



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR SEPTEMBER 30, 2008

#### NATURAL GAS MARKET NEWS

Citigroup yesterday in a research report noted that total positions in long only index funds have drastically diminished over the past two months due to the global credit crisis. The analysts estimated that the amount of so called long only money has shrunk by as much as \$50 billion, with the sharpest declines in agricultural and energy markets. Citigroup estimated that the net long position dropped from \$58 billion to just \$8 billion.

The US Minerals Management Service reported that the amount of oil production still shut in increased by 118,477 bpd to 742,266 bpd on Tuesday. The shut in figure increased from Monday's level due to operators' errors in reporting for September 29<sup>th</sup>. Meanwhile a total of 125 mmcf/d of natural gas production returned to service, leaving 3.384 bcf/d still shut in.

According to the EIA, US gross natural gas

production in July increased by 1% on the month and by more than 10% on the year to 63.4 bcf/d. The largest gain was seen in Texas as production, primarily from shale formation, increased

production by 2.93 bcf/d or 15.5% on the year.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	912,600	\$7.170	\$0.040	(\$0.243)	\$0.004	(\$1.033)
Chicago City Gate	549,900	\$6.930	\$0.487	(\$0.483)	\$0.371	(\$0.809)
NGPL- TX/OK	740,200	\$6.547	\$0.434	(\$0.866)	\$0.318	(\$1.074)
SoCal	483,300	\$5.760	\$0.159	(\$1.653)	\$0.043	(\$1.795)
PG&E Citygate	738,100	\$6.527	\$0.130	(\$0.887)	\$0.014	(\$0.977)
Dominion-South	191,100	\$7.290	\$0.148	(\$0.124)	\$0.032	(\$0.019)
USTRade Weighted	15,621,300	\$6.347	\$0.120	(\$1.066)	\$0.00	(\$1.033)

gas production in part due to growing shale production has resulted in the group lowering its 2008-2010 gas price outlook. For this year the group has lowered its outlook for \$9.30 Mmbtu down 17 cents from its prior forecast.

#### Generator Problems

**ERCOT** – LCRA's 598 Mw Fayette #2 coal fired power station is expected to restart soon. The unit was shut on Monday to fix a boiler tube leak.

**MRO** – Exelon's 867 Mw Dresden #2 nuclear unit was at 1% of capacity Tuesday morning as it began to ramp back up from a recent refueling outage.

Xcel Energy's 572 Mw Monticello nuclear power plant was at 97% power today up 19% from Monday.

**SERC** – Duke Energy's 846 Mw Oconee #2 nuclear unit was back to full power this morning, up 13% from Monday's operating level.

**WECC** – APS 1247 Mw Palo verde #3 nuclear unit was at 12% power as it began to ramp back up from an outage caused by a turbine trip back over the weekend.

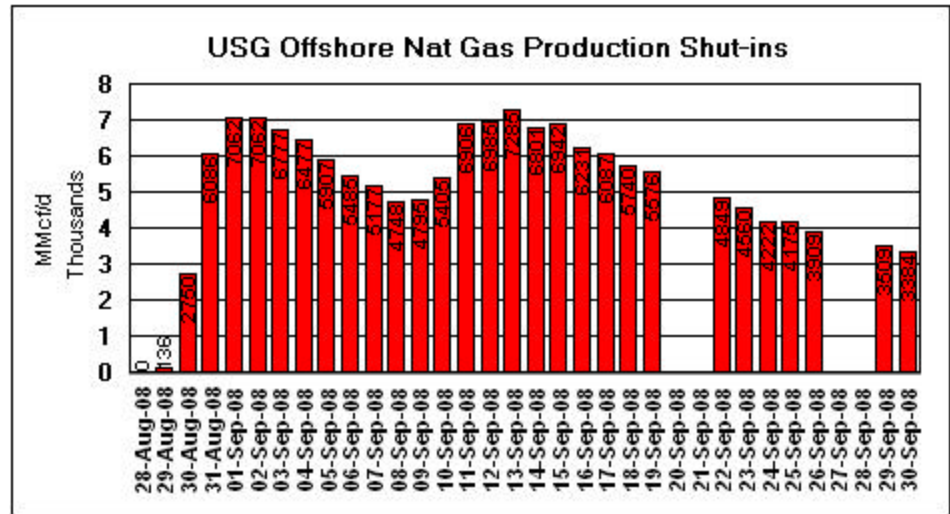
**According to the NRC some 85,235 Mw of generating capacity was in operation in the U.S. this morning, up 0.38% from Monday, and 0.34% higher than same time a year ago.**

Stephen Smith Energy Associates said today that bearish indicators for oil prices and robust natural

The U.S. Court of Appeals for the District of Columbia has denied requests from Washington Gas Light for a rehearing regarding gas quality issues surrounding the expansion of Dominion's Cove Point, Maryland LNG terminal. But the court also denied Dominion's motion to stay issuance of a mandate filed on September 2<sup>nd</sup>. Dominion had hoped that the court would alter its order to a more targeted delay of some aspects of the expansion, rather than its earlier blanket vacating of the FERC order.

