



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JANUARY 15, 2008**

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

With last weekend's on-schedule opening of approximately 500 miles of Rockies Express-West (REX-West) under their belt, pipeline officials have set their sites on two more milestones in the epic project: the opening of REX's Northeast Express and construction of a joint project with Kinder Morgan's Natural Gas Pipeline Co. of America (NGPL) to serve Chicago.

FERC on Monday issued certificates for Columbia Gas Transmission Corp.'s Eastern Market Expansion, which is intended to expand storage capacity by 5.66 Bcf and provide up to 94 MMcf/d of storage deliverability and associated firm pipeline capacity to serve gas distributors in Virginia and Pennsylvania.

The backer of a liquefied natural gas (LNG) receiving terminal on Oregon's Columbia River said it will cost \$4/MMBtu to land LNG on the West Coast. The gas supply will be more than welcomed by the market, according to speakers at an industry conference.

A jury in federal court in Houston found that former Shell Trading Gas and Power Co. trader Anthony Dizona violated the Commodity Exchange Act by attempting to manipulate natural gas prices on eight separate occasions in the 2001-2002 time frame, the Commodity Futures Trading Commission said Tuesday.

#### **PIPELINE MAINTENANCE**

Gulf South Pipeline said on Index 195, the SLN 3132 Deep Lake CP#1 and SLN 3298 Bridgeline at Grand Chenier will be shut-in during maintenance that began January 9 and will continue until further notice. At the Carthage Junction Compressor Station, Unit #2 will undergo unplanned maintenance and capacity will be affected by as much as 75 MMcf in maintenance that began yesterday. Gulf South has started unplanned maintenance at the Marksville Compressor Station Unit #2 where capacity will be affected by as much as 150 MMcf in maintenance that began yesterday and is expected to reach completion January 16. Finally, the Goodrich Compressor Station Unit #6 will see capacity affected by as much as 50 MMcf/d during a 30-day maintenance project beginning January 26.

Natural Gas Pipeline Company said that the remaining Louisiana Expansion work completion dates have changed. Expansion shippers are currently scheduled at 65% of contract MDQ. Commissioning at Station 346 is still ongoing and the anticipated completion date is January 22. Effective gas day January 23, expansion shippers will be scheduled to 76% of contract MDQ in Segments 23, 24 and 25. The expansion work at stations 302, 342 and 343 is still ongoing and the anticipated completion date is January 31. Effective gas day February 1, expansion shippers will be scheduled to 100% of contract MDQ in Segments 23, 24 and 25.

