



ENERGY RISK MANAGEMENT

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POWER MARKET REPORT FOR AUGUST 27, 2007

NATURAL GAS MARKET NEWS

The National Hurricane Center this morning noted that there was no immediate tropical threat in the Atlantic basin over the near term. It noted that there was an area of showers and thunderstorms over the western Gulf of Mexico associated with an area of low pressure but significant development was unlikely and the system was expected to move westward and onshore into Mexico. There was a tropical wave that quickly sprung up over the weekend in the west-central Caribbean, but it was expected that any further development if possible would be slow. Current track forecasts though have this system moving westward and possibly ashore in Central America by late Tuesday. In the far eastern Atlantic development of tropical waves continue to be impeded by unfavorable conditions due to dry dusty air mass from the Sahara as well as easterly wind shear in the region. One forecasting model, the GFS, though this morning was looking at the possibility of a low pressure area forming in the north-central, northeastern Gulf of Mexico later this week and having it sit there for a couple of days. But all other forecasting models do not depict this.

Questar and Enterprise product Partners said Monday that they have entered into a memorandum of understanding to build a 2.5 bcf/d natural gas pipeline hub in the Rocky Mountain region. The White River hub would connect Enterprise's natural gas processing complex near Meeker, Colorado, with up to six interstate pipelines in the Piceance Basin. In addition as foundation shippers, Enterprise has committed to 1.5 Bcf/d of firm capacity on the pipeline and Questar Pipeline has committed to 500,000 Mcf/d. An open season offering for the remainder of the firm capacity will be held shortly. The proposed pipeline hub is expected to be in service by the fall of 2008.

The Chicago Federal Reserve Bank reported on Monday that its Midwest manufacturing index rose in July as a result of broad gains in all sectors. The index rose by 0.6%. The bank also revised upward its June index by 0.4%. Year on year though Midwest factory output was only 0.5% higher.

BG Trinidad and Tobago expects to begin flowing gas at its new processing plant in Trinidad's onshore Central block within the next month. The new plant will expand capacity at the Carapal Ridge field from 25,000 Mcf/d to 65,000 Mcf/d. Starting in September, the new capacity will supply up to 45,000 Mcf/d for BG's capacity in train 4 at Atlantic LNG liquefaction complex at Point Fortin on Trinidad's western coast.

Generator Problems

NPCC – Entergy's 852 Mw FitzPatrick nuclear power unit was at full power on Monday up 26% from Friday.

Bruce Power restarted its 822 Mw #6 nuclear unit on Friday following a weeklong outage.

OPG's 490 Mw Nanticoke #1 coal fired generating unit returned to service. The plant had been off line for the week.

Vermont Yankee nuclear plant was up 3% to 51% of capacity this morning.

MAIN – Exelon's 1152 Mw Braidwood #2 nuclear unit was at 87% of capacity Monday morning. The unit has been ramping back following a manual reactor trip last week.

SERC – Entergy's 1266 Mw Grand Gulf nuclear unit was at 56% power early Monday up 16% from Friday's operating levels.

TVA increased output from its Browns Ferry nuclear units this weekend. As of this morning Unit #1 was back at full power, #2 was at 85% and #3 was at 75% of capacity.

The NRC reported that 96,335 Mw of nuclear capacity is on line, up 2.54% from Friday, and up 2.74% from a year ago.

Reuters reported that according to market sources, Tudor Investment Corp's Raptor Global Fund has lost 8% this year. The \$8.5 billion fund which specializes in equities, reportedly lost \$400 million in just the past two weeks.

PIPELINE MAINTENANCE

Tennessee Gas Pipeline said that the MLV 9-3 to MLV 11-3 project to install pig launchers and receivers is complete.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg Price	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,034,500	\$5.341	(\$0.351)	(\$0.140)	\$0.012	(\$0.078)
Chicago City Gate	325,000	\$5.262	(\$0.227)	(\$0.003)	\$0.103	\$0.025
NGPL- TX/OK	746,300	\$5.140	(\$0.232)	(\$0.125)	\$0.098	(\$0.134)
SoCal	905,500	\$5.060	(\$0.231)	(\$0.205)	\$0.099	(\$0.181)
PG&E Citygate	536,000	\$5.362	(\$0.239)	\$0.097	\$0.091	\$0.073
Dominion-South	257,300	\$5.598	(\$0.379)	\$0.333	(\$0.049)	\$0.423
Transco Zone 6	269,300	\$5.869	(\$0.391)	\$0.604	(\$0.061)	\$0.596

ANR Pipeline said that it has completed engine repairs at its St John and Bridgman compressor stations located on Northern Fuel Segment. The associated capacity restrictions have been lifted.

Williston Basin

Interstate Pipeline Company said that planned maintenance will be performed at the Fort Peck Compressor Station on August 29th. Flow through the station is expected to be reduced by approximately 500 Dtm/d. Maximum capacity at the Fort Peck Compressor Station will be 25,000 Dtm/d.

