



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR DECEMBER 17, 2008

#### NATURAL GAS MARKET NEWS

In its annual long-term report, the EIA said total domestic production of natural gas is estimated to reach 23.7 tcf by 2030, with onshore unconventional natural gas increasing from 9.2 tcf in 2007 to 13.2 tcf in 2030. It also noted that natural gas will make up 19-22% of electricity generation through 2030.

According to the Waterborne Energy Report, global production of LNG in 2008 will fall to 8.31 tcf from 8.33 tcf in 2007 due to significant production outages throughout the year. It reported that Asian imports in 2008 will increase to 5.7 tcf from 5.3 tcf in 2007 while European imports will increase to 2.1 tcf from 1.9 tcf. US imports are set to fall to 348 bcf from record imports in 2007 of more than 770 bcf. It estimates that by the end of 2009, 2.8 tcf of new global production capacity will be firmly in place.

StatoilHydro's Artic Princess LNG tanker was set to unload at the Cove Point terminal in Maryland on Wednesday.

#### Generator Problems

**PJM** – PSEG Nuclear's 1100 Mw Salem #1 and Salem #2 nuclear units returned to full power this morning after falling yesterday to 89 and 88% respectively.

**ECAR** – FirstEnergy's 1260 Mw Perry nuclear unit was at full power up 9% from yesterday's operating levels.

**WSCC** – APS's 1314 Mw Palo Verde Unit #2 nuclear unit returned to full power by early Wednesday. The unit had been at 68% capacity yesterday.

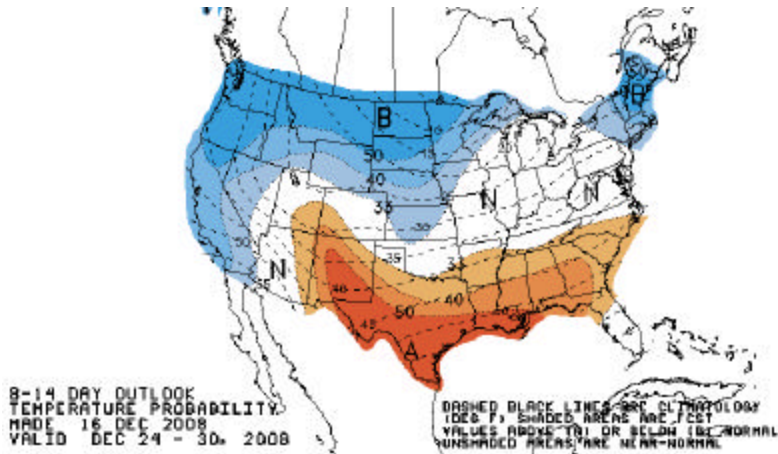
**CalISO** reported this evening that some **1,341 Mw** of generating capacity was offline, of which **43.5%** was non-gas fired generation.

**The NRC** reported this morning that **95,603 Mw** of nuclear generation capacity was on line, up **0.9%** from yesterday's level and **1.35%** higher than the same time a year ago.

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	748,300	\$5.792	\$0.042	\$0.258	\$0.139	\$0.067
Chicago City Gate	888,900	\$6.129	(\$0.001)	\$0.595	\$0.218	\$0.378
NGPL- TX/OK	754,200	\$5.532	(\$0.044)	(\$0.002)	\$0.175	(\$0.226)
SoCal	252,900	\$5.766	(\$0.341)	\$0.232	(\$0.122)	\$0.063
PG&E Citygate	869,400	\$6.375	(\$0.090)	\$0.841	\$0.129	\$0.784
Dominion-South	328,400	\$6.211	\$0.083	\$0.677	\$0.302	\$0.519
USTrade Weighted	18,462,800	\$5.816	(\$0.080)	\$0.282	\$0.14	\$0.067

Indonesia's state power firm said that the construction of the nation's first LNG receiving terminal might be delayed by funding woes and differences over plant specifications.

The three million ton per year LNG receiving terminal had been expected to be operational by 2012-2013. Currently officials are looking at alternatives such as building a mini terminal with an annual capacity of 1.5 million tonnes or a floating terminal of 1 million tonnes per year capacity.



World Gas Intelligence reported today that some Japanese utilities are calling for “varied” indexing of long term LNG prices, including to Henry Hub, rather than solely to global oil prices.

ExxonMobil said today that it has received delivery of two new LNG tankers, which are slated to ship LNG from its joint ventures in Qatar. The new tankers are expected to carry up to 80% more than the average of the current LNG tanker fleet. ExxonMobil in conjunction with Qatar Petroleum has

ordered a total of seven of this new breed of LNG tankers with the last ship slated to be delivered in 2009.

