



## ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

(212) 624-1132 (888) 885-6100

[www.e-windham.com](http://www.e-windham.com)

### POWER MARKET REPORT FOR MARCH 6, 2007

#### NATURAL GAS MARKET NEWS

The EIA reported in its Short-Term Energy Outlook for March that the Henry Hub natural gas price is projected to average \$7.58 compared with \$7.10 in the Previous Outlook. For 2008, the Henry Hub spot price is projected to average \$7.86. Production is expected to increase by 2.4% in 2007, a slight increase from production growth in 2006, as drilling for natural gas continues at historically high levels. Net imports of natural gas in 2007 are projected to drop for the second consecutive year, though a smaller decline is expected in 2007 (2%) than was observed in 2006 (5%). Pipeline imports from Canada are expected to fall by about 180 Bcf in 2007. However, EIA still expects total LNG imports to increase from their 2006 level of 580 Bcf to 770 Bcf in 2007. Residential consumption is expected to increase 10.8% in 2007. Similarly, commercial and industrial sector consumption are expected to increase by 6.3% and 1.9%, respectively, in 2007 because of a return to normal weather, lower commercial prices, and growing industrial output. Total natural gas consumption growth for 2007 and 2008 is projected to increase by 2.9% and 1.8%, respectively, after falling by 1.7% in 2006.

#### Generator Problems

**ECAR** – CMS Energy Corp.'s 778 Mw Palisades nuclear unit started to exit an outage and ramped up offline to 3% power by early today.

**ERCOT** – South Texas's 1,250 Mw South Texas #2 nuclear unit continued to decrease power as it prepares to shutdown for a refueling and maintenance outage. The unit was operating at 89% power today. South Texas #1 continues to operate at full power.

**PJM** – FirstEnergy's 821 Mw Beaver Valley #1 nuclear unit remains at a reduced 82% capacity today, unchanged on the day after cutting production this past weekend to work on the plant's condenser water boxes. Beaver Valley #2 remains at full power.

**Canada** – Bruce Power's 790 Mw Bruce #8 nuclear unit shut for short-term maintenance.

**The NRC reported that 86,289 Mw of nuclear capacity is on line, up .05% from Monday, and 2.59% higher from a year ago.**

U.S. oil and natural gas producers' top concern is uncertainty over 2007 prices and what that means for capital spending budgets and drilling programs, according to the results of a survey conducted by business advisory firm Grant Thornton. Forty-one percent of respondents said the average price of gas for 2007 must be \$8.43 to justify an increase in drilling activity of more than 20%, while more than half of those replying said gas production would be curtailed if prices were less than \$5.00 in 2007.

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	1,192,800	\$7.360	\$0.138	\$0.172	\$0.456	(\$0.257)
Chicago City Gate	564,300	\$7.332	\$0.088	\$0.098	\$0.135	(\$0.094)
NGPL- TX/OK	451,200	\$6.877	\$0.013	(\$0.357)	\$0.059	(\$0.531)
SoCal	824,500	\$6.789	(\$0.005)	(\$0.446)	\$0.041	(\$0.473)
PG&E Citygate	735,900	\$7.242	(\$0.034)	\$0.008	\$0.012	\$0.018
Dominion-South	485,700	\$8.417	\$0.804	\$1.183	\$0.850	\$0.395
Transco Zone 6	310,000	\$12.145	\$4.261	\$4.911	\$4.307	\$1.385

an increase in drilling activity of more than 20%, while more than half of those replying said gas production would be curtailed if prices were less than \$5.00 in 2007.

Spectra Energy and New Jersey Resources said they had reached an agreement to jointly

develop a new natural gas storage facility in Pennsylvania with a working gas capacity of 10 Bcf. The joint venture to develop the project is called Steckman Ridge, and it will hold an open season for the project in the spring and the developers anticipate an in-service date in the first half of 2009.

