



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR OCTOBER 30, 2008

#### NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service reported this afternoon that as of this morning some 359,750 b/d of production of crude oil and some 2,439 MMcf/d of natural gas production remained shut in the Gulf of Mexico. These levels reflected only minor improvements from Tuesday's report, as just 2,163 b/d of crude production and 37 MMcf/d of natural gas production has been returned to service.

The National Hurricane Center continues to watch an area of showers and thunderstorms centered about 1100 miles east of the Lesser Antilles. The system remains associated with a trough of low pressure. Upper level winds are unfavorable for development and as a result the Center sees less than a 20% chance of further tropical development over the next 48 hours. But computer forecast models continue warn of the chance of some tropical development in the southwestern Caribbean late this weekend or into early next week. This system though if it does form appears will move northeastward and not be a threat to production interests in the Gulf of Mexico.

#### EIA Weekly Report

	10/24/2008	10/17/2008	Net chg	Last Year
Producing Region	938	918	20	1039
Consuming East	2004	1985	19	1994
Consuming West	451	444	7	457
Total US	3393	3347	46	3490

morning had been at 20 million cubic meters. This comes on the heels of a problem at the St. Fergus Mobil terminal in Scotland yesterday, when flows through the station appeared to drop some 15 million cubic meters/d. Flows though appeared to be normal today. Flows through Bacton Shell also dipped considerably Wednesday afternoon but appeared back to normal today.

#### Generator Problems

**PJM** – Dominion's 910 Mw North Anna #2 nuclear unit was shut early Thursday. The unit had been at 7% on Wednesday as operators had been restarting the unit and ramping it back up.

**SPP** – Entergy's 1207 Mw Grand Gulf #1 nuclear unit was still off line this morning as the unit was running at 16%.

**ERCOT** – Aep notified regulators that it planned to shut its 528 Mw coal fired Unit #1 at the Welsh power station Thursday and was expected to have the unit off line through November 3<sup>rd</sup>.

**WSCC** – TransAlta's 450 Mw Unit #3 at the Genesee coal fired power plant is expected to return to service by the end of November. The unit went off line back on October 10<sup>th</sup>.

**The NRC reported this morning that some 78,633 Mw of nuclear generating capacity was online this morning, up 0.1% from Wednesday and down 2.87% more than the same day a year ago.**

Britain's Theddlethorpe gas terminal was restarted today after an operational problem earlier in the day had cut gas flow through the terminal to zero shortly before midday after flows this

#### Canadian Gas Association

##### Weekly Storage Report

	24-Oct-08	17-Oct-08	26-Oct-07
East	237.7	238.1	248.8
West	339.2	339.5	340.8
Total	576.9	577.5	589.6

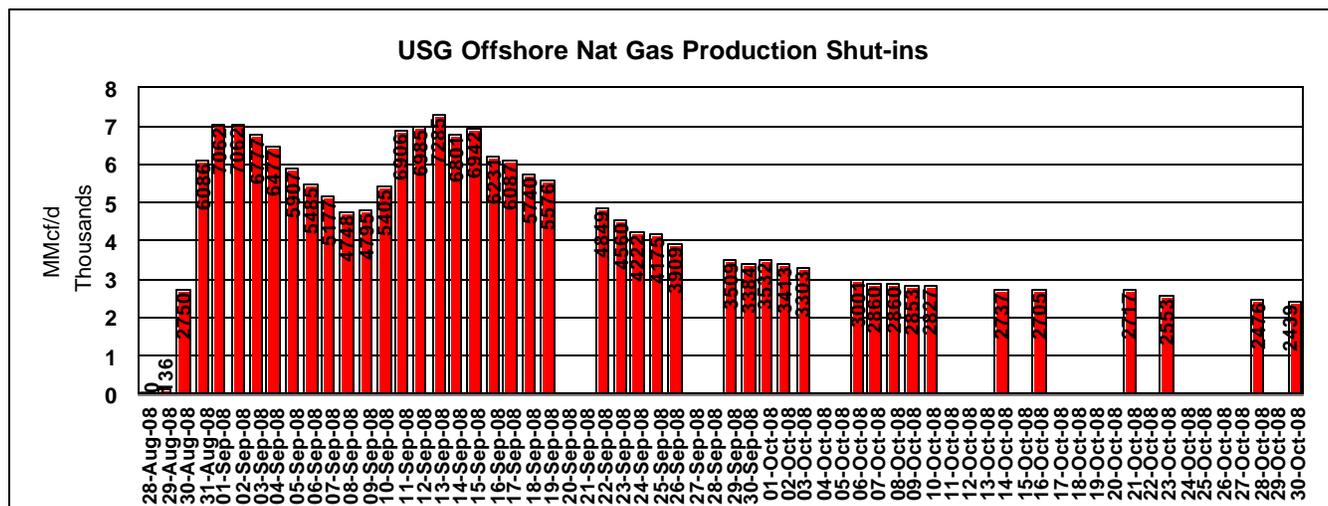
storage figures are in Bcf

Chevron reported that its Britannia gas field in the North Sea was in the process of restarting Thursday after an unplanned outage occurred on Wednesday evening.

