



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR OCTOBER 17, 2008

#### NATURAL GAS MARKET NEWS

The tropical threats to the Gulf of Mexico remain absent for the next week it appears, but several of the longer range models are now beginning to point to the possibility of a tropical low pressure system forming in the western-southwestern Caribbean either early or in the middle part of next week. All these models though show the potential system would have little forward direction until possibly October 26<sup>th</sup> and then based on the forecast for upper level winds this system could begin moving northward-northeastward making Florida a potential target.

Suez LNG North America announced it has completed construction of a 13-mile subsea pipeline to connect its LNG terminal offshore Massachusetts to shore. The company said that the second phase of construction would involve connecting the new pipeline to an existing onshore pipeline will begin in May 2009 and be completed by September 2009. The terminal will receive an average 400 MMcf/d.

#### Generator Problems

**ERCOT** – AEP planned to shut its 528 Mw Unit #2 Walsh coal fired power plant from October 17<sup>th</sup> through October 21<sup>st</sup> for maintenance work.

Luminant's 1150 Mw Comanche Peak #1 nuclear unit has exited its refueling outage and was ramping up this morning. The unit was reported to be at 23% of capacity. The unit went off line back on September 27<sup>th</sup>.

Texas Utilities 1150 Mw Comanche Peak #1 nuclear unit has returned to operations and was at 23% of capacity this morning.

**SERC** – Southern's 860 Mw Farley #2 nuclear reactor was at 83% capacity this morning as it was coasting down to a planned outage.

**PJM** – Exelon's 636 Mw Oyster Creek nuclear unit continues to coast down to its planned maintenance. The unit was at 96% capacity and is expected to go off line on October 21<sup>st</sup>.

**The NRC reported this morning that some 81,058 Mw of nuclear generating capacity was online this morning, down 1.75% from Thursday and down 1.1% more than the same day a year ago.**

The Economic Cycle Research Institute said its Weekly Leading Index fell to 117, its lowest level in six years and its annualized growth rate had its biggest weekly decline in almost four decades to hit a fresh 33 year low.

The Reuters/University of Michigan Surveys of Consumers said its index of confidence plummeted to 57.5 in October from 70.3 in

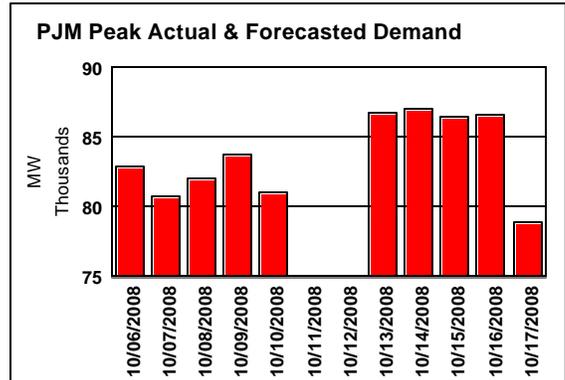
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	780,300	\$6.764	\$0.113	(\$0.173)	(\$0.367)	(\$1.150)
Chicago City Gate	509,800	\$6.515	\$0.050	(\$0.422)	(\$0.094)	(\$0.355)
NGPL- TX/OK	610,600	\$6.243	\$0.095	(\$0.694)	(\$0.049)	(\$0.617)
SoCal	395,800	\$3.329	(\$1.486)	(\$3.609)	(\$1.630)	(\$2.840)
PG&E Citygate	246,900	\$6.455	\$0.111	(\$0.482)	(\$0.034)	(\$0.402)
Dominion-South	257,400	\$6.828	\$0.102	(\$0.110)	(\$0.042)	\$0.022
USTRade Weighted	14,088,400	\$5.595	(\$0.223)	(\$1.342)	(\$0.37)	(\$1.150)

September. The record low in the index which dates back to 1952 recorded its all time low at 51.7 on May 1980.

