



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR DECEMBER 11, 2008

#### NATURAL GAS MARKET NEWS

ExxonMobil said today that the opening of the golden Pass LNG terminal in the United States will likely be delayed due to the damage suffered by this past season's hurricanes. The Texas LNG terminal was slated to be operational originally by mid-2009 will not most likely open in 2010. The company also reported that Britain's South Hook LNG terminal should open in early 2009 only a year later than originally planned.

Siemens Financial Services said late yesterday that it had purchased a 30% equity stake in Houston based Torp terminal, which has proposed building an LNG regasification facility in the U.S. Gulf of Mexico.

The Minerals Management Service reported that US Gulf of Mexico energy production should resume full rates by March after Hurricanes Gustav and Ike shut in 100% of oil and 98% of natural gas production. Currently, about 15% of oil and 21% of natural gas production remains offline.

Encana Corporation plans to invest about \$4.5 billion or about 60% of its 2009 forecast cash flow, to maintain total natural gas and oil production at 2008 level. It also plans to invest \$1.6 billion of capital in long-term production and refining assets, continue to build the coker and refinery expansion project at the Wood River refinery in Illinois, expansions of upstream oil projects in northeast Alberta, development of the Deep Panuke natural gas project offshore Nova Scotia and other long term upstream projects. Encana has hedged about 2.6 bcf/d of expected natural gas production from January to October 2009 at an average NYMEX equivalent price of about \$9.13.

#### **EIA Weekly Report**

	12/05/2008	11/28/2008	Net chg	Last Year
<b>Producing Region</b>	955	963	-8	1020
<b>Consuming East</b>	1871	1929	-58	1860
<b>Consuming West</b>	465	466	-1	456
<b>Total US</b>	3291	3358	-67	3336

\*storage figures in Bcf

#### **Generator Problems**

**NPCC** - OPG's 490 Mw Nanticoke #2 and #3 coal fired power plants returned to service early Thursday.

Bruce Power's 750 Mw Bruce nuclear Unit 3 exited an outage Thursday afternoon. The unit was shut on December 9 for work on the turbine generator.

**ERCOT** - Luminant's 750 Mw Martin Lake coal fired Unit #1 was expected to be restarted after being shut Monday due to a boiler tube leak.

**The NRC reported this morning that 93,201 Mw of nuclear generation capacity was on line, down 0.04% from Wednesday's level and 0.26% lower than the same time a year ago.**

The CFTC proposed rules for greater oversight of exempt commercial markets. The proposed rules provide the Commission with the tools necessary to oversee the exempt commodity swaps markets, allowing it to protect the integrity of the price discovery function of regulated futures markets. It would create a regulatory category, exempt commercial markets with a significant price discovery function, and subject electronic trading facilities to additional regulatory and reporting requirements.

## **PIPELINE RESTRICTIONS**

CIG said it will lift the force majeure at its Laramie Compressor Station starting Friday.

Transco Pipeline said that due to the return of below normal temperatures to the Northeast, it is issuing a system wide operational flow order until further notice.

Natural Gas Pipeline Co is at capacity for northbound gas on Segment 27 until further notice.

### **Canadian Gas Association**

#### **Weekly Storage Report**

05-Dec-08 28-Nov-08 07-Dec-07

<b>East</b>	204.1	214.4	224.6
<b>West</b>	341.6	345.5	312.2
<b>Total</b>	545.7	559.9	536.8

storage figures are in Bcf

## **PIPELINE MAINTENANCE**

FGT said it will continue performing maintenance on one of three units at Station 7 through December 31<sup>st</sup>. The maintenance had been expected to be completed by December 15<sup>th</sup>. During the work FGT will schedule up to approximately 375,000 Mmbtu/day through Station 7 down 20% from normal levels.

NGPL reaffirmed it will be installing a hot tap at Station 156 in Kiowa County, OK, Segment 2 of Natural's MidContinent Zone on December 16-18<sup>th</sup>. The following locations will be unavailable for the duration of the work: Sanguine/NGPL Newcomb Custer; ONEOKFS/NGPL Custer; CEGT/NGPL Custer; and ENOGEX/NGPL Inter #2 Custer.

Tennessee Gas Pipeline said that due to inclement weather conditions, the start date for the valve replacement project in the West Cameron 68 field area has been further delayed. The project work now is tentatively scheduled for December 12<sup>th</sup>. And should last for five days.

## **ELECTRIC MARKET NEWS**

The NY ISO reported that wholesale power prices in New York declined by 54% over the past several months as a result of natural gas prices falling dramatically. The NYISO noted a strong correlation between the two prices noting that natural gas prices during the period dropped by 45%, while earlier in the year when gas prices went up power prices followed. The operator noted that since 2000, fuel adjusted wholesale electricity costs have decreased at least 11%, as of August 2008. This amounts to annual cost reductions of approximately \$1.2 billion in today's dollars. It noted that power prices this past summer were the lowest out of the last four summer seasons.

