



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
Karen Palladino & Zachariah Yurch  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

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### **POWER MARKET REPORT FOR JANUARY 16, 2008**

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

The subprime mortgage-related credit crunch already has led to a significant slowdown in energy project finance, and its effects likely will be felt through 2008, according to energy consultants with Washington, DC-based Pace Global Energy Services.

Southern Union Co.'s Trunkline Gas Co., a Panhandle Energy pipeline, has completed its Field Zone Expansion project, the company said Wednesday. The expansion adds 625 MMcf/d of capacity to Trunkline's system out of Texas and increased delivery to the Henry Hub.

The U.S. FERC has approved Columbia Gas Transmission's plan to make key upgrades to gas storage caverns and related facilities in Ohio, West Virginia and Virginia to boost service to existing customers. Columbia's Eastern Market Expansion, which the pipeline proposed in February 2006, would increase storage capacity on its system by roughly 5.66 Bcf and provide up to 94,000 Mcf/d of storage service deliverability and associated firm pipeline capacity. The company plans to have the new capacity up and running by April 2009.

Pacific Gas and Electric Co. (PG&E) announced Tuesday that it has turned to liquefied natural gas (LNG) to power five of its Class 8 heavy-duty trucks as part of its efforts to run most of its fleet vehicles on alternative fuels. PG&E said it was the first utility in the nation to put Kenworth T800 LNG-powered trucks in service.

Prompt British gas prices eased on Wednesday, pulled downwards by modest demand, while weaker oil prices pressured gas for more distant delivery. Gas prices for delivery on Thursday fell by 3.25 pence per therm to 53.65 pence, while summer 2008 gas eased by 1.40 pence per therm to 48.75 and winter 2008 prices slipped by 2.05 pence to 63.20.

#### **PIPELINE MAINTENANCE**

Gulf South Pipeline said that it will perform scheduled maintenance on Hall Summit Compressor Station Unit #3 beginning 7:30 AM on January 21 and continuing for approximately two days. Capacity through Hall Summit Compressor Station could be reduced by as much as 125 MMcf/d during the maintenance. The company also said that unscheduled maintenance that began on January 14 on Marksville Compressor Station Unit #2 will continue through January 21.

#### **Generator Problems**

**ECAR** – Consumers Energy's 789 Mw Palisades nuclear unit ramped up production to 70% power. Yesterday, the unit was operating at 40%.

**MAPP** – Wolf Creek Nuclear Operating Corp.'s 1,167 Mw Wolf Creek nuclear unit restarted and is warming up offline at 1% power.

**SERC** – Entergy's 1,207 Mw Grand Gulf #1 nuclear unit restarted and is warming up offline at 9% power.

**WSCC** – Arizona Public Service's 1,270 Mw Palo Verde #3 exited an extended outage and is warming up offline at 1% power. Palo Verde #1 and #2 continue to operate at full power.

Calpine Corp.'s 811 Mw Delta natural gas-fired power station shut for planned and unplanned reasons

