



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR AUGUST 7, 2008**

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

While there are a few tropical waves moving across the Tropical Atlantic Basin currently, none show any signs or potential for further development at this time. The National Hurricane Center though did hold out a slight chance of development of an area of disturbed area currently over the Bahamas but this was expected to be dragged northeastward and away from the Bahamas and Florida by tomorrow night. But the long term forecasting models are all calling for an upswing in tropical activity and this could come as early as the middle of next week. The GFS, Canadian and UKMET models are all forecasting a tropical cyclone to form in the eastern Atlantic during the middle and latter part of next week. After that the models are calling for a strong wave train to set up from Africa westward and northwestward into the western Atlantic basin. Forecasters are also looking at the next pulse of the Madden-Julian Oscillation (MJO) will move into the Atlantic by the middle to latter part of next week and remain in place through Labor Day weekend, another bullish sign for tropical development.

#### **Generator Problems**

**NPCC** – OPG's Nanticoke \$ and Lambton #1 coal fired units returned to service today.

**SERC** – TVA's 1121 Mw Watts Bar #1 nuclear unit was manually shut early Thursday due to a problem with the feed water pump.

**SPP** – Entergy's 966 Mw River bend #1 nuclear unit returned to full power today. The unit had been at 75% power on Wednesday. The unit had been being powered down in preparation for a planned shutdown when it tripped off line.

**The NRC reported that 96,458 Mw of nuclear capacity is online, down 0.7% from yesterday and down 1.1% from the same day a year ago.**

**WECC** reported that some 11,277 Mw of generating outages and limitations were reported in the region, some 4.9% less than yesterday.

**PJM** reported that generating outages in the region were at 10,816 Mw up 10.2% from yesterday, while demand was seen running some 7% less than yesterday. Friday demand's peak demand is seen at 111,327 Mw some 2.7% less than was forecasted yesterday.

**MISO** reported that 5880 Mw of outages in the region today 0.7% higher than yesterday. Peak Demand today was seen at 85,000 Mw some 1.16% higher than expected yesterday. Friday peak demand is seen at 78310 Mw some 0.4% higher than forecasted yesterday.

Meanwhile the National Hurricane Center late this morning released their latest updated Atlantic hurricane season forecast. The NHC now is expected the season to be slightly more active this year than first predicted, now with 7-10 hurricanes expected, up 1 from its prior forecast. It sees 3-6 hurricanes being classified as "major" hurricanes or those that reach a Category 3 status.

#### **EIA Weekly Report**

	08/01/2008	07/25/2008	Net chg	Last Year
<b>Producing Region</b>	745	752	-7	931
<b>Consuming East</b>	1418	1363	55	1535
<b>Consuming West</b>	354	346	8	405
<b>Total US</b>	2517	2461	56	2870

\*storage figures in Bcf

The U.S. Climate prediction Center said today

that its measurements of El Nino weather patterns are showing neutral signals, and this is an indication that normal weather should last through autumn. The agency reported that its most recent

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	921,600	\$8.775	\$0.070	\$0.078	\$0.248	(\$0.442)
Chicago City Gate	693,800	\$8.599	\$0.075	(\$0.098)	\$0.248	(\$0.180)
NGPL- TX/OK	522,000	\$8.329	\$0.073	(\$0.368)	\$0.246	(\$0.607)
SoCal	679,300	\$8.155	\$0.169	(\$0.542)	\$0.342	(\$0.809)
PG&E Citygate	767,700	\$8.414	\$0.102	(\$0.283)	\$0.275	(\$0.493)
Dominion-South	278,500	\$9.114	(\$0.013)	\$0.417	\$0.160	\$0.443
UStTrade Weighted	18,135,700	\$8.365	\$0.075	(\$0.332)	\$0.25	(\$0.442)

sea surface temperature forecasts for the El Nino region indicated that neutral conditions should continue into the Spring 2009.

ExxonMobil said today that it is

ready to work with the State of Alaska and three companies that have competing projects to build a pipeline to bring Alaskan North Slope gas to the lower 48 states. The company said that a successful project will require all the participants to work together to build the pipeline that could move 4 bcf/d of natural gas southward.