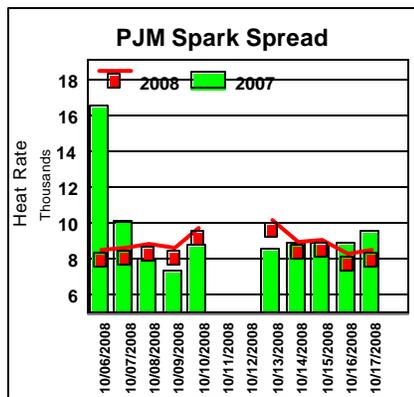
Baker Hughes reported that through October 17<sup>th</sup> the number of drilling rigs search for natural gas in the United States stood at 1,537, down 11 on the week.

**PIPELINE RESTRICTIONS**

Southern Natural said that its southern Louisiana Pipeline work leading into November would cause a number of outages and force majeure conditions for the duration of the maintenance. The company also reported that scheduled maintenance at the Jackson Compressor Station has been extended through October 23<sup>rd</sup>.



Capacity has been constrained by as much as 100,000 Dth/d.



**PIPELINE MAINTENANCE**

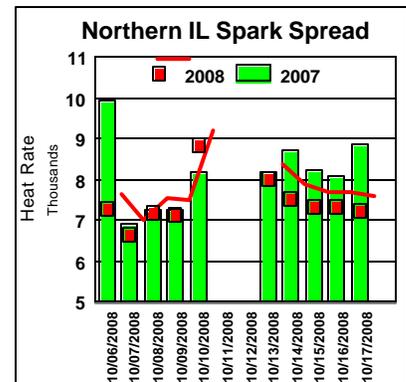
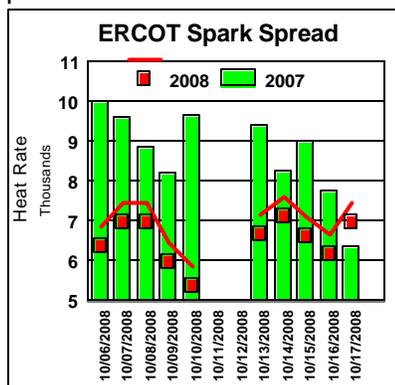
El Paso Natural Gas reported its Keystone Station would be down for inspections and other annual maintenance from October 20 through October 25. Capacity at the Permian Low Pressure system station normally has a capacity of 785 MMcf/d all of which will be constrained.

**ELECTRIC MARKET NEWS**

PJM Interconnect announced Friday it had approved \$1.8 billion in high voltage line projects to ensure reliability. The approval covers dozens of transmission projects of \$50 million or less, but no major new high voltage lines.

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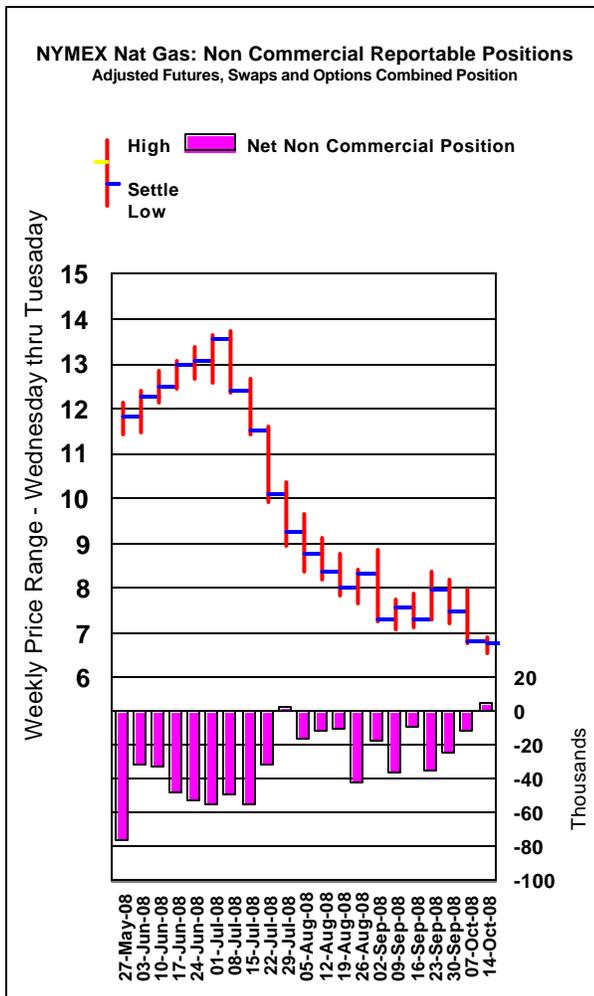
The EA reported yesterday that for the week ending October 11<sup>th</sup>, U.S. coal production stood at 23.179 million tons down 0.2% from the previous week but 4.2% better than the same week a year ago. Year to date production has been averaging some 1.4% higher than a year ago.



