



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR JULY 23, 2008

#### NATURAL GAS MARKET NEWS

The National Hurricane Center at midday upgraded Hurricane Dolly to a Category 2 hurricane as sustained winds reached 100 miles per hour and were expected to reach 110-120 before making landfall. The storm this afternoon made landfall at South Padre Island. Meanwhile the NHC continued to watch a large tropical wave located in the far eastern Atlantic, which was a few hundred miles west of the Cape Verde Islands. Development of the system as it moves westward at 15-20 mph is not expected over the next couple of days.

The U.S. Minerals Management Service reported at midday that while crude oil production had begun to rebound from the minor shut ins from yesterday, natural gas production shut in had increased slightly. As of 11:30 this morning 55,607 b/d of crude oil production remained shut in while 592 million cf/d of natural gas was shut in, bring the two day total to 987 million cubic feet of natural gas production lost.

#### Generator Problems

**SERC** – Southern's 851 Mw Farley #1 nuclear unit was shut early Wednesday. The unit had been operating at full power on Tuesday.

**NPCC** – OPG's 881 Mw Darlington #4 nuclear unit went off line this Tuesday and was not expected back in service for a week.

**The NRC reported that 98,439 Mw of nuclear capacity is online, up 0.2% from yesterday and up 1.9% from the same day a year ago.**

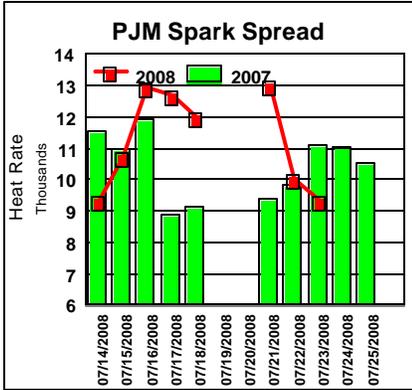
Alaskan's House of Representatives voted late Tuesday to approve a state license request from TransCanada to build a 1700 mile pipeline to bring Alaskan natural gas to North American markets. The Alaskan Senate is expected to approve the bill on August 2<sup>nd</sup>. The legislation has the support from the state governor as well. The pipeline would have a 4 bcf/d capacity. State approval of the legislation would also provide a state match of funds of up to \$500 million to help the company meet preconstruction costs.

The U.S. Geological Survey said today that they estimate there is 90 billion barrels of undiscovered, technically

recoverable oil and 1,670 tcf of natural gas within the Arctic circle. They estimate that the Arctic accounts for 13% of the world's undiscovered oil and 20% of the undiscovered natural gas resources.

Senate Republicans appear to have effectively crippled the Senate Democratic legislative efforts to limit positions for non-commercial participants in the energy markets. The legislation now appears will not come up for a vote until after Congress returns from its five week summer recess which begins next week.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	794,600	\$9.887	(\$0.271)	(\$0.361)	(\$0.496)	(\$0.203)
Chicago City Gate	733,900	\$9.689	(\$0.317)	(\$0.559)	(\$0.571)	\$0.001
NGPL- TX/OK	645,100	\$9.374	(\$0.254)	(\$0.874)	(\$0.508)	(\$0.391)
SoCal	862,900	\$9.355	(\$0.158)	(\$0.893)	(\$0.412)	(\$0.667)
PG&E Citygate	797,100	\$9.609	(\$0.192)	(\$0.639)	(\$0.446)	(\$0.382)
Dominion-South	580,700	\$10.556	(\$0.242)	\$0.308	(\$0.496)	\$0.936
USTrade Weighted	20,037,000	\$9.601	(\$0.242)	(\$0.647)	(\$0.50)	(\$0.203)



**PIPELINE RESTRICTIONS**

El Paso reported it had suspended onshore drilling and maintenance work on wells in South Texas in the path of Hurricane Dolly. The company though said that there was no production impact and pipelines continued to operate normally.

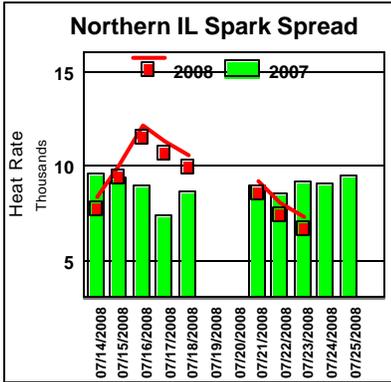
**PIPELINE MAINTENANCE**

Williston Basin Interstate Pipeline said that unplanned maintenance will be performed at the Vida Compressor Station through July 24. The company does not expect any restrictions to the system though.

**ELECTRIC MARKET NEWS**

Barclays Capital in its weekly market report noted that with the recent plunge in natural gas prices of over \$3 per mmbtu, the market is quickly approaching the pricing point where natural gas generation will be more economical than coal fired generation.

The Edison Electric Institute reported that for the week ending July 19<sup>th</sup>, electric production in the United States stood at 90,310 Gwh. This was the highest production level this year, up 2.6% from last week and up 2.6% from the same week a year ago.



