



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 19, 2007**

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

Activity in the Tropical Atlantic is quiet and it appears that things will remain fairly quiet for at least the next 3 to 5 days with no tropical cyclone development anticipated this weekend into at least early next week.

Denbury resources announced that today it has entered into an agreement to sell its Louisiana natural gas assets for approximately \$180 million plus any amounts received from a net profits interest, to a privately held company. Production attributable to the properties being sold averaged approximately 28.8 Mmcfe/d (85% natural gas).

With confidence in private weather forecasters slipping in the wake of some prediction gaffes during the past couple of years, more scrutiny must be taken with these reports. For instance, predictions for a severe winter didn't pay out the last time around, nor did projections for a brutal 2006 hurricane season. So as weather forecasters have begun releasing their predictions for winter, trying to give some early insight into the season's likely demand scenario for heating fuels, some analysts are eyeing those predictions with a bit more skepticism than usual.

The number of rigs searching for oil and gas in the U.S. fell by three to 1,764 in the week ending Friday, according to Baker Hughes. The number of rigs searching for oil rose one to 320 while the number of rigs searching for gas fell four to 1,438.

#### **PIPELINE MAINTENANCE**

El Paso Natural Gas Company said that Gallup C will be unavailable until further notice due to unscheduled maintenance with a reduction of 200 MMcf/d. This will reduce the San Juan Basin/Mainline base capacity of 2840 MMcf/d to 2640 MMcf/d.

Gulf South Pipeline said that unscheduled maintenance at Koran Compressor Station in Webster Parish, Louisiana is now complete.

#### **PIPELINE RESTRICTIONS**

#### **Generator Problems**

**FRCC** – Florida Power and Light said that its 760 Mw Turkey Point #3 nuclear unit is at 85% capacity today. Yesterday, the unit was operating at 48% capacity. Turkey Point #4 continues to operate at full power.

**NPCC** – Entergy's 825 Mw FitzPatrick nuclear unit reduced output to 65% power. Yesterday, the unit was operating at full power.

**PJM** – Exelon's 875 Mw Three Mile Island #1 nuclear unit reduced output to 88% power today as the unit prepares for a refueling and maintenance outage.

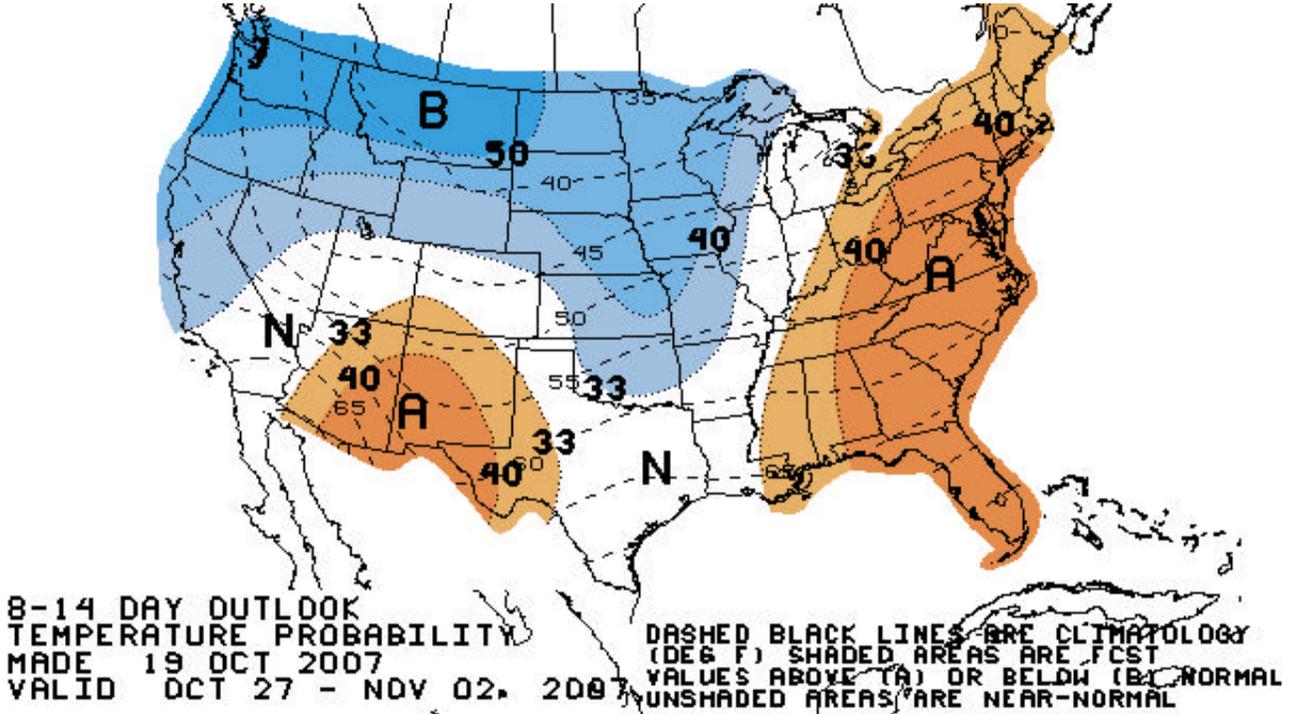
Exelon's 1,116 Mw Peach Bottom #3 nuclear unit is increased output to 97% power as it comes back from a refueling outage.

