



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR JULY 29, 2008

#### NATURAL GAS MARKET NEWS

AccuWeather in their latest 11-15 day temperature outlook this morning noted that almost the entire nation would see above or much above normal temperatures as the hottest weather of the season is seen moving across the country. Meanwhile the tropics remain very quiet. The National Hurricane Center is watching a tropical wave that has just emerged off the coast of Africa. This system moving westward will be moving through an area of favorable conditions for development over the next several days. Several models have this system developing near the Caribbean over the weekend, but other models such as the GFS and Canadian models do not signal this system developing into anything of significance.

#### Generator Problems

**NPCC** – OPG's 490 Mw coal fired Nanticoke 5 power plant was off line this morning and expected to be off line for several days.

OPG's 215 mw coal fired Atikokan power plant was off line this morning.

**SERC** – Southern's 888 Mw Farley 1 nuclear unit remains offline.

**The NRC reported that 97,547 Mw of nuclear capacity is online, down 0.1% from Monday and down 0.8% from the same day a year ago.**

The EIA released their latest Monthly Natural Gas Report today and it showed that U.S. domestic natural gas production stood at 56 bcf/d in May basically unchanged from April but still nearly 8% above a year ago. Net imports in May stood at 8.4 bcf/d some 3.6% better than April but more than 18% less than May of 2006. LNG imports in May stood at just over 1 bcf/d, the second month in a row at that level but just 67% less than a year ago. Consumption in May was estimated at 52.9 bcf/d some 5.5% higher than May of 2006. In May all major consuming sectors saw increases led by the residential sector that saw demand some 7.9% above a year ago. Commercial and industrial sectors saw demand 5.9% and 4.3% higher than a year ago, while electric generation

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	867,400	\$9.168	(\$0.095)	\$0.008	(\$0.192)	(\$0.210)
Chicago City Gate	541,900	\$8.969	(\$0.110)	(\$0.191)	(\$0.126)	(\$0.104)
NGPL- TX/OK	628,200	\$8.643	(\$0.088)	(\$0.517)	(\$0.104)	(\$0.421)
SoCal	766,600	\$8.373	(\$0.251)	(\$0.787)	(\$0.267)	(\$0.533)
PG&E Citygate	464,800	\$8.622	(\$0.288)	(\$0.538)	(\$0.304)	(\$0.253)
Dominion-South	293,300	\$9.649	(\$0.192)	\$0.489	(\$0.208)	\$0.663
USTRade Weighted	18,749,300	\$8.797	(\$0.176)	(\$0.363)	(\$0.19)	(\$0.210)

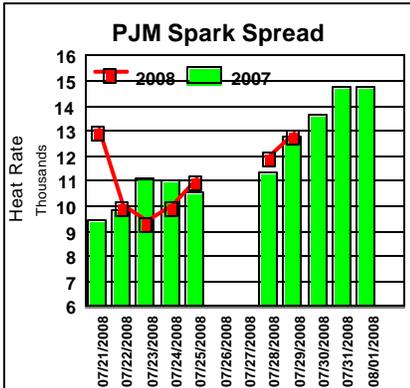
demand for natural gas was up 5.3% versus a year earlier. The EIA estimated working gas in storage at the end of May was some 19 bcf higher than the implied level from the weekly inventory report.

OAO Novatek, Russia's largest independent natural gas producer, announced its 2Q2008 output increased by 2.9% to 7. billion cubic meters from the same period a year ago.

Senate Republican leader Mitch McConnell indicated late Monday that Senate leaders were "very close to [reaching] a consent agreement" to move forward on energy legislation before the August recess, including a proposal to expand drilling for oil and natural gas on the outer continental shelf.

**PIPELINE RESTRICTIONS**

FGT said that there is a potential for it to issue an Overage Alert Day, over the next several days as 90+ degree weather is forecasted in its service territory.



