



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR APRIL 5, 2007

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

Total's \$3.7 billion project to build a LNG export terminal in Yemen will be completed by the end of 2008 as planned. The terminal will have an output capacity of 6.7 million tones per year.

The U.S. State Department said it would continue to support the Quoddy Bay LNG LLC project since it would seek to continue to assert U.S. rights under international law and defend "innocent passage" of U.S. bound LNG tankers through Head Harbor Passage, which straddles the U.S. Canadian border.

Algonquin Gas Transmission received more than 1.3 bcf/d of interest from shippers during its binding open season for the proposed "East-to-West Expansion" Project.

#### **EIA Weekly Report**

	03/30/2007	03/23/2007	Net chg	Last Year
<b>Producing Region</b>	629	597	32	618
<b>Consuming East</b>	702	677	25	848
<b>Consuming West</b>	238	237	1	231
<b>Total US</b>	1569	1511	58	1696

\*storage figures in Bcf

*The CFTC will still issue its Commitment of traders Report as usual on Friday afternoon. The NYMEX both floor and open outcry session will be closed Friday.*

#### **PIPELINE RESTRICTIONS**

Gulf South Pipeline said that due to a pipeline leak Force Majeure conditions affect the company's ability to provide service on Index 129 at MP 44 south of the Edna Compressor Station beginning today and until further notice.

#### **PIPELINE MAINTENANCE**

National Fuel Gas Supply Corporation said that it has scheduled to shut down one unit at the Roystone Compressor Station starting April 10<sup>th</sup>. Production volumes from the lines L10(t), B-4, C-2, C-3 and D-2 into Roystone will be required to be cut to 50%

Northern Natural Pipeline reported today that it has scheduled maintenance work on Unit #4 at the Spearman Compressor Station from April 16-19. Scheduled volume will be limited to 95,000 mmbtu during the maintenance.

#### **Generator Problems**

**NPCC** – Entergy's 979 Mw Indian Point #3 nuclear unit was at 81% of capacity this morning up 61% from Wednesday.

**PJM** – Exelon's 1143 Mw Limerick #2 nuclear unit was at 44% of capacity this morning, up 22% from Wednesday.

Constellation Energy's 825 mw Calvert Cliffs #2 nuclear unit was at 65% of capacity this morning, as operators continue to ramp the unit up from its recent return from a refueling outage.

**SERC** – Southern Nuclear reported that both of its 888 Mw Farley nuclear units were reduced to 90% of capacity.

Progress Energy's 710 Mw Robinson #2 nuclear unit continues to coast down to its refueling outage this weekend. The unit was at 89% of capacity this morning.

**MAIN** – Xcel Energy's 522 MW Prairie Island #2 nuclear unit tripped off line Thursday morning.

**WSCC** – PG&E's 1100 Diablo Canyon #2 nuclear unit was still operating at reduced rates. Currently was estimated at 57% of capacity.

**ERCOT** - TXU's 565 coal fired Unit #2 at the Monticello power station was taken offline for maintenance work this morning and was expected back in service Saturday morning.

**The NRC reported that 76,890 Mw of nuclear capacity is on line, up 1.07% from Wednesday, but off some 0.83% from a year ago.**

**ELECTRIC MARKET NEWS**

TXU Corp said today that it could be forced to shut down some power plants if it cannot settle charges by state regulators that it manipulated the state whole sale power market during the summer of 2005. The two private equity firms seeking to buy the utility said the dispute would not affect the purchase.

