



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR JULY 18, 2008

NATURAL GAS MARKET NEWS

Weaver Cove Energy announced yesterday that in an effort to ease safety and environmental concerns over its placing a terminal for LNG along the heavily populated Fall River in Massachusetts, it was proposing an alternative plan in which tankers would unload LNG at an offshore berth. The berth would be about a mile from the nearest shoreline and be connected by a four-mile underwater pipeline to the LNG terminal.

The CEO of Woodside Petroleum said Friday that the Australian government's proposed carbon emissions trading scheme could put that nation's multi-billion dollar LNG industry in jeopardy. He went on to note that Australia is already an expensive place for investors and further taxes would hurt projects' viability. He noted that none of their LNG competitors around the world have to work under the cost structure of an emissions trading system. Chevron, the largest holder of natural gas reserves in Australia also came out today and said that they are seriously concerned that the climate proposals could derail development of the proposed LNG projects in Australia.

Generator Problems

NPCC – OPG's 490 Mw coal fired unit #1 at the Nanticoke power station returned to service Friday morning. The unit went off line on July 17th.

OPG's 494 Mw coal fired Unit #4 at the Lambton power station also returned to service this morning. The unit had been off line since July 14th.

Entergy Nuclear's 535 Mw Vermont Yankee nuclear power plant was up to 56% of capacity, up 6% from Thursday.

Entergy's 825 Mw Fitzpatrick nuclear power plant was back to full capacity up 14% from Thursday.

SPP – AEP's 675 Mw Pirkey coal fired power station was expected to begin to restarted late Friday night,

The NRC reported that 98,282 Mw of nuclear capacity is online, up 0.2% from Thursday and up 2.6% from the same day a year ago.

The National Hurricane Center this morning continued to watch a tropical system in the southeastern Caribbean, which they noted could become a tropical depression at any time. Intensification of the storm could begin once it moves further away from the proximity of the South American coast. Current computer models forecast that the

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	1,154,900	\$10.543	(\$0.887)	(\$0.038)	(\$0.900)	(\$0.237)
Chicago City Gate	653,100	\$10.426	(\$0.998)	(\$0.155)	(\$0.865)	\$0.102
NGPL- TX/OK	685,400	\$10.028	(\$0.945)	(\$0.554)	(\$0.812)	(\$0.347)
SoCal	603,500	\$9.523	(\$0.921)	(\$1.058)	(\$0.788)	(\$0.739)
PG&E Citygate	892,200	\$9.933	(\$0.726)	(\$0.648)	(\$0.593)	(\$0.505)
Dominion-South	342,300	\$11.296	(\$1.425)	\$0.715	(\$1.292)	\$1.068
USTRade Weighted	19,286,100	\$10.128	(\$1.033)	(\$0.453)	(\$0.90)	(\$0.237)

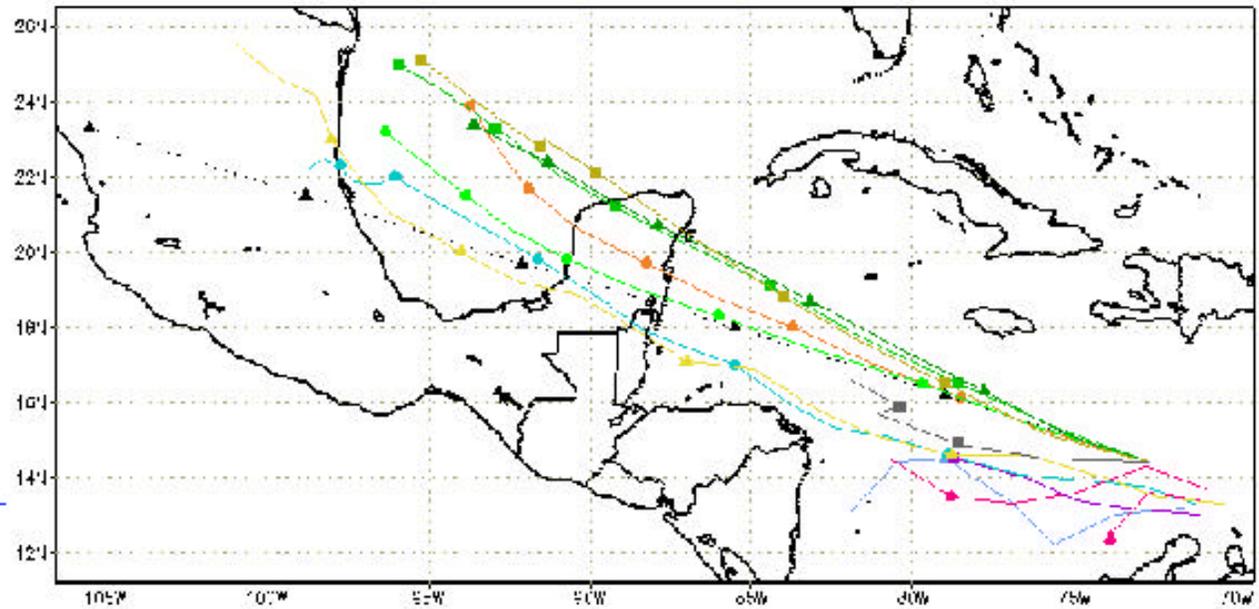
storm could track westward and head towards the Yucatan Peninsula later in the weekend and then perhaps the southwestern Gulf of Mexico next week.