ExxonMobil reported today that its 3Q2008 earnings were a record \$13.38 billion, up 42% from the third quarter of 2007

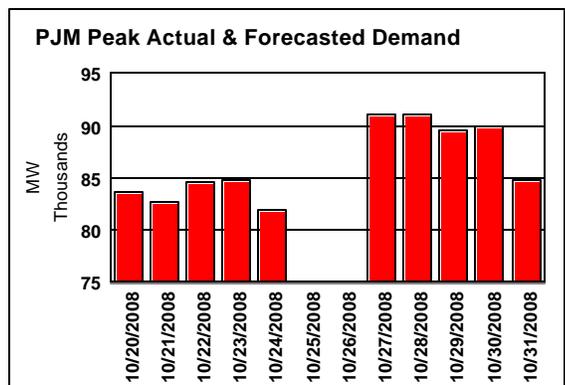
### PIPELINE MAINTENANCE

Northwest Pipeline said that southbound gas flow at the Pleasant View compressor station would remain reduced to 329,000 Dth/day through Monday, November 3<sup>rd</sup> as a result of ongoing anomaly repair work. From November 4 and 5<sup>th</sup>, south bound gas flow will be reduced to zero while work is completed.

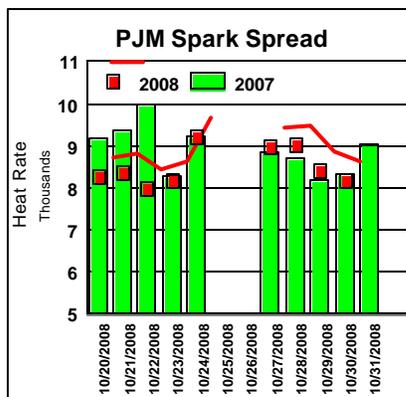


ANR Pipeline said it is wrapping up engine repairs at its Sulphur Springs Compressor Station in Indiana that has reduced available capacity into the Lebanon System.

Gulf South Pipeline has extended its maintenance at the Montpelier Compressor Station until November 9<sup>th</sup>. The work on all units, one at a time began back on October 20<sup>th</sup>. Capacity through the station on any given day can be reduced by as much as 75,000 Dth. The company also reported that it



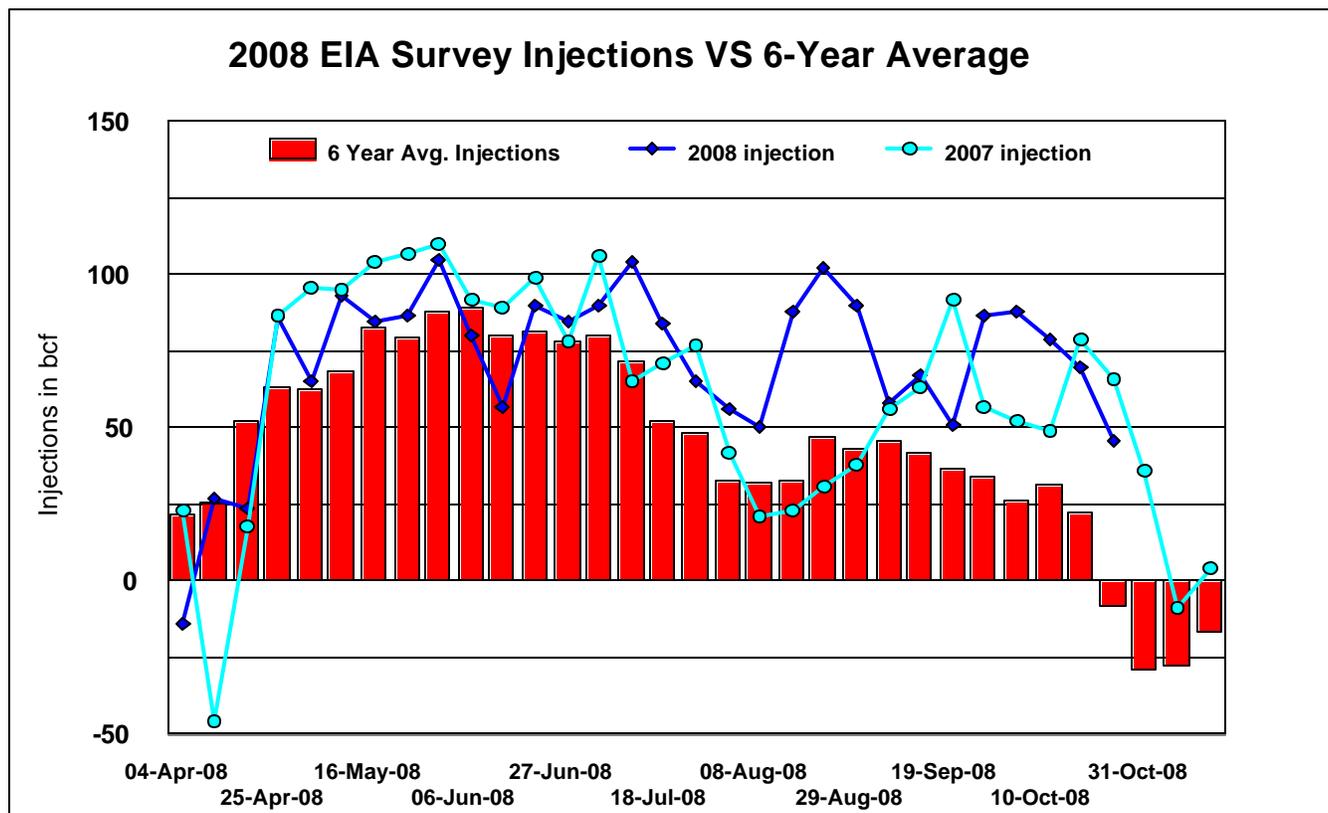
has extended its pigging maintenance at Index 157 and Index 140 (Halter Island to Kent Bayou). The work was originally expected to be completed yesterday.



