



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR NOVEMBER 7, 2007

#### NATURAL GAS MARKET NEWS

Costs to construct new oil and natural gas facilities have nearly doubled since 2005 and surged to record highs, according to the IHS/Cambridge Energy Research Associates (CERA) Upstream Capital Costs Index (UCCI).

What's already a common provision in globally based liquefied natural gas (LNG) contracts -- flexible destination rights -- within 10 years will be included in all LNG deals, meaning shippers can at the last minute take cargoes to other ports offering higher prices at the time. Most of the contracts for the gas slated to go through Sempra Energy's new North Baja California terminal that opens early next year in Mexico already had these so-called "economic dispatch" provisions.

Norway's StatoilHydro, U.K.-based Centrica, and Consolidated Contractors Co. have signed an agreement to conduct feasibility studies for developing studies for developing an LNG project in Nigeria. The feasibility study will include analysis of potential feed gas, LNG plant locations, including local infrastructure and end markets.

#### PIPELINE MAINTENANCE

Florida Gas Transmission said it would perform maintenance November 12-14 on its East White Lake lateral pipeline upstream of compressor station 75. During the work FGT said it would schedule up to 350,000 mmBtu/day, down from normal operation of up to 685,000 mmBtu/d on the lateral. FGT added that during the work it would not volumes at the ANR/FGT St. Landry interconnect and the Gulf South/FGT interconnect.

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	1,982,200	\$7.418	\$0.222	(\$0.519)	\$0.314	(\$1.382)
Chicago City Gate	1,221,200	\$7.022	(\$0.168)	(\$0.555)	\$0.097	(\$1.227)
NGPL- TX/OK	924,800	\$6.568	(\$0.143)	(\$1.009)	\$0.122	(\$1.741)
SoCal	714,800	\$6.765	(\$0.219)	(\$0.812)	\$0.046	(\$1.597)
PG&E Citygate	279,300	\$7.076	(\$0.218)	(\$0.501)	\$0.047	(\$0.937)
Dominion-South	691,200	\$7.933	\$0.128	\$0.356	\$0.393	(\$0.704)
Transco Zone 6	274,500	\$8.476	\$0.177	\$0.899	\$0.442	(\$0.405)

El Paso Natural Gas Company said that the Alamo Lake #2 turbine mechanical failure will necessitate a replacement of the cracked exhaust expansion bellows. Due to the uncertainty of part replacement, an estimated time frame for the repair will be approximately two weeks. The Force Majeure impact will result in a reduction of 100 MMcf/d from an estimated

#### Generator Problems

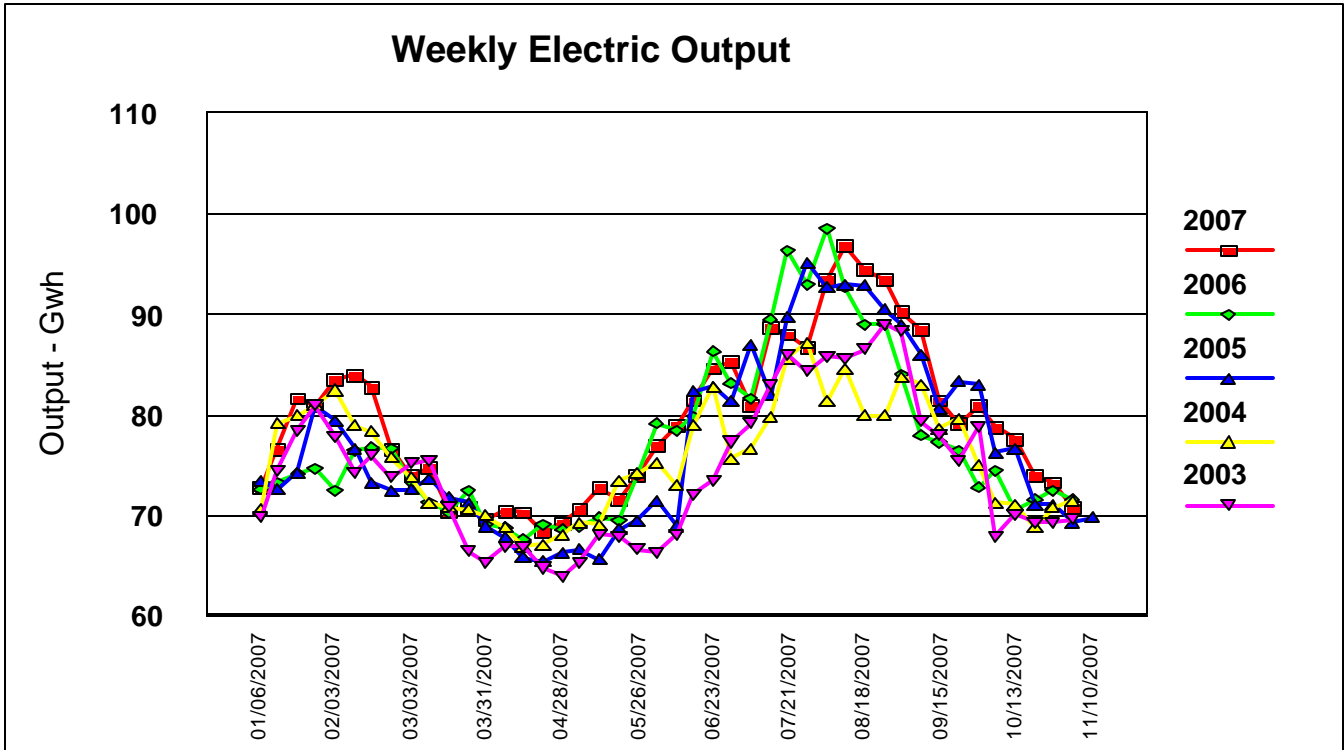
**ECAR** – AEP's 1,107 Mw Cook #2 nuclear unit reconnected to the grid and is operating at 25% power as it returns from a refueling outage.

