



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR JUNE 3, 2008

#### NATURAL GAS MARKET NEWS

Enterprise Products Partners said this afternoon that it has completed repairs on the Independence Trail pipeline, thus signaling that production at the Independence Hub natural gas deepwater production platform might begin shortly.

The U.S. Department of Commerce reported this morning that U.S. factory orders rose 1.1% in April, much higher than market expectations of just a 0.1% improvement.

#### Generator Problems

**SERC** – Duke Energy's 846 MW Oconee #1 nuclear unit exited its refueling outage over the weekend and was at 73% of capacity this morning.

TVA's 1155 Mw Browns ferry #2 nuclear unit was back to full power this morning, up 25% from yesterday.

**The NRC reported that 91,190 Mw of nuclear capacity is online, up 0.9% from Monday and down 2.8% on the year.**

Forecasters at Colorado State released their updated hurricane forecast for the 2008 Atlantic hurricane season. The group noted that "conditions in the tropical Atlantic look quite favorable for an active hurricane season", and they are calling for 15 tropical storms of which eight storms will reach hurricane strength and four of these will be Category 3 or higher. Colorado State continues to call for the most hurricanes this season out of popular private forecasting services. The forecasting group estimated that there is a 69% chance of Category 3 or higher storm making landfall somewhere on the U.S. coast with a 44% probability for the Gulf Coast, from Brownsville, TX to the Florida Panhandle. Average strike probability for this area is typically just 30%. While forecasters kept their basic forecast unchanged from April, they did note though that there is continued warming in the eastern and central tropical Pacific. While they feel it is unlikely at this point, they note there is a possibility that El Nino could develop this summer and fall.

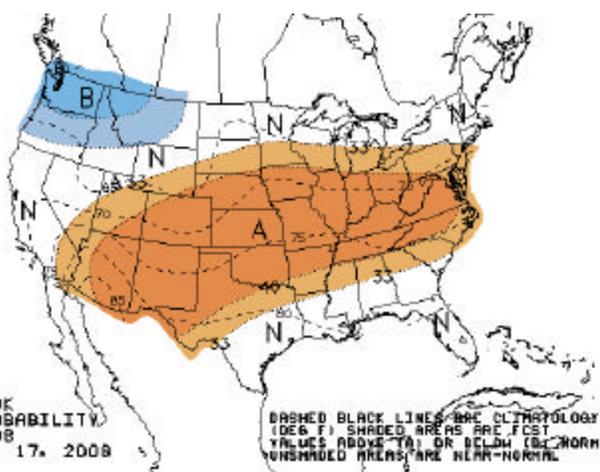
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,001,800	\$12.275	\$0.470	\$0.014	\$0.270	(\$0.927)
Chicago City Gate	502,800	\$12.250	\$0.426	(\$0.011)	\$0.259	(\$0.135)
NGPL- TX/OK	934,600	\$11.822	\$0.427	(\$0.439)	\$0.260	(\$0.550)
SoCal	1,050,000	\$11.074	\$0.300	(\$1.187)	\$0.133	(\$2.142)
PG&E Citygate	742,500	\$11.617	\$0.275	(\$0.644)	\$0.108	(\$0.695)
Dominion-South	167,700	\$12.776	\$0.486	\$0.515	\$0.319	\$0.342
Transco Zone 6	141,100	\$13.207	\$0.468	\$0.946	\$0.30	\$0.592

Meanwhile while shower and thunderstorm activity remained present in the western Caribbean and into the eastern Pacific no new tropical system has formed. Forecasters warned that a tropical depression could form

in the eastern Pacific and track northward across Mexico and eventually emerge into the Bay of Campeche over the next couple of days. Various computer models have any system that does develop and move into the Bay of Campeche could track into the western Gulf of Mexico and then come ashore possibly in northeastern Mexico. But since conditions in this area remain marginal at best for development, there does not appear to be much of a threat. Weather patterns though that appear to be grabbing traders attention is the short term heat wave that appears will move from the Midwest into the northeast next week, with calls by Accuweather for 100+ degrees possible to be recorded along the I-95 corridor.

Tennessee Gas Pipeline said it is examining the expansion of its current system and its proposed Northeast Passage Pipeline. Company officials said that Tennessee has received requests for new interconnects for up to 1 Bcf/d. The Northwest Passage line is scheduled to come on line in November 2011. In addition with the expansion of production in northeast Pennsylvania at the Marcellus play, the company is looking to expand capacities on its 300 Line by adding compression and looping.

Showa Shell said it will begin participating in the Japanese LNG wholesale market in the first half of 2010, when it starts selling 12,000 mt of LNG per year for 10 years to its industrial customer, Lintec.