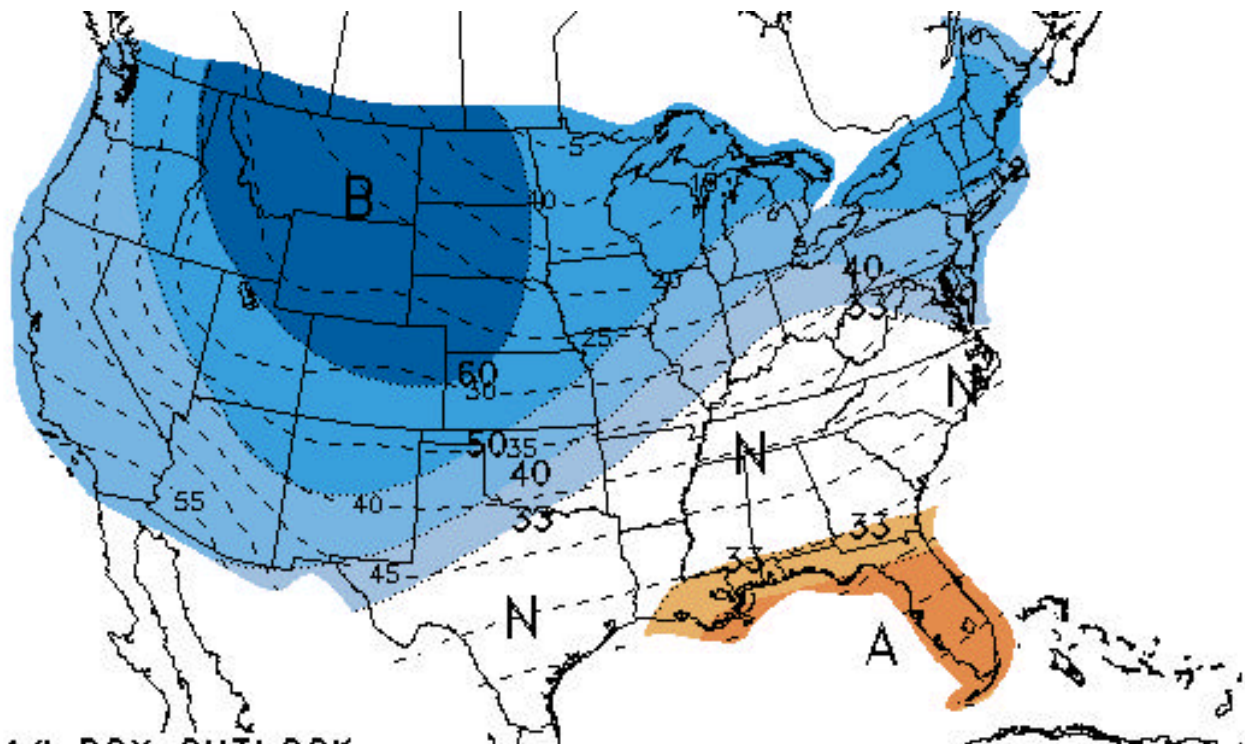
#### **ELECTRIC MARKET NEWS**

Merrill Lynch research reported that the U.S. is unlikely to make up for a shortfall in global coal supply even if it ramps up its exports. The rising cost of coal has made it profitable for U.S. producers to sell into Europe and as

#### **Generator Problems**

**ECAR** – Consumers Energy's 789 Mw Palisades nuclear unit restarted and has ramped up to 40% power. The unit tripped offline this weekend due to a loss of a main feedwater pump.

**The NRC reported that 88,364 Mw of nuclear capacity is online, up .31% from Monday, and down 8.72% from a year ago.**



8-14 DAY OUTLOOK  
 TEMPERATURE PROBABILITY MADE 15 JAN 2008  
 VALID JAN 23 - 29, 2008  
 DASHED BLACK LINES ARE CLIMATOLOGY (DEG F)  
 SHADED AREAS ARE FCST VALUES ABOVE (A) OR BELOW (B) NORMAL  
 UNSHADED AREAS ARE NEAR-NORMAL

a result, exports increased in 2007. Merrill Lynch cited limited export capacity and insufficient railings to East Coast ports as reasons why U.S. coal is unlikely to provide much relief to the European market.

**MARKET COMMENTARY**

The natural gas market took a breather from its upside charge as a slight moderation in the 11-15 day forecast calmed the scurry for market players to short cover their positions. Also aiding the market's retreat, a government report, which signaled the U.S. economy is slowing as retail sales dropped 0.4%, the first decline since June. Natural gas tracked the larger sell off across the broader energy complex, trading to a low of 8.078. The market found support just above 8.00 and pared some of its losses to settle down 15.7 cents at 8.196.

With the moderation of cold temperatures forecast for the end of the month, upward pressure has been relieved for the time being. A return to such forecasts will certainly drive this market once again, but for now we see this market relaxing and perhaps challenging support at the 8.00 level. With bearish inventory reports expected in the oil complex tomorrow and even more bearish for the natural gas report on Thursday, we could see sub-8.00 prices if the forecasts do not become anymore bullish. We see support at 8.10, 8.028-8.00, 7.884, 7.70 and 7.45. We see resistance at 8.40-8.45, 8.70-8.80 and 9.00.