



## ***ENERGY RISK MANAGEMENT***

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

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

The long awaited and discussed tropical system brewing in the Caribbean and U.S. Gulf over the past several days, finally developed officially into Tropical Storm Barry, on the same day that the 2007 Atlantic Hurricane Season, started. On Friday afternoon the National Hurricane Center reported that officially Tropical Storm Barry had formed and was some 320 miles southwest of Tampa, Florida. Oil and gas producers were tracking the storm and while some companies had their offshore platform crews on standby no evacuations were expected nor any impact on operations were expected.

Analysts at FTI Consulting said that increased natural gas storage capacity in the U.S. since 2006 is one of the factors supporting relatively strong gas prices despite bearish near term fundamentals as utilities and local distribution companies come under increasing pressure to fill inventories this summer. The analysts estimate that overall capacity since 2006 has been increased by 74 bcf. The group estimated that this storage capacity coupled with an end of winter storage deficit compared to 2006, will lead to LCD's and utilities to inject between 300-350 bcf more gas throughout the injection season to achieve storage refill targets. They thus estimate planned injections into storage should run 1.5 to 1.75 bcf/d higher than the 2006 injection season.

Trunkline Gas Company is holding a nonbinding open season to determine interest in a proposed connection with the Vector Pipeline. The Vector Connector Project would add about 16 miles of pipeline from Trunkline's Elkhart, IN meter station to a new connection with Vector in St. Joseph County, MI.

Canada's National Energy Board has approved the Brunswick Pipeline, a 90-mile pipeline slated to deliver gas from the planned Canaport LNG import terminal; near Saint John, NB to markets in Canada and the U.S. Northeast.

Northern States Power-Wisconsin asked the Wisconsin PSC to approve a \$67.4 million or 14.3% electric rate hike and a \$5.3 million or 3.3% natural gas rate increase. The company said the natural gas rate increase was needed for the ongoing installation and maintenance of the company's distribution system and energy conservation programs.

#### **Generator Problems**

**NPCC** - Entergy's 1,019 Mw Indian Point #2 nuclear unit returned to full power by early today. Yesterday, the unit was operating at 25% power after exiting an outage.

**MAPP** - FPL's 580 Mw Duane Arnold nuclear unit dipped to 57% capacity. Yesterday, the unit was operating at 98% power.

**PJM** - PSEG's 1,061 Mw Hope Creek nuclear unit exited and outage and ramped up to 25% capacity today. Yesterday, the unit was operating at 1%.

**SERC** - Entergy's 836 Mw Arkansas #1 nuclear unit returned to service and ramped up to 84% capacity by early today. Yesterday, the unit was operating at 10% power.

**ERCOT** - TXU Corp's 575 Mw Big Brown #1 coal fired power station restarted following repairs to turbines.

TXU's 500 Mw Monticello coal fired power station will shut Friday afternoon in order to repair leaking crossover safety relief valves.

**WSCC** - PG&E's 404 Mw Helms #1 hydropower station shut for planned work.

**Canada** - Ontario Power Generation's 490 Mw Nanticoke #6 coal-fired power station shut for planned maintenance.

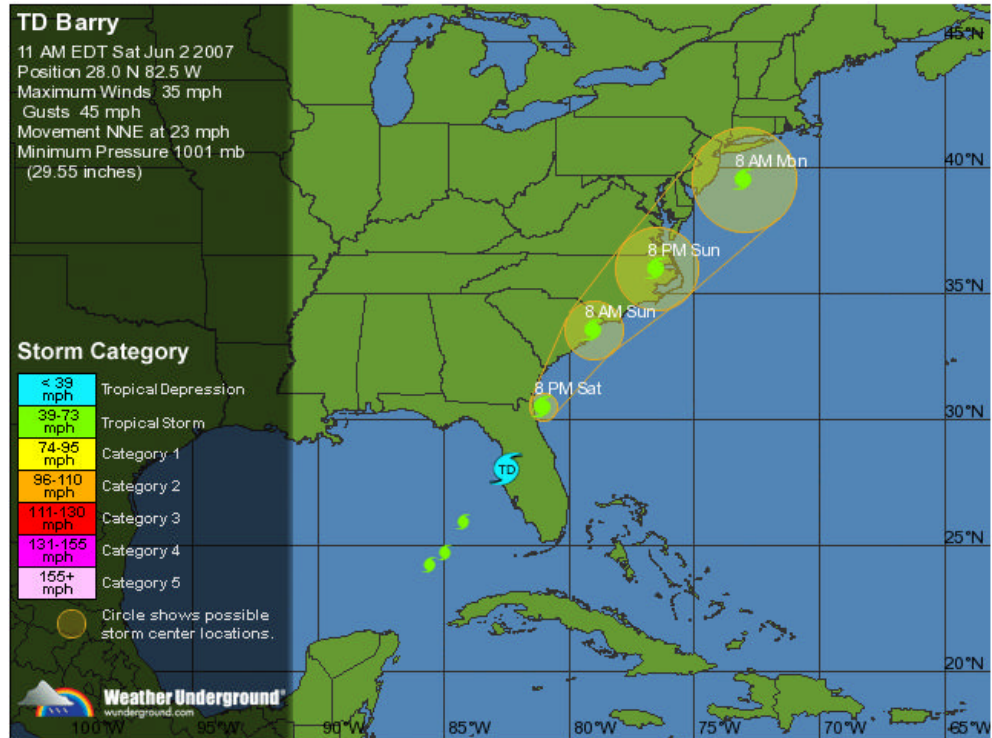
OPG's 535 Mw Lennox #1 oil and natural gas fired power plant returned to service after being off line for maintenance since April 19<sup>th</sup>.