**SERC** – Dominion Resources' 800 Mw Surry #1 nuclear unit is at full power, but is expected to shut over the weekend for a refueling. Surry #2 continues to operate at full power.

TVA's 1,100 Mw Browns Ferry #1 nuclear unit ramped output to 70% power. Browns Ferry #2 and #3 continue to operate at full power.

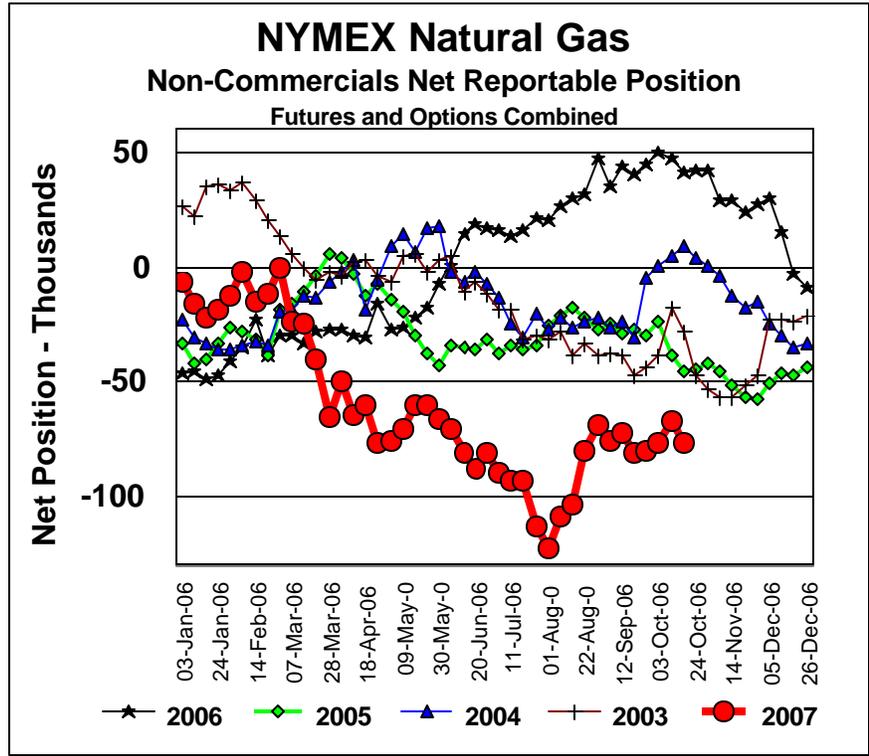
**The NRC reported that 82,501 Mw of nuclear capacity is online, up .82% from Thursday, and up 16.81% from a year ago.**

Florida Gas Transmission said 90 degree weather is forecasted for Florida for today. Therefore, FGT has continued its Overage Alert Day for FGT's Market Area at 15% tolerance. FGT will not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled quantity.



**ELECTRIC MARKET NEWS**

The Board of Directors of ISO New England approved the 2007 Regional System Plan. This year's comprehensive assessment shows marked progress in a number of areas, including demand- and supply-side resource development as well as significant upgrades to the transmission system serving the six New England States. Taken together, these advances demonstrate the effectiveness of a sound wholesale electric market structure and robust system planning to ensure electricity needs are met reliably and efficiently.



Genscape's U.S. weekly coal burn index fell 5.1% in the week ended October 18 as air-conditioning demand eased. The index was up about 3.1% over the same week last year.

**MARKET COMMENTARY**

With oil on the defensive, natural gas fundamentals were able to take center stage and pressure the market. Concerns about high inventories and soft cash prices in the face of mild U.S. weather next

week saw natural gas trade break below recent support at 7.30 on its way to a daily low of 7.027. Cash prices are roughly 35-40 cents below futures, and that is expected to continue to pressure the front month contract unless weather-related demand picks up. The November contract settled down 33.3 cents at 7.041.

The Commitment of Traders Report showed that as of October 16, the non-commercial traders had reduced their net short futures only positions by 3,560 lots to 56,306 contracts, while in the combined futures and options report, they increased their net short positions by 9,313 lots to 76,545 contracts. The market has returned to the meatier part of its range and we feel that with soft fundamentals finally taking charge in this market, a test of the 7.00 level next week is probable. We see support at 7.00, 6.873, 6.781, 6.70 and 6.536. We see resistance at 7.21, 7.455, 7.55 and 7.60.