



**ENERGY RISK MANAGEMENT**

Howard Rennell, Pat Shigueta,  
Karen Palladino & Zachariah Yurch  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

**POWER MARKET REPORT FOR AUGUST 15, 2007**

**NATURAL GAS MARKET NEWS**

Tropical Depression 5 was upgraded to Tropical Storm Erin this morning. The storm was moving west-northwest at nearly 12 miles per hour and was expected to make landfall Thursday south of Corpus Christi. Meanwhile Tropical Storm Dean continued to strengthen in the Atlantic and was still some 1000 miles east of the Lesser Antilles. Winds were estimated at 60 Mph. While this morning's guidance had the storm slightly further south than last night and as a result more of a threat to the Gulf of Mexico longer term, the 11 AM update nudged the storms path a bit further south and heading over Jamaica five days out. But at noon when new computer forecast models had been run a few models had the storm track even further south and now the possibility of the storm never making it into the Gulf Of Mexico seems a possibility, placing central America as a potential landfall target.

Shell Oil reported that it had finished evacuating personnel from its offshore facilities threatened by Tropical Storm Erin. The company shut in 5 million cf/d of gas from its North Padre Island block 975. No other production facilities have been

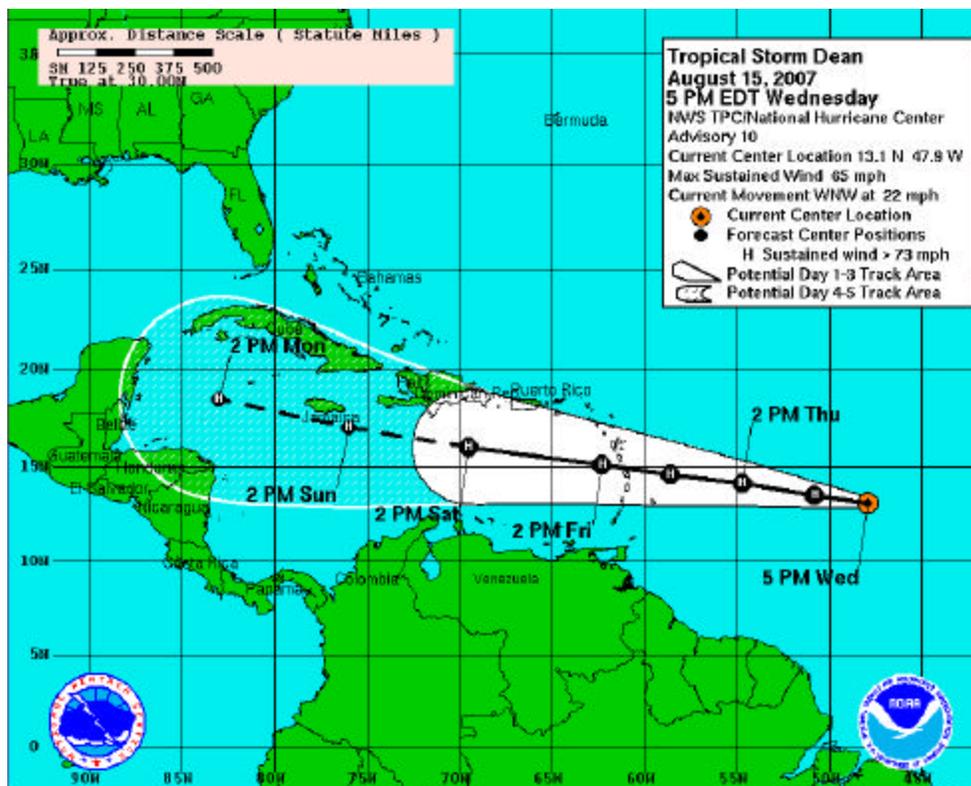
**Generator Problems**

**FPCC** – FPL's 839 Mw St Lucie #1 nuclear unit was down to 40% of capacity, down 35% from Tuesday's levels.

**ERCOT** – TXU's 750 Mw coal fired Unit #3 at the Martin Lake power station is expected to be restarted later today. The unit was taken off line on Tuesday.

