



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR AUGUST 21, 2008**

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

Tropical Storm Fay continued to be in the weather news today as the storm basically sat off the eastern coast of Florida. The track model guidance on the storm has shifted slightly southward, but the consensus of the models sees the storm as a rainmaker rather than a hurricane as it moves westward. The European model though continued to look for this system to develop into a northern Gulf of Mexico hurricane. Meanwhile the National Hurricane Center continues to monitor an area of low pressure located some 900 miles east of the Windward Islands. The system remains disorganized and any development remains limited over the next couple of days, but computer models continue to look for some development possibly over the weekend. FYI AccuWeather forecaster Joe Bastardi this morning warned that the next three weeks could be a very active period of hurricanes for the United States.

#### **EIA Weekly Report**

	08/15/2008	08/08/2008	Net chg	Last Year
<b>Producing Region</b>	752	736	16	908
<b>Consuming East</b>	1540	1473	67	1602
<b>Consuming West</b>	363	358	5	410
<b>Total US</b>	2655	2567	88	2919

\*storage figures in Bcf

The National Climate Prediction Center today released their latest longer-term temperature outlooks. For the month of September the agency sees only the southwest having warmer than normal conditions while the rest of the nation should see normal conditions. The Center sees the period of October – February though as above normal for much of the nation.

BP's North Sea Bruce gas field began restarting production today following completion of pipeline maintenance that had shut the line down for the past

#### **Generator Problems**

**FRCC** – FPL's 839 Mw Saint Lucie #1 nuclear unit which was shut on Wednesday due to flooding remained offline again today. Its sister unit though continued to operate at normal levels.

**SERC** – Progress Energy's 900 Mw Harris nuclear unit started to exit an outage and had ramped up to 7% of capacity by this morning. The unit went off line on August 11<sup>th</sup>.

**ERCOT** –The coal fired Unit #3 at the Martin Lake power plant was expected to be down this morning and afternoon for electrical system work.

**WECC** – Energy Northwest's 1200 Mw Columbia Generating nuclear station saw its output reduced to 85% of capacity.

**MISO** – AEP's 1077 Mw Cook #2 nuclear unit was up to 26% of capacity this morning.

**The NRC reported today that some 92,970 Mw of generation was being supplied by nuclear power plants, down 1.7% from yesterday and some 2.2% less than the same time a year ago.**

**WECC** reported that it was looking for peak demand today to reach 132,766 Mw, 1.3% more than was recorded on Wednesday. Generation outages today were expected to be 12,525 Mw down 11% from yesterday's levels. Cal Iso generation outages were estimated at 7,111 MW of which 63% was in non-gas generating units.

**PJM** reported that generating outages in the region were estimated at 10,707 Mw down 15% from Wednesday, while peak demand was seen running at 107,900 Mw today up 2.3% from yesterday. Friday's peak demand was forecasted at 111,700.

**MISO** reported that 7,550 Mw of outages in the region today 21.8% more than Wednesday. Peak demand today was seen at 87,000 Mw some 1.2% more than Wednesday. Friday's peak demand is seen at 90,400 Mw.

several weeks. BP said the field is ramping up now and will take several days to return to its normal production rate of 5.8 million cubic meters of gas.

