



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR NOVEMBER 5, 2007**

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

Parts of the U.S. Northeast and Midwest will experience the first shot of cold air of the heating season this week as temperatures drop to the 20s and teens overnight, but warmer weather should arrive next week according to private forecaster Planalytics. Cold Canadian air will hit Northeastern and upper Midwestern cities this week with the core of the cold air expected to center itself over the Great Lakes and Upper Midwest with highs in the 30s and 40s. The cold will be replaced with seasonable mild weather next week.

The EIA reported that U.S. natural gas proved reserves increased 3% in 2006, rising to over 211 Tcf, the highest level since 1976. Additions to reserves replaced 136% of the dry natural gas produced in 2006. This was the eight year in a row that U.S. natural gas proved reserves have increased. Texas led the nation in natural gas reserves additions in 2006 with a 9% increase in dry gas proved reserves due to rapid development of Barnett Shale reservoirs in the Newark East Field.

Williams Co. said it has completed a successful binding open season for an expansion project in the U.S. Southeast, subscribing all firm capacity offered on the natural gas pipeline beginning in 2011. The project would connect Williams' Transco natural gas line with the recently authorized Gulf LNG Clean Energy import terminal located near Pascagoula, Mississippi. Angola LNG Supply Services subscribed all 467.39 MMcf/d of firm transportation capacity offered in the open season.

#### **Generator Problems**

**ERCOT** – AEP's 690 Mw Oklaunion coal-fired power station shut over the weekend to fix a turbine steam seal. The work is expected to be finished by November 9.

**FRCC** – Progress Energy's 838 Mw Crystal River #3 nuclear unit shut over the weekend for a scheduled refueling.

**MAIN** – Both of Exelon's Byron nuclear units are operating at full power.

Exelon's 1,120 Mw Braidwood #1 nuclear unit ramped up to 80% power. On Friday, the unit was operating at 69%. Braidwood #2 continues to operate at full power.

**NPCC** – Constellation Energy's 1,140 Mw Nine Mile Point #2 nuclear unit shut for maintenance. The unit is expected to return to service in about two weeks. Nine Mile Point #2 continues to operate at full power.

Entergy's 825 Mw FitzPatrick nuclear unit ramped up to 55% power. On Friday, the unit was operating at 48% power.

**PJM** – PPL's 1,115 Mw Susquehanna #1 nuclear unit is at full power. The unit was operating at 86% power on Friday. Susquehanna #2 remains at full power.

**SERC** – Tennessee Valley Authority's 1,155 Mw Browns Ferry #1 nuclear unit shut for planned maintenance. Browns Ferry #2 and #3 continue to operate at full power.

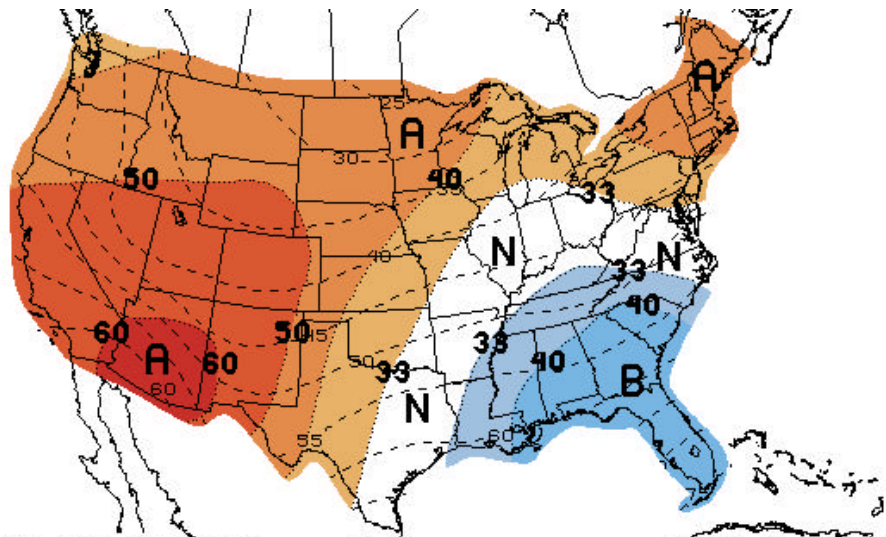
Southern Co.'s 883 Mw Hatch #2 nuclear unit returned to full power today. On Friday the unit was operating 45% power. Hatch #1 continues to operate at full power.

**WSCC** – APS' 1,311 Mw Palo Verde #1 nuclear unit exited an outage and ramped up to full power by early today. The unit was warming up at 1% on Friday.

AES Corp.'s 495 Mw Alamos #6 natural gas-fired power station returned to service today. The unit shut November 1 for planned work.

