



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR MARCH 29, 2007

#### NATURAL GAS MARKET NEWS

Shell U.S. Gas and Power announced Wednesday that it was discontinuing plans to build its proposed Gulf Landing LNG terminal for offshore Louisiana due to sufficient LNG capacity in the area. The company noted that when it proposed the project in 2003 there was only one LNG terminal in the Gulf of Mexico. Now there is seven terminals, either operating or under construction with more planned. The company, which has interests in other LNG terminals as well as the Broadwater project proposed for Long Island Sound on the U.S. East Coast, said it continues to be committed to increasing volumes of LNG into the United States.

Compressor problems at the Norwegian offshore Troll gas field resulted in natural gas exports to Britain to fall from around 55 million cubic meters per day to less than 10 mcm/d on Wednesday. Statoil declined to comment when operations would return to normal. Norwegian exports were further constricted by problems along the Vesterled pipeline, which saw flows decline on late Wednesday and remain restricted today.

Spectra Energy announced it was seeking to significantly expand the capacity of its proposed natural gas storage facility located in Copiah County, Mississippi. The company has filed an application with the FERC to increase the proposed facility from the currently approved 3.3 billion cubic feet to 15.5 bcf. The proposed expansion will interconnect Copiah's high deliverability storage facility with Spectra's Texas Eastern Transmission System as well as with the proposed Southeast Supply Header Project.

#### **EIA Weekly Report**

|                         | 03/23/2007 | 03/16/2007 | Net chg | Last Year |
|-------------------------|------------|------------|---------|-----------|
| <b>Producing Region</b> | 597        | 584        | 13      | 618       |
| <b>Consuming East</b>   | 677        | 718        | -41     | 871       |
| <b>Consuming West</b>   | 237        | 231        | 6       | 230       |
| <b>Total US</b>         | 1511       | 1533       | -22     | 1720      |

Nicor agreed to pay some \$10 million in fines to settle civil charges that it used improper transactions to shift information off its books and failed to disclose material information about its gas inventory in order to meet earnings targets. Around 1998 Nicor officials met and determined that the

best way "to capture the value" of low priced reserves would be to switch to a performance based rate plan, which ultimately was adopted January 1, 2000. The plan was marketed to the public as a way to encourage Nicor to lower customer costs, with any savings split evenly between customers and Nicor. The SEC said that the plan actually allowed Nicor to hide its true motives, "monetizing" gas held at the lowest layers of its storage facilities. The company did not disclose motives to its shareholders. The SEC said that the company engaged in improper transaction to shift its high cost layers of gas off its books selling 18.8 bcf of gas to a third party and then agreeing to buy back the inventory. The SEC said the company also entered into "pre-fill" transactions that gave the company the ability to manage its earnings by controlling the extent to which it liquidated its inventory. Nicor said it no longer operates under the performance-based rate plan.

#### **Generator Problems**

**PJM** – Exelon's 636 Mw Oyster creek nuclear unit was at 95% of capacity, up 5% this morning.

**MAIN** – Byron #2 nuclear unit was at 79% of power this morning, down 12% from Wednesday. The unit continues to coast down to its expected refueling outage on April 2<sup>nd</sup>.

**The NRC reported that 81,368 Mw of nuclear capacity is on line, down 0.11% from Wednesday, but some 1.72% better than a year ago.**