**Canadian Gas Association**

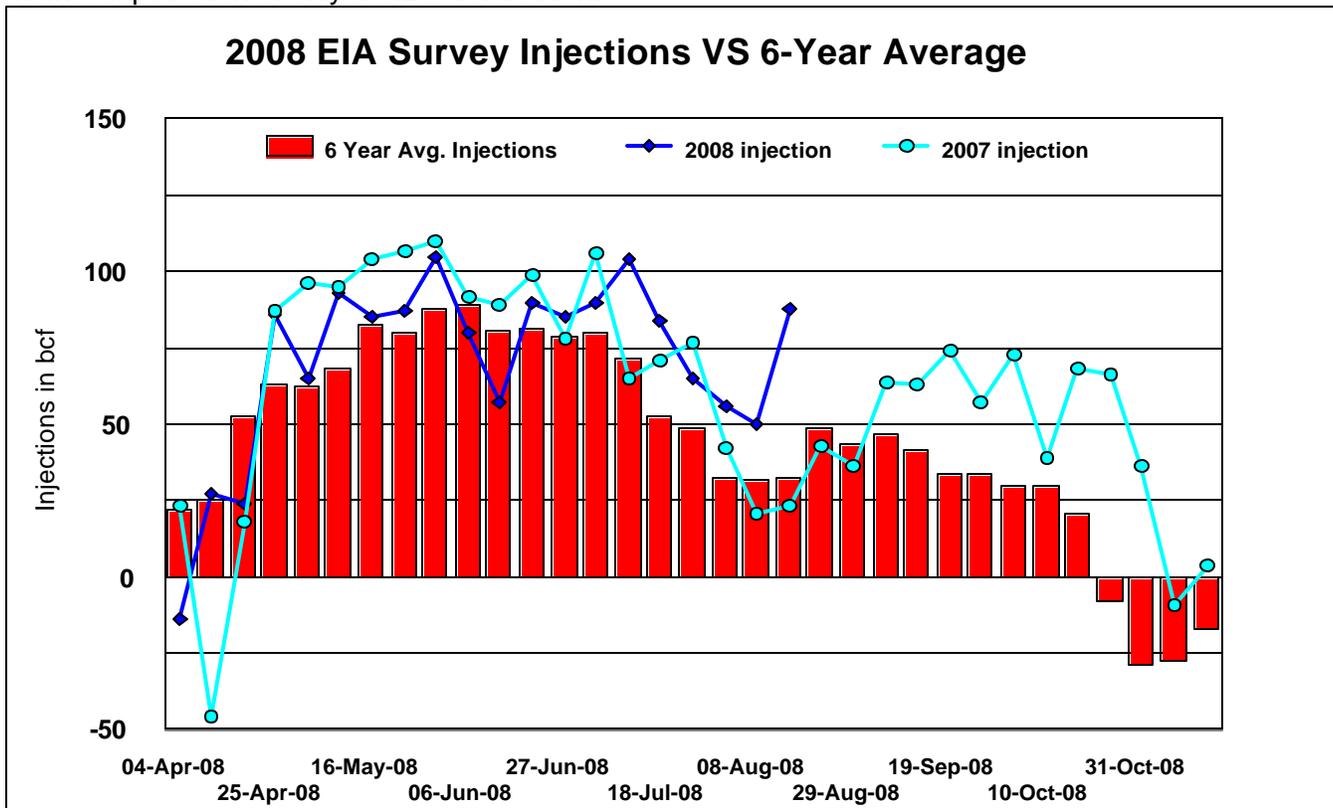
**Weekly Storage Report**

	15-Aug-08	08-Aug-08	17-Aug-07
<b>East</b>	182.7	173.9	204.3
<b>West</b>	279.9	272.5	314.3
<b>Total</b>	462.6	446.4	518.6

storage figures are in Bcf

Bloomberg reported that Asian utilities led by Japan and South Korea may have increased their August imports of spot cargoes by 40%. Ship tracking data appears to point to Tokyo Electric Power and Korea Gas Corp may have bought at least 14 LNG cargoes from the Atlantic basin market for delivery this month compared to just 10 cargoes last year at this time.

The Conference Board index of leading economic indicators for July showed a 0.7% decline, versus a market expectation of only a 0.2% contraction.



A judge in Houston, today sentenced former El Paso natural gas trader Greg Singleton to 28 months in prison and two years of probation for his conviction two years ago on one count of wire fraud related to false price reporting to industry price index publishers.

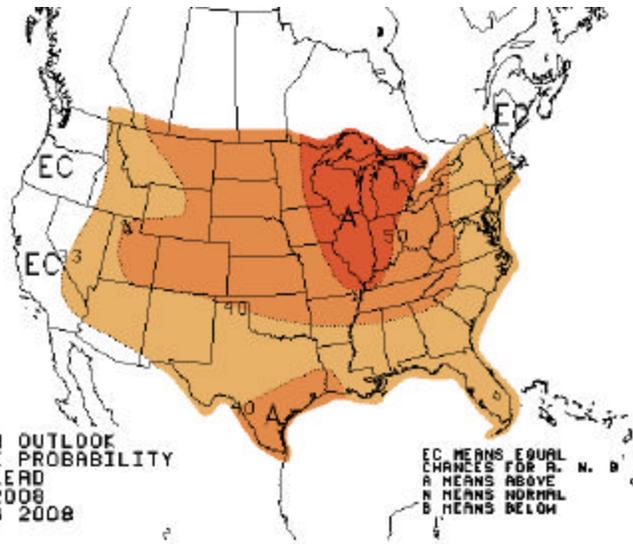
**PIPELINE RESTRICTIONS**

FGT said that it has called an Overage Alert Day with a 25% tolerance for Thursday as a result of low line pack.

