



## ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,  
Karen Palladino & Zachariah Yurch  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

### POWER MARKET REPORT FOR APRIL 11, 2007

#### NATURAL GAS MARKET NEWS

Chevron reported that its combined U.S. liquids and natural gas production in the 1Q07 fell an estimated 3% from fourth quarter levels, in part due to third party pipeline downtime that impacted production in the Gulf of Mexico and San Joaquin Valley.

The Natural Gas Supply Association said today that they favored the FERC to conduct a new two-year experimental pilot program in lifting the price cap on capacity-release transactions. The group also asked the FERC to provide policy clarifications to make it easier for capacity-release shippers to rely on basis-differential pricing, and to maintain bidding requirements for long term prearranged releases that are below the maximum rate. The association also urged regulators to take prompt action to provide additional regulatory certainty with regard to certain portfolio-management transactions, so as all participants are operating under the same rules and interpretations of those rules. The group also asked the FERC to retain the existing "shipper-must-have title requirement.

#### Generator Problems

**NPCC** – Entergy's 506 Mw Vermont Yankee nuclear power plant returned to full power by this morning. The unit was at 48% capacity yesterday morning.

**PJM** – Exelon's 1134 #2 nuclear unit at the Limerick power plant had exited its recent outage and was at 1% power this morning.

**The NRC reported that 73,212 Mw of nuclear capacity is on line, up 0.67% from Tuesday, and off some 5.35% from a year ago.**

BENTEK Energy in a report released today warned of significant changes in the natural gas market dynamics when Phase II of the Rockies Express pipeline goes into service in early 2008. The company noted when Phase II is completed the pipeline will be delivering cheaper priced Rockies originated natural gas into the northern half of many of the pipeline systems that serve premium markets of the Midwest and Northeast and as a result should displace natural gas previously moving northward from traditional supply areas in the Anadarko and Permian

basins. BENTEK expects the gas from Permian to be pushed back into the Texas or California markets while Anadarko basin gas will be pushed into the Oklahoma and Texas markets.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	890,300	\$7.965	\$0.318	(\$0.178)	\$0.347	(\$0.355)
Chicago City Gate	368,800	\$7.981	\$0.359	\$0.031	\$0.264	(\$0.041)
NGPL- TX/OK	579,500	\$7.387	\$0.346	(\$0.563)	\$0.251	(\$0.585)
SoCal	1,012,300	\$7.488	\$0.359	(\$0.462)	\$0.264	(\$0.601)
PG&E Citygate	578,700	\$7.766	\$0.299	(\$0.184)	\$0.204	(\$0.249)
Dominion-South	361,600	\$8.708	\$0.154	\$0.758	\$0.059	\$0.799
Transco Zone 6	86,100	\$8.986	(\$0.052)	\$1.036	(\$0.147)	\$1.236

to build a 150-mile natural gas pipeline to serve the central Nebraska market. The new pipeline would connect with the 436 mile interstate Trailblazer Pipeline. The company hopes the line would service a number of new and expanding ethanol facilities and would begin operations in the spring of 2009.

