



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

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### **POWER MARKET REPORT FOR APRIL 4, 2007**

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

Dominion Cove Point announced it plans to shut down its LNG terminal for the entire month of June, in order to carry out maintenance related to the expansion of its facilities. Some market participants noted that the closure of the 1 bcf/d terminal will have minimal impact on the market.

The FERC chairman today that there were problems with the application for the Calhoun LNG terminal. The company failed to participate in the agency's pre-filing process and as a result was preventing a swift approval of the project based in southeast Texas.

Market observers are closely watching next Monday's Gas Exporting Countries Forum in Qatar to see any significant signs of the development of an emerging cartel for gas exporting countries is in the works.

An Alaskan legislative committee yesterday approved an amended version of a bill that the Alaskan governor supports to solicit new proposals for the natural gas pipeline. The House committee voted to narrow the criteria used by state officials to select the winning pipeline proposal to one that offers the highest value to the state in terms of net present value and one that has the best chance for project sustainability. A separate proposal to require a pipeline applicant to offer 5% of equity in the project to the Alaskan Permanent Fund was defeated. The proposal would have the state solicit proposals for a gas pipeline that meets certain goals such as required periodic open seasons and rolled-in tariffs on pipeline expansions. The governor hopes that this bill will be passed by the spring and she can have requests for applications by July and a selection of a winner by January.

The Sacramento Municipal Utility District announced yesterday that it was seeking a 7% retail rate increase for its 585,000 residential and business customers effective January 1, 2008. The company cited the 60% increase in wholesale natural gas prices over the past five years for the basis of the request for a rate increase.

#### **Generator Problems**

**NPCC** – Entergy's 1025 Mw Indian Point #3 nuclear unit ramped up to 20% of capacity Wednesday morning, following its manual shut down on Tuesday due to a low steam generator level.

Entergy's 825 FitzPatrick nuclear plant was back to full power this morning, up 25% from yesterday.

**PJM** – Exelon's 1134 Mw Unit #2 at the Limerick nuclear plant was operating at 22% of capacity this morning after restarting from recent refueling outage.

Constellation Energy's 862 Mw Unit # 2 at the Calvert Cliffs nuclear unit continued to ramp higher and was at 60% of capacity this morning, up 31% from yesterday.

**SERC** – Southern Nuclear's 888 Mw Farley #2 nuclear unit was at 92% capacity this morning down 1% from yesterday. The unit is coasting down to a scheduled refueling outage next week.

Progress Energy's 710 Mw Robinson #2 nuclear unit was down 1% from Tuesday at 89%. The unit is expected to go off line for maintenance this weekend.

**WSCC** – PG&E's 1100 Mw Diablo Canyon #2 nuclear unit was operating at 57% of power this morning as operators continue to work on cleaning of the facilities water intake tunnel. The work is expected to last up to two weeks.

**ERCOT** - TXU's 565 Mw coal fired Unit #2 at the Monticello power station was expected to be shutdown Wednesday evening for repair work. The unit was expected to be restarted Thursday morning.

Unit #2 at the coal fired Martin Lake power plant was being restarted this afternoon and expected to be back on line by tomorrow morning.

**The NRC reported that 76,076 Mw of nuclear capacity is on line, up 0.54% from Tuesday, but off some 1.88% from a year ago.**

Sonatrach reportedly has offered its April 11<sup>th</sup> berthing slot at the UK's Isle of Grain LNG terminal to anyone interested in bringing in LNG to the UK. Sonatrach and BP share the weekly delivery slots, but the two companies have only used the terminal once in the last month because of low gas prices. BP offered up its slot for Wednesday to other shippers but none of the slots offered to third parties have been filled.

