



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JULY 3, 2008**

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

The second tropical storm of the 2008 Atlantic hurricane season formed on Thursday. Tropical Storm Bertha was off the Cape Verde Islands and moving west-northwest at 14 mph. The National Hurricane Center said the storm is expected to move west northwestward over the eastern Atlantic over the next few days. Long-range forecast models do not foresee Tropical Storm Bertha heading into the Gulf of Mexico. Forecasters said cooler Atlantic waters in its path and unfavorable atmospheric wind conditions should prevent the storm from strengthening too much.

Discussions by the world's leading natural gas exporters to form a "gas OPEC" lost momentum as some major producers disassociated themselves from the possibility at the World Petroleum Congress meeting.

El Paso Pipeline Partners LP subsidiary Wyoming Interstate Co. Ltd said that with natural gas production increasing from the Uinta Basin and Wamsutter areas, it will expand its system upstream of the Opal Hub.

Baker Hughes reported that in the week ending July 2, the total rig count in the US increased by 8 to 1,921, up 169 on the year. It reported that 1,539 were searching for natural gas, up 9 on the week.

#### **PIPELINE RESTRICTION**

Florida Gas Transmission may issue an Underage Alert Day on one of the upcoming gas days if its line pack levels become too high due to rain. It however said it may need to issue an Overage Alert Day to maintain reliable levels of line pack if high temperatures are forecast.

PG&E California Gas Transmission has issued a system wide operational flow order on its California natural gas pipeline for Thursday and Friday. It issued the restriction due to high inventory on the system.

Westcoast Energy Inc said that system wide operational flow Order remains in effect and all balancing parameters are mandatory.

#### **Canadian Gas Association**

##### **Weekly Storage Report**

	27-Jun-08	20-Jun-08	29-Jun-07
<b>East</b>	125.3	112.5	147.5
<b>West</b>	222.3	213.8	288.9
<b>Total</b>	347.7	326.4	436.4

#### **PIPELINE MAINTENANCE**

Gulf South Pipeline said a force majeure declared on Tuesday for Capacity Allocation Area 11 will continue until further notice. It also said it must continued unscheduled maintenance at the Airport Compressor Station until further notice. Capacity through the station

#### **Generator Problems**

**SERC** – Entergy Nuclear's 966 Mw River Bend nuclear unit is at full capacity, up from 92% on Wednesday. Also, its 858 Mw Arkansas nuclear unit 2 cut its operations to 62% of capacity on Thursday, down from full capacity on Wednesday.

**ERCOT** – American Electric Power Co, Inc planned to restart the 675 MW Pirkey coal-fired station in TX July 2-6 after fixing a boiler tube leak. The unit was shut around June 30.

**NPCC** – Dominion Resources Inc's 882 MW Unit 2 at the Millstone nuclear power station ramped up to full capacity on Thursday, up from 70% on Wednesday.

**ECAR** – FirstEnergy's 1,260 Mw Perry nuclear plant has resumed full operations, up from 79% on Wednesday.

**MAIN** – FPL's 516 Mw Point Beach nuclear unit 2 returned to full capacity on Thursday, up from 91% on Wednesday.

**The NRC reported that 97,891 Mw of nuclear capacity is online, up 0.63% from Wednesday and up 3.01% on the year.**

has been reduced to zero.

Northern Natural Gas Co said that it declared a force majeure due to severe exhaust system damage to unit 15 at the Oakland, Iowa Compressor Station. The Oakland station throughput will be impacted by about 60,000 mmbtu/d due to the shutdown of the unit.

	06/27/2008	06/20/2008	Net chg	Last Year
<b>Producing Region</b>	703	685	18	863
<b>Consuming East</b>	1116	1059	57	1263
<b>Consuming West</b>	299	289	10	373
<b>Total US</b>	2118	2033	85	2499

Enbridge Offshore Pipelines announced a force majeure at its Nautilus Pipeline Co. It has been shut in due to an excessive amount of liquids being handled at the slug catcher. Nominations will need to be redirected to other available markets.

