



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 16, 2007**

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

The NHC reported that a low-pressure system in the western Gulf of Mexico could develop into a tropical cyclone Tuesday or Wednesday before winds become unfavorable in the area. The low-pressure system is located about 250 miles southeast of Brownsville, Texas. Weather models show the system reaching the oil rich waters off the coasts between western Louisiana and western Florida in a few days.

The Federal Reserve reported this morning that over all industrial activity in the United States in September rose by 0.1% after revising August index lower to a 0.4% contraction. In the natural gas intensive industries, the overall group saw an expansion of 0.3% from August and some 0.2% higher than the same month a year ago.

Enbridge Energy Partners Tuesday agreed to sell its interstate natural gas transmission system, commonly known as the Kansas Pipeline System (KPC), to Quest Midstream Partners LP for \$133 million in cash.

#### **PIPELINE MAINTENANCE**

Panhandle Eastern Pipeline Company said that there will be a one-day outage at Montezuma Station for installation of a new launcher on the 500 Line on October 18. Capacity will be limited to 1060 MMcf/d through Montezuma for the duration of the outage. This scheduled project is part of the 500 line expansion project conducted by Panhandle.

#### **PIPELINE RESTRICTIONS**

Florida Gas Transmission issued a warning to natural gas shippers on its pipeline system as hot weather was expected to boost demand. The company issued an overage alert at 25% tolerance.

Natural Gas Pipeline Company said that a force majeure event has occurred on its Illinois Lateral #2 line (Segment 29) in Whiteside County, Illinois, just north of Compressor Station 110. Consequently, effective for gas day October 17 and until further notice, Natural will be scheduling primary firm and secondary in-path firm

#### **Generator Problems**

**FRCC** – Florida Power and Light's 760 Mw Turkey Point #3 nuclear unit remains offline. The unit is warming up offline at 3% after restarting from a refueling outage. Turkey Point #4 continues to operate at full power.

**MAIN** – Dominion Resources' 591 Mw Kewaunee nuclear unit ramped up to full power today. Yesterday, the unit was operating at 93% capacity.

**NPCC** – Entergy Nuclear's 825 Mw FitzPatrick unit restarted and is warming up offline at 1% power.

**PJM** – Exelon's 1,116 Mw Peach Bottom #3 remains offline at 15% power. The unit restarted over the weekend from following a planned refueling and maintenance outage.

**SERC** – Dominion Resources' 925 Mw North Anna Power Station #2 increased output to 30% capacity today. North Anna #1 remains at full power.

**WSCC** – Calpine Corp.'s 811 Mw Delta natural gas-fired power station returned to full power.

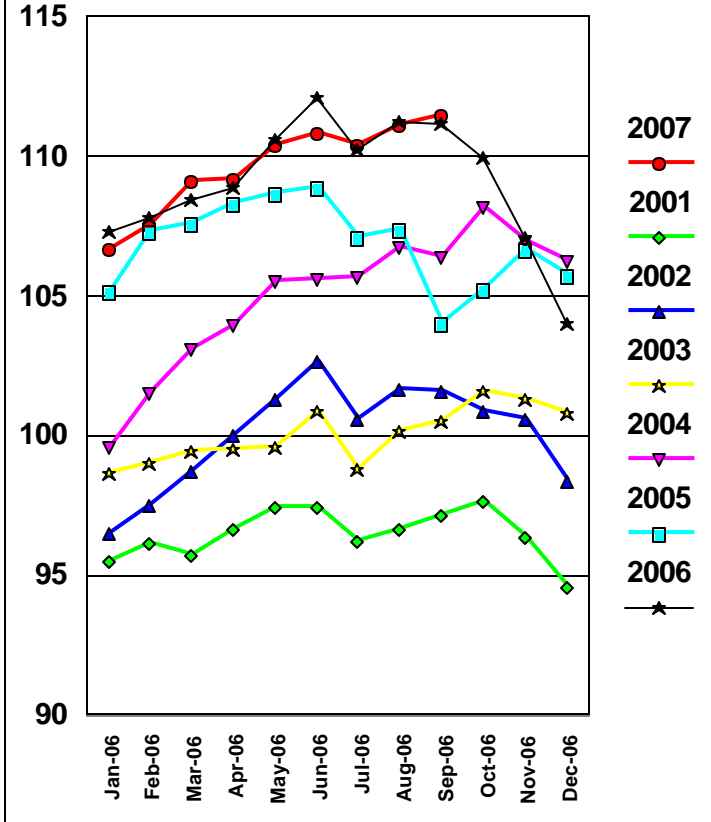
Dynergy's Moss Landing natural-gas fired power station reported that the 510 Mw Unit #2 returned to service, while the 739 Mw Unit #7 shut.

**Canada** – Ontario Power Generation will keep the 515 Mw Pickering #1 nuclear unit shut for planned maintenance. The unit is expected to return to service in about two months.

Ontario Power Generation's 490 Mw Nanticoke #8 coal-fired power station shut for short work by early today. The unit is expected to return in about a week.

