



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR OCTOBER 27, 2008

#### NATURAL GAS MARKET NEWS

The National Weather Service forecast in its weekly report that US heating demand will be about 2% below normal this week. Heating demand for natural gas should average 4% below normal while heating demand for electricity should average about 4.5% above normal.

China paid a record price of \$20.65/mmbtu for a spot cargo of liquefied natural gas from Algeria for September, up from \$14.60/mmbtu last month. It is possibly the last time it will buy on the short term market this year. China has purchased 11 spot LNG cargos this year.

The National Hurricane Center this morning noted that the tropical Atlantic remained very quiet and computer models appear to point that it should remain so for the next week with no tropical storms expected during the period.

Iranian officials said today that economic sanctions on Iran have been hindering but not stopping the nation's plans to export gas and to secure a 8-10% share of the world export market by 2025. Iran is continuing to move forward with planning on the Persian Pipeline, which seeks to export natural gas to Europe and could be operational by 2014. Iran holds the world's second largest reserves of natural gas.

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	684,200	\$6.266	(\$0.020)	\$0.139	\$0.313	(\$0.557)
Chicago City Gate	576,700	\$6.592	\$0.190	\$0.465	\$0.297	\$0.317
NGPL- TX/OK	1,097,500	\$5.784	(\$0.184)	(\$0.343)	(\$0.077)	(\$0.244)
SoCal	524,700	\$4.169	\$0.487	(\$1.959)	\$0.594	(\$1.991)
PG&E Citygate	240,500	\$5.878	(\$0.134)	(\$0.249)	(\$0.027)	(\$0.233)
Dominion-South	385,300	\$6.772	\$0.232	\$0.645	\$0.339	\$0.496
USTRade Weighted	18,225,300	\$5.669	\$0.206	(\$0.458)	\$0.31	(\$0.557)

Morgan Stanley said today that it could hold onto physical assets in the energy sector for up to 5 years even after converting from an investment bank to a more tightly regulated

bank holding company last month. The firm said the government would not force it to exit the physical energy business, at least for the near term. The bank will be granted an immediate two-year (adjustment) period that is automatically granted when converting from its prior broker deal model investment bank to a bank holding company. The company can then apply for an extension on a one-year rolling basis for up to five years. The bank could also apply to be "grandfathered" which would allow it to retain the physical commodity business permanently.

### **Generator Problems**

**PJM** – FirstEnergy's 832 Mw Beaver Valley #2 nuclear unit was shut on Saturday, October 25. It was operating at 19% capacity Friday morning.

Exelon's 636 Mw Oyster Creek nuclear unit was shut by early Monday for its planned refueling. The unit was at 94% power on Friday.

**MRO** – Exelon Corp's 1,136 Mw Byron #2 nuclear unit exited a refueling outage and ramped up to 84% by early Monday, up from 1% on Friday.

A gas explosion rocked an outbuilding near Exelon Corp's 1,734 Mw Quad Cities nuclear unit early Monday. Both Quad Cities reactors continued to operate at full power.

**NPCC** – Constellation Energy's 621 Mw Nine Mile Point #1 nuclear unit exited an outage and ramped up to 25% power on Monday. The unit was shut on October 23 due to the loss of the electronic pressure regulator.

Calpine's 1005 Mw Greenfield natural gas fired power plant resumed operations on Monday after it was shut on Friday.

OPG's 535 Mw Lennox 3 oil and natural gas fired power station was shut by early Monday.

OPG's 494 Mw Lambton #4 coal fired power station was shut by early Monday.

OPG's 515 Mw Pickering #1 nuclear unit was shut on Monday.

**SPP** - Entergy Corp's 1,266 Mw Grand Gulf nuclear unit was shut on Sunday, October 26 from about 50% due to a turbine trip. The unit was ramping up after exiting an outage that started on Thursday, October 23 due to the loss of feed water flow.

Entergy Corp's 836 Mw Arkansas Nuclear #1 power station was shut early Monday for a planned month long refueling and maintenance outage. The unit was operating at 98% of capacity on Friday.

**SERC** – Southern Co's 1,149 Mw Vogtle #2 nuclear unit ramped up to 90% by early Monday. The unit was at 27% of capacity on Friday after exiting a refueling outage earlier in the week.