PG&E has issued an OFO on its system for Friday due to high inventory levels expected. The OFO has a 6% tolerance.

**PIPELINE MAINTENANCE**

Panhandle Eastern Pipeline reported that DCP Midstream Partners had experienced an explosion at the National Helium Plant, a natural gas processing plant near Liberal, Kansas. As a result, processing



and dehydration were shut down until further notice. The pipeline company noted that the incident is not anticipated to affect shipper nominations.

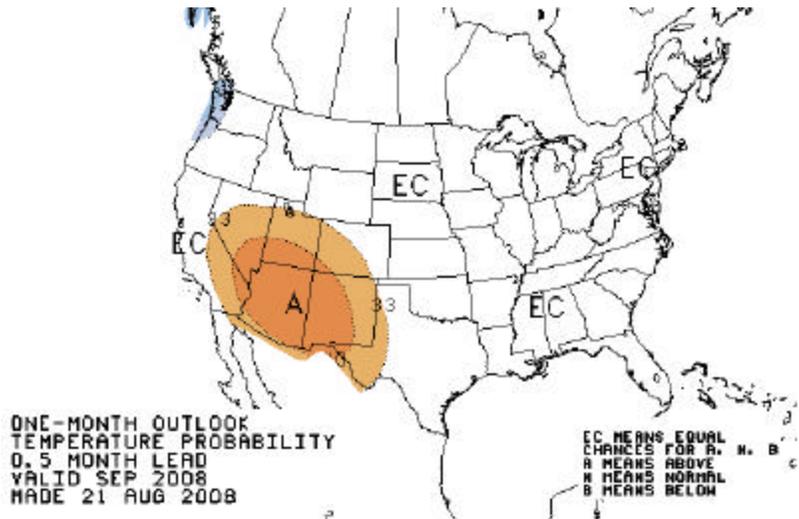
ANP Pipeline said it began unplanned maintenance today at South Marsh Island 76/Garden Banks, located offshore Louisiana for the next week. ANR will be unable to accept nominations or gas flow into its system from SMI 76/Garden Banks during this time.

Northern Natural Gas said today it expects to lift the force majeure in

place at its Beaver Southeast system since August 15<sup>th</sup>. The company has been conducting repairs on the Beaver system but progress had been slowed by weather delays.

Colorado Interstate Gas said it will lift on Friday its Force Majeure affecting its Niobrara Compressor Station. The force majeure had been in place since August 8<sup>th</sup>. During the period capacity through the station was set at zero.

Rockies Express Pipeline has lifted the force majeure at one of its units at the Wamsutter Echo Springs booster facility interconnect.



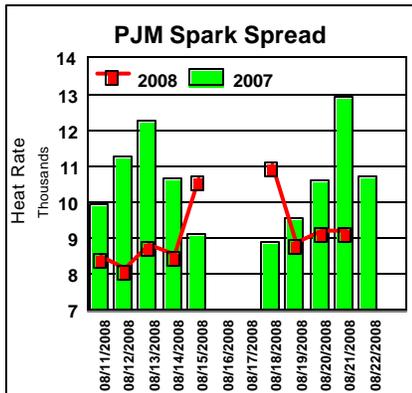
### **ELECTRIC MARKET NEWS**

The Colorado Public Utilities Commission has granted an initial approval to Xcel Energy's long range generation resource plan, which includes a

proposal to replace a pair of coal fired power plants with a natural gas fired generating facility and to add 1050 Mw of renewable generation capacity.

