



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR APRIL 18, 2007

NATURAL GAS MARKET NEWS

Analysts at Douglas-Westwood estimated that worldwide offshore oil production has risen by just over 33% since 1991 and will continue to rise at about the same rate, reaching 35 million b/d by 2011. However, offshore natural gas production which more than doubled between 1991 and 2006, is expected nearly double again by 2011.

Tennessee Gas Pipeline announced today that it plans to expand the capacity of its Carthage Line to meet the growing demand for natural gas by power generators in Louisiana. The company is looking to add some 100,000 Dth/d of capacity.

The EIA reported Tuesday that natural gas demand from power generators in January was up over 40% for the same time a year earlier.

Gazprom formally announced today that it has bought the majority stake in the Sakhalin II project today for \$7.45 billion. Shell will now hold a 27.5% stake in the project, with Mitsui 12.5% and Mitsubishi 10%. Gazprom's deputy chairman said that the company's entry into the Sakhalin II will facilitate the company's strategy of phased entry into the global LNG market. The project development is slated for 9.6 million tones of LNG production per year.

The NOAA released findings of its latest global climate model simulations for the 21st century. It indicated the possibility for a robust increase in vertical wind shear in the tropical Atlantic and East Pacific Oceans, which would act to inhibit the development or intensification of hurricanes in these regions. This was the first published study to indicate that changes to vertical wind shear in the future climate projections would likely diminish the frequency and intensity of hurricanes.

NYMEX announced today that effective at the close of business Wednesday, margins on the first month of the Texas Eastern Zone M-3 basis swap will decrease to \$270 from \$1080 for customers. The margins on the second to fifth months will move to \$338 from \$810 while the margins on the sixth to tenth months will be set at \$540. Margins on contract months 11th-17th months will see customer margins set at \$338. Margins on the Transco Zone 6 basis swap futures will see the first month set at \$270 for customers from \$2025. Customer margins on the second through fifth months will move to only \$405 from \$1215, while all other months will remain unchanged.

Total said it was working with Iran to reduce mounting costs for a planned liquefied natural gas project and hoped to make a final decision on the investment later this year. It said the cost level was the main hurdle for its

Generator Problems

SERC – Entergy's 1207 Mw Grand Gulf #1 nuclear unit continues to ramp higher following its recent return from a refueling outage. The unit was at 88% of capacity this morning, up 23% from yesterday.

Progress Energy's 938 Mw Brunswick #2 nuclear unit was at 20% of power this morning up 5% from Tuesday.

TVA's 1100 Mw Brown Ferry #2 nuclear unit had reconnected to the grid this morning as it reached 21% of capacity.

PJM – PPL's 1115 Mw Susquehanna #2 nuclear unit was at 40% this morning, basically unchanged from Tuesday and only 4% higher than Monday's level.

Exelon's Peach Bottom #3 nuclear unit was back to full power on Wednesday, up 18% from Tuesday.

Canada – Bruce Power's 50 Mw #4 nuclear unit returned to service this morning. The unit had been off line since March 17th.

The NRC reported that 76,563 Mw of nuclear capacity is on line, up 1.1% from Tuesday, and off some 0.87% from a year ago.

planned participation in building Iran's first LNG export terminal, rather than international tension over Iran's nuclear program. The US has urged its allies not to invest in Iran as part of a campaign to force Iran to halt its nuclear program.

PIPELINE MAINTENANCE

Gulf South Pipeline reported that maintenance work at its Bistineau Compressor Station Unit #2 has been extended through May 6th. Maintenance work at the Olla Compressor Station Unit #1 will result in capacity being effected by as much as 250,000 Dth during the April 23-27th period. Meanwhile maintenance work at the Longview #1 Compressor Station Unit #2 has been completed.

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	1,067,100	\$7.536	\$0.040	(\$0.219)	\$0.010	(\$0.182)
Chicago City Gate	581,800	\$7.207	(\$0.034)	(\$0.316)	(\$0.057)	(\$0.259)
NGPL- TX/OK	727,000	\$7.022	\$0.109	(\$0.501)	\$0.086	(\$0.539)
SoCal	862,100	\$6.864	(\$0.012)	(\$0.659)	(\$0.035)	(\$0.542)
PG&E Citygate	659,800	\$7.323	(\$0.038)	(\$0.200)	(\$0.061)	(\$0.148)
Dominion-South	526,200	\$8.383	(\$0.074)	\$0.860	(\$0.097)	\$0.922
Transco Zone 6	134,400	\$8.702	(\$0.031)	\$1.179	(\$0.054)	\$1.113