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	1,199,800	\$7.460	(\$0.112)	(\$0.294)	(\$0.063)	(\$0.547)
Chicago City Gate	697,500	\$7.448	\$0.030	(\$0.057)	\$0.002	(\$0.410)
NGPL- TX/OK	702,100	\$7.011	(\$0.013)	(\$0.494)	(\$0.041)	(\$0.823)
SoCal	925,000	\$6.922	\$0.037	(\$0.583)	\$0.009	(\$0.997)
PG&E Citygate	550,100	\$7.344	(\$0.022)	(\$0.162)	(\$0.050)	(\$0.317)
Dominion-South	485,300	\$8.277	(\$0.010)	\$0.772	(\$0.038)	\$0.462
Transco Zone 6	132,000	\$8.744	\$0.091	\$1.239	\$0.063	\$0.722

National Grid PLC spoke out against recent critics that had complained the company had been slow to provide sufficient capacity at vital gas import points. The company defended its actions saying its investment decisions have been based on

clear demand signals from network users. It called on shippers to give clear signals of their intentions by buying access to pipelines and gas receiving terminals during long term capacity auctions which occur each September. A recent outspoken critic has been Centrica Storage, operator of UK's largest gas storage facility, which connects to the gas network at the Easington terminal. Centrica said that National Grid has failed to provide the capacity to flow sufficient gas through Easington since the Langeland pipeline, which imports gas from Norway, began deliveries into the terminal this past October.

#### **PIPELINE RESTRICTIONS**

PG&E California Gas Transmission said that it was making some temporary operational adjustments that will lower the physical pipeline capacity of the Redwood and Baja paths. These adjustments will reduce usage of certain compressor units to meet air quality requirements and ensure the maximum useful life of another. Firm transportation capacity though will not be affected. CGT will temporarily limit the daily physical pipeline capacity on the Baja path to no more than 1107 Mmcfd. This will start April 6<sup>th</sup> and remain in place until the end of the year. On the Redwood path, CGT is taking action to extend the life of the Delevan compressor K-2 unit until it is replaced in 2009. Effective today the company plans on operating the unit at 75% of its maximum horsepower. The impact will be an average reduction of 6,000 Dth/d. This reduction is less than 0.5% of current capacity.

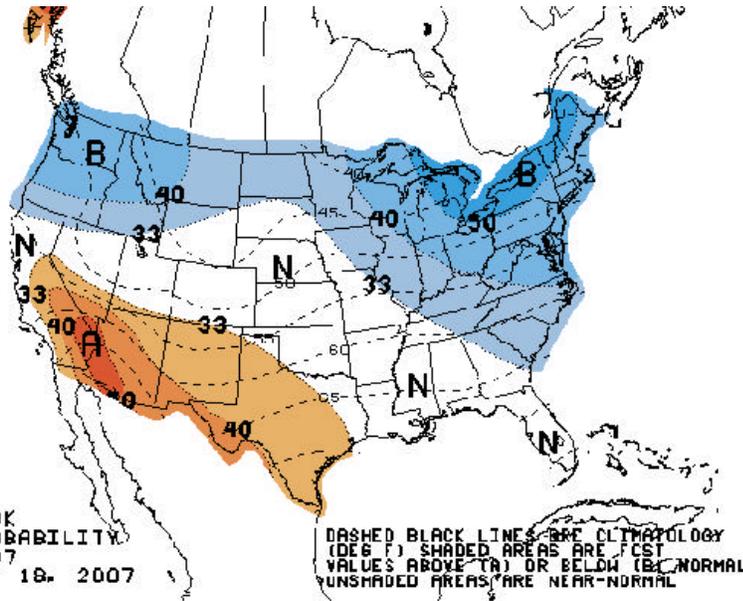
TransColorado Gas Transmission said that the Southbound Segment 220, 230, 250 and 310 are listed as AOR/IT/Secondary at Risk again today. In addition the company said that effective today and until further notice it is at capacity for deliveries through Segment 310. Depending on the level of nominations, IT/AOR and secondary out of path volumes are at risk of not being scheduled.

NGPL said that effective today and until further notice, MRT-Harrison is at capacity for deliveries, ITS/AOR and Secondary Firm transports are at risk for not getting fully scheduled.. The company also noted that effective today and until further notice it is at capacity for gas going northbound through Segment 13. ITS/AOR and Secondary Firm transports are at risk for not getting fully scheduled. The company also reported that effective today and until further notice it was removing the additional firm withdrawal rights previously granted to DSS and NSS shippers.

