



## ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,  
& Karen Palladino  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

### POWER MARKET REPORT FOR AUGUST 5, 2008

#### NATURAL GAS MARKET NEWS

Dr. Gray and his Colorado State University weather forecasting team released their updated forecast for this Atlantic Hurricane Season. The group raised their outlook for the number of named storms forming this year in the Atlantic basin to 17, up 2 from the prior forecasts. They also increased the number of these storms they see reaching hurricane strength to 9, up 1 and the number of them becoming intense hurricanes to 5 also up one from the prior forecast. But what seems to have missed by most in the media is the fact that the group lowered its outlook for a Category 3 or stronger hurricane making landfall in the USG down to a 42%, down from 44% probability in the June outlook, while the probability a storm of this size hitting the east coast at 43% down 2% as well. The group noted that current conditions in the Atlantic Basin are quite favorable for an active hurricane season and have been so for the past couple of months. They noted that current sea surface temperatures in the Atlantic are typically observed during active hurricane seasons. In addition sea level pressures have been below normal as well, as African dust outbreaks, which can inhibit storm formation, also seem to be somewhat below average for the past two months. The group will issue its next updated forecast on September 2<sup>nd</sup>.

#### Generator Problems

**NPPC** - OPG's 494 Mw Lambton #4 coal fired unit dropped off line today for short maintenance ework.

**MRO** - Dominion Resources 591 Mw Kewaunee #1 nuclear unit was at 57% power this morning up 2% from Monday.

**WSCC** - DYNERGY's 739 Mw Unit #6 at the Moss Landing natural gas fired power plant was taken off line Tuesday afternoon for unplanned maintenance.

**SPP** - AEP's 675 Mw Pirkey coal fired power plant dropped off line today so operators could repair a boiler leak.

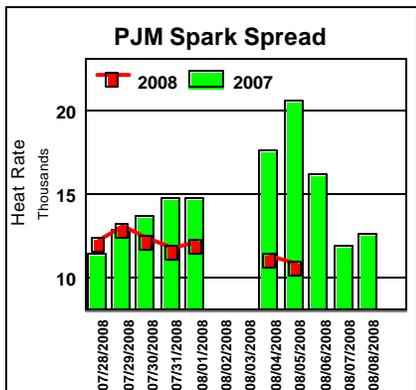
The NRC reported that **91,494 Mw of nuclear capacity is online, down 6.5% from Friday and down 5.4% from the same day a year ago.**

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	882,300	\$8.361	(\$0.838)	(\$0.529)	(\$0.711)	(\$0.431)
Chicago City Gate	593,700	\$8.460	(\$0.667)	(\$0.430)	(\$0.824)	(\$0.135)
NGPL- TX/OK	514,800	\$8.154	\$0.015	(\$0.736)	(\$0.142)	(\$0.595)
SoCal	734,800	\$7.924	(\$0.524)	(\$0.967)	(\$0.681)	(\$0.937)
PG&E Citygate	776,300	\$8.217	(\$0.525)	(\$0.674)	(\$0.682)	(\$0.585)
Dominion-South	250,100	\$9.134	(\$0.649)	\$0.244	(\$0.806)	\$0.547
USTrade Weighted	17,319,500	\$8.267	(\$0.554)	(\$0.623)	(\$0.71)	(\$0.431)

that while there is several tropical waves across the Atlantic basin none appeared to show any potential for development over the next several days.

While Tropical Storm Edouardo moved ashore in Texas this morning, the National Hurricane Center and most private forecasters noted

The U.S. Minerals Management Service reported that as of 11:30 CDT there was 77,819 b/d of crude oil production shut in as a result of the storm as well as 946 MMcf/d of natural gas production. Tropical Storm Edouardo over the last two days has been responsible for shutting in just over 1.5 bcf of natural gas production.



