



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR MAY 1, 2007**

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

MDA EarthSat Energy Weather summer forecast calls for a warmer than normal summer, compounded by an "active" Atlantic hurricane season, with the Gulf of Mexico and its land borders under increased threat.

Southern Natural gas Pipeline said today that it has placed Phase one of its Cypress Pipeline project into service.

Caledonia Energy Partners placed into service Tuesday a high deliverability, multi-cycle storage field in Mississippi with a capacity to store 11.7 Bcf of working gas, in a nearly depleted natural gas reservoir.

Marathon Oil Corporation reported today that its first quarter earnings fell 8.5% due in part to lower natural gas prices and sales. It reported that its average price for domestic natural gas in the quarter fell to \$5.91 Mcf from \$6.66 Mcf last year. Production of natural gas during the first quarter domestically was estimated at 512 Mmcf/d down 8.7% from the same period a year ago.

BP and ConocoPhillips, two of the three major producers on the North Slope of Alaska, said today that they will not submit proposals for an Alaskan natural gas pipeline under Governor Sarah Palin's proposed Alaska Gasline Inducement Act. Bp also said it will not be able to sign a capacity agreement to transport gas with an independent pipeline licensed under the governor's bill. ExxonMobil, the other major producer is expected to follow the same position of the other two producers, in an announcement later Tuesday. The producers seem to be balking over the "inadequate resource terms" on upstream tax and royalty issues. The producers feel that the current legislation puts unreasonable commercial risk on initial shippers.

NYMEX announced today that it will change margins on several of its natural gas basis and index swaps futures contracts effective the close of business Wednesday. The margins on the first month of the Chicago basis swap futures contracts will decrease to \$675 from \$810 for customers. Margins for all other months will decrease to \$540 from \$675 for customers. Margins on the first month Waha basis swap will decrease to \$675 for customers from \$1013. Margins on the second month will remain unchanged for customers, with the third through 12<sup>th</sup> month will drop to \$405 from \$540. The Panhandle basis swap will see a decline in margin for the first month to \$810 from \$1080, while the

#### **Generator Problems**

**SPP** – The 858 Mw Arkansas Nuclear One unit #2 was at 99% of power this morning after falling to 80% on Monday.

Entergy's 1635 Mw White Bluff coal fired power plant was shut early Tuesday.

**NPCC** – Entergy's 979 Mw Indian Point #3 nuclear unit was at only 65% of capacity Tuesday, down 5% from Monday's levels.

The 580 Mw Brighton Beach natural gas fired power station was taken off line for repair work. One unit is reportedly to be off line for "short term" work, while the other will see "long-term" work.

**PJM** – Exelon's 1143 Mw Limerick #2 nuclear unit was back to full power this morning, up 10% from yesterday.

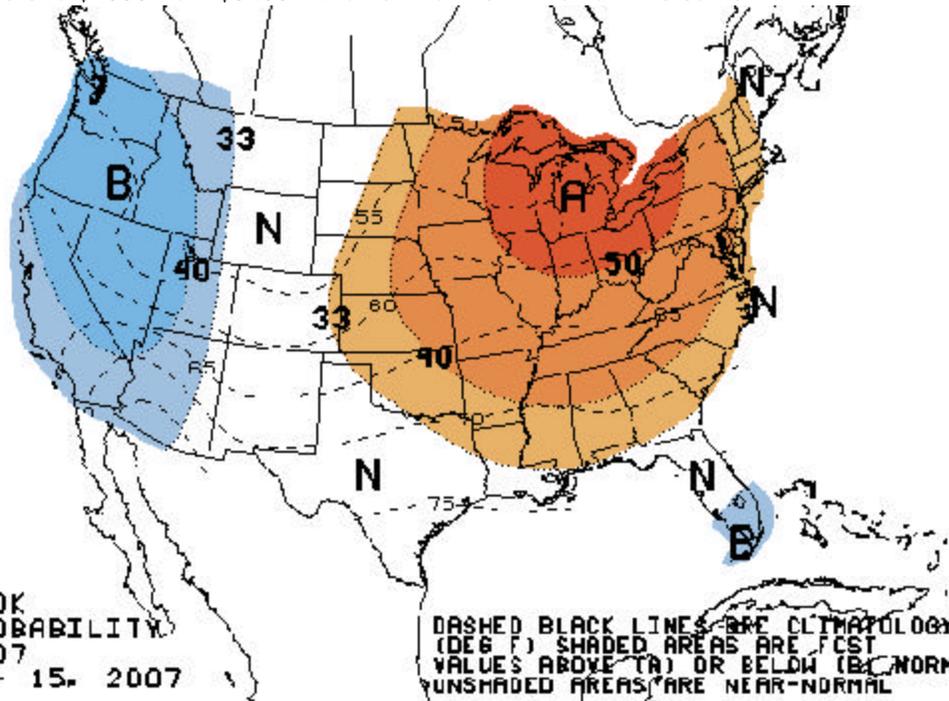
PSEG Nuclear's 1100 Mw Salem #1 nuclear unit was taken off line Monday afternoon due a recurrence of "heavy grassing" at its water intake circulators. The unit was troubled by this problem last week as well.

