



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR JUNE 9, 2008

#### NATURAL GAS MARKET NEWS

The NYMEX announced this afternoon that it will be increasing the margins for natural gas. For customers the margin on the first and second month will now be \$11,138 up from \$10,125 effective at the close of business on Tuesday. The margins for the third and fourth months will increase by \$825 to \$12,150. Margins for the fifth through ninth months will increase by \$1,013 to \$12,488. For the 10<sup>th</sup> through 21<sup>st</sup> months the margin will now be \$8,100.

The price of gas for delivery next winter in the UK for the first time ever broke through the 100 pence a therm level Monday. This price is basically double last winter's average gas price. Last year Britain imported some 27% of its natural gas supplies, with some analysts saying this year that imports may account for 40% of total supplies,

The Dubai Multi Commodities Centre said today that the cost of a

#### Generator Problems

**SERC** – TVA's 1127 Mw Sequoyah #2 nuclear unit was back to full power up 51% from Friday.

Operators at TVA's 1121 Mw Watts Bar nuclear unit was at 80% capacity this morning of 20% from Friday.

**NPCC** – OPG's two coal fired 494 Mw Lambton generating units returned to service over the weekend. Both units had been down for a week for maintenance.

FPL Energy's 1240 Mw Seabrook nuclear plant was back to full power this morning,

**ERCOT** – Luminant's 750 Mw coal fired Martin Lake Unit #1 was taken off line on Sunday to fix a tube leak.

**FRCC**- FPL's 839 Mw St. Lucie #2 nuclear unit has exited its recent outage and was up to 45% power this morning. The unit had tripped off line on June 4th.

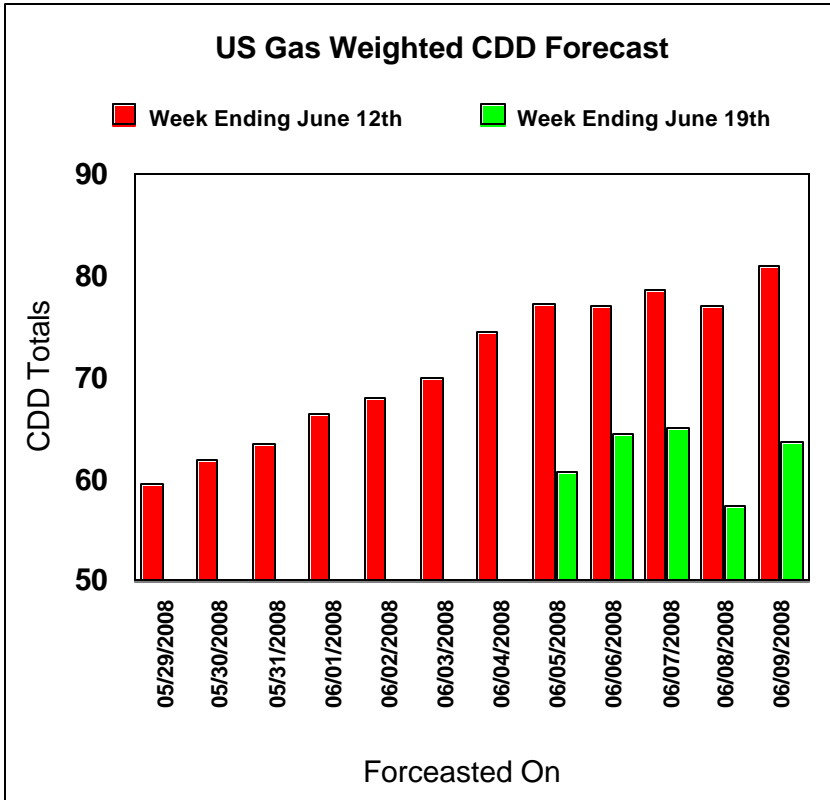
**WSCC** – APS' 1314 Mw Palo Verde #1 nuclear unit has exited its outage and ramped up to 19% of capacity. The unit was shut back on June 6th after a pipe weld failed. Unit #2 was at 90% of capacity, up 71% from Friday

Energy Northwest has decreased power generation to 60% of capacity at the Columbia Generating nuclear plant. On Friday the plant was at 85% capacity.

