



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JANUARY 29, 2008**

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

Another signal that Mexico's Pacific Coast will have a second liquefied natural gas (LNG) receiving terminal, perhaps by 2012, unfolded Monday in Mexico City where a Mexican federal electricity regulator said he expects at least three major international companies to bid on building a 500 MMcf/d LNG facility at Manzanillo, the nation's busiest port located southwest of Mexico City. Bids are due Feb. 7.

Rockies Express Pipeline LLC (REX) is considering extending its Northeast Express project an additional 40 miles from the Princeton, NJ, area to a point of interconnection with Transcontinental Gas Pipe Line (Transco) downstream of its Linden regulator station located near Linden, NJ. The regulator station has been a long-time constraint point on the Transco system.

#### **Generator Problems**

**FRCC** – FPL's 839 Mw St. Lucie #2 nuclear unit reduced power to 60% this morning, then took the unit offline this evening to repair a problem with one of the unit's four reactor coolant pumps. The unit was operating at full power yesterday. St. Lucie #1 continues to operate at full power.

**WSCC** – Dynergy's 739 Mw Moss Landing #6 natural gas-fired power station shut for planned and unplanned reasons.

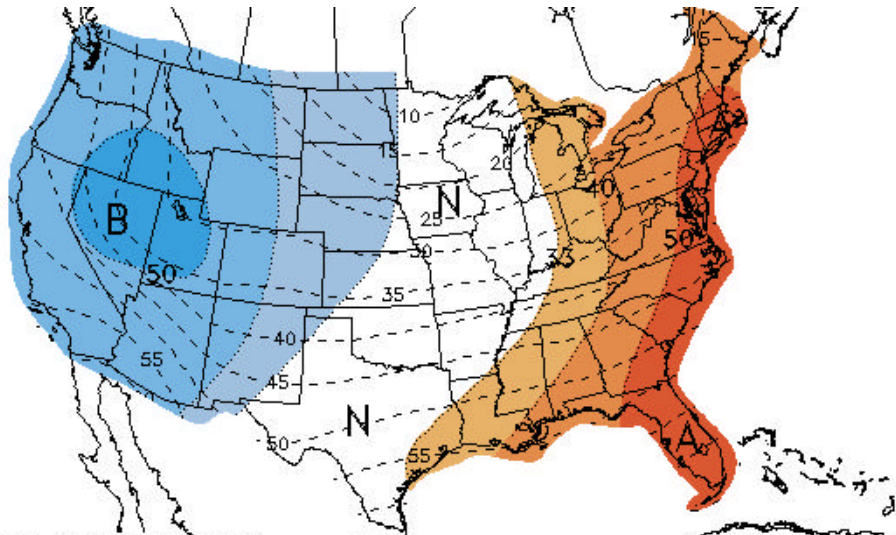
**The NRC reported that 91,852 Mw of nuclear capacity is online, down .49% from Monday, and up .07% from a year ago.**

President Bush's final "State of the Union" speech to the nation Monday night left out oil and natural gas altogether, but the president, in fact sheets released prior to the address, urged Congress to pass legislation that opens access to domestic oil and gas resources in the Outer Continental Shelf (OCS) and Alaska. Through 2050, the North Slope could yield up to 36 billion barrels of oil and 137 Tcf of natural gas, according to the Energy Department. Projections assume that a North Slope pipeline is operational by 2016, oil and natural gas prices near current levels, the opening of parts of the Arctic National Wildlife Refuge and National Petroleum Reserve to oil drilling, and drilling access to the Beaufort and Chukchi seas. If those assumptions are met, production from the North Slope could extend well beyond 2050, and require a refurbishment of the Trans Alaska Pipeline System and building of a pipeline to bring natural gas from the North Slope to Lower 48 states.

British gas prices eased back from early highs as the supply outlook improved slightly but the prompt was supported by a cold weather forecast over the next few days. Gas for delivery on Tuesday hit a high of 54.55 pence per therm when the system was short of heating fuel in the morning, but fell to 53.00 as supplies were boosted by gas from storage.