#### **PIPELINE MAINTENANCE**

Gulf South Pipeline announced today that it is planning maintenance on its Olla Compressor Station #1 beginning April 9<sup>th</sup> and lasting through April 13<sup>th</sup>. Capacity through the station could be reduced by as much as 250,000 mcf, but given current nomination levels no impact to daily gas levels is expected. The company also noted that it is planning to perform maintenance work on the Hall Summit Compressor Station Unit #1 on April 10<sup>th</sup> for five hours. Capacity will be reduced by 100,000 mcf. Finally the company has scheduled work on the Clarence Compressor Station Unit #1 starting April 16<sup>th</sup> and lasting for 16 days. Capacity through the unit could be reduced by as much as 150,00 dth/d, but based on current nominations capacity at the unit, no disruption is expected.

Texas Eastern said that due to increased nominations intraday, it has sealed nominations flowing through Fagus. Increases in nominations for receipts sourced between Little Rock and Fagus for delivery downstream of Fagus will not be accepted. The company also sealed nominations sourced in zones STX and ETX for delivery outside of that area. No increases in receipts between Little Rock and Mt. Belvieu for delivery outside that area will be accepted.



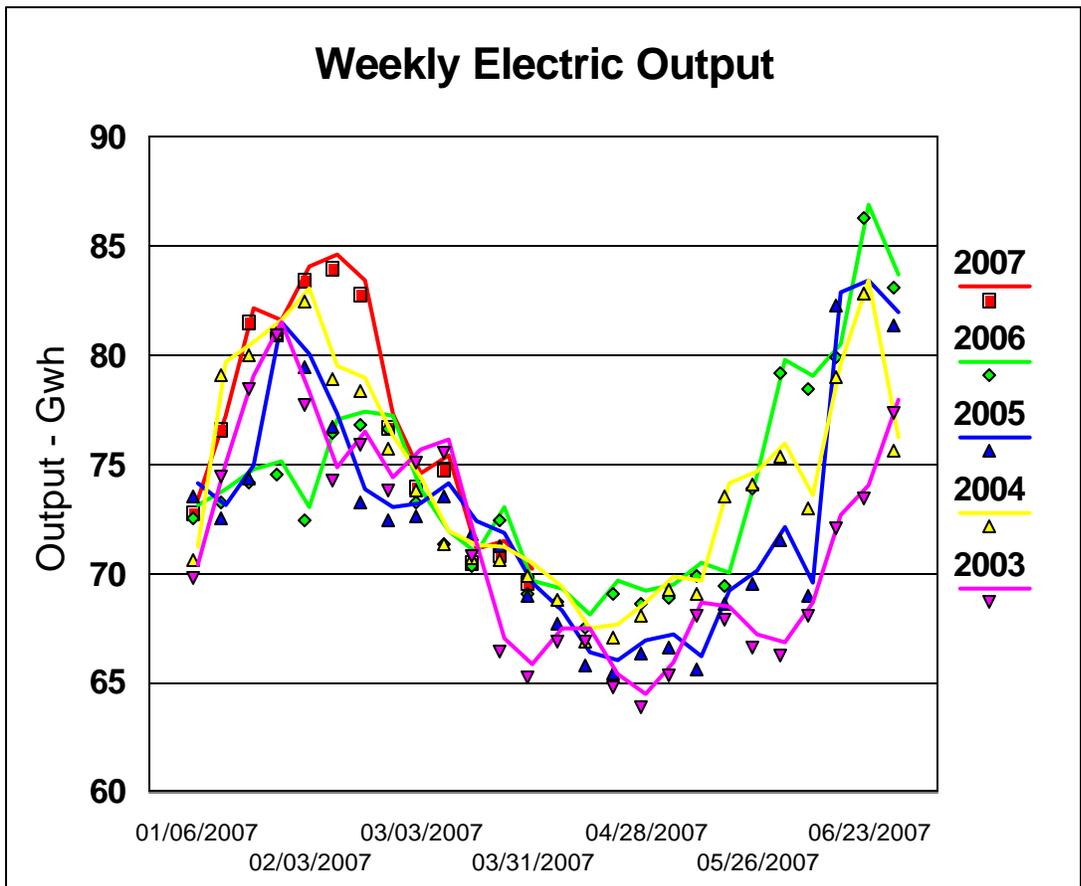
Tennessee Gas Pipeline announced today that due to reduced nominations, it will accept increases for nominations sourced from the Niagara River Meter as well as increases for nominations pathed for