#### **Canadian Gas Association**

##### **Weekly Storage Report**

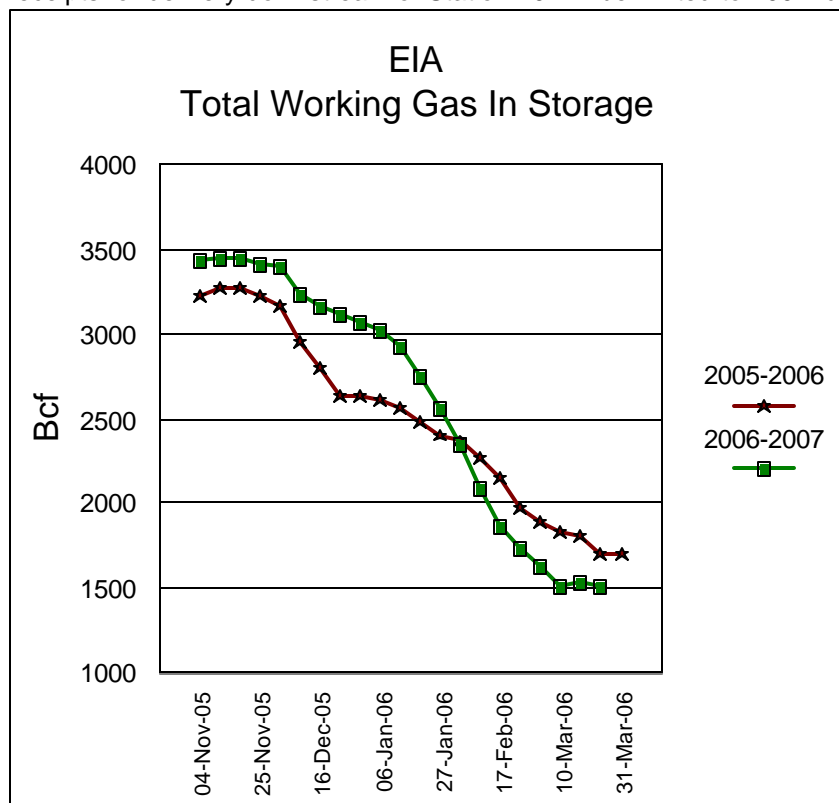
|              | 23-Mar-07 | 16-Mar-07 | 24-Mar-06 |
|--------------|-----------|-----------|-----------|
| <b>East</b>  | 60.2      | 69.5      | 97.9      |
| <b>West</b>  | 39.8      | 38.9      | 122.4     |
| <b>Total</b> | 100.0     | 108.4     | 220.3     |

### **PIPELINE RESTRICTIONS**

Tennessee Gas Pipeline reported that restrictions of approximately 49% of Supply to Market Secondary out of the Path nominations pathed through meters on the Carthage Line Lateral. The company will also not accept any Supply to Market increases pathed from meters located on the Carthage Line Lateral.

### **PIPELINE MAINTENANCE**

Transco Pipeline announced that it will be conducting smart pig operations on 79 miles of Main Line A from Compressor Station 40, near Sour Lake, Texas to Compressor Station 45 near Lake Charles, LA. on gas days April 17-18<sup>th</sup>. The company will require limitations on physical receipts and deliveries be put into place for gas flowing downstream of Compressor Station 40. The company will not allow any interruptible transportation or secondary firm transportation service for gas scheduled from receipts located upstream of Compressor Station 40 with delivery down stream of Compressor Station 40 for that time period. Additionally, firm transportation receipts for delivery downstream of Station 40 will be limited to 200 Mdt/d.



Gulf South Pipeline said that the scheduled maintenance at Longview #1 Compressor Station on Unit #2 has been extended through April 5. Capacity through the Longview Compressor Station #1 could be reduced by as much as 8,000 Dth during this period.

ANR pipeline Company said it has completed the engine repairs at its Sandwich CS and the associated capacity restrictions have been lifted.

NGPL announced today that it has several pipeline constraints and restriction in place today. Effective today and until further notice, it is at capacity for deliveries to Midwestern Kankakee. ITS/AOR and Secondary Firm transport volumes are at risk of not getting fully scheduled. PEPL Moultrie is at capacity for deliveries. ITS/AOR and Secondary Firm Transports are at risk for not being fully scheduled. Also maintenance work

south of Compressor Station 303 on the #3 line located in Angelina/Nacogoches Counties, Texas from has been scheduled for April 4<sup>th</sup> to 30<sup>th</sup>. Based on current level of nominations for gas flowing southbound of Segment 26, ITS/AOR and Secondary out-of-path transportation will be at risk on not being fully scheduled.