**The NRC reported that 78,857 Mw of nuclear capacity is online, up .36% from Monday, and up 10.75% from a year ago.**

**US Industrial Production Index  
Major Nat Gas Consuming Sectors  
Basis Federal Reserve & DOE/EIA Stats**



transports to a reduced level through Compressor Station 110 to a minimum of 84% of MDQ for each contract with Segment 14 primary/secondary in-path rights, assuming that each such contract is nominated at full applicable contract MDQ through Compressor Station 110 pathed to go through the Illinois Lateral (Segment 29) and eastbound through Segment 14.

**ELECTRIC MARKET NEWS**

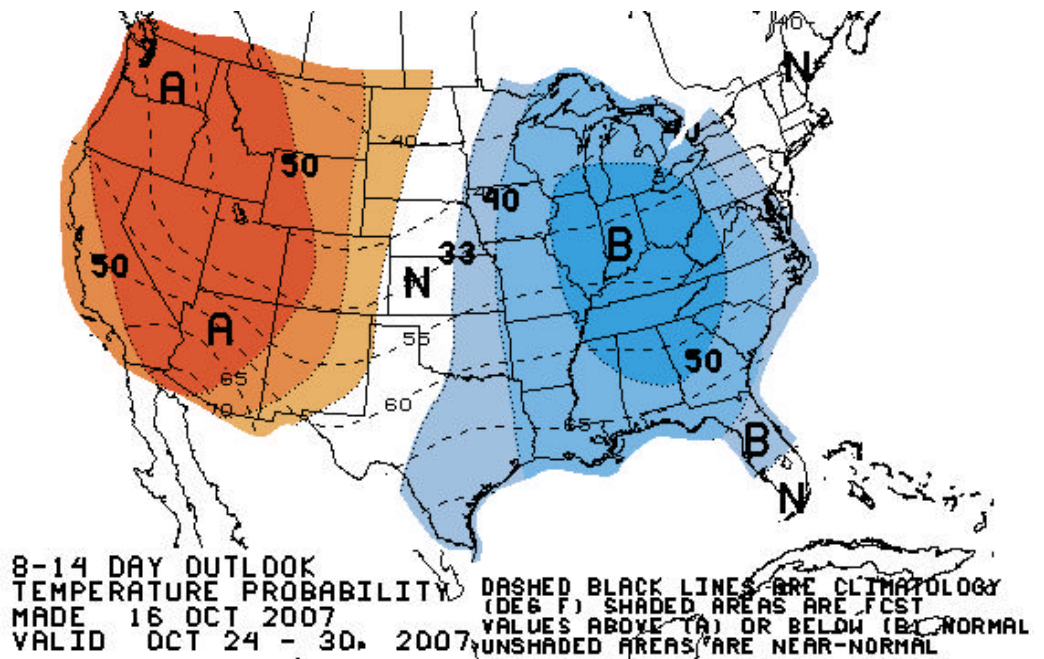
U.S. coal supplies rose 0.9% last week, but days of burn available were unchanged at 53, according to Genscape. U.S. power generators had nearly 147.2 million tons of coal as of the week ending Monday, up almost 1.4 million tons from the previous week. Power stations had more than 19% more coal than they had during the same week in 2006, down from a surplus of 21.1% recorded in last week's report.

North America's 10 independent system operators and regional transmission organizations issued a defense of their operations, saying organized wholesale power markets have maintained reliability in the face of record demand and that electricity prices have been declining in most of their coverage areas.

American Electric Power and SemGreen will work together to capture carbon dioxide from a coal-fired power plant in Oklahoma and use it for enhanced oil recovery. AEP and SemGreen would transport through a pipeline the CO2 captured at one of the 450 Mw units at AEP's

1,799 Mw Northeastern power station. The CO2 would then be used or sold by SemGreen for enhanced oil recovery.

Florida Power and Light proposed making nuclear power a bigger part of Florida's energy future. In the first step toward building two new nuclear power units at its Turkey Point generating complex, FPL filed its plans with the Florida Public Service Commission. This project would add between 2,200 and 3,000 Mw of emission-free capacity to the company's generating fleet and would produce enough energy each



year to power the needs of over 1 million residential customers.

### **MARKET COMMENTARY**

The natural gas market shot higher supported again by record highs in crude oil, strong cash prices, and a pestering tropical report. The November natural gas contract traded to a high of 7.57, slightly above the current range, before the open of NYMEX, and vacillated with the wild crude oil market throughout the session. Unable to muster momentum higher, as crude oil came off its highs, natural gas followed lower. Profit taking following yesterday's move higher pressured the market to negative territory, as the November contract traded to a low of 7.291 before settling down 7.8 cents at 7.367.

The fundamental picture remains soft and relatively unconstructive. Early expectations call for another above average injection into storage, adding further bearish weight to the market. Estimates are for a build of 55-65 Bcf, compared to last year's build of 54 Bcf and the five-year average injection of 63 Bcf. Stocks are on pace to begin the heating season with an all time high of around 3.49 Tcf. We feel that upside traction is faltering and that the market will return more to the middle of its present 6.70-7.50 range as it consolidates ahead of winter. We see support at 7.30, 7.12, 6.95 and 6.70. We see resistance at 7.507, 7.57, 7.678 and 7.80.