**The NRC reported that 88,790 Mw of nuclear capacity is online, up .48% from Tuesday, and down 8.28% from a year ago.**

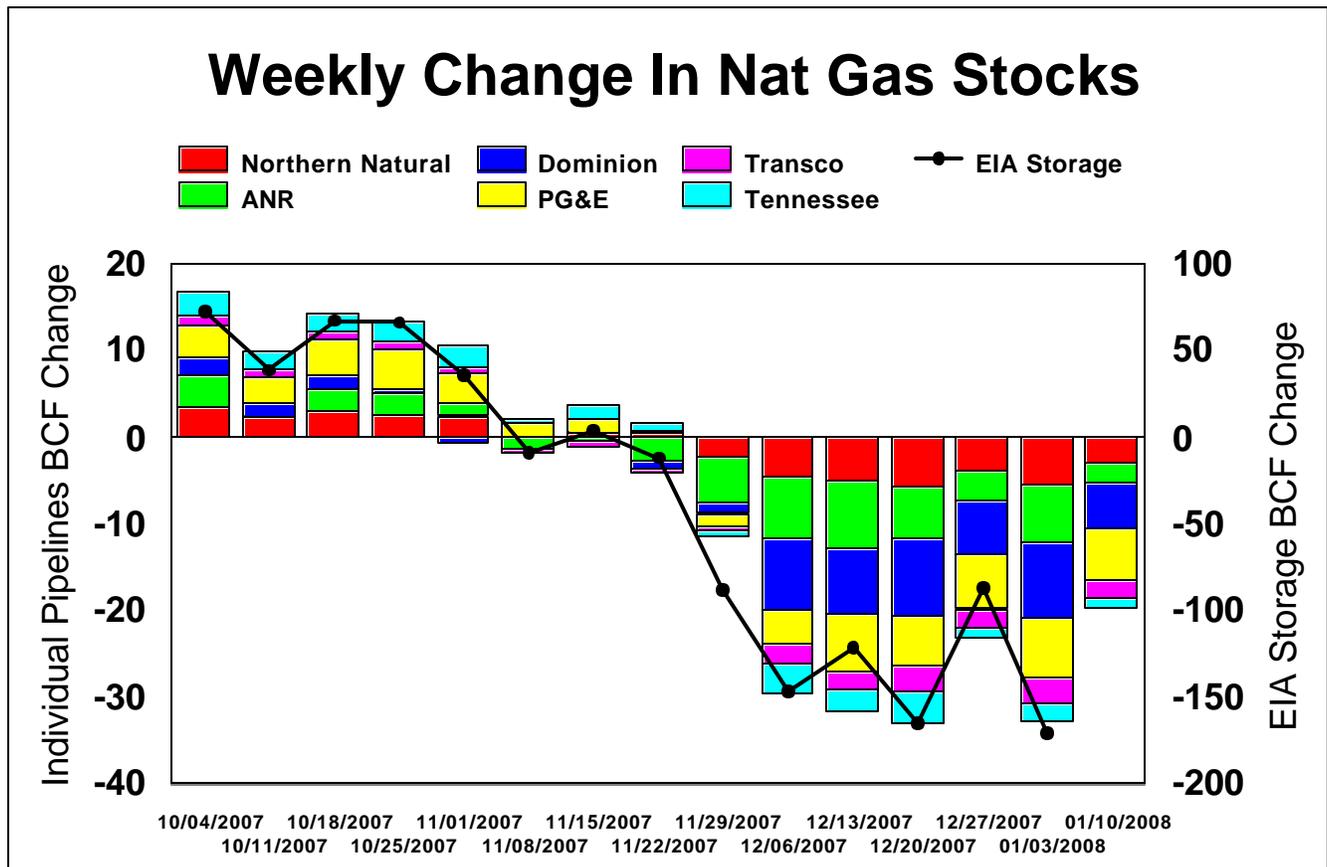
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,264,100	\$8.234	(\$0.196)	\$0.089	(\$0.130)	(\$0.081)
Chicago City Gate	781,600	\$8.313	(\$0.080)	\$0.168	(\$0.068)	\$0.033
NGPL- TX/OK	1,218,300	\$7.839	(\$0.139)	(\$0.306)	(\$0.127)	(\$0.401)
SoCal	1,205,500	\$7.881	(\$0.080)	(\$0.264)	(\$0.068)	(\$0.444)
PG&E Citygate	593,000	\$8.097	(\$0.098)	(\$0.048)	(\$0.086)	(\$0.089)
Dominion-South	271,100	\$8.582	(\$0.190)	\$0.437	(\$0.178)	\$0.350
Transco Zone 6	186,700	\$10.479	(\$0.784)	\$2.334	(\$0.772)	\$2.054

Northern Natural Gas Company said that it will perform planned pipeline maintenance activity on the Hobbs 26 mainline January 21 through February 5. Various receipts and deliveries will be subject to constraints during this maintenance activity.

