



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR APRIL 10, 2008

#### NATURAL GAS MARKET NEWS

If natural gas prices stay in a range of \$8-10, "we'll do fine," and so will the power industry, Chesapeake Energy CEO Aubrey McClendon told an audience of Gulf Coast power industry executives in Texas as he delivered his "message of optimism about natural gas supply."

Several companies are vying to build pipelines to export Wyoming's natural gas to the Upper Midwest and the West Coast. At least three pipeline proposals are competing for a route from south-central Wyoming to Oregon. Three more are vying for a route from central and northeast Wyoming to markets in the Upper Midwest.

New York Governor David Paterson has rejected Broadwater Energy's proposal to build a LNG gas terminal in Long Island Sound.

#### Generator Problems

**ERCOT** – Luminant's 750 Mw Monticello #3 coal-fired power station returned to service after shutting earlier this morning. The unit tripped offline after a boiler feed pump experienced an unexpected problem.

**NPCC** – Entergy's 825 Mw FitzPatrick nuclear unit ramped up to 73% capacity. Yesterday, the unit was operating at 60% power.

**Canada** – Hydro Quebec shut its 675 Mw Gentilly #2 nuclear unit for maintenance on April 4. The unit is due to return to service in late May.

**The NRC reported that 75,446 Mw of nuclear capacity is online, up .16% from Wednesday and up 2.48% from a year ago.**

#### EIA Weekly Report

	04/04/2008	03/28/2008	Net chg	Last Year
<b>Producing Region</b>	498	498	0	638
<b>Consuming East</b>	563	575	-12	705
<b>Consuming West</b>	173	175	-2	242
<b>Total US</b>	1234	1248	-14	1585

\*storage figures in Bcf

Gas Storage sites in Britain and Belgium were 32% full in the week to April 4, up 10% from the previous week. Combined storage levels in Belgium and Britain, which are connected by a pipeline which can flow gas in either direction, had dropped by 10% to 22% full in the last week of March.

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#### PIPELINE MAINTENANCE

ANR Pipeline Company said that it will begin engine maintenance at its St. John Compressor Station located in Indiana in the Northern Fuel Segment (ML-7), which will reduce capacity by 115 MMcf/d from April 14-May 9. Based on current nominations, it is anticipated the above capacity reductions may result in the curtailment of IT and Firm Secondary nominations.

#### Canadian Gas Association

##### Weekly Storage Report

	04-Apr-08	28-Mar-08	06-Apr-07
<b>East</b>	39.4	42.5	66.1
<b>West</b>	114.1	117.7	42.7
<b>Total</b>	153.4	160.3	108.8

storage figures are in Bcf

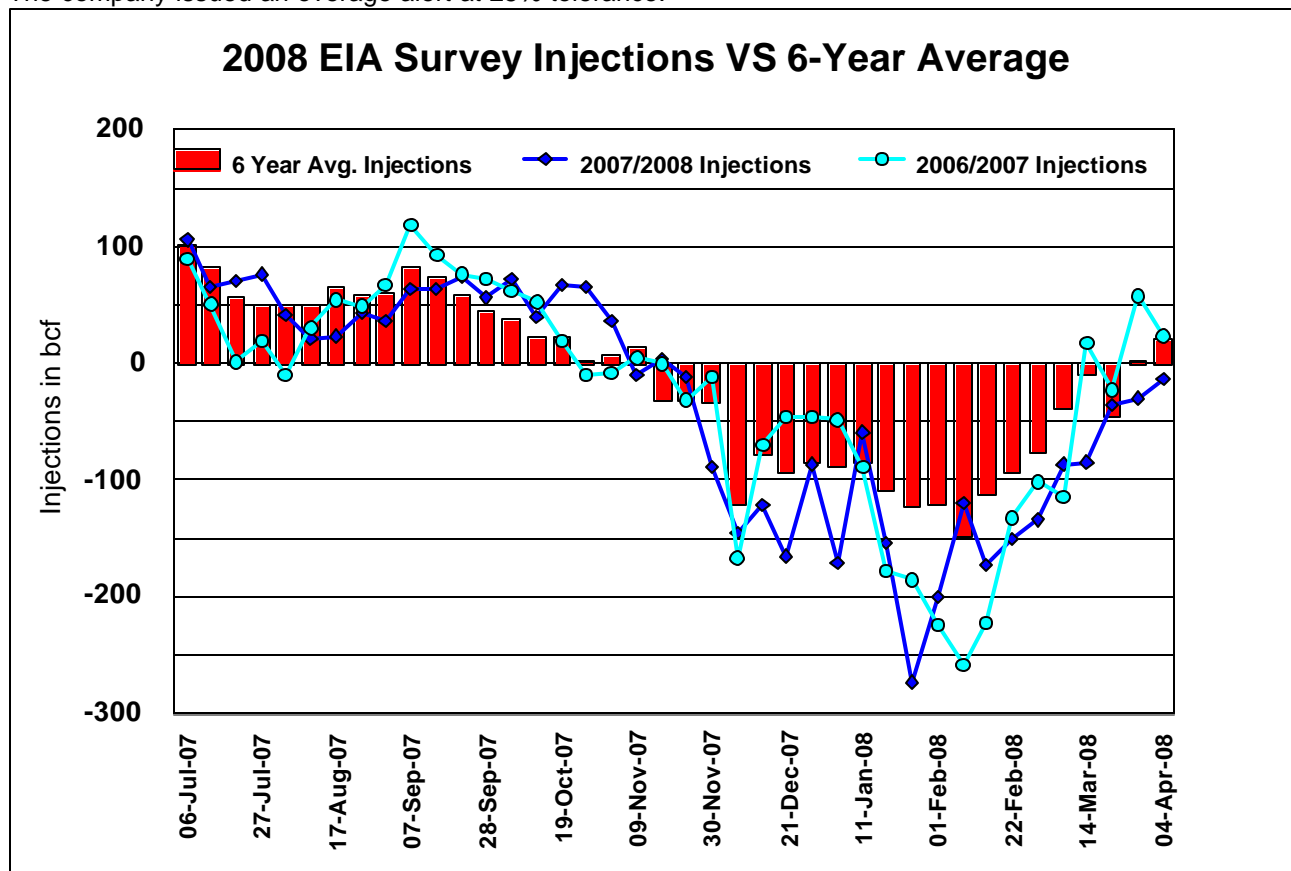
Northwest Pipeline said that the engine exchanges at the Muddy Creek and Burley compressor stations are proceeding as planned and work is expected to be completed today. The Declared Deficiency Period will end when design capacity is restored. The Muddy Creek North constraint point and Burley compressor will be set to their respective north-flow design capacities of 652 MMcf/d and 593 MMcf/d for Gas Day April 11. Meanwhile,

