



POWER MARKET REPORT FOR AUGUST 14, 2007

NATURAL GAS MARKET NEWS

At midday The National Hurricane Center released its update tropical forecast. It showed that Tropical Depression 4 had strengthened into Tropical Storm Dean and that the center of the weather system turned out to be a bit further south and west than originally estimated. As a result the 5 day track now has the storm moving a bit more southerly on its westward track and as a result more of a threat to the Lesser Antilles and ultimately a higher threat to the Gulf Of Mexico. Long-range models though seem to be in poor agreement on the direction of the storm farther out than 5 days, but one model continue to point the storm heading toward the Gulf of Mexico.

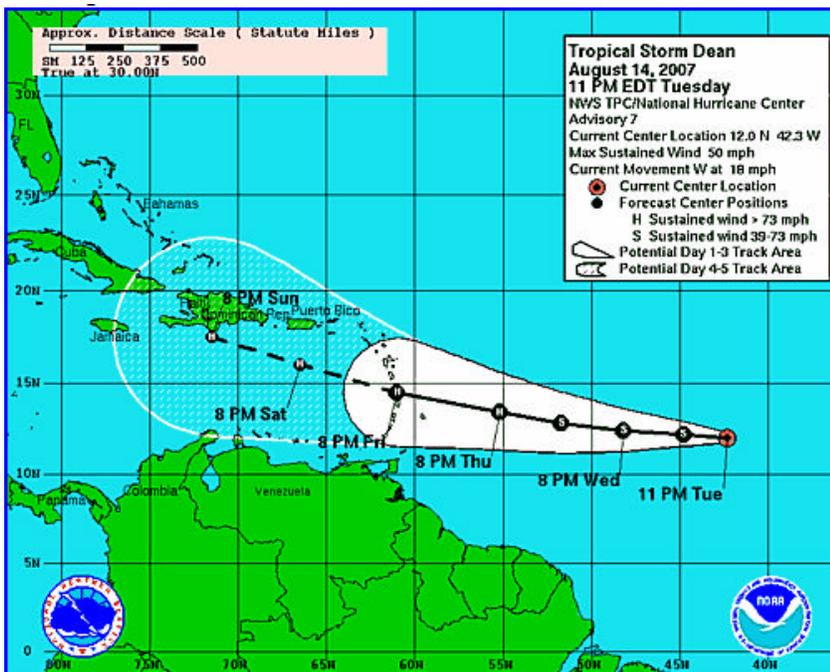
Shell plans to temporarily shut in about 5 million cubic feet a day of natural gas production in the U.S. Gulf of Mexico ahead of a possible tropical storm or hurricane. Gas production was shut in at the North Padre Island 975 field. Shell said it had evacuated 88 non-essential personnel on Monday and planned to evacuate about 100 more Tuesday from the facilities likely to experience the heaviest weather from Tropical Disturbance 34.

Generator Problems

FPCC – FPL’s 839 Mw St. Lucie #1 nuclear plant is operating at a reduced level due to a leak in a condensate pump seal. The Unit was at 40% this morning down 35% from yesterday’s level. Operators hoped to have the unit back to 75% by the end of Tuesday.

SERC – TVA’s 1065 Mw Browns ferry #1 nuclear unit had ramped up to 58% of capacity. The reportedly tripped off line over the weekend.

The NRC reported that 96,330 Mw of nuclear capacity is on line, up 0.29% from Monday, and off 0.25% from a year ago.



DTE Energy said today that it will look to sell some of its natural gas holdings in the Barnett Shale fields in Texas, in order to focus on its less developed western properties.

U.S. producer prices rose by more than expected 0.6% in July but the gain was largely driven by higher energy prices, as the core inflation increased only 0.1%.

Confusion continued to swirl in the market place over the health of the hedge fund sector. This morning traders heard the news that the Sentinel Management Group, which oversees \$1.6 billion, in a cash management fund was seeking to halt customers redemptions until it could handle them in an orderly fashion., The group reportedly was seeking permission from the CFTC to deny

these redemption requests. By midday the CFTC said it had no jurisdiction in the matter and in fact had had no formal request from the fund for such a ruling. The agency though did say it was aware of the situation and was continuing to monitor it. Sentinel is registered with the CFTC as an FCM and as of June reported \$3.3 million in adjusted net capital and excess net capital of \$2.8 million. Money held in segregated accounts for customers totaled \$1.53 billion.

PIPELINE RESTRICTIONS

FGT again kept in place an Overage Alert Day with a 25% tolerance.

ELECTRIC MARKET NEWS

Genscape reported today that for the week ending Monday, U.S. coal supplies fell more than 1.8% as a result of higher generating demand due to high temperatures across most of the nation. This translated into 51 days of forward supply. Despite the strong drop in supplies, U.S. generators still had 28.2% more coal stocks than the same point last year.

MARKET COMMENTARY

The natural gas market opened a few pennies lower as uncertainty surrounds the trajectory of Tropical Depression 4. The National Hurricane Center announced just before midday that wind speeds had increased and the system was elevated to Tropical Storm Dean. The various hurricane models differ as to whether the storm actually enters the Gulf, but the noon weather update showed that the GFS model had the storm staying south of Puerto Rico and the Dominican Republic and crossing Cuba into the Gulf and that was enough to lift September natural gas back above 7.00 to a high of 7.059. The market sagged through the afternoon before settling up 14.6 cents at 6.94. A report of shut-in production from Shell as a result of thunderstorms in the western Caribbean lifted the market back above 7.00 and pinned it to the days high.

This market continues to be at the whim of forecasters and hurricane models and as stated yesterday, the slightest shift in trajectory or intensity in T.S. Dean or any subsequent wave will dictate the direction of the market. Today's open interest report continued to show large reductions in the September contract, as traders cover up shorts, but net on the report, open interest increased by 978 lots as traders moved short positions into the November and December contracts. We see support at 6.85, 6.747, 6.516 and 6.36. We see resistance at 7.127, 7.133, 7.29 and 7.521.