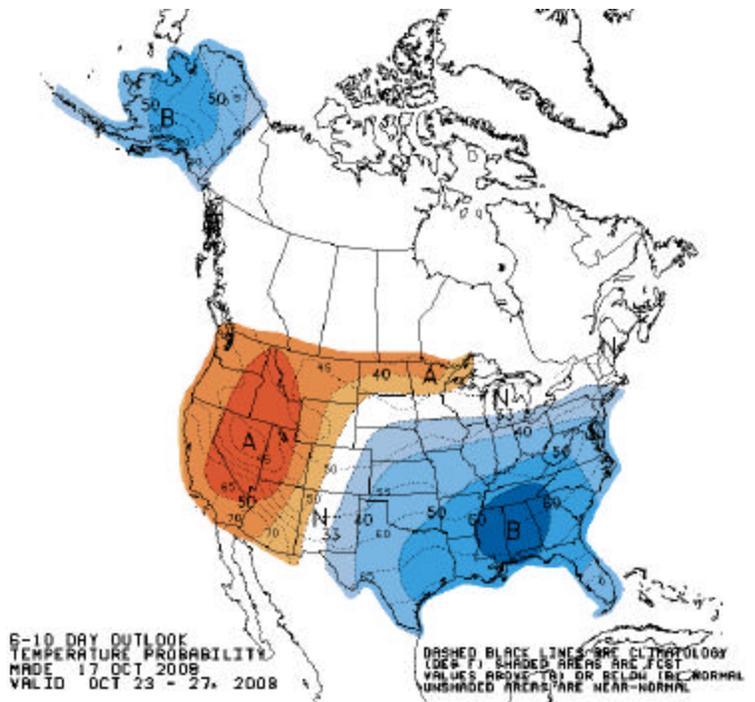
Genscape's coal burn index was unchanged last week but down 3% from the same week a year ago.

ISO New England said Friday that its six state region has sufficient capacity to meet electrical demand through 2014. But in order to maintain reliability, the ISO warned the grid still needs to upgrade the transmission system, integrate large amounts of wind power, diversify the region's fuel supply and meet the increasingly more stringent

environmental laws. The ISO noted that the new forward capacity market ensures there will be enough power available in the future to meet the regions' growing demand by encouraging investment in new and existing power plants.



Calpine and Mitsui announced the completion of the construction of the 1005 Mw combined cycle Greenfield Energy Center in Ontario, Canada. The plant has a 20-year clean energy supply contract with the Ontario Power Authority.



### MARKET COMMENTARY

The natural gas market today finished higher for the second trading session in a row as the traders found

support from colder weather forecasts, restricted nuclear generation levels, and an overall supportive financial market mood. While prices reached their highs at midday in conjunction with the rally in the stock markets they followed stocks lower in the afternoon session and as a result gave back much of the day's gains but was still able to finish the day up 8-10 cents.

This afternoon's Commitment of Traders report showed that the non-commercial sector continued to decrease their overall position in the natural gas market, now down 10% from mid September. During this time this group has moved from being net short to now net long as they principally bought back their short positions.

We continue to hold our relatively modest long bias to this market. We look for resistance Monday to initially be found at \$6.92, \$7.01 followed by \$7.06. Additional resistance we see at \$7.148, \$7.187 \$7.364 and major resistance trend line at \$7.707. Support we see at \$6.75, \$6.70, \$6.613, \$6.476 and \$6.436. More distant support we see at \$6.148 the bottom end of the trading channel of the past three months.

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