



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR OCTOBER 18, 2007

#### NATURAL GAS MARKET NEWS

The National Weather Service said that the La Nina weather anomaly strengthened over September and is expected to bring higher temperatures across the U.S. and increased rain in the Pacific Northwest in November. The NWS predicts above-normal temperatures in the U.S. Northeast and Midwest for November. In its 30-day outlook, forecasters predicted equal chances of above-normal and below-normal temperatures in U.S. Mid-Atlantic states for November. The NWS projected equal chances of above-normal and below-normal precipitation in November for most of the United States, including the Midwest, Plains and Rocky Mountain states. It called for below-normal November precipitation in the Southeast states and most of the Southwest.

An analysis of Gulf of Mexico (GOM) oil and natural gas production data spanning 45 years determined that the average annual impact from hurricanes is "relatively modest," and the impact on supply is "typically short-lived," according to energy consultant IHS.

Capacity construction for the natural gas industry has gone into overdrive recently with numerous new projects -- pipelines, storage and liquefied natural gas

#### Generator Problems

**ECAR** – CMS Energy Corp.'s 820 Mw J.H. Campbell #3 coal-fired power station shut for short unplanned reasons. The unit is expected to return in about a week.

**FRCC** – FPL's 760 Mw Turkey Point #3 is at 48% up from 28% as it comes back from its refueling outage.

**NPCC** – Entergy's 852 Mw FitzPatrick nuclear unit returned to full power by early today. Yesterday, the unit was operating at 52% power.

**PJM** – Exelon's 1,112 Mw Peach Bottom #3 nuclear unit ramped up to 90% power by early today. Yesterday, the unit was operating at 37% power after exiting a refueling. Peach Bottom #2 continues to operate at full power.

**SERC** – TVA's 1,100 Mw Browns Ferry #1 nuclear unit ramped output to 15% but remains offline.

Dominion Resources' 925 Mw North Anna #2 nuclear unit ramped up to full power. Yesterday, the unit was operating at 85% power.

**The NRC reported that 81,826 Mw of nuclear capacity is online, up 1.71% from Wednesday, and up 12.72% from a year ago.**

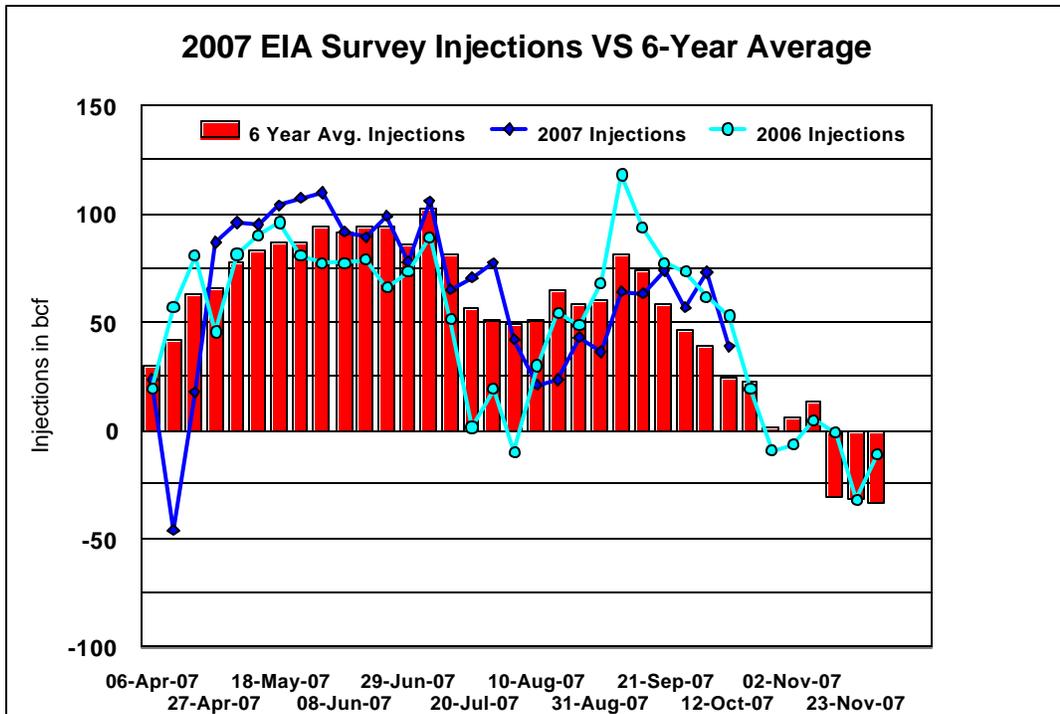
(LNG) terminals -- approved by FERC, in service or under construction.

