



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR FEBRUARY 11, 2008**

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

Despite Punxsutawney Phil's prediction on Groundhog Day of a longer winter, the near-term outlook for natural gas is "very bearish," Raymond James analysts said Monday. The second half of winter and the rest of 2008, they said, "will be ugly for gas prices."

TEPPCO Partners LP affiliate Chaparral Pipeline Co. LLC is holding a binding open season for a proposed expansion of its 845-mile natural gas liquids (NGL) pipeline originating in the Permian Basin of West Texas and eastern New Mexico.

House Democratic leaders are considering resurrecting as early as this week a failed \$21 billion energy tax package to fund renewable energy by rolling back tax incentives for traditional oil and natural gas.

Ukraine was ready to pay an undisclosed portion of debt to Gazprom in exchange for signing a direct natural gas supply deal, abandoning controversial middlemen. Ukraine accuses the two middlemen, Swiss-registered trader RosUkrEnerg and gas marketer UkrGazEnerg, of using non-transparent practices while being the only suppliers of imported natural gas to the country. Gazprom owns 50% of RosUkrEnerg, which owns part of UkrGazEnerg.

#### **PIPELINE MAINTENANCE**

ANR Pipeline Company said that it has completed engine repairs at its Joliet Compressor Station located in Illinois in the Northern Fuel Segment (ML-7), and all associated capacity reductions have been lifted.

Gulf South Pipeline began scheduled maintenance on Montpelier Compressor Station Unit #7 today and continuing for two days. Capacity through Montpelier Compressor Station could be reduced by as much as 50,000 Mcf/day during this maintenance.

Questar Pipeline Company said that two maintenance projects are set for this week. Fildar Compressor Station began preventive inspection on Unit 3, which will last through February 14. Also, Mohave Station will begin a 60-hour annual service February 12 that is expected to be completed February 15.

#### **Generator Problems**

##### **ECAR –**

**FRCC** – FPL's 839 Mw St. Lucie #2 nuclear unit restarted and ramped up to full power over the weekend following repairs to the coolant pumps. St. Lucie #1 continues to operate at full power.

**MAPP** – Xcel's 593 Mw Prairie Island #1 nuclear unit reduced output to 83% capacity, as it coasts down for a refueling outage.

**MAIN** – AmerGen's 1,022 Mw Clinton nuclear unit shut down unexpectedly. The unit had recently completed a refueling outage and ramped up to 97% power as of Friday.

