



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JULY 01, 2008**

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

According to the National Hurricane Center's Tropical Storm Outlook, a strong tropical wave is located over the extreme eastern Atlantic Ocean near the west coast of Africa. Environmental conditions could allow for some slow development of the system during the next couple of days.

WSI Corporation has issued its seasonal outlook for the upcoming three-month period (July–September) calling for cooler than normal weather in the Southeast and in the major population centers along the Pacific Coast, with warmer-than-normal temperatures elsewhere, especially in the northern Rockies and northern plains. In July, cooler weather for the East Coast and in California may lead to slightly above-normal injections into storage at major load centers in both of these regions, offsetting higher demand in the Central regions. Injections to gas storage are likely to be below-normal during August, due to cooler than normal weather forecasted for the Southeast. For September, injections to gas storage are likely to be higher-than normal due to the lower probability of late season heat.

Williston Basin Interstate Pipeline Co announced plans to expand its existing Grasslands Pipeline, which runs from the Powder River Basin in northeastern Wyoming and western North Dakota, where it connects with the Northern Border Pipeline. The proposed pipeline expansion would add up to 40 mmcf/d to existing volumes of 138 mmcf/d on the Grasslands Pipeline and will be accomplished by adding new compression facilities. The targeted in service date of the expansion project is August 2009.

ExxonMobil's chairman and chief executive, Rex Tillerson said joint ventures in Qatar, in which ExxonMobil participates, will start up projects over the next two years that will bring more liquefied natural gas to market than any other international oil company.

#### **PIPELINE MAINTENANCE**

Northern Natural Gas Co., a division of MidAmerica Energy, said that it has upgraded maintenance on the Holcomb/Burdett, Kansas, pipeline to force majeure status. Pipe repairs are ongoing due to anomalies found during a smart pig run on the Holcomb/Burdette Kansas pipeline. In order to facilitate repairs, the repair section must be blown down to zero pressure.

#### **Generator Problems**

**SERC** – Duke Energy Corp's 1,100-Mw McGuire nuclear power unit 2 is now operating at 74% capacity, up from 15% power as early as Monday. On Thursday, the "Loss of 1B Reactor Coolant Pump caused a Reactor Trip from 100% capacity," according to a report Duke filed with the NRC.

Entergy Corp's 967-Mw River Bend nuclear power reactor in Louisiana which was reduced to 87% on Monday, is now at full capacity according to the U.S. Nuclear Regulatory Commission. On Friday, the unit was operating at 18% the reason for the pre-weekend cut in production remains unknown.

Southern Nuclear said production at its 862 MW Edwin I. Hatch 2 is at 95% capacity this morning. Output dropped from full power capacity on Friday to 88% reported Monday. A reason and specific return schedule remains unknown.

**NPCC** – Entergy Nuclear this morning reported its 825 MW James A. Fitzpatrick plant in upstate New York at full capacity, up from 91% power on Monday, 6/30, according to the nuclear Regulatory Commission data. A reason for the curtailment and forthcoming production schedule remain unknown.

**The NRC reported that 97,072 Mw of nuclear capacity is online, up 1.04% from Monday and up 2.47% on the year.**

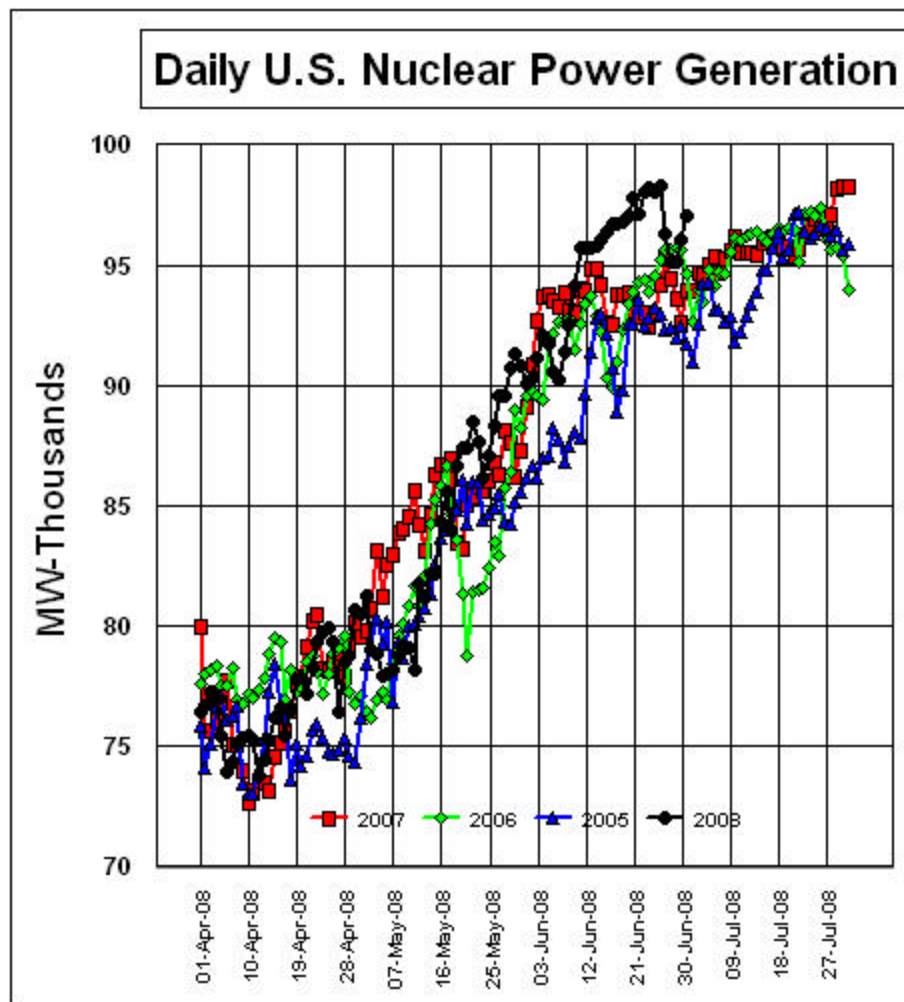
Gulf South Pipeline said that it will perform scheduled maintenance on the Arnaudville Compressor Station Turbine Unit #1 beginning 8:00 AM on Monday, 7/7 and continue for approximately 14 days. Capacity through the Arnaudville Compressor Station could be reduced by as much as 150,00 Dth/d during the maintenance.