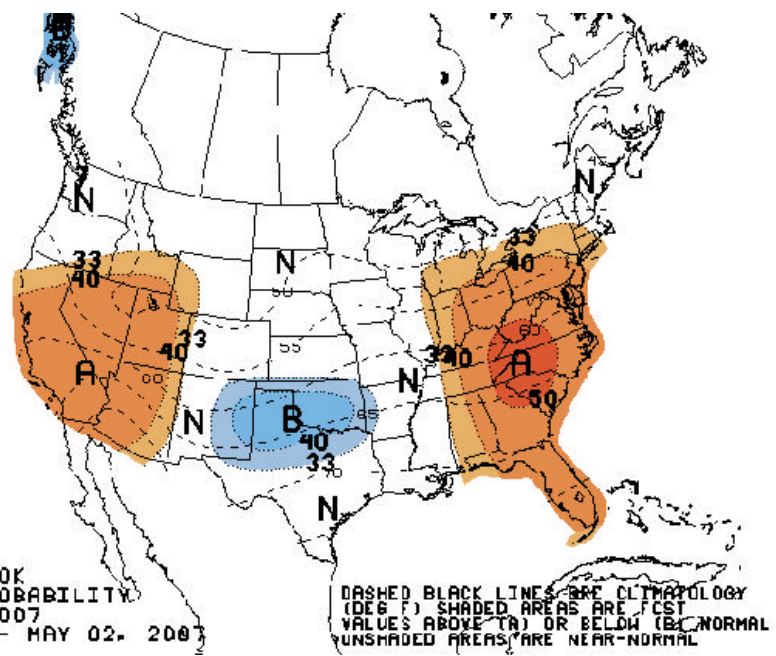
Southern Natural Gas Pipeline said that it is replacing a section of its 14-inch Chattanooga Branch Line just upstream of the Rome Compressor station in Georgia. Based on current pipeline conditions and anticipated loads, Southern will begin allocating interruptible capacity on the line effective with the Timely Cycle today and until further notice. The company also noted that its Muldon maintenance work is not expected to be completed until May 14th.

Tennessee Gas Pipeline reported that its Meter 011076 East Cameron 254B will be out of service during leak repair on the 509A-300 Line. Meters 01-2516 Venice Interconnect, 01-1443, West Delta 58C, 01-1684 West delta 58D are all out of service. Meter 01-1892 South Timbalier 54/55e will remain out of service until the end of May .

PIPELINE RESTRICTIONS

Tennessee Gas Pipeline said that as of today it has restricted through approximately 54% of Supply to Market Secondary Out of Path nominations along its Carthage Line Lateral. The company noted that upstream of Station 823 on the 507A, K and F lines it had restricted through approximately 62% of Supply to Market Secondary Out of Path nominations.

ELECTRIC MARKET NEWS



TXU said Wednesday that it has failed to find any offers for the company that were superior to the proposed \$45 billion offer the investor group led by KKR. TXU and the buying group said that they are continuing their efforts to complete the sale and expect to file this month a request for approval with the NRC and the Texas Public Utility Commission. The group will also submit filings with the FERC FCC and U.S. Department of Justice within the next few months.