The FERC granted Dominion Resources’ Cove Point LNG conditional approval to begin service at its existing LNG terminal in Maryland. It has a capacity of 1 bcf/d of gas and the expansion will add a further 0.8 bcf.

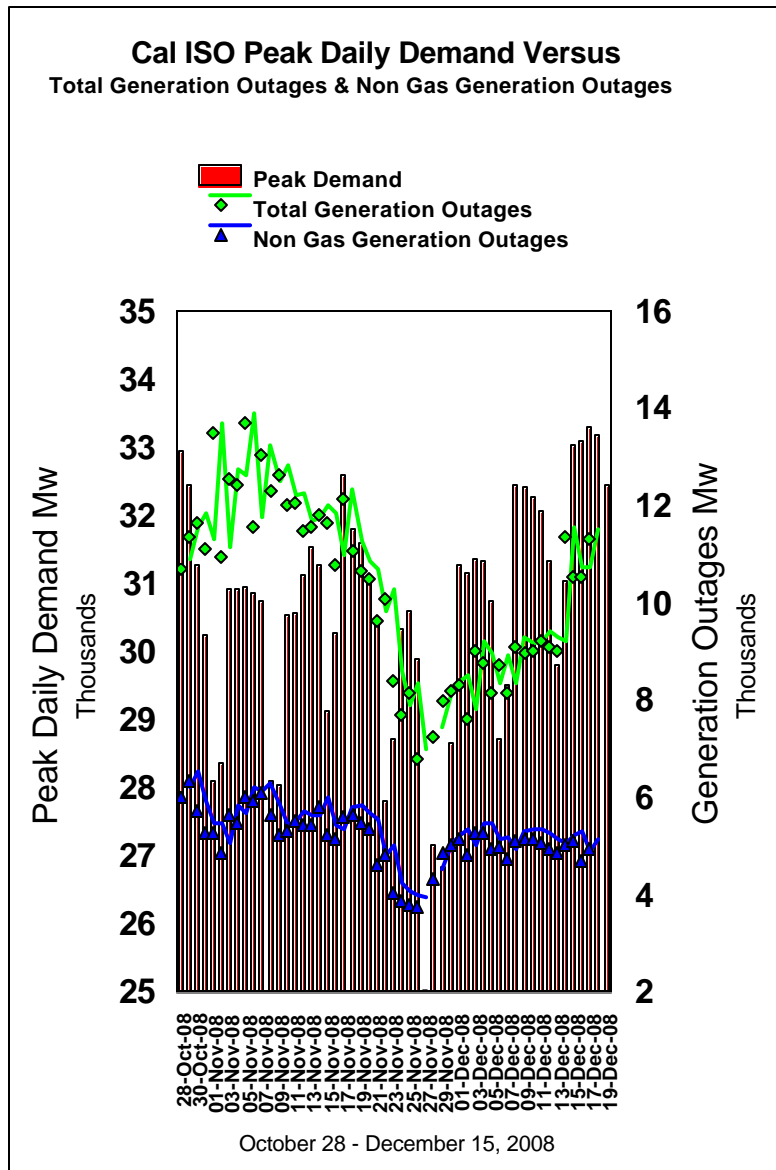
**PIPELINE RESTRICTIONS**

Questar Pipeline and Enterprise Products announced that service has begun on the White River Hub. The hub connects Enterprise’s natural gas processing plant at Meeker with four interstate natural gas pipelines; REX, Questar; Northwest Pipeline and WIC. The White River Hub provides more than 2.5 bcf/d of firm and interruptible transportation and wheeling services.

TransCanada said the force majeure issued on December 13<sup>th</sup> on the eastern end of its Canada mainline near the New Hampshire and Maine borders remains in effect.

Northern Natural Gas said due to very cold temperature forecasts for its service area it is still posting a SOL for all market area zones for today with zero percent SMS available.

KMIGT said it has lifted the advisory action related to storage injection/inventory and transportation



services posted on October 8<sup>th</sup>.

Tennessee Gas Pipeline said effective immediately it is lifting the force majeure event at station 40 following the completion of emergent repairs.

### **PIPELINE MAINTENANCE**

Panhandle Eastern Pipeline said it has begun work yesterday at the Liberal Compressor Station Unit 319 in order to replace a power turbine. The work is expected to last 8 days and will limit capacity through the facility to 800 MMcf/d. At this time no impact to shippers is expected.

