



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JULY 14, 2008**

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

Weather forecasters this morning were closely watching an area of tropical disturbance about 1200 miles east of the Lesser Antilles, that was becoming better organized and could very well become the third tropical depression of the season in the Atlantic basin by either late Monday or Tuesday. Environmental conditions appear to be favorable in front of the projected path of this system and as a result intensification is possible for the next three to five days. Most computer models have the system affecting the Lesser Antilles by the end of the week and then tracking into the Caribbean, south of Hispaniola, Jamaica, and Cuba.

U.S. consultant, Facts Global Energy in a recent report estimated that India may pay as much as \$12 per Mmbtu for natural gas by 2010 as Indian demand for natural gas continues to grow by 5.1% on an annual basis. The price paid by gas consumers from Reliance Industry along the east coast of India currently is \$6 Mmbtu. Supplies of LNG to India may rise by 46% to 12.3 million metric tons by 2010 and 15.5 million tons by 2015 if the delivered price of the fuel is \$12 per Mmbtu. The consultants noted that India must lift controls on domestic gas prices to attract investments and prevent shortages.

The FERC staff has given AGL Resources Golden Triangle Storage approval to resume construction at its East Texas storage project following a suspension earlier this month when the company discovered it was in noncompliance with the conditions in its certificate order.

#### **PIPELINE MAINTENANCE**

Alliance Pipeline said that its Blueberry Hill Compression Station Unit #1 will be offline for four hours on July 15<sup>th</sup>. Capacity at Constraint Point #2 will be lowered to 11852 e3m3 during the work. The following day maintenance work will result in a similar capacity reduction but this time for the whole day. The company also noted that it will conduct minor maintenance at the Morinville Compression station for eight hours

#### **Generator Problems**

**ERCOT** – Luminant's coal fired Unit #4 at the Sandow power station was expected to be restarted this morning following the completion of repairs. The unit went off line on July 12<sup>th</sup>.

**SPP** – AEP's 690 Mw coal fired Oklaunion power plant went off line on Saturday and was expected back in service on Tuesday.

**NPCC** – Entergy's 620 Mw Vermont Yankee nuclear power station was at 23% capacity this morning, as operators reduced operations to work on the cooling towers. Work was going to take at least several days.

OPG's Lambton 4 494 Mw coal fired Power plant was taken off line today and not expected back in service until Wednesday.

Bruce Power's 822 Mw Bruce nuclear was back in service over the weekend. The unit went off line on July 8<sup>th</sup>.

Entergy's 852 Mw Fitzpatrick nuclear power plant was at only 55% capacity this morning. The unit had been operating at 98% capacity on Friday.

**WSCC** - AES Corp's 495 Mw Alamitos natural gas fired Unit #6 returned to service on Sunday afternoon. The unit had gone off line for unplanned maintenance on July 9<sup>th</sup>.

Southern California Edison's 472 Mw natural gas fired Unit #4 at the Mountainview power station returned to service Sunday afternoon.

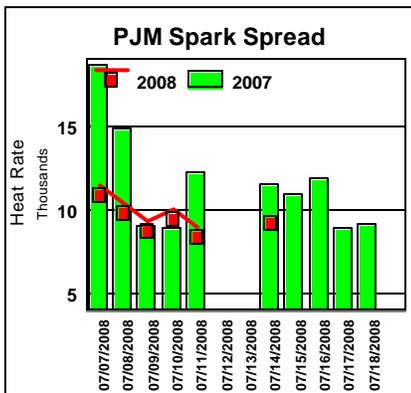
**SERC** – TVA's 1155 Mw Brown's Ferry nuclear unit #3 has exited its recent outage and was at 90% of capacity Monday morning.

**The NRC reported that 97,632 Mw of nuclear capacity is online, up 0.3% from Friday and up 1.53% from the same day a year ago.**

on July 15<sup>th</sup>. System throughput (AOS) will be impacted but the level of impact will be determined closer to the outage date.

