



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR APRIL 10, 2007

#### NATURAL GAS MARKET NEWS

The EIA today released their latest Short Term Energy Outlook. The agency forecasted that as a result of concerns of extreme weather conditions and rising prices in the oil market will keep upward pressure on natural gas values into 2008. The EIA sees prices rising slowly over the next several months, with price increases accelerating in the third quarter during the height of the cooling season and again when spot prices begin their climb toward a winter peak. On an annual basis, the Henry Hub spot price is expected to average \$7.83 per mcf in 2007, a 89 cent jump over 2006 average prices, but also a 25 cent increase over just last month's price estimates. The EIA sees 2008 prices averaging out at \$8.11 per mcf, also some 25 cents higher than last month's estimates. The EIA expects U.S. natural gas production to increase by 1.4% in 2007 to 18.74 tcf, but this is some 1% less than just last month's estimate for 2007. The agency also lowered its 2008 production estimate to 18.99 tcf down from 19.08 tcf from last month. Imports of LNG during the first quarter of 2007 are seen to have grown by 47% over the same corresponding period a year ago. The EIA estimated that LNG imports for all of 2007 will rise to 750 bcf or about 170 bcf above 2006 levels. 2008 imports are expected to reach 1 tcf. The agency sees working gas in storage will start the 4Q07 at 3.22 tcf, up some 40 bcf from last month's estimate and some 100 bcf less than last year.

#### Generator Problems

**NPCC** – Vermont Nuclear's 535 Mw nuclear plant increased output by 10% and was at 48% of power Tuesday morning.

**SERC** – Progress Energy's 938 Mw Brunswick #1 nuclear unit was at full capacity, up 8% from yesterday.

**MAPP** – Prairie Island #2 nuclear unit was back to full power later in the day after reporting this morning it was at 58% of capacity.

**SPP** – Entergy's 966 Mw Riverbend nuclear power station dropped to 70% of power by early Tuesday. The unit had been at full power on Monday.

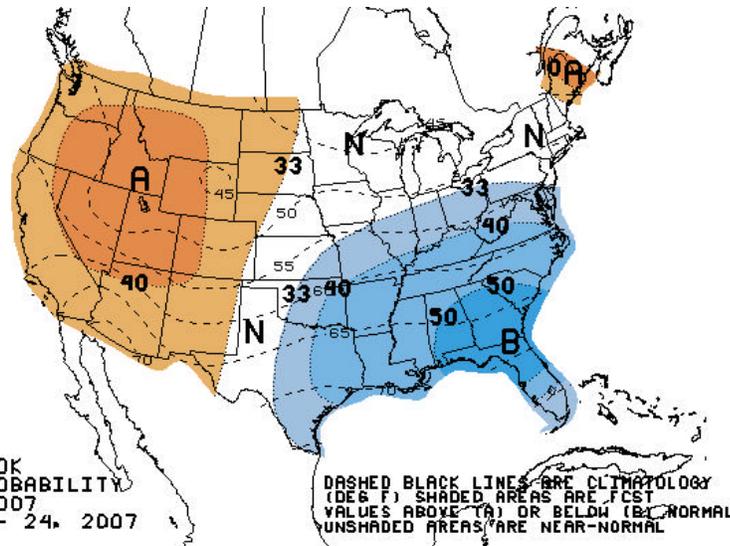
**WSCC** – Energy Northwest shut its 1200 Mw Columbia Generating nuclear station after the loss of back up power supplies. The unit had been at 85% of capacity on Monday.

