



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 26, 2007**

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

The National Hurricane Center said that the low-pressure system near Puerto Rico continued to show signs of organization and has the potential to become a tropical depression over the next day or two as it moves west-southwest toward the Caribbean Sea.

BP was fined \$7 million by the U.S. FERC for violations of agency rules related to interstate natural gas pipeline and storage facilities. The violations involved thousands of individual transactions in 2005 and 2006 related to BP's management of customer's rights to ship and store natural gas. FERC said all of BP violations involved 49.3 Bcf of gas and occurred on 14 major pipeline systems.

BP Indonesian unit has said that the Tangguh LNG project is looking at the possibility of building additional liquefaction trains, as space at the field could allow up to eight trains. The Tangguh project, in Bintuni Bay of Indonesia's far eastern Papua province, is setting up two liquefaction trains to produce at least 7.6 million mt/year of LNG. It is based on 14.4 Tcf of proven gas reserves in three neighboring production sharing contracts. First output from the Tangguh LNG project is expected in the fourth quarter of 2008.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. fell by four to 1,760 in the week ending Friday. During the same week last year there were 1,744 rigs active. The number of rigs searching for oil rose six to 326 while the number of rigs searching for gas fell 10 to 1,428.

Wyoming Sen. John Barrasso did as he promised and introduced legislation Thursday to protect 1.2 million acres of the Wyoming Range from new energy development. Some of the existing leases would be retired under the Republican legislator's Wyoming Range Legacy Act, but the bill does not address about 44,000 acres of contested leases in the area.

#### **PIPELINE MAINTENANCE**

#### **Generator Problems**

**ECAR** – Consumers Energy's 789 Mw Palisades nuclear unit reduced output to 65% power. Yesterday the unit was operating at 67% power as the unit comes back from a refueling.

**ERCOT** – TXU's Martin Lake #3 coal-fired power station shut for short-term repairs. The unit is expected to return to service later today.

**MAIN** – Exelon's 1,178 Mw Braidwood #1 nuclear unit exited a refueling outage and ramped up to 30% power by early today. Braidwood #2 continues to operate at full power.

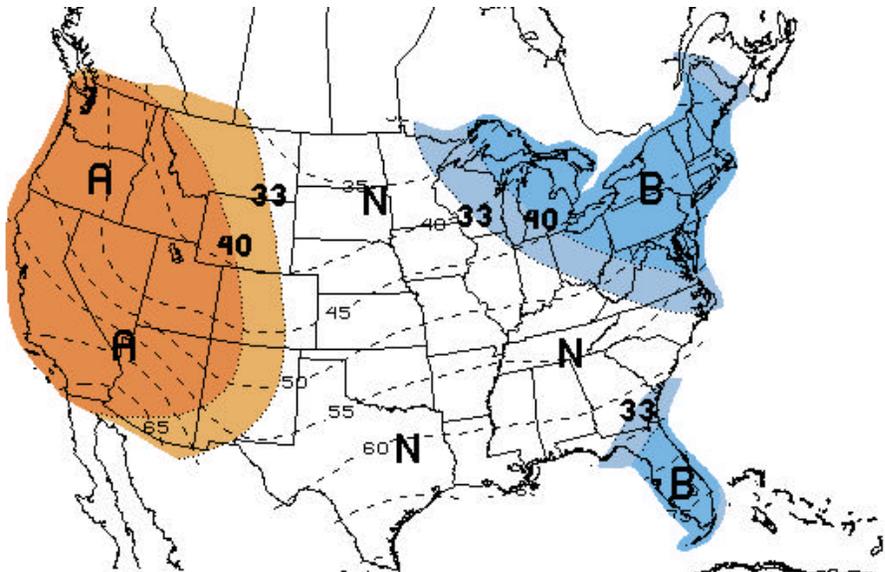
Exelon Generation's 855 Mw Quad Cities #2 nuclear unit decreased output to 85% capacity today. Yesterday, the unit was operating at 96% power. Quad Cities #1 continues to operate at 98% power.

**PJM** – FirstEnergy's 849 Mw Beaver #1 nuclear unit ramped output to 72% power today. Yesterday, the unit exited a refueling outage and ramped up to 29% power.

**SERC** – Progress Energy's 900 Mw Harris nuclear unit ramped power up to 74% capacity following tests to the water that goes into the steam generators.

Duke Power's 846 Mw Oconee #3 nuclear unit decreased output to 89% power as it prepares for a scheduled refueling outage set to begin over the weekend. Oconee #1 and #2 continue to operate at full power.

**The NRC reported that 80,087 Mw of nuclear capacity is online, up 1.23% from Thursday, and up 8.42% from a year ago.**



8-14 DAY OUTLOOK  
 TEMPERATURE PROBABILITY  
 MADE 26 OCT 2007  
 VALID NOV 03 - 08, 2007  
 DASHED BLACK LINES ARE CLIMATOLOGY  
 (DEG F) SHADED AREAS ARE FCST  
 VALUES ABOVE (A) OR BELOW (B) NORMAL  
 UNSHADED AREAS ARE NEAR-NORMAL

Gulf South Pipeline said that unscheduled maintenance on Kiln Compressor Station Unit #2 is now complete.

