



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR APRIL 22, 2008**

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

ConocoPhillips reported that the J-Block gas fields in the British North Sea were restarted on Tuesday after an unplanned shutdown on Sunday. The three fields combined produced around 12.4 million cubic meters of gas and 27,750 barrels of oil per day in December.

Alaska's Department of Natural Resources has rejected ExxonMobil's plan to develop the Point Thomson oil and gas field.

The Rocky Express Pipeline reported today that final construction on the 210 mile section of REX-West continued with tie-ins expected to be completed Tuesday with the projected in-service date for the western section seen "as no sooner than late this week." The company formally request FERC approval to begin service Wednesday.

WSI released a slightly more bullish tropical season forecast as it increased its tropical forecast to now 14 named storms with eight becoming hurricanes and four of these hurricanes reaching Category 3 or greater. This year's hurricane season begins on June 1<sup>st</sup>.

UK spot natural gas prices firmed today on concerns that a strike planned for the Grangemouth refinery could trigger some cutbacks in North Sea oil and gas production next week.

A meeting of the Gas Exporting Countries Forum (GECF), which was originally expected in June, might be delayed until September or October. Senior experts and deputies from the GECF will meet in Tehran on April 28<sup>th</sup> in an attempt to begin formalizing the structure of the group.

Waterborne Energy reported that strong demand from Asia and Spain this year could result in U.S. LNG imports dropping to as low as 1.2 bcf/d or 40% below last year's import rate of 2.1 bcf/d.

EnCana reported today natural gas production

#### **Generator Problems**

**ERCOT** – Luminant's 1150 Mw Comanche Peak #2 nuclear unit continued to ramp higher today, up 12% to 90% of capacity.

**NPCC** – Entergy's 1020 Mw Indian Point #2 nuclear power plant was at 29% of capacity Tuesday after tripping offline on Monday. The unit has been returning to service from its recent refueling outage.

OPG reported that while it returned to service Units #1, 3 and 6 at the Nanticoke coal fired power station, it was taking Units #2 and #4 offline today for short term maintenance.

OPG reported that its 535 Mw Unit #3 at the Lennox oil and gas fired power station returned to service this morning after a six week outage.

OPG reported that while the 494 Mw Unit #1 at the Lambton coal fired power plant returned to service this morning, operators took off line Unit #2 for planned maintenance.

**PJM** – Susquehanna #1 nuclear unit was up 6% and at 77% of power this morning.

PSEG Nuclear's 1100 Mw Salem #1 nuclear unit was back to full capacity today, after the unit had fallen below 60% of power over the weekend.

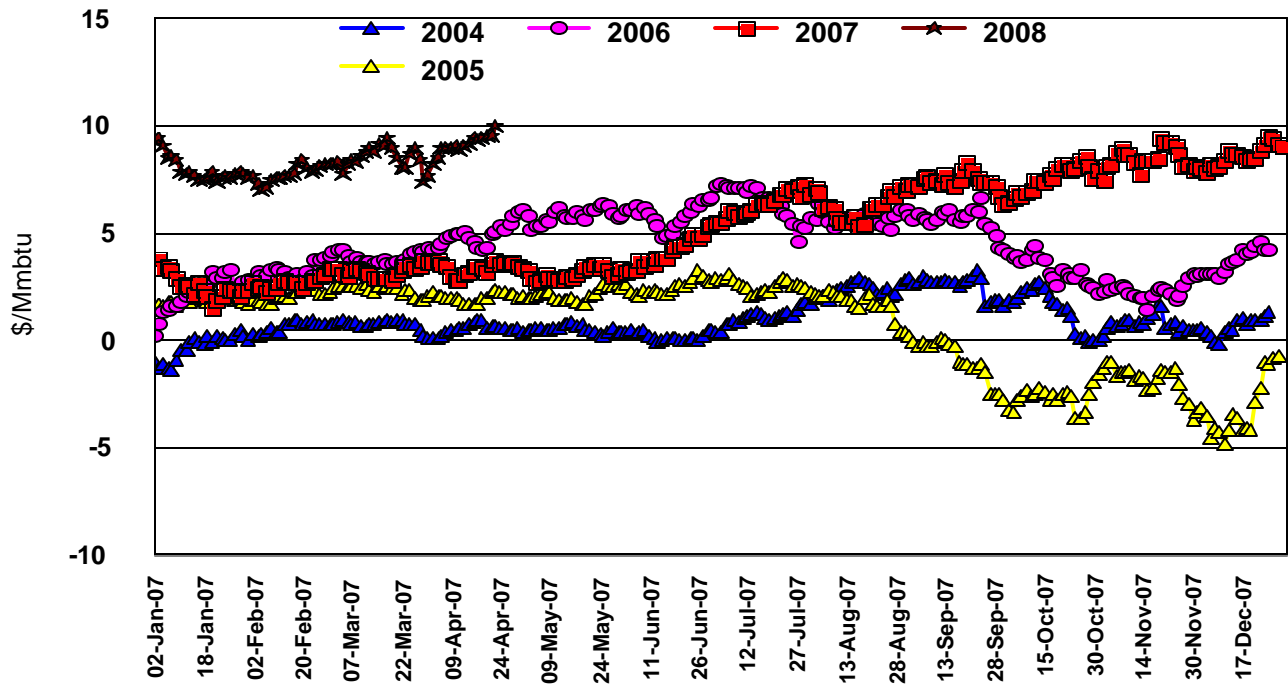
**SERC** – Entergy Nuclear One Unit #1 was back to full power this morning, up 10% from yesterday.

