



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JULY 16, 2008**

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

The National Hurricane Center was watching two low pressure systems in the Atlantic-Caribbean Sea-Gulf of Mexico region but does not expect either system to develop into a tropical storm. It said there was disorganized thunderstorm activity off the southwest Florida Coast associated with a low pressure system. It expected the Florida system to move eastward or northeastward during the next day or so but does not see significant development. It also stated that there is a low pressure system about 600 miles east of the Windward Islands did not become any better organized. Most weather models forecast the Windward system will cross the Windward Islands and reach the central or western Caribbean Sea south of the Greater Antilles over the next five days.

The Independence Hub natural gas production platform in the Gulf of Mexico was expected to shut next week for about four days of planned work. The platform was shut in early April for two months after a leak was discovered on an associated pipeline.

The Bureau of Land Management announced that it will make land available for oil and natural gas leasing in the northeast and northwest portions of the National Petroleum Reserve in Alaska.

Energy analysts stated that with unconventional US gas production becoming economic at \$6-\$7/mmbtu, medium term domestic prices are not likely to match the \$18-\$20/mmbtu prices seen in liquefied natural gas cargoes overseas, which in turn could deter some LNG imports for as long as five years.

After delays that began last winter, Qatargas, Qatar's state-run LNG exporting company, will begin to export gas to Britain from a delayed production facility. Qatar's annual production capacity of LNG will go from around 31 million tones to 38 million tons.

The US Senate unveiled legislation on Wednesday that would not impose high margins on oil traders but would still aim to rein in excessive speculation in energy markets. The bill would require the CFTC to distinguish between true hedgers, like airlines, and speculators. Swap dealers and commodity index traders would have to report their trading activities to the CFTC, which would make sure index traders are not adversely affecting the price discovery of oil and other commodities. The legislation also requires foreign exchanges that trade contracts similar to those listed in US markets to publish comparable daily trading information and adopt position limits that match requirements at US futures exchanges. The FERC would also have to begin an investigation within 30 days on the role of speculators in natural gas markets and submit its findings to Congress within 270 days. Senate Majority Leader Harry Reid said he hopes to bring the bill to the Senate floor for a vote in the near future.

#### **Generator Problems**

**WSCC**—According to the Nuclear Regulatory Commission, Energy Northwest has decreased production to 81% capacity at its 1,200 MW Columbia Generating nuclear station, down from full capacity on Tuesday, 7/15. No reason was given for the reduction.

**SERC** – TVA's 1120 Mw Browns Ferry nuclear unit #2 was at full capacity as of this morning, up from 77% on Tuesday.

**MAAC**- Production at Constellation Energy's 1,120 MW Nine Mile Point Nuclear Station unit 2 has returned to full capacity as of this morning. This is up from 65% on Tuesday.