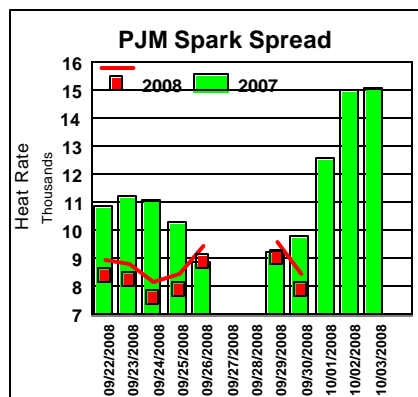
**PIPELINE RESTRICTIONS**

Gulf South pipeline said that effective October 1<sup>st</sup> it would lift its force majeure which has been in effect since July 1<sup>st</sup> in Capacity Allocation Area 11.

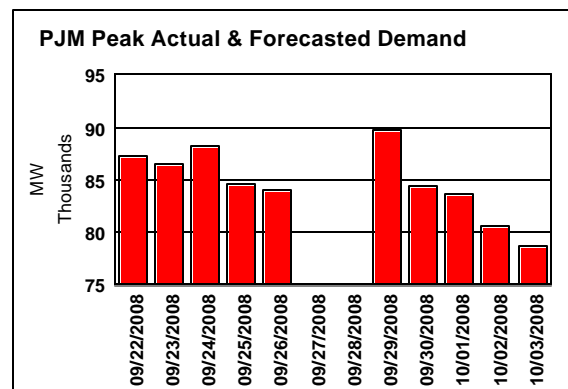


Tennessee Gas pipeline said it has declared a force majeure at meter 010510 following a leak on the 507F-500 Line.

Transco said in response to a pipeline rupture downstream on its mainline "B" downstream of



Appomattox, Virginia on September 14<sup>th</sup>, it removed from service its Mainline "B" in the affected area and reduced the operating pressure on the remaining two mainlines. The company said it has certain mitigation procedures it must perform before it will



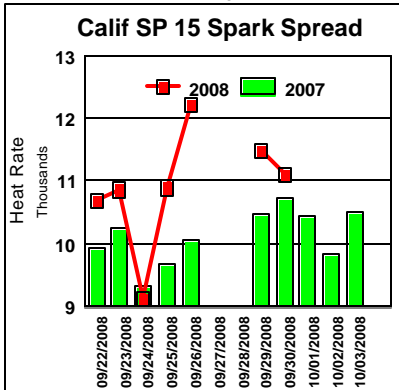
be able to return its three mainlines in this area to normal operating pressure. The duration of the mitigation work is unknown at this time.

Anadarko Petroleum said that nearly all of its operated deepwater Gulf of Mexico platforms and Gulf Coast properties are operational, including the Independence Hub, which has been restored to pre-storm production levels of approximately 900 million cf/d. The company said by the end of the week they will be fully operational, but production levels will still be dependent in some instances on third party downstream infrastructure.

**PIPELINE MAINTENANCE**

ANR Pipeline said it would begin pipeline maintenance today south of the Kewaskum compressor station on its Northern Fuel Segment, which will reduce the total Kewaskum-CFTP capacity by 200 MMcf/d, leaving 300 MMcf/d available.

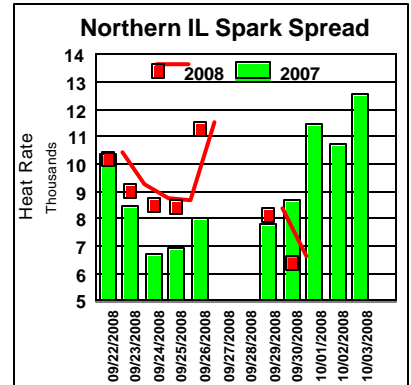
NGPL said that it has declared a force majeure at Compressor Station 106 located in Gage County, Nebraska and expects to have the unit back in service by October 1<sup>st</sup>.



Texas Gas Transmission said it was conducting unscheduled maintenance at the Sharon Compressor station. As a result capacity for the Sharon Carthage segment and Texas Eastern Sharon location will be reduced by 31,935 to 500,000 Mmbtu/d.