Tennessee Gas Pipeline said that it has revised dates for the meter station upgrade for meter 012770 Transamerican Interconnect. Meter 12270 Transamerican Interconnect will undergo a meter station upgrade October 29-30. Physical flow will be suspended at meter station 012270 Transamerican Interconnect for the duration of the project.

Westcoast Energy said that it has resolved the valve maintenance issue at the line break valve on the Goodrich injector line. Repairs have been completed and the Goodrich injector line is scheduled to be back in service today at 8:00 AM MT.

**PIPELINE RESTRICTIONS**

Northwest Pipeline said that the anomaly investigations between the Willard and Washougal compressor stations are scheduled to be completed today. Effective October 27, Northwest will set the available capacity at the

Willard compressor station to its design capacity of 553,000 Dth/d.

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	1,613,600	\$6.435	(\$0.050)	(\$0.820)	(\$0.072)	(\$0.680)
Chicago City Gate	740,600	\$6.590	(\$0.097)	(\$0.556)	(\$0.038)	(\$0.492)
NGPL- TX/OK	630,600	\$6.242	(\$0.132)	(\$0.904)	(\$0.073)	(\$0.783)
SoCal	782,000	\$6.058	(\$0.514)	(\$1.088)	(\$0.455)	(\$0.527)
PG&E Citygate	329,000	\$7.031	(\$0.029)	(\$0.115)	\$0.030	(\$0.037)
Dominion-South	354,100	\$6.485	(\$0.104)	(\$0.661)	(\$0.045)	(\$0.550)
Transco Zone 6	379,600	\$6.774	(\$0.135)	(\$0.372)	(\$0.076)	(\$0.228)

**ELECTRIC MARKET NEWS**

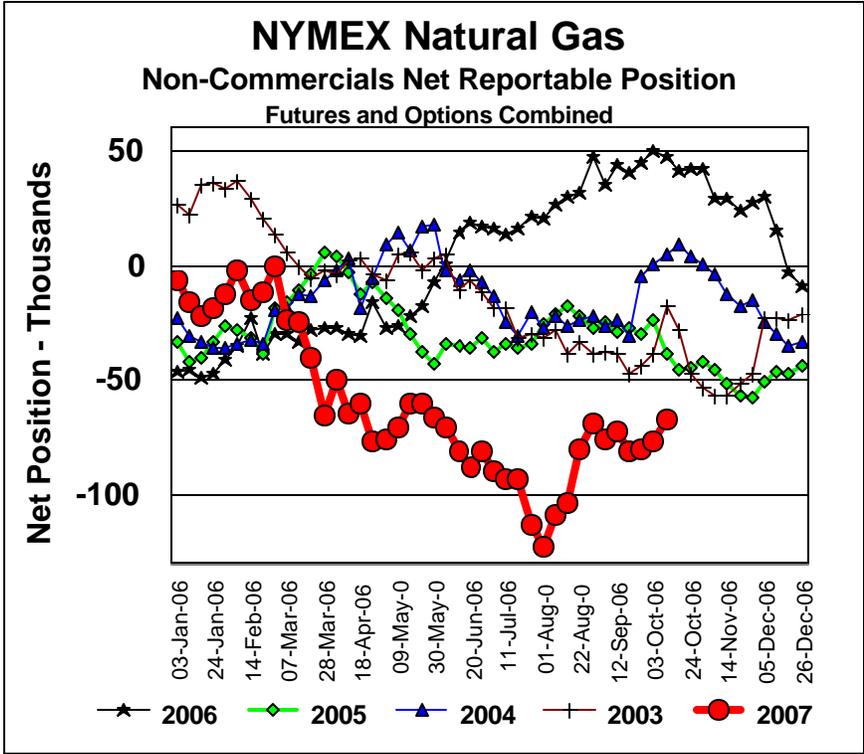
The U.S. FERC said that PG&E and the California ISO had reached a settlement in their dispute over which would manage the entire California-

Oregon Intertie, three major AC power lines that bring power direct from hydroelectric plants in the Pacific Northwest to Los Angeles.

Genscape's U.S. weekly coal burn index rose 1.6% in the week ended October 25 as warm weather returned to the East and Midwest. After falling last week as autumn arrived, the index rose again as power plants burned more coal to meet air-conditioning needs. The index was up about 4.3% over the same week last year.

**MARKET COMMENTARY**

The natural gas market vacillated in and out of positive territory today, torn between bearish fundamentals and surging crude oil, while November options expired. The November contract traded to low of 7.073 as supplies and current weather offer little support to the market, but the steady climb in crude oil spurred short covering in natural gas. The market spiked into the close trading to a high of 7.227 before settling up 3 cents at 7.218.



The glut of natural gas is keeping a lid on the market and holding it in the middle of its 6.70-7.60 range. However, as fundamentals have been overlooked in the crude oil market, natural gas is likewise affected as the market attempts to keep the relationship between the two from getting too far out of hand. The Commitment of Traders Report showed that non-commercial traders increased their net short futures position by 1,111 lots to 57,417 contracts, while in the combined futures and options report, they reduced their net short position by 6,642 lots to 69,903 contracts. Volatility will persist and natural gas will remain range bound, though upside will be limited in the near term as weather demand is lacking. We see support at 7.00, 6.88, 6.75 and 6.70. We see resistance at 7.295, 7.338, 7.50 and 7.55.