**ERCOT** – South Texas #2 nuclear unit was at 89% of power this morning up 12% from Monday.

**WSCC** – PG&E shut its 1100 Mw Diablo Canyon #1 nuclear unit On Monday for its scheduled maintenance outage.

**The NRC reported that 79,568 Mw of nuclear capacity is on line, down 0.76% from Monday, but up 4.13% from a year ago.**

second to sixth months will remain the same. Margins for the seventh to 12<sup>th</sup> months for customers will change to \$405 from \$473. The exchange is also changing margins on the first and second months of the Transco Zone 6 index swap for customers to \$4050 from \$5400. All other months will remain the same.



**PIPELINE RESTRICTIONS**

FGT Said that due to the 90 degree plus weather forecasted for central Florida today it was issuing an Overage Alert Day at 25% tolerance.

Williston Basin Interstate Pipeline noted that it continues to keep in place capacity restrictions for Madden-Worland and Worland-Lovell.

NGPL announced it was at capacity on its Amarillo system at station 801 while at limited capacity at Stations 109-110 and upstream of Station 155. On the Gulf Coast system, Segment 23-26 are at capacity while Segment 17 is at limited capacity.

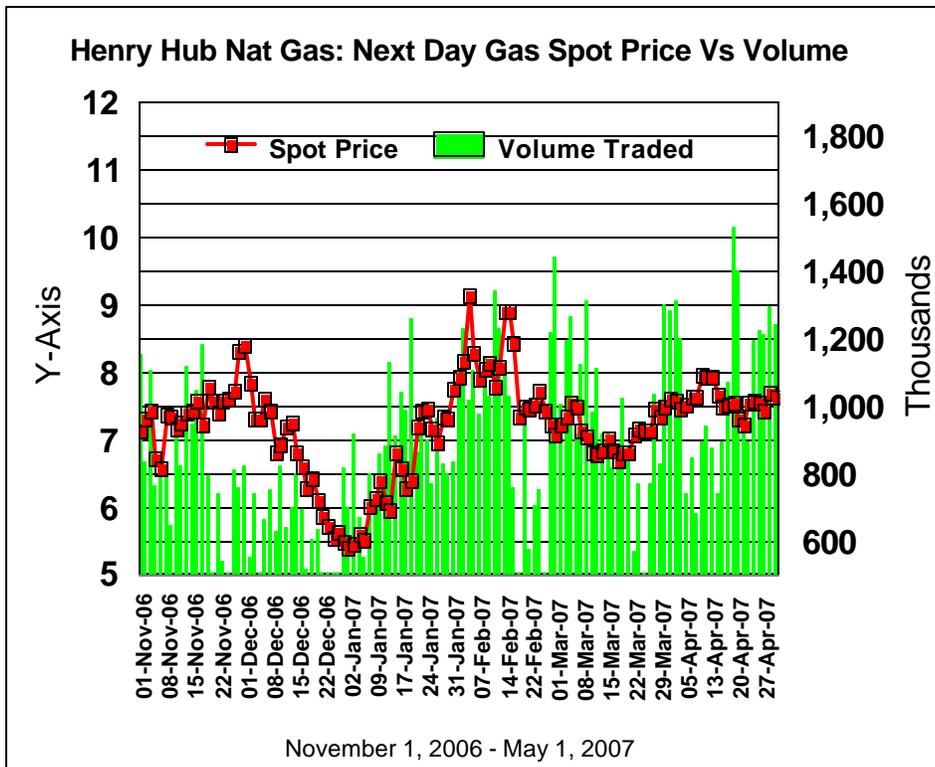
**PIPELINE MAINTENANCE**

Westcoast Energy said it has repaired the leak on Sulfur Train #10 at the Fort Nelson Gas Plant on Monday evening and that operators were restoring the plant to full capacity today.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,239,300	\$7.644	(\$0.067)	(\$0.322)	(\$0.005)	(\$0.414)
Chicago City Gate	521,000	\$7.663	\$0.066	(\$0.069)	\$0.120	(\$0.331)
NGPL- TX/OK	650,500	\$7.333	\$0.029	(\$0.399)	\$0.083	(\$0.606)
SoCal	854,900	\$7.233	(\$0.097)	(\$0.499)	(\$0.043)	(\$0.594)
PG&E Citygate	587,800	\$7.588	(\$0.118)	(\$0.144)	(\$0.064)	(\$0.215)
Dominion-South	451,000	\$8.071	(\$0.127)	\$0.339	(\$0.073)	\$0.380
Transco Zone 6	198,900	\$8.167	(\$0.127)	\$0.435	(\$0.073)	\$0.545

National Fuel Gas Supply said that the Reynoldsville Station will be shutdown on May 2<sup>nd</sup> for two days and all producers must shut in completely by 5 PM Tuesday.

KMIGT announced it will be performing maintenance on May 8<sup>th</sup>, at its Casper Compressor Station. Nominations for receipt points on Segments 30,35, 40, 43, 710 and 720 pathed through Segments 45 and 730 will not be scheduled during this maintenance.



**ELECTRIC MARKET NEWS**

Genscape reported this morning that coal supplies at U.S. power plants rose by more than 500,000 tons last week and are now about 37% above the same week a year ago. The company estimated that coal stocks stood at 140 million tons as of April 30<sup>th</sup>. Supplies represented 51 days of average burn, unchanged from the previous two weeks and up from 13 days of average burn the same week a year ago.