TVA's 1100 Mw Brown's Ferry #1 nuclear unit was up 26% to 96% of capacity.

Dominion resources restarted its 800 Mw Surry #1 nuclear unit and it was up to 67% of power this morning.

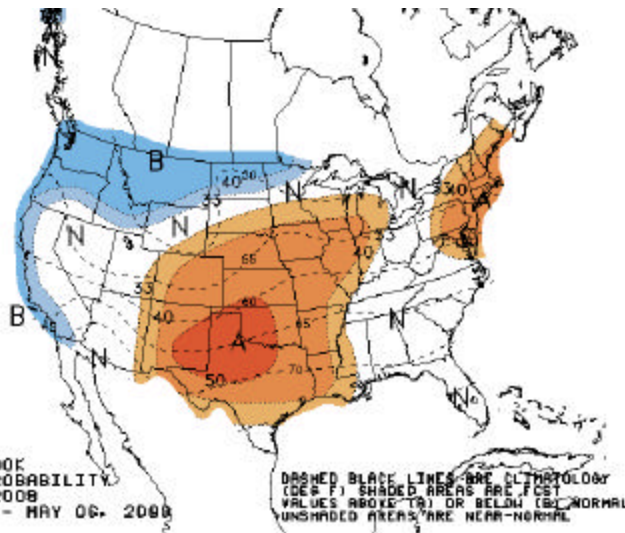
**The NRC reported that 78,2855 Mw of nuclear capacity is online, up 1.4% from Monday but up 0.01% from a year ago.**

## Crude Oil Vs Natural Gas: NYMEX Spot Futures Settle



increased by 10% in the first quarter to 37 Bcf/d, with U.S. production growing by 27%. The company saw realized natural gas prices at \$8.02 per Mcf, up 11% from a year ago. The company reported their hedging activities resulted in realized gains of \$13 million after tax, composed of a \$62 million after tax gain in natural gas and basis hedges, and a \$49 million after tax loss on oil and other hedges. The company reported that 40% of the remaining 2008 expected gas production has been hedged. The company has hedged about 1.6 Bcf/d of expected gas production for the remainder of the year at an average equivalent price of \$8.04 per Mcf. The company has also hedged just 20% of its expected 2008 oil production at a WTI equivalent price of \$70.31 per barrel.

### PIPELINE MAINTENANCE



Enbridge Offshore Pipelines said that unplanned maintenance work on its Mantra Ray system is scheduled to begin today. The 16-inch lateral is expected to be shut in for 7-14 days.

Westcoast Energy said that effective 6 am this morning it had taken the D Process Train out of service at its Fort Nelson Gas Plant to make scheduled repairs to the Dehydrator Main Flow Valve lasting until Thursday. The company is expecting that there will be no impact to raw production during the period.

### PIPELINE RESTRICTIONS

FGT issued an overage alert at 25% tolerance today for its Market Area, as

warm temperatures in the state were expected to boost demand.

### **ELECTRIC MARKET**

#### **NEWS**

Genscape reported that U.S. power generation for the week ending April 17<sup>th</sup> fell 2.19% from the previous week and was some 3.8% less than the same week year ago.

Nevada Power announced today that it has agreed to buy the 598 Mw natural gas natural gas fired Bighorn Generating Station near Las Vegas from Reliant Energy for \$500 million.

Some Congressional democrats have begun floating a proposed piece of legislation that would require the U.S to cut greenhouse gas emissions by 80% below 1990 levels by 2050 and commit the nation to binding international emission targets.

ERCOT reported that AEP's Southwestern Electric Power will shut the East Texas 600 Mw DC tie from April 28- May 2 for routine maintenance.