Jordan Cove Energy Project today asked the FERC to issue a draft environmental impact statement by the end of July so construction of its proposed LNG terminal on the West Coast could be completed in time to attract long term Pacific based supplies.

The CFTC today announced a series of steps to boost oversight and transparency in the volatile agricultural, energy as well as other markets. The CFTC announced a new monthly report

among several initiatives, which would require more detailed information from index traders and swaps dealers. The agency said it was withdrawing a proposal to increase speculative limits on some agricultural futures and will work with bank regulators to ensure there is adequate credit available for farmers. The CFTC said it will develop a proposal to allow clearing of agricultural swaps. Two of the CFTC's commissioners are scheduled to testify before Congress tomorrow.

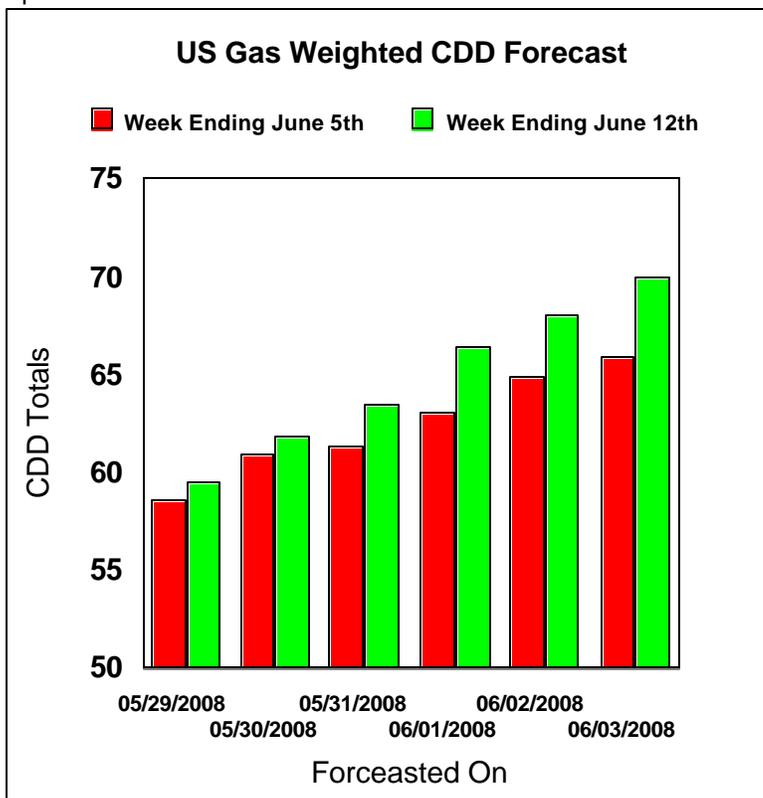
Russian officials said today that officials from the world's largest natural gas exporters will postpone their June high level forum until October as the parties can not agree on whether to form a cartel similar to OPEC style gas group.

The U.S. Senate began debate on Tuesday on a comprehensive climate change legislation.

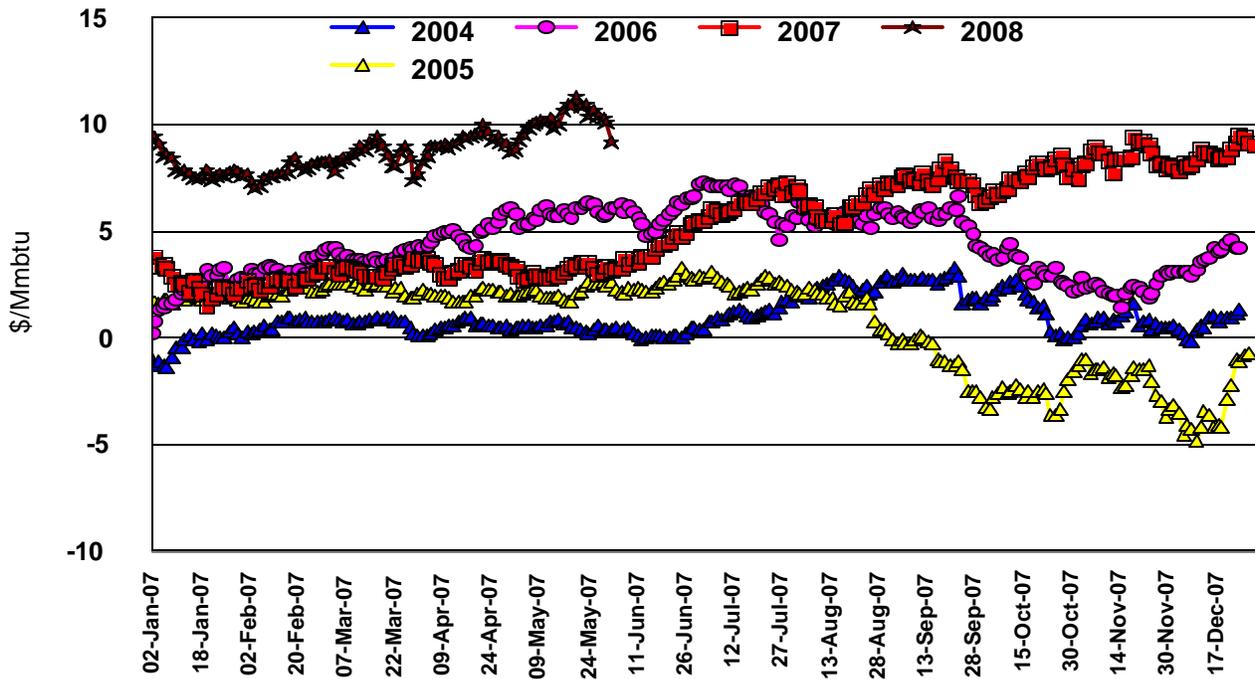
News came out of the equity markets that Cheniere Energy would have two cargoes of LNG arriving at its Sabine Pass terminal shortly. The shipments from Nigeria and Qatar are expected to help cool down the facility, which was inaugurated in April, to its normal operating temperature.