Gulf South Pipeline will perform scheduled maintenance on Hall Summit Compressor Station Unit #3 beginning 8:00 AM Monday and continue for approximately five hours. Capacity through Hall Summit Compressor Station could be reduced by as much as 100,000 DTH during the maintenance.

TransColorado Gas Transmission will perform maintenance at its Whitewater Compressor Station on July 9. Capacity through Segment 220 will be limited to 340,000 Dth and capacity through Segment 240 will be limited to 390,000 Dth. It will also perform maintenance at the Redvale Compressor Station on July 16, limiting capacity through Segment 220 to 355,000 Dth and capacity through Segment 240 to 405,000 Dth. It will perform maintenance at its Olathe Compressor Station on July 23, limiting capacity on Segment 220 to 330,000 Dth and capacity through Segment 240 to 380,000 Dth. TransColorado has also scheduled maintenance at its Mancos Compressor Station for July 30. Capacity through Segment 220 will be limited to 325,000 Dth and capacity through Segment 240 will be limited to 375,000 Dth.

**PIPELINE RESTRICTIONS**

Florida Gas Transmission said that 90-degree weather is forecasted for Florida today. Therefore customers in FGT's Market Area are notified that its Overage Alert Day has been reissued at 25% tolerance. For today's gas day, FGT will not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled quantity. FGT will continue to monitor hourly and daily takes.



PG&E California Gas Transmission has issued a customer-specific operational flow order (OFO) on its California natural gas pipeline for today. PG&E issued restriction because of high inventory on the system. Tolerance is set at 5% and there is a Stage 2 noncompliance charge of \$1.00 DTH. PG&E also said that a system-wide OFO will be in effect for Wednesday 7/2, due to high inventory and with the same restrictions as above.

**ELECTRIC MARKET NEWS**

Genscape reported that US power plants have 1.1% less coal on hand in the week ending June 30<sup>th</sup> than the previous week. Utilities had 148.5 million short tons of coal stockpiled compared with 150.2 million tons last week and 146 million tons the same week last year. The cushion over inventories last year also fell 0.5% to 1.7% as of Monday.

Dominion Virginia Power began construction of the 585 MW Virginia City Hybrid Energy Center in Southwest Virginia Monday. Construction of the

clean-coal power station is scheduled to take four years.

Pacific Gas and Electric Co has increased its portfolio of renewables with the signing of a long term agreement to purchase wind energy from the Arlington Wind Power Project, subsidiary of Horizon Wind Energy LLC. Horizon will deliver 240 gwh of renewable wind energy annually to PG&E's customers throughout northern and southern California. The Rattlesnake Road Wind Power Project is currently under construction and is expected to begin operation in the first quarter of 2009. PG&E now has more than 1,213 Mw of renewable wind energy under contract or delivered.

### **Market Commentary**

The natural gas market continued to trend higher today as it was well supported by the strength in the cash market, concerns over tropical activity in the Atlantic basin and the continued strength in the crude market. While the tropical system is currently off the coast of West Africa, the natural gas market traded higher amid concerns that it could develop into a tropical cyclone over the next couple of days following the lack of any developments so far this hurricane season. The natural gas market bounced off its overnight low of \$13.304 and rallied to a high of \$13.61 early in the session. It traded to its highest level since December 21, 2005, when it traded to a high of \$14.40. The market later retraced some of its gains and settled in a sideways trading range from \$13.61 to \$13.448 during the remainder of the day before it ended the session up 15.2 cents at \$13.505. The natural gas, which was also pushed higher by the crude market, saw its value against the crude market continue to fall, with the crude market's premium over the natural gas increasing slightly to \$10.80.

The natural gas market is seen retracing some of its gains as the latest 8-14 day forecast is less supportive than the previous forecast. However its losses will be limited given the market's concerns over the possible development of a tropical storm. The market is seen finding support at \$13.448, \$13.336, \$13.304, \$13.167 and \$13.03. We see resistance at its high of \$13.61, \$13.642, \$13.779 and \$13.948.