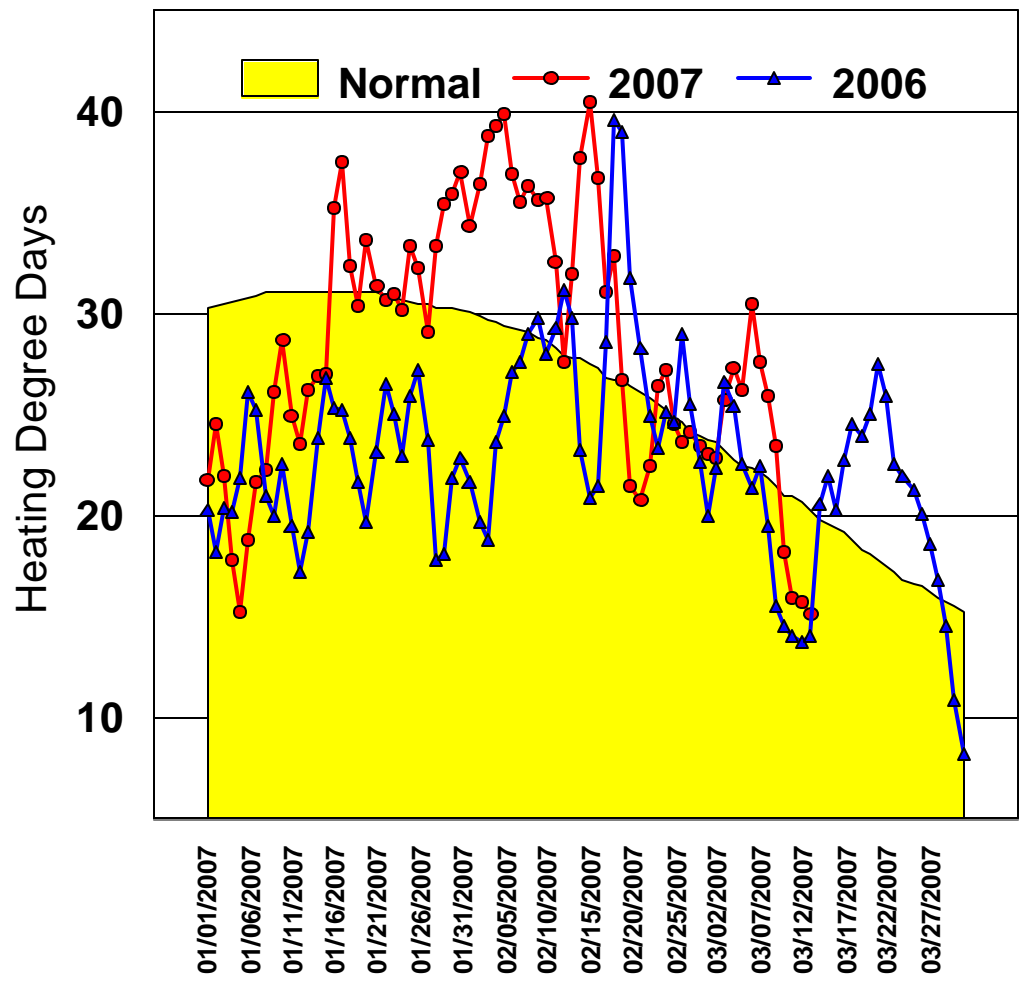
**PIPELINE RESTRICTIONS**

Columbia Gas Transmission issued its second alert to natural gas shippers on its pipeline system amid a burst of cold weather over the eastern U.S. The company deemed Wednesday a “critical day” for natural gas shippers in its eastern market areas, therefore zero non-firm capacity is available.

East Tennessee Natural Gas said that it has restricted and sealed nominations flowing through Glade Spring compressor station for today. No increases sourced west of Glade Spring for delivery east of Glade Spring will be accepted.