**The NRC reported that 92,595 Mw of nuclear capacity is online, down 0.3% from Friday and down 1.51% on the year.**

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	791,000	\$12.714	\$0.005	\$0.011	\$0.413	(\$0.759)
Chicago City Gate	578,600	\$12.556	\$0.018	(\$0.147)	\$0.049	(\$0.121)
NGPL- TX/OK	866,000	\$12.103	\$0.032	(\$0.600)	\$0.063	(\$0.576)
SoCal	950,800	\$11.176	\$1.445	(\$1.527)	\$1.476	(\$1.921)
PG&E Citygate	670,800	\$11.855	(\$0.018)	(\$0.848)	\$0.013	(\$0.877)
Dominion-South	570,100	\$13.555	(\$0.027)	\$0.852	\$0.004	\$0.620
USTRade Weighted	20,887,400	\$12.174	\$0.382	(\$0.529)	\$0.41	(\$0.759)

planned LNG storage facility in the Persian Gulf area has jumped by 30% to \$2.6 billion but that its project partners are determined to move forward with the project. The facility will have 9-15 tanks of 200,000 cubic



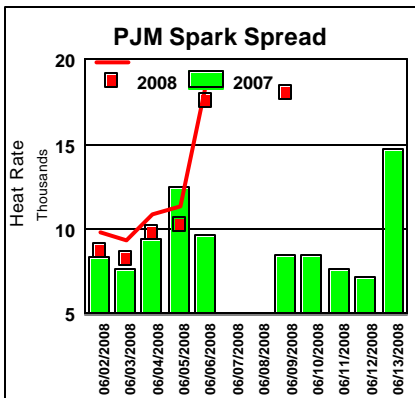
eters. The group is looking a picking a site in the region that will allow a trading hub to develop and would allow the launch of a derivatives LNG market.

Piedmont Natural Gas said it is planning a 1.25 bcf of natural gas storage project in North Carolina, that will cost some \$300 million to \$350 million. The planned in service date currently is the winter of 2012-2013.

Perryville Gas Storage LLC announced today that it was holding a non-binding open season for capacity at a planned storage facility to be located some 12 miles south of Delhi, LA. Commercial operations would begin in 2012 at the facility, which would have a 15 bcf of storage with 1200 MMcf/d of peak deliverability and 600 MMcf/d of peak injection capability. The facility would be able to connect to Centerpoint's Perryville Hub.

The CFTC said today that its new energy market advisory committee

would meet on Tuesday to discuss the role of index trading in energy markets and energy trading on foreign exchanges. The advisory panel is made up of representatives from the energy industry as well as Lehman Brothers, Goldman Sachs and Merrill Lynch. Also at the meeting will be the presidents of the NYMEX and ICE. Later this week the CFTC is scheduled to host international regulators at a two-day conference to address ways to detect and deter manipulation in the energy market.

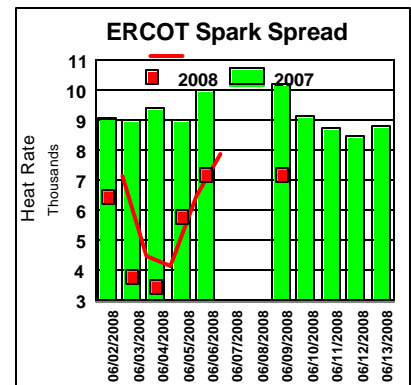
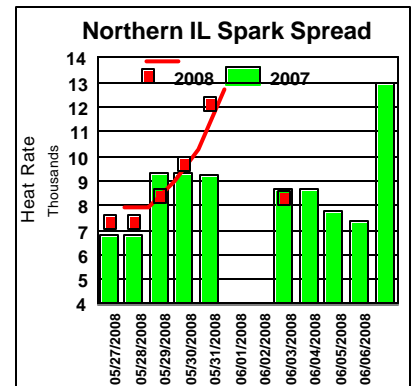


Gulf Crossings Pipeline reported that it has entered into a binding transportation agreement to transport an additional 300 million cf/d of natural gas to its interstate pipeline, which is currently under construction. The project is expected to be in service by the first quarter of 2009.

Questar Pipeline said it has two maintenance projects scheduled for this week. The first is at Eakin #2 for preventive inspections beginning today and continuing through Thursday. It will

also perform annual service maintenance for 60 hours at Red Mesa Thursday through Friday.