Sonat noted that as previously reported it currently has one of its pipelines isolated

between the Olga Platform and Toca Compressor Station for maintenance and that several impacted points: Bayou Gentilly, Delacroix and Cox Bay will return to service no sooner than November 10<sup>th</sup> once the work is completed. The company also noted that Quarantine Bay, American Bay, Enbridge

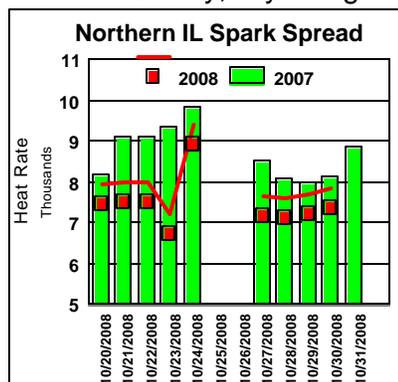
Interconnect and TSEGG are anticipated to be shut in around mid to late November for additional pipeline maintenance. The date for their return to service has not been set.



El Paso Natural Gas said one unit at the Harold Burrow Compressor Station will be out of service today for maintenance. Capacity was reduced from 770 to 670 MMcf/d

### PIPELINE RESTRICTIONS

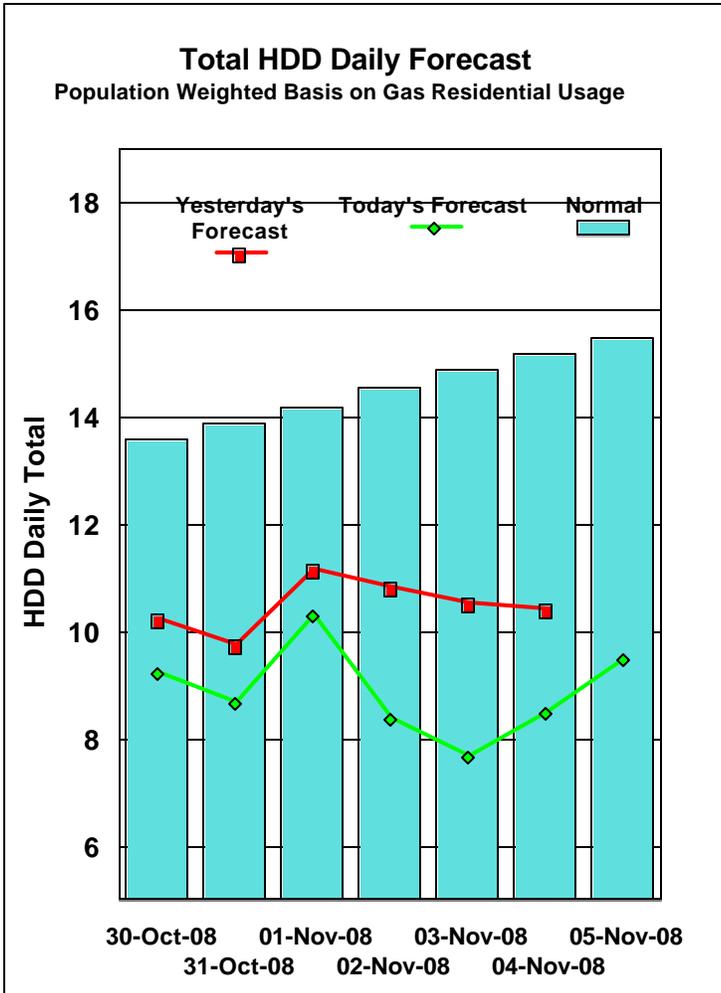
KMIGT said that until further notice, it is at capacity for delivered quantities into Segment 35 in Fremont County, Wyoming. Quantities nominated from Burlington Hendry and Burlington Lost Cabin receipt points for delivery to Segment 35 will be scheduled. Quantities nominated from other receipt points for delivery to Segment 35 are available by displacement only and are at risk of not being fully scheduled.