ISO New England estimated today that New England should have sufficient power supplies to meet forecasted demand this summer. Last summer the ISO set its all time peak power usage record of 28,127 Mw during the heat wave in August

2006. On that day, the ISO used demand side resources, which included load management, distributed generation and energy efficiency resources to lower overall demand by a maximum of 625 Mw. The ISO said more than 900 Mw of demand resources were available for this summer peak demand period. Under normal condition of 90 degrees Fahrenheit conditions the ISO looks for a peak demand 27,360 Mw.

The Nuclear Energy Institute reported that U.S. nuclear generation in 2006 operated at a median capability factor of 91.5%, just 0.4% lower than the all time high operating rate recoded in 2005.

FPL on Monday concluded its presentation to the Florida Public Service Commission on its proposed clean coal technology for its planned FPL Glades Power Park. It noted experts noted that the technology chosen for the plant is the best option available to maintain fuel diversity with in the company's service area. The company acknowledged the federal regulation of greenhouse gases is likely to be implemented in the near future, but feels the potential costs associated with carbon costs is manageable since the proposed plant would be among the cleanest coal plants in the U.S. and the lowest CO2 emission rates.

Entergy filed an application with the NRC for a 20-year extension of the original 40-year operating license for its two nuclear power reactors at Indian Point. The current licenses expire in 2013 and 2015.

**MARKET COMMENTARY**

The natural gas market opened lower this morning and despite a short lived foray into positive territory remained on the defensive for much of the day, coming under significant selling pressure late in the session as oil prices tumbled lower. While yesterday saw the cash market help support prices, the price strength was not there today with most points posting lower values and also seeing the basis relationship slip as well. It is interesting to note that the volume of gas transacted over the last five trading sessions at this location point on ICE in the next day market that this market has out paced any other prior five day period since October and 250% over year ago levels. This appears to point strong buying for storage injections in our mind.

This market though we feel still is ripe for a sell off, and last year the first three weeks of May saw a \$1.00 plus sell off in both the cash market and futures. While it may take until after this weeks storage report to get this final shove to the downside we look for downside targets of \$7.717, \$7.656, \$7.632 \$7.595, \$7.572 with major trend

line support at \$7.498. Additional support we see tomorrow at \$7.46, \$7.387 and \$7.10. Resistance we see at \$7.804, \$7.916, \$7.976 and \$8.137.

