



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR APRIL 3, 2007**

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

Dr. Gray and his research team at Colorado State University said today that they expect the 2007 Atlantic hurricane season will be far more active than normal with an expected 17 named or tropical storms, of which nine will reach hurricane strength. The group's earlier prediction from several months ago had called for 14 named storms and seven hurricanes. The group estimated that there is a 27% chance that one of the hurricanes will hit the U. S. Gulf Coast this season. This April's forecast is nearly identical to the one released last year at this time by the group, which turned out to be greatly overstated, as a result of El Nino conditions and large volumes of atmospheric dust from West Africa which altered the conditions that typically feed an active hurricane season.

The NYMEX today announced margin changes for several of its natural gas basis and index swap futures contracts at the close of business April 4<sup>th</sup>. Customer margins for the first month of the Alberta basis swap futures contract will decrease \$405 to \$1620. The margins for the second month will drop by \$270 to \$1350. Margins on the third to sixth months will decrease by \$338 to \$675. Margins for the seventh to the 12<sup>th</sup> months will decline by \$270 to \$405, while margins for all other months will drop by \$135 to \$270. Margin rates on the MichCon, San Juan, Houston Ship Channel, Northwest Pipeline, Transco Zone 6, PG&E Malin and PG&E Citygate, Dominion Transmission, Panhandle, Socal, Henry

#### **Generator Problems**

**NPCC** – Entergy's 1025 mw Unit #3 Indian Point nuclear power plant was taken offline for repair to a boiler feed pump.

Entergy's 852 Mw FitzPatrick nuclear unit dropped to 75% of power this morning. The unit had been at full power on Monday.

Dominion Energy's 1131 Mw Millstone nuclear plant continues to operate at full power despite reports that the unit will be taken off line this weekend.

**PJM** – Constellation Energy's 862 Mw Unit #2 at the Calvert Cliffs nuclear unit was exiting its refueling outage and was at 29% of capacity this morning.

**SERC** –Southern's 888 Mw Farley #2 nuclear unit saw production reduced down to 93% as it continues to coast down to next week's refueling outage.

Progress Energy has reduced operations at its 710 Mw Robinson #2 nuclear reactor at 90% as it also coast downs to a planned refueling outage.

**WSCC** – PG&E reported this morning that it had shut down its 404 Mw Unit #2 at the Helms Pumped Storage hydropower station for planned work on Monday afternoon.

Energy Northwest has increased production at its 1200 Mw Columbia generating station to 99% of capacity, up 14% from a yesterday.

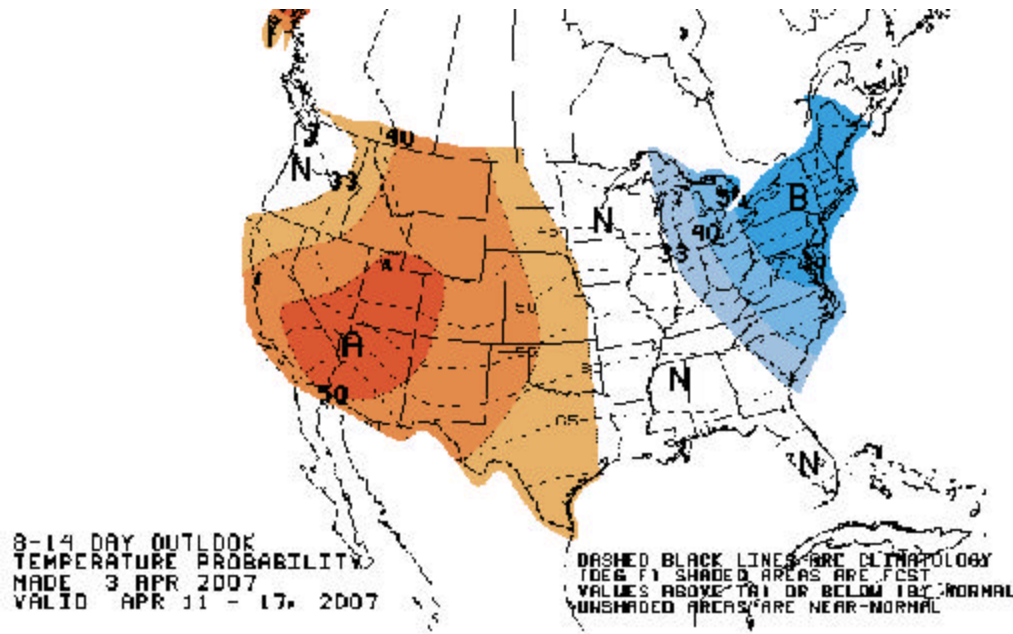
PG&E has decreased output at its 1100 Mw #2 Diablo Canyon nuclear unit to 57% of power.