CIG said that it is concerned about the performance of the Blacks Fork, Blue Forest and Windmill interconnects and may place underperformance caps on the locations for Cycle 3 for Gas Day October 30<sup>th</sup> and for Cycle 1 for Gas Day October 31, 2008.

### ELECTRIC MARKET NEWS

The FERC has authorized the sale of bankrupt Lehman Brothers Holdings' natural gas and power trading arm, Eagle Energy Partners I, to EDF Trading North America. The FERC ruled that the sale is in the public interest. A bankruptcy court in late September approved the deal under which EDF would buy Eagle for \$230 million in cash. Lehman agreed to forgive \$433 million in debt owed by Eagle.



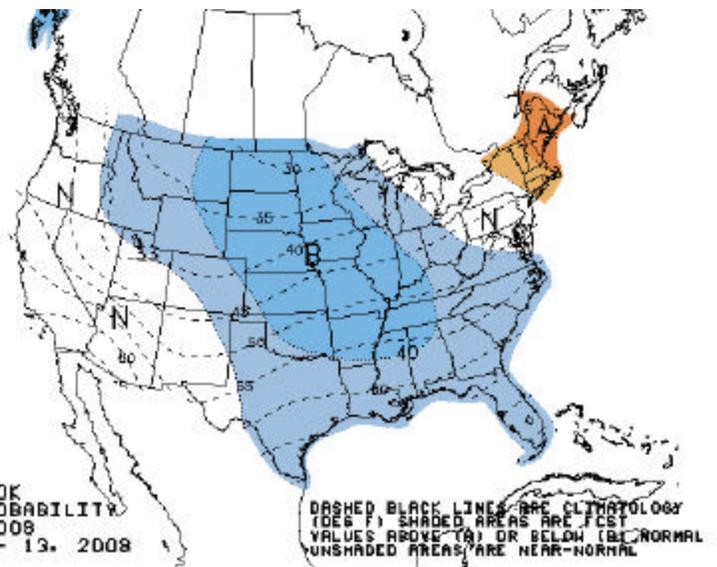
PPL Electric Utilities reported that Tuesday's storm at its peak had knocked out of service some 91,000 customers. As of Thursday morning only 5200 customers remained without power.

### MARKET COMMENTARY

The natural gas market which basically was trading water over night and into this morning, was unable to break above yesterday's high nor the 62% retracement of the sell off of the past week, prior to the EIA Storage Report. While the storage report was within most analysts expectations, it appeared to embolden the bears to return to the market and sell this market following in the wake of declining oil prices which had begun eroding in value earlier in the morning. Near term weather forecasts this morning also seemed to support this bearish outlook as the NWS 8 day temperature released this morning showed heating demand on a population weighted basis was some 15% less than Wednesday's forecast had shown. By midday the market had erased some 40 cents in value before stabilizing and moving in a relatively sideways fashion into the end of the day. Volume today was moderate with 191,957 lots traded on a combined and

adjusted basis. The Calendar 2010 months though saw good interest today with over 12,753 lots traded the best volume in this segment of the curve since mid month.

While significant technical damage appeared to have been inflicted on the natural gas market today, this evening's NWS 8-14 day temperature outlook appeared to point to possibly a life saver being thrown to the floundering bulls, as a significant pool of cold air appears will sweep into the midsection of the country and then move eastward during the period. As a result while this market may still short-term make a move to challenge its recent lows and the lower end of its downward trending channel, we feel that these levels should hold as long as there is not a reversal in tonight's weather forecast. We would look for key support tomorrow at \$6.24 and \$6.016,



with minor support at \$6.35, \$6.22 and \$5.676. Resistance we see at initially at \$6.768, \$6.915, \$7.105, \$7.314 and \$7.46.

While today's price sell off dragged the March April spread down to near parity, we would watch the 11-15 day temperature outlook over the next couple of days for confirmation of the potential of this early season cold snap moving into the nation by mid month. We feel when this appears to have a higher degree of certainty it may warrant stepping in and taking a shot at buying the spread outright or at least a cso call on the spread looking for prices to bounce back within 30 days back to the 50 cent level. Tonight the flat cso call settled at 11.5 cents and the 50 cent call settled at 9.2 cents.

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