



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 8, 2007**

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

The National Hurricane Center reported that the only area of interest is an area of low pressure centered between Belize and the Cayman Islands producing disorganized showers and thunderstorms over portions of the northwestern Caribbean Sea and adjacent land areas. The system is not well organized, though there is a possibility of development over the next couple of days. Pretty much all of this morning's computer forecast models forecast that this system could remain in the vicinity of the northwestern Caribbean and southern Gulf of Mexico throughout this week into possibly this weekend.

The American Gas Association, which represents the nation's natural gas utilities, reported that robust production activity, abundant natural gas storage, the expected expansion of LNG terminals and constructions of new pipelines are likely to benefit natural gas customers over the 2007-08 winter. The level of natural gas supply looks "very good" going into the 2007-2008 heating season and current gas prices are relatively low compared to earlier this year, which bodes well for consumers, the AGA said.

FERC has approved Transcontinental Gas Pipe Line's request to amend its certificate to build an expansion that would create 165 MMcf/d of new firm transportation capacity to serve markets in the greater Washington, DC, and Baltimore metropolitan areas.

#### **PIPELINE RESTRICTIONS**

Southern Natural Gas Pipeline said that it has scheduled a shut-in test at the Muldon Storage Field from October 9 through October 15. This shut-in test constitutes an event of Force Majeure under Section 8.3 of the General Terms and Conditions of Southern's Tariff. As a result of this Force Majeure event, Southern will reduce each CSS customer's DIQ and DWQ on a pro-rata basis during the shut-in test.

#### **PIPELINE MAINTENANCE**

Alliance Pipeline said that the unforeseen difficulties that had delayed the start-up of the Estlin mainline compressor station have since been resolved, allowing the station to return to normal service. As a result, the higher pressures that were experienced in the lateral system should now decrease in time. AOS capacity for Cycle #3 has changed to 3% for October 9 gas day. Also, Alliance said that Unit #1 at the Blueberry Hill compression station will be taken offline for 24 hours on October 9 to perform maintenance. System Throughput (AOS) will not be affected but capacity at the Blueberry Station will be lowered to 9500 e3m3. Unit #2 at the

#### **Generator Problems**

**SERC** – Entergy's 966 Mw River Bend nuclear unit ramped up to 95% power today. The unit was operating at 20% on Friday. The unit had tripped shut from full power on September 26.

Southern Company's 888 Mw Farley #2 nuclear unit restarted and has ramped up to full power. The unit tripped from full power on October 3. Farley #1 remains shut for a refueling outage.

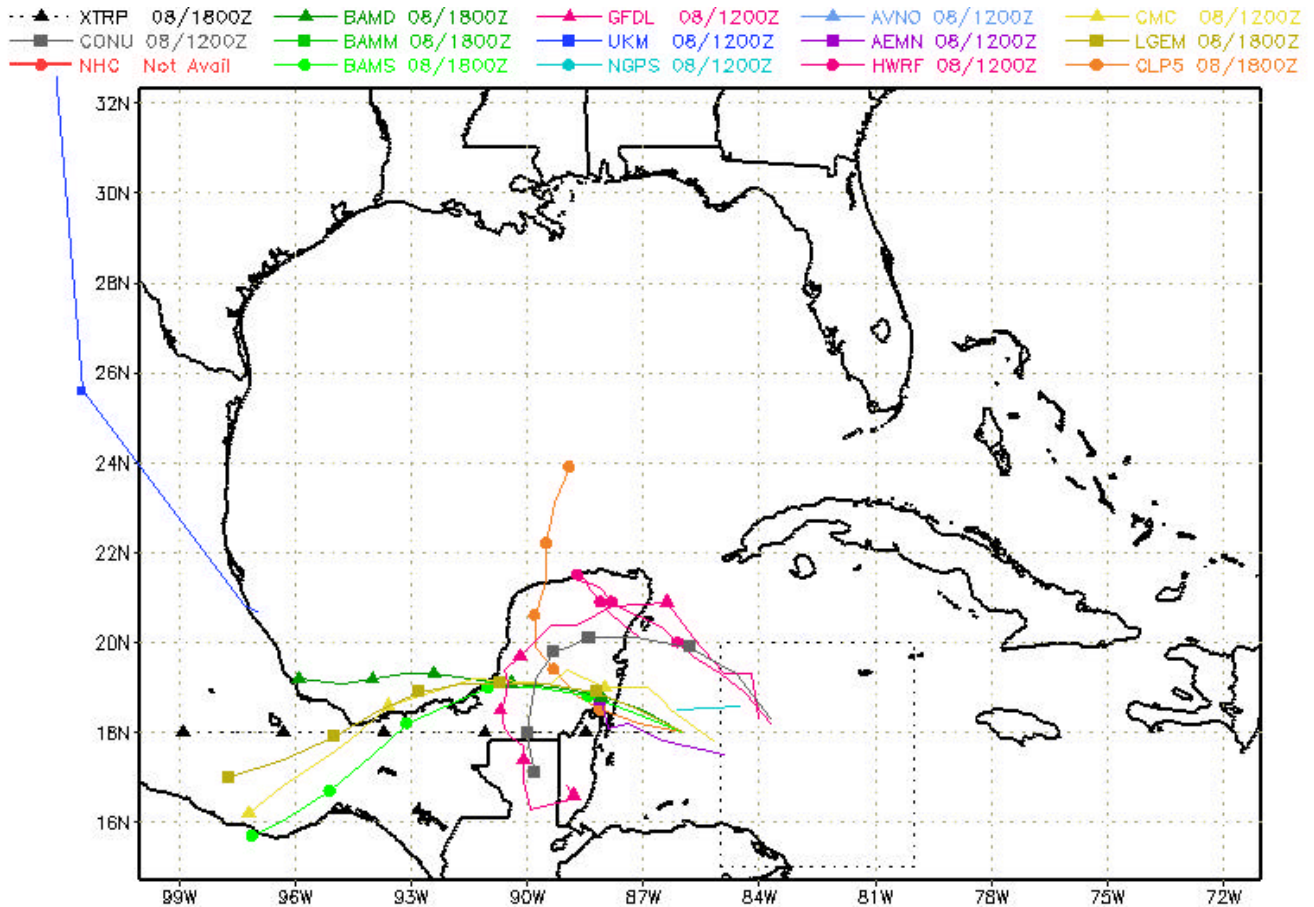
**WSCC** – Arizona Public Service's 1,270 Mw Palo Verde #2 shut over the weekend to repair a leak in the plant's cooling system. The unit was operating at full power on Friday. The unit is expected to return to service by the end of this week. Palo Verde #3 remains closed for a planned refueling outage.

