



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR FEBRUARY 7, 2008**

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

The La Nina weather anomaly has strengthened and there is a chance it could plague countries around the Asia-Pacific rim until the summer. The weather phenomenon should last through June and even though there are considerable differences in the computer models, approximately half indicate that La Nina could continue well into the Northern Hemisphere summer. That would mean La Nina would last into the annual Atlantic hurricane season.

A FirstEnergy Capital analyst has spun the globe and found that there may not be enough liquefied natural gas (LNG) sloshing around world markets to make any more available to the United States in 2008 than came ashore in 2007. Diminished LNG expectations and Canadian gas export declines paint a bullish price picture, the firm said in a Wednesday note.

EnergySouth Midstream said it received expressions of interest for more than 20 Bcf of natural gas storage capacity during a recently ended open season, more than three times the capacity that will be available at the first cavern under development at its Mississippi Hub facility.

Senate Republicans successfully blocked a \$159 billion economic stimulus package that included several key energy-related provisions -- incentives for marginal oil and natural gas wells, \$1 billion in additional subsidies for the Low-Income Home Energy Assistance Program, an extension of tax credits for renewable wind and solar energy and a proposal favorable to coal companies. The Senate was one vote short of the 60 needed to bring the measure up for a final action.

#### **PIPELINE MAINTENANCE**

ANR Pipeline Company said that it has completed meter repairs at its Glen Karn meter station located in Ohio in Southeastern Central Fuel Segment (ML-3). Effective immediately, ANR has lifted all capacity restrictions through Lebanon-CFTP. Meanwhile, unplanned engine repairs at its Sardis Compressor Station will continue on the SE Mainline located in Indiana in ANR's southeast Southern Fuel Segment (ML-2). The total SEML capacity will be reduced by 75 MMcf/d through February 29. Based on current nominations, it is anticipated that the above reductions will have no impact to services.

#### **PIPELINE RESTRICTIONS**

#### **Generator Problems**

**ECAR** – AEP's 1,060 Mw Cook #1 nuclear unit returned to full capacity today. Yesterday, the unit was operating at 48% power. Cook #2 continues to operate at full power.

**MAPP** – Xcel Energy's 593 Mw Prairie Island #1 nuclear unit reduced output to 87% power ahead of a refueling outage set to begin next week.

**MAIN** – AmerGen Energy's 1,022 Mw Clinton nuclear unit has reconnected to the grid and ramped up to 60% power after completing a refueling.

**PJM** – Two units at Edison Mission Energy's 1,884 Mw coal fired power plant shut today.

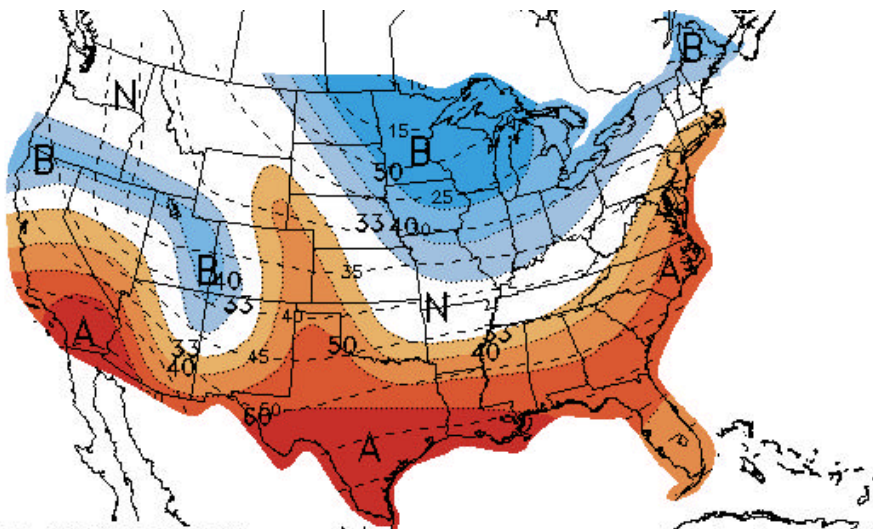
Exelon's 1,116 Mw Peach Bottom #3 restarted and is warming up offline at 5% capacity. Peach Bottom #2 continues to operate at full power.

