



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR MARCH 30, 2007

NATURAL GAS MARKET NEWS

Waterborne Energy reported today that imports of LNG in March surged to a record in March. The consulting group has estimated that LNG flows will reach 88 bcf or 2.8 bcf. The company said there was an outside chance that one more cargo could be off loaded before the month bringing the total to over 90 bcf. LNG imports into the U.S. averaged 1.6 bcf/d. The group looked for similar economics in April and May to continue to attract LNG spot cargoes to the U.S.

Baker Hughes reported that for the week ending March 30th, the number of rigs search for natural gas in the united States increased by 13 rigs on the week to 1472. The group also reported that the number of rigs searching for oil and gas in Canada fell by 97 rigs on the week to 149. Last year there were 425 rigs active at this point in the drilling season.

U.K natural gas prices declined today as Norwegian exports to Britain rebounded. Gas shipments along the Langeled pipeline from Norway, rose to a rate of 33.9 mmcm/d, from a low of just 5.2 mmcm/d recorded Thursday. Deliveries of gas into Scotland St. Fergus terminal increased today to 52.5 mmcm/d, up some 10.2% from yesterday. As a result spot prices for next day delivery fell 5% to an equivalent price of just \$4.11 per Mmbtu.

FERC staff gave the Elba III LNG project tentative environmental approval. The project includes expansion at the existing Elba Island LNG import terminal. The proposal would double the terminal's storage capacity, increase the facility's vaporization capacity and modify the terminal's tanker unloading facilities to accommodate larger tankers. The project would be completed in two phases, the first being completed January 2010 and the second by the end of 2012.

The Natural Gas Supply Association today called on federal regulators to discard existing standards of conduct, which the FERC is proposing to make permanent. The group recommends that the FERC should ensure that revised standards of conduct apply to the relationship between natural gas pipelines and their affiliates that manage or control transmission capacity, either directly in their name or indirectly as an agent on behalf of others. The standards of conduct should also govern the

Generator Problems

PJM – FirstEnergy's 861 Mw Beaver Valley nuclear unit #1 returned to full power today.

Exelon's 636 Mw Oyster Creek nuclear unit was back to full power this morning, up 5% from yesterday.

ECAR – First Energy reported that it will shut its 1,235 Mw Perry nuclear unit on April 2nd for a planned refueling. The unit was operating at 94% of capacity this morning.

WSCC – AES shut its 480 Mw Unit #7 at the Redondo Beach natural gas fired power plant.

ERCOT TMPA's Gibbons Creek #1 coal fired unit coal unit was expected to exit its refueling outage this weekend, and possibly be back on line by Saturday morning.

Monticello Steel Electric Station's #3 Unit was undergoing maintenance work today and was expected to last until tomorrow morning.

AEP's Oklaunion coal unit was also expected to exit its maintenance outage this weekend.

MAPP- Operators at AmerenUE 1190 Mw Callaway nuclear power plant began to trim output to start its coast down to a refueling outage next week. The unit was at 99% of power this morning.

MAIN – Exelon's 1225 Mw Bryon #2 nuclear unit saw increased operations this morning, running at 89% of capacity up 10% from yesterday. The unit though is expected to be taken offline next week for a refueling outage.

The NRC reported that 81,519 Mw of nuclear capacity is on line, up 0.18% from Thursday, and some 1.1% better than a year ago.

relationship between natural gas pipelines and their power marketing affiliates

PIPELINE RESTRICTIONS

Southern Natural Gas Pipeline reported that it is projecting the likelihood of implementing a Type 6 OFO for this weekend.

PG&E California Gas Transmission has issued a system wide OFO for Saturday, March 31st due to high inventory. Tolerance is set at 16% and Stage 2 Non-Compliance charge will be \$1.00 per Dtm.

Westcoast Energy said that it is removing the 70% RGT Constraint in the Grizzly Valley and Canceling the 70% OPC Constraint scheduled for March 30th; Pine River Gas Plant has rectified the electrical and Sulphur plant problems is at full capacity.