**ELECTRIC MARKET NEWS**

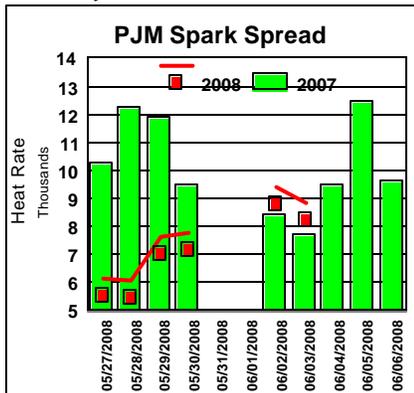
U.S. Energy Secretary Bodman said that his department is filing an application with the NRC for a license to operate a long delayed nuclear waste dump in Nevada. The Yucca Mountain facility though is still at least a decade away from being finished due to recent delays in construction and red tape.



## Crude Oil Vs Natural Gas: NYMEX Spot Futures Settle



Genscape reported that U.S. power plants have 0.47% higher coal stocks this week than last week and year on year stocks stand currently at 5.6% higher than 2007. U.S. power stations have 55 days of average coal burn currently.



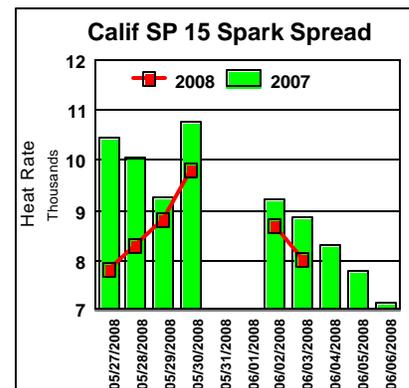
### MARKET COMMENTARY

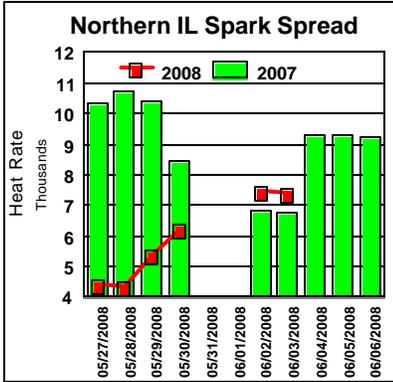
The natural gas market this morning began higher as new forecasts called for even warmer temperatures moving into the Midwest and northeastern states over the next 1-2 weeks. In addition the market received an additional boost in buying on the technical side as the highs of the past week at \$12.203-\$12.209 were finally breached. But unlike past trading sessions the natural gas market basically turned a blind eye on oil price action, and as a result was able to hold onto most of the day's gains and settle up over 25 cents despite crude oil prices tumbling lower in the afternoon and settling down \$3.34. As a result natural gas was able to shrink crude oil's premium over natural gas to the lowest level since May 1<sup>st</sup>. Despite the significant

breakout technically on the day volume was moderate with just 155,212 lots traded.

Open interest reported at midday showed a gain of 4878 lots during Monday's trading as the gains in open interest were equally distributed between the July and September contracts.

The news late this afternoon that the Independence Hub could be returning to production finally could dampen the bullish rally of the past several days, and prevent the 6 week resistance line from being breached. The trend line today was at \$12.397 and tomorrow will be placed at \$12.428. Additional





resistance we see at \$12.558, \$12.739 and \$12.895. Support we see at \$12.039, \$12.015 and \$11.903. Additional support we see at \$11.858, \$11.791 and \$11.689.