#### **PIPELINE MAINTENANCE**

Florida Gas Transmission announced its scheduled supply-area maintenance for the month of February. FGT will perform maintenance on one of the compressors located at Compressor Station #6 during February. During this work FGT will schedule up to approximately 225,000 MMBtu/day compared to 300,000 MMBtu/day during normal operations. Also, FGT said it will perform maintenance on one of the compressors located at Compressor Station #7 in February. FGT will schedule 385,000 MMBtu/d compared to 465,000 MMBtu/day during normal operations. Finally, maintenance will be performed on one of the compressors located at Compressor Station #75 in February. This maintenance is scheduled to last until February 15. FGT will schedule 900,000 MMBtu/d compared to 1,000,000 MMBtu/d during normal operation.



8-14 DAY OUTLOOK TEMPERATURE PROBABILITY MADE 29 JAN 2008 VALID FEB 06 - 12, 2008. 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 all expansion contracts with deliveries east of Columbia Gulf Delhi will be limited to 50% of the contract MDQ in February due to the unavailability and ongoing construction at the Vixen Compressor Station as part of the East Texas-to-Mississippi Expansion project.

KM Interstate Gas Transmission said that Casper Compressor Station maintenance has been extended through February 15. Also, maintenance scheduled at Casper (Segments 45 &

730) for February 5-15 has moved to February 18-29. Based on the current level of nominations, KMITG still believes that these outages are not expected to impact shippers. However, conditions can change which may cause a reduction to scheduled volumes.

**PIPELINE RESTRICTIONS**

Northern Natural Gas Company said that an SOL is being called due to extremely cold winter forecasted temperatures for January 30 gas day in all market area zones (Zone ABC 25%, Zone D 25%, Zone EF 25%).

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,107,700	\$8.102	\$0.230	\$0.147	\$0.260	\$0.204
Chicago City Gate	857,500	\$8.397	\$0.274	\$0.441	\$0.328	\$0.199
NGPL- TX/OK	670,600	\$7.816	\$0.195	(\$0.139)	\$0.249	(\$0.261)
SoCal	874,500	\$7.906	\$0.219	(\$0.049)	\$0.273	(\$0.169)
PG&E Citygate	680,400	\$8.152	\$0.146	\$0.197	\$0.200	\$0.069
Dominion-South	443,100	\$8.504	\$0.287	\$0.549	\$0.341	\$0.493
Transco Zone 6	121,300	\$9.079	\$0.287	\$1.124	\$0.341	\$2.885

Williston Basin Interstate Pipeline Company said that extreme cold weather and high winds are expected to cover Williston Basins entire system effective Gas Day January 28 through Gas Day January 31. Williston Basin is hereby notifying all shippers and controlling parties that a system wide critical situation has the potential to exist during this period. As such, all physical receipts and/or deliveries must be at a level equal to shippers scheduled quantities for the individual gas days.

**ELECTRIC MARKET NEWS**

Consol Energy expects to resume operation this weekend of its Baltimore, Maryland, coal export terminal, which was shut down January 3 to repair a pier. Consol expects to load a vessel either Saturday or Sunday.

