



## ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,  
& Karen Palladino  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

### POWER MARKET REPORT FOR DECEMBER 1, 2008

#### NATURAL GAS MARKET NEWS

Accuweather at the end of last week released their updated 2008-2009 winter temperature outlook. They continue to look for the coldest part of the upcoming winter will be in the first two months with much of the coldest temperatures being recorded in the December 1-20<sup>th</sup> period, with temperatures flipping over to warmer than normal for the southern plains

#### Generator Problems

**NPCC** – OPG's 490 Mw Nanticoke coal fired Units #4 and #7 were shut for short-term maintenance work, while operators brought back on line Unit #2, which had been sidelined since August 26<sup>th</sup> for maintenance work.

Dominion's 1131 Mw Millstone #3 nuclear unit was at full power this morning, up 45% from November 26<sup>th</sup>.

OPG's 515 Mw Pickering nuclear Unit #7 returned to service Monday morning. The unit had been off line since April 6<sup>th</sup>.

**PJM** – Exelon's 619 Mw Oyster creek nuclear unit was shut due to a main transformer fault. The unit had been at 98% capacity on Friday.

**SERC** – TVA's 1155 Mw Browns Ferry #1 nuclear unit began to exit its refueling outage and was at 1% this morning. The unit was taken off line back on October 25<sup>th</sup>.

Progress Energy's Brunswick #1 nuclear unit exited its refueling outage and was at 89% capacity this morning.

TVA's 1,125 Mw Sequoyah #2 nuclear unit was at full power this morning up 25% from November 26<sup>th</sup>.

Southern's 888 Mw Farley #2 nuclear unit was at back to full power this morning, up 18% from last week.

Southern's 883 Mw Hatch #1 nuclear unit was back to full production, up 20% from prior to Thanksgiving.

**The NRC reported this morning that 90,872 Mw of nuclear generation capacity was on line, up 1.1% from Wednesday and 0.27% less than the same time a year ago.**

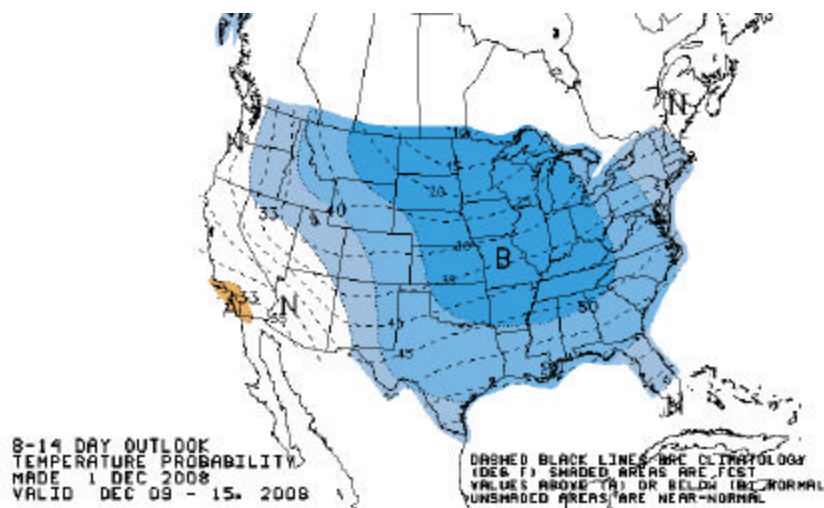
and eastern United States in January and possibly remaining that way well into February. These areas will then move back to colder than normal late in the season, in March

#### Natural Gas Cash Market

##### ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis	Change	Basis 5-Day
				(As of 12:30 PM)		Moving Avg
Henry Hub	1,052,300	\$6.480	\$0.055	(\$0.110)	\$0.170	(\$0.387)
Chicago City Gate	806,300	\$6.416	(\$0.018)	(\$0.174)	\$0.207	(\$0.077)
NGPL- TX/OK	572,800	\$5.799	(\$0.108)	(\$0.791)	\$0.117	(\$0.694)
SoCal	357,300	\$5.595	(\$0.029)	(\$0.995)	\$0.197	(\$1.259)
PG&E Citygate	418,900	\$6.362	\$0.051	(\$0.228)	\$0.276	(\$0.234)
Dominion-South	406,900	\$6.767	(\$0.055)	\$0.177	\$0.170	\$0.474
USTrade Weighted	16,285,400	\$6.100	(\$0.055)	(\$0.490)	\$0.17	(\$0.387)