**SERC** – TVA's 1,121 Mw Watts Bar nuclear unit ramped up to 97% power today. The unit was operating at 85% power yesterday.

**The NRC reported that 88,272 Mw of nuclear capacity is online, up 1.16% from Wednesday, and down 5.68% from a year ago.**

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NiSource's Columbia Gulf Transmission said natural gas flow had resumed on part of its pipeline system in Tennessee after its Hartsville compressor station was struck by a tornado late Tuesday. Columbia said line 300 has resumed flowing about 1.2 Bcf, with line 200 expected to return to service later today and line 100 expected to remain shut.



Natural Gas Pipeline Company said that the force majeure remains in effect on Natural's Illinois Lateral #2 line (Segment 29) in Whiteside County, Illinois just north of Compressor Station 110. Due to the forecasted cold weather in the Market Zone, effective for gas day February 9 and continuing through February 11, NGPL is revising the scheduling percentage for Compressor Station 110 for contracts pathed to go through the Illinois Lateral (Segment 29) and eastbound through Segment 14. Effective February 12 the schedule to

amount will return to 90% until further notice. Primary firm and secondary in-path firm transports will be scheduled to 100% of MDQ for each contract with Segment 14 primary/secondary in-path rights through Compressor Station 110 for contracts pathed to go through the Illinois Lateral (Segment 29) and eastbound through Segment 14.

**ELECTRIC MARKET NEWS**

ISO New England completed its First Forward Capacity Market auction. The grid operator said preliminary results indicate the auction attracted sufficient resources to meet the region's future reliability needs. Some 39,155 Mw of resources from new and existing demand and supply side resources competed to provide the 32,305 Mw needed for reliability in the 2010 to 2011 timeframe. The auction consisted of eight rounds over a three-day period, starting at a price of \$15.00/kw-month. Bidding in the final round reached the minimum price established for this auction at \$4.50/kw-month, with excess supply remaining.

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	1,686,800	\$7.994	\$0.051	(\$0.021)	(\$0.057)	(\$0.104)
Chicago City Gate	1,099,200	\$8.163	(\$0.009)	\$0.148	(\$0.044)	\$0.094
NGPL- TX/OK	929,500	\$7.768	\$0.014	(\$0.247)	(\$0.021)	(\$0.313)
SoCal	811,800	\$7.862	(\$0.024)	(\$0.153)	(\$0.059)	(\$0.154)
PG&E Citygate	474,200	\$8.077	(\$0.071)	\$0.062	(\$0.106)	\$0.113
Dominion-South	326,500	\$8.449	(\$0.108)	\$0.434	(\$0.143)	\$0.353
Transco Zone 6	103,900	\$9.031	(\$0.122)	\$1.016	(\$0.157)	\$0.810

**MARKET COMMENTARY**

The natural gas market was higher ahead of the EIA inventory, trading to a high of 8.11. The market slumped to the 8.00 level just before the release and when the EIA announced that a larger than expected 200 Bcf was withdrawn from the ground, the market actually posted the daily low of 8.971. Intra-day resistance at 8.05 held through lunch but as a weekend cold snap is expected, and the crude oil market showed strength, natural gas trudged higher. The March contract traded to a high of 8.13 during the session before settling at 8.102, up 10.8

cents on the day. In after hour trading, natural gas continued its short covering another 9 cents to a high of 8.194.

For the week ending February 1, total storage in the lower 48 states stands at 2,062 Bcf, 317 Bcf below last year's levels for the same week and 62 Bcf above the five-year average of 2,000 Bcf. The fading five-year storage surplus along with the possibility of several short-lived cold snaps taking further bites out of inventory are constructive elements with six weeks of winter still ahead. Rising coal prices and a larger than normal nuclear outage total this time of year are keeping a floor under natural gas. We see resistance at 8.214, 8.315, 8.397, 8.437, 8.48 and 8.70-8.80. We see support at 8.00, 7.869, 7.768, 7.62-7.60 and 7.50.