



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR SEPTEMBER 16, 2008

#### NATURAL GAS MARKET NEWS

The tropical Atlantic looks quieter than it has over the past three weeks. The National Hurricane Center sees no threats at this time and probably nothing significant to talk about through the end of the week. Some private forecasters do not see the tropics coming back to life until after September 25<sup>th</sup>.

The Minerals Management Service reported that as of midday today 69.5% of the 717 manned platforms in the Gulf of Mexico we still not staffed. The agency reported that 97.2% of the crude oil production or 1.263 million b/d in the Gulf of Mexico remains shut in. Natural gas production shut in declined to 6.231 bcf/d to 84.2% of total offshore production. The agency also reported that Hurricane Ike has destroyed 28 of the 3800 offshore oil and gas production platforms in the Gulf of Mexico. Several other platforms have been reported as significantly damaged. Initial estimates are

#### Generator Problems

**SERC** – Southern's 883 Mw Hatch #2 nuclear unit was back to 100% of capacity this morning, up 15% from yesterday.

**ERCOT** - Entergy reported that it was restarting its natural gas fired 460 Mw Lewis Creek. The plant had been taken off line over the weekend due to the damage to the power grid in the region.

Entergy also reported that its 1800 Mw natural gas fired Sabine power plant in Bridge City, Texas is expected to remain off line for several weeks due to flooding at the facility.

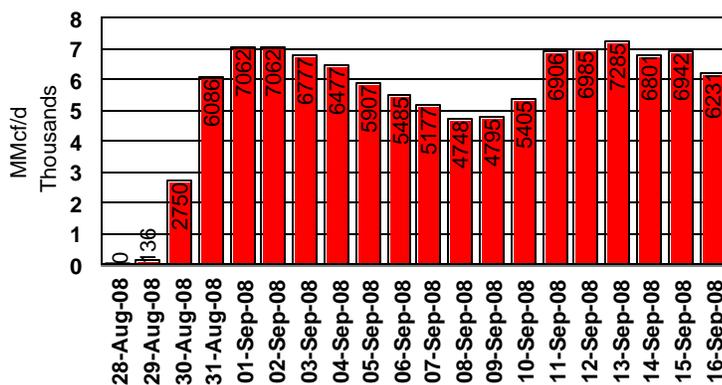
**MRO** – Xcel Energy's 593 Mw Prairie Island #2 nuclear unit is at 96% of capacity and coasting down to a planned refueling outage slated for September 19<sup>th</sup>.

**SPP** – Entergy has decreased production to 99% of power at its 1207 Mw Grand Gulf # nuclear unit as operators begin to coast the unit down to a refueling outage this weekend.

**According to the NRC some 94,576 Mw of generating capacity was in operation in the U.S. this morning, some 1.3% higher than Monday, and 2.7% higher than same time a year ago.**

#### USG Offshore Nat Gas Production Shut-ins

Total 109.017 Bcf Shut In



that the destroyed production platforms produced a total of 11,000 b/d of crude oil and 82 million cf/d of natural gas. Early reports indicate there is some pipeline damage but the full extent of the damage cannot be calculated until operators are able to test the systems.

StatoilHydro reported this morning that its Oseberg C facility was closed after a leak was discovered on Friday. There was a report of a gas leak on Friday and as a result operators shut down the facility but other parts of the Oseberg complex were operating. The combined production of the Oseberg system is

91,000 b/d and 3.49 billion cubic meters of gas.

### **PIPELINE RESTRICTIONS**

Sabine Pipe Line LLC said this morning that it was rescinding its declaration of force majeure at some receipt points and would accept nominations for intraday natural gas flows beginning at 5 PM CDT. The company said that inspection of the Henry Hub complex and portions of its main line natural gas system were complete. However compression at the Hub remained unavailable. Therefore nominations with Henry Hub or main line receipt points will be accepted only to the extent that gas can be received at sufficient pressure to enable deliveries without compression.