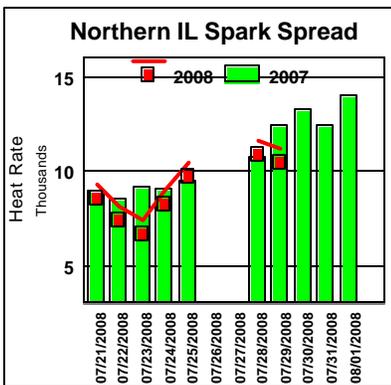
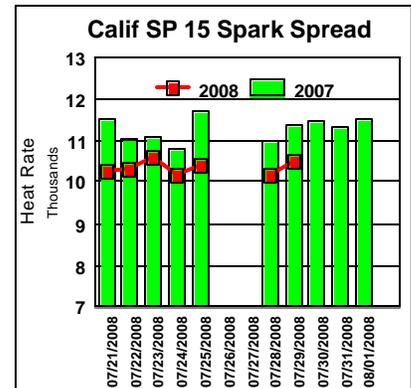
**PIPELINE MAINTENANCE**

Williston Basin Interstate Pipeline said that planned maintenance at the Hardin Compressor Station has been extended to August 15<sup>th</sup>. The delay though is not expected to result in any system restrictions. The company also cancelled planned maintenance at the Fort Peck Compressor Station.

Northern Natural Gas said that it will be conducting required Emergency & Electrical systems t at the Beaver Compressor Station on August 12<sup>th</sup>. For approximately 8-12 hours all compression will be down. Field production and upstream receipts will be allocated. The company also

announced that it will be doing required maintenance on the B mainline and that PEPL 100 capacity will be set at zero on August 24<sup>th</sup>.

Gulf South Pipeline said that scheduled maintenance on the Arnaudville Compressor Station Turbine Unit #1 has been extended through August 4<sup>th</sup>. The work, which began on July 7<sup>th</sup>, had been originally scheduled to last only until July 25<sup>th</sup>. The company also reported that it has completed the scheduled pipeline maintenance on Index 296, which began July 7<sup>th</sup>.



Northwest Pipeline said that effective August 5<sup>th</sup> and until further notice it will not accept injection requests for interruptible storage capacity in its Jackson Prairie Storage Facility.

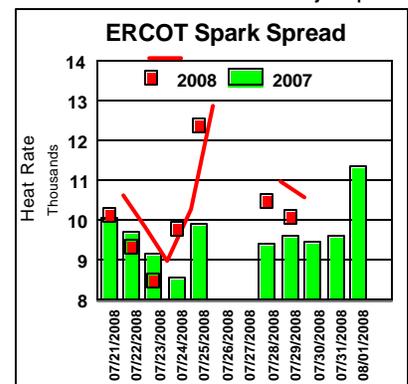
**ELECTRIC MARKET NEWS**

Genscape reported that last week U.S. power plants saw their coal stocks drop by 1.6% as summer time power generating needs drew down stocks. This equated to 49 days of average coal burn. Coal stocks are some 0.6% lower from a year ago.

PSEG officials speaking before a Congressional Committee today said that given the chaotic regulatory environment that exists in the wake of the federal appeals court striking down the EPA's Clean Air Interstate Rule, it would support federal legislation that would address the four major power plant pollutants: nitrogen oxide, sulfur dioxide, carbon dioxide and mercury. The company called on Congress to act quickly saying the electric utility sector need certainty.

The Texas Public Utility Commission said it was designating a Yellow Conservation Alert for higher than normal temperatures this week and potential record high electricity demand for July.

Despite an earthquake hitting southern California this afternoon PG&E reported that its Diablo Canyon nuclear plant remained operating at normal levels. The San Onofre nuclear plant, the closest to the epicenter also remained unaffected. Cal Iso reported that the grid had not suffered any damage from the quake.



**MARKET COMMENTARY**

Today's expiration of the August contract was a relatively uneventful trading session. The expiring August contract traded in a relatively sideways pattern for much of the day posting only a 33 cent trading range the

smallest trading ranging for an expiring contract since the April 2008 contract expired this past March. Volume was moderate at best with just 156,519 contracts total traded on the day, with the August contract seeing just 37,195 lots booked on the day.

Looking forward we think that this market is trying to build a based of support in the charts. Given the upcoming return of strong demand by power generators for natural gas in the next couple of weeks this could be the event that makes sellers take a pause in the their recent bearish approach to the market. But if the strong rebound in the dollar continues this week, then the selling pressure from the oil market could limit any rebound possibilities for natural gas. Support we see at \$8.93 followed by \$8.793 and \$8.632. Resistance we see at \$9.29, \$9.451, \$9.542 and \$9.619. Additional resistance we see at a trendline at \$9.926 and the 38% retracement of the July sell off at \$10.786.

