



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR DECEMBER 29, 2008**

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

The National Weather Service forecast that US heating demand for the week ahead is expected to average 19.1% below normal as mild temperatures cover most of the country. Demand for natural gas is expected to average just over 18% below normal and heating demand for electricity is expected to average 22.1% below normal levels.

The Securities and Exchange Commission adopted new rules giving investors a more complete picture of the oil and natural gas reserves that a company holds. Under the new rules, oil and gas companies will be allowed to disclose their probable and possible reserves to investors. Current rules require disclosure of only proved reserves. Companies have to comply with the new reporting requirements after December 15, 2009.

Trans Energy, Inc. has completed its Dewhurst #73 well in Wetzell County, W. VA. The completion took place on Dec. 16 and was connected to a gas sales line on Dec. 20. The Dewhurst #73 is completed in the Marcellus shale, similar to the Barnett, Fayetteville and Haynesville shales, which have become a significant base of hydrocarbon reserves in the US. The well is continuing to purge water used in the frac process, and is producing gas at a volume and working pressure that indicates this development area may be among the most attractive parts of this new and substantial shale play.

A second tanker carrying liquefied natural gas from Trinidad to the Distrigas of Massachusetts terminal in Everett, MA this year lost power and had to be escorted to safety, raising concerns.

Russia's Prime Minister Vladimir Putin said Russia and Ukraine have yet to reach a deal on gas debts and supplies. Russia and Ukraine are locked in a gas

#### **Generator Problems**

**ERCOT** – Luminant's 575 Mw Unit 2 at the Big Brown coal-fired power station in TX was expected to be shut as of early Monday. The unit will be shut to repair a boiler feed pump thrust bearing.

After tripping off-line Sunday, Luminant's 750 Mw Unit 3 Martin Lake coal-fired power station was shut. A loss of flame signal in the boiler was cited as the reason for the shut down.

**MAIN** - Exelon Corp's 1,178 Mw Unit 2 at the Braidwood nuclear power station in IL tripped off-line on Saturday afternoon. It is operating at 7% capacity. A heater drain pump tripped and some damage was noted on the pump motor terminal box, but no fire or smoke was observed.

**ECAR** – First Energy Corp's 889 Mw Davis Besse nuclear power station in OH ramped up to 95% of capacity. The unit was operating at 17% of capacity on Friday.

**WSCC** – SCE's 1,070 Mw San Onofre Unit 2 nuclear power station was shut as of early Monday. On Friday, the unit was operating at 99% of capacity.

**NPCC** – Ontario Power Generation shut its 494 Mw Lambton unit 4 coal-fired power station early Monday. Ontario Power Generation also shut two 490 Mw units at its Nanticoke coal-fired power station early Monday. It shut units 4 and 8, bringing to four the total number of units currently shut for maintenance.

Bruce Power's 750 Mw Bruce nuclear unit 3 returned to service on Sunday following a two day unplanned outage.

**The NRC reported this morning that 94,996 Mw of nuclear generation capacity was on line, down 3.18% from Friday's level but 3.21% higher than the same time a year ago.**

dispute, the fourth in as many years. Russia's Gazprom said there is 50% chance it could cut supplies from January 1 if Ukraine does not pay off its arrears.

**PIPELINE RESTRICTIONS**

Conditions have been upgraded from Strained Operation Condition to a system wide condition with the imbalance tolerance set initially at 10% at El Paso Natural Gas Co's San Juan supply basin. EPNG will reduce the imbalance tolerance if conditions do not sufficiently improve.

TransColorado Gas Transmission Co. LLC, a division of Kinder Morgan, said it has capacity available for delivered quantities to Southern Trails Hare Canyon.

Northern Natural Gas Co., a division of MidAmerican Energy, said beginning with tomorrow's gas day and until further notice it has issued an operational flow order for Carlton Resolution obligation.

Colorado Interstate Gas, a unit of El Paso, said it will be placing underperformance caps on the following beginning cycle 3 for today's gas day and cycle 1 for tomorrow's gas day.

**PIPELINE MAINTENANCE**

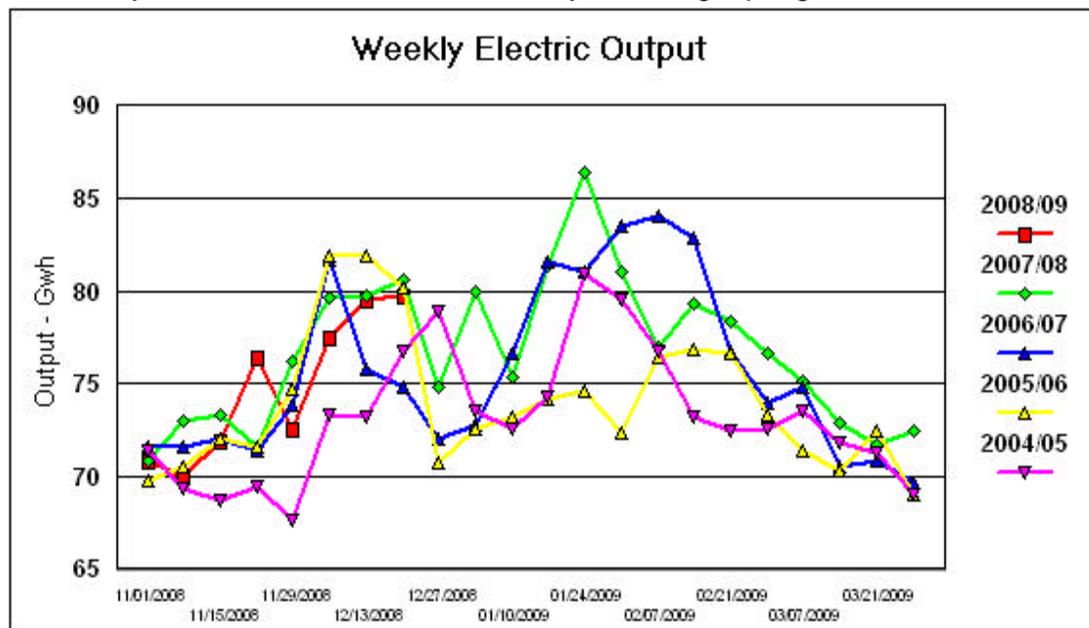
Trunkline Gas Co., LLC, a unit of Panhandle Energy, said there will be an outage on the 100-2 line downstream of Joppa Station between Gate Valve 106-2 and 108-2 beginning January 8 for subsidence prevention. This outage is expected to last 20 days. Estimated maximum capacity through Shaw is 1300 MMcf/d for the duration of this outage.