**Canada** – Bruce Power's 790 Mw Bruce #8 nuclear unit returned to full power today after tripping offline over the weekend.

**The NRC reported that 81,704 Mw of nuclear capacity is online, down 1.25% from Friday, and up 5.79% from a year ago.**



8-14 DAY OUTLOOK  
 TEMPERATURE PROBABILITY  
 MADE 5 NOV 2007  
 VALID NOV 13 - 19, 2007  
 DASHED BLACK LINES ARE CLIMATOLOGY (DEG F)  
 SHADED AREAS ARE FCST  
 VALUES ABOVE (A) OR BELOW (B) NORMAL  
 UNSHADED AREAS ARE NEAR-NORMAL

The Institute for Supply Management's non-manufacturing or services sector index rose to 55.8 in October from 54.8 in September. Economists polled by Reuters had forecast a median result of 54.0 for October. The services sector represents about 80% of U.S. economic activity, including business such as restaurants, hotels, banks and airlines.

Jeff Bingaman, chairman of the Senate Energy and Natural Resources Committee, said if the U.S. Congress passes, and the price of all types of energy will rise. Bingaman said that all kinds of energy, not just natural gas will experience a boost in prices. He went on further to say that raising the price of energy "is not good news to a lot of people, but some believe that the importance of reducing greenhouse gases is such that we need to proceed."

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Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,658,200	\$6.713	\$0.083	(\$1.638)	\$0.568	(\$1.568)
Chicago City Gate	884,500	\$6.802	\$0.317	(\$1.353)	\$0.651	(\$1.367)
NGPL- TX/OK	947,300	\$6.326	\$0.468	(\$1.829)	\$0.802	(\$1.867)
SoCal	677,400	\$6.519	\$0.783	(\$1.636)	\$1.117	(\$1.684)
PG&E Citygate	446,400	\$7.055	\$0.101	(\$1.100)	\$0.435	(\$0.957)
Dominion-South	562,400	\$7.137	\$0.267	(\$1.018)	\$0.601	(\$1.106)
Transco Zone 6	280,000	\$7.263	\$0.246	(\$0.892)	\$0.580	(\$0.902)

LNG Japan is eyeing a hub in the U.S. Gulf of Mexico, which would give it a foothold in the vast U.S. gas market and also provide it with a ready supply to tap into in case of an

emergency at home. LNG Japan hopes to use the Gulf of Mexico terminal not just to sell into the U.S. market, but providing an opportunity to divert cargoes to Japan if needed. LNG Japan is in talks with suppliers in Africa to secure the more than 1 million mt/year of LNG for the U.S terminal.

### PIPELINE MAINTENANCE

Alliance Pipeline said that it has planned three maintenance projects for this week. Inspections and maintenance requires the Albert Lea Compression Station to be offline for 36 hours starting today. System throughput (AOS) will be affected. The AB35 Waskahigan Meter Station will be unavailable for four hours on November 7 to allow for maintenance. Station capacity will be lowered to 944 e3m3 for the day. Also, maintenance requires the Olivia Compression Station to be offline for four hours starting November 7.

National Fuel Gas said that Concord Unit #2 will be down for scheduled maintenance beginning today and lasting through November 14. Capacity through this segment of Line X System will be reduced to approximately 310 MMcf/d.

Northern Natural Gas Company said it experienced a Force Majeure situation at the Perryton Barlow compressor station. The dehydration system is currently not operational requiring the station to be shut-in repairs are made.

Starting gas day November 3 the capacity was zero, which will remain until the repairs are complete. Northern also said that Panhandle Eastern Pipeline will perform maintenance at their Liberal Compressor Station and PEPL Line 100 main line. On November 7, the PEPL 100 main line will be down or at reduced pressures for approximately 12 hours to perform pipeline maintenance. On November 19, the Liberal compressor station will be down for approximately eight hours to repair electrical equipment.

**PIPELINE RESTRICTIONS**

Pacific Gas and Electric's California Gas Transmission issued an operational flow order for all customers on its natural gas pipeline system due to high inventories. The system-wide alert was issued at 5% tolerance.

