



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR AUGUST 20, 2008**

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

Tropical Storm Fay continued to remain unpredictable today. As the storm slowly moved out into the Atlantic off the Florida east coast, computer track guidance models appeared to offer a variety of future path projections. While the National Hurricane Center continued to look for the storm to eventually move back west-northwestward across the state as a weakened tropical storm moving into the Florida panhandle, the widely watched GFS model and the European models called for a sharper westward turn in the storm and have it moving across the northern Gulf of Mexico this weekend and possibly coming ashore early next week along the Gulf Coast. Meanwhile while the National Hurricane Center appears to be lowering the possibility of any immediate strengthening of the tropical disturbance in the Central Atlantic that will reach the Lesser Antilles over the next several days, the track guidance on this system continues to shift a bit southward. The models also show greater disagreement as several models have it moving eventually into the Caribbean while others take it on a more northerly track towards the Bahamas.

StatoilHydro warned today that it may be forced to shut its Kvitebjorn natural gas field in the North Sea until the spring of next year following the discovery of a leak yesterday in the pipeline to Kollsnes. The leak was discovered at the same spot on the pipeline that was damaged last year some 6 miles away from Kvitebjorn. The company had postponed scheduled repairs originally scheduled this past June due to record energy prices. The Kvitebjorn field produces about 13 million cubic meters a day of gas and some 40,000 b/d of oil. As a result of the announcement U.K. gas for delivery this winter rose by 15% to a record 104 pence a therm or the equivalent of \$19.32 Mmbtu.

#### **Generator Problems**

**NPCC** – OPG's 515 Mw Pickering #8 nuclear unit returned to service early Wednesday

**FRCC** – FPL's 839 Mw St Lucie #1 nuclear unit was cut by 15% to 85% of capacity.

**SERC** – Progress Energy's 900 Mw Harris nuclear power plant had a malfunction in the rod control system yesterday and as a result remains in hot standby. The unit dropped off line on August 11<sup>th</sup>

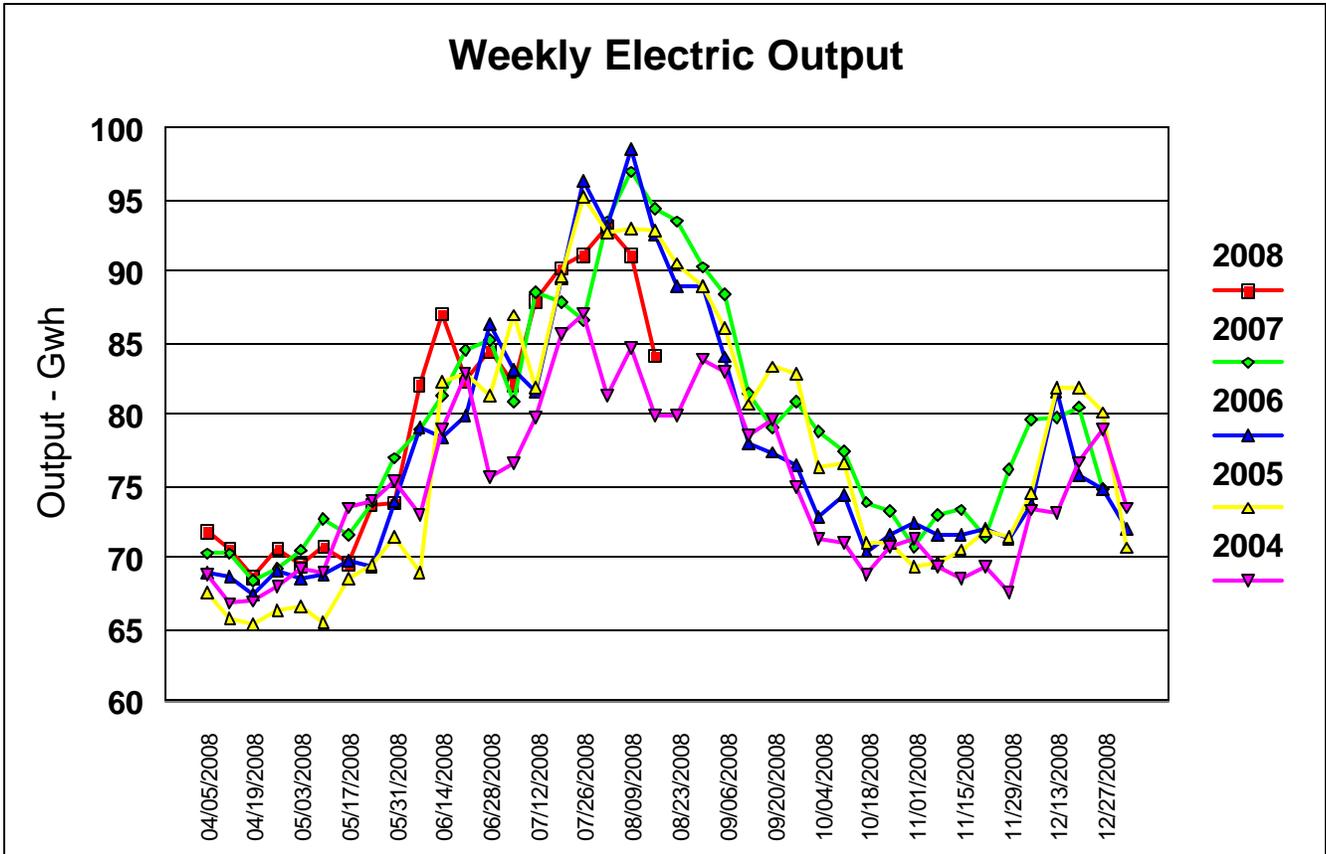
**MISO** – AEP's 1077 Mw Cook #2 nuclear unit started to exit an outage and ramped up to 1% of power this morning. The unit had been offline since August 16<sup>th</sup>.