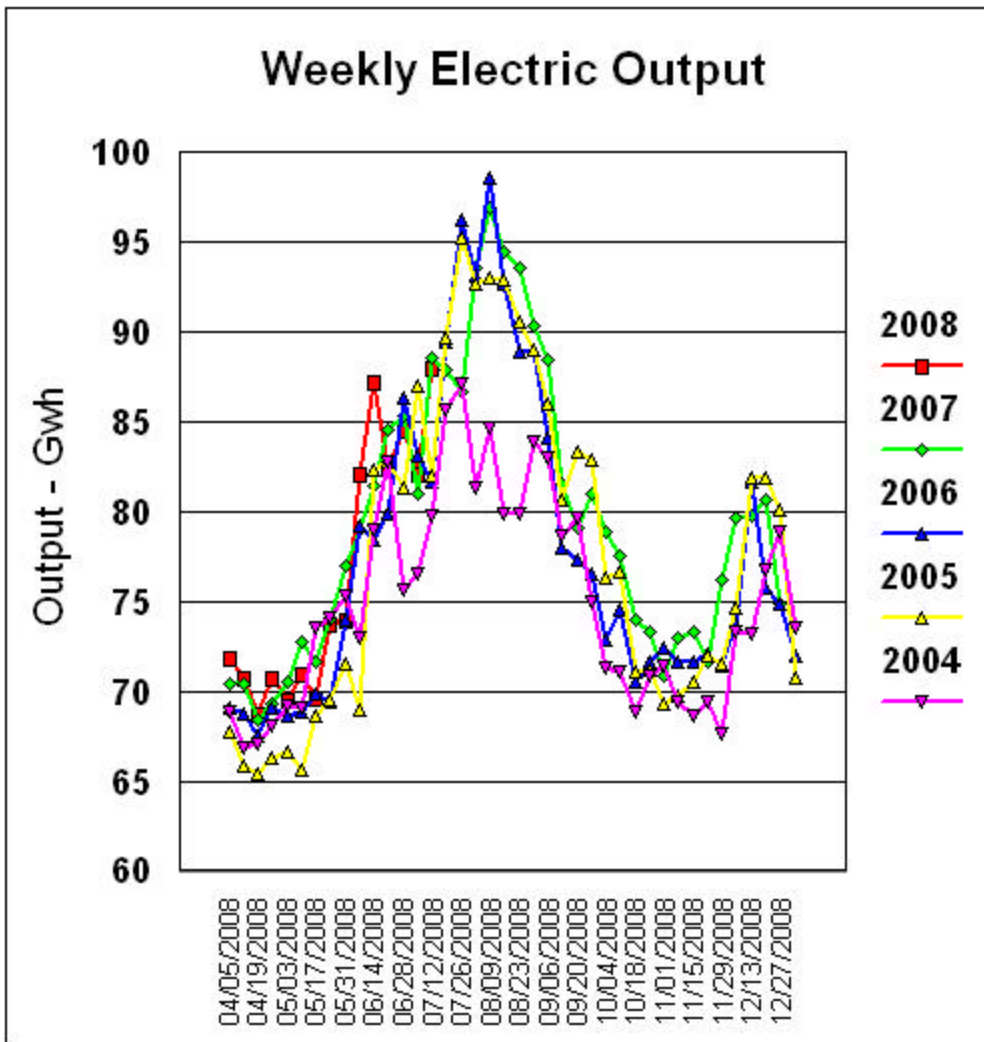
**The NRC reported that 97,537 Mw of nuclear capacity is online, up 0.47%% from Tuesday and up 1.38% from the same day a year ago.**

**PIPELINE MAINTENANCE**

Northern Natural Gas Co.'s Omaha, NB Dehy system associated with building #3 at the Sublet Compression Station is slated for annual maintenance. As a result, capacity impact will be 20,000 mmbtu/d on gas days August 12 through August 14.

TGP reported that pipe inspection and anomaly repair between MLV 820-1 to MLV 823-1 has been completed and this section of pipe has been restored to normal operating conditions.

TGP released a revised impact on the Vermilion 255 platform abandonment project. TN has been informed that physical flow may remain on for the first two days of the project, but will need to be shut in by Thursday, 7/17, and remain shut-in for the remainder of the project.



**ELECTRIC MARKET NEWS**

The Edison Electric Institute reported that for the week ending July 12<sup>th</sup> electric generation in the US totaled 88,047 Gwh, up 7.2% on the week but down 0.65% on the year. For the first 28 weeks of the year, power generation has averaged 0.5% above last year's level.

The DOE reported that the projected cost of building and operating a nuclear waste dump at Nevada's Yucca Mountain for 100 years new exceeds \$90 billion. The DOE is scheduled to detail its new estimate in a report to be issued in coming weeks.

**MARKET COMMENTARY**

The natural gas market remained on the defensive as it remained pressured by another sharp decline in crude prices. The market was also pressured amid the softer cash prices despite the warmer weather forecast for the next few days. The natural gas market, which posted a high of \$11.496 in overnight trading, sold off sharply to a low of \$11.113 amid the losses seen in the crude market in light of the bearish oil inventory reports. The market however bounced off its low and retraced most of its losses in afternoon trading as it traded back towards its high. The market settled down 7.9 cents at \$11.398 and recovered another 63 cents/mmbtu of its value against the crude.

Market expectations for Thursday's EIA storage report range from a 71 bcf to a 102 bcf injection, with the median estimate of an 88 bcf build. Natural gas inventories for the same week last year built by an adjusted 76 bcf while the five year average build for the week was 83 bcf.

The market is seen further retracing some of its losses on Thursday after it held its above its support at its 38% retracement level at \$11.075 and traded back towards its high. If the level of support is breached, further support is seen at \$10.953 and \$10.792 followed by \$10.52-\$10.30. Resistance is seen at its high of \$11.496, \$11.558, \$11.719 and \$11.941. More distant resistance is seen at \$12.111 and \$12.137.