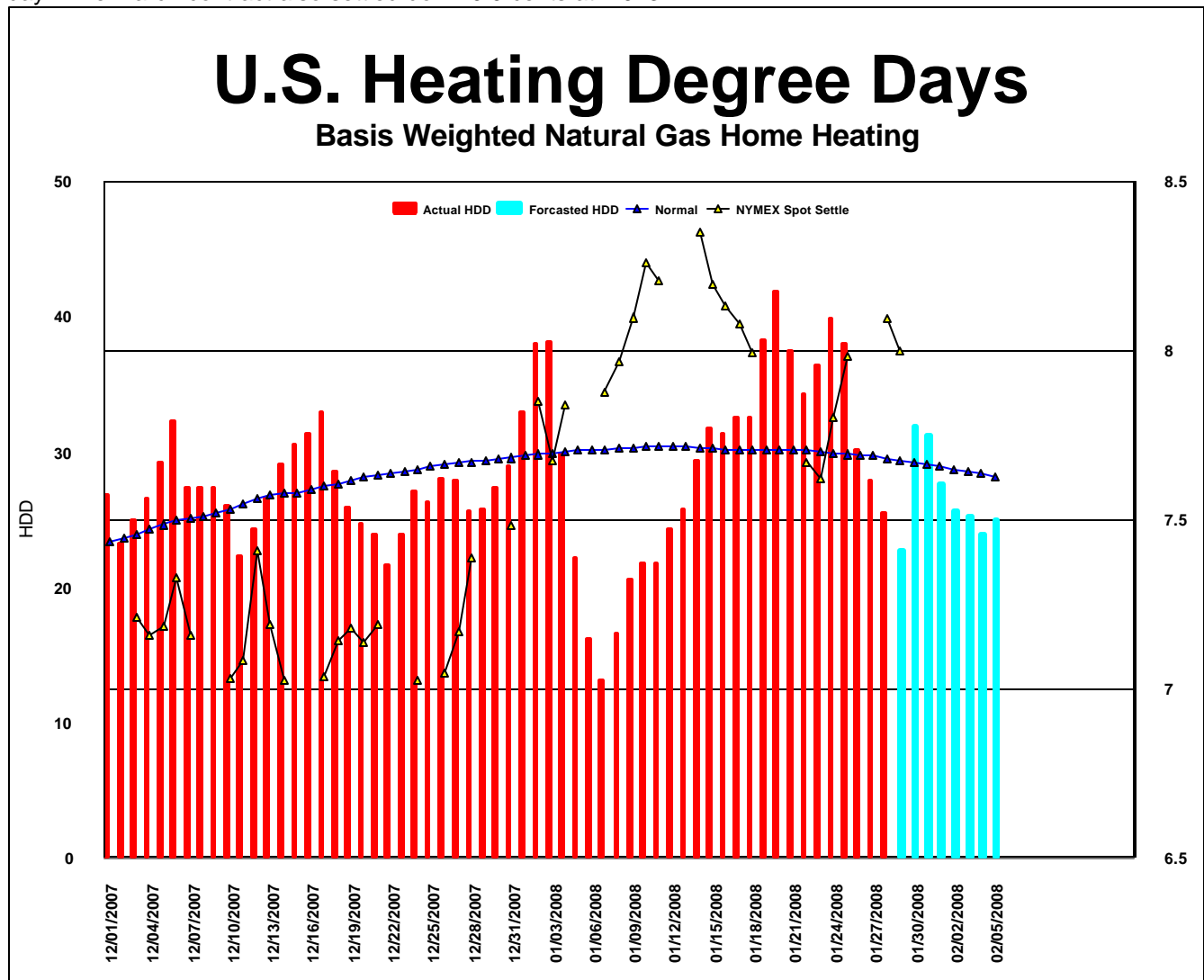
U.S. coal supply fell 2.2% last week as winter weather fired up demand, and the stockpile cushion over last year shrank. U.S. power generators had slightly more than 146.57 million tons of coal as of the week ended January 28, down 3.31 million tons from the previous week. Power stations had coal stockpiles 9% greater than during the same week in 2007, a cushion that is down 1.85% since last week.

Constellation Energy Group said that they would be able and willing to break ground for its proposed new nuclear reactor at the end of 2008. It is also ready to file its loan application to finance the project with the Department of Energy by early May.

FirstEnergy Corp. was the winning bidder in an auction of a partially complete, 707 Mw natural gas, combined-cycle generating plant in Fremont, Ohio. The unit will be purchased from Calpine Corp. for about \$253.6 million under a definitive purchase agreement signed yesterday.

**MARKET COMMENTARY**

The natural gas market slid lower today as the February contract expired and the market as a whole felt the pressure of milder weather forecasts for the coming weeks. The February contract traded to a low of 7.89 during its final session, but was able to par much of those losses to go off the board at 7.996, down 9.9 cents on the day. The March contract also settled down 9.9 cents at 7.943.



With perhaps a record draw to stocks being reported on Thursday, the market has been tentative. Expectations for Thursday show a wide range of anywhere from 200 Bcf to near 300 Bcf. This will compare to a five-year average of 185 Bcf. Most expectations seem to be falling in the 255-265 Bcf range, though the general uncertainty of what is still a wide range of estimates has become a supportive factor on its own for now. If the total withdrawal falls short of expectations, this market will come under pressure and focus will be completely on the 11-15 day forecasts, which show normal to above normal temperatures for the eastern half of the country.

We see support at 7.83, 7.726, 7.62-7.604 and 7.50. We see resistance at 8.056, 8.178, 8.282, 8.48 and 8.70-8.80.