TransColorado Pipeline said it will be performing maintenance at its Redvalve Compressor Station April 3<sup>d</sup>. Capacity through Segment 230 will be limited to 362,000 Dth/d. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk of not being scheduled.

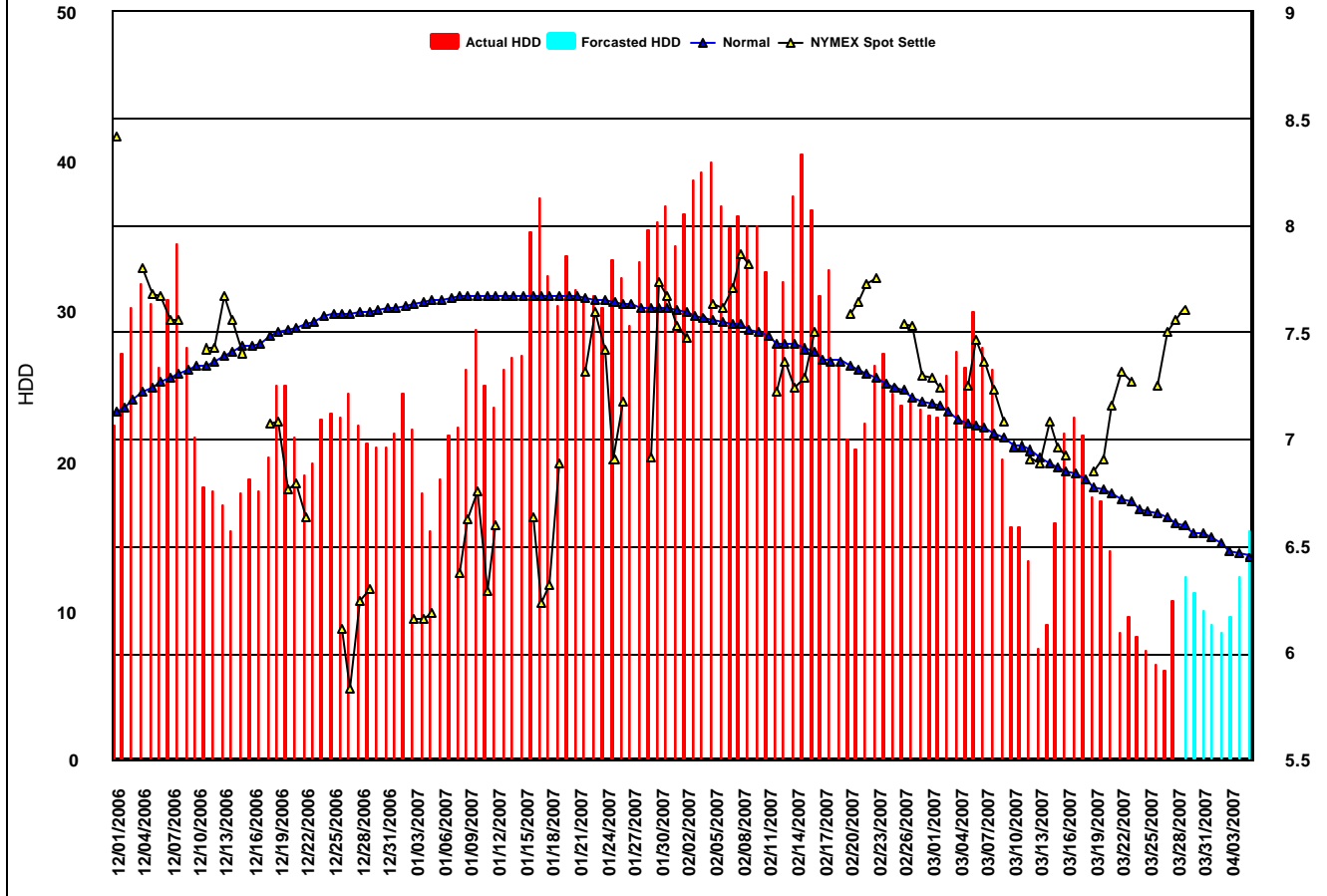
### **ELECTRIC MARKET NEWS**

The Pacific DC Intertie was scheduled to be down again today for maintenance from 6 PDT to 1900 PDT. Work is being done in Nevada on insulation for the transmission line.