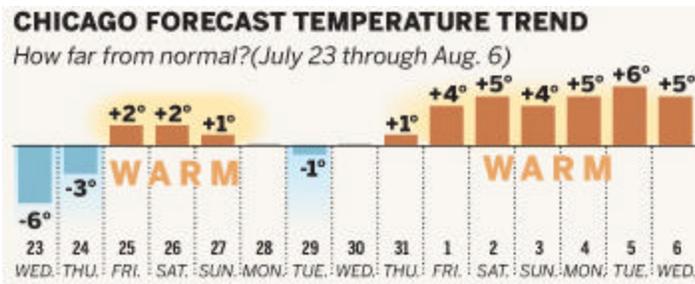
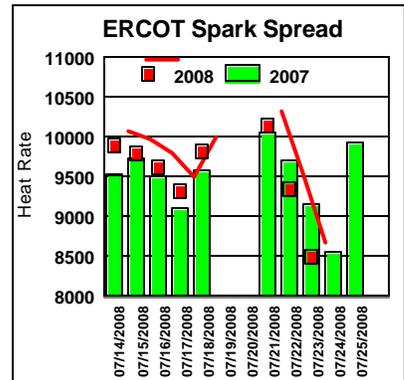
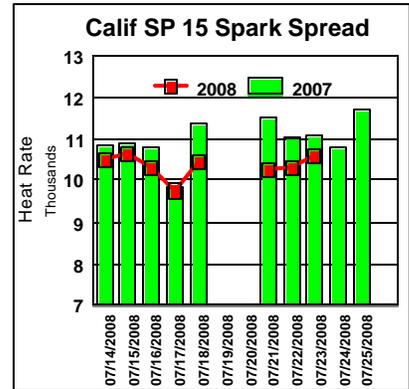
BPA said that the Pacific DC Tie Line will be shut from early Saturday morning through Saturday evening.

**MARKET COMMENTARY**

The natural gas futures market today despite trying to post a rebound session, helped possibly in part by Hurricane Dolly moving slightly further north than originally expected and with stronger winds than forecast yesterday,

the market was unable to overlook weaker spot power and natural gas cash values and as a result fell under its own weight and once again moved back below the \$10.00 price level by the close and settled below \$10.00 in the August contract for the first time since April 8.

Market expectations for tomorrow's EIA Storage Report appear to be

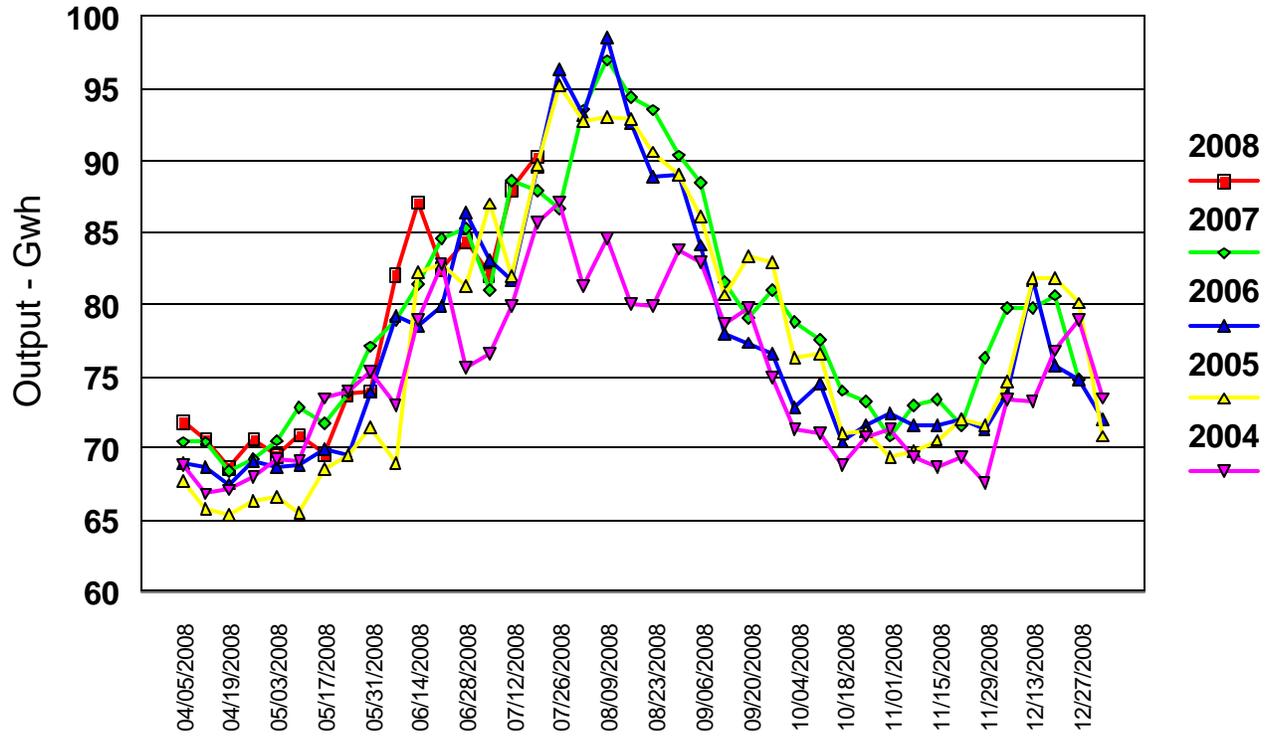


ranging between a 78-90 bcf build. Our estimate is running on the higher side with our model calling for an 87-88 bcf increase in stocks. A year ago saw a 70 bcf build for this week, while the five-year seasonal average is for a 57-bcf increase in storage.

Tomorrow's storage report will be a driving force for this market for the next couple of trading sessions. Given our outlook for injections to be on

the higher end of expectations we feel the market could once again come under pressure tomorrow, looking to challenge support from early April and late March at the \$9.55-\$9.40 area. We see additional support at \$9.268, \$9.00 and \$8.874. Intermediate term though we look for the approaching warmer than normal temperatures returning to the Midwest to help prices finally stabilize and retrace some of its recent losses. We would look for resistance tomorrow starting at \$10.182, followed by \$10.316, and the two-week trend line at \$10.478. If this resistance point is breached we would look for additional key chart points at \$10.80, \$11.202, \$11.55 and \$11.678.

# Weekly Electric Output



# Weekly Change In Nat Gas Stocks