The El Paso Plains delivery point will not be available for deliveries and cannot be used to balance receipt volumes.

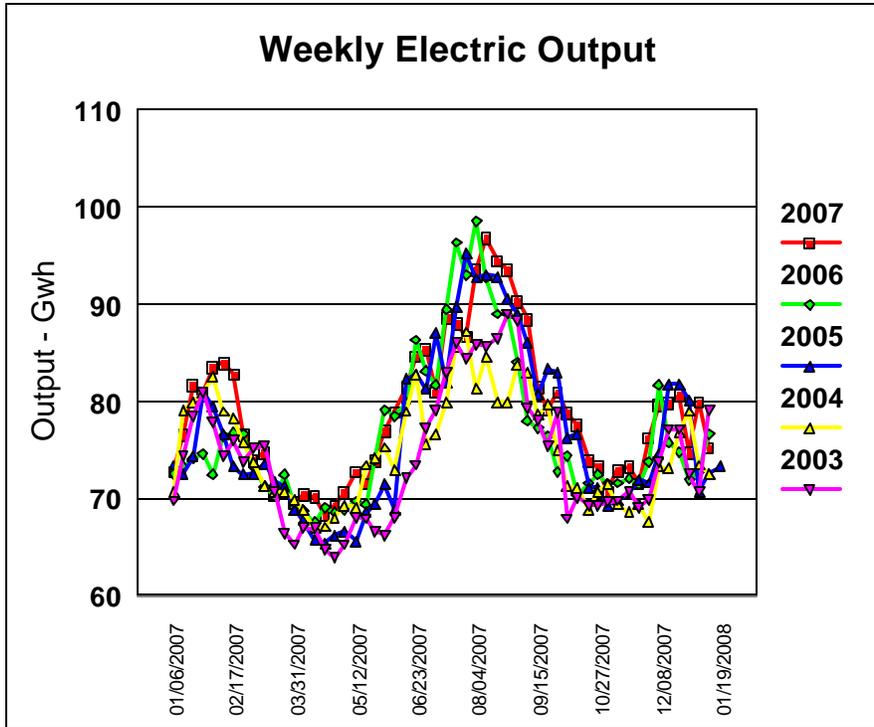
**ELECTRIC MARKET NEWS**

The Edison Electric Institute reported that electricity demand last week in the continental U.S. was 1.7% lower compared with the same week last year. U.S. consumers used 75,302 GWh of electricity in the week ending January 12, about 5.8% less than the previous week.



The U.S. NRC is conducting a special inspection at the Wolf Creek nuclear unit in response to problems discovered in a safety system that provides cooling water for the reactor during an emergency. The inspection began today and is expected to take several days.

**MARKET COMMENTARY**



The natural gas market edged lower today in quiet trading on a more moderate weather outlook as well as a sharp drop on the crude front due to continued economic worries and an unsupportive petroleum inventories report. The February contract traded to a daily low of 8.05 in early morning trading, reacting to more moderate 11-15 day forecast. Finding support just above 8.00, the February contract drifted higher on light volume to a high of 8.246 just as the NYMEX session started. The remainder of the day saw prices back under pressure with the oil complex. Sideways action just above the 8.10 level finished the day and the February contract settled down 6.3 cents at 8.133.

Expectations for tomorrow's EIA inventory report call for a below average draw of 60-70 Bcf that will

compare to the five-year average of draw of 105 Bcf. This report will slow the recent slide that the five-year surplus has experienced. We feel that the market will test the 8.00 level and if weakness persists across the oil complex, and forecasts continue to moderate to average temperatures, natural gas will work down the charts toward the 7.80 level. We see resistance at 8.231, 8.337, 8.427 and 8.70-8.80. We see support at 8.035, 8.00, 7.945, 7.80 and 7.50. We see further support at 7.25 and 7.00.