

# W The Windham Group



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR SEPTEMBER 28, 2007**

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

The National Hurricane Center reported that Tropical Depression 14 developed in the Eastern Atlantic with sustained winds of 30 mph. This storm will have a couple days to strengthen before an upper level trough imparts a lot of shear and pulls the system farther north. Elsewhere, Lorenzo has been reduced to a Tropical Depression as it came ashore near Tuxupan, Mexico. Finally, Tropical Storm Karen continues to weaken and may not survive the weekend. Strong shear that has affected Karen should diminish by Monday, but the system will be very disrupted and would have a tough time reorganizing. Though low-level flow should push Karen more westward next week, there may not be much left.

Baker Hughes reported that the number of rigs searching for oil and gas in the U.S. fell nine to 1,760 in the week ending Friday. During the same week last year there were 1,744 rigs active. The number of rigs searching for oil rose six to 311 while the number of rigs searching for gas fell 15 to 1,433.

Private forecaster, Weather 2000 Inc. reported that the three-month average water temperature is now just crossing the threshold and that a La Nina event is developing. Natural gas prices in the U.S. may get a boost in the fourth quarter from a deep cold snap produced by a La Nina weather pattern, the first in almost seven years. The last La Nina hit in November and December 2000, spurring the coldest two months on record. Gas demand in the fourth quarter of 2000 was 500 Bcf higher than the comparable period in 2006 and 360 Bcf above the five-year average.

EnCana Corp. threatened Friday to slash its 2008 capital investment in Alberta by 30-40%, or US\$1 billion if the recommendations contained in the Alberta Royalty Review Panel Report are adopted. Most of the reductions would be in its natural gas activity.

Federal and local government authorities responsible for making a joint environmental assessment held the first public comment session Wednesday night on Australia-based Woodside Natural Gas's proposed 1 Bcf liquefied natural gas (LNG) importation project off the Southern California coast near Los Angeles International Airport (LAX). About 150 citizens and local government representatives attended.

#### **Generator Problems**

**ECAR** – Detroit Edison's 1,139 Mw Fermi #2 nuclear unit will shut over the weekend for a scheduled refueling and maintenance outage.

**FRCC** – Florida Power & Light's 839 Mw Saint Lucie #2 nuclear unit will shut September 30 to begin a scheduled refueling and maintenance outage.

**SERC** – TVA's 1,100 Mw Browns Ferry #3 nuclear unit ramped up to 40% power. Browns Ferry #1 and #2 remain at full power.

Southern Nuclear's 888 Mw Farley #1 nuclear unit will shut over the weekend for a scheduled refueling and maintenance outage.

Progress Energy's 900 Mw Shearon Harris nuclear unit will shut over the weekend for a planned refueling and maintenance outage.

TVA's 1,125 Mw Sequoyah #1 nuclear unit decreased output to 81% ahead of a planned refueling and maintenance outage. Sequoyah #2 continues to operate at full power.

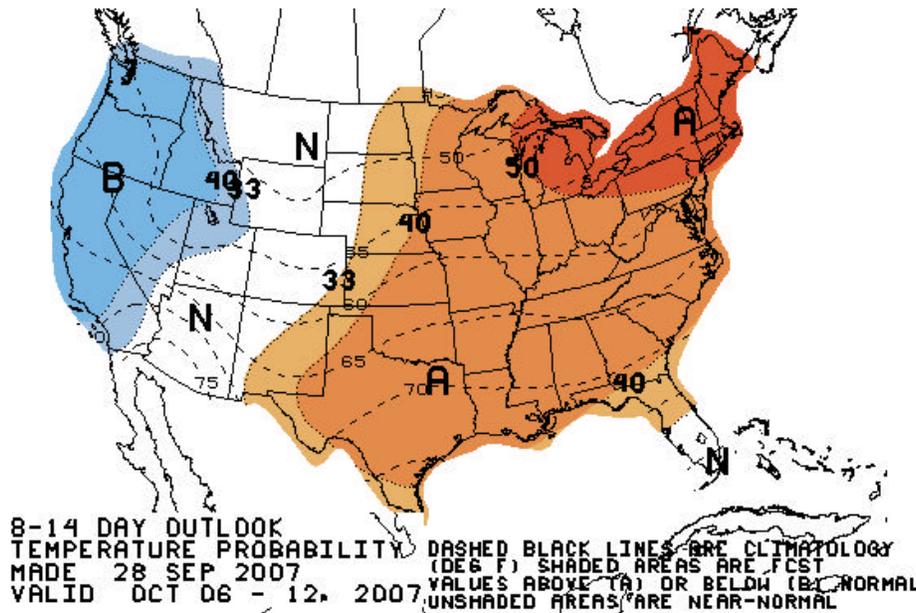
**WSCC** – APS' 1,270 Mw Palo Verde #3 nuclear unit reduced output to 40%, down from 70% as it prepares for a planned refueling and maintenance outage this weekend.