**SERC** – TVA's 1155 Mw Browns Ferry #1 nuclear unit had returned to full power this morning, up 42% from Tuesday.

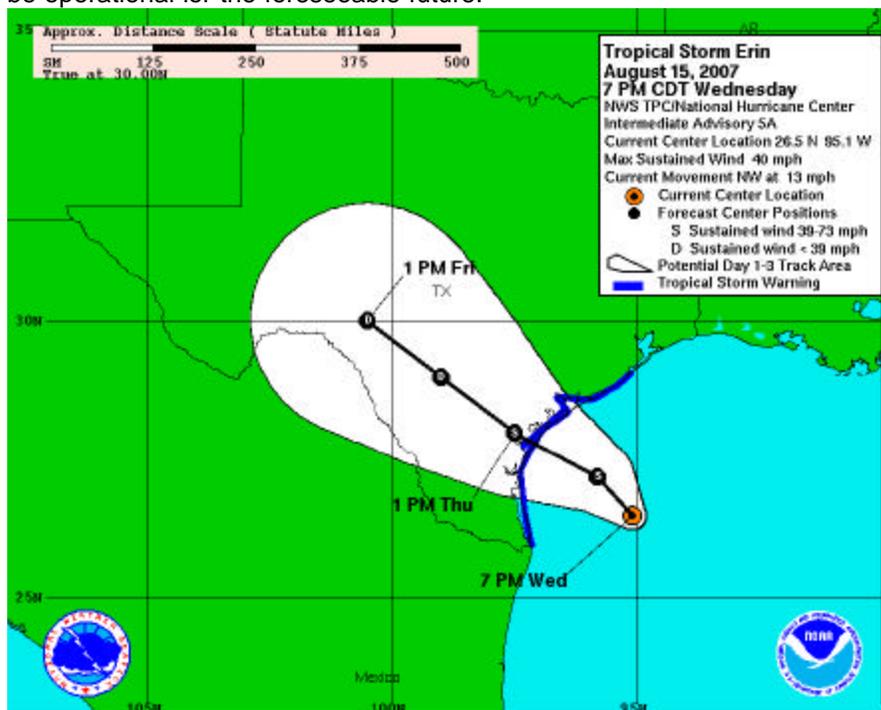
**The NRC reported that 97,258 Mw of nuclear capacity is on line, up 0.96% from Tuesday, and up 1.12% from a year ago.**



shut. Meanwhile The U.S. Mineral Management Service reported that only five production platforms had been evacuated in the Gulf as a result of Tropical Storm Erin and they estimated total USG shut in production at 5 million cf/d.

The FERC on Wednesday gave approval to NGPL to begin service from tis expanded facilities at its North Lansing Storage Field in Harrison County, TX.

ConocoPhillips' Viking Echo platform an unmanned platform in the North Sea, reportedly received more damage than originally thought from its collision with a cargo ship back on August 4<sup>th</sup>. The company said "it is not going to be operational for the foreseeable future."



The NYMEX today confirmed Sentinel Management Group is not a clearing member and does not have any funds on deposit with NYEMX. The exchange also confirmed it does not have funds on deposit with the troubled short term money market fund. The exchange noted that all NYMEX clearing members continue to meet their obligations and remain in good standing despite reports that some NYMEX clearing members did have deposits with the group. Sentinel, a firm that manages short term cash for commodity trading firms and hedge funds, has stopped allowing its clients to withdraw funds. The firm told clients in a letter that a lack of liquidity in the credit markets has made it impossible to meet redemptions without selling

