



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

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### **POWER MARKET REPORT FOR AUGUST 28, 2006**

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#### **NATURAL GAS MARKET NEWS**

Over the weekend, Tropical Storm Ernesto increased in strength to a category 1 Hurricane, but a ridge of high pressure steered Ernesto away from the western Gulf and pushed the storm in a northeasterly direction. The storm passed over the eastern part of Cuba today and weakened back to a tropical storm. Ernesto is now forecast to skirt up along the eastern coast of Florida and the Carolinas.

Spot natural gas prices in the Midcontinent plummeted as much as 85 cents at some points today as Tropical Storm Ernesto took an eastern turn, which is expected to send little more than cooler weather and reduced utility loads into the region.

#### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said that gas demand in Florida often significantly increases when the forecasted path of a hurricane crosses over a part of Florida. Therefore, FGT would like to notify their customers in FGT's Market Area that there is the potential that FGT may issue an Overage Alert Day for Tuesday.

Kern River Pipeline said that line pack has returned to normal across its entire system.

Natural Gas Pipeline Company said that a gas quality issue has been reported at the receipt from Enterprise-Carlsbad located in Eddy County, New Mexico (Segment 7 of Natural's Permian Zone). Natural is working with the point operator and will continue to monitor the point. Effective for today and until further notice, this point will be unavailable.

Texas Eastern Transmission Corp. said that it has restricted and sealed M1 and M2 24-inch to capacity. No increases between Little Rock and Batesville for delivery outside that area will be accepted. Tetco has restricted and sealed receipts in ETX. No increases in receipts sourced in ETX for delivery outside ETX will be accepted.

#### **Generator Problems**

**MAAC** – FirstEnergy's 821 Mw shut over the weekend to inspect one of its three steam generators. The unit was operating at 8% on Friday. The unit is expected to return the weekend of September 4.

PPL Corp.'s 1,140 Mw Susquehanna #2 nuclear unit reduced output to 74%. On Friday, the unit was operating at full power.

**MAIN** – Exelon's 1,043 Mw Clinton nuclear unit automatically shut on August 27 due to a high reactor water level. On Friday, the unit was operating at 96% capacity.

**NPCC** – Entergy's 956 Mw Indian Point #2 returned to full power over the weekend. The unit was operating at 94% on Friday.

**SERC** – Progress Energy's 938 Mw Brunswick #1 nuclear unit ramped up to 94% capacity. On Friday, the unit was operating at 64% after exiting an outage earlier in the week. Brunswick #2 continued to operate at full power.

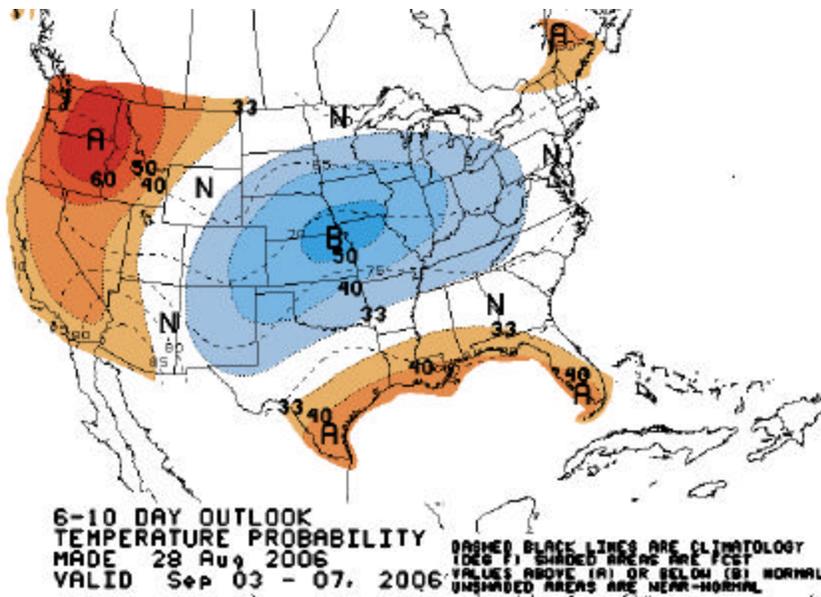
Southern Nuclear's 1,149 Mw Vogtle #2 nuclear unit automatically shut on August 27 due to the trip of a reactor coolant pump. Vogtle #1 continues to operate at full power.

**Canada** – Ontario Power Generation's 535 Mw Lennox #2 oil- and natural gas-fired power station returned to service today.

Ontario Power Generation's 490 Mw Nanticoke #4 and #7 coal-fired power units returned to service by early today.

Ontario Power Generation's 515 Mw Pickering #7 nuclear unit shut for a short-term maintenance outage.

**The NRC reported this morning that 93,765 Mw of nuclear generating capacity were on line, 2.41% lower than Friday, and .11% lower than last year levels.**



### **PIPELINE MAINTENANCE**

Alliance Pipeline said that minor maintenance will require the Kerrobert Compression Station in North Dakota to be offline for 48 hours beginning August 29. AOS will not be impacted by this outage however the concurrent Kerrobert outage will impact AOS. Alliance also said that regular scheduled maintenance will require each pump at the Scottford AB55 NGL facility in Alberta to be unavailable for 36 hours starting on August 29. There will be no flow from the facility for the duration of the outage. Finally Alliance said that minor maintenance will require the Wimbledon Compression Station in North Dakota to be off-line for 10 hours on August 30. AOS will not be impacted by this outage.

Gulf South Pipeline said that ongoing maintenance at the Bistineau Storage facility will continue for approximately another four days. During this continued maintenance period, physical withdrawals will now be available, however physical injections will remain unavailable. To the extent firm service is interrupted during this period, Gulf South will be claiming force majeure for as long as service cannot be performed due to the maintenance activity.

### **ELECTRIC MARKET NEWS**

Electric Reliability Council of Texas grid prices were down in early trading today as lower temperatures and a weaker spot gas market put downward pressure on prices.

### **MARKET COMMENTARY**

The natural gas market opened a dramatic 70.7 cents lower as Tropical Storm Ernesto took an eastern turn and will not be heading into the Gulf, avoiding all energy interests. The front month contract slumped as low as 6.32 as it struggled to find equilibrium ahead of tomorrow's expiration. By the end of the day, the September contract had retreated 68.5 cents to settle at 6.472, as the over 11,000 open positions in the expiring September \$6.50 puts appeared to act as a magnet for traders.

Without the threat of disruption to production, natural gas players were forced to contend with the hardly supportive current fundamentals – ample storage, mild temperatures, and only a few weeks left in calendar summer. With air conditioning demand diminishing across the country, the only supportive news will be in the form of a storm heading into the Gulf, keeping bears in control until that happens. With the September contract going off the board tomorrow, we expect to see that contract whip around in the closing range given the recent uncertainty about the storm. We see support at \$6.32, \$6.10 and \$6.00. We see resistance at \$6.53, \$6.64, \$7.08, \$7.42 and \$7.94-\$7.95.