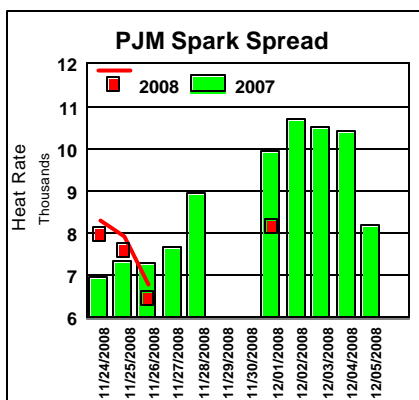
and April. Joe Bastardi's forecast sees this December possibly being the coldest on a population-weighted basis since 2000 and one of the five coldest Decembers in the past 50 years.



The natural gas market received a boost at midday as computer models appeared to point to colder weather on the horizon. Earthsat noted at midday that the 6-10 day outlook should be much colder across the Midwest and the 11-15 day temperature outlook seeing an intense arctic cold blast moving into the Rockies and Plains. Another private weather forecaster, Planalytics, said its weather models

show that colder than normal condition will be in place over the Midwest over the 11-15 day period.

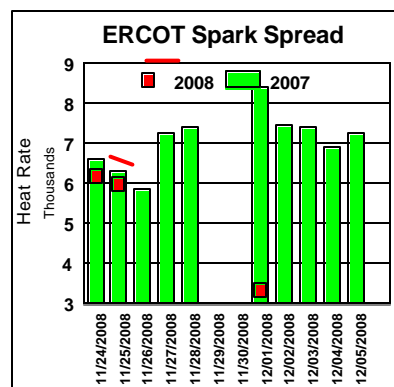
National Grid said today that the 145,800 cubic meter Maran Gas Coronis LNG tanker has berthed at the Isle of Grain terminal on Monday as it began delivery of the second commissioning cargo for the newly expanded facility. Once the commissioning process is complete, throughput at the terminal will rise by 6.5 million tones a year to 9.8 million tones or up to 12% of UK gas demand.



While South Korea and Japan cut LNG imports in October, Taiwan increased its imports of LNG in October by slightly more than 25% from the previous month as utility demand drove the increase in purchases. The average price paid for the gas was at \$14.42 Mmbtu down from \$16.68 paid in September.

The Institute of Supply Management said its index of national factory activity fell to 36.2 in November from 38.9 in October. It noted that this was the weakest level since 1982 and was below market expectations of 37.0. A reading below 50 indicates contraction in the

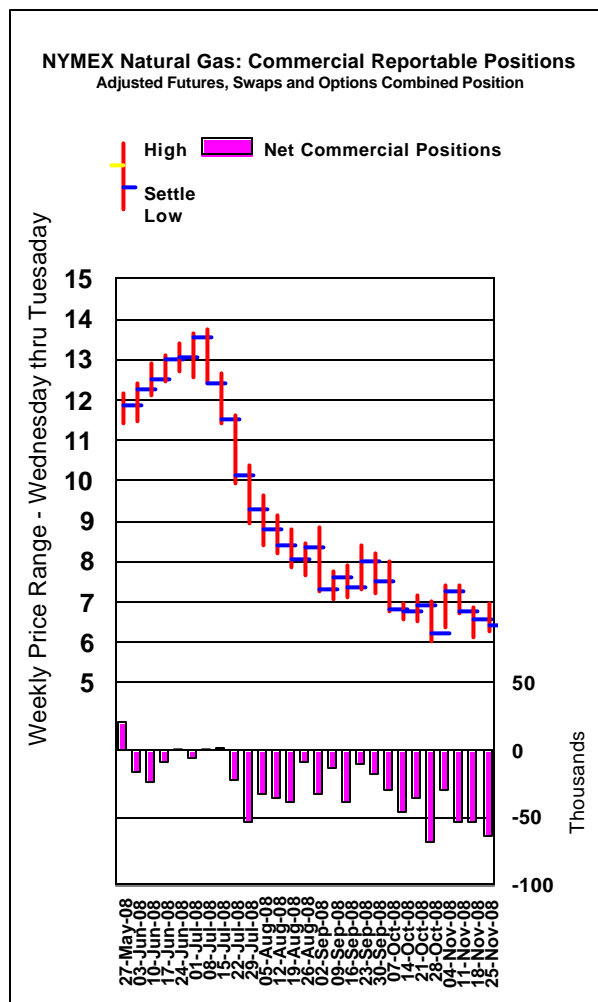
sector. Meanwhile JP Morgan Global Manufacturing PMI for November was seen falling to a record low at 36.4, since the index has been compiled since January 1998. Meanwhile at mid morning the National Bureau of Economic Research announced that the U.S. has officially been in a recession since December 2007.