maintenance at the Pocatello compressor will continue as scheduled and the throughput at the compressor will be reduced from 601 MMcf to 558 MMcf on April 11.

Natural Gas Pipeline Company released its updated maintenance schedule for April. Natural began hydrostatic testing March 26 on the Gulf Coast #2 Line between Station 304 and 305 in Segment 26 of its TEXOK Zone. The project is scheduled to last through April 30. Natural will also be running a Caliper tool today on the Gulf Coast #3 line between Station 303 and Station 302. On April 15 and continuing through May 12, Natural will be performing hydro testing on the Gulf Coast #3 line between Station 305 and 306. Caliper tool pigs will be run April 15-17 on Station 113 in Segment 14 in Illinois. More Pig runs will be run in Louisiana #2 line between Station 343 and 342 on April 23. Natural does not anticipate that any of this work will affect its customers.

**PIPELINE RESTRICTITONS**

Florida Gas Transmission issued its latest in a string of warnings to natural gas shippers on its pipeline system as low linepack and warm weather forecast for the state for the next few days was expected to boost demand. The company issued an overage alert at 25% tolerance.



**ELECTRIC MARKET NEWS**

Dallas-based Oncor said the number of customers without power in its service territory rose to 200,000 after a powerful storm moved through the region late Wednesday and early Thursday. The company also said that several major transmission lines downed by the storm are unlikely to return to service for at least a week and that power won't be fully restored before Saturday.

The co-author of a key U.S. Senate climate bill said he is considering giving the U.S. CFTC regulatory authority over U.S. carbon markets as part of a greenhouse gas bill scheduled for Senate floor debate in early June. The bill would reduce GHG emissions from U.S. power, natural gas, transportation and manufacturing sectors 4% below 2005 levels by 2012 and 19% below 2005 levels by 2020. By 2050, the bill would require U.S. GHG emission to be 71% below 2005 levels.