Southern California Edison's 1,080 Mw San Onofre #3 nuclear unit coasted down to 95% power as it prepares for a 30-day mid-cycle outage. San Onofre #2 continues to operate at 99% power, but will shut at the end of next month for a planned seven week outage.

**The NRC did not report due to the Columbus Day Holiday.**

Blueberry Hill compression station will be taken offline for 24 hours on October 11 to perform maintenance. System throughput (AOS) will not be affected but capacity at the Blueberry Station will be lowered to 95 e3m3.

KM Interstate Gas Transmission said that it will be performing maintenance at its Rockport Station today through gas day October 11. KMIGT will be at capacity for gas delivered through Segment 790. AOR/IT and secondary firm out-of-path quantities are at risk of not being scheduled.



**ELECTRIC MARKET NEWS**

Genscape reported that power generation in the continental U.S. in the week ended October 4 soared 6.1% from the previous week on warm weather nationwide. Power generation was up 17.39% from the same week a year ago, at about 86.84 million megawatt hours. Power demand was up sharply on warm weather across the nation, particularly in the South and Midwest, which increased use of air conditioning.

**MARKET COMMENTARY**

The natural gas market initially showed strength in the session supported by some firm cash and reports of a low-pressure system in the northwestern Caribbean. The November contract traded to a high of 7.186, but as further

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	2,139,300	\$6.692	(\$0.079)	(\$0.397)	\$0.193	(\$0.607)
Chicago City Gate	635,200	\$6.771	\$0.194	(\$0.223)	\$0.337	(\$0.475)
NGPL- TX/OK	635,600	\$6.580	\$0.136	(\$0.414)	\$0.279	(\$0.622)
SoCal	774,400	\$6.568	\$0.103	(\$0.426)	\$0.246	(\$0.621)
PG&E Citygate	714,500	\$6.977	\$0.039	(\$0.017)	\$0.181	(\$0.308)
Dominion-South	610,400	\$6.879	\$0.017	(\$0.115)	\$0.160	(\$0.266)
Transco Zone 6	328,100	\$7.286	\$0.010	\$0.292	\$0.153	\$0.128

reports came out that the weather system was disorganized and posed no threat to energy interests, the market took out last week's tropical premium, selling down to a low of 6.826. The front month settled down 22.7 cents at 6.846.

Volume at the Henry Hub spot price was some 13% higher than the last recorded high back in September of 2006, perhaps as storage facilities fill up ahead of peak heating season. The current above average temperatures that have been spread across the Midwest and northeast are due to subside this week leaving more seasonal weather. This will reduce the cooling demand and overall demand will reflect more shoulder season levels. Supply is on pace to set another record in storage by the time winter starts, and that has kept a lid on prices. With no affect to production from the hurricane season, there is little reason for the bulls to step in front of this well supplied heavy market. We see resistance at 7.026, 7.20, 7.412 and 7.55. We see support at 6.80, 6.70, 6.66, and 6.56.