<b>Natural Gas Cash Market</b>						
ICE Next Day Cash Market						
	Volume	Avg Price	Change	Basis	Change	Basis 5-Day
<b>Location</b>	<b>Traded</b>	<b>Price</b>		(As of 12:30 PM)		<b>Moving Avg</b>
Henry Hub	910,000	\$8.036	\$0.018	(\$0.181)	(\$0.215)	(\$0.506)
Chicago City Gate	503,000	\$8.080	\$0.039	(\$0.137)	(\$0.153)	(\$0.198)
NGPL- TX/OK	863,200	\$7.804	\$0.044	(\$0.413)	(\$0.148)	(\$0.466)
SoCal	797,400	\$7.472	(\$0.076)	(\$0.746)	(\$0.268)	(\$0.644)
PG&E Citygate	926,700	\$7.927	(\$0.087)	(\$0.290)	(\$0.279)	(\$0.227)
Dominion-South	359,600	\$8.414	\$0.007	\$0.197	(\$0.185)	\$0.217
USTrade Weighted	17,159,400	\$7.668	(\$0.023)	(\$0.549)	(\$0.22)	(\$0.506)

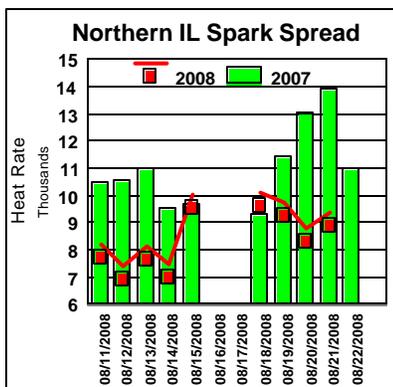
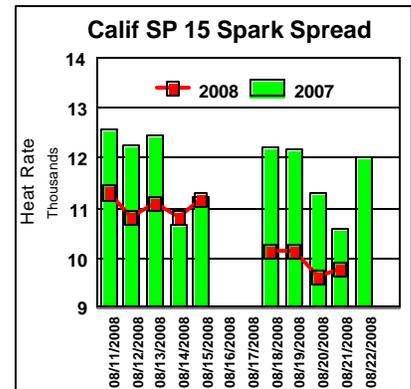
The EIA reported today that U.S. coal production for the week ending August 16<sup>th</sup> stood at 23.077 million tons up 1% from the prior week and up 2.9% from the same week a year ago. Year to date coal production has been running 1.3% better than a year ago.



The NYMEX announced that margins on its Regional Greenhouse Gas Initiative (RGGI) carbon dioxide allowance futures contract which will launch on August 24<sup>th</sup> ( for trade date August 25<sup>th</sup>) will be set at \$675 for customers. Intra commodity spreads margins will be set at \$135 for customers.

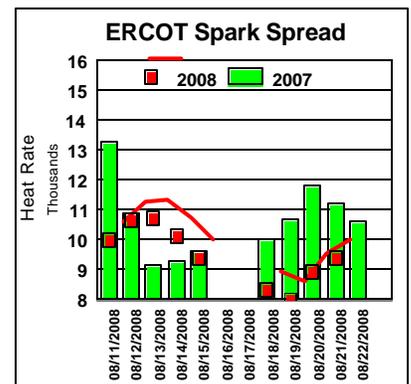
**MARKET COMMENTARY**

The natural gas market had an interesting day. The market drifted slightly higher overnight and into the early morning trading as some computer models continued to hold out the possibility that Tropical Storm Fay could move west and back into the Gulf of Mexico and re-intensify. But while prices were trending lower going into the storage report, and the report was higher than most market watchers, including us, were looking fo,r the market rallied. The explosive rally in the crude oil market driven by a collapsing dollar and a technical breakout on the crude charts, appears to have overcome any bearish concerns and dragged natural gas values higher and allowed the market to post its third consecutive higher settlement, an occurrence we have not seen in this market since the beginning of July.



Volume today was the best in a week as 179,346 futures changed hands, with 33,334 lots booked in the penultimate contract and 158,340 lots booked via Clearport in the Henry Hub swap. In the three contracts combined the 2009 contract months showed the biggest percentage gain in activity from the day before.

