



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR NOVEMBER 2, 2007**

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

The U.S. Commerce Department reported that new orders at U.S. factories surprisingly rose 0.2% in September, boosted by gains in orders for machinery, computers and nondurable goods. Analysts were expecting orders to decline 0.5%. August orders were revised to show a 3.5% slide instead of the 3.3% drop first reported.

U.S. Senators Dianne Feinstein, Ron Wyden and Maria Cantwell called on the CFTC and FERC to end a turf battle regarding the reach of FERC's jurisdiction to police the futures market and instead cooperate to guard against energy market manipulation.

Tennessee Gas Pipeline announced today that it has placed the Northeast ConneXion-New England expansion project into service. The new infrastructure includes expansion of compression at six existing stations and one new compressor station, resulting in 136,300 dekatherms per day of additional capacity to help meet growing demand for natural gas in the New England market area.

Spectra Energy is proposing to build a new geographically strategic natural gas pipeline system, the Bronco Pipeline, to connect Rocky Mountain natural gas supplies with under served Western markets. The proposed Bronco Pipeline, an interstate natural gas system more than 650 miles in length, will have an initial capacity of more than 1 Bcf/d. It is expected that construction of this project will cost in excess of \$3 billion.

Steckman Ridge submitted an application to the FERC to construct and operate approximately 12 Bcf of natural gas storage capacity that will help meet demand for storage services in the Northeast.

#### **PIPELINE MAINTENANCE**

Northern Natural Gas Company said that it will be conducting required valve maintenance in the NNG/NBPL Ventura Interconnect yard. In order to facilitate repairs the pipe leading to the Power Iowa Energy Center will be

#### **Generator Problems**

**ERCOT** – American Electric Power's 690 Mw Oklaunion coal-fired power station shut November 2-3 to fix a turbine steam seal.

**FRCC** – Progress Energy's 870 Mw Crystal River #3 nuclear unit is expected to shut from full power over the weekend to start a scheduled refueling outage.

**MAIN** – Exelon's 1,120 Mw Braidwood #1 nuclear unit increased output to 69% power as it comes back from a refueling. Braidwood #2 continues to operate at full power.

Exelon's 1,252 Mw Byron #1 nuclear unit increased output to 94% power and the 1,225 Mw Byron #2 ramped up to 96% power.

FPL's 580 Mw Duane Arnold nuclear unit ramped up to 96% power. Yesterday, the unit was operating at 58% power.

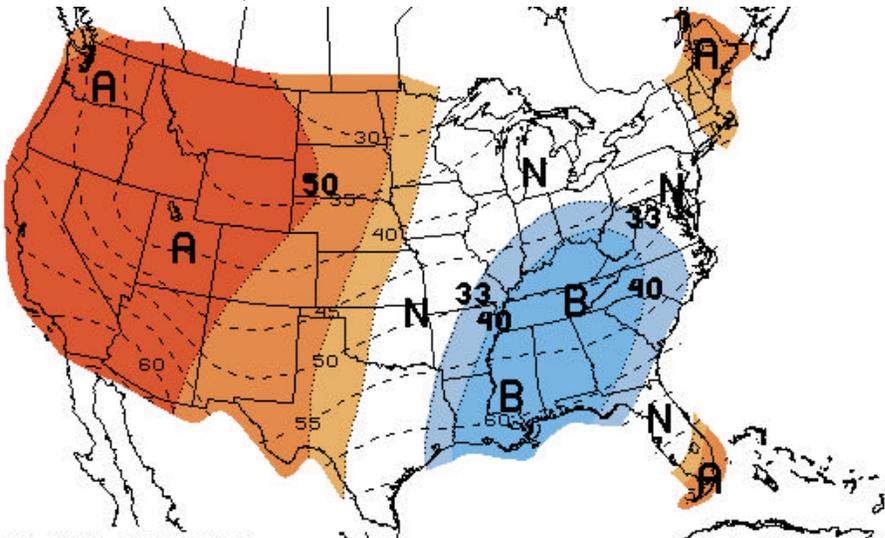
**NPCC** – Entergy's 825 Mw FitzPatrick nuclear unit reconnected to the grid and ramped up to 48% power.

**PJM** – PPL's 1,115 Mw Susquehanna #1 nuclear unit increased output to 86% power, up from 77% power yesterday. Susquehanna #2 continues to operate at full power.

**WSCC** – APS' 1,270 Mw Palo Verde #1 nuclear unit restarted and is warming up offline at 1% power. Unit 3 remains offline for a refueling and unit 2 continues to operate at full power.

**The NRC reported that 82,739 Mw of nuclear capacity is online, up 2.20% from Thursday, and up 10.62% from a year ago.**

blown down. Therefore, Northern will not be able to serve the Power Iowa Energy Center on the gas day November 6.