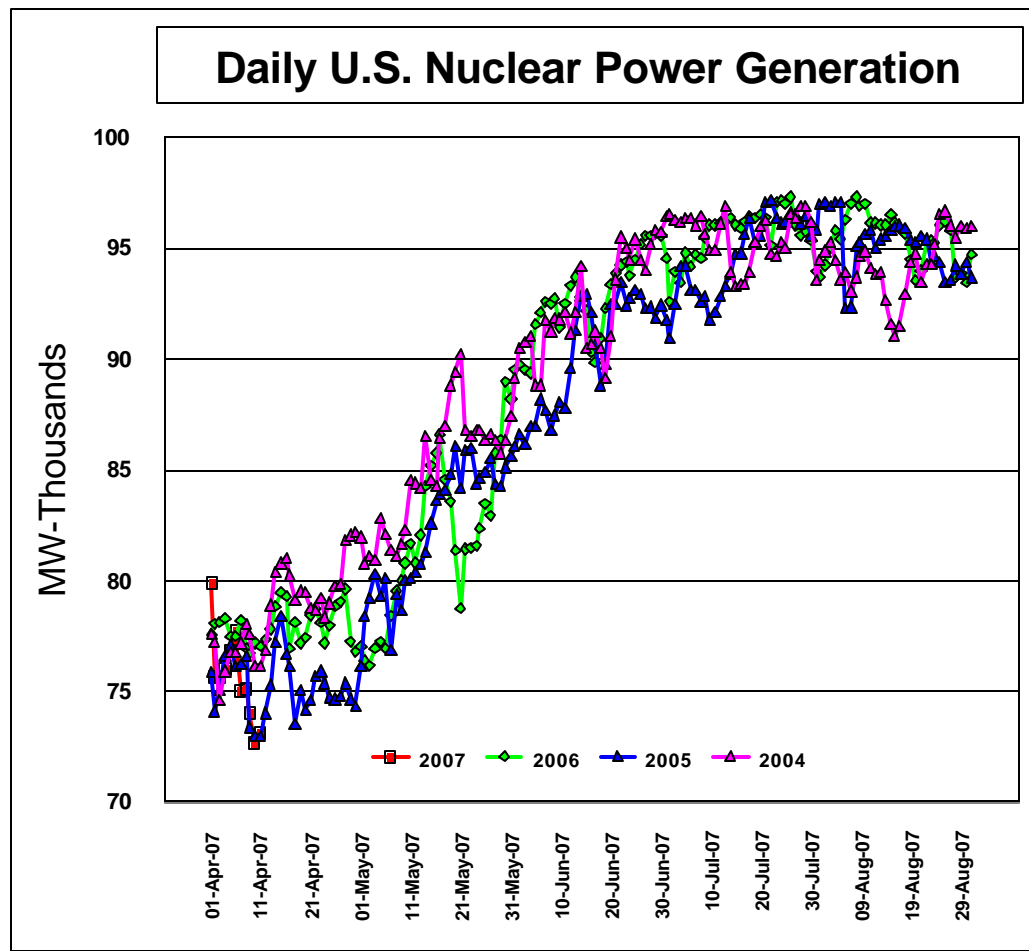
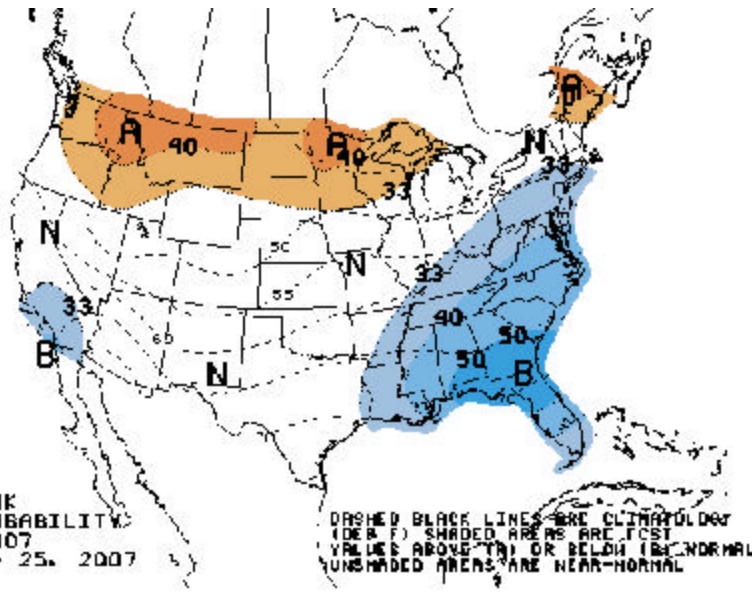
Seminole Energy said today that it plans to file for regulatory approval

Federal Reserve Chairman Ben Bernake said today that light regulation of the hedge fund industry has worked well so far and seems appropriate given the benefits they provide to the financial system.

The FERC said today it would hold a hearing to consider sanctions against Enron attorneys and a consultant for allegedly withholding documents from the agency's legal proceedings against the bankrupt company.

**PIPELINE RESTRICTIONS**

Questar Pipeline said that gas quality issues are negatively impacting the company's southern system operations. The company said that to maintain its ability to meet delivery point specifications it is limiting the amount of condensate accumulated on its southern system. As a result beginning April 12, it will only accept volumes between Fidler and Price, which have a CHDP less than 60 degrees F as measured on a real time basis.