Upon a closer look of today's storage report one finds that this week the working gas storage number has moved above the five year seasonal average and appears will continue to build on this surplus. While this normally might help to guide prices lower once again, it feels that near term that this market has turned for the next week and wants to work higher. If in fact tomorrow's forecast continues to leave open the possibility of Tropical Storm Fay could move into the Gulf of Mexico, we do not feel that traders will be willing to go home short over the weekend, especially with another two tropical systems lurking near the Caribbean. As a result we would not be surprised to see this market make a run at the \$9.00-\$10.00 area over the next week as short covering could give a lift to this market.



We see resistance tomorrow starting at \$8.40-\$8.42 followed by \$8.591 \$8.736 and \$8.795. Additional resistance we see at \$9.092, \$9.60 and \$10.03. Support we see at \$8.13 followed by \$7.845, \$7,78 and \$7.67.

# Tropical Storm Fay



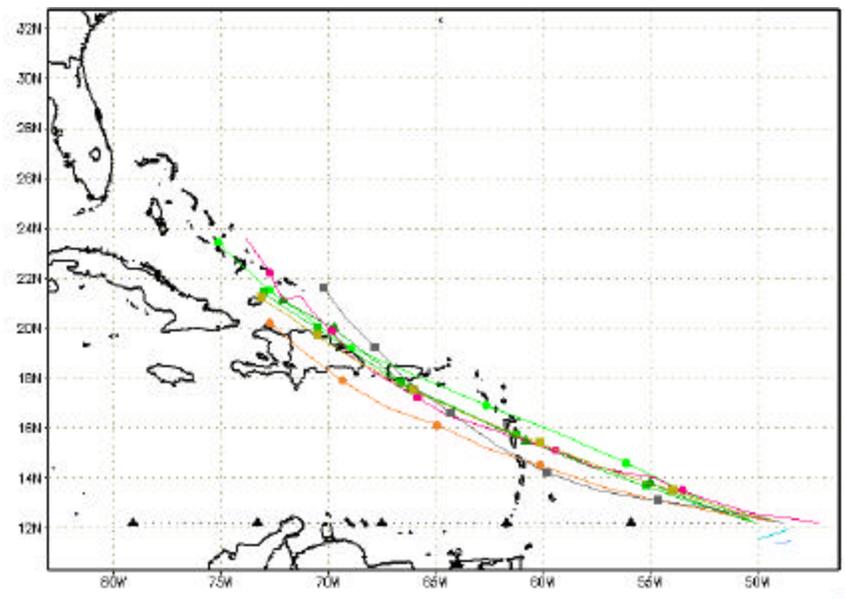
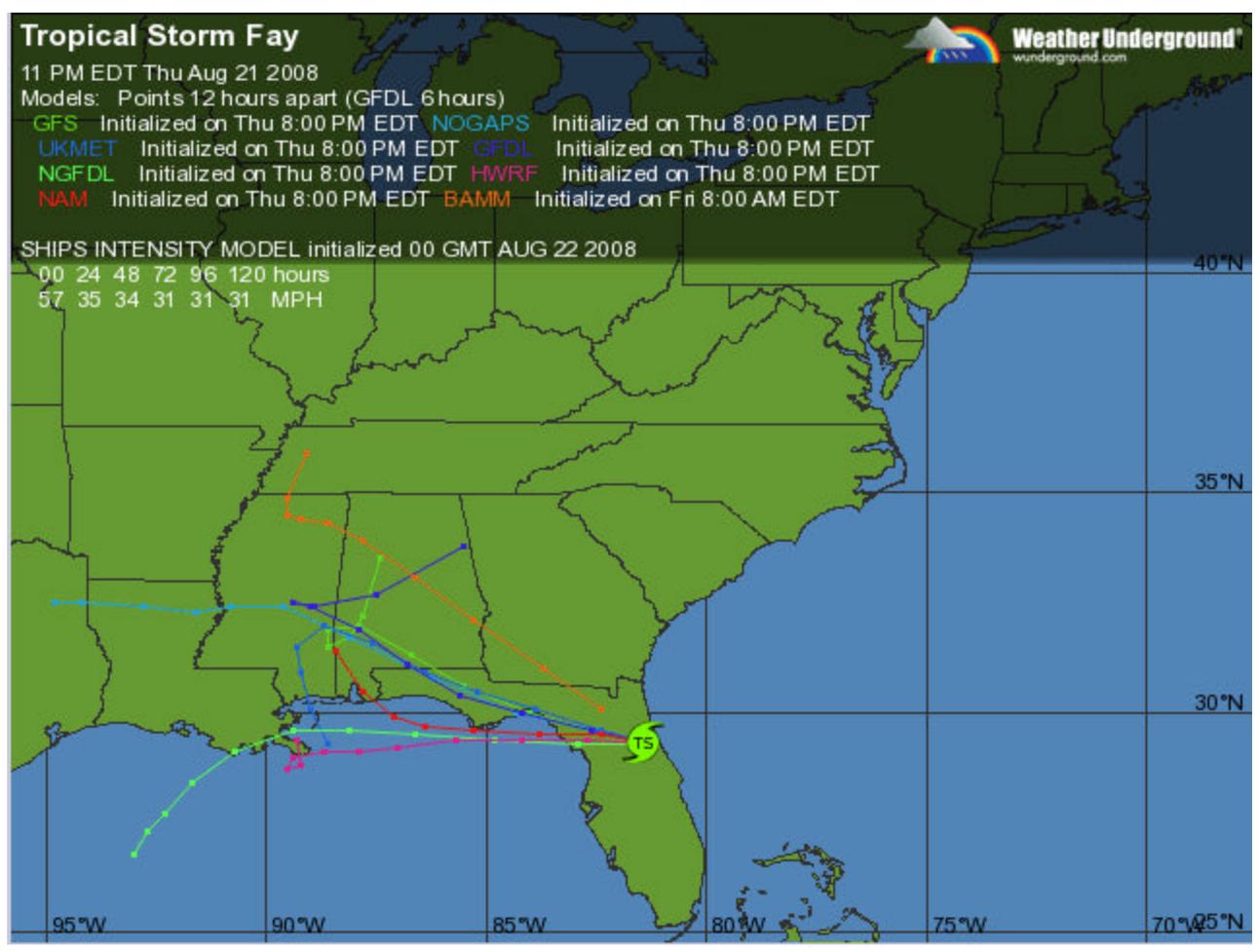
11 PM EDT Thu Aug 21 2008