Duke Energy Corp's 846 Mw Oconee #2 nuclear unit was shut on Monday for a refueling outage. The unit was operating at full capacity on Friday.

Dominion Resources Inc's 910 Mw North Anna #2 nuclear unit started to exit a refueling outage and ramped up to 7% power on Monday. The unit was shut for refueling on September 14.

Tennessee Valley Authority's 1,155 Mw Brown Ferry #1 nuclear unit was shut on Monday for a planned refueling outage. The unit was operating at full capacity on Friday.

**ERCOT** – Luminant planned to restart its 575 Mw Unit #1 at the Big Brown coal fired power station on October 25 after repairing a boiler tube leak.

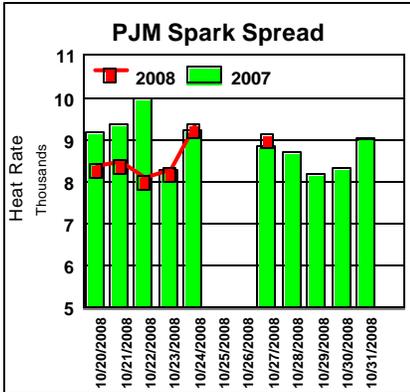
**WSCC** – PG&E's 1118 Mw Unit #2 at the Diablo Canyon nuclear plant exited an outage and ramped up to full power by early Monday.

Calpine Corp's 724 Mw Pastoria natural gas fired power plant reduced its operations by 510 Mw for planned maintenance by Sunday afternoon.

PG&E's 404 Mw Unit# 1 at the Helms Pumped Storage hydropower station returned to service by Sunday afternoon. The unit was shut on October 24 for planned maintenance.

**The NRC reported this morning that some 77,723 Mw of nuclear generating capacity was online this morning, down 0.93% from Friday and down 2.23% more than the same day a year ago.**

The U.S. Minerals Management Service reported that it sold more than 76 Bcf of natural gas, potentially worth more than \$537 million, to six companies under the agency's royalty in kind program for the Gulf of Mexico. The gas sold under 5 and 12 month contracts went to ConocoPhillips, Shell, United Energy, JP Morgan Chase, Williams Gas Marketing and National Energy and Trade. Delivery is scheduled to begin November 1<sup>st</sup>.



**PIPELINE RESTRICTIONS**

PG&E's California Gas Transmission unit on Monday issued an OFO for Tuesday for all customers on its natural gas pipeline system due to high inventories. The OFO has been issued at 5% tolerance.

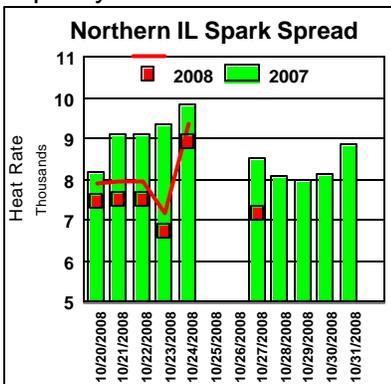
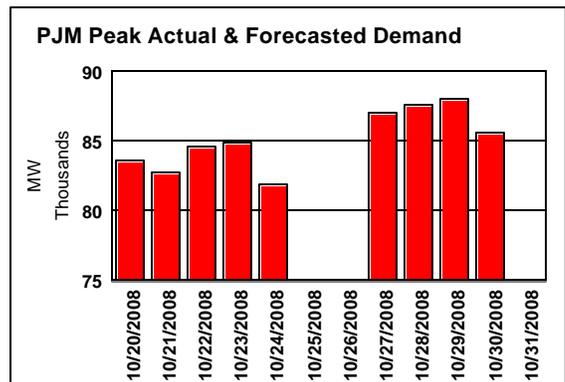
**PIPELINE MAINTENANCE**

Gulf South Pipeline said it was extending pigging work on its system through October 29<sup>th</sup>. The company also noted that it would be performing scheduled maintenance at the Vixen Compressor Station on the #1 Filter Separator on October 28<sup>th</sup> for eight hours. Capacity

at the station will be reduced to 1,100,000 Dth. At this level primary firm capacity in the Expansion Area 16 Receipts scheduling group could be affected.

Northwest Pipeline Company said effective October 25<sup>th</sup> southbound gas flow at the Pleasant View Compressor Station was reduced to 329,000 Dth/day as a result of anomaly repair work.