#### **EIA Weekly Report**

	10/12/2007	10/05/2007	Net chg	Last Year
<b>Producing Region</b>	997	988	9	994
<b>Consuming East</b>	1932	1907	25	1977
<b>Consuming West</b>	446	441	5	463
<b>Total US</b>	3375	3336	39	3434

\*storage figures in Bcf

LNG cargo volumes slated to arrive in the U.S. during the first half of October are up 23% compared with the same period in September. A shipping source attributed the increase to a softening of European gas prices in late September and early October. European gas prices have started to increase and in coming weeks, Europe will receive more cargoes. For October 1-19, 12 deliveries are indicated for the US with combined capacity of 34.13 Bcf, compared with 26.28 Bcf of capacity from nine cargoes received during the same period in September.



Woodside Petroleum has begun work on its A\$12 billion Pluto LNG project in Western Australia. The initial phase involves the construction of a single-train LNG plant on the Burrup Peninsula. The plant is forecast to produce 4.3 million mt/year of LNG, but would have a total capacity of 4.8 million mt/year.

Gas storage levels in northwest Europe stood at 98% full on Monday, up from 97% full the previous week, according to data published on Thursday by European storage operators. Belgium, France and Britain together held 12.613 billion cubic meters of gas in storage on Monday, according to Gas Storage Europe.

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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	1,573,300	\$7.105	(\$0.015)	(\$0.577)	(\$0.081)	(\$0.511)
Chicago City Gate	506,900	\$7.094	\$0.134	(\$0.427)	\$0.029	(\$0.401)
NGPL- TX/OK	322,300	\$6.884	\$0.139	(\$0.637)	\$0.034	(\$0.589)
SoCal	811,200	\$6.847	\$0.042	(\$0.674)	(\$0.063)	(\$0.573)
PG&E Citygate	643,800	\$7.372	\$0.091	(\$0.149)	(\$0.014)	(\$0.115)
Dominion-South	560,600	\$7.173	\$0.004	(\$0.348)	(\$0.101)	(\$0.246)
Transco Zone 6	395,800	\$7.513	\$0.002	(\$0.008)	(\$0.103)	\$0.095

Russia's No. 2 oil firm Lukoil will be able to sell bigger volumes of gas at higher prices after its shareholders bought a power generator. The

shareholders paid \$1.7 billion to buy Russian power generator TGK-8. This facility will allow Lukoil to sell 8-10 billion cubic meters a year.

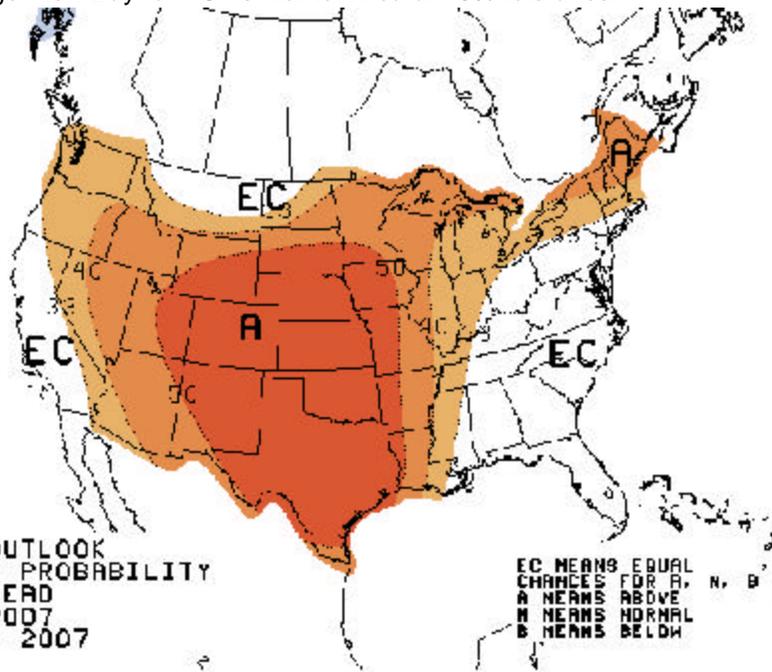
### **PIPELINE MAINTENANCE**

Gulf South Pipeline said that scheduled maintenance on its Olla natural gas compressor station in Louisiana would be extended through October 30. Capacity through the station could be reduced by as much as 250,000 Dth/d during the work, which began on October 16 and was originally scheduled to last just 48 hours. Gulf South Pipeline also said it would perform scheduled maintenance on unit #7 at its Edna compressor station in Texas beginning October 23 and continuing for 28 days. Capacity through the Edna station could be reduced by as much as 50 mmcf/d during the week.