**The NRC reported that 89,389 Mw of nuclear capacity is on line, up .29% from Thursday, and up 3.27% from a year ago.**

FERC Friday asked a federal court in New York to deny Amaranth Advisors LLC's request to enjoin and stay the agency's enforcement action against the fallen hedge fund for alleged manipulation of natural gas markets.

### **PIPELINE RESTRICTIONS**

El Paso Natural Gas Company said that the High Inventory SOC warning has been cancelled. Conditions on the El Paso Natural Gas Company transmission system have improved sufficiently to allow the warning of Strained Operating Condition to be cancelled effective for today's gas day. Shippers are encouraged to continue monitoring their supplies and to manage their takes to remain in balance.



Texas Eastern Transmission Corp. said that the Chambersburg to Lambertville outage has been completed and the pipeline is now in service. Therefore, effective immediately, the restrictions between Chambersburg and Lambertville have been lifted. However, the previously posted outage on Line 1-A downstream of Chester Junction remains in effect until September 30 as posted.

### **PIPELINE MAINTENANCE**

ANR Pipeline Company said that it began unplanned engine repairs at its Sandwich CS located in Illinois in the

Northern Fuel Segment. Effective today, ANR anticipates only Firm Primary nominations will be scheduled through the Sandwich East-CFTP location. Also, ANR expects there will be no additional capacity available in subsequent intraday nomination cycles. At this time, it is anticipated this operational restriction will continue through October 2.

Gulf South Pipeline said that it has begun unscheduled maintenance on Goodrich Compressor Station Unit #1, expected to continue for approximately four days. Capacity through the Goodrich Compressor Station could be reduced by as much as 50,000 Dth.

Northern Natural Gas Company said that it will perform pipeline pigging activities on the Glencoe Branch from October 1 to October 5. No interruption of service at delivery locations is anticipated during this maintenance process; however, delivery pressures may be lower than normal and inlet pressure fluctuations at delivery points may be experienced.

Panhandle Eastern Pipe Line Company has revised the schedule for the maintenance outage at Montezuma Station's Montezuma 400 line from Gate Valve 402 to Gate Valve 403 for anomaly repairs. This outage will now begin October 1 and the expected duration is eight days. Two station discharge lines will be out of service, limiting the capacity through Montezuma to 950 MMcf/d. The duration of this outage is expected to be 12 to 16 hours. In conjunction with this outage, capacity through Dana will be limited as follows: October 1, 1,000 MMcf/d; October 2, 950 MMcf/d; October 3, 1,000 MMcf/d; October 4-8, 1,060 MMcf/d.

### **ELECTRIC MARKET NEWS**

As estimated by the EIA from data on railroad car loadings, U.S. coal production totaled approximately 22.4 million short tons during the week ended September 22, 2007. This production estimate is about the same as last week's estimate, and 2% higher than the estimate reported for the comparable week in 2006.

President Bush said in a speech today at a U.S. led climate change summit that he wants the U.S. to lead in the creation of an international clean energy technology fund that can be used to finance greenhouse gas reduction projects. Bush's remarks were intended to motivate the 18 countries in attendance to set a long-term GHG target that can be the basis of an international agreement to replace the Kyoto Protocol, which expires after 2012.

**MARKET COMMENTARY**

The natural gas market spent the Friday session riding a roller coaster of volatility, driven in both directions by crude and a once-risky tropical picture. The November contract vacillated between 7.035 and 6.823 with little support from weather or storage in the near-term picture. Subsequent months showed more strength than the November contract, with December, January and February posting gains of 1.1, 3.5 and 3.3 cents respectively. The weak front month went down 4.9 cents on the day at 6.87.

The Commitment of Trader Report showed that non-commercial firms increased their net futures position by 3,975 lots to 63,860 contracts while they reduced their net short combined futures and options position by 1,081 lots to 79,731 contracts. It is interesting to note that open interest

over the past three weeks has declined from 801,847 on September 14, to 782,588 on September 21 to 749,679 as of yesterday. Compared to last year at this time, when open interest was roughly 150,000 to almost 200,000 larger over the same three weeks it did not decline like this year. Uncertainty in the tropics is one cause of the reduced exposure, but perhaps, there is a further reason and a bigger picture of uncertainty in temperature forecasts given perhaps the approach of a La Nina or a sense of an economic slow down that is reducing industrial usage. We will continue to monitor the open interest and look for corollaries with other markets. We see support at 6.80, 6.70, 6.50 and 6.00. We see further support at 5.80 and 5.25. We see resistance at 6.97-7.00, 7.112, 7.188 and 7.40.