Alliance Pipeline said that minor maintenance will require the Morinville Compression station to be offline for four hours October 28<sup>th</sup>. System throughput (AOS) is not likely to be impacted. The Valhalla #2 Meter Station will be offline for four hours on October 29<sup>th</sup> and station capacity will be lowered to 1927.5 e3m3.



Tennessee Gas Pipeline said it continues to assess damage from Hurricanes Gustav and Ike and continue repair work. It reported that a force majeure remains in effect in the South Pass Area. Its 12 inch Line #527a-1300 running from South Pass Block 55 to South Pass Block 49 and its 8 inch Line #527a-1800. Its Bluewater Southwest Leg remains down as assessments remain ongoing on the 30 inch and 16 inch line. The Bluewater Header received no significant damage other than previously reported. It noted that meters located between Vermillion 245 and Main Line Valve 523M-105 in South Marsh Island Block 79 are permitted to resume flow once they meet the company's meter reactivation requirements, such as a leak test. Repairs on the

Bluewater East Leg 36-inch line is ongoing but various problems such as equipment and weather have caused delays. The company now estimates up to 28 working days to complete the repairs and then followed by a leak test. The company believes there is significant sea water in the line and there for may take an addition week of pigging operations to get the line operational. The Bluewater Triple T segment remains off line and awaiting a leak test.

KMIGT said that it has postponed plans to conduct highway-crossing work on the west end of the system for October 29<sup>th</sup>. The company also reported that until further notice it is at capacity for

received quantities from Burlington Resources Lost Cabin. Based on the current level of nominations, IT/AOR and secondary quantities are at risk of not being fully scheduled.

TransColorado Gas Transmission reminded shippers today that it will be performing maintenance on its Dolores Compressor Station on gas day October 29<sup>th</sup>. Capacity through Segment 220 will be limited to 340,000 Dth and capacity through Segment 240 will be limited to 390,000 Dth. Based on the current level of nominations, AOR/IT, secondary and primary FT quantities are at risk for not being fully scheduled.

**ELECTRIC MARKET NEWS**

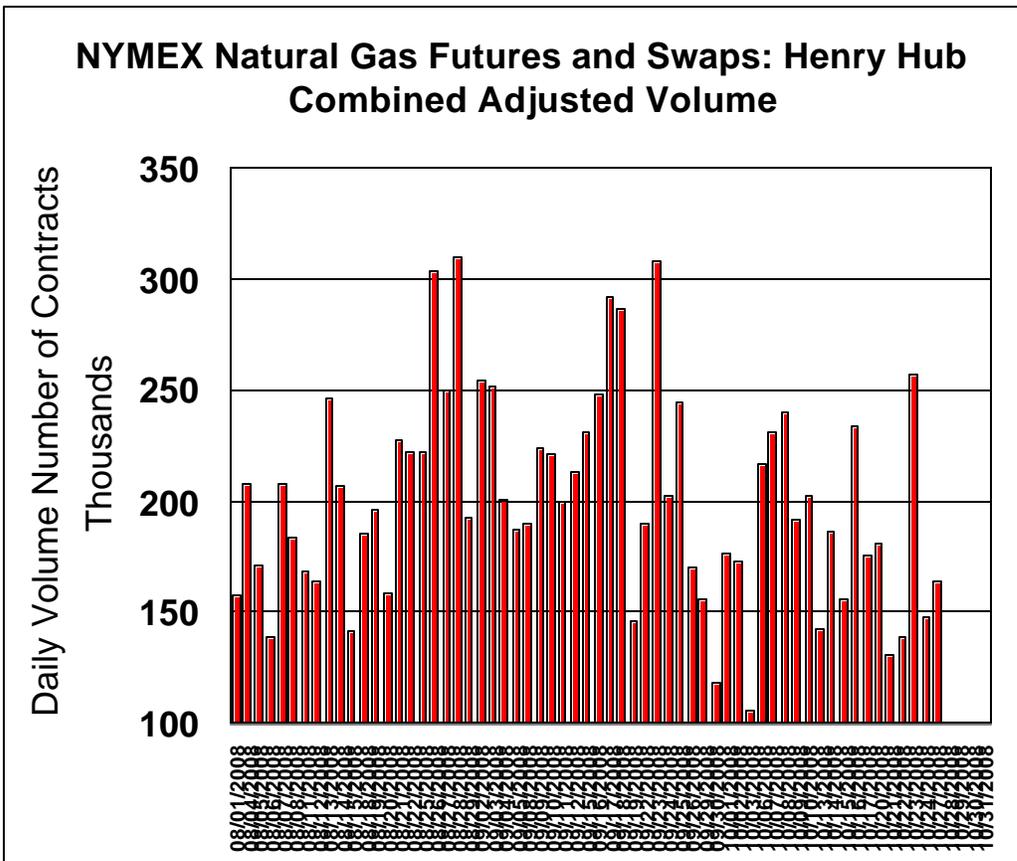
Genscape reported today that U.S. power output for the week ending October 23<sup>rd</sup> rose 5.05% but was still down 3.26% from the same week a year ago.