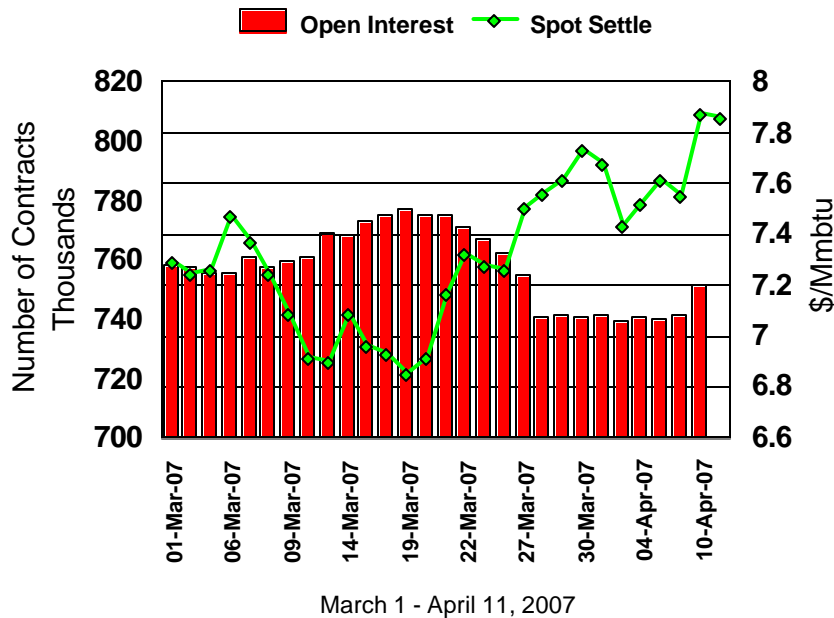


Tennessee Gas Pipeline said that effective Cycle 1 today, due to reduced nominations, the company would accept increases for nominations pathed for delivery to Leidy Delivery Meters as well as increases sourced from the Niagara Meter. The company also reported that on its Carthage Line Lateral approximately 58% of Supply to Market Secondary Out of Path nominations pathed from meters located on the lateral.

FGT said that due to warmer weather and lower line packs it would be forced to issue an Overage Alert Day at 25% tolerance.

Colorado Interstate Gas said that the cold weather operational flow order posted back on April 7<sup>th</sup> has been lifted.

## NYMEX Natural Gas



Pipeline operational conditions are back to normal.

NGPL said that effective today and until further notice, Segment 17 is at capacity. Therefore, ITS/AOR and Secondary Out-of-Path Firm transports are at risk of not being fully scheduled. The location of the constraint is at the intersection of Segment 17 and the Gulf Coast System in Cass County, Texas.

### PIPELINE MAINTENANCE

Southern Natural Gas Pipeline said that it has completed sufficient repairs to its Mississippi Canyon facilities upstream of Toca and the Mississippi Canyon 311 receipt point has been approved for flow. Therefore, the Force Majeure upstream of Toca has been lifted.

### ELECTRIC MARKET NEWS

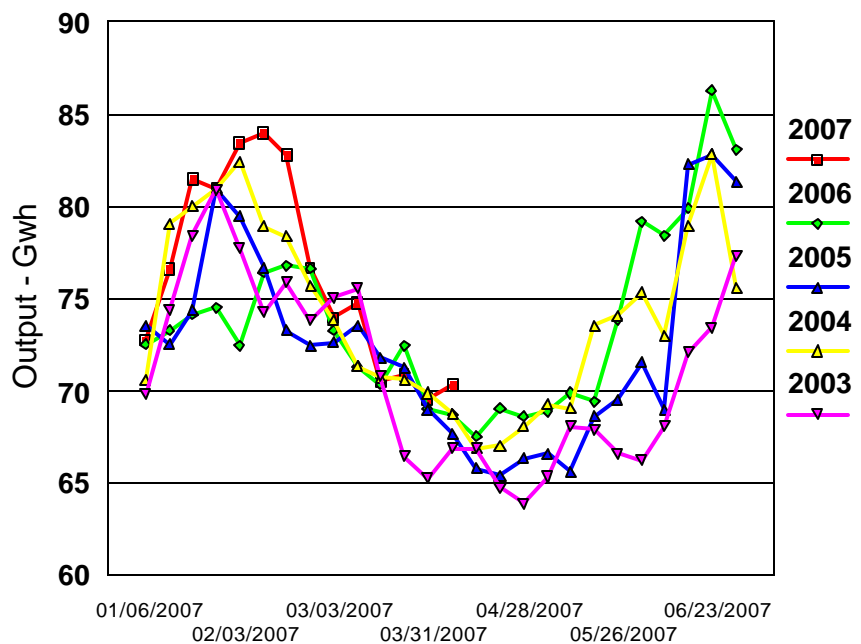
AIG became the first insurer to join a

business group calling for mandatory U.S regulations to govern the reduction of greenhouse emissions and the establishment of target for corporations to cut emissions. The company supports a broad based cap and trade legislative proposal. ConocoPhillips also said today it would join the group. The U.S. Climate Action Partnership, The insurer has been weighing the possibility of adding carbon credit to the Dow Jones – AIG Commodity Index, providing a platform for investors to trade credits designed to offset greenhouse emissions.

The Edison Electric Institute reported today that for the week ending April 7<sup>th</sup>, the U.S. saw some 70,382 Gwh of power generated, up 1.05% from the previous week and some 2.4% higher than the same week a year ago. For the first 14 weeks of 2007, power generation is up 4.6% from the same period a year ago.

The major union representing many of the employees of TXU, the International Brotherhood of Electrical Workers, said today that it had reached a tentative agreement with the prospective new owners of TXU to immediately suspend an electric-delivery joint venture with InfrastruX and to terminate the plan when the proposed private-equity buyout of the company is completed. The

## Weekly Electric Output



union had been fighting the joint venture because of outsourcing concerns. The union also said it will now support the proposed buyout and oppose any efforts by Texas regulators to block the transaction.

