



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JULY 30, 2007**

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

Tropical forecasters noted that a new area of real interest about 950 miles east of the Windward Islands continues to show signs of organization. Wind shear values in this area are running at around 10 knots this morning and this is favorable for tropical cyclone development. The hurricane track models have been run on this disturbance and they indicate a path into the Windward Islands in about 3 days with forecasted steady intensification into a 70 mph tropical storm in 3-5 days.

AccuWeather maintained its hurricane forecast from May that called for a total of 13 or 14 storms in the Atlantic Basin, with three or more likely to be major hurricanes.

Raymond James reported that U.S. natural gas inventories at the end of summer could hit a record 3.5 Tcf and that gas prices may be heading for a late summer meltdown. The firm lowered its forecast for average gas prices in the third Quarter, to \$6.00 from \$6.50, and to \$6.50 from \$7.50 in the fourth quarter.

US Senator Carl Levin (Mi-D) said he is working with three other senators on a bill they hope to introduce in the fall that would close the so-called "Enron loophole" that exempts electronic trading platforms, such as ICE, from federal regulatory oversight. Levin said the bill would put electronic platforms under the same regulations at NYMEX. He said crafting the measure has been a "legislative challenge," adding that thus far the bill would cover bilateral trades cleared on electronic platforms like ICE. Bilateral trades not conducted on such exchanges would be excluded.

Norway's Statoil expects to begin making regular shipments of LNG from its Snoehvit gas field in the Arctic from December 1.

#### **PIPELINE MAINTENANCE**

Columbia Gas Transmission said that the pigging work between Clementsville and Stanton has been completed. Effective July 31, the capacity will be 2,007,000 Dth.

Gulf South Pipeline said it would perform unscheduled maintenance on units 1 and 2 of the Kiln natural gas compressor station in Mississippi beginning today and lasting until further notice. Capacity through the station could be reduced by as much as 125 MMcf during the work.

#### **Generator Problems**

**PJM** – FirstEnergy announced that a minor fire in the switchyard of the Beaver Valley Nuclear unit was quickly extinguished. Both units continue to operate at full power.

**FRCC** – Florida Power and Light said its 760 Mw Turkey Point #4 nuclear unit is online and back at full power after restarting this past weekend. Turkey Point #3 remains at full power.

**WSCC** - Dynergy's 739 Mw Moss Landing #7 natural-gas fired power station reduced output by 400 Mw.

AES Corp.'s 485 Mw Alamos #5 and the 335 Mw Alamos #4 unit have been shut down for unplanned work.

Arizona Public Service's 1,270 Mw Palo Verde #2 nuclear unit returned to full power over the weekend. The unit was operating at 40% capacity on Friday.

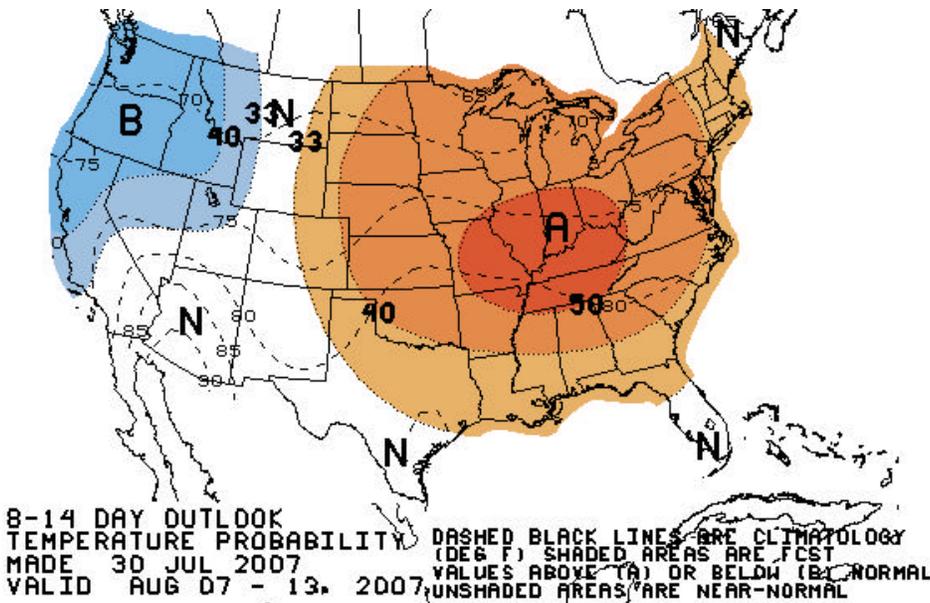
**The NRC reported that 98,323 Mw of nuclear capacity is on line, up 1.61% from Friday, and up 4.66% from a year ago.**

Northwest Pipeline said it has been notified by the operator of the Jackson Priarie storage facility that the main control valve for the facility has developed a leak and must be repaired. The repairs are scheduled to take place Thursday and Friday. On those days, the facility will be shut in and no injections or withdrawal nominations will be allowed. Northwest will resume accepting nominations as soon as the work is complete.

