



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR SEPTEMBER 23, 2008**

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

The Department of Energy said today that seven natural gas processing plants, accounting for 26% of the capacity in the path of Hurricane Ike remain off line. Twenty four plants have resumed operations with a total operating capacity of 9.2 bcf/d . Seven plants can be restarted once power is restored or upstream gas flows are sufficient. The DOE also reported that 11 of the 26 major natural gas pipelines in the U.S. Gulf Coast area remain completely shut in or report that portions of their systems are operating at reduced levels of gas flows.

The U.S. Minerals Management Service reported at midday that 127,030 b/d of crude production returned over the past 24 hours leaving 868,654 b/d of crude oil production still shut in along the Gulf of Mexico. Natural gas production still shut in stood at 4.56 bcf/d down 289 MMcf/d from Monday.

Pemex reported that Mexican natural gas output in August rose to 6.968 bcf/d up from 5.942 bcf/d in August of last year. Natural gas imports were lower at 414.1 MMcf/d in August vs 537.1 MMcf/d a year ago.

FERC Commissioner Spitzer said he supports the possibility of federal permitting of potential LNG projects permitting potential LNG projects that would apply a programmatic environmental review.

The CFTC said it was "closely monitoring" crude prices for manipulation, especially given the extreme price spike in the October crude oil price yesterday. CFTC Commissioner Chilton said yesterday that he believes some members of Congress are working to include the recent speculation legislation in the financial markets legislation that the Bush administration is seeking to push through Congress currently.

Anadarko petroleum said its crude oil and natural gas production has been fully restored at its Independence Hub, Boomvang, Nansen and Neptune facilities and oil output has returned at its Marco Polo and Gunnison Platforms. The company said it is continuing to repair minor surface damage at its Constitution facility and expects to restore production as pipelines and offshore infrastructure permit.

#### **Generator Problems**

**PJM** – FirstEnergy's 873 Mw Beaver Valley #2 nuclear unit was at 100% of capacity this morning up 17% from Monday.

**WECC** – SGE's 1070 Mw San Onofre #2 nuclear unit was at 65% of capacity as operators worked on a feedwater pump.

**ERCOT** – AEP's 528 Mw coal fired Unit #1 at the Welsh power plant was expected to be offline for maintenance Tuesday and Wednesday.

The 1,150 Mw Comanche Peak #1 nuclear unit is expected to be taken down for refueling on September 26th

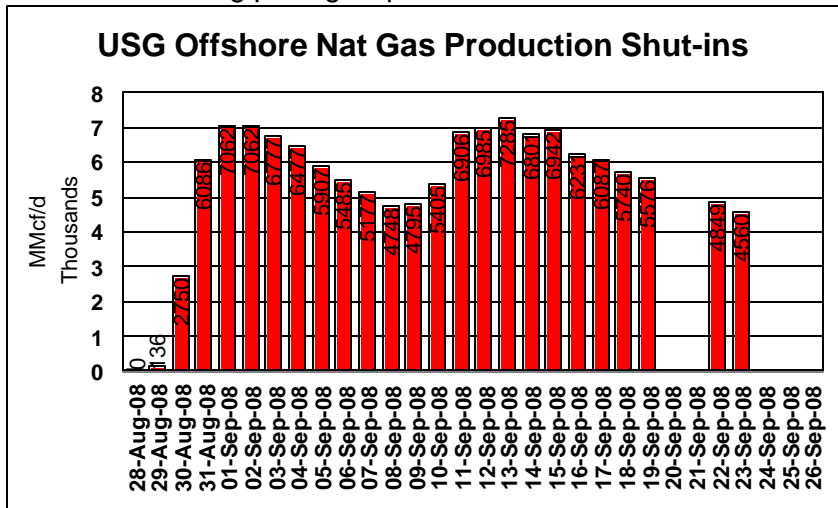
**SERC** – Carolina Power & Light is expected to shut its 695 Mw Robinson nuclear unit on Saturday for scheduled maintenance.