EIA reported that U.S. coal production for the week ending March 24<sup>th</sup> stood at 22,987,000 tons up 280,000 tons from the prior week and some 1.1% from a year ago. Year to date coal production is some 0.1% less than a year ago.

# U.S. Heating Degree Days

## Basis Weighted Natural Gas Home Heating



Dynegy reported today that it has received shareholder approval for its proposed merger with LS Power Group. The transaction is expected to be completed April 2<sup>nd</sup>.

PSEG chairman and CEO today called on Congress to enact a national Carbon Dioxide cap and trade program. He called for an initial output based approach for allocations with an auction of 25% of the allowances transitioning to a 100% auction system over a period of 10 years.

PPL Electric Utilities has requested that the Pennsylvania Public Utility Commission allow it to raise residential electric rates by 6.8% starting in 2008.

### **MARKET COMMENTARY**

Despite the steady fund buying flowing into the oil markets today, the natural gas market remained mired in a small sideways trading pattern for most of the day. Not even a slightly larger than expected draw in stocks this morning could incite any true buying interest into this market, as a post-expiration lethargic condition continued to grip the market throughout the day.

We continue to look for this market to come under pressure with the prospects of seeing the next two inventory reports reflecting builds in stocks of 45 bcf and 28 bcf respectively. As a result we continue to look for this market to move back below \$7.00 once again. Near term we see support at a two-week trend line tomorrow at \$7.606 followed by \$7.493, \$7.39 and \$7.286. Resistance we see at \$78.64, \$7.92, \$7.99-\$8.003.