A U.S. Appeals Court today

overturned a FERC order from 2006 in which the agency had approved Dominion Resources' request to nearly double the capacity of its Cove Point LNG terminal. Washington Gas Light Company has asked the court to

review the decision basis their belief that given that much of this gas would find its way into the WGL system, and given the higher heat content of the LNG, could cause the seals in the couplings connecting its pipes to leak.. While the court backed the FERC assessment of the situation, that the threat of leaks on the WGL system is due to defects in WGL's pipeline, and not the LNG. But the court sided with WGL because it said evidence does not support FERC's finding that the company can address safety concerns before the LNG project is completed in November.

- ▲-- XTRF 8/1800Z
- TUCN 8/1800Z
- HHC Not Avail
- ▲ 34MD 18/1800Z
- 34MW 18/1800Z
- 34MS 18/1800Z
- ▲ GFDL 18/1200Z
- UPW 18/1200Z
- NGFS 18/1200Z
- ▲ AVND 8/1200Z
- AEMK 18/1200Z
- FWRP 18/1200Z
- ▲ GMC 18/1200Z
- LGEM 18/1800Z
- GLFS 18/1800Z



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PIPELINE RESTRICTIONS

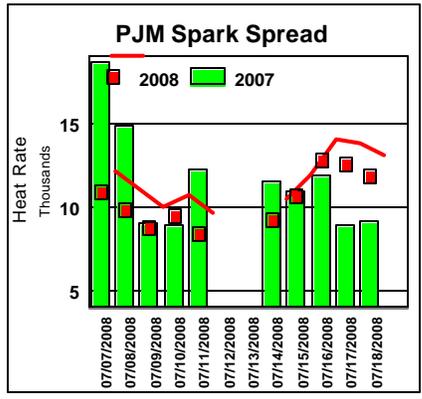
FGT warned customers that given the upcoming weather forecast, there is the possibility for an Overage Alert Day on one of the upcoming gas days.

PIPELINE MAINTENANCE

Trailblazer Pipeline Company said today that it will be performing calibrations on the #2 unit at Station 602 in Lincoln County, Nebraska, on August 12th. The company does not expect the work to impact shippers.

Transco Pipeline said that it will perform routine maintenance on July 22nd that will result some 30000 dth/d of production being effected in the Green Canyon and Eugene Island area.

Northwest Pipeline said anomaly investigations between Lava and Pocatello compressor stations have been slowed due to conditions in the



field and as a result the completion of the work will be pushed back from July 31st to August 10th. The available capacity at the Pocatello compressor station will remain at 553,000 Dth/d until the project is completed.

Westcoast Energy said the Kwoen Gas Plant has been restored to full processing capacity.