delivery to the Leidy Delivery Meters. At the Carthage Line Lateral the company has restricted through approximately 31% of Supply to Market Secondary Out of Path nominations pathed from meters located on the Carthage Line Lateral. In addition the company will not accept any supply increases pathed from meters located on the Carthage Line Lateral.

National Fuel Gas Supply said that it will be performing unscheduled maintenance on one of the five compressor units at the Concord station through April 13<sup>th</sup>. During this work capacity at the station will be reduced.

**ELECTRIC MARKET NEWS**  
The Edison Electric Institute

**Weekly Electric Output**



reported today that for the week ending March 31<sup>st</sup>, U.S. electric generation totaled 69,649 Gwh, down 1.7% from the previous week, but some 0.89% higher than the same week a year ago.

<b>NYMEX Natural Gas Options Most Active Strikes for April 4, 2007</b>										
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	High	Low	IV
LN	7	7	C	12	06/26/2007	0.0216	6,150	0	0	45.20
LN	9	7	P	6	08/28/2007	0.1511	5,300	0	0	46.83
LN	1	8	C	15	12/26/2007	0.4547	4,850	0	0	47.54
LN	8	7	C	15	07/26/2007	0.0212	4,050	0	0	53.26
LN	2	8	C	15	01/28/2008	0.5238	3,750	0	0	46.92
LN	8	7	C	10	07/26/2007	0.2131	3,750	0	0	42.91
LN	3	8	P	6	02/26/2008	0.1919	3,500	0	0	47.75
LN	11	7	P	7	10/26/2007	0.368	3,200	0	0	48.09
LN	9	7	P	7	08/28/2007	0.4239	3,150	0	0	47.85
LN	7	7	P	5	06/26/2007	0.0038	2,900	0	0	41.07
LN	5	7	C	9.5	04/25/2007	0.0044	2,500	0	0	43.68
LN	8	7	C	9	07/26/2007	0.367	2,500	0	0	39.47
LN	1	8	P	8.5	12/26/2007	0.7664	2,350	0	0	49.08
LN	2	8	P	8.5	01/28/2008	0.865	2,350	0	0	50.56
LN	3	8	P	8.5	02/26/2008	1.0194	2,350	0	0	52.20
LN	3	8	C	9.5	02/26/2008	1.5797	2,250	0	0	35.46
LN	1	8	C	9.5	12/26/2007	1.502	2,200	0	0	33.72
LN	2	8	C	9.5	01/28/2008	1.6078	2,200	0	0	34.21
LN	3	8	C	20	02/26/2008	0.2547	2,200	0	0	52.03
LN	11	7	C	11	10/26/2007	0.5544	2,200	0	0	43.93
LN	1	8	C	20	12/26/2007	0.1987	2,000	0	0	53.41
LN	11	7	P	7.5	10/26/2007	0.5412	2,000	0	0	49.00
LN	12	7	C	11	11/27/2007	0.7939	1,900	0	0	39.10
LN	7	7	C	8.25	06/26/2007	0.3957	1,860	0	0	35.55
LN	12	7	P	9	11/27/2007	1.0302	1,800	0	0	49.65
LN	5	7	P	6	04/25/2007	0.0014	1,700	0	0	39.07
LN	7	7	C	11.5	06/26/2007	0.031	1,700	0	0	44.20
LN	5	7	P	7	04/25/2007	0.0687	1,680	0.085	0.085	36.64
ON	11	7	C	10	10/26/2007	0.759	1,667	0.76	0.755	48.17
LN	5	7	C	8	04/25/2007	0.0992	1,630	0	0	35.84
LN	10	7	C	11	09/25/2007	0.366	1,600	0	0	49.19
LN	10	7	C	10	09/25/2007	0.4964	1,530	0	0	46.16
LN	4	8	P	6	03/26/2008	0.2385	1,500	0	0	39.58
LN	5	7	C	8.5	04/25/2007	0.0336	1,500	0	0	38.18
LN	10	8	P	6	09/25/2008	0.3562	1,500	0	0	41.93

