/26/2007	0.4629	900	40.87
LN	10	7	C	8	09/25/2007	1.1534	900	40.05
LN	7	7	C	12	06/26/2007	0.0473	800	48.22
LN	7	7	C	10	06/26/2007	0.1569	800	43.13
LN	12	7	P	8	11/27/2007	0.611	800	48.64
LN	1	8	C	17	12/26/2007	0.3316	700	49.91
LN	2	8	C	17	01/28/2008	0.4088	700	50.03
LN	3	8	C	17	02/26/2008	0.4483	700	50.71

prices in the April natural gas contract all the way up to \$7.72, as crude oil prices reached over \$68.00 before cooler heads prevailed and denials of any military action came out of Washington.

The NYMEX reported at midday that open interest in tomorrow's expiring April contract was only 25,810 lots, the lowest level of open contracts in a spot contract two days prior to expiration, since the February 2006 contract was going off the board. Given today strong trading activity, it makes us believe that many players have already exited their April positions and that tomorrow could be a relatively quiet and low volume trading session.

While this market is eager to react to saber rattling from the Persian Gulf, we continue to look at natural gas as still susceptible to a move back below \$7.00 over the next week, given limited heating demand for natural gas. Cold temperatures in April just do not translate to significant heating demand, especially when most of this demand will be limited to areas around the Great Lakes and to a lesser extent the Northeast. As a result we think sale of calls above this market could be attractive. The May \$8.50 call settled tonight at 9 cents and the June \$9.00 call settled at 14.8 cents.

We would look for resistance tomorrow to be found at \$7.53 and \$7.683 with more distant resistance at this afternoon's spike hike of \$7.72 and \$7.75-\$7.83. Support we see at \$7.373, \$7.266 and \$7.15-\$7.13.