**The NRC reported today that some 94,547 Mw of generation was being supplied by nuclear power plants, down 0.1% from yesterday and some 0.36% less than the same time a year ago.**

**WECC** reported that it was looking for peak demand today to reach 130,803 Mw, 0.3% less than was than recorded on Tuesday. Generation outages today were expected to be 13,090 Mw down 14.1% from yesterday's levels. Cal Iso generation outages were estimated at 9,443 MW of which 62% was in non-gas generating units.

**PJM** reported that generating outages in the region were estimated at 12,578 Mw down 13% from Tuesday, while peak demand was seen running at 105,500 Mw today down 9.4% from yesterday and some 0.9% more than forecasted yesterday. Thursday's peak demand was revised higher today by 1.3%, now seen at 108,500 Mw.

**MISO** reported that 6,160 Mw of outages in the region today 2.5% more than Tuesday. Peak demand today was seen at 86,010 Mw some 1.3% less than Tuesday and 0.3% less than forecasted on Tuesday. Thursday's peak demand is seen at 87,040 Mw.



Chevron, Semptra Energy and Constellation Energy Commodities Group filed motions today with the FERC to intervene in a petition submitted to the FERC last week by ConocoPhillips, Shell Energy and Yates Petroleum asking for the maintenance to be delayed. The work was scheduled for September and shippers believe the potential production shut ins will result in prices being driven lower, while if the work is delayed 60-90 days local demand may help to absorb the stranded gas.

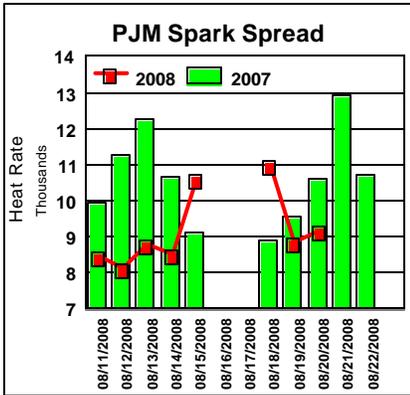


### PIPELINE RESTRICTIONS

Northern Natural Gas said its force majeure on the 24 inch Beaver Southeast system would continue until further notice. The company said the condition occurred back on August 15<sup>th</sup>.

FGT warned again today that due to the heavy rain in its service territory expected through tomorrow, it might issue an

Underage Alert Day if line pack levels become to high.



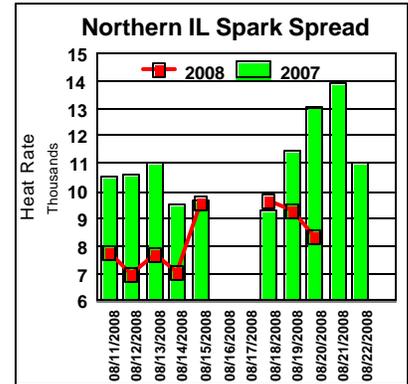
**PIPELINE MAINTENANCE**

Gulf South Pipeline said it would be performing scheduled maintenance today on the Airport Compressor Station Regulator Facility. As a result physical flow to Gulfstream will be unavailable for the duration of the work.