TVA's 1100 Mw Browns ferry #2 nuclear unit ramped up to 40% of capacity this morning, up 39% from yesterday.

**SPP** – Entergy's 966 Mw River Bend #1 nuclear unit was at 15% of capacity this morning. The unit was at only 2% of capacity yesterday.

**According to the NRC some 86,692 Mw of generating capacity was in operation in the U.S. this morning, some 0.4% higher than yesterday, and 4.4% lower than same time a year ago.**

Ukraine's President urged the Ukraine's state run energy company to sign a contract for natural gas shipments from Gazprom for domestic use in 2009, a move that would help ensure stability of flows of gas to Western Europe and not result in a repeat of past years when Gazprom has reduced flows to the Ukraine during pricing disputes.



### PIPELINE RESTRICTIONS

Tennessee Gas Pipeline system declared force majeure on four Louisiana lines due to damage from Hurricane Ike. The four lines are Bay Marchand, Calliou Island-South Timbalier, Grand Isle – Bay Marchand and South Timbalier – Bay Marchand.

Enbridge Offshore Pipeline system said late Monday that repair on its 16 inch Manta Ray offshore gas gathering system in the Gulf of Mexico were near completion and

the line could return to partial service Thursday despite continuing force majeure outage due to Hurricane Ike.

Sabine Pipeline said that it has rescinded its force majeure declaration for the Texas Mainline and Tehi-Tejas High points. Meanwhile the company is limiting flow to 35,000 Dth/d at the Sabine Henry Hub Interconnect until a problem is resolved.

SoNat said that repairs have been made at its interconnect with Sabine Pipeline and it had lifted its force majeure.

### PIPELINE MAINTENANCE

Questar Pipeline reported that it would be performing required DOT testing and preventive maintenance on all three units at its Oak Spring compressor station during October 1 through October 4<sup>th</sup>.

### ELECTRIC MARKET NEWS

The DOE reported this morning that as a result of Hurricane Ike a total of 775,160 customers are without power at of Tuesday morning, with the vast majority, 745,241 customers are located in Texas.

CenterPoint Energy said this morning that it still had 616,000 customers in Texas without power, down from a peak of 2.15 million.

Entergy said it still had just 31,000 customers still without power in eastern Texas, down from 392,000 affected.

Genscape reported that coal inventories at U.S. power plants rose 1.2% from the previous week but are 0.75% less than a year ago. As a result U.S. utilities had a 50-day supply of coal basis average coal burn. The company noted that while overall coal stocks are at comfortable levels, power plants along the Atlantic Coast are seeing inventories at uncomfortable levels as a result of exports diverting supply away from power companies. They noted that this group sees coal reserves that are lower by

the equivalent of 25 days from a year ago. Genscape that these utility companies have been forced to make up for the generating shortfall by switching to natural gas fired generation.

The U.S. Department of Energy announced a solicitation for up to \$8 billion in federal loan guarantees for projects that employ advanced technologies that avoid, reduce or sequester emissions of air pollutants or green house gases associated with coal based power generation, industrial gasification, and advanced coal gasification facilities.

### **MARKET COMMENTARY**

The market today seemed to be supported by overnight comments from the MMS that noted that it could take eight weeks for all offshore production in the Gulf to return to service after the disruption from the prior two hurricanes. But we feel the technical breach of the prior two days was just as important to the rally this morning, as once this price level breached prices rallied 30 cents in less than an hour. But prices failed to gain much traction once they reached the \$8.00 level and as a result some profit taking appeared to push the market back below \$8.00 and it stayed there for much of the remainder of the day.

While we continue to feel that this market is very susceptible to the quickly changing financial news stories and the value of the dollar and crude oil prices, we still see natural gas as trying to stand on its own two feet and we look at today's price action as an example of this, as natural gas attempted recapture some of its value against crude oil. We would look for resistance tomorrow to start at \$8.06 followed by \$8.18, \$8.324, \$8.587 and \$8.88. Support we see at \$7.667, \$7.404, \$7.207 and \$7.02.