Goldman Sachs Group and Blue Source LLC today announced a strategic alliance that combines Goldman's

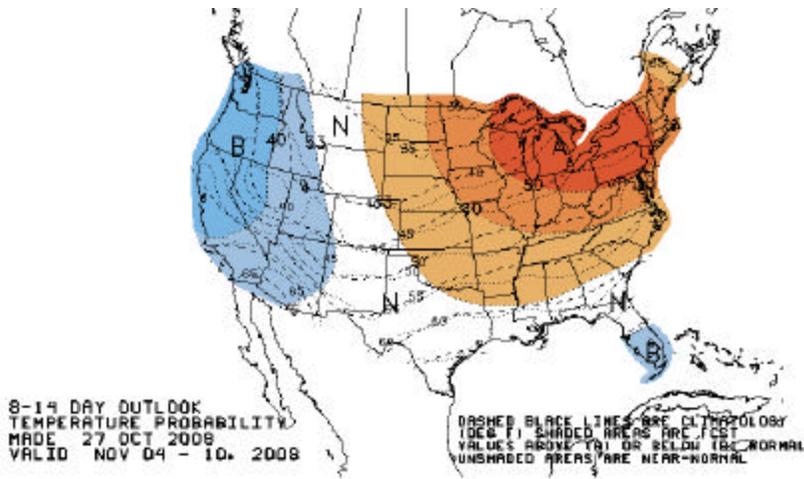
commodities trading and financial risk management expertise and Blue Source's leading climate change portfolio. Goldman will off-take, structure and market a broad range of verified emissions reductions (VERs) resulting from certain greenhouse gas reduction projects in Blue Source's portfolio, including those associated with methane management from coal mining, wastewater treatment, landfills and animal waste; energy efficiency; carbon capture and sequestration from fertilizer and natural gas production; and industrial gas destruction.

**MARKET COMMENTARY**

The natural gas market started out Sunday evening diving below the \$6.00 price level helped in part by bearish global economic and financial market news. Prices though held just above the bottom support line of the three month down channel in natural gas and traded basically in a \$6.00-\$6.05 trading range for much of the evening and early morning hours. But as it appeared that the U.S. stock market would not spiral lower as overseas markets had done overnight, natural gas prices began to firm and proceeded to spend much of the day contained within the \$6.10-\$6.20 trading range and thus basically settling down a dime on the day. This was the fourth consecutive session that prices settled lower and prices have lost half a dollar in the last week. Volume today was light to moderate at best.



Open interest reported at midday showed that basis Friday's trading, open interest dropped a combined adjusted basis of just over 10,000 contracts, basically the decline came in the November and December and the 2009 calendar months. Calendar 2010 though saw a gain of just over 500 contracts.



While the interior mountainous sections of the Northeast could see measurable snowfall tomorrow the temperature outlook that is expected to follow this cold outbreak will see temperatures moderate quickly by the end of the week and is expected to remain warm for basically the next couple of weeks. As a result we would look for this market to once again challenge the bottom of its trading channel. We would look for initial support tomorrow at \$6.00-\$5.99, followed by \$5.906 and \$5.79. More distant support would be seen

at \$5.293. Resistance we see at \$6.20-\$6.22 followed by \$6.322, \$6.409 and \$6.437. More distant resistance is at \$6.54, \$6.668, \$7.087 and \$7.263.