NYMEX Nat Gas Options Most Active Strikes for April 11, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	6	7	P	6.5	05/25/2007	0.029	6,500	41.26
LN	6	7	P	7	05/25/2007	0.0863	4,850	40.84
LN	5	7	C	9	04/25/2007	0.0235	4,112	46.07
LN	3	8	P	6	02/26/2008	0.172	3,850	47.97
LN	5	8	P	5	04/25/2008	0.0646	3,850	36.94
LN	10	7	P	5	09/25/2007	0.0503	3,600	51.14
LN	4	8	C	10	03/26/2008	0.5619	2,700	28.76
LN	5	7	C	8.5	04/25/2007	0.0716	2,475	43.64
LN	10	8	C	10	09/25/2008	0.9026	2,450	26.09
LN	5	7	P	7.5	04/25/2007	0.114	2,300	43.53
LN	1	8	P	6	12/26/2007	0.0956	2,150	46.38
LN	5	7	C	8	04/25/2007	0.1994	2,120	41.26
LN	10	7	C	20	09/25/2007	0.0467	2,100	62.04
LN	6	7	P	7.5	05/25/2007	0.217	2,020	41.76
LN	3	8	C	13	02/26/2008	0.8191	1,900	43.61
LN	3	8	C	15	02/26/2008	0.585	1,900	47.02
LN	6	7	C	9	05/25/2007	0.1425	1,892	39.61
LN	2	8	P	8.5	01/28/2008	0.7832	1,800	50.12
LN	3	8	P	8.5	02/26/2008	0.9283	1,800	51.51
LN	5	8	C	10	04/25/2008	0.4949	1,700	26.47
LN	6	8	C	10	05/27/2008	0.5432	1,700	25.56
LN	1	8	P	8	12/26/2007	0.5089	1,675	48.10
LN	2	8	C	10	01/28/2008	1.5311	1,630	35.38
LN	8	8	P	7.5	07/28/2008	0.7363	1,600	41.01
LN	1	8	C	10	12/26/2007	1.4165	1,530	34.75
LN	11	7	P	5	10/26/2007	0.031	1,475	47.57
LN	7	8	C	10	06/25/2008	0.6132	1,450	25.26
LN	8	8	C	10	07/28/2008	0.6943	1,450	25.13
LN	9	8	C	10	08/26/2008	0.7828	1,450	25.55
LN	9	7	C	10	08/28/2007	0.4108	1,425	43.31
LN	3	8	C	10	02/26/2008	1.5017	1,380	36.36
LN	3	8	P	8	02/26/2008	0.711	1,375	50.40
LN	4	8	P	7	03/26/2008	0.4752	1,350	40.52
LN	5	8	P	7	04/25/2008	0.4896	1,350	39.00
LN	6	8	P	7	05/27/2008	0.4898	1,350	38.62
LN	7	8	P	7	06/25/2008	0.5078	1,350	39.21
LN	8	8	P	7	07/28/2008	0.5375	1,350	40.06
LN	9	8	P	7	08/26/2008	0.5832	1,350	41.43
LN	10	8	P	7	09/25/2008	0.6199	1,350	42.73

#### MARKET COMMENTARY

The natural gas market opened a few pennies better this morning and quickly challenged the \$8.00 price level as it had in the overnight session. But once again the market failed to find any follow through buying up at this level, and prices retreated back into a sideways trading pattern of \$7.90-\$7.975 for much of the day. Late in the afternoon though new lows were set for the trading session as prices breached the \$7.90 level and some light long liquidation seemed to take prices down to the \$7.80 level before support began to return to the market. Prices settled down for the day out through the 2008 contracts.

It is interesting to note that it appears yesterday's price action was driven by new longs flocking to the market. The NYMEX reported today that open interest in the natural gas contract at the close of trading yesterday saw a daily jump of over 10,000 contracts, the largest daily increase since January 12<sup>th</sup> of this year. One would look for the potential of a price acceleration to the down side if prices move below the \$7.50 since the recent new longs from Tuesday may be quickly exiting these new long positions. We continue to look for the \$8.00-\$8.03 as an initial resistance area followed by \$8.11 and \$8.22. Support we see at \$7.75-\$7.73, followed by \$7.69, \$7.62, \$7.57 and \$7.535-\$7.49.

Basis our calculations for overall heating demand last week, we estimate that heating demand was up some 50% last week from the prior week, and as a result we look for a 11 bcf build on the week. Market expectations appear to range from a 15 bcf draw to a 30 bcf build with most centered around an average 15-25 bcf build. This evening's ICAP Energy auction predicted that 25 bcf of gas was injected on the week. A year ago, stocks rose by 15 bcf, while the five year seasonal average is for a 8 bcf build.