NYMEX Nat Gas Options Most Active Strikes for March 30, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	5	7	C	9	04/25/2007	0.0394	5,975	41.34
ON	5	7	C	9	04/25/2007	0.039	3,051	42.45
LN	5	7	C	9.25	04/25/2007	0.0252	3,050	42.22
LN	1	8	C		17 12/26/2007	0.3336	2,000	49.19
LN	3	8	C		19 02/26/2008	0.3446	2,000	52.10
LN	6	7	P	5.75	05/25/2007	0.0075	2,000	40.30
LN	5	7	P	7	04/25/2007	0.0658	1,950	39.68
LN	10	7	C		14 09/25/2007	0.1878	1,550	54.36
LN	5	8	P	7.55	04/25/2008	0.8015	1,500	41.15
LN	5	8	P	7.5	04/25/2008	0.7783	1,500	41.06
LN	5	7	P	6	04/25/2007	0.0035	1,500	43.53
LN	6	8	C		15 05/27/2008	0.1243	1,450	33.95
LN	5	7	C	8	04/25/2007	0.2121	1,175	37.34
LN	5	7	C		10 04/25/2007	0.0066	1,000	44.76
LN	2	8	P	5	01/28/2008	0.0493	850	47.35
LN	3	8	P	4	02/26/2008	0.0138	850	45.99
LN	7	7	C	8.5	06/26/2007	0.4526	850	37.64
LN	7	7	C	8	06/26/2007	0.6394	800	35.69
LN	10	7	C	9	09/25/2007	0.834	775	43.19
LN	6	7	C	9	05/25/2007	0.1534	750	38.95
LN	3	8	C		20 02/26/2008	0.2952	675	52.61
LN	7	7	C	9	06/26/2007	0.3168	600	39.18
LN	5	7	C	8.5	04/25/2007	0.0941	555	39.49
LN	5	7	P	7.4	04/25/2007	0.1719	550	40.43
LN	8	7	P	7.45	07/26/2007	0.4627	550	47.12
LN	9	7	C	9	08/28/2007	0.6509	550	41.70
LN	6	7	P	6.5	05/25/2007	0.0544	500	40.76
LN	6	7	C	8.65	05/25/2007	0.2207	500	37.88
LN	6	7	P	7.35	05/25/2007	0.2429	500	41.38
LN	6	7	C	8.5	05/25/2007	0.2571	500	37.39

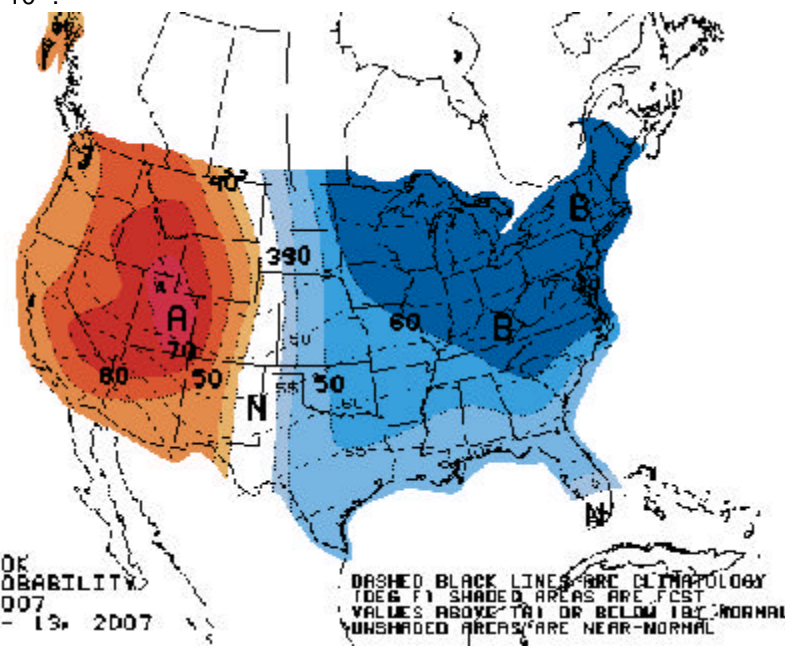
Williston Basin Interstate Pipeline reported that due to recent spring snow storm in northern central Wyoming which knocked out power to its Billy Creek Compressor Station and as a result can not dehydrate Billy Creek Storage Field withdrawal volumes. The outage is expected to last through March 31st.