NYMEX Nat Gas Options Most Active Strikes for April 18, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
ON	1	8	P	7	12/26/2007	0.248	5,050	41.65
LN	12	7	P	5.5	11/27/2007	0.0452	4,700	44.14
LN	11	7	P	6	10/26/2007	0.1169	3,133	45.91
LN	6	7	P	7.5	05/25/2007	0.3054	2,900	41.18
LN	9	7	P	6	08/28/2007	0.1259	2,733	46.49
LN	1	8	P	5.5	12/26/2007	0.0519	2,600	44.95
LN	2	8	P	5.5	01/28/2008	0.0786	2,600	46.57
LN	3	8	P	5.5	02/26/2008	0.1084	2,600	46.88
LN	11	7	P	5.5	10/26/2007	0.0632	2,600	45.95
ON	1	8	P	8	12/26/2007	0.532	2,525	42.28
LN	8	7	P	5	07/26/2007	0.0084	2,400	43.37
LN	5	7	C	8	04/25/2007	0.0297	2,225	41.22
LN	10	7	P	6	09/25/2007	0.1885	2,200	50.09
LN	11	7	C	15	10/26/2007	0.1505	2,200	49.81
LN	12	7	C	15	11/27/2007	0.2358	2,200	45.52
LN	7	7	C	8	06/26/2007	0.4328	2,150	35.02
LN	7	7	P	5.75	06/26/2007	0.0178	2,100	41.22
LN	6	7	C	8	05/25/2007	0.2307	2,070	36.72
LN	8	7	C	10	07/26/2007	0.176	2,000	42.64
LN	9	7	C	10	08/28/2007	0.323	1,800	45.28
LN	10	7	P	5	09/25/2007	0.0543	1,800	50.16
LN	6	7	C	8.5	05/25/2007	0.1143	1,775	38.38
LN	9	7	P	5	08/28/2007	0.0256	1,700	46.14
LN	11	7	C	12	10/26/2007	0.356	1,700	45.00
LN	7	7	C	9	06/26/2007	0.1716	1,650	38.12
LN	5	7	P	7.4	04/25/2007	0.1184	1,620	40.61
LN	7	7	P	6	06/26/2007	0.0317	1,600	41.09
LN	3	8	P	8	02/26/2008	0.75	1,525	49.98
LN	6	7	C	9	05/25/2007	0.0541	1,400	39.80
LN	11	7	P	8	10/26/2007	0.6893	1,400	48.49
LN	12	7	P	8	11/27/2007	0.5237	1,400	45.80
LN	1	8	P	8	12/26/2007	0.5339	1,325	47.29
LN	2	8	P	8	01/28/2008	0.619	1,325	48.62
LN	5	7	P	7.3	04/25/2007	0.0813	1,300	40.37
LN	8	7	P	6	07/26/2007	0.0662	1,200	43.28
LN	5	7	C	7.5	04/25/2007	0.1622	1,161	38.14
LN	6	7	P	7.25	05/25/2007	0.2012	1,150	40.56
LN	7	7	C	10	06/26/2007	0.0682	1,100	40.91
LN	7	7	P	7.65	06/26/2007	0.4454	1,100	42.53
LN	12	7	P	6	11/27/2007	0.0852	1,100	44.18
LN	12	7	P	6.5	11/27/2007	0.1467	1,050	44.27
LN	7	7	C	7	06/26/2007	0.9762	1,000	28.71
LN	11	7	C	11	10/26/2007	0.4874	1,000	42.78
LN	11	7	C	9	10/26/2007	0.9719	1,000	36.97
LN	12	7	C	11	11/27/2007	0.716	1,000	38.54

Allegheny Energy has signed a memorandum of understanding with AEP to form a joint venture to build and own new electric transmission assets within the PJM Interconnection. The Joint venture will at first look to build a 765 Kv transmission line and related facilities to link AEP's Amos substation in West Virginia with Allegheny's proposed Kemptown station in Maryland. The proposed project is expected to cost \$1.8 billion. A PJM study released today indicated that the Amos-Kemptown line is the preferred solution for ensuring the long-term reliability of the regional transmission system. The earliest in service date for the line would be 2012.

MARKET COMMENTARY

The natural gas market opened a few pennies better this morning but quickly attempted to retest overnight lows and yesterday's low in the first 40 minutes of trading, helped in part by lower oil prices which pushed lower initially following the release of the EIA oil market report. But natural gas prices were unable to find follow through selling down at the lows and as a result spent much of the day climbing back into positive territory as some shorts seemed to be squaring up before tomorrow's EIA storage report. The market was thus able to finish up for the day in positive territory for the first time five trading sessions. Volume on the day remained moderate at best, posting its second day in a row of a sub 100,000 lot trading session with just 90,095 lots booked on the day. Open interest reported at midday posted the second consecutive decline, as some

6236 positions were closed out on Tuesday, further strengthening our case of weak longs established last week were exiting the market.

Tomorrow's EIA Storage Report should be an interesting event. A sizeable drawdown at this time of year is a rather unusual event but has been done. Back in 2003 this week saw a 46-bcf decline in stocks as a late season cold snap had drained working gas stocks. Last year though saw a 57 bcf build with the five-year seasonal average reflecting a 26 bcf build. Market expectations appear to be running between a 25-50 bcf draw with most expectations centered around 34-35 bcf. Our estimate is much higher coming in around 55-65 bcf draw down. As a result we would look for tomorrow's report to give a short-term support to the market, but any rally out of this report we feel then would be a selling opportunity. In 2003 this bullish report led to a small pop higher in prices only to see spot prices 50-75 cents lower a week later.