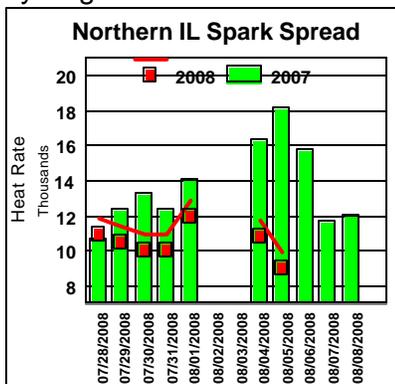
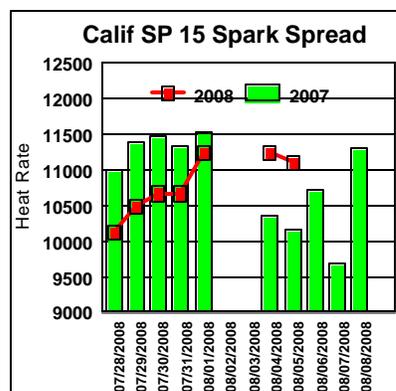
NYMEX announced today that it would change margins for some of its natural gas basis swap futures contracts, at the close of business on Wednesday. Margins on the first month of the Chicago basis swap futures contract will be set at \$810 from \$1080 for customers. Margins on all other months will decrease to \$405 from \$540 for customers. Margins on the SoCal basis swap futures contract on the first month will increase to \$1350 from \$810. Margins for the second through sixth months will increase to \$810 from \$540 for customers. All other months will remain unchanged. Margins are also being changed in the CIG Rockies, Alberta as well as others.

**PIPELINE RESTRICTIONS**

FGT reported that it had issued an Overage Alert Day at 25% tolerance in its market Area.

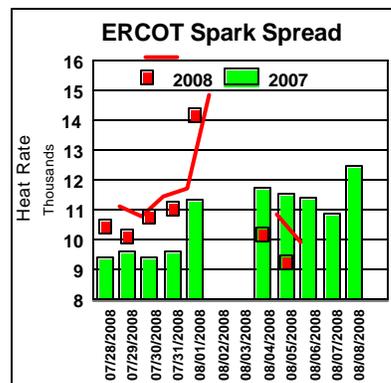
**PIPELINE MAINTENANCE**

Northwest Pipeline said that effective August 6<sup>th</sup> the available capacity at the Boise Compressor Station will be reduced by 74,000 Dth/d, due to damage sustained at the unit this past weekend. Emergency repairs are underway and are expected to be completed by August 8<sup>th</sup>.



Tennessee Gas Pipeline said a number of their maintenance projects were delayed or rescheduled due to the passage of Tropical Storm Edouard. The Station 32 outage was postponed until the storm has passed at which time the company will then assess the situation. It anticipates work-resuming on August 6<sup>th</sup>. It also noted the Blue Water Wet Leg pigging operations scheduled for Monday were cancelled due to evacuations in the Gulf of Mexico. The company also noted that work on the Compressor Station 32 in Jasper, TX has now been rescheduled for August 6 through August 20<sup>th</sup>. Restrictions could become necessary.

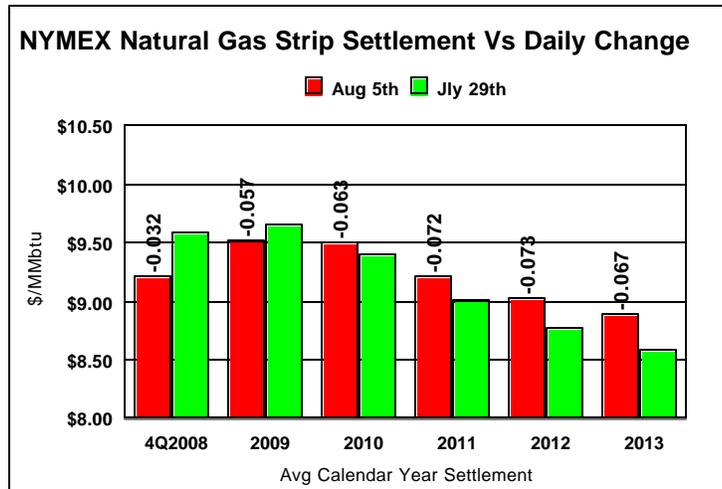
NGPL said that it has experienced a Force Majeure event at Compressor Station 343, in Liberty County, Texas. The event will limit the company's available capacity at Segment 25 in the TEXOK Zone. The compressor station unit went down on Sunday and the company noted that repairs will take longer than just this week. Starting today and continuing until further notice the company said primary firm and secondary-in-path will be scheduled at 71% of contract volumes on Segment 25.



**ELECTRIC MARKET NEWS**

The SPP reported that it set a new power usage record was set Monday across its seven state service territory as some 36,41 Mw, breaking the previous record of 35,910 set a year ago. ERCOT reported its peak load yesterday reached 62,124 MW just short of its all time record.

Strong thunderstorms moving across the Midwest Monday evening knocked out power to more than 280,000 customers in Illinois and Indiana.