PIPELINE MAINTENANCE

El Paso Natural Gas Company reported the following maintenance schedule: **Rio Vista** maintenance work scheduled for April 23-25th capacity will be reduced by 150 Mmcf/d. **Bondad** maintenance work will reduce capacity by the following April 4th- 142 Mmcf/d; April 9th - 280 Mmcf/d; April 10th- 380 Mmcf/d and April 11th 143 Mmcf/d.; **San Juan Basin and Mainline** capacity reductions will be—April 10th, 107 Mmcf/d; April 11th, 114 Mmcf/d; April 24th, 151

Mmcf/d; and April 26th, 40 Mmcf/d. **North MainLine** maintenance work will result in capacity reductions of 110 Mmcf/d on April 4th; April 5th, 75 Mmcf/d; April 11-13, 99 Mmcf/d; April 16th 10 Mmcf/d; April 23rd, 199 mmcf/d; April 24th, 130 Mmcf/d; April 25-26, 90 mmcf/d. **Hackberry** maintenance on April 30- May 1st reducing capacity by 75 Mmcf/d. **San Juan Crossover** maintenance on April 1st will reduce capacity by 44 Mmcf/d; April 3^d, 11 mmcf/d; April 17-24th, 101 Mmcf/d; and April 30 by 31 Mmcf/d. **Havasu Crossover** maintenance will result in reductions in capacity of 38 mmcf/d on April 16th; April 17-18th, 68 mmcf/d; April 24th, 57 mmcf/d, April 25-26th, 344 mmcf/d and April 27 by 57 mmcf/d. **South Mainline** work will result in reductions of 153 Mmcf/d on April 16th, 380 mmcf/d on April 17th, April 18-20th, 250 mmcf/d. Plains to Dumas work will result in reductions of 132 mmcf/d on April 10th and 54 mmcf/d for April 25-30th. **Permian Area** maintenance work will see reduction of

capacity by 120 Mmcf/d on April 18th. Mojave Topock maintenance work will result in a reduction of capacity by 400 mmcf/d on April 10th.



Southern Natural gas Pipeline reported that the maintenance scheduled for the Mississippi Canyon 397 line has been delayed. The work was originally scheduled to begin on April 1st.

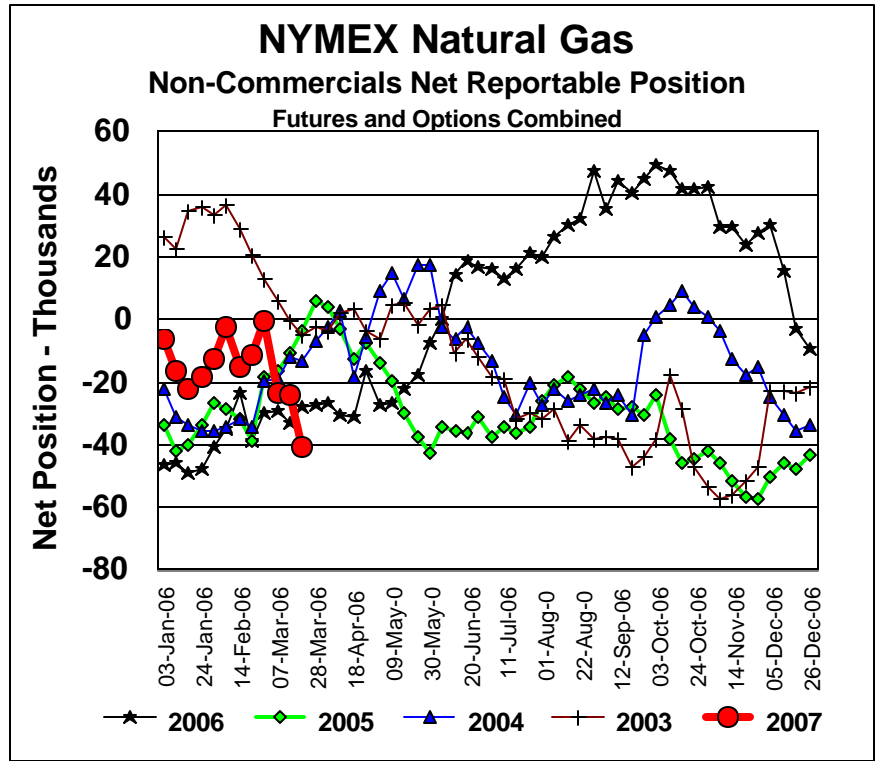
ANP Pipeline reported that it will need to continue engine repairs at the Patterson Compressor Station, restricting the Southeast Gathering Area capacity to 650,000 Dth/d available through April 9th.