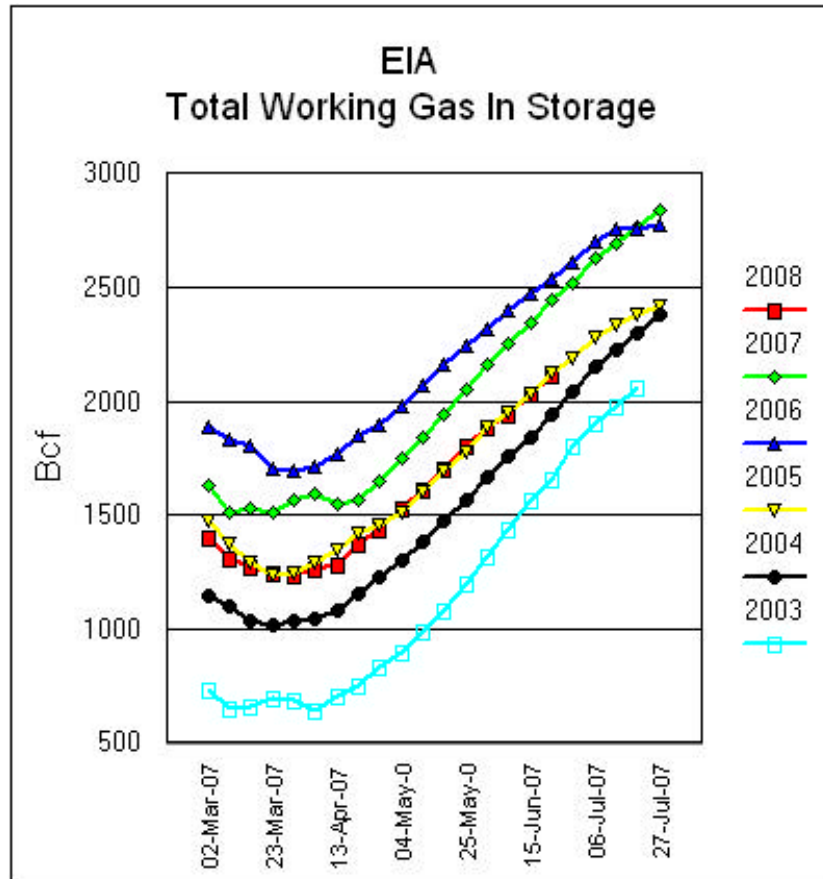
Natural Gas Pipeline Co said minimum scheduled percentage on Illinois Lateral#2 will increase effective Friday as planned. The force majeure remains in place on Natural's Illinois Lateral#2 line in Whiteside Country, Illinois. It will perform a series of hydrostatic tests as part of the remediation plan for the Illinois Lateral.

**ELECTRIC MARKET NEWS**

The EIA reported that US coal production totaled approximately 21.8 million short tons during the week ending June 28. It is up 3.6% on the week but down 2.2% on the year.

**Market Commentary**

Following Wednesday's outside trading session, the natural gas market on Thursday failed to find the momentum to push it either way and posted an inside trading day. The market retraced some of its overnight gains and posted a low of \$13.306 in early morning trading amid a weaker cash market ahead of the long 4<sup>th</sup> of July holiday weekend. The market's losses were however limited by reports of the formation the season's latest tropical depression in the far eastern Atlantic and the continued strength in the oil market. The natural gas market retraced its losses and rallied back towards the \$13.50 level following the release of the EIA natural gas storage report. The report showed a slightly lower than expected build of 85 bcf. The market continued to extend its gains further on reports that the tropical depression strengthened to Tropical Storm Bertha. The market was well supported despite the fact that long-range computer forecasts do not foresee the storm making it into the Gulf of Mexico. The natural gas market settled up 18.8 cents at \$13.577 before it continued to trade to a high of \$13.619 on Globex.



The natural gas market on Monday is seen retracing some of its recent gains, especially if the forecast models continue to show that the tropical storm is not heading towards the Gulf. The latest 8-14 day forecast is showing normal to above normal temperatures for much of the country, with below normal temperatures in the West. The market is seen finding support at \$13.42, \$13.39, its low of \$13.306 followed by \$13.204 and \$13.101. We see resistance at \$13.601, \$13.679, \$13.694, \$13.782 and \$13.968.