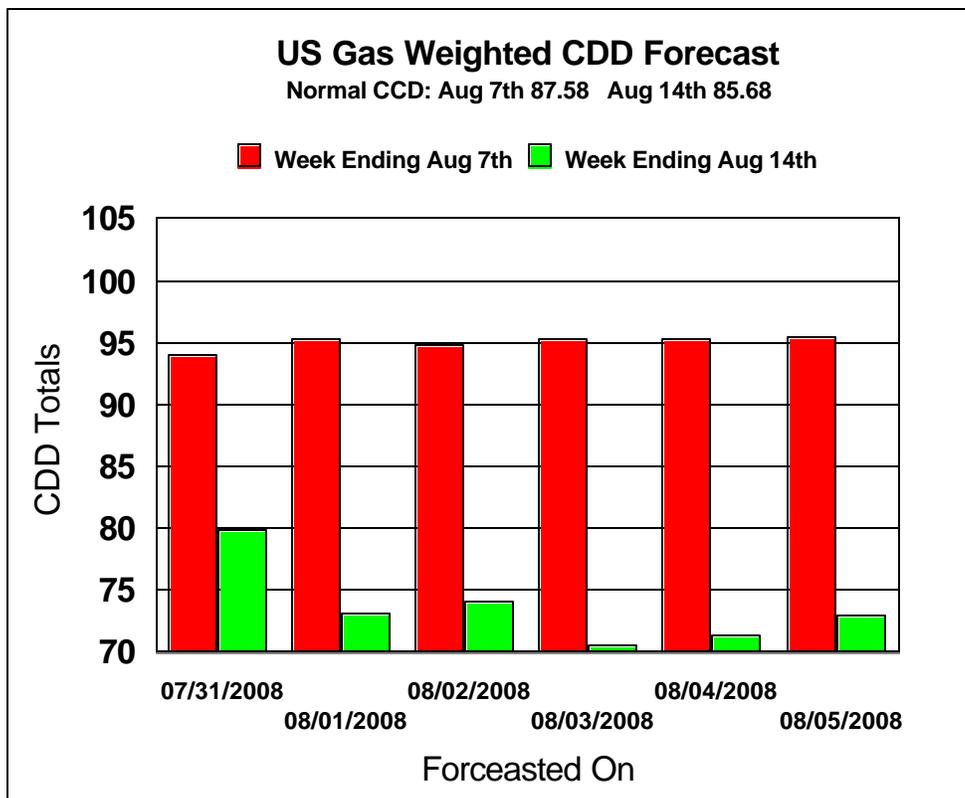
Genscape reported that U.S. coal inventories at power plants dropped by 0.5% last week to 137.8 million tons or 49 days of forward average coal burn. Stocks are nearly identical to last year's levels.

The U.S. Department of Energy said today that they have raised their estimates of the cost in building the Yucca Mountain national repository for spent nuclear fuel to \$96 billion, up 38% from their last estimate done back in 2001. The new estimate is based on a larger estimate for the amount of fuel shipped to the repository and the cost of

inflation. The DOE in June applied for a license to operate the facility, but the facility continues to face opposition from several key lawmakers, including Democratic Dentate majority leader Harry Reid, of Nevada.

**MARKET COMMENTARY**

The natural gas market this morning appeared to get a boost from the release of the updated hurricane forecast from Colorado State. While prices by midday had rallied some 60 cents from the lows earlier in the morning, the market was unable to protect these gains and through the afternoon gave back half of the gains before settling unchanged in the spot month and off a couple of pennies in the later months. Traded volume today was just over 171,000 futures traded.



Despite the September contract finishing the day unchanged the March-April spread continued to work lower on the day,

settling 2.5 cents lower on a day when the spread again traded down to a new near term low, set this morning down at 46.5 cents. While we feel that this spread will see higher values later this year, it appears to be headed lower before it will see higher values. We continue to see 35 cents as a key price target.

Despite this market remaining on the defensive for the past two trading sessions, the daily 9-day stochastics continue to point to this market is headed higher. We feel though if oil stages another broad based sell off following the release of the EIA weekly petroleum report tomorrow morning it will drag natural gas values probably back to retest this morning's low at \$8.355. We see additional support at \$8.05 and \$7.765. Resistance we see at \$8.955 followed by \$9.011, \$9.296 and \$9.634, with more distant point at \$10.00.