**Canadian Gas Association**

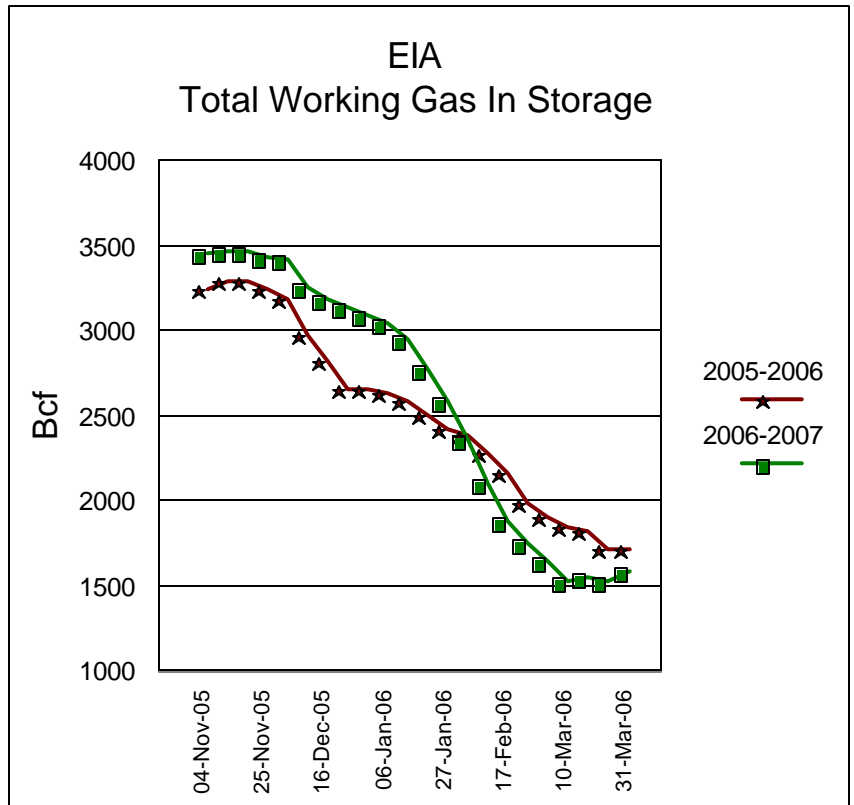
**Weekly Storage Report**

	30-Mar-07	23-Mar-07	31-Mar-06
<b>East</b>	66.3	60.2	97.2
<b>West</b>	42.2	39.8	121.4
<b>Total</b>	108.6	100.0	218.7

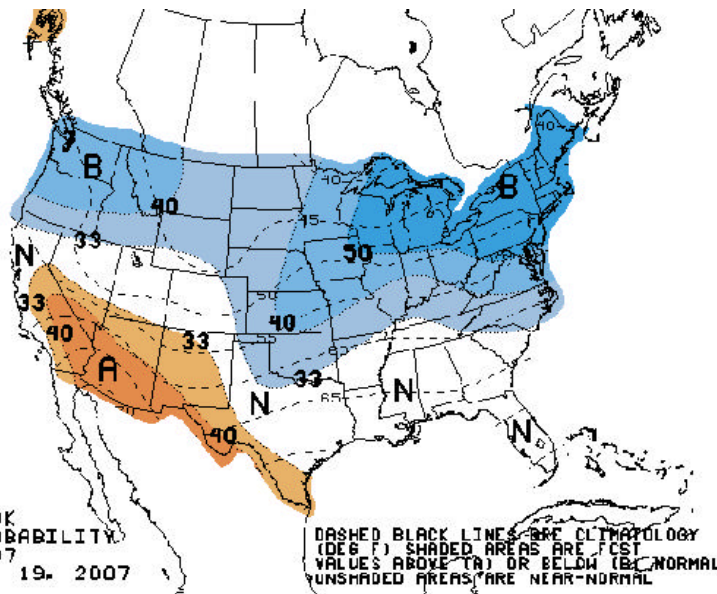
storage figures are in Bcf

Entergy Nuclear received an early site permit from the NRC for a possible new nuclear unit at its Grand Gulf site.

Exelon Corp announced today that it had agreed to sell its rights to 942 Mw of power contracted from Tenaska Georgia Partners to Southern Company. The rights will be sold through a tolling agreement with Georgia Power beginning June 1, 2011 and last 15 years, with a near term five year option for extension.



The FERC trial staff yesterday filed a brief yesterday in which it continues to seek that Enron should be forced to pay \$1.5 billion for its manipulation of power markets, regardless of how much money actually remains in the bankrupt company's accounts. The staff argued that since the FERC revoked Enron's market based rate authority for the period of January 16, 1997 to June 25, 2003, Enron should disgorge all profits from that period which ended with the onset of FERC's case against the company. The Chief administrative law judge has approved a June 8<sup>th</sup> date for an initial decision on disgorgement in the case.