| NYMEX Nat Gas Options Most Active Strikes for March29, 2007 |       |      |          |        |            |        |        |       |
|-------------------------------------------------------------|-------|------|----------|--------|------------|--------|--------|-------|
| Symbol                                                      | Month | Year | Call/Put | Strike | Exp Date   | Settle | Volume | IV    |
| LN                                                          | 1     | 8    | C        | 17     | 12/26/2007 | 0.3258 | 8,000  | 49.60 |
| LN                                                          | 5     | 8    | C        | 20     | 04/25/2008 | 0.0373 | 6,800  | 39.78 |
| LN                                                          | 5     | 8    | C        | 15     | 04/25/2008 | 0.1031 | 6,500  | 34.98 |
| LN                                                          | 3     | 8    | C        | 19     | 02/26/2008 | 0.3338 | 6,200  | 52.29 |
| LN                                                          | 5     | 7    | C        | 9      | 04/25/2007 | 0.0325 | 3,750  | 41.80 |
| LN                                                          | 4     | 8    | C        | 15     | 03/26/2008 | 0.135  | 3,700  | 38.18 |
| LN                                                          | 4     | 8    | C        | 13     | 03/26/2008 | 0.2174 | 2,650  | 35.42 |
| LN                                                          | 5     | 8    | C        | 13     | 04/25/2008 | 0.1791 | 2,650  | 32.72 |
| LN                                                          | 6     | 8    | C        | 13     | 05/27/2008 | 0.2097 | 2,650  | 32.10 |
| LN                                                          | 7     | 7    | C        | 8      | 06/26/2007 | 0.5873 | 2,650  | 36.13 |
| LN                                                          | 9     | 7    | C        | 10     | 08/28/2007 | 0.4048 | 2,605  | 44.88 |
| LN                                                          | 8     | 7    | C        | 8      | 07/26/2007 | 0.7711 | 2,425  | 36.93 |
| LN                                                          | 9     | 7    | C        | 8      | 08/28/2007 | 0.9474 | 2,300  | 38.62 |
| LN                                                          | 7     | 7    | P        | 7      | 06/26/2007 | 0.2469 | 2,225  | 43.80 |
| LN                                                          | 10    | 7    | C        | 14     | 09/25/2007 | 0.1771 | 2,150  | 54.51 |
| LN                                                          | 10    | 7    | C        | 9      | 09/25/2007 | 0.7913 | 2,150  | 43.51 |
| LN                                                          | 11    | 7    | C        | 9      | 10/26/2007 | 1.1083 | 2,100  | 38.08 |
| LN                                                          | 12    | 7    | C        | 9      | 11/27/2007 | 1.4948 | 2,100  | 33.18 |
| LN                                                          | 12    | 7    | C        | 15     | 11/27/2007 | 0.3176 | 2,000  | 46.77 |
| LN                                                          | 6     | 7    | P        | 7      | 05/25/2007 | 0.1666 | 1,978  | 40.91 |
| LN                                                          | 5     | 7    | C        | 13     | 04/25/2007 | 0.0001 | 1,750  | 54.14 |
| LN                                                          | 5     | 7    | C        | 14     | 04/25/2007 | 0.0001 | 1,750  | 63.98 |
| LN                                                          | 6     | 7    | C        | 14     | 05/25/2007 | 0.0017 | 1,750  | 52.60 |
| LN                                                          | 6     | 7    | C        | 13     | 05/25/2007 | 0.0033 | 1,750  | 49.99 |
| LN                                                          | 7     | 7    | C        | 14     | 06/26/2007 | 0.0128 | 1,750  | 50.91 |
| LN                                                          | 7     | 7    | C        | 13     | 06/26/2007 | 0.0218 | 1,750  | 49.03 |
| LN                                                          | 8     | 7    | C        | 14     | 07/26/2007 | 0.042  | 1,750  | 51.51 |
| LN                                                          | 8     | 7    | C        | 13     | 07/26/2007 | 0.0632 | 1,750  | 49.74 |
| LN                                                          | 9     | 7    | C        | 14     | 08/28/2007 | 0.0995 | 1,750  | 53.10 |
| LN                                                          | 9     | 7    | C        | 13     | 08/28/2007 | 0.1394 | 1,750  | 51.67 |
| LN                                                          | 10    | 7    | C        | 13     | 09/25/2007 | 0.2328 | 1,750  | 53.04 |
| LN                                                          | 5     | 7    | C        | 8      | 04/25/2007 | 0.177  | 1,615  | 37.91 |
| LN                                                          | 9     | 7    | C        | 9      | 08/28/2007 | 0.6116 | 1,600  | 41.99 |
| LN                                                          | 6     | 8    | C        | 15     | 05/27/2008 | 0.1195 | 1,500  | 34.04 |
| LN                                                          | 7     | 8    | C        | 15     | 06/25/2008 | 0.1471 | 1,500  | 33.84 |
| LN                                                          | 8     | 8    | C        | 15     | 07/28/2008 | 0.1887 | 1,500  | 34.08 |
| LN                                                          | 9     | 8    | C        | 15     | 08/26/2008 | 0.2416 | 1,500  | 34.82 |
| LN                                                          | 10    | 8    | C        | 15     | 09/25/2008 | 0.3163 | 1,500  | 35.74 |
| LN                                                          | 7     | 7    | P        | 6      | 06/26/2007 | 0.0569 | 1,475  | 43.49 |
| LN                                                          | 5     | 7    | P        | 7      | 04/25/2007 | 0.091  | 1,450  | 39.89 |
| LN                                                          | 7     | 7    | C        | 10     | 06/26/2007 | 0.1431 | 1,450  | 42.34 |
| LN                                                          | 3     | 8    | P        | 6.5    | 02/26/2008 | 0.3073 | 1,440  | 49.06 |
| LN                                                          | 6     | 7    | C        | 9.5    | 05/25/2007 | 0.0792 | 1,400  | 40.76 |