**ERCOT** - The 750 Mw Unit #3 at the coal fired Monticello Steam Electric Station was being restarted this morning. The units had been off line since March 29<sup>th</sup>.

AEP's 528 Mw coal fired Welsh #1 power plant was expected to be restarted today. The unit was taken off line on March 21<sup>st</sup> for planned repairs. The unit is expected to return to normal operations by April 9<sup>th</sup>.

**MAPP**- FPL's 580 Mw Duane Arnold nuclear unit was taken off line on Monday due to a lowering reactor vessel water level.

**The NRC reported that 75,671 Mw of nuclear capacity is on line, down 0.05% from Monday, and off some 3.4% from a year ago.**



Hub index, Rockies Index and Sumas also recorded changes.

NYMEX reported today that the average daily volume on the NYMEX during the first quarter of this year was 1.512 million contracts, a 40% increase over the same period a year ago. Volume on the Globex system were up 485% over the same period a year ago, while floor traded volumes though posted a 39% decline. Clearport volumes posted a 54% increase during the period.

Gazprom's CEO said today that the company has shipped 10 tankers of LNG, having delivered about 800 million cubic meters of LNG to global markets in spot deals under trade or swap agreements since September 2005. The company currently has no LNG production facilities, but will continue to develop further its LNG trading activities. The company CEO noted that having signed a \$7.45 billion deal with the original partners of the Sakhalin 2 late last year, it now owns a 50% stake plus one share in the project and expects to be a major player in the global LNG market this year.

Itochu Corp reportedly will acquire later this month a 20% stake in a Namibian LNG project from Tullow Oil for just over 10 billion yen. The gas field is located some 100 kilometers off the shore of southern Namibia. The field has

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	1,312,000	\$7.572	(\$0.047)	(\$0.231)	\$0.311	(\$0.656)
Chicago City Gate	569,600	\$7.418	\$0.102	(\$0.059)	\$0.305	(\$0.526)
NGPL- TX/OK	467,600	\$7.024	\$0.241	(\$0.453)	\$0.444	(\$0.971)
SoCal	753,900	\$6.885	(\$0.065)	(\$0.592)	\$0.138	(\$1.205)
PG&E Citygate	594,800	\$7.365	(\$0.119)	(\$0.112)	\$0.084	(\$0.386)
Dominion-South	470,500	\$8.287	\$0.061	\$0.810	\$0.264	\$0.323
Transco Zone 6	153,100	\$8.653	\$0.311	\$1.176	\$0.514	\$0.551

an estimated 4 tcf of natural gas reserves. The LNG facility is expected to go onstream in 2012, with an annual capacity of 5 million tons.

National Grid PLC reported that it has sold all LNG storage capacity offered in the first stage sale process

at its Avonmouth, Dynevor, Glenmavis and Partington sites. A total of 28 million therms of LNG storage capacity was sold across the four facilities at an average price of 40.6 pence a therm. Stage two of the sale on Thursday will offer identical quantities of storage at the same facilities. Results will be announced on April 10<sup>th</sup>.

Crosstex Energy reported that it has begun its \$90 million pipeline expansion work in northern Louisiana, which initially will add some 200 mmcf/d of capacity to the company's exiting Louisiana Intrastate gas Pipeline.

Port Dolphin Energy, the U.S. subsidiary of a Norwegian company, has submitted applications with federal regulators to build and operate a deepwater port to deliver LNG to Florida's Gulf Coast.

The FERC gave approval to CenterPoint Energy Gas Transmission to place into service the bulk of Phase 1 of its pipeline that extends from the Carthage Hub in East Texas to the Perryville Hub in northeast Louisiana. The majority of the project will start up within the next six month.