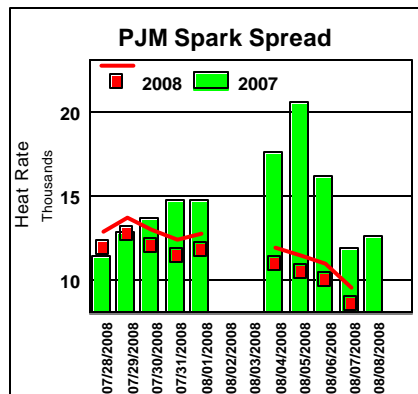
The Labor Department reported this morning that the number of U.S. workers filling new claims for jobless benefits rose by 7,000 last week to the highest level in six years, much higher than market expectations. The government noted though that the data from the last several weeks was distorted by the recent decision to extend unemployment benefits to cushion the impact of the slowing economy.

**Canadian Gas Association**

**Weekly Storage Report**

	01-Aug-08	25-Jul-08	03-Aug-07
East	170.5	163.0	192.7
West	265.9	259.6	309.7
Total	436.4	422.6	502.4

storage figures are in Bcf



The U.S. Minerals Management Service reported this afternoon that nearly all the offshore production shut in this week has returned to normal. As of midday only 1,517 b/d of crude oil production was still shut in while natural gas production had only 22 MMcf/d still offline. This latest storm has shut in a total of 2.257 bcf/d.

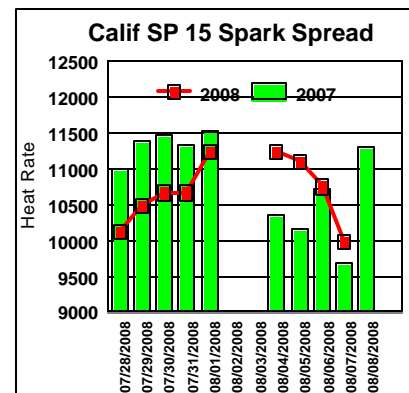
Northern Natural Gas Company said that it is soliciting bids for 25,000 Dth/day of firm throughput service for receipt capacity from the TBPL/NNG Beatrice interconnect during the months of May through September 2009.

Senator Eyden from Oregon call on the FERC today to refrain from taking any action on the Bradwood Landing proposed LNG terminal for the Pacific Northwest and associated pipeline facilities until critical environmental and economic issues have an opportunity to be vetted in a public meeting.

**PIPELINE RESTRICTIONS**

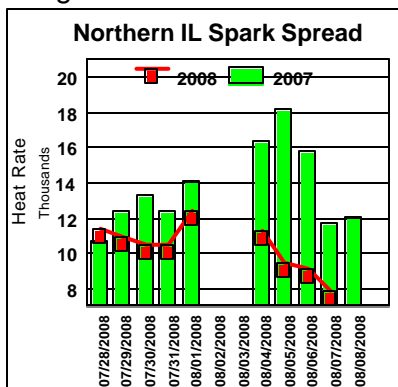
FGT once again extended its Overage Alert Day at 25% tolerance in its Market Area for August 7<sup>th</sup> due to anticipated weather demand.

**PIPELINE MAINTENANCE**



Williston Basin Interstate Pipeline said that maintenance would be performed on Line Section 3 near Steele, North Dakota on August 14<sup>th</sup>. There is the possibility for service curtailments of interruptible transportation volumes during the maintenance.

Sabine Pipe Line said that effective August 7<sup>th</sup>, the company was resuming previously announced Port Neches Compressor maintenance and will be removing the unit from service for a major overhaul. The unit is expected to be out of service through August 31<sup>st</sup>. The company declared force majeure at the following points: Houston Pipeline/Jefferson; Kinder Morgan Tejas Pipeline/Jefferson; and Kinder Morgan Texas/Jefferson.



Northern Natural Gas Company reported that it will be conducting electrical systems testing at its Mullinville Compressor Station on August 12<sup>th</sup>. During the work compression on the A-line wet system will be down and there will be no throughput on that line. Field production will be backed into and field pressures will rise.