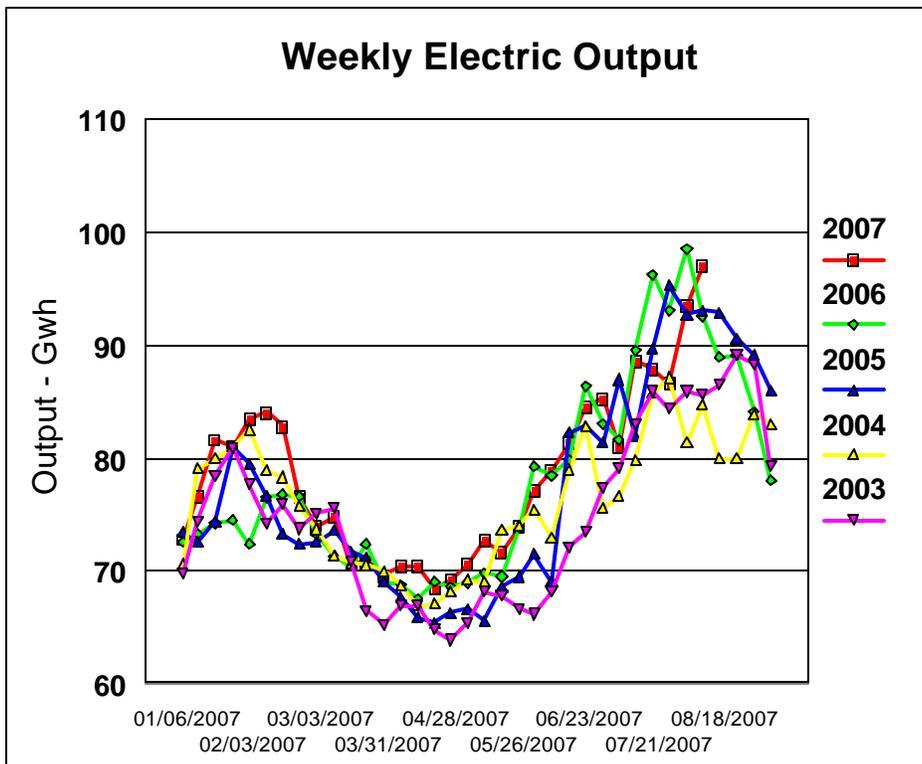
securities well below their fair value.

The Federal Reserve Bank reported today that U.S. industrial output increased by 0.3% in July with June's estimate revised upward by 0.1% to a 0.6% increase.

**PIPELINE MAINTENANCE**

National Fuel Gas reported that its Unit #4 at the Concord station has failed. The unit would be out of service until further notice due to required repairs. During the outage Concord capacity will be reduced by 40,000 Dth/d. This outage may affect interruptible, secondary and primary service through the Concord station.

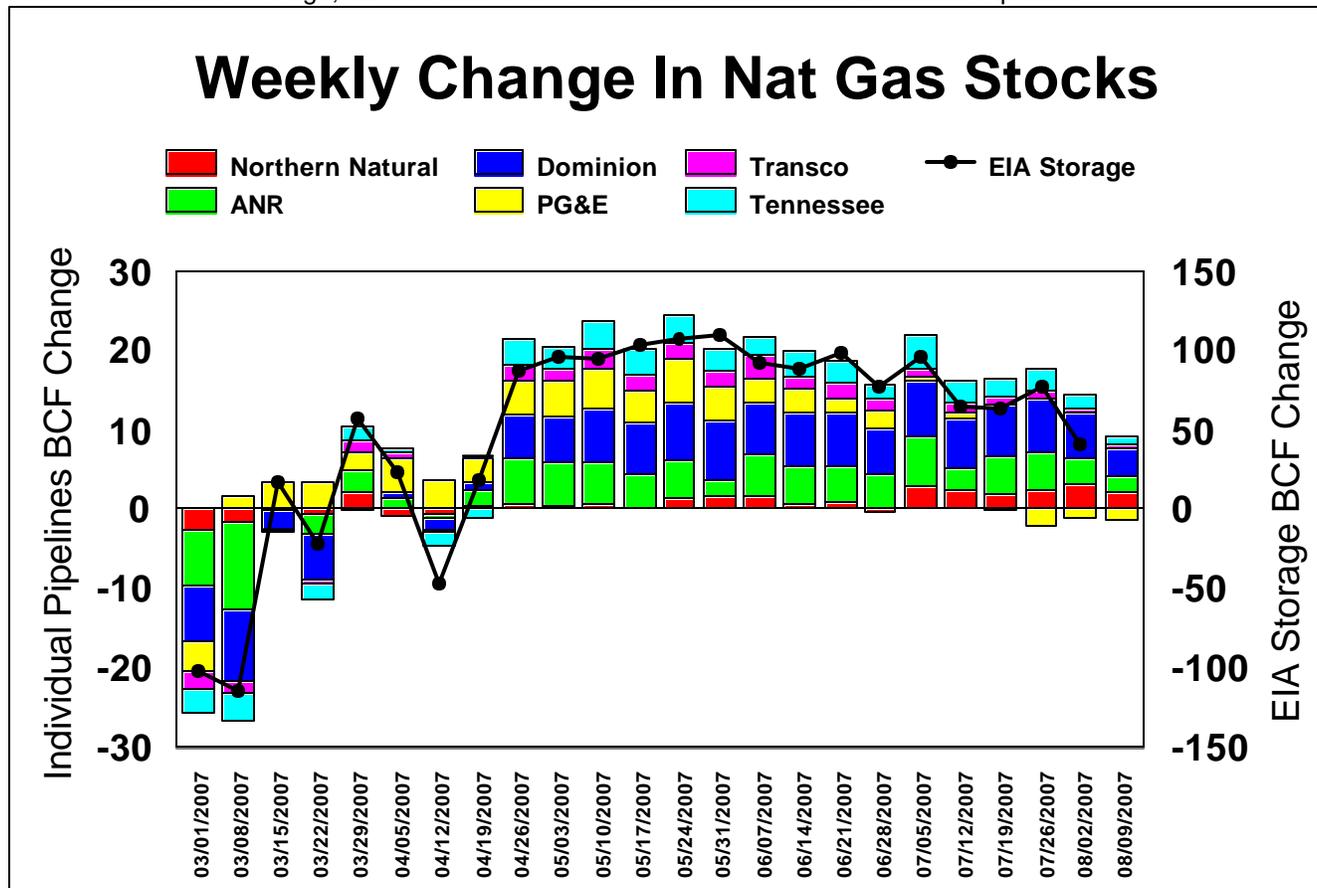
Gulf South Pipeline said that maintenance on Hall Summit Compressor Station Unit #2 as well as pipeline maintenance on Index 130 are complete.