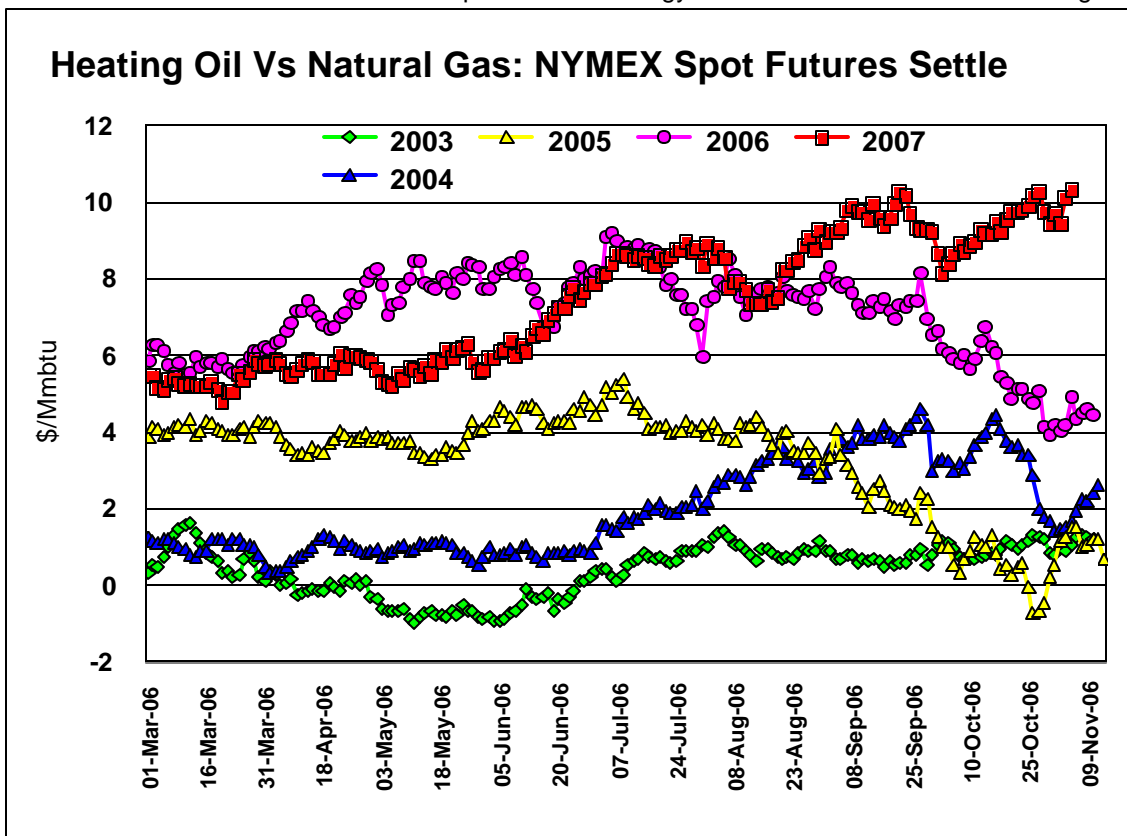
**ELECTRIC MARKET NEWS**

Genscape reported that power generation in the continental U.S. in the week ended November 1 fell more than 2% from the week before. Electricity output was 2.03% less than the previous week, but 0.57% greater than the same week a year ago.

Entergy Corp., the second-largest U.S. nuclear power generator, said it would spin off several nuclear plants into a new company in a bid to capitalize on the greenhouse-gas-friendly technology. The new company, which would be 50% owned by Entergy, would consist of nearly 5,000 Mw of nuclear capacity located largely in the Northeast, which has some of the highest power prices in the country.

Pennsylvania Governor Rendell has asked the U.S. Department of Energy to reconsider its decision to designate

a vast swath of the northeast, including 52 counties in Pennsylvania, as part of the National Interest Electric Transmission Corridor. The DOE in early October designated an area from Northern Virginia to New York City as a National Interest Transmission Corridor, a status that would allow the federal government



under certain circumstances to order the construction of a power line where state authority failed to do so. The Pennsylvania Public Utility Commission has filed with both the DOE and federal courts to reverse this designation so as to protect state's rights.

**MARKET COMMENTARY**

The natural gas market continued where it left off last week, sliding down the charts as the market focused on milder temperatures in the 11-15 period. With the cold temperatures that boosted the market to 8.70 finally upon

us, and the cash market feeling the demand, market players now focus on the large amount of gas that is in storage and forecasts for more seasonal temperatures. The December contract was under pressure the entire session, breaking through the key 8.00 level to settle at 7.999, down 41.9 cents on the day. The market extended its losses after the settle to a daily low of 7.92.

Market fundamentals dominated the session as a glut of gas looms over the market. With the most natural gas ever held in storage and that picture expecting to get even more bearish after this week's EIA inventory release, stocks are at very comfortable levels. Also weakening natural gas' floor was a receding crude oil market, however a return to rallying oil would add support to natural gas and limit the market's fundamental decline. We see support at 7.80, 7.645, 7.50 and 7.367. We see resistance at 8.20, 8.485, 8.629 and 8.712.