Gulf South Pipeline said that it will be performing scheduled pigging maintenance on Index 391 Longview to Carthage 20-inch beginning October 23 at 5:00 AM and continuing for approximately 6-8 hours.

### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said 90 degree weather is forecasted for Florida for today. Therefore, FGT has extended its Overage Alert Day for FGT's Market Area at 15% tolerance.



Natural Gas Pipeline Company reported that the force majeure event on its Illinois Lateral #2 line (Segment 29) in Whiteside County, Illinois just north of Compressor Station 110 is still in effect until further notice. The affected section of the pipeline has been replaced however additional work and testing is needed.

Questar Pipeline Company said it has discovered an anomaly that needs

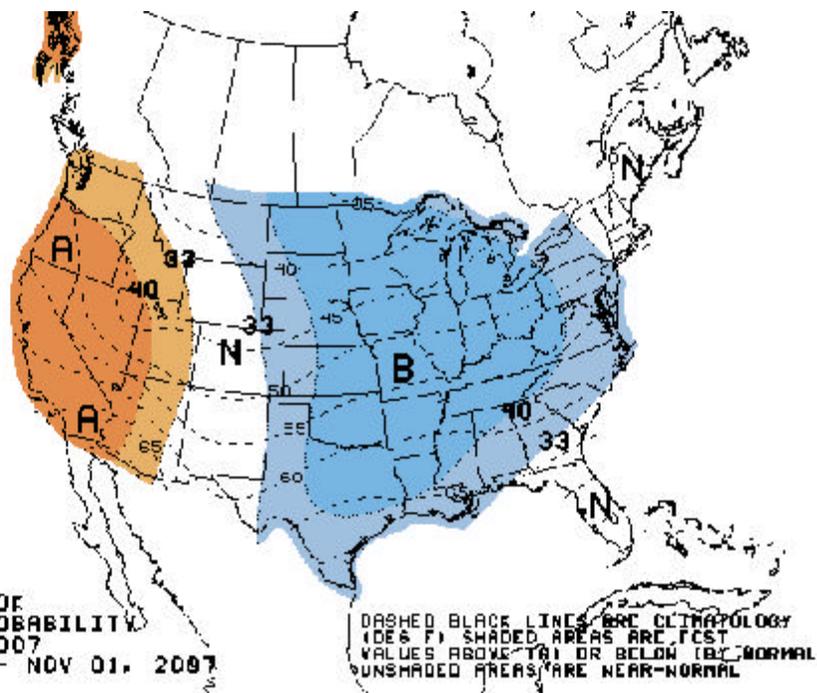
to be repaired in the Nine Mile Canyon area. As a result, ML 40 will be taken out of service in this area.

Southern Natural Gas Pipeline said that it is unable to accept nominations at the Cox Bay point, constituting an event of Force Majeure, due to unexpected delays in nearby maintenance.

**ELECTRIC MARKET NEWS**

A handful of Democrats and Republicans joined Connecticut Independent Joe Lieberman and Virginia Republican John Warner in introducing in the U.S. Senate a comprehensive bill to address climate change and cap emissions to 70% below 2005 levels by 2050.

The California Independent System Operator's Board of Governors approved a financing plan for transmission enhancements to move power from renewable generation



facilities located in remote parts of the state.

Edison Electric Institute called for more investment in the nation's electricity infrastructure following the release of the annual long-term reliability assessment of the nation's bulk electric power system by the North American Electric Reliability Corporation.

### **MARKET COMMENTARY**

The natural gas market trended higher, to the 7.50 level ahead of the EIA's inventory release. The report showed that a lower than expected 39 Bcf was injected into the ground and the market shot higher to 7.616. But as the longer-range outlook for natural gas is unsupportive given the high stocks and mild winter forecasts, the market recoiled back to the 7.50 level. With the market's inability to gain upside momentum, profit taking pressured natural gas back to the 7.30 level and traded a low of 7.25 on the day. The November contract settled down 8.4 cents at 7.374.

Total storage now stands at 3,375 Bcf, 59 Bcf below last year's levels for the same week and 213 Bcf above the five-year average of 3,162 Bcf. The market is well supplied, keeping a tentative lid on prices, but as crude oil's surge continues, natural gas will have a hard time resisting the urge to follow. Technically, a break above 7.60 then 8.00 is the next resistance point. Prices settled above the recent support level of 7.30, but a significant break below that and prices will challenge the lows around 6.75. We see support at 7.40, 7.30 and 7.20. We see further support at 7.038, 6.825 and 6.70. We see resistance at 7.557, 7.77, 7.80 and 8.00.