The force majeure for the Louisiana segment of NGPL remained in effect today. Four compressor stations in Louisiana and Texas remain shut down, the company also

<b>Natural Gas Cash Market</b>						
ICE Next Day Cash Market						
	<b>Volume</b>	<b>Avg</b>	<b>Change</b>	<b>Basis</b>	<b>Change</b>	<b>Basis 5-Day</b>
<b>Location</b>	<b>Traded</b>	<b>Price</b>		<small>(As of 12:30 PM)</small>		<b>Moving Avg</b>
<b>Henry Hub</b>	180,900	\$7.755	\$7.755	\$0.470	\$0.116	(\$0.756)
<b>Chicago City Gate</b>	854,000	\$6.084	(\$0.292)	(\$1.201)	\$0.024	(\$0.670)
<b>NGPL- TX/OK</b>	555,500	\$5.178	(\$0.687)	(\$2.107)	(\$0.371)	(\$1.105)
<b>SoCal</b>	588,300	\$6.096	\$0.098	(\$1.189)	\$0.414	(\$1.183)
<b>PG&amp;E Citygate</b>	370,600	\$6.448	\$0.007	(\$0.838)	\$0.323	(\$0.765)
<b>Dominion-South</b>	175,100	\$7.740	(\$0.166)	\$0.455	\$0.150	\$0.398
<b>USTrade Weighted</b>	12,319,400	\$6.241	(\$0.200)	(\$1.044)	\$0.12	(\$0.756)

reported that it has isolated a section of the Louisiana segment because of gas leaks on the line.

ConocoPhillips reported that initial assessments of its Magnolia oil and natural gas platform in the Gulf of Mexico show no significant damage from Hurricane Ike. The platform produces 15,000 b/d of crude oil and 44 million cf/d of natural gas.

Tennessee Gas Pipeline reported that gas flows through its pipeline have been diminished as a result of Hurricane Ike. The company reported a net loss of 1 bcf and has begun initial damage assessments on the pipeline.

BP reported that its drilling derrick on its Mad Dog oil platform in the Gulf of Mexico was toppled and was resting on the sea floor due to Hurricane Ike. The platform has the capacity to produce up to 100,000 b/d of oil and 60 million cubic feet of natural gas per day. The company said it had found minimal damage to most of its other platforms.

The Independence Hub platform was back up and running with 700 MMcf/d of gas flow late Monday, and was expected to reach 913,125 MMcf/d on Wednesday.

Williams reported that an initial flyover of its Cameron Meadows gas processing plant revealed that the facility has sustained damage from Hurricane Ike.

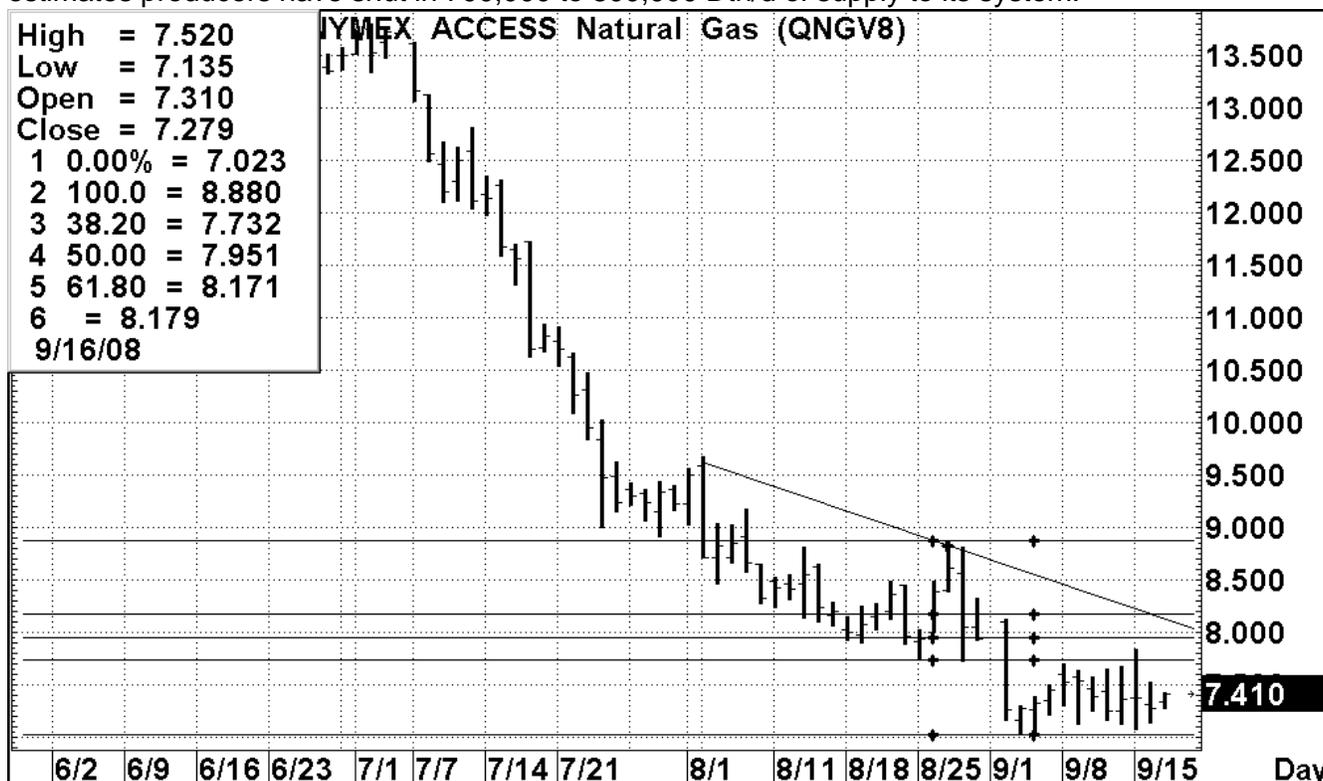
Transco reported that it is still inspecting its onshore and offshore facilities affected by Hurricane Ike and that shut ins along its system remain at about 1.1 bcf/d.