The Millennium Pipeline announced that its 182 mile, 30 inch diameter gas pipeline across New York State would be fully operational by December 15<sup>th</sup>.

The U.S. Minerals Management Service reported in its final assessment of destroyed and damaged facilities from Hurricanes Gustav and Ike this summer, that 2,127 production platforms were exposed to hurricane force winds that were higher than 74 mph. Its final assessment showed that 60 platforms as a result of the two storms were destroyed. The facilities produced a combined 13,657 b/d of crude oil and 96,490,000 cf/d of natural gas or 1.05% of the oil and 1.3% of the total gas produced

in the Gulf of Mexico. The agency also reported that 31 platforms suffered extensive damage that is requiring 1-3 months of repairs.



Southeast Supply Header, a 50/50 joint venture between Spectra Energy and Centerpoint Energy, announced today it was conducting a non-binding open season for a proposed expansion along its 274-mile pipeline system. The target in-service would be as early as mid-2011.

Ozark Gas Transmission announced the results of the recently completed binding open season for firm transportation service due to the installation and placing in service of the Standing Rock Compressor Station. The company received bids for 125,000 Dth/d and has awarded successful bidders of 64,500 Dth/d of capacity. The effective date of the new transportation service will be January 1, 2009.

**PIPELINE RESTRICTIONS**

Northern Natural Gas said that effective December 2<sup>nd</sup>, it will lift the OFO at Carlton Resolution. Beginning tomorrow, the line will be operating at 50% capacity.

**PIPELINE MAINTENANCE**

Questar Pipeline Company said that it would be performing required maintenance at its Rock Springs compressor station for eight hours on December 2<sup>nd</sup>. As a result REX shippers nominating supplies on the lease portion (Segment 650) through Wamsutter will be scheduled to zero during the maintenance.

Sabine Pipe Line said that beginning December 2<sup>nd</sup> it would be performing inspections and maintenance on the south booster station of the Henry Hub as part of its quarterly maintenance program. The inspections are expected to be completed by December 19<sup>th</sup>. For the duration of the work, the overall compression capabilities of the Henry Hub booster may be reduced, at times, by 20%.

Alliance Pipeline said that Unit #2 at the Windfall compression station would be off line for two hours on December 3<sup>rd</sup> for inspections. The station is equipped with redundant compression and system throughput (AOS) will not be impacted. The company also noted it was running in-line inspection of its Edison A 24-inch lateral today. System throughput was not expected to be impacted.

**ELECTRIC MARKET NEWS**

Genscape reported today that it estimated power output for the week ending November 27<sup>th</sup> was up 0.58% from the prior week. Demand was relatively steady for power despite the Thanksgiving holiday, given the widespread cold weather over much of the nation on the week.

Four federal agencies late last week issued a final programmatic environmental impact statement proposing to designate more than 6,000 miles of energy transport corridors on federal lands in eleven western states. The proposed energy corridors would facilitate future siting of oil, gas and hydrogen pipelines as well as electricity transmission and distribution facilities on Federal lands in the West

The UK Committee on Climate Change recommended today that conventional coal-fired power generation should only be built in the UK on condition that it will be retrofitted with carbon capture and storage equipment by early 2020s or face very extensive limits on their hours of generation. The committee felt that a 40% cut in emissions below 1990 levels by 2020 is realistically achievable for the power sector if renewable generation can be increased to 30% of the total generation in the country.