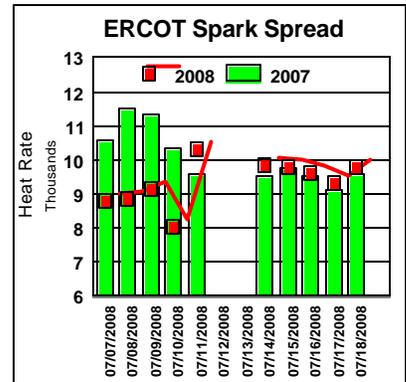
KMIGT said that it has completed maintenance at its Laton Compressor Station ahead of schedule. Effective immediately the company will schedule Segment 775 up to normal capacity.

Trunkline Gas Company said that unplanned maintenance at the Longville Compressor Station, which began June 18th, has been completed.

ELECTRIC MARKET NEWS

The EIA reported yesterday that U.S. coal production for the week ending July 12th stood at 21.451 million tons up 9.7% from the prior week and some 2.9% higher than a year ago. Year to date production of coal in the U.S> is running some 0.7% higher than a year ago.

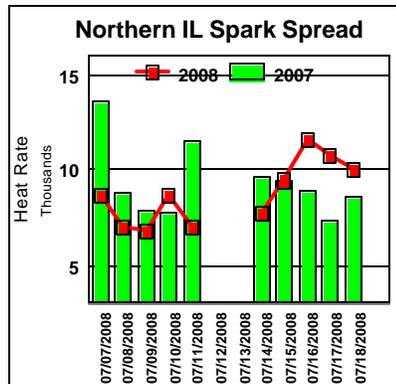
Genscape’s U.S. coal burn index was up 4% for the week ended July 17th versus the prior week. Electric power generation demand for coal was up 1% national for the week over year ago levels.



MARKET COMMENTARY

The NYMEX said Friday that total natural gas futures traded set daily volume records on Thursday. Natural gas total futures traded reached 327,942 lots, with electronic trading accounting for nearly 90% of the day’s total volume. What is amazing that with this new trading volume set on the day, open interest levels in the futures contract only dropped by 790 lots, with the August contract declining by 7,191 lots while the October, April and May contracts saw the biggest gains of 1,917, 1,581 and 1,199 lots respectively.

The natural gas market today after its record-breaking volume session yesterday, simply took a breather. The market once again moved into its typical summer Friday doldrums and posted a relatively modest inside trading session. With little threat to production areas from existing or expected tropical weather systems, and an oil market that today failed to clearly give direction to the natural gas market, the market saw just over 140,000 lots change hands and a willingness of market participants to look to next week before making a new commitment to the market.



We would look towards Monday’s weather report to set the tone for trading for the first half of next week. If there is no tropical threat on the horizon and cooling demand remains at normal to less than normal, then prices will retest this weeks lows and ultimately look for a test of the \$10.00 price level. But if traders receive supportive weather news then this market is capable of retracing possibly 38% of the past two-week selloff. We see support at \$10.516-\$10.46 followed by \$10.345, \$10.175. Resistance we see at \$10.741, \$10.80, \$10.911 and \$11.024. Additional resistance we see at \$11.698, \$12.08 and \$12.46. In spreads the March April natural gas spread lost just over 62% of the gains it posted from December though its peak in June. Today’s inside trading session allowed this spread to at least pause in a nearly uninterrupted free fall since the start of this month. Since the chart

breached the \$1.40 support level earlier this week, if the \$1.20 support level does not hold then this spread could very well not find support until it moves back into the \$0.70-\$1.00 trading range that was posted late last summer through the autumn.

This evening’s CFTC report showed that net combined short positions (futures, swaps and adjusted options positions) held by the non-commercial reportable traders on the week jumped by 23,220 lots on the week, to its largest net short position since late May. But upon closer examination of the CFTC report, one found that this week’s report shows the agency has rearranged the way it accounts for large trader positions in energy markets.

Effective with this week's report the CFTC staff has reclassified certain positions in the energy markets from the commercial category to the noncommercial category. The agency said the move was done because commercial hedging or risk management activities did not constitute a significant part of some firms overall trading activity. If this reclassification had not been done then reportable net short position by non-commercials on the week would have increased by only 3599 contracts. It is a bit puzzling that in the combined futures and option report the adjustments in natural gas for non-commercial positions was all done in the short reportable positions not in any of the long positions.