### **PIPELINE MAINTENANCE**

El Paso Natural Gas said that the smart pig run scheduled for today at the San Juan Crossover has been postponed as the Roswell station will be taken down today through Thursday for engine grouting. The capacity through Lincoln will be reduced by 55 mmcf/d to 590 mmcf/d for three days.

<b>NYMEX Nat Gas Options Most Active Strikes for April 3, 2007</b>								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	6	7	P	6.5	05/25/2007	0.069	5,600	38.95
LN	7	7	P	7	06/26/2007	0.2651	4,550	42.57
LN	9	7	P	4.5	08/28/2007	0.0157	4,500	47.03
LN	6	7	P	7	05/25/2007	0.1857	3,350	39.82
LN	8	7	C	13	07/26/2007	0.0475	3,000	50.20
LN	5	7	C	8.5	04/25/2007	0.0322	2,975	39.61
LN	8	7	C	11	07/26/2007	0.1244	2,850	46.23
LN	8	7	C	9	07/26/2007	0.3587	2,850	40.38
LN	9	7	C	11	08/28/2007	0.2341	2,850	48.24
LN	10	7	C	11	09/25/2007	0.3575	2,850	49.59
LN	12	7	C	12	11/27/2007	0.5894	2,850	41.86
LN	6	7	P	6	05/25/2007	0.0198	2,700	38.84
LN	3	8	P	8	02/26/2008	0.8168	2,625	51.24
LN	5	7	C	9	04/25/2007	0.012	2,500	42.34
LN	9	7	C	9	08/28/2007	0.5131	2,350	41.94
LN	12	7	C	15	11/27/2007	0.2862	2,350	46.95
LN	6	7	C	9	05/25/2007	0.0807	2,200	38.78
LN	10	7	P	8	09/25/2007	1.0372	2,030	54.20
LN	6	7	C	12	05/25/2007	0.0029	2,000	46.76
LN	10	7	C	9	09/25/2007	0.6869	1,950	43.57
LN	6	7	C	11	05/25/2007	0.008	1,900	44.30
LN	7	7	C	11	06/26/2007	0.0457	1,900	44.14
LN	7	7	P	6.25	06/26/2007	0.088	1,800	41.91
LN	10	7	C	10	09/25/2007	0.4849	1,800	46.63
LN	6	7	P	7.5	05/25/2007	0.3921	1,750	41.08
LN	3	8	C	10	02/26/2008	1.3803	1,600	37.70
LN	8	7	C	12	07/26/2007	0.076	1,600	48.37
LN	3	8	P	9	02/26/2008	1.3334	1,500	54.19
LN	8	7	C	14	07/26/2007	0.031	1,500	51.99
LN	6	7	C	8	05/25/2007	0.2644	1,350	35.60
LN	8	7	C	8	07/26/2007	0.649	1,300	37.11
LN	5	7	C	8	04/25/2007	0.0903	1,215	37.24
LN	3	8	P	8.5	02/26/2008	1.0606	1,200	52.70
LN	5	7	P	7	04/25/2007	0.0986	1,140	38.07
LN	9	7	C	8	08/28/2007	0.8157	1,050	38.56
LN	2	8	C	10	01/28/2008	1.4051	1,000	36.97
LN	3	8	P	6	02/26/2008	0.2017	1,000	47.85
LN	5	7	C	11	04/25/2007	0.0003	1,000	50.45
ON	7	7	P	7	06/26/2007	0.266	1,000	39.55
ON	7	7	C	7	06/26/2007	0.97	1,000	40.05
LN	8	7	P	6	07/26/2007	0.1041	1,000	44.84
LN	8	7	C	15	07/26/2007	0.0211	1,000	53.72