Cheyenne Plains Gas Pipeline C., a unit of El Paso, said it has experienced an unexpected outage due to engine vibrations at its Niobrara Compressor Station, located on its northeast Colorado Lateral. Repairs are estimated to be completed by December 31.

**ELECTRIC MARKET NEWS**

Power is expected to be restored to about 95% of Detroit Edison's customers by Tuesday morning. Service was lost on Sunday due to strong winds sweeping across most of Michigan. A total of 230,00 customers lost electricity on Sunday, with about 155,000 still without power as of Monday morning.

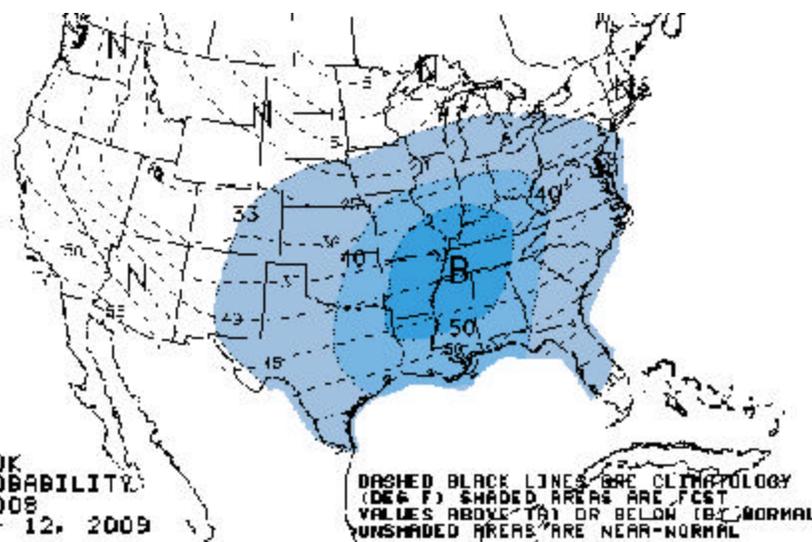
Construction has been completed on NRG Energy, Inc's second wind farm. The 122 Mw Elbow Creek Wind Project is located in Howard County near Big Spring, TX. The Elbow Creek Wind Project



consists of 53 Siemens wind turbine generators, each able to generate up to 2.3 Mw of power.

The Edison Electric Institute reported that US electricity generation for the week ending December 20<sup>th</sup>

fell by 1.1% on the year to 79,709 Gwh. The report was delayed due to the Christmas holiday last week. For the 52 weeks ending December 20<sup>th</sup>, power production was down 0.9% on the year to 4,059,838 Gwh.



## **MARKET COMMENTARY**

The natural gas market was well supported early in the session ahead of the January contract's expiration amid weather forecasts calling for cold temperatures and the strength in the oil market, as Israeli airstrikes against Hamas targets in Gaza continued for the third day. The January natural gas contract, which opened at its low of \$5.909, rallied to \$6.087 before it retraced its early gains and traded back towards its low. The market held its support and rallied once again, extending its gains to close to 30 cents as it traded to \$6.125 by mid-day. The market was further supported later in the session as traders covered their position ahead of expiration at the close. It rallied to a high of \$6.175 and settled up 31 cents at \$6.136. The February contract settled up 27.2 cents at \$6.084.

The natural gas market, which was able to breach its recent trading range and retraced nearly 50% of its move from a high of \$6.11 and a low of \$5.888, will remain supported by the weather forecasts calling for below normal temperatures. While the weather has been mild early this week, the market seems to be focused on weather forecasts, such as Accuweather's forecast calling for temperatures in the Northeast and Midwest to average below normal in the next 10 days. Technically, the market is seen finding resistance at \$6.121, its 50% retracement level, \$6.167, \$6.249 followed by \$6.327, its 62% retracement level and \$6.389. Support is seen at \$5.98, \$5.945, \$5.888, \$5.805 and \$5.723.

The latest Commitment of Traders report showed that non-commercials cut their net short position by 8,221 contracts to 154,613 contracts in the week ending December 22<sup>nd</sup>. The combined futures and options report also showed that non-commercials cut their net short position by 33,708 contracts to 72,503 contracts, the lowest level reported since the week ending October 23, 2007. The CFTC reported that due to a clearing member reporting problem on December 22, 2008 in NYMEX Henry Hub Gas Swap futures, NYMEX Henry Hub Penultimate Gas Swap futures and NYMEX European Style Natural Gas options, these contracts were not published December 29, 2008. It expects to publish corrected open interest figures on or before January 2, 2009.

*Please note the NYMEX floor will be closed Thursday for New Year's holiday. Normal trading hours will be observed on Friday. Electronic trading on Globex will close at 5:15 pm EST on Wednesday and reopen at 6pm EST on Thursday for the Friday session.*