Williston Basin Interstate Pipeline Company said that it has extended the unplanned maintenance at the Saco Compressor Station until today at 5:00 PM MT. Maximum capacity at the Saco Compressor Station will be approximately 22,200 Dkt/d.

**ELECTRIC MARKET NEWS**

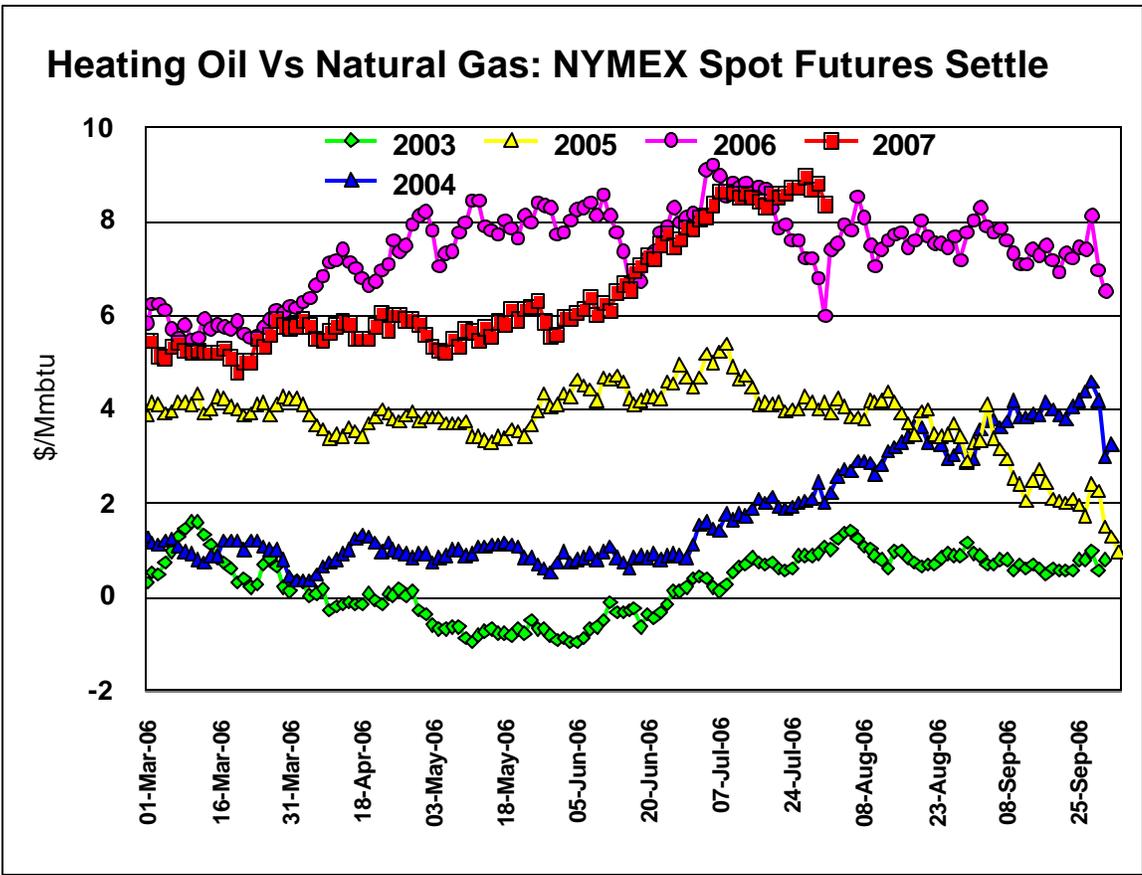
FPL Group said it plans to add between 8,000 and 10,000 Mw of wind generating capacity to its portfolio by the end of 2012. The company said it plans to add 1,000 Mw of new wind capacity each in 2007 and 2008 and between 1,500 and 2,000 Mw each year from 2009 to 2012.



**MARKET COMMENTARY**

The natural gas market opened a few pennies stronger today in follow through from Friday's short covering expiration.

Firm cash markets and a revised warmer forecast in the 6-10 and 11-15 day periods supported the market and further short covering lifted the market to the high of 6.578 on the day. Open interest for Friday's trading was reduced by 15,235 lots, and based on today's price action, further covering occurred as traders look to reduce their short exposure. The new spot September



contract rallied 29.1 cents to settle at 6.499.

We feel that natural gas will maintain its bounce off recent lows given the warming weather and the approach of peak hurricane season. Though there is no specific threat to energy interests, the frequency of areas of interests is enough to trim up record short positions. The October November spread, which as been collapsing since July 16 from .82 cents to a low of 1.00 on this past Friday, posted its first break off the lows, trading to a high of 91.5 before settling at 94.5 cents. We see support in September natural gas at 6.326, 6.208, 6.106, 6.00 and 5.855. We see resistance at 6.672, 6.798, 6.84, and 7.00.