



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR OCTOBER 31, 2007**

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

The United Nations weather agency reports that La Nina, a cooling of sea temperatures, is under way in the Pacific Ocean and the phenomenon is likely to persist into next year. In its latest update, the World Meteorological Organisation (WMO) said the sea surface was about 1.5 degrees Celsius colder than normal across the central and eastern equatorial Pacific.

Distribution of imported gas from U.S. LNG terminals was sharply lower in October, with foreign markets bidding more for LNG, according to Pickering & Company Securities. October sendout, the term for flows to U.S. markets of regasified imported LNG, averaged 0.9 Bcf/d, down 0.5 Bcf/d from September's 1.4 Bcf/d and 0.3 Bcf/d lower than the average in October 2006. Year-to-date average daily sendout from five operational U.S. terminals is still much higher than last year, 2.3 Bcf/d versus 1.6 Bcf/d in 2006. The decline this month was largely due to Asian demand, especially Japan and Korea.

#### **Generator Problems**

**ECAR** – Consumers Energy's 789 Mw Palisades nuclear unit ramped output to 91% capacity, up from 65% yesterday.

**MAIN** – Exelon Generation's 1,120 Mw Braidwood #1 nuclear unit reduced output to 61% power. Yesterday, the unit was operating at 75% power. Braidwood #2 continues to operate at full power.

Exelon Generation restarted both of its Byron nuclear units, but is keeping both units offline for now with the 1,252 Mw Unit 1 at 8% power and the 1,225 Mw Unit 2 at 18%.

**PJM** – PPL said its 1,115 Mw Susquehanna #1 nuclear unit is back online, operating at 36% power after a refueling outage. Susquehanna #2 continues to operate at full power.

**The NRC reported that 79,976 Mw of nuclear capacity is online, up .66% from Tuesday, and up 7.78% from a year ago.**

Natural gas company Williams said a recent open season to gauge interest on its proposed Rockies Connector gas pipeline generated bids from producers and markets in the U.S. Northeast in excess of the project's capacity. In a statement, the company said the results confirm that a project of approximately 688 million cubic feet per day is the right size for the market. The proposed in-service date for the 250-mile pipeline is November 2010.

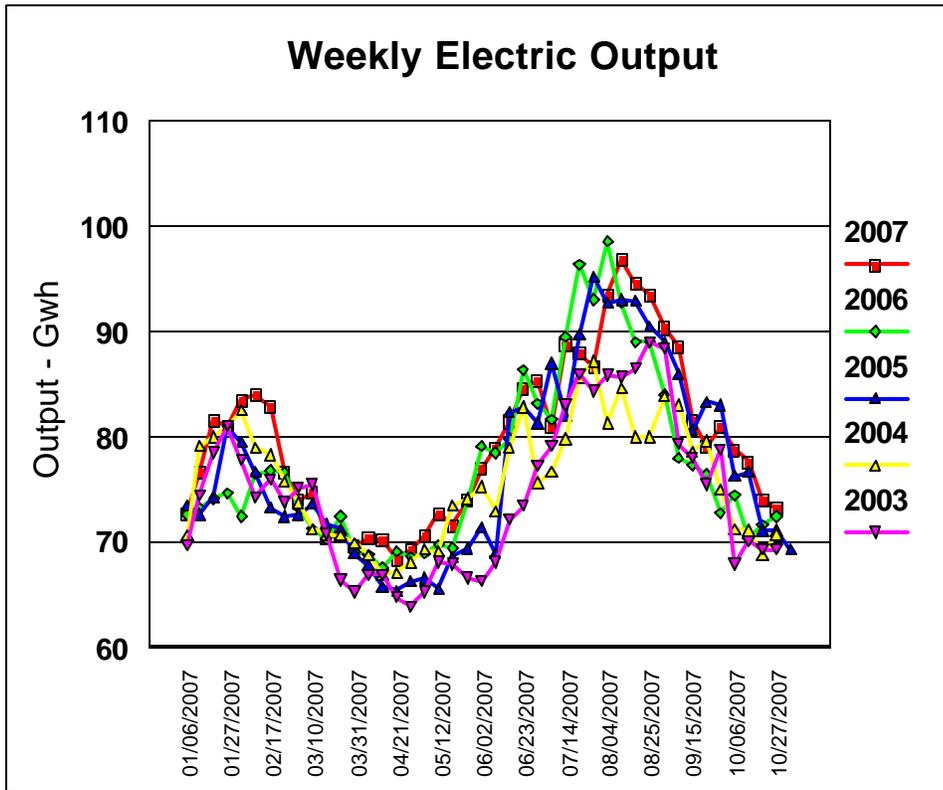
#### **PIPELINE MAINTENANCE**

Williston Basin Interstate Pipeline Company said that it will be making tie-ins on the Heskett Lateral beginning today at 9:00 AM MT and concluding at 6:00 PM MT. During the project gas flow on the Lateral will be stopped. Also, Williston will replace the Cabin Creek-Bismarck crossing of the Missouri River. Between now and the end of the year, the company will tie-in the new line. Dates for this project have yet to be determined.