**The NRC reported that 72,728 Mw of nuclear capacity is on line, down 1.8% from Monday, and off some 5.59% from a year ago.**

Algeria's energy minister said today "in the long we are moving towards a gas OPEC" but noted that it will take a long time to accomplish. The major gas exporting countries meeting in Qatar, agreed to form a study group, lead by Russia to examine pricing, infrastructure and the relationship between producers and consumers. The group

will report back at the gas forum's next ministerial meeting set for Moscow in 2008. Meanwhile U.S Energy Secretary Bodman again today repeated his warning that a move by natural gas suppliers to form an OPEC-like gas cartel will hurt consumers and will ultimately harm

| 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                | 680,000       | \$7.647   | (\$0.006) | (\$0.525)              | (\$0.236) | (\$0.366)              |
| Chicago City Gate        | 462,000       | \$7.622   | (\$0.022) | (\$0.233)              | (\$0.285) | (\$0.059)              |
| NGPL- TX/OK              | 779,600       | \$7.041   | (\$0.067) | (\$0.814)              | (\$0.330) | (\$0.563)              |
| SoCal                    | 658,800       | \$7.129   | (\$0.090) | (\$0.726)              | (\$0.353) | (\$0.627)              |
| PG&E Citygate            | 619,800       | \$7.467   | (\$0.061) | (\$0.388)              | (\$0.324) | (\$0.235)              |
| Dominion-South           | 468,300       | \$8.554   | (\$0.048) | \$0.698                | (\$0.311) | \$0.809                |
| Transco Zone 6           | 116,100       | \$9.037   | (\$0.062) | \$1.182                | (\$0.325) | \$1.263                |



producers themselves.

Alaska's governor today gave conditional support for a two-year extension of a federal LNG export license for an Alaska liquefaction plant owned by ConocoPhillips and Marathon Oil.

National Grid PLC today declared a force majeure to gas shippers who had booked entry capacity to put gas in the system from the two new Milford Haven LNG terminals that were

expected online later this year. The company said it was too early to estimate how much capacity will be curtailed and for how long, but early indications appear to point to about 3.72 million cubic meters of gas a day. Gas flows would be curtailed due to the delayed installation of the Clifrew pressure reduction installation. The company said that work in the Clifrew PRI has been suspended until authorities approve the company's application for the work to be done. The two new terminals are the Dragon LNG and South Hook LNG. Dragon LNG terminal was expected to be operation by the 4Q07 and handle 6 billion cubic meters of LNG a year. South Hook LNG projects is expected to handle initially 10.5 billion cubic meters of LNG annually and be operation by the 1Q08. National Grid could face stiff penalties if both stages of the pipeline are not completed by the time the Milford Haven LNG terminals are due to start operating. The pipelines from the facilities are expected to handle 20% of the U.K's annual gas demand.

**DRIVING THE RECENT CHILL**

*Warm North Atlantic and mild arctic air may be factors driving recent chill*

- Above normal ocean temperatures
- Abnormally warm ocean waters



**PIPELINE RESTRICTIONS**

Transco Pipeline said today that it will allow pool tolerances to return to 4% effective April 11<sup>th</sup>.

Tennessee Gas Pipeline reported that along the Carthage Line Lateral, it anticipated restricting through approximately 55% of supply to Market Secondary Out of Path nominations pathed from meters on the lateral. The company also reported that it is restricting through approximately 98% of Supply to Market Secondary out of Path nominations for deliveries at the Leidy Delivery Meters. At the Niagara River Meter the company expects to restrict through approximately 21% of Supply to Market Secondary Out of Path Nominations sourced from the meter.

**SEVEN DAY TEMPERATURES**  
*How much below normal?*



FGT said today that due to warmer weather forecasted to move into Florida over the next few days and lower line packs expected, customers in the FGT Market Area are notified that there is the potential that FGT may issue an Overage Alert Day on one of the upcoming gas days.

Algonquin Gas Transmission notified shippers that it has restricted all AIT-1 nominations flowing through the Stony Point compressor station. No increases for nominations flowing through Stony Point, except for Firm On Notice nominations will be accepted.

