



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 1, 2007**

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

Tropical threats to start the week are fewer than a week ago, with no current disturbances in the Gulf. The NHC reported that a large area of showers and thunderstorms over South Florida and the Bahamas is associated with weak surface low pressure and an upper level low as well. Most models show a drift westward across Florida into the Eastern Gulf, where some tropical or subtropical development is possible as upper level winds relax somewhat. The situation looks rather similar to that of Tropical Depression #10 of a couple weeks ago. Elsewhere, The remnants of Karen are a large area of thunderstorms east of the Lesser Antilles, but this continues to experience heavy shear. Tropical Storm Melissa formed over the weekend in the eastern Atlantic, but has weakened today as upper level wind shear prevents further organization and strengthening. There are two tropical waves along 14N that will be monitored for further organization.

The Georgia Public Service Commission (PSC) has approved Atlanta Gas Light's (AGL) most recent Capacity Supply Plan (CSP), which includes a proposal to provide gas from the liquefied natural gas (LNG terminal at Elba Island, near Savannah, to Georgia customers through a series of pipes, some owned by Southern Natural Gas (SNG).

FERC Friday issued a certificate to Gulf South Pipeline Co. LP for a second major expansion of its system that would give Texas, Oklahoma, Arkansas and Louisiana natural gas supplies greater access to Northeast, Florida and other Southeast markets.

Spectra Energy is launching a binding open season today for a proposed \$300 million expansion of its Texas Eastern Transmission system in a project that would offer customers in the US Northeast natural gas supplies from the emerging Rocky Mountain region. The open season is scheduled to continue through 5pm on November 16. The project would expand Texas Eastern capacity from Oakford, Pennsylvania to markets in the U.S. Northeast through additional compression and pipeline looping.

#### **PIPELINE MAINTENANCE**

Alliance Pipeline said that five maintenance and inspection

#### **Generator Problems**

**ECAR** – Detroit Edison's 1,139 Mw Fermi #2 nuclear unit shut September 29 for a scheduled refueling and maintenance outage, which is expected to last five weeks.

**FRCC** – Florida Power & Light's 839 Mw St. Lucie #2 nuclear unit shut to begin a scheduled refueling outage and will remain shut till mid-December.

**MAIN** – Exelon's 1,120 Mw Braidwood #1 nuclear unit shut from 93% power for a scheduled refueling outage. Braidwood #2 continues to operate at full power.

**SERC** – TVA's 1,100 Mw Browns Ferry #3 nuclear unit returned to full power over the weekend. Browns Ferry #1 and #2 continue to operate at full power.

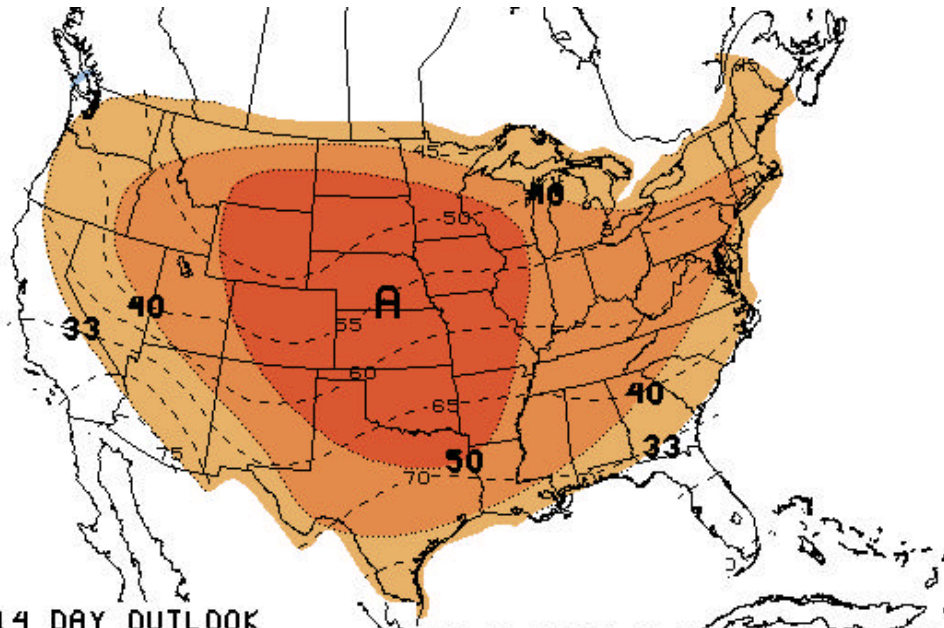
Southern Nuclear's 888 Mw Farley #1 power unit shut over the weekend for a scheduled refueling and maintenance outage. Farley #2 remains at full power.