**The NRC reported that 89,188 Mw of nuclear capacity is on line, up 2.15% from Thursday, and down .66% from a year ago.**

The Millennium Pipeline received two major environmental approvals from New York officials which should allow the construction of the 181 mile natural gas pipeline across New York's Southern Tier and lower Hudson Valley.

**PIPELINE RESTRICTIONS**

Texas Eastern reported for today it has scheduled and sealed nominations flowing through Batesville and St. Francisville. Additionally the company has forced balanced all long TABS-1 pools in STX, ETX and M1 24 inch.



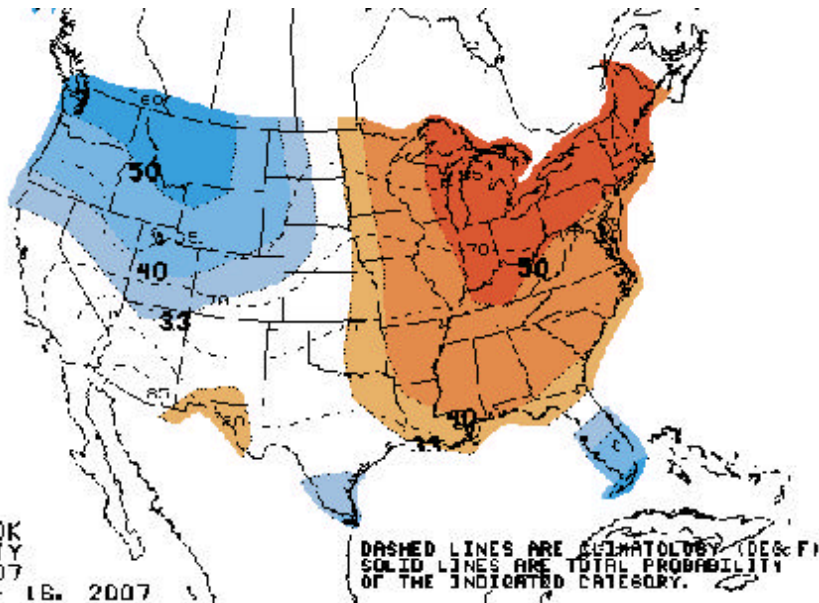
Williston Basin Interstate Pipeline Company said that 01010 Northern Border-Manning is in pipeline capacity constraint through today and that penalties will be imposed.

Tennessee Gas Pipeline said that for today's gas day Carthage Line lateral it expected to restrict through approximately 11% of Supply to market Secondary Out of Path nominations. At Station 827 it anticipated restricting through approximately 20% of Supply to Market Secondary out of Path nominations. At the Leidy Meters it anticipates restricting through approximately 55% of Supply to Market Secondary Out of Path nominations.

**ELECTRIC MARKET NEWS**

Nine former members of the FERC yesterday issued an open letter to policymakers calling for the continued support for competitive power markets. The group was attempting to add a voice to counter recent efforts of the American Public Power Association, Electricity Consumers Resource Council

8-14 DAY OUTLOOK  
 TEMP PROBABILITY  
 MADE 2 JUN 2007  
 VALID JUN 10 - 16, 2007



that has questioned the consumer benefits of organized regional competitive markets and return to more

traditionally regulated regimes. The former FERC members called on both federal and state officials to “work aggressively to reinvent how the business of producing and delivering power is regulated in response to pressures from global energy and environmental issues. The group noted that it takes time for the benefits of the commission’s policies to become clear. The group noted that “this has proven especially true as the states placed a number of conditions on restructuring programs and transmission investment failed to keep pace with developing market demands.”