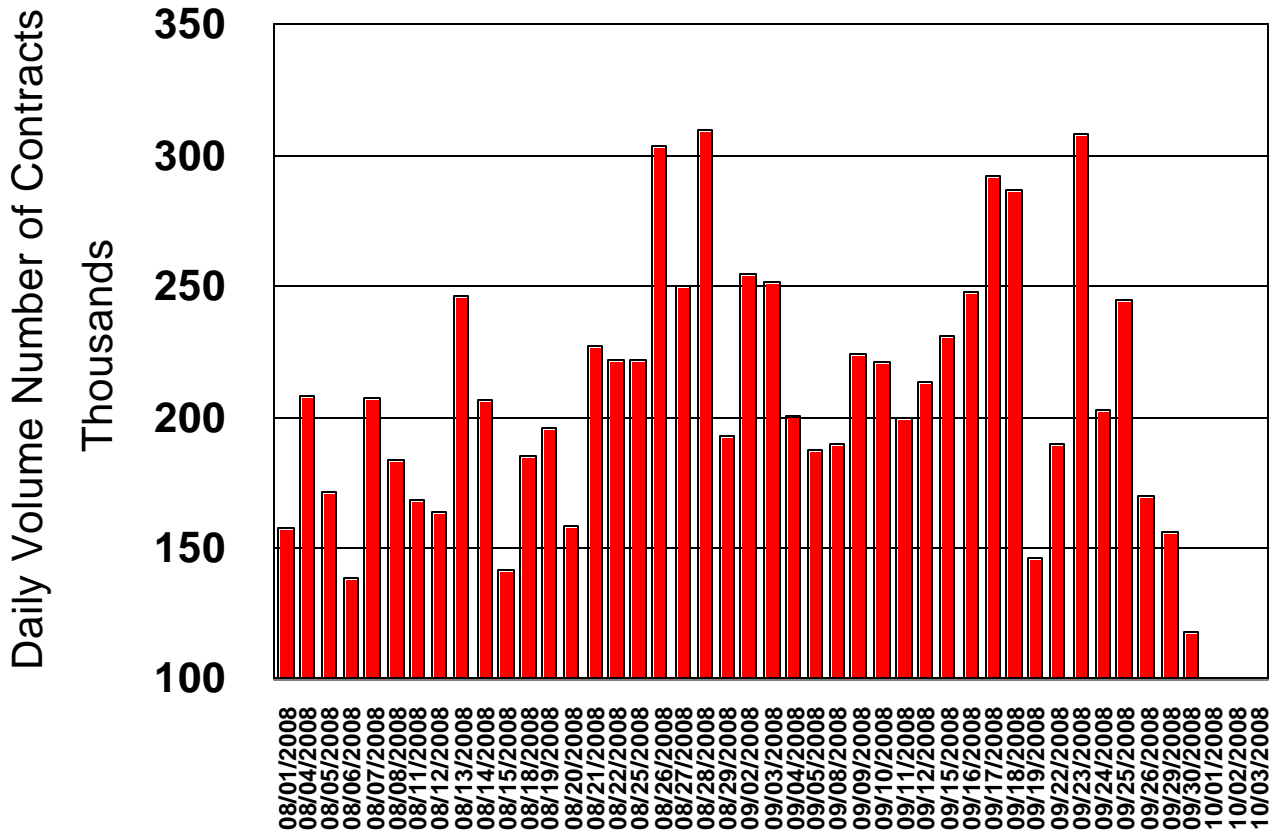
**ELECTRIC MARKET NEWS**

Nebraska Public Power District has filed an application with the NRC to renew its operating license for its Cooper Nuclear Station for another 20 years. The 828 Mw nuclear plant is licensed to operate through January 2014.



According to Genscape, coal inventories at US power plants increased by 1.9% on the week and by 2.4% on the year to 142.9 million short tons. US utilities had 51 days of average coal burn, up

**NYMEX Natural Gas Futures and Swaps: Henry Hub Combined Adjusted Volume**



one from the prior week and one more than a week ago. It reported that plants in parts of the Atlantic Coast region have seen inventories fall to uncomfortably low levels due to the diversion of Appalachian coal into the world export market. The East Coast shortfall is offset in the middle of the US, where stocks are greater than last year due to deliveries of less frequently exported western coal.

### **MARKET COMMENTARY**

The natural gas market today posted an inside trading session in very light volume. While the market was able to settle higher on the day, it was more a factor of following in the wake of the escalating oil prices than any other reason, as near term weather remained moderate as shown by declining power prices and spark spread values.

This market will continue to take its price direction from the financial markets as well as the oil market. We think it will take until Thursday's EIA Storage report before trades will have anything really to sink their teeth into. Currently the market is looking for an injection rate on the week ranging between 50-90 bcf with most looking for a build of a 74-75 bcf. Last year stocks rose by an adjusted 61 bcf, with the 5 year seasonal average showing a 72 bcf.

We look for resistance tomorrow to be found at \$7.416, followed by \$7.57-\$7.60, \$7.70, \$7.748 and \$7.90. More distant resistance we see at \$8.253 and \$8.32. Support we see at \$7.24, \$7.21, \$7.17-\$7.14, \$7.04-\$7.02, \$6.91 and \$6.838..