# U.S. Daily Heating Degree Days

(2007 Totals Observed and Forecasted for Next 8 Days)



January 1 - March 31, 2007

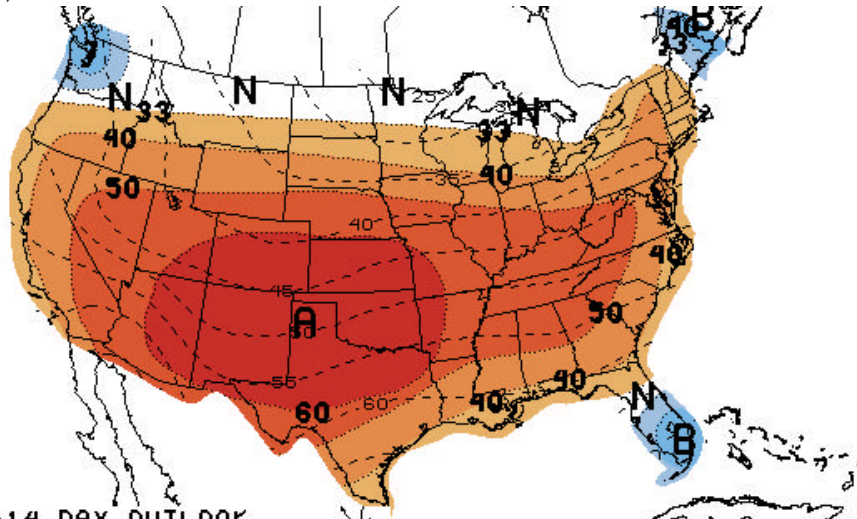
Iroquois Gas Transmission said that effective immediately and through March 9, Iroquois is at capacity through the Athens Compressor Station and it is anticipated that with the weather forecast it will remain at capacity through the upcoming week.

Nomination increases will be evaluated on a point to point basis and may not be available. Iroquois is requesting point operators to adhere to their daily nominated volumes and operate within tariff guidelines. There will be no due unscheduled shipper gas available and flow control will be used if necessary to maintain system integrity.

KM Interstate Gas Transmission said that for today it is at capacity for deliveries through the Segment 340 effective for gas day March 6 and until further notice. Depending on the

level of nominations, IT/AOR and secondary out-of-path quantities are at risk of not being scheduled. The company also said that it will be at capacity for deliveries through Rockport Lateral (Segment 620 and 790) effective today and until further notice. Depending on the level of nominations, IT/AOR and secondary out-of-path quantities are at risk of not being scheduled.

Tennessee Gas Pipeline said that effective Timely Cycle, 9:00 AM CT today, due to nominations in excess of the available capacity Tennessee restricted the following points, Carthage Lateral, Station 47, Station 245, Station 321, and Muskrat 500 Line.



8-14 DAY OUTLOOK  
 TEMPERATURE PROBABILITY  
 MADE 6 MAR 2007  
 VALID MAR 14 - 20, 2007  
 DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST  
 VALUES ABOVE (A) OR BELOW (B) NORMAL  
 UNSHADED AREAS ARE NEAR-NORMAL

TransColorado Gas Transmission said that southbound transportation on Segment 250 Mancos CS is at AOR/IT/Secondary Risk and Primary At Risk of today. All other points and segments have available capacity.

**PIPELINE MAINTENANCE**

El Paso Natural Gas Company has updated its March maintenance schedule. At San Juan Basin and San Juan Mainline, various pigging operations have been scheduled between San Juan River and Gallup throughout the beginning of the month.

From a base capacity of 2,860 MMcf/d in the San Juan Triangle, the current estimated capacity reductions range from 14 to 22 MMcf/d during the pigging operations. North Mainline Maintenance will be conducted the second half of the month, with reductions from a base capacity of 2,313 MMcf/d of 133-488 MMcf/d. Maintenance at Hackberry #1 for Hot Gas Path is planned for March 28-29 with a reduction of 75 MMcf/d from a base capacity of 2,163 MMcf/d. At the Havasu Crossover, maintenance is planned at Alamo Lake #1 as a 4,000 hour inspection will be underway March 12-13 resulting in reductions of 23-40 MMcf/d from a base capacity of 670 MMcf/d.

Gulf South Pipeline said that it will be performing scheduled pipeline maintenance on Index 11 beginning 7:00 AM CT on March 8 and continuing for approximately 10 hours. Capacity on Index 11 will not be affected, but G L Smith Gas Unit, Comstock Oil & Gas Inc. will be shut in during the maintenance.