ANR Pipeline said it will continue the unplanned engine repairs at the Marshfield Compressor Station located in Wisconsin and will result in 30 Mmcf/d receipt capacity being reduced.

**PIPELINE RESTRICTIONS**

Southern Natural Gas Pipeline said that the following points have been approved to flow upstream of Toca: 016800 Main Pass 68 Pogo; 026160 Main Pass 49 on the Southeastern Louisiana Pipeline.



**ELECTRIC MARKET NEWS**

The Edison Electric Institute reported that for the week ending August 11<sup>th</sup>, electric production in the U.S. reached 96,955 Gwh, the second highest level ever.

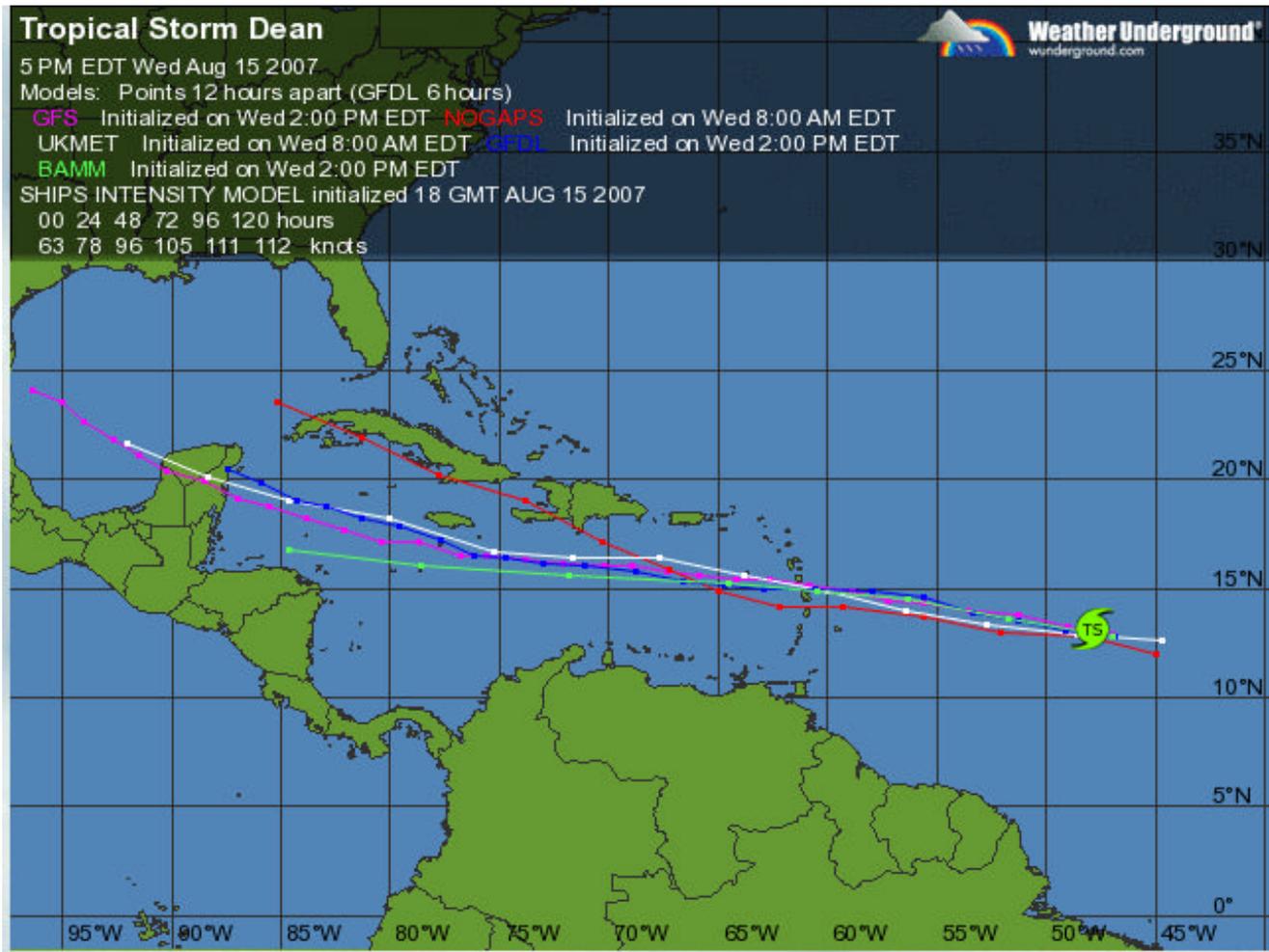
FPL today at a Public Service Commission workshop, signaled its intention to file proposals by the end of the third quarter covering the expansion of power production at its existing nuclear generating facilities and to pursue build two new nuclear power units. The company proposes to build 400 Mw of power capacity to its existing power plants at Turkey Point and at the St. Lucie County facility by 2012. It is also looking to build two new nuclear power plants to the existing Turkey Point complex by 2020.

The FERC has authorized Ameren UE to begin construction of the upper reservoir of the Taum Sauk Pumped Storage Project in Missouri.

**MARKET COMMENTARY**

Traders coming into their office this morning were greeted with yet another bullish weather forecast. While the consensus forecast and guidance models appeared to put Tropical Storm Dean on a bit more on a southerly track in the Caribbean, a few private weather forecasters began to talk that this storm was headed to the Gulf of Mexico. Private forecasting group, WxRisk, said that this storm will likely reach a Category 3 hurricane within the next five days and has a better than 55% chance of reaching Category 5 as it ultimately heads close to Jamaica and then into the Gulf of Mexico. Forecasters at Planalytics were looking for the storm to reach a Category 4