The EIA reported that for the week ending November 22<sup>nd</sup>, U.S. coal production reached 23.4 million short tons, some 1.7% above the prior week and 10.7% higher than the same time a year ago.

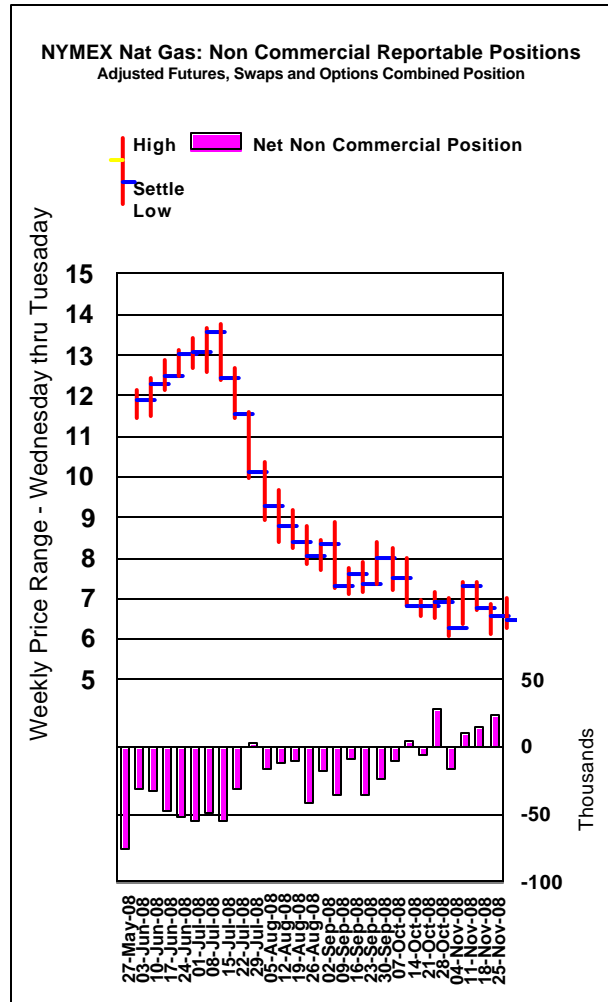
AEP said today that its Cook nuclear power plant could partially return to service as early as of September of 2009, if a series of repairs are successful. But if the repairs are unsuccessful, the unit could remain out of service well into 2010. The unit went out of service on September 20<sup>th</sup>.

Attorneys General from fourteen states, along with various state and city officials, Monday called on the EPA to take action to address global warming.

**MARKET COMMENTARY**

While economic news appeared to depress all the energy contracts this morning, the natural gas market appeared to disconnect itself the oil and equity markets at midday as both the NWS forecast and those from several private forecasting services appeared to point to even colder than normal temperatures expected one to two weeks out. The market was able to rally into positive territory and settled up nearly 5-10 cents, despite weaker cash prices. But after the close prices moved back to basically unchanged levels as the equity and oil markets continued to erode. The January natural gas contract finished the day posting an inside trading session and once again finding itself comfortably contained within the trading range of the past three weeks. Thus it appears that despite the bullish tug of significantly higher than normal heating demand expected for much of the month of December, it is being offset by the continued weakness of the general U.S. economy. As a result we do not feel that this market can gain any traction for a sustained trend until prices can breach either \$6.225 on the downside or bust through the 40 day moving average, which tonight was at \$6.953.

The tug of war analogy for natural gas appears to be seen in the Commitment of Traders Report as well. This afternoon the CFTC reported that for the week ending November 25<sup>th</sup>, commercial traders increased their net short position in the natural gas market on a combined and adjusted basis for the third consecutive week, growing on the week by nearly 10,000 contracts, while this was nearly offset by the non-commercials increasing their net long position.



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.