Northwest Pipeline said it was performing a unit inspection at the Baker Compressor Station through August 30th. Primary firm nomination requests through the station have exceeded the available capacity thus it had notified customers that the daily deficiency volume through August 30th will be set at 52,000 Dth.

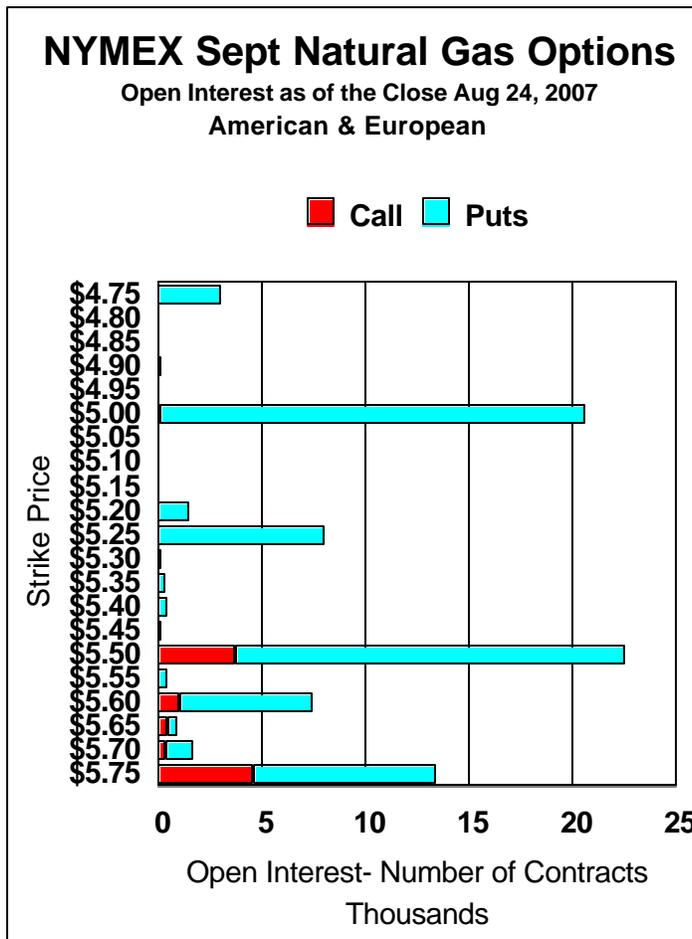
KMIGT reported it had declared a force majeure at two compressor units at the Kimball Compressor Station due to a mechanical failure recorded on August 23rd. The units are set to be repaired on August 28th. Until then KMIGT has determined that it can operate the unit with close monitoring to ensure no further damage occurs. Therefore no impact is expected in nominations until August 28th, when repairs will be made.

ELECTRIC MARKET NEWS

A federal court Friday ordered the FERC to reconsider its refusal to grant refunds to California ratepayers as a result of the higher costs caused by the California energy crisis. The state of California had sought the judicial order as it seeks the FERC to order upwards of \$1 billion to California ratepayers from electric suppliers. The FERC had previously asserted that California was not entitled to refunds in the Pacific Northwest because the power was consumed in California, not the Pacific Northwest. The largest potential refund-payers would be Powerex, Sempra, TransAlta Energy, Coral Power and TransCanada.

MARKET COMMENTARY

The natural gas market this morning went on the defensive quickly as the absence of tropical threats seemed to keep the buyers at bay. The



spot contract backfilled three quarters of the gap on the spot weekly continuation chart. While prices seemed to find support around the \$5.20 level, basis the September contract, the market received an additional boost from the afternoon rally in the oil markets that seemed to help drag natural gas values up to their highs and limiting the day's losses to 10-14 cents. Volume was decent with over 112,000 futures traded.

Despite today's rebound off the early morning lows this market still settled lower for the day, and we feel that this market will make yet another push toward the \$5.25-\$5.00 level tomorrow. While options expire tomorrow, we would look for the recent activity at the \$5.00 puts and the \$5.25 puts to be a magnet for prices to gravitate towards. On Friday over 12,000 \$5.00 puts were traded, and today the \$5.00 puts saw nearly 7,000 lots booked while the \$5.25 put saw over 3100 lots traded. But one needs to keep a close eye on the tropical forecast. If greater discussion is seen tomorrow for the potential of a tropical system developing late this week in the northern Gulf of Mexico, one could see some short covering beginning to filter into this market as traders are reluctant to go home for an extended holiday weekend in the heart of hurricane season.

We look for support tomorrow in the September contract at \$5.26, \$5.20-\$5.19 followed by \$5.14, \$5.105 and \$5.02-\$5.00. More distant support we see at \$4.60. Resistance we see at \$5.434, \$5.50, \$5.587, \$5.742. More distant resistance we see at \$5.956 and \$6.20.