**PIPELINE MAINTENANCE**

**NYMEX Nat Gas Options Most Active Strikes for April 10, 2007**

| Symbol | Month | Year | Call/Put | Strike | Exp Date   | Settle | Volume | IV    |
|--------|-------|------|----------|--------|------------|--------|--------|-------|
| LN     | 4     | 8    | C        | 11     | 03/26/2008 | 0.4175 | 5,000  | 31.32 |
| LN     | 5     | 8    | C        | 10.75  | 04/25/2008 | 0.3829 | 5,000  | 28.07 |
| LN     | 6     | 7    | P        | 7      | 05/25/2007 | 0.0843 | 4,650  | 40.43 |
| LN     | 6     | 7    | P        | 7.5    | 05/25/2007 | 0.2128 | 4,575  | 41.34 |
| LN     | 5     | 7    | C        | 8      | 04/25/2007 | 0.2075 | 2,623  | 40.05 |
| LN     | 5     | 7    | C        | 9      | 04/25/2007 | 0.0257 | 2,375  | 44.91 |
| LN     | 5     | 7    | C        | 8.5    | 04/25/2007 | 0.0761 | 2,125  | 42.45 |
| LN     | 6     | 7    | C        | 8.5    | 05/25/2007 | 0.255  | 2,050  | 37.09 |
| LN     | 6     | 7    | C        | 9      | 05/25/2007 | 0.1463 | 1,850  | 39.14 |
| LN     | 10    | 7    | C        | 15     | 09/25/2007 | 0.1376 | 1,650  | 55.54 |
| LN     | 3     | 8    | P        | 9      | 02/26/2008 | 1.1741 | 1,600  | 52.70 |
| LN     | 6     | 7    | P        | 8      | 05/25/2007 | 0.4297 | 1,580  | 42.56 |
| LN     | 11    | 7    | P        | 7      | 10/26/2007 | 0.2913 | 1,550  | 47.45 |
| LN     | 2     | 9    | P        | 9.25   | 01/27/2009 | 1.3663 | 1,500  | 45.07 |
| LN     | 10    | 7    | P        | 8      | 09/25/2007 | 0.8328 | 1,500  | 52.86 |
| LN     | 11    | 7    | P        | 6      | 10/26/2007 | 0.1094 | 1,500  | 47.00 |
| LN     | 1     | 8    | C        | 17     | 12/26/2007 | 0.3288 | 1,250  | 49.32 |
| LN     | 3     | 8    | C        | 19     | 02/26/2008 | 0.335  | 1,250  | 51.97 |
| LN     | 5     | 7    | P        | 7      | 04/25/2007 | 0.0217 | 1,200  | 41.68 |
| LN     | 10    | 7    | C        | 16     | 09/25/2007 | 0.1092 | 1,200  | 57.11 |
| LN     | 6     | 7    | C        | 13     | 05/25/2007 | 0.0019 | 1,110  | 50.14 |
| LN     | 8     | 7    | P        | 6.5    | 07/26/2007 | 0.116  | 1,050  | 43.95 |
| LN     | 8     | 7    | P        | 6      | 07/26/2007 | 0.0543 | 1,050  | 43.85 |
| ON     | 4     | 8    | C        | 8      | 03/26/2008 | 1.165  | 1,000  | 35.15 |
| LN     | 6     | 8    | P        | 8.2    | 05/27/2008 | 1.0234 | 1,000  | 41.05 |
| LN     | 6     | 8    | C        | 8.2    | 05/27/2008 | 1.0403 | 1,000  | 18.30 |
| LN     | 7     | 7    | P        | 7      | 06/26/2007 | 0.1497 | 975    | 42.17 |
| LN     | 5     | 7    | P        | 7.5    | 04/25/2007 | 0.1118 | 900    | 42.41 |
| LN     | 10    | 7    | P        | 5      | 09/25/2007 | 0.0493 | 900    | 50.91 |
| LN     | 4     | 8    | C        | 12     | 03/26/2008 | 0.3153 | 850    | 33.47 |
| ON     | 7     | 7    | P        | 7      | 06/26/2007 | 0.15   | 810    | 39.74 |
| LN     | 6     | 7    | C        | 8      | 05/25/2007 | 0.4436 | 780    | 35.47 |
| ON     | 6     | 7    | P        | 7      | 05/25/2007 | 0.084  | 758    | 38.61 |
| LN     | 4     | 8    | P        | 7.5    | 03/26/2008 | 0.6607 | 750    | 41.11 |
| LN     | 5     | 8    | P        | 7.5    | 04/25/2008 | 0.6848 | 750    | 39.80 |
| LN     | 6     | 8    | P        | 7.5    | 05/27/2008 | 0.686  | 750    | 39.58 |
| LN     | 7     | 8    | P        | 7.5    | 06/25/2008 | 0.7032 | 750    | 40.15 |
| LN     | 8     | 8    | P        | 7.5    | 07/28/2008 | 0.7337 | 750    | 41.00 |
| LN     | 9     | 8    | P        | 7.5    | 08/26/2008 | 0.7826 | 750    | 42.36 |
| LN     | 10    | 8    | P        | 7.5    | 09/25/2008 | 0.8207 | 750    | 43.65 |