Gulf South Pipeline said that it will be performing scheduled maintenance at the Whistler junction Compressor Station on July 16<sup>th</sup> for nine hours. Capacity through the Compressor Station to Index 300 could be reduced by as much as 100,000 Dth during the work.

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	996,500	\$11.580	(\$0.569)	(\$0.314)	(\$0.240)	(\$0.640)
Chicago City Gate	801,200	\$11.566	(\$0.445)	(\$0.328)	(\$0.247)	(\$0.235)
NGPL- TX/OK	590,800	\$11.100	(\$0.537)	(\$0.794)	(\$0.339)	(\$0.689)
SoCal	928,700	\$10.821	\$0.116	(\$1.073)	\$0.314	(\$1.012)
PG&E Citygate	674,200	\$10.959	(\$0.426)	(\$0.935)	(\$0.228)	(\$0.811)
Dominion-South	402,100	\$12.330	(\$0.555)	\$0.436	(\$0.357)	\$0.601
UStTrade Weighted	19,817,400	\$11.108	(\$0.438)	(\$0.786)	(\$0.24)	(\$0.640)

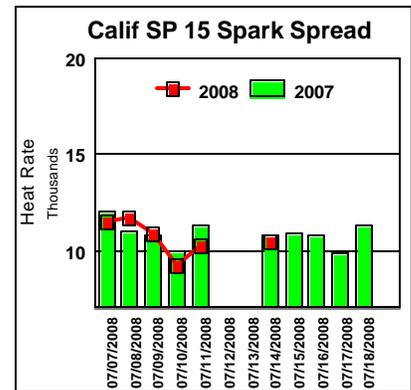


**ELECTRIC MARKET NEWS**

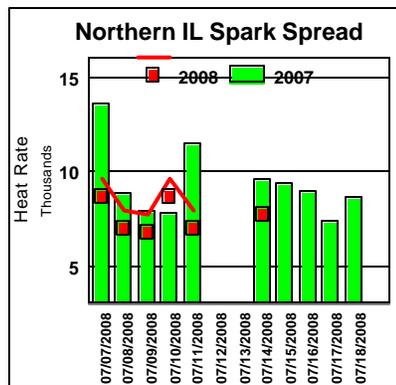
Genscape reported this morning that U.S. power generation in the week ending July 10<sup>th</sup> was up 0.61% from the prior week but down 4.52% from the same week a year ago.

**MARKET COMMENTARY**

The natural gas market ended the day basically where it started the trading session, basically a nickel stronger. The market seemed to find support from discussions of the potential development of a tropical depression in the eastern Atlantic over the next 24-48 hours and that its future track could in fact take it into the Caribbean with the long term potential of making it all the way to the Gulf of Mexico in a couple of weeks. In addition the bulls found comfort in the revised temperature forecasts that appear to point to higher cooling demand over the next couple of weeks across much of the country. In fact Accuweather forecast Joe Bastardi was warning this morning that the NYC metro area could see temperatures once again challenge the 100 degree level by the end of the week and into next week, a bit more aggressive forecast than from most other forecasters currently. But with short term demand for gas lower given the moderate temperatures for the next couple of days over much of the nation and thus flat to weaker next day power prices, the lack of strength in the cash market seemed to prevent any significant rally from getting started. In addition with oil failing to gain traction in any direction the result was the natural gas market posted its smallest trading range since July 3<sup>rd</sup>.



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We still hold a relative upward price bias for natural gas given its huge or record discount to oil coupled with a tropical system that could very well have the Gulf of Mexico in its sights. We see resistance starting tomorrow at \$12.144, followed by \$12.326, \$12.50-\$12.514, \$12.62. Additional resistance we see at \$12.73 and \$12.957 and \$13.00. Support we see at \$11.765, \$11.582, \$11.546, \$11.40 and \$11.308.

### US Gas Weighted CDD Forecast

Normal CCD: Jly 17th 90.18 Jly 24th 92.29

■ Week Ending July 17th ■ Week Ending July 24th