ELECTRIC MARKET NEWS

Congressman Barton Thursday called again for legislation that would give the FERC authority over the ERCOT due to his concerns over the proposed leveraged buyout of TXU.

The FERC today granted a new 140 year license to Ameren for its Osage Hydroelectric Project, a 176 Mw project in the Ozarks.

The Illinois state legislature is considering several proposals to deal with skyrocketing power prices recently in the state. One proposal is for the state to create a state run, non-profit power agency that would compete with Ameren and ComEd. The proposed power authority could build, buy and operate power plants. But the bill would not alter the current auction process. The power authority would be able to participate in the auction process. Another proposal would give state regulators greater oversight of utility costs and operations. One bill would allow the Illinois Commerce Commission the authority to approve or reject utilities power procurement plans and determine



whether the costs behind electric rates are reasonable. Another bill would require utilities to file procurement plans with the commission for short term and long term power contracts. The measure would also require utilities

to provide details of their use of financial hedging instruments and demonstrate that they are charging customers fair prices for the power. Another proposal would require utilities to file an energy plan with the commission every three years.

Allegheny Power reported it has received approval from the Maryland Public Service Commission for its rate stabilization and transition plan for residential customers. The company is seeking to use a series of rate changes to gradually transition residential customers from capped generation rates to rates based on purchasing power at market prices. Beginning in June residential customers will pay a distribution surcharge of 15% that will result in rates increasing by \$11 per month. On January 1, 2008 the surcharge will increase an additional 15% with money collected going to a dedicated, interest bearing fund. With the expiration of the residential generation rate caps and move to market-based generation pricing on January 1, 2009, the surcharge will convert to a credit on customers' bills. Funds collected through the surcharge during 2007 and 2008, plus interest, will be returned to customers as a credit on their electric bills. The credit will continue, with adjustments, to maintain rate stability until December 31, 2010, or until all money collected, plus interest, has been returned to customers.

MARKET COMMENTARY

The natural gas market posted a typical modest Friday trading range of just 13 cents for the day session, as volumes today only reached 63,950 lots, the smallest trading volume since March 19th. The market opened stronger this morning helped by the anticipation of colder temperatures next week along with the spill over of the bullish fever that continues to grip the oil markets. As a result the market did not provide the bears with sufficient confidence to challenge the two-week support trend line at \$7.606. While an early attempt was made to challenge this support level shortly after the opening it failed and as a result prices rebounded and then settled into a quiet sideways range from the late morning into the close.

We still remain bearish on this market and would look for this market to find the ability to move lower next week, especially if the oil markets hysteria begins to be calmed. We would look for initial support to be found at the two-week trend line which on Monday would come in at \$7.688. Additional support we see at \$7.66, \$7.56 and \$7.51-\$7.49. More distant support we see at \$7.383, \$7.278. Resistance we see at \$7.78-\$7.80, \$7.829, \$7.855 and \$7.95. More distant resistance we see at \$7.99-\$8.032

This evening's CFTC Commitment of traders Report surprised us a bit in the fact that the non-commercial reportable positions for the week ending March 27th, did not decline on a net short basis, but continue to build. On the week this group of trader increased their net short futures position by 5627 lots and on futures and options adjusted basis by 25,260 contracts.