Iroquois Gas Transmission announced that due to maintenance at the Croghan Compressor Station, the pipeline was at capacity at Waddington and through the Athens Compressor Station. Current IT and ER/ED is subject to allocation through April 10<sup>th</sup>. In addition there is no due unscheduled shipper gas and for the remainder of the maintenance work at the station, through April 13<sup>th</sup>, IT, PAL and ER/ED volumes will be evaluated on a day to day basis and may be subject to allocation.

**ELECTRIC MARKET NEWS**

The EIA today said that they are looking for electricity prices in the U.S. this summer to rise at a slower rate than last summer as a result of the expectations for a milder summer this year. The agency expects that residential electricity rates in 2007 will increase by 3% and 3.1% in 2008. The EIA though said that in states where deregulated power markets exist, customers could face highly volatile prices later this year or in 2008. The EIA noted that coal consumption by the power sector fell by 1.1% in 2006, marking the first decrease in coal demand by the power sector since 2001. Consumption though is expected to rebound this year by 0.5% and by 2.1% in 2008. Coal production in the U.S. is expected to decline this year by 3.6% but recover in 2008 by growing by 1.2%.

Idaho Power reported that as a result of poor precipitation levels upstream of its Brownlee Reservoir in March it sees that water flowing down the Snake River into the Brownlee Reservoir is running at 60% of normal. The Northwest River Forecast center is expected to release its final April-July flow rate estimates later this week.

**MARKET COMMENTARY**

The market received an additional boost higher this morning by forecasts for continuing colder temperatures holding on in the U.S. Northeast possibly through the end of the month. In addition the continued low operating level of U.S. nuclear units coupled with rebounding oil prices helped to embolden the bulls to buy this market, especially as key resistance was breached at \$7.70 shortly after the start of trading this morning. Prices quickly

soared to the \$7.90 level before settling into a relatively stable sideways trading pattern for the remainder of the day.

It is interesting to note though that the cash market failed to match the gains of the futures markets, and thus is a warning sign to us that today's price rally could be a short lived technical short covering rally. In addition the 8-14 day forecast that so many people were concerned with overnight and this morning suddenly appears different. Not only has the above normal temperatures moved over the western half of the nation, the colder than normal temperatures appears to have flipped into the southeast from the northeast and Great Lakes region. As a result this not only looks to moderate the outlook for heating demand a bit, it also reduced the cooling demand that the southeast would have been providing for natural gas, especially in Florida.

As a result we feel that the approach of the \$8.00 level is again a selling opportunity for natural gas. We see initial resistance tomorrow at today's high \$7.93 followed by \$7.99, and \$8.032. More distant resistance we see at \$8.07 and the gap on the spot continuation charts at \$\$8.13-\$8.35. Support we see initially at the \$7.72-\$7.70 level followed by \$7.66, \$7.59, \$7.39 and \$7.26.