**NYMEX Petroleum Options Most Active Strikes for April 10, 2008**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	5	8	C	11	04/25/2008	0.0927	5,990	44.41
LN	5	8	P	8.5	04/25/2008	0.006	4,450	42.37
LN	5	8	C	12	04/25/2008	0.0179	4,296	48.07
LN	6	8	P	8.5	05/27/2008	0.0524	3,715	39.18
LN	9	8	P	7.5	08/26/2008	0.148	3,545	48.32
LN	5	8	C	11.5	04/25/2008	0.0415	3,370	46.37
LN	6	8	C	13	05/27/2008	0.0614	3,175	45.16
LN	6	8	C	12	05/27/2008	0.147	2,910	43.58
LN	6	8	P	8	05/27/2008	0.0206	2,850	39.95
LN	10	8	P	9.5	09/25/2008	0.9238	2,700	55.63
ON	5	8	P	9	04/25/2008	0.033	2,588	42.03
LN	10	8	C	13	09/25/2008	0.7239	2,500	50.81
LN	10	8	C	15	09/25/2008	0.4304	2,450	53.25
LN	5	8	P	9.75	04/25/2008	0.1924	2,272	43.71
LN	7	8	C	12	06/25/2008	0.2958	2,200	42.28
LN	10	8	C	11	09/25/2008	1.2063	1,955	46.14
LN	10	8	P	10	09/25/2008	1.188	1,900	57.10
LN	10	8	C	12	09/25/2008	0.9483	1,700	49.35
LN	8	8	C	13	07/28/2008	0.3347	1,700	46.06
LN	7	8	P	9	06/25/2008	0.2489	1,665	43.77
LN	5	8	P	10	04/25/2008	0.2966	1,620	44.16
LN	6	8	P	9.75	05/27/2008	0.3789	1,500	42.87
LN	11	8	C	20.5	10/28/2008	0.1738	1,500	55.25
LN	11	8	C	17.5	10/28/2008	0.3069	1,500	52.36
LN	7	8	C	13	06/25/2008	0.1665	1,455	44.36
LN	11	8	C	13	10/28/2008	0.8557	1,450	47.10
LN	8	8	P	8	07/28/2008	0.1689	1,450	47.76
LN	6	8	C	11.5	05/27/2008	0.2242	1,395	42.68
LN	8	8	C	10.5	07/28/2008	0.9447	1,350	40.33
LN	6	8	C	10.2	05/27/2008	0.5953	1,346	38.03
LN	4	9	C	15	03/26/2009	0.2207	1,250	35.47
LN	7	8	C	15	06/25/2008	0.0563	1,150	48.10
LN	9	8	C	15	08/26/2008	0.251	1,100	49.92
ON	5	8	P	9.5	04/25/2008	0.116	1,082	42.11
LN	10	8	P	8	09/25/2008	0.3897	1,075	54.60
LN	5	9	C	9	04/27/2009	1.193	1,000	21.66
LN	11	8	C	20	10/28/2008	0.1898	1,000	54.78
LN	11	8	C	17	10/28/2008	0.3406	1,000	51.85
LN	7	9	C	9	06/25/2009	1.3529	1,000	20.38
LN	11	8	C	12	10/28/2008	1.0865	1,000	45.14
LN	7	8	C	10.5	06/25/2008	0.7006	1,000	38.55

The U.S. Senate approved in an 88-8 vote an amendment to a housing stimulus bill that would extend a series of renewable energy production tax credits for at least a year. The Senate measure does not specify how the estimated \$6 billion cost of the extensions would be paid for, an omission that could prove problematic when the Senate attempts to reconcile its measure with a package approved by the House earlier this year. Under the House bill, the cost of extending the renewable energy credits would be covered by repealing tax incentives for the domestic oil and natural gas industry. The Cantwell-Ensign amendment would extend the existing credit tax credit for facilities placed in service through December 31, 2009, that produce electricity from wind, biomass, geothermal, landfill gas, trash combustion, hydro and small irrigation, including marine and hydrokinetic energy. The amendment would also extend the 30% business credit for solar energy investments through December 31, 2016, and the residential tax credit for solar property purchases through December 31, 2009, would allow electric utilities to claim the solar investment tax credit and would repeal the \$2,000 credit cap on residential investments.

**MARKET COMMENTARY**

The natural gas market again went on a roller coaster, following the release of its EIA inventory report. The EIA

reported that a bullish 14 Bcf was taken from the ground, in what historically is the first injection report of the season. The May contract rallied to a 27-month high of 10.314 but was unable to sustain the momentum. A firming U.S. dollar pressured the oil complex, and natural gas fell victim to some profit taking. In choppy trading, the May contract traded back to unchanged before settling up 4.2 cents at 10.098. In after hours trading, the market returned to the downside and tested support ultimately trading as low as 9.984.

Total storage now stands at 1,234 Bcf, 351 Bcf below last year's levels for the same week and 23 Bcf below the five-year average of 1,257. The selling pressure from the oil complex completely minimized the rally in natural gas. With a 14 Bcf draw to start injection season, and the shut in Independence hub amplifying supply concerns,

the selling pressure was a bit of a surprise. It suggests perhaps the relationship between natural gas, crude oil and the dollar. The Index funds that trade that relationship are increasingly adding volatility to the market, making daily ranges wider. The dollar's weakness is attributed to profit taking of Euros, so we feel that there is further weakness ahead for the dollar and natural gas and crude oil will continue higher. We see support at 10.00, 9.924, 9.85, 9.594, 9.36, 9.00 and 8.664. We see resistance at 10.254, 10.30, 10.449, 10.584 and 10.70.