The FERC yesterday accepted ColumbiaGrid's proposal to coordinate transmission planning and expansion in the Pacific Northwest. Under the planning agreement the group will provide a number of services including performing annual assessments of members transmission systems in accordance with the WECC and the NERC, drafting and approving Biannual Transmission Plans, convening study teams to assess requests for transmission service affecting multiple transmission systems and coordinating planning of multi-system projects. The FERC noted that the group will not operate as a Regional

Transmission Organization nor will it own, operate or control jurisdictional facilities.

Standard & Poors said yesterday that current political efforts to return U.S. electric utilities to 1980s style cost of service "regulation is a risky proposition that could threaten utility balance sheets, destroy value and impair credit ratings.". They called the current political movement to re-regulate utilities as trying to put toothpaste back into the tube.

Entergy said its Louisiana utility plans to build a \$1.02 billion electric generating unit at an existing power plant site in Montz. LA. The 530 Mw power plant planned will burn petroleum coke as its primary fuel. The new plant will be on line in either 2011 or 2012. The utility's president noted that "power generated with pet coke or coal is significantly cheaper than base load power generated by natural gas."

## **MARKET COMMENTARY**

While the natural gas market opened a few pennies better this morning helped by forecasts that continued to evolve that were colder than expected yesterday or the day before, for both the next 7 day period as well as for the 8-14 day period. While natural gas prices were dragged into negative territory following the oil markets lower in the wake of the news of the Iranian release of the British sailors, prices did move back into positive territory helped in part by rebounding product prices as news of yet additional refinery problems spike gasoline and heating oil prices higher.

Expectations for tomorrow's EIA Storage Report appear to be running between 51-57 bcf injection for the week ending March 29<sup>th</sup>. A year ago saw a 24 bcf draw with the five-year seasonal average reflecting a 8 bcf decline. Our estimate basis our heating degree day model is for a 45 bcf decline.

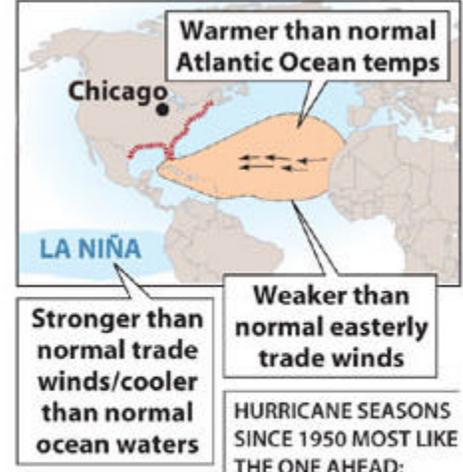
**NEARLY TWICE THE TYPICAL STORMS**  
**Warm Atlantic, La Niña cited by forecasters as basis for boosting 2007 hurricane risk**

*2007 Atlantic Hurricane forecast*  
**TOTAL NAMED STORMS 17** (Normal: 9.6)  
**HURRICANES 9** (Normal: 5.9)  
**INTENSE HURRICANES 5** (Normal: 2.3)  
*\*Issued Tuesday (Normals: 1950-2000 averages)*

**ATLANTIC BASIN HURRICANES BY DECADE**

Decade	Named storms	Hurricanes
1960s	8.2	5.6
1970s	8.2	4.6
1980s	8.8	5.2
1990s	10.7	6.3
2000s	15.4	8.3

----- There's a 74% chance of at least one major hurricane landfalling the U.S. East/Gulf Coasts combined



**HURRICANE SEASONS SINCE 1950 MOST LIKE THE ONE AHEAD:**

Year	Number of hurricanes
1950	7
1964	12
1966	11
1995	19
2003	16