**ELECTRIC MARKET NEWS**

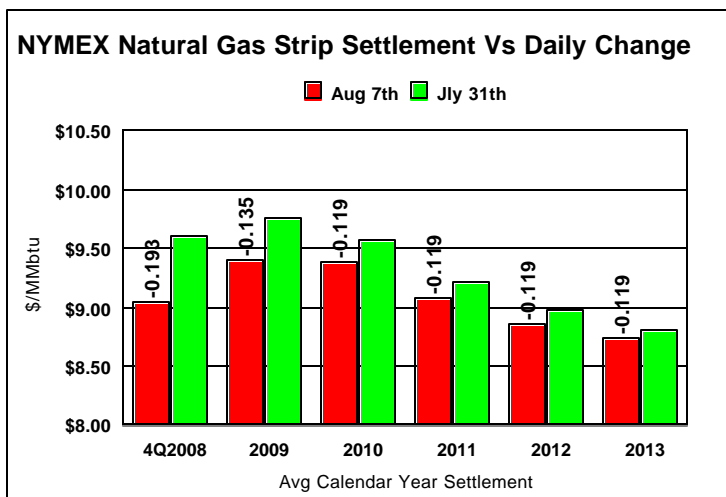
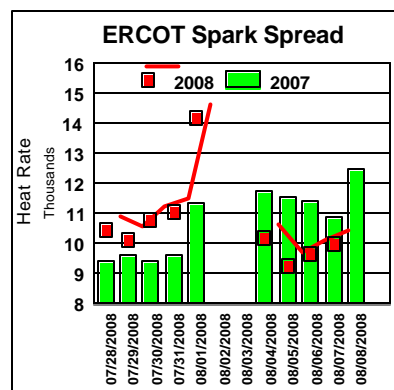
Commonwealth Edison said this morning that of the 551,000 of its customers that lost power on Monday evening due to strong line of thunderstorms that passed through its service territory, nearly 90% or

more than 500,000 customers have had their power restored. It expects to have all of its customer's service restored by Friday.

The Texas Governor's Competitiveness Council reported today that the state should repeal portions of the Public Utility Regulatory Act that favor gas fired power plants and take other actions to promote a more diverse generation mix and the state should resist efforts to reregulate the retail energy market.

**MARKET COMMENTARY**

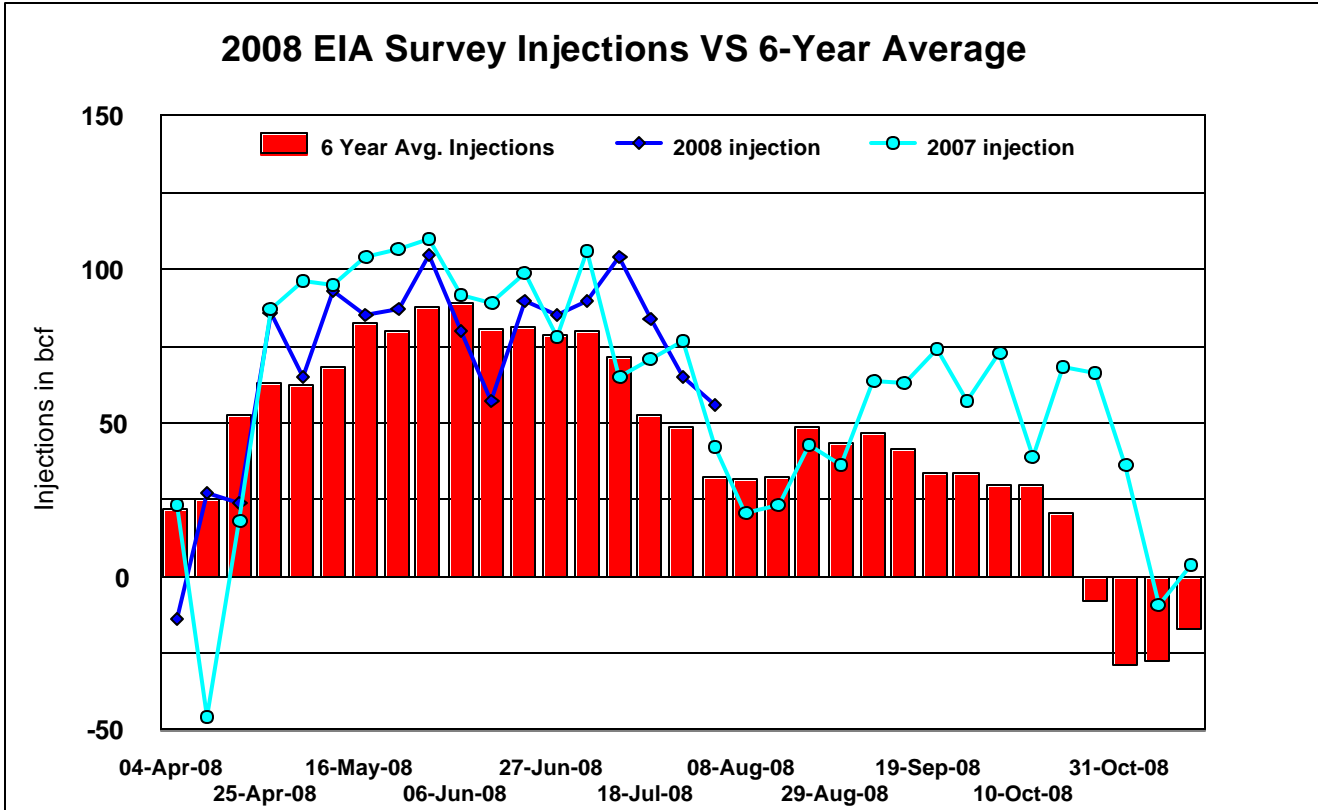
The natural gas futures market today received a supportive bump from this morning's inventory report which came in slightly lower than most market expectations, but the bullish glow was quickly extinguished as bears saw it as a golden opportunity to sell into the