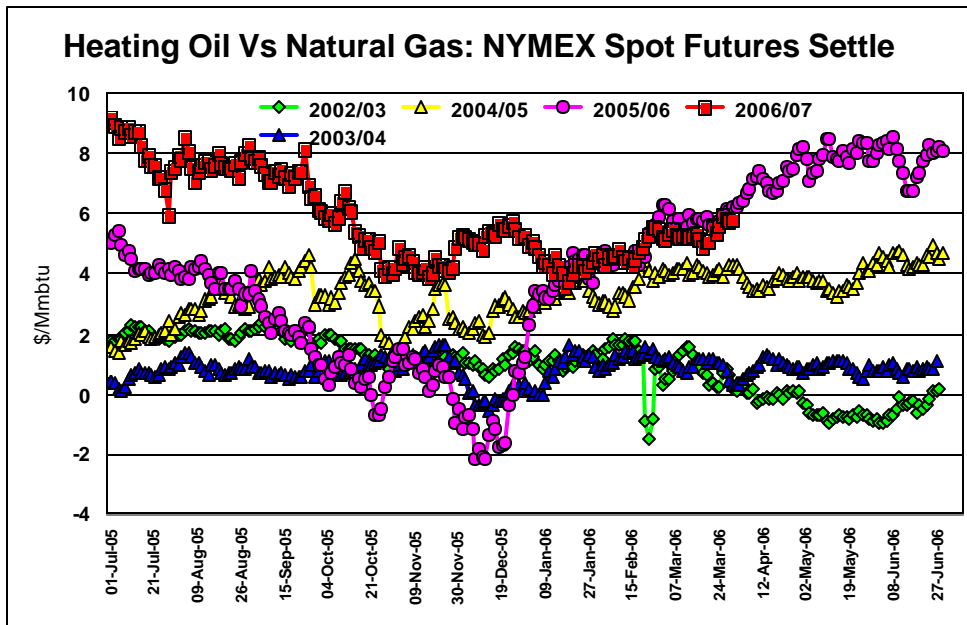
Trunkline Gas said that the scheduled work date for Trunkline's Vermillion system outage has been changed. The outage will be today through April 5th.

Gulf South Pipeline said that an unscheduled maintenance project began yesterday on the Burns Offshore Pipeline System until further notice. As a result, Eugene Island Block 95a has been shut in for the duration of the maintenance. The company though did report maintenance work on Index 140 to the North Terrebonne Plant and work at NGPL-Goodrich SLM 10144 has been completed.

### **ELECTRIC MARKET NEWS**

The U.S. Secretary of Energy Bodman today signed a record of decision, which clears the way for a \$569 million 285 Mw coal fired power plant to be built near Orlando, Florida. The plant will use a unique coal gasification technology to make it a cleaner and more efficient than traditional coal plants. The unit will be owned by Southern, the Orlando Utilities Commission and the engineering services firm KBR.

Union Pacific Railroad reported today that the recent snowstorm that moved across Wyoming has disrupted coal production last week in the state and kept more than 160 trains from being loaded with coal. The company reported that it may take up two weeks to recover from the impact of the storm. The company reported that one mine remained flooded Monday and that nine other mines in the southern



Powder River Basin were operating at reduced capacity.

Nevada Power announced today that it had reached agreement to pay a \$1.1 million fine for alleged environmental violations at its Reid Gardner generating Station. The company said it will now move forward with its existing and previously reported approved plans to spend \$84.2 million on upgrades to reduce emissions at the plant.

**MARKET COMMENTARY**

The natural gas market opened lower this morning following on the coattails of a weakening oil market. While the new hurricane forecast from Dr Gray, was supportive for the market, the market failed to react to it as most traders appeared already to be holding a similar outlook for the upcoming season, given the prior forecasts from TSR and AccuWeather. The market received an additional shove to the downside in the afternoon once support at the \$7.50 area was broken. While prices fell to their lowest levels in a week, during the afternoon, they failed to rebound despite a modest recover in oil prices.

It appears that despite the prospects for colder temperatures over the next seven days across much of the nation, traders are looking further out and the prospects for a return of normal to even slightly warmer than normal temperatures for the second half of the month is finally weighing on the market. This coupled with a deflation in the bullish premium for oil prices should keep the market on the defensive over the next couple of weeks. Our bearish outlook is supported by our expectations for builds in the storage reports over the next couple of weeks, and the turning to the downside of technical indicators such as the daily stochastics, which crossed to the down side this afternoon for the first time in over two weeks. We see support at \$7.39-\$7.38, followed by \$7.305, \$7.278-\$7.256 and \$7.19. More distant support is seen at \$6.95 and \$6.94.. Resistance we look for tomorrow at \$7.50 followed by \$7.646 and \$7.791.

# U.S. Heating Degree Days

## Basis Weighted Natural Gas Home Heating