NYMEX Nat Gas Options Most Active Strikes for June 1, 2007								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	10	7	P	5	09/25/2007	0.0338	6,500	53.95
LN	10	7	P	6	09/25/2007	0.137	6,032	53.63
LN	9	7	C	11	08/28/2007	0.1508	3,650	51.82
LN	8	7	P	7	07/26/2007	0.1197	3,625	41.80
LN	3	8	P	9.7	02/26/2008	1.4808	3,050	54.56
LN	1	8	P	7.5	12/26/2007	0.297	2,700	47.64
LN	3	8	P	9.3	02/26/2008	1.249	2,700	53.43
LN	10	7	P	8	09/25/2007	0.8107	2,600	55.90
LN	8	7	C	9	07/26/2007	0.194	2,550	39.82
LN	10	7	C	10	09/25/2007	0.4463	2,125	51.82
LN	9	7	P	7	08/28/2007	0.261	1,875	48.62
LN	7	7	C	8	06/26/2007	0.2558	1,805	35.49
LN	10	7	P	6.5	09/25/2007	0.2382	1,800	53.86
ON	10	7	P	6	09/25/2007	0.138	1,691	51.15
LN	1	8	P	9	12/26/2007	0.8244	1,650	50.25
LN	9	7	C	12	08/28/2007	0.095	1,425	54.66
LN	9	7	C	9	08/28/2007	0.4088	1,300	43.71
LN	9	7	P	6.5	08/28/2007	0.1409	1,250	48.23
ON	7	7	C	8	06/26/2007	0.256	1,210	37.97
LN	7	7	P	7.25	06/26/2007	0.083	1,100	39.20
LN	12	7	C	12.5	11/27/2007	0.4897	1,100	45.96
LN	7	7	P	7.5	06/26/2007	0.15	1,025	39.54
LN	9	7	P	5	08/28/2007	0.0097	1,025	48.45
LN	3	8	C	10	02/26/2008	1.3838	1,000	37.92
LN	10	7	P	7.5	09/25/2007	0.5729	1,000	55.00
LN	7	7	C	9	06/26/2007	0.0406	975	38.34
LN	7	7	C	8.5	06/26/2007	0.1082	975	37.11
LN	11	7	P	6.5	10/26/2007	0.1455	950	48.17
LN	3	8	C	11	02/26/2008	1.1021	900	41.14
LN	3	8	P	7	02/26/2008	0.3025	900	47.73
LN	8	7	C	10	07/26/2007	0.0919	900	45.74
LN	10	8	C	15	09/25/2008	0.3025	875	34.85
ON	1	8	C	11	12/26/2007	0.957	844	47.02
LN	8	7	P	8	07/26/2007	0.4817	800	43.34
LN	8	7	P	6.75	07/26/2007	0.0762	750	41.74
LN	9	7	C	8.5	08/28/2007	0.5561	750	42.19

Illinois lawmakers were unable to reach a last minute electric rate relief solution for the states many electrical customers Thursday night before the body was scheduled to adjourn. Some legislators were hoping to reach an agreement Friday, while others felt it would drag into June before a potential agreement could be reached in negotiating a settlement in the state’s months long electric rate crisis. Starting Friday though any legislation requires a “super majority” of votes, 60% instead of a simple majority, for passage, potentially complicating efforts to pass a controversial rate rollback and freeze, which is strongly opposed by the states two large utilities, ComEd and Ameren.

The North-to-South capacity on the California-Oregon AC would remain steady between 410000-42000 MW through June 14<sup>th</sup>. Capacity on the Pacific DC intertie is expected to remain steady near 2600 Mw through June 14<sup>th</sup>.

**MARKET COMMENTARY**

The natural gas market today posted a rather non-discript trading session, as prices appear unable to break out of the trading range of the prior two trading sessions. While today prices

appeared to be pressured slightly by the decreasing threat from Tropical Storm Barry, expectations for a prolonged heat wave for the eastern half of the nation for the first half of June seems will keep the bulls and bears in a confused state despite injections over the next couple of weeks running near triple figures. We look for support in this market at \$7.794 followed by \$7.713 and \$7.63-\$7.625. Resistance we see at \$7.962, \$8.00, \$8.049 and \$8.13.

This afternoon’s Commitment of Traders Report showed that the non-commercials have not reduced their net short position of futures and options in natural gas, but rather increased it again during the week ending May 29<sup>th</sup> by 6806 lots, and back to levels not seen since the week ending May 8<sup>th</sup>.

# NYMEX Natural Gas

## Non-Commercials Net Reportable Position Futures and Options Combined