Panhandle Eastern Pipe Line Company said that the outage on the Centralia 100 Line from Gate Valve 101 to Gate Valve 103 has been extended through gas day November 5. The maintenance, which began October 29, is being conducted to perform a DOT Relay and for the Rockies Express Pipeline crossing beginning. Capacity will be limited to 1250 MMcfd through Houstonia. Panhandle also said that the Cashion Unit 2301 was taken out of service Monday in order to repair a cracked head and damaged power cylinder. The unit is expected to be back in service November 3. The expected capacity through the Bison 9 segment will be limited to 90 MMcfd.

#### **PIPELINE RESTRICTIONS**

PG&E California Gas Transmission has set a system wide operational flow order on its California natural gas pipeline system for November 1 gas flow due to high inventory. Tolerance is set at 18%.



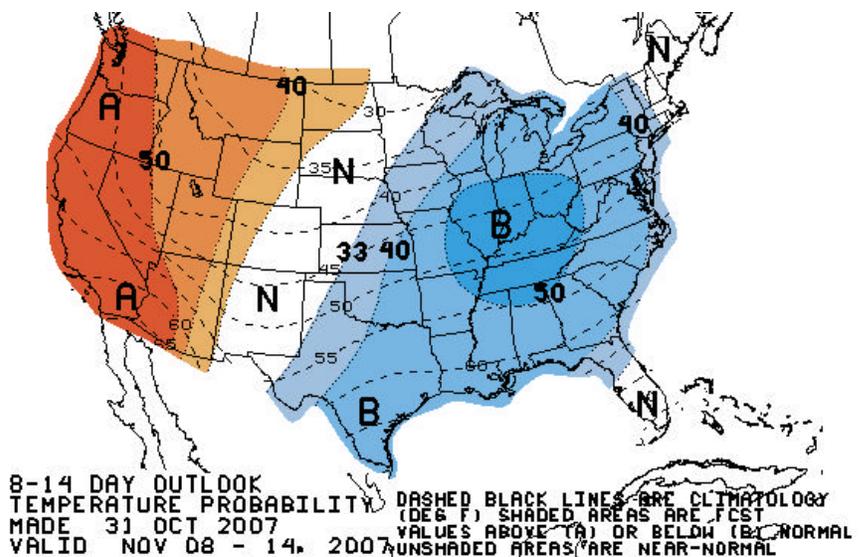
Questar Pipeline Company said that effective gas day November 1 Cycle 1, Questar will return to normal scheduling between Fidar and Price. Since September 22, Questar has only been accepting nominations with a priority of service of primary-to-primary in this area. Customers should be aware that Questar will continue to use other Southern System and ML80 constraint points to manage capacity.

**ELECTRIC MARKET NEWS**  
 The Edison Electric Institute reported that power production in the U.S. for the week ended October 27 rose 1.2% from the same 2006 week to 73,267 GWh, which is 0.95% lower than last week.

Electricity prices in the Northeastern and Midwestern parts of North America split, with PJM down on forecasts for weaker demand and the return of some generation, including a nuclear unit. Prices dipped \$5 to \$55-\$65 per megawatt hour in PJM. The average price for on-peak power in Cinergy last November was \$54, while the five-year average is \$50.

**MARKET COMMENTARY**

The natural gas market held above the 8.00 level to start the session, as cooler weather in parts of the nation boosted cash prices for the third day in a row. After rising 33 cents yesterday, gas for Thursday delivery at Henry Hub, rose 29 cents on average to 7.28. Strong cash coupled with an absurd crude oil market, lifted December natural gas above its 6-week range to a high of 8.475, as the oil inventory data showed a larger than expected draw to stocks. Natural gas backed off its early morning highs, just to surge again late in the day. The front month settled up 30.9 cents at 8.33, its highest close since settling at 8.422 on December 1, 2006.



The EIA is expected to report an above average injection to natural gas storage as many regions saw fairly seasonal weather and light demand. Expectations call for a build of between 55-60 Bcf, compared with a 26-Bcf build for the five-year average and a year-ago draw of 9 Bcf. Therefore, the five-year average surplus could add over 30 Bcf to the 232 Bcf surplus if the data comes in as expected, while the year-on-year deficit could very well be transformed into a 50 Bcf surplus. We expect to see a small pull back ahead of the data, but if crude oil

continues its march, then natural gas will look at that and the cold and shrug off its burgeoning supplies. We see support at 8.282, 8.088, 8.00, 7.798 and 7.60. We see resistance at 8.50, 8.766 and 9.00.