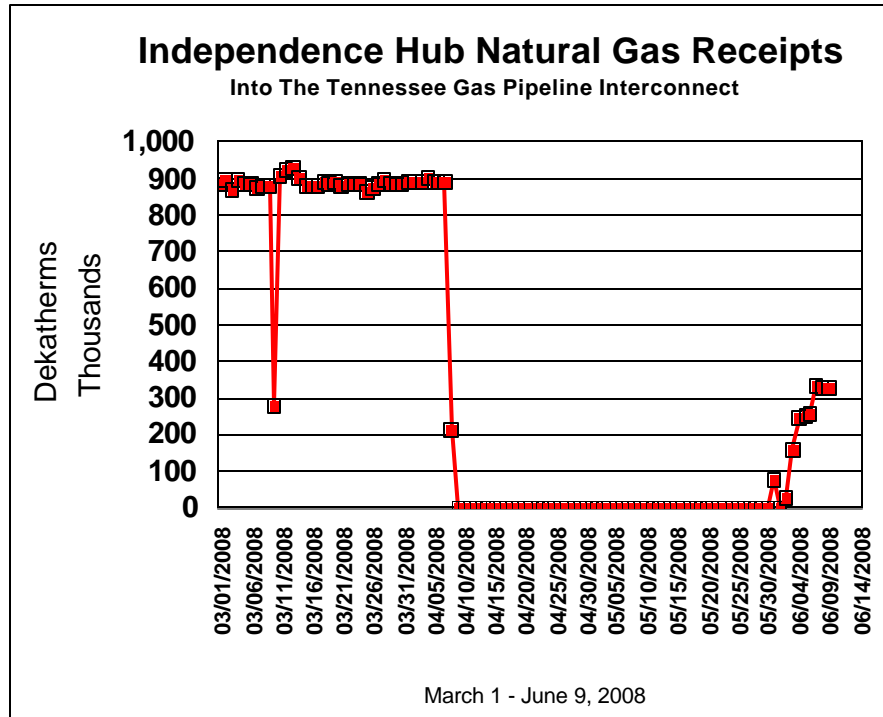
Westcoast Energy said the McMahon gas Plant has reduced gas treatment capacity starting this past Saturday and lasting through Thursday, June 12<sup>th</sup>. There will be no liquid treatment available so injection of hydrocarbon liquids into the RGT system must be suspended for the duration of the event.



The FERC approved Steckman Ridge's 12 bcf natural gas storage facility in Bedford County, PA. The developers have a plan to have the project in service by April 2009.

**PIPELINE MAINTENANCE**

Gulf South Pipeline said it would perform scheduled maintenance at the Tallulah Compressor Station on the Expansion Turbine Unit #T1 for June 10-11. Based on the availability of units T2 and T3 capacity through the compressor station on the 42-inch Expansion pipeline should not be affected. The company also announced it would be performing scheduled pipeline maintenance on Index 301 beginning June 11<sup>th</sup> for 12 hours.



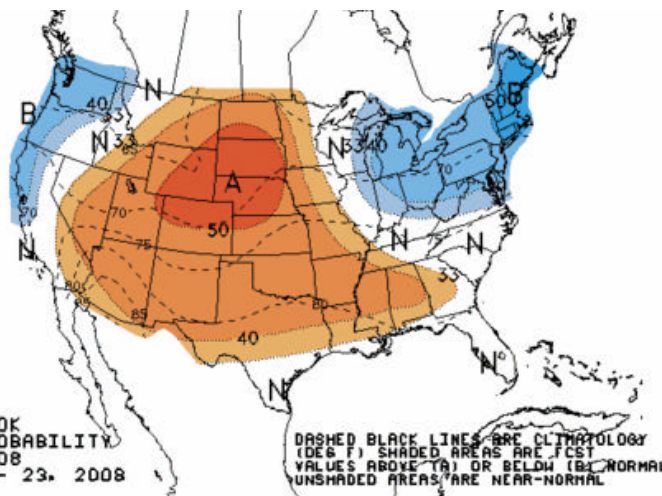
**ELECTRIC MARKET NEWS**

Genscape reported today that for the week ending June 5<sup>th</sup> power generation in the U.S. was up 7.5% from the week before and down 1.5% from the same week a year ago.

Despite the record-breaking heat across much of the Mid-Atlantic and Northeastern states today there were no reports of any reliability problems. PJM reported that forecast demand was expected to peak at 134,200 Mw, well below the system's all time peak set at 144,644 Mw back on August 2006. Tomorrow's peak demand in PJM is forecasted to be significantly lower at 126,000 Mw. Late in the day though PSE&G did report about 75,000 customers lost power after a breaker failed at a switching station.

**MARKET COMMENTARY**

The natural gas market basically mirrored Friday's trading range but by the end of the day it did post a lower settlement for the first time since May 29<sup>th</sup>, as the current heat wave across the east while record setting in many places for early June was still below summer record demand levels. In addition by midweek the heat is expected to moderated in many places and return to normal or slightly cooler than normal going into next week. Also in the background is the slow but improving production coming out of the Independence Hub coupled with a weaker oil market today. Our feeling that today's price action was based on some profit taking by longs. Based on open interest this rally has seen increasing open interest for seven straight trading sessions, as the exchange reported this afternoon that open interest on Friday increased by 6,889 lots.



We would look for further long liquidation again tomorrow especially if the oil markets remain on the defensive and production levels at

Independence make another leap higher, from thiis weekend's levels. We see resiatnce at \$12.762, \$12.823, \$12.92 and \$13.03. Support we see at \$12.543, \$12.494, \$12.385 and \$12.226. Additional support we see at \$12.127, \$11.962, and \$11.788.