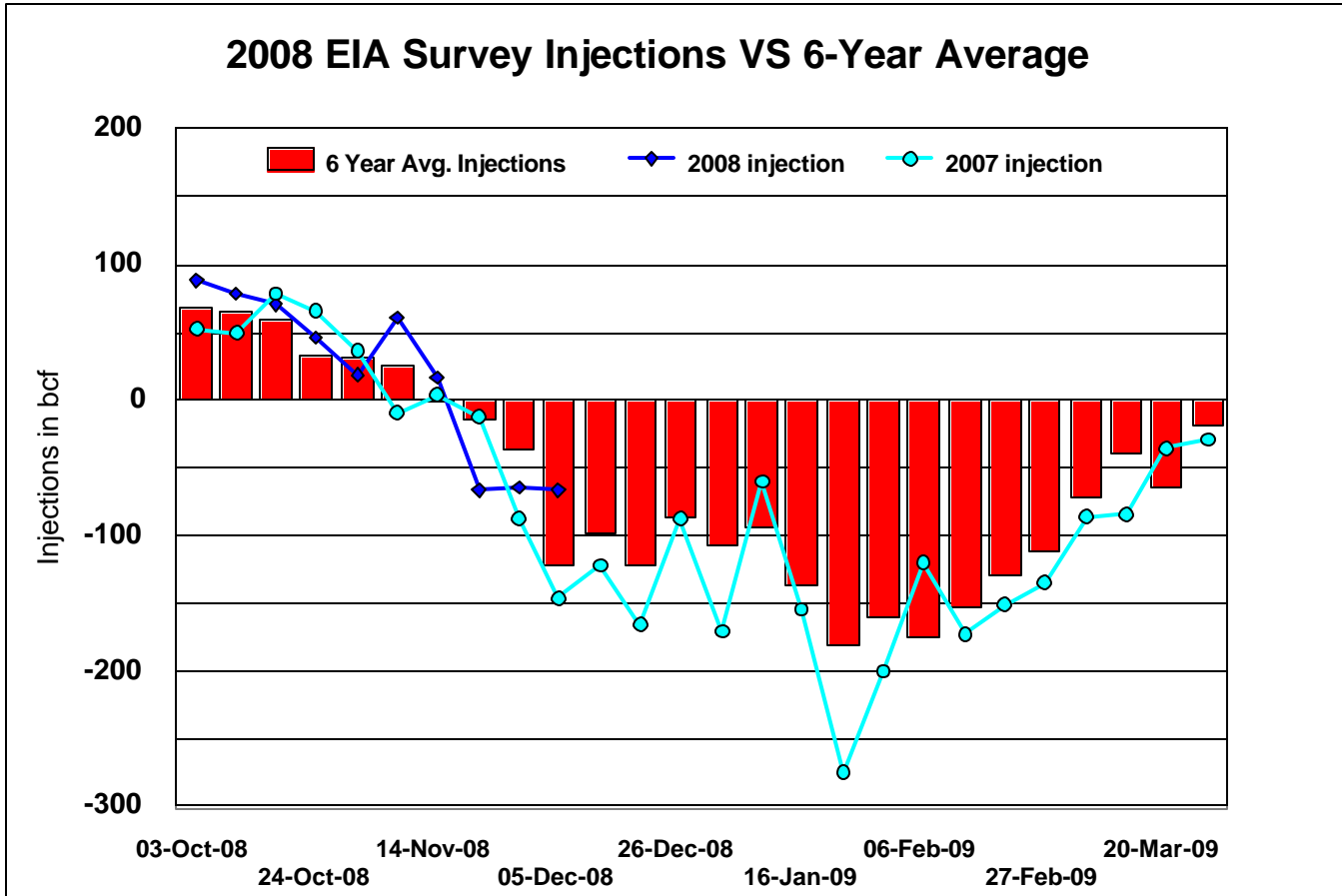
The ERCOT Board of Directors earlier this week reviewed the ERCOT staff's and independent consultant's report of its review on the nodal implementation program. The report said the nodal market is do-able but will require significant work. It noted that the breadth of the market redesign that ERCOT is undertaking has never been done before.

The IEA said US coal production for the week ending December 6<sup>th</sup> increased to 23.409 million short tons, up 5.89% on the week and up 4.4% on the year.

## **MARKET COMMENTARY**

The natural gas market traded mostly sideways early in the session and posted a high of \$5.772 ahead of the release of the EIA Storage Report. However, the market quickly sold off and breached its previous low as it posted a low of \$5.508 following the release of a bearish report. The EIA reported a lower than expected draw of 67 bcf, below the expected 83 bcf draw and about 45% lower than a six year average draw. Similar to yesterday's trading session, the market bounced off its low and retraced its losses once again only to see it trade lower ahead of the close as its gains were limited, given today's inventory report. The market settled down 8.8 cents at \$5.598.

Technically the natural gas market, which is still trending lower, is seen testing its support at \$5.48 followed by \$5.458, \$5.362 and \$5.216. More distant support is seen at \$5.066. Resistance is seen at \$5.774, \$5.792, \$5.89 and \$6.008.



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