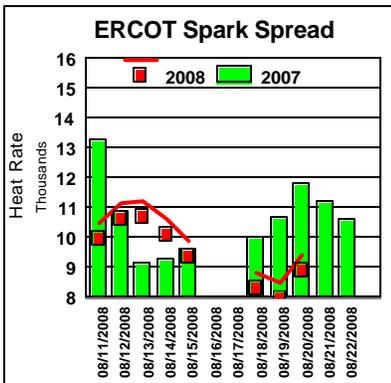
**ELECTRIC MARKET NEWS**

Lafayette Utilities System, The Louisiana Energy and Power Authority, Municipal Energy Agency of Mississippi and the Mississippi Delta Energy Agency filed a

complaint with the FERC, asking the FERC to review why there has been an increasing unreliability in Entergy's provision of firm transmission service that has resulted in an "unacceptable number" of curtailments on the system. The SPP in its latest quarterly report noted that there has been an increasing number of "transmission loading relief" events which was necessary to maintain reliability on the Entergy system. The group of companies is seeking the FERC to intervene in the matter.



The Edison Electric Institute reported that electric power production in the United States for the week ending August 16<sup>th</sup> reached 84,228 Gwh down 7.67% from the previous week and down 12.14% from the same week a year ago. Year to date electric production is basically flat to a year ago.



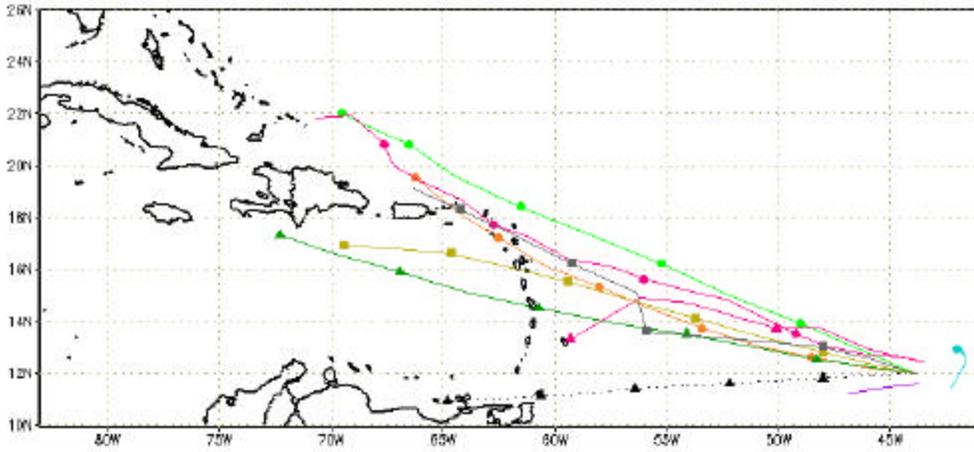
NSTAR, the Massachusetts power company said today that it plans to cut electricity costs in the fourth quarter by more than 21% for large business customers due to the recent fall in oil and natural gas prices.

**MARKET COMMENTARY**

The natural gas market today basically finished the day where it had spent much of late yesterday and early this morning in the range of \$8.05-\$8.15. The market though was dragged lower at mid morning when the EIA oil inventory numbers were released, which weighed heavily on the market until midday due to the bearish build in total oil stocks and crude oil stocks. But futures prices were able to rebound back in the afternoon and were able to erase the mid morning sell off.

The cash market appeared rock solid today across most regional points as the near term cooling demand forecast appeared to rise, even though next week's cooling demand continued to appear to not only to remain below normal but the forecast has been moderating for the last couple of days. Volume today was light with just 109,869 futures traded, while the penultimate contract saw just 48,277 contracts and the Henry Hub swap booking 146.006 lots.

The March April spread also treaded water today, as it posted an inside trading day for the first time since August 12<sup>th</sup>, the last time the market appeared to be trying to put in a bottom. Volume was relatively light for the spread with just under a thousands spreads booked on the day via Globex.