Panhandle Eastern Pipe Line Company said that the scheduled work date for Panhandle's Selling E-301 compressor has been changed. The compressor will be out of service from April 30 to June 8 for installation of a new turbine control panel. During the project, the capacity through the Seiling segment will be limited to 280 MMcf/d. At this time there is no anticipated impact to customer nominations.

**ELECTRIC MARKET NEWS**

The EIA reported in its Short-Term Energy Outlook for March that February 2007 residential electricity consumption is likely to approach record levels for monthly winter demand, especially in the East North Central, Mid-Atlantic and South Atlantic regions. Normal weather is assumed for the remainder of 2007 and for 2008, resulting in relatively normal annual growth of about 2% each year. The EIA further said that the relatively slow growth in generation fuel costs should keep the growth in U.S residential electricity prices at a comparatively low rate of 2.4% during 2007.

A coalition of electricity providers told a federal court that the U.S. government violated its Clean Air Act by requiring, in a March 2005 rule, that power companies eventually submit more than one SO2 allowance for each ton of emissions. The companies, led by Duke Energy, AES and FPL Group, articulated their concerns with the EPA's Clean Air Interstate Rule in a brief they filed with the U.S. Court of Appeals in Washington. Of particular

concern to the generators is a CAIR provision that will increasingly lower the compliance value of SO2 allowances. Starting in 2010, companies will have to submit two allowances for each ton of emissions. That number rises to 2.86 allowances for each ton of SO2 starting in 2015.

<b>NYMEX Nat Gas Options Most Active Strikes for March 6, 2007</b>								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	4	7	P	6.5	03/27/2007	0.0169	7,465	38.72
LN	4	7	P	7	03/27/2007	0.1046	6,160	41.93
LN	10	7	P	5	09/25/2007	0.071	5,450	47.98
LN	10	7	C	10	09/25/2007	0.4893	4,800	41.52
LN	5	7	P	7	04/25/2007	0.1794	4,625	40.47
LN	5	7	P	6.5	04/25/2007	0.067	4,500	39.78
LN	6	7	C	12	05/25/2007	0.0177	3,800	45.72
LN	4	7	C	12	03/27/2007	0.0001	3,600	56.60
LN	5	7	C	12	04/25/2007	0.0034	3,600	48.30
LN	7	7	C	12	06/26/2007	0.0551	3,600	45.49
LN	8	7	C	12	07/26/2007	0.0967	3,600	44.28
LN	9	7	C	12	08/28/2007	0.1875	3,600	46.56
LN	10	7	C	12	09/25/2007	0.2723	3,600	47.00
LN	10	7	P	6	09/25/2007	0.2254	3,550	48.26
LN	4	7	P	5	03/27/2007	0.0001	3,200	51.68
LN	6	7	P	5	05/25/2007	0.0043	3,050	41.68
LN	5	7	P	5	04/25/2007	0.0013	3,000	43.99
LN	7	7	P	5	06/26/2007	0.0115	3,000	42.07
LN	8	7	P	5	07/26/2007	0.022	3,000	42.95
LN	9	7	P	5	08/28/2007	0.0489	3,000	46.20
LN	10	7	C	8	09/25/2007	1.0747	2,700	36.90
LN	10	7	P	7	09/25/2007	0.5426	2,550	50.09
LN	10	7	P	4	09/25/2007	0.0153	2,450	48.99
LN	3	8	P	8	02/26/2008	0.8961	1,900	51.21
ON	5	7	P	6	04/25/2007	0.024	1,554	40.11
LN	4	7	C	8	03/27/2007	0.1129	1,525	40.10
ON	3	8	C	10	02/26/2008	1.305	1,500	46.98
LN	4	7	P	6	03/27/2007	0.0022	1,450	40.30
LN	5	7	P	5.5	04/25/2007	0.0068	1,400	42.99
LN	4	7	C	8.5	03/27/2007	0.0427	1,350	42.22
LN	6	7	P	6	05/25/2007	0.05	1,350	41.39
LN	4	7	C	9	03/27/2007	0.0154	1,327	44.22
ON	4	7	C	8	03/27/2007	0.113	1,319	41.66
LN	5	7	C	7.75	04/25/2007	0.3652	1,300	35.79
LN	8	7	P	6.5	07/26/2007	0.2207	1,300	43.98
LN	11	7	P	8	10/26/2007	0.8272	1,300	49.56
LN	4	7	C	7.75	03/27/2007	0.1776	1,265	38.88
LN	8	7	C	9	07/26/2007	0.4344	1,200	37.64
LN	6	7	C	10	05/25/2007	0.0813	1,100	41.07
LN	9	7	C	10	08/28/2007	0.388	1,100	41.93
LN	8	7	C	10	07/26/2007	0.2554	1,025	40.13
LN	4	7	C	12.5	03/27/2007	0.0001	1,000	59.06
LN	5	7	C	12.5	04/25/2007	0.0022	1,000	49.83
LN	6	7	C	12.5	05/25/2007	0.013	1,000	46.99
LN	7	7	C	12.5	06/26/2007	0.0431	1,000	46.58
LN	8	7	C	12.5	07/26/2007	0.0777	1,000	45.22
LN	9	7	C	12.5	08/28/2007	0.1565	1,000	47.33