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

TVA's 1,125 Mw Sequoyah #1 nuclear unit reduced output to 79% as it prepares for a refueling outage. On Monday, the unit was operating at 81%. Sequoyah #2 remains at full power.

**WSCC** – APS' 1,270 Mw Palo Verde #3 nuclear unit shut for an extended refueling and maintenance outage. Palo Verde #1 and #2 remain at full power.

**The NRC reported that 84,886 Mw of nuclear capacity is on line, down 5.04% from Friday, and up 4.69% from a year ago.**



8-14 DAY OUTLOOK  
 TEMPERATURE PROBABILITY  
 MADE 1 OCT 2007  
 VALID OCT 09 - 15, 2007  
 DASHED BLACK LINES ARE CLIMATOLOGY  
 (DEG F) SHADED AREAS ARE FCST  
 VALUES ABOVE (A) OR BELOW (B) NORMAL  
 UNSHADED AREAS ARE NEAR-NORMAL

Wednesday to perform minor inspections and maintenance. AOS will not be affected but capacity at the Blueberry Station will be lowered to 11,850e3m3. Unit #1 at the Blueberry Hill compression station will be taken offline for four hours to perform minor inspections and maintenance. System throughput (AOS) will not be affected but capacity at the Blueberry Station will be lowered to 11,850e3m3. The Alberta Lea Compression Station will be offline for 32 hours for maintenance starting at noon on Wednesday. System throughput (AOS) will be impacted.

projects are set for October 2-3. Inspections and Maintenance require the Estlin Compression Station to be offline for 60 hours starting Tuesday. System capacity (AOS will be impacted. Inspections and maintenance require the Olivia Compression Station to be offline for 16 hours starting tomorrow. AOS will be impacted. Unit #2 at the Blueberry Hill compression station will be taken offline for four hours on

### **ELECTRIC MARKET NEWS**

FPL Energy, a subsidiary of FPL Group, announced today it has completed the purchase of the two-unit 1,023 Mw Point Beach nuclear power plant located near Two Rivers, Wisconsin, from Wisconsin Electric Power Company (WE Energies). The deal is valued at approximately \$924 million.

American Electric Power has completed the sale of its 50% interest in the Sweeny Cogeneration plant in Texas to ConocoPhillips for approximately \$80 million, including working capital items and the assumption of project debt. Sweeny Cogeneration is a nominal 450 Mw cogeneration plant located within ConocoPhillips' Sweeny refinery complex approximately 80 miles southwest of Houston.

The Prairie State Energy Campus near Lively Grove, Illinois celebrated groundbreaking for its 1,600 Mw supercritical coal-fueled power plant that will be supplied by an adjacent mine. Units #1 and #2 are expected to be on line in the 2011 to 2012 timeframe.

### **MARKET COMMENTARY**

The natural gas market had a choppy upside day despite a very soft day in crude oil, no direct threat to the Gulf, and a well supplied market. The November contract traded to a low of 6.753 in early market trading, but support stemming from the 6.70 level showed its strength and from the open of the open cry session, the market shot up the charts, trading to the days high of 7.098 before noon. The market then chopped in a fairly wide range on either side of 7.00 before settling up 18 cents at 7.05.

Today's price action seemed more technical than fundamental, as there is really no firm bullish news. The low-pressure system between the Bahamas and the South Florida coast poses the only potential threat, tropically speaking, however upper level winds will inhibit further strengthening and the system should stay at sub-tropical strength. With regards to storage, another above average build is forecast for this week, with expectations calling for a build between 60 Bcf and the mid 70s Bcf. That compares with a 68 Bcf five-year average and a 74

Bcf year-ago build. Early models for next week's report also call for an above average injection. With all this bearish news it is difficult to see today's price action as anything more than technical buying at recent contract support, maintaining its present range. As the market consolidates at these levels, we feel that a test of the lows recent lows of 6.70 is imminent. We see resistance at 7.136, 7.223, 7.333, 7.40 and 7.568. We see support at \$6.70, 6.643, 6.533 and 6.23.