Market expectations for tomorrow's EIA Natural Gas Storage Report appear to range between a 55-97 bcf build with most centered around an 82 bcf build in stocks. For the same week a year ago there was a 22 bcf increase while the 5 year average is for a 56 bcf build. Our estimate for the second week in a row comes in slightly lower than most market expectations as we see just 71-74 bcf built on the week given our

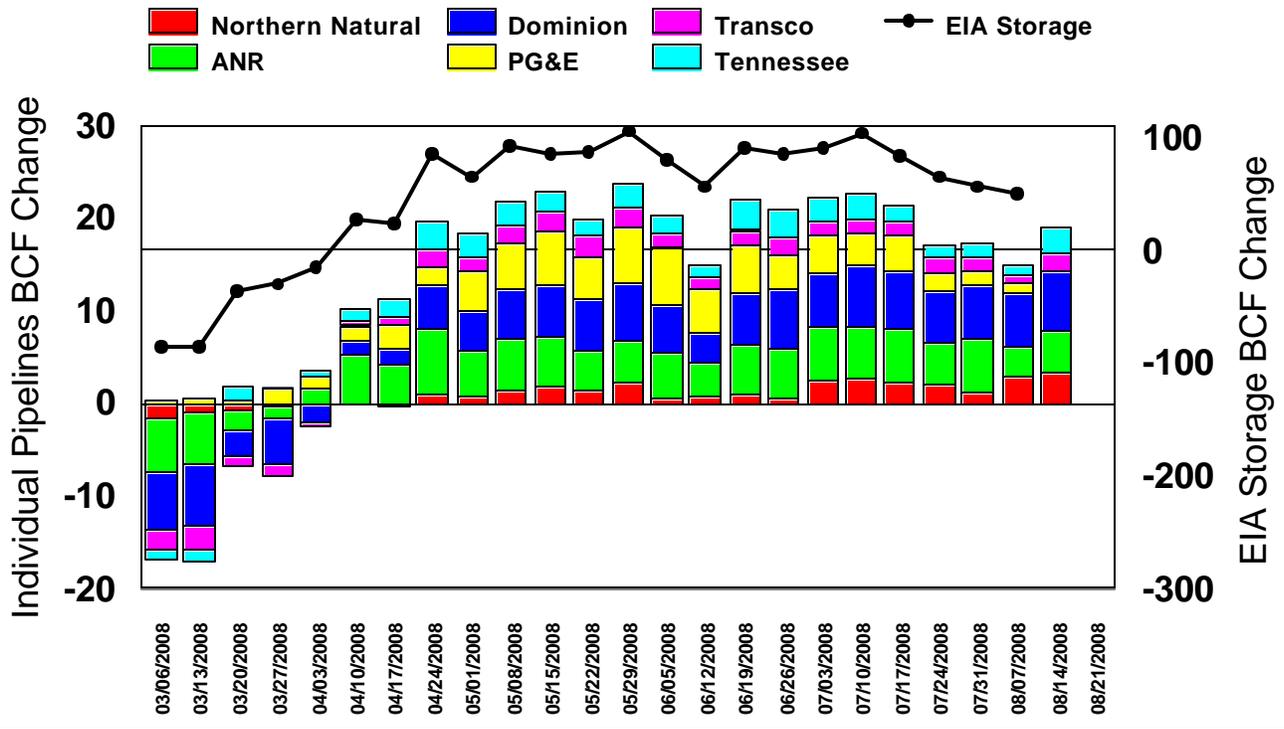
storm 94  
 sfwmd.gov  
 weather@sfwmd.gov

NHC Advisories and County Emergency Management Statements supersede this product. This graphic should complement, not replace, NHC discussions. If anything on this graphic causes confusion, ignore the entire product. For full info, see <http://mv.sfwmd.gov/sfwmd/common/images/weather/plots.html>