U.S. coal production during the week ending March 31<sup>st</sup> saw a significant downturn for the week, dropping near 15% as a result of weather delays reported across the country. Production for the week was some 26.3% below the same period a year ago. Year to day U.S. production of coal has reached 285,198,000 tons off some 1.4% from the same period a year ago.

TVA reported that the

January-March period was the driest on record for the Tennessee Valley and as a result hydrogenation for the utility is running 25% below normal.

#### MARKET COMMENTARY

The natural gas market started the day a penny or two lower and then remained in relatively tight sideways trading range on either side of unchanged for most of the morning. But at midday a new weather forecasts came out that not only showed the next eight days being some 3.4% colder than this morning's forecast, but the 8-14 day outlook showed a much greater area of colder than normal temperatures enveloping the nation. This appeared to provide a spark for the bulls and prices roared higher after yesterday's high was breached this afternoon. Prices moved over the \$7.70 level and approached resistance at \$7.753, the two week down trend line before profit taking seemed to take hold and prices back pedaled a bit and settled back at \$7.607, up 9.2 cents on the day. Over 60,000 lots traded on Globex during the day session with the floor adding another 19,000 lots.

NYMEX Nat Gas Options Most Active Strikes for April 5, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	5	7	P	7	04/25/2007	0.0524	9,044	37.22
LN	5	7	P	7.5	04/25/2007	0.2055	4,285	38.32
LN	5	7	C	8.5	04/25/2007	0.0416	3,200	38.39
LN	5	7	C	9	04/25/2007	0.0146	2,400	41.18
LN	7	7	P	7	06/26/2007	0.192	2,350	40.06
LN	10	7	P	6.5	09/25/2007	0.3115	2,250	49.91
LN	5	7	C	8	04/25/2007	0.1217	2,230	36.16
LN	7	7	P	7.5	06/26/2007	0.3672	2,200	41.04
LN	10	7	C	14	09/25/2007	0.1473	1,900	53.35
LN	10	7	P	6	09/25/2007	0.1923	1,750	49.59
LN	9	7	C	13	08/28/2007	0.1052	1,700	49.68
LN	6	7	P	6	05/25/2007	0.0108	1,650	38.07
LN	9	7	P	7.75	08/28/2007	0.6995	1,600	48.16
LN	5	7	C	10	04/25/2007	0.0021	1,600	46.60
LN	10	7	C	10	09/25/2007	0.5003	1,350	44.87
LN	9	7	P	6	08/28/2007	0.127	1,250	45.53
LN	9	7	P	7	08/28/2007	0.3761	1,200	46.44
LN	7	7	C	11	06/26/2007	0.0428	1,200	41.68
LN	6	7	C	11	05/25/2007	0.0077	1,200	42.37
ON	3	8	C	11	02/26/2008	1.161	1,085	48.43
ON	3	8	C	10	02/26/2008	1.445	1,085	47.56
LN	12	7	P	5.5	11/27/2007	0.045	1,050	43.89
LN	11	7	P	5.5	10/26/2007	0.0661	1,050	45.87
LN	3	8	P	5.5	02/26/2008	0.1028	1,050	46.33
LN	7	7	P	7.75	06/26/2007	0.4823	1,050	41.64
LN	2	8	P	5.5	01/28/2008	0.0802	1,050	46.66
LN	1	8	P	5.5	12/26/2007	0.0572	1,050	45.68
LN	5	7	C	8.25	04/25/2007	0.0721	1,050	37.34
LN	9	7	P	7.5	08/28/2007	0.5789	1,000	47.54
LN	6	7	P	6.75	05/25/2007	0.0718	1,000	37.41
LN	6	7	P	7.25	05/25/2007	0.1951	1,000	38.38

While we can not dispute the fact that temperatures will be colder than normal over the next two weeks, its impact is substantially different than heating demand say even 30 days ago, at which time normal heating demand would be more than 70% higher than current levels. We can not justify prices staying at these lofty levels, especially as it appears the geo-political price risk should continue to dissipate a bit near term for the oil markets. We would thus continue to look to sell out of the money calls in natural gas in the May and June contracts. We see initial resistance Monday at \$7.725 followed by \$7.74, \$7.83, \$7.95 and \$7.99-\$8.03. Support we see at \$7.49, \$7.456, \$7.40-\$7.38 and \$7.27-\$7.26.