storm over the weekend. With these weather reports, short covering and speculative buying pushed this market to new near term highs. While the bulls seemed to be comfortably in control of this market following the late morning update from the National Hurricane Center, the 12 noon computer forecasting model runs appeared to open up the possibility of the storms path might stray too far south and may in fact not threaten the Gulf of Mexico. This seemed to trigger the new spec longs to jump out of the market and resulted in the natural gas price tumbling by 40 cents in 10 minutes. Prices stabilized and moved into a relatively tight sideways trading range for much of the remaining trading session as the market seemed to await the next round of updated weather



forecasts.

Market expectations for tomorrow's EIA storage report appear to be running between a 5-45 bcf build with the median of expectations falling around a 22 bcf build. Our estimate is just slightly lower with a 19 bcf build. Stocks last year rose by an adjusted 30 bcf while the five-year average build is for 57 bcf. We expect though unless tomorrow's storage report is far out of the expected range, that this report will have little impact on the price action tomorrow, as weather reports will continue to dominate traders interest.

With still a week to go before Tropical Storm /Hurricane Dean making landfall this market will remain volatile. We see resistance at \$7.09, \$7.26, \$7.363 and \$7.535. Support we see at \$6.714-\$6.70, \$6.641, \$6.549, \$6.47, \$6.397 and \$6.194.