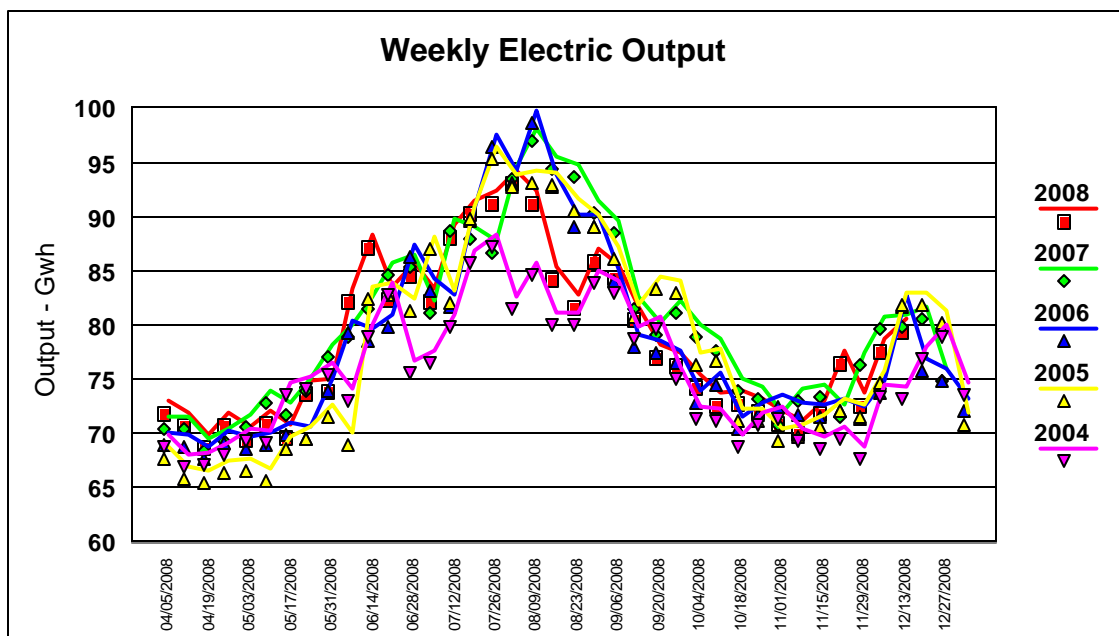
Gulf South said it is performing unscheduled maintenance at the Hall Summit Compressor Station on Unit #3 beginning immediately and continuing for 24 hours. Capacity through Hall Summit Compressor Station could be reduced by as much as 100,000 Dth during the work.

### **ELECTRIC MARKET NEWS**

Demand for power in Alberta reached an all time high of 9,806 Mw on December 15<sup>th</sup> as a result of frigid temperatures across the region. This level broke the all time record of 9,710 Mw set last winter.

The Edison Electric Institute reported that for the week ending December 13<sup>th</sup>, electric production in the U.S. reached 79,537 Gwh up 2.6% from the prior week but off 0.3% from the same week a year ago.

Constellation Energy Group agreed Wednesday to sell nearly half of its nuclear power business to EFP for \$4.5 billion, breaking up the takeover bid from Warren Buffet's MidAmerican Energy. The agreement provides for an immediate



\$1 billion cash investment in Constellation Energy, as well as the option for Constellation to sell EFP up to \$2 billion of its non-nuclear power generation assets.

### **MARKET COMMENTARY**

While the natural gas posted an outside trading day, it still continued to trade in its recent sideways trading pattern. The market breached yesterday's high \$5.825 and posted a high of \$5.855 in overnight trading amid the cold weather forecasts. However the market traded mostly sideways early in the session before it sold off sharply as it once again followed in the oil market's footsteps in light of the bearish petroleum inventory reports. The natural gas market extended its losses to 26.5 cents as it sold off to a low of \$5.486 in afternoon trading despite the forecasts for colder temperatures in the

Midwest and Northeast later this week. It later bounced off its low and traded sideways before settling down 13.2 cents at \$5.619.

Market expectations for Thursday's release of the EIA Storage Report is a draw of 113 bcf for the week ending December 11<sup>th</sup>, with a range of a draw of 92 bcf to a draw of 128 bcf. The estimate surpasses last year's 128 bcf withdrawal and its five year average withdrawal, which is also 128 bcf.

The natural gas market is seen trading sideways as traders await the release of the natural gas storage report. The market is seen finding initial resistance at \$5.821, \$5.855, \$6.022 and \$6.19. Meanwhile support is seen at \$5.452, \$5.284 and \$5.083. More distant support is seen at \$4.893.

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