market. This selling pressure carried forward from mid morning into the early afternoon and resulted in not only erasing the morning's gains but drive the market into negative territory. The contracts up through 2009 saw the biggest declines while the 2010 and beyond posting smaller declines. Volume today was decent for a storage report day with 207,199 lots traded in the futures with 38,798 lots booked in the penultimate contract and the 125,711 in the Henry Hub Swap contract. Most of the day's volume was focused in the front couple of months.

The March April spread followed the outright

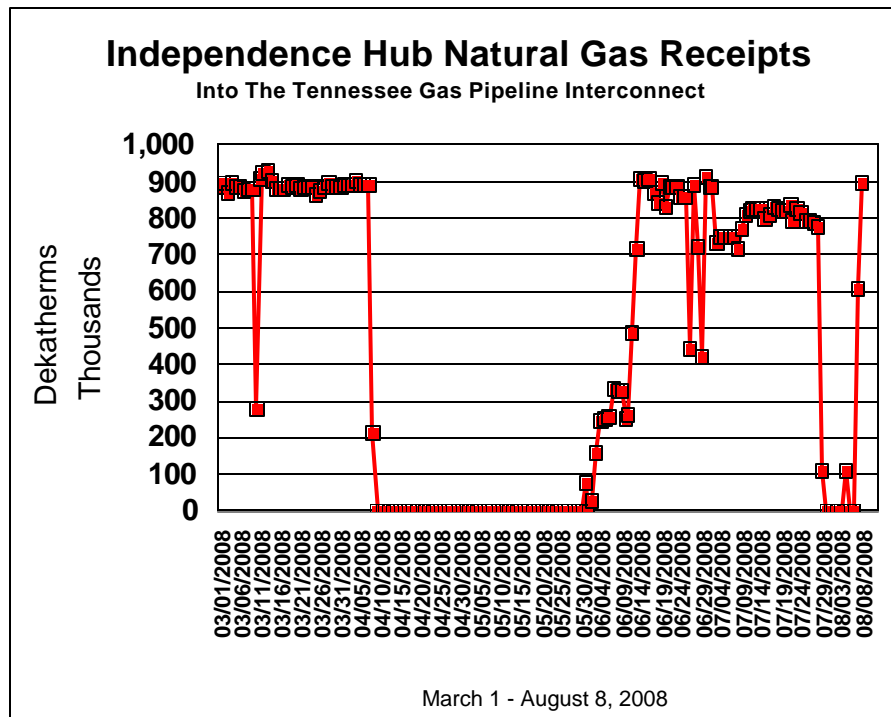
market higher earlier this morning as well but it also fell victim to the selling pressures as it broke below yesterday's lows by mid afternoon and finished the day with a new near term low settlement at



51.6 cents. This appears poised to move back below 50 cents tomorrow and challenge the low from Wednesday at 46.5 cents.

Flat price appears could see a resumption of price pressure tomorrow given the continued trend towards moderating near term power demand. Current forecasted temperatures for the nation are still seen cooler than normal overall for the next two weeks. In addition the Independence Hub production appears has returned to normal starting tomorrow. We would look for support tomorrow to be found at \$8.34-\$8.32, followed by \$8.11 and \$7.735. Resistance we see at \$8.947, \$9.092, \$9.332, \$9.553 and \$9.60. More distant resistance would be at \$9.94.

For those that need a little



nugget of long term weather forecasts, AccuWeather forecaster Joe Bastardi this morning is calling for a relatively warm November with turn late into the month to colder than normal, with the December and January period being the coldest period since 2000-2001 winter for the eastern U.S. and Plains.