**MAIN** – Exelon's 1,120 Mw Braidwood #1 nuclear unit ramped up to 90% power as it comes back from a refueling outage. Yesterday, the unit was operating at 85% power.

**NPCC** – Dominion's unit 3 at the 754 Mw Salem Harbor coal-fired power station shut after a steam rupture fatally injured 3 employees. Units 1 and 2 were later shut.

**SERC** – Entergy's 966 Mw River Bend nuclear unit shut from 75% power today.

**The NRC reported that 81,033 Mw of nuclear capacity is online, down .50% from Tuesday, and up 2.87% from a year ago.**



base capacity of 620 MMcf/d on the Havasu Crossover. The estimated capacity reduction is 100 MMcf/d from November 7 (cycle 2) through November 21, leaving a net 520 MMcf/d.

**PIPELINE RESTRICTIONS**

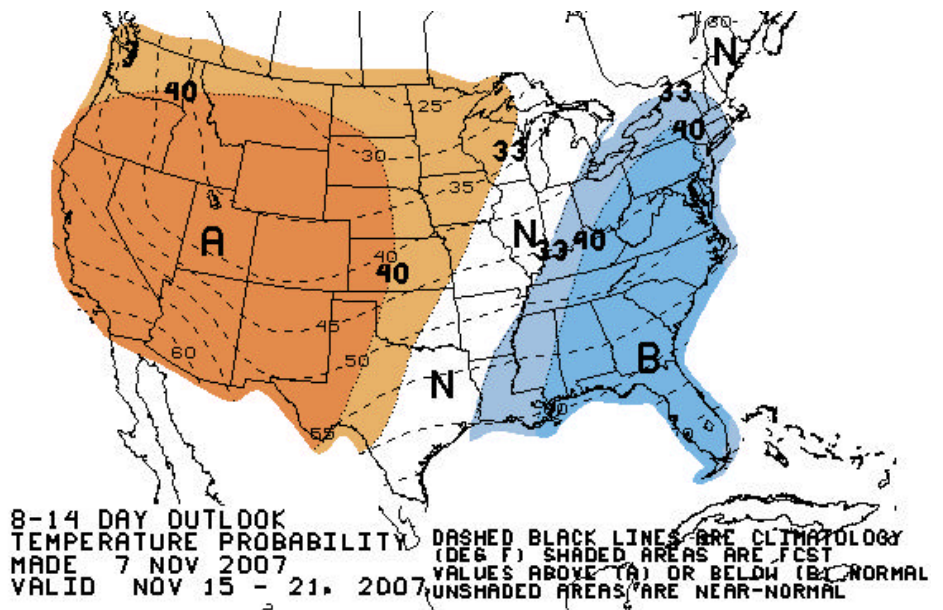
Florida Gas Transmission said cold weather forecast for North Florida in the coming days could result in a potential overage alert for natural gas shippers if the cold results in increased demand on its pipeline system.

**ELECTRIC MARKET NEWS**

The Edison Electric Institute reported that power production in the continental U.S. for the week ended November 3 fell 1.2% from the same 2006 week to 70,822 GWh. Compared to last week, it is a 3.34% decrease in electricity demand.

**MARKET COMMENTARY**

Natural gas futures slid lower for the fourth session in a row as forecasts for mild weather are expected to keep demand weak amid expectations that another build in gas storage will add to record-high supplies. The December contract traded to a high of 7.97 in early morning trading on the heels of record crude oil prices above 98.00, but as weather reports continue to show mildness in the 11-15 period, prices turned to negative territory. After the oil complex failed to get the supportive inventory report that most were expecting, overall pressure in



the energy complex helped natural gas trade to a low of 7.546 before settling down 23.9 cents at 7.624.

Expectations for tomorrow's EIA inventory report range between a build of 20 to 40 Bcf, with most calling for a build of 31-32 Bcf. Current storage stands at a record 3.509 Tcf and with tomorrow's report adding to that, we feel that the market will test the 7.50 level, which has served as support for the past 8-weeks. However, we do not feel that there will be much follow through below that given the full winter season is ahead of us, and despite crude oil's slide today, it is still well supported. We suggest taking a long position below the 7.50 level. We see support initially at 7.50 followed by 7.445. Further support we see at 7.267 and 7.00. We see resistance at 8.00, 8.115 and 8.26. We see further resistance at 8.40, 8.60 and 9.00.