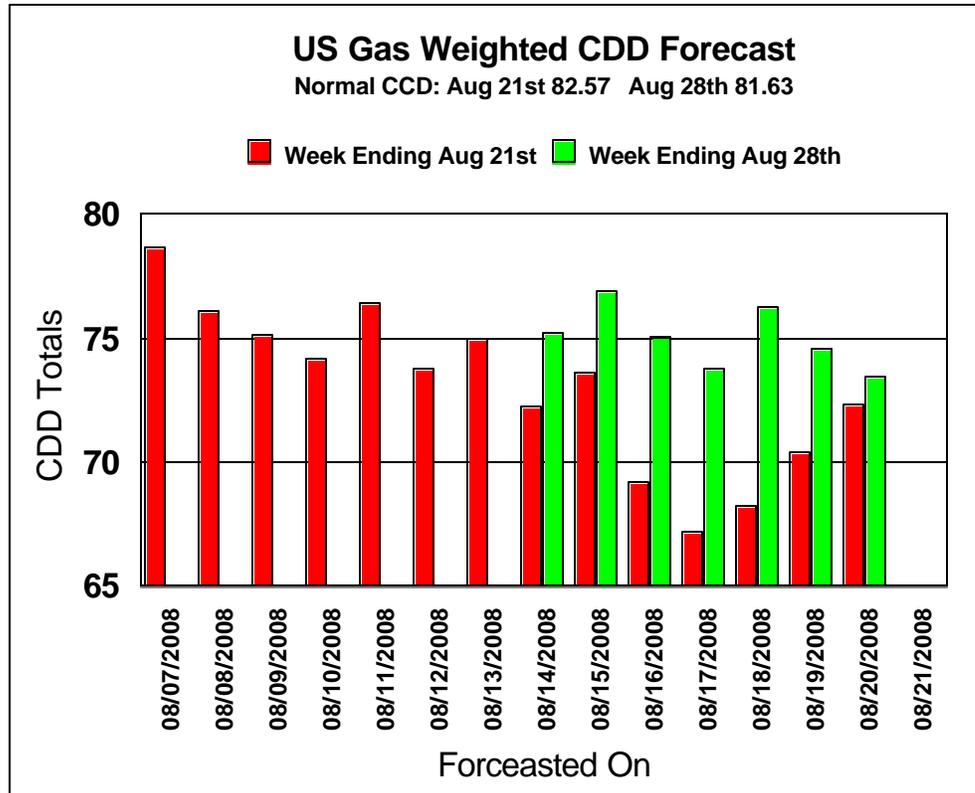


survey of pipeline activity.

## Weekly Change In Nat Gas Stocks



We would look for this market to remain closely tied to the weather forecasts. The path of tropical Storm Fay which some forecasters see becoming a hurricane tomorrow will remain having the most immediate impact, as some computer models continue to see it having the potential to reach the waters of the Gulf of Mexico. But if this risk is eliminated finally tomorrow then this market could see a bit of a pull back, but the duration of this pull back will be driven with the updated view of the tropical disturbance (storm 94) currently just

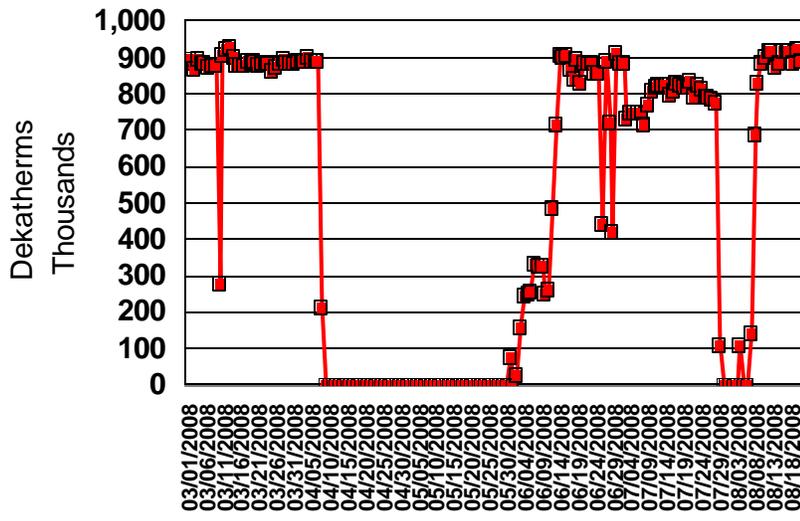


east of the Lesser Antilles which computer model forecasts see strengthening finally later in this week and continues to post a track that could put it on a path to put the Gulf of Mexico at risk.

We see support tomorrow \$7.95, \$7.793-\$7.78, \$7.67 and \$7.44. Resistance we see at \$8.18-\$8.20, \$8.323, \$8.465 and \$8.56. More distant resistance \$8.58 and \$8.95.

# Independence Hub Natural Gas Receipts

Into The Tennessee Gas Pipeline Interconnect



March 1 - August 21, 2008