Models: Points 12 hours apart (GFDL 6 hours)

- GFS Initialized on Thu 8:00 PM EDT
- UKMET Initialized on Thu 8:00 PM EDT
- NGFDL Initialized on Thu 8:00 PM EDT
- NAM Initialized on Thu 8:00 PM EDT
- NOGAPS Initialized on Thu 8:00 PM EDT
- GFDL Initialized on Thu 8:00 PM EDT
- HWRF Initialized on Thu 8:00 PM EDT
- BAMM Initialized on Fri 8:00 AM EDT

SHIPS INTENSITY MODEL initialized 00 GMT AUG 22 2008

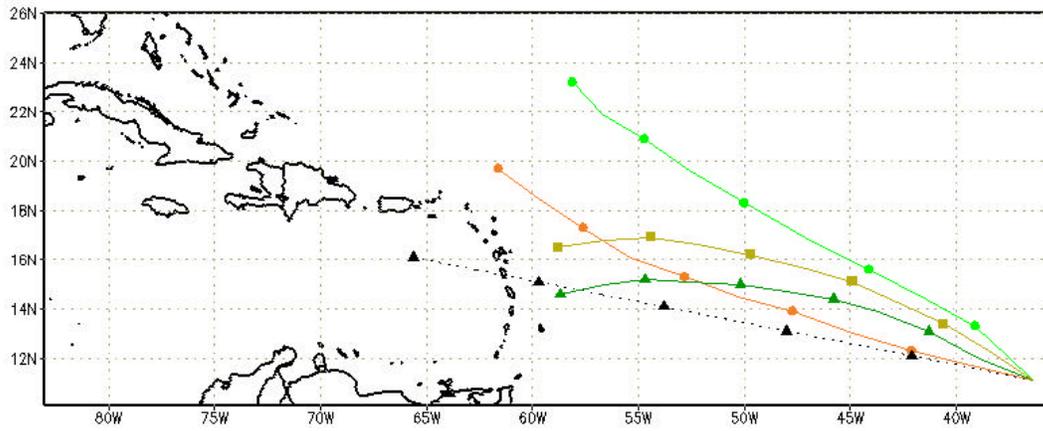
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57 35 34 31 31 31 MPH



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