8-14 DAY OUTLOOK  
 TEMPERATURE PROBABILITY  
 MADE 2 NOV 2007  
 VALID NOV 10 - 16, 2007  
 DASHED BLACK LINES ARE CLIMATOLOGY (DEG F) SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL UNSHADED AREAS ARE NEAR-NORMAL

PG&E California Gas Transmission has set a system wide operational flow order on its California natural gas pipeline system for November 3 gas flow due to high inventory. Tolerance is set at 9%.

**PIPELINE**

**RESTRICTIONS**

Florida Gas Transmission said warmer weather is forecasted for Florida for today and its linepack levels are low. Therefore, FGT has continued its Overage Alert Day for FGT's Market Area at 25% tolerance. FGT will not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled quantity.

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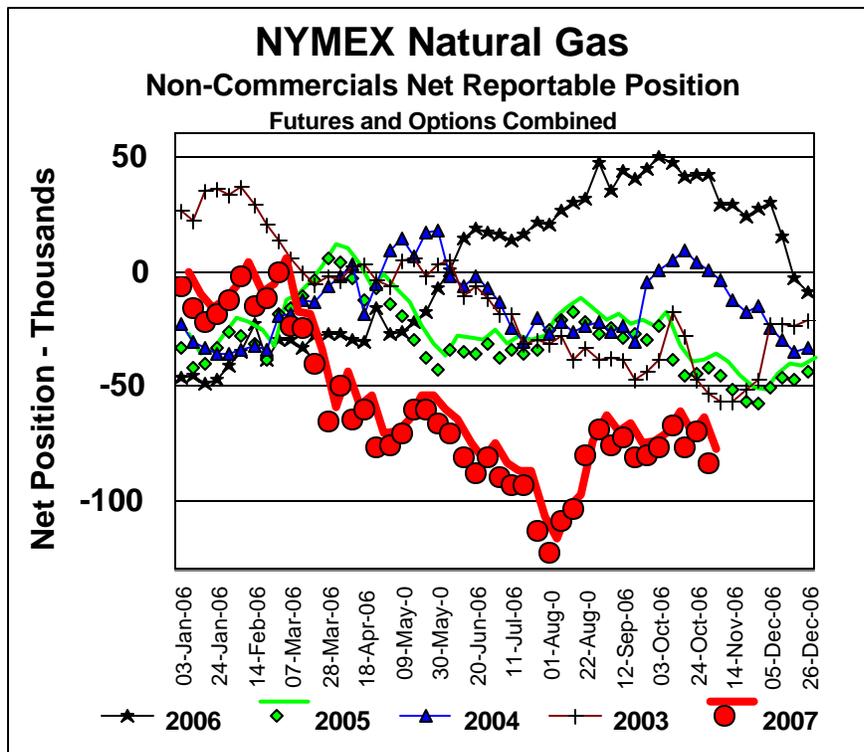
**ELECTRIC MARKET NEWS**

The Palo Verde Nuclear power plant, the largest in the United States, was sealed off today after security guards noticed a suspicious item in a worker's car. The worker was a contract worker, not a regular employee of APS and at a checkpoint a half-mile from the facility, guards found a pipe bomb in the back of his pickup.

Genscape's U.S. weekly coal burn index was unchanged for the week ended November 1 as power demand eased in the Midwest but grew but grew in the South. The index was up 3% over the same week last year. Eastern and Midwestern coal supplies have tightened, but high prices for natural gas mean there is little incentive to shift from coal-fired generation, and coal stockpiles remain historically high.

The California Public Utilities Commission unanimously voted to study whether the state's big investor-owned utilities should enter long-term LNG contracts to ensure supply for the state's power plants which largely rely on natural gas as fuel. Currently, the utilities get natural gas mainly at producing hubs such as Sempra's Southern California Border or PG&E's Citygate,

mainly to run power plants but also to deliver to gas customers.



★ 2006    ◆ 2005    ▲ 2004    + 2003    ● 2007

## **MARKET COMMENTARY**

The natural gas market posted its daily high of 8.712 in early morning trading and then came under pressure for the remainder of the session, as weather forecasts that called for significant cold in key consuming regions have been moderated. December natural gas trended lower the whole session, trading to a low of 8.342 before settling down 21.9 cents at 8.418.

After a week of short-covering fueled by an unstoppable crude oil market and cold temperature forecasts that boosted natural gas to levels not seen in a year, profit taking to end the week was inevitable. The market will get its tone for next week from temperature forecasts and if they continue to show moderation, we feel that natural gas will continue to probe lower. However, its connection to crude oil will prevent a massive sell off and most likely keep prices sideways.

The Commitment of Traders Report showed that non-commercial traders reduced their net short future positions by 7,120 lots to 50,297 contracts and that they increased their net short futures and options position by 14,088 lots to 83,991 contracts. We see resistance at 8.60, 8.70, 8.85 and 9.00. We see support at 8.233, 8.10, 8.00 and 7.85.