The Bonneville Power Administration said that removing four dams on the lower Snake River in Washington would cost electric ratepayers in the Northwest \$400 million to \$550 million annually for replacement power or \$1.5 billion to \$3.8 billion over 10 years. Environmental and recreational groups for years have pushed for removal of the US Army Corp of Engineers dams that have a combined capacity of 1,200 Mw and represent 15% of BPA's power supply.

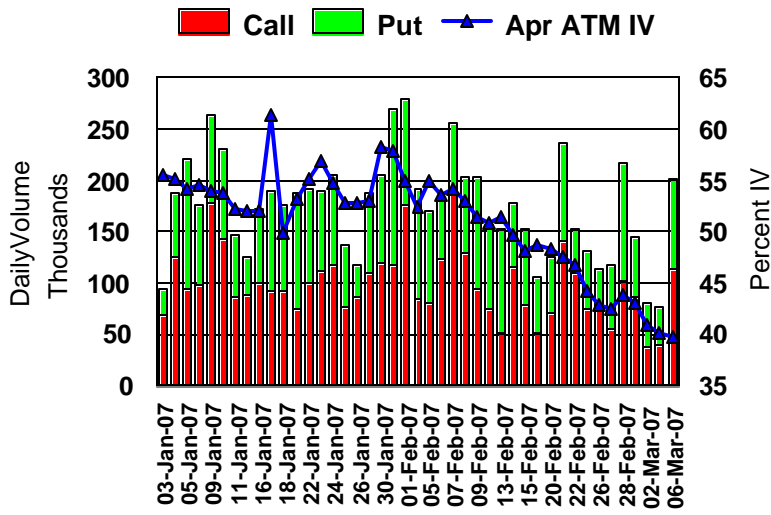
#### **MARKET COMMENTARY**

The natural gas market opened 11.1 cents higher today as a cold snap is boosting heating demand across the northern half of the country. The April contract mirrored the crude oil market early in the session, coming under pressure and trading to a low of 7.27 but technical support coupled with short-term demand lifted the market to new highs for the first in four sessions. The front month traded to a high of 7.49 during the open outcry session, but continued to 7.52 in after hours trading, backfilling the gap from February 28. The April contract settled up 21.8 cents at 7.472.

Despite the current cold weather, it is important to remember that below-normal cold in March doesn't usually have the same impact on demand that it does in January. Early expectations for this week's inventory

report call for an draw down of between 97 to 120 Bcf. Our model falls in that range, as we anticipate a draw of

## NYMEX Natural Gas Options Volume American and European Options



between 99 and 113 Bcf. For the first time in weeks, the estimates come in below the five-year average withdrawal of 117 Bcf, which will pad the remaining surplus modestly. We see support at \$7.25, \$7.10, \$7.05, \$7.00, \$6.90 and \$6.80. We see resistance at \$7.52, \$7.85-\$7.87 and \$8.00.