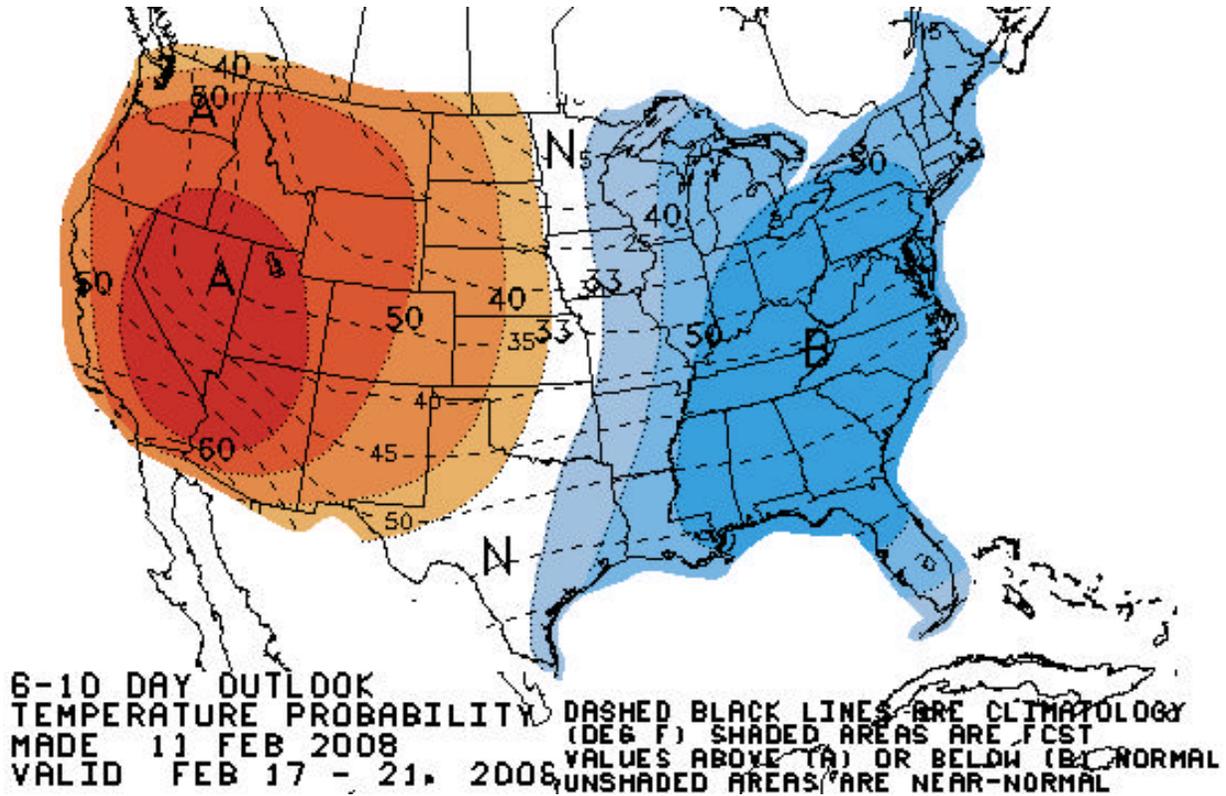
**PJM** – Exelon's 1,143 Mw Limerick #2 nuclear unit is offline today. The unit was operating at just 5% on Friday after it scrambled shut on February 1. Limerick #1 decreased output to 97%.

**SERC** – TVA's 1,121 Mw Watts Bar nuclear unit has shut from full power for a refueling outage.

Dominion Resources' 925 Mw North Anna #2 nuclear unit restarted and ramped up to full power. North Anna #3 remains at full power.

Entergy's 836 Mw Arkansas #1 nuclear unit increased output to 40% while unit #2 continues to operate at 80% in the aftermath of last week's tornados.

**The NRC reported that 88,444 Mw of nuclear capacity is online, down .84% from Friday, and down 6.41% from a year ago.**



Tennessee Gas Pipeline said that due to limited operational flexibility and in order to maintain linepack, Tennessee is issuing a Balancing Alert OFO, effective 1:00 PM CT today, for all balancing parties with meters located in Zones 5 and 6.

Westcoast Energy said that the K-420 Acid Gas Compressor at Kwoen Plant will undergo 4,000 maintenance project beginning today and through February 14. Acid gas service will be 123.8 MMcf/d for the duration, equating to 100% of Firm Acid Gas volumes.

Williston Basin Interstate Pipeline Company said that unplanned maintenance began February 10 at the Sandstone Compressor Station and will continue through today. Maximum capacity at the Sandstone Compressor Station will be approximately 22 Mmcf/d. This will impact previously scheduled deliveries in Line Section 26 by approximately 5 MMcf for today's gas day.

#### **MARKET COMMENTARY**

The natural gas market opened 10 cents higher, as the 6-10 weather forecasts over the weekend showed sharp revisions towards lower temperatures. The March contract gapped higher above the 8.40 level trading to an early morning high of 8.50. After a midmorning test of the 8.40 level the market returned to the upside as crude oil exhibited an impressive surge. The March contract traded to a high of 8.627 today, gaining nearly 3% on the day before settling up 23 cents at 8.531 after profit taking.

The current cold, set to be followed by a moderate trend, helped boost natural gas and forced a closer look at coming storage reports that could be impacted by the increase in heating demand as a result of the frigid temperatures. We feel the market will maintain its bid and possibly test near the 8.80 level, but over the coming weeks if the year-on-year deficit begins to shrink, market bears will return. In the near term we see the market trading in the 8.40-8.80 range. We see resistance at 8.647, 8.753, 8.80, 8.879 and 9.00. We see support at 8.40, 8.289, 8.183, 8.00 and 7.62.