Florida Gas Transmission said it has issued an Overage Alert for today with a 20% tolerance for its Market Area.

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Enbridge Offshore Pipelines said all six of its natural gas pipelines in the Gulf of Mexico remained shutdown as work crews continue to assess and repair damage. The company also reported that onshore facilities for its UTOS Pipeline are under 4-5 feet of water. The company also reported that the Holly Beach location on its Stingray Pipeline has "high water levels" The company also received "unconfirmed third party reports" of one or more adjoining pipelines leaking gas.

Texas Eastern Transmission said it has begun examining the status of certain offshore facilities following Hurricane Ike. Damage assessments will continue through the week. The company currently estimates producers have shut in 700,000 to 800,000 Dth/d of supply to its system.



Sea Robin Pipeline Company said it would begin offshore facility inspections today. The Sea Robin Processing Plant, operated by Hess Corporation was expected to be inspecting the plant today as well and will notify the pipeline when the plant could return to service.

Destin Pipeline said that it has been notified by the Pascagoula, Mississippi gas processing plant that volumes currently available on the Destin system are insufficient for commencing plant operations. This is considered a force majeure event by the plant and will remain in effect until further notice

**PIPELINE MAINTENANCE**

Alliance Pipeline said it would conduct a routine inspection that will require Unit #1 at the Whitecourt Lateral Meter/Compressor Station to be unavailable for 10 hours on September 17<sup>th</sup>. Station capacity will be reduced for the day.

**ELECTRIC MARKET NEWS**

Federal officials said today that there are still more than 3 million homes and businesses remained without power in eight states after Hurricane Ike. Half of these customers were in Texas according to the DOE.

Entergy said Tuesday that it plans to finish power restoration in Texas by October 6<sup>th</sup>. It noted that 99% of its 395,000 customers in Texas lost power over the weekend due to the storm. The company reported that 22,000 customers have had their power restored. Centerpoint Energy said about 27% of its 2.26 million Houston customers had electricity on Monday. The company estimated that it might take 4 weeks before all its customers have service restored.

### **MARKET COMMENTARY**

The natural gas market after posting three consecutive outside trading sessions, appeared to take a breather as the market posted an inside trading session. Volatility at least in the natural gas market appeared to be settling down and when all is said and done continues to look like the natural gas market is continuing to build a base of consolidation and support on the charts. Fundamentally it appears the continued loss of domestic natural gas production coupled with the nuclear power sector going into season refueling outages should help to support natural gas going into the final several weeks of the injection season.

We continue to look for natural gas to find support at \$7.10, \$7.02, \$6.926 and \$6.83. More distant support we see at \$6.74-\$6.71 and \$6.474. Resistance we see at \$7.488, \$7.696, \$7.873 and \$7.951. A six-week trend line resistance line tomorrow would be found at \$8.133.