### **MARKET COMMENTARY**

Despite the soaring values in the oil markets today natural gas values were unable to even finish the day in positive territory. It appeared the inability of this market to convincingly break above yesterday's highs kept the bulls at bay for the day. The daily charts are now looking a bit tired as the daily stochastics are on the verge of crossing back to the downside for the first time in 12 trading sessions. The bulls also stayed away from the March – April natural gas spread today for the second straight session as this spread settled at its lowest level

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	2,295,600	\$10.562	\$0.065	(\$0.118)	(\$0.068)	(\$0.434)
Chicago City Gate	909,600	\$10.441	\$0.049	(\$0.239)	(\$0.002)	(\$0.307)
NGPL- TX/OK	1,078,100	\$10.097	(\$0.031)	(\$0.583)	(\$0.082)	(\$0.617)
SoCal	851,100	\$10.178	\$0.037	(\$0.502)	(\$0.014)	(\$0.623)
PG&E Citygate	1,076,700	\$10.666	(\$0.023)	(\$0.014)	(\$0.074)	(\$0.131)
Dominion-South	349,600	\$11.041	\$0.023	\$0.361	(\$0.028)	\$0.240
Transco Zone 6	148,300	\$11.224	(\$0.028)	\$0.544	(\$0.079)	\$0.439

### **NYMEX Nat Gas Options Most Active Strikes for April 22, 2008**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	5	8	C	11	04/25/2008	0.0623	4,411	50.76
LN	6	8	P	10	05/27/2008	0.2324	3,830	43.40
LN	6	8	C	12	05/27/2008	0.2186	3,770	45.29
LN	6	8	P	9	05/27/2008	0.045	3,600	42.41
LN	12	8	C	17	11/21/2008	0.5814	2,600	50.51
LN	11	8	C	17	10/28/2008	0.4767	2,600	53.38
LN	7	8	P	6	06/25/2008	0.0001	2,538	41.84
LN	11	8	P	10	10/28/2008	0.8492	2,400	52.71
LN	12	8	P	10	11/21/2008	0.7669	2,300	50.61
LN	5	8	P	10	04/25/2008	0.0203	2,246	49.83
LN	3	9	P	11	02/24/2009	1.6775	2,200	57.51
LN	6	8	P	7.5	05/27/2008	0.0028	2,100	47.99
LN	3	9	P	9.5	02/24/2009	0.8983	2,000	53.25
LN	7	8	P	5	06/25/2008	0.0001	2,000	49.22
LN	5	8	P	10.5	04/25/2008	0.1406	1,838	50.37
LN	9	8	C	12	08/26/2008	0.9318	1,825	46.49
LN	6	8	C	11	05/27/2008	0.4836	1,805	41.61
LN	2	9	P	9	01/27/2009	0.5789	1,600	51.42
LN	10	9	C	10	09/25/2009	1.6657	1,525	23.57
LN	10	9	C	11	09/25/2009	1.3674	1,500	27.38
LN	3	9	P	9	02/24/2009	0.6914	1,500	51.89
LN	3	9	C	13	02/24/2009	1.68	1,350	44.95
LN	5	8	C	11.5	04/25/2008	0.0105	1,250	53.06
LN	6	8	C	14.5	05/27/2008	0.0257	1,250	51.10
LN	7	8	C	12	06/25/2008	0.439	1,240	43.35
LN	10	8	P	9.5	09/25/2008	0.6922	1,200	55.23
LN	5	8	P	10.1	04/25/2008	0.0322	1,100	49.83
LN	6	8	P	10.85	05/27/2008	0.6285	1,050	47.15
LN	6	8	P	7.75	05/27/2008	0.0048	1,050	47.07
LN	6	8	P	7.25	05/27/2008	0.0016	1,050	48.91
LN	9	8	P	8	08/26/2008	0.1655	1,037	50.80
LN	9	8	P	11	08/26/2008	1.2561	1,025	55.60
LN	3	10	P	6.25	02/23/2010	0.2364	1,000	41.31
LN	2	10	P	6.25	01/26/2010	0.1692	1,000	39.00
LN	12	9	P	6.25	11/23/2009	0.1444	1,000	38.10
LN	1	10	P	6.25	12/28/2009	0.1572	1,000	38.97
LN	11	9	P	6.25	10/27/2009	0.1837	1,000	39.85
LN	4	10	C	15	03/26/2010	0.3206	1,000	24.53

since April 14<sup>th</sup> as the daily stochastics on this spread clearly point to lower values.

We feel with rebounding nuclear output and a moderate weather outlook that this market could see some pull back, which could be a buying opportunity later. We see support tomorrow at \$10.50, \$10.478, and \$10.40. More distant support we see at \$10.267, \$10.20 and \$10.027. Resistance we see at \$10.738, \$10.764, \$10.868, \$10.973 and \$11.00.