



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR AUGUST 21, 2007

#### NATURAL GAS MARKET NEWS

As Hurricane Dean continued its westward march into Mexico and away from U.S. offshore production areas, natural gas traders only tropical interest today seemed to be a broad area of disorganized area of showers and thunderstorms located a few hundred miles north-northeast of Puerto Rico which is associated with a tropical wave. Development if any of this system is expected to be slow to occur as it moves westward at 20 MPH. One tracking model actually has it move across Florida and into the eastern Gulf of Mexico and then stalls in the Gulf of Mexico offshore from the big bend in the Florida coast line east of Tallahassee this weekend.

This afternoon the U.S. minerals Management Service reported that at of midday today some 43,881 b/d of crude oil production and 140 MMcf/d of offshore natural gas production was shut in as a precaution given the approach of Hurricane Dean in the region. Total gas production shut in since Tropical Storm Erin now has reached 333.5 MMcf/d.

Shell reported that it is beginning to bring oil and gas production back online after its recent evacuations of platforms and rigs in the Gulf of Mexico. They estimate that they still have 30,000 barrels per day of crude production and 70 million cf/d of natural gas production still shut in.

Norway's Hammerfest LNG plant processing facility received its first gas from the Snohvit field today. Statoil said which has been under construction for the past five years is expected to be ready to produce LNG shortly.

The FERC on Monday upheld its prior decisions not to reallocate costs among El Paso Natural Gas pipeline's former full-requirement shippers as part of the conversion of FR shippers to contract demand service nearly four years ago.

Centrica Plc reported

#### Generator Problems

**NPCC** – Operators at OPG's 535 Mw oil and natural gas fired Unit #4 at the Lennox power station took it down for short-term maintenance work. Operators though did bring the 535 Mw Unit #3 back on line though which had been out of service since Friday.

Entergy's 852 Mw Fitzpatrick nuclear power plant was taken off line for planned maintenance early Tuesday. Operators are scheduled to replace one of the unit's safety relief valve pilots.

**WSCC** – Entergy Northwest's 1,200 Mw Columbia nuclear unit reduced output to 62% capacity today.

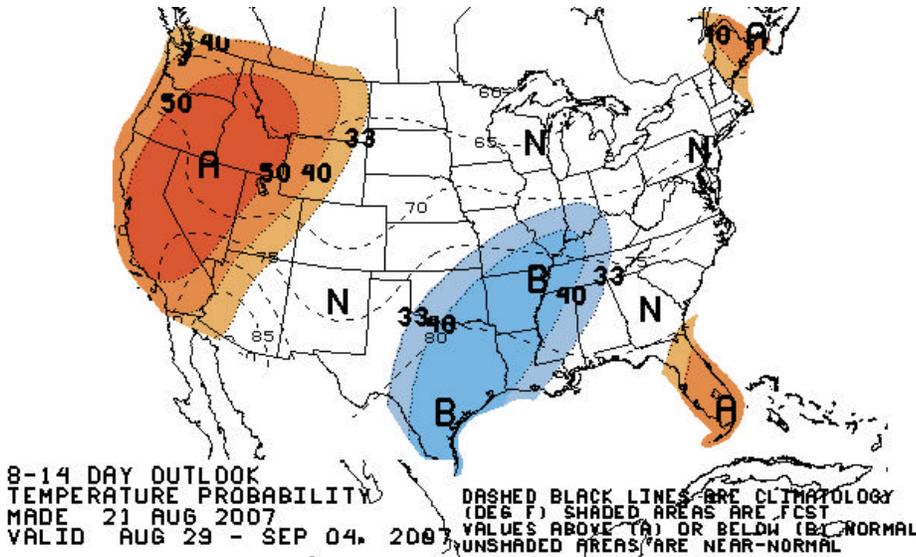
**SERC** – The Tennessee Valley Authority's 1,120 Mw Browns Ferry #2 nuclear unit restarted and ramped up to 70% capacity. Units #1 and #3, each of which were reduced to 75% power are back at full capacity this morning.

**The NRC reported that 96,031 Mw of nuclear capacity is on line, down .56% from Monday, and up .70% from a year ago.**

#### Natural Gas Cash Market

##### ICE Next Day Cash Market

Location	Volume Traded	Avg Price	Change	Basis		Basis 5-Day Moving Avg
				(As of 12:30 PM)	Change	
Henry Hub	1,179,900	\$5.915	(\$0.557)	(\$0.137)	(\$0.055)	(\$0.058)
Chicago City Gate	456,700	\$5.777	(\$0.456)	(\$0.050)	(\$0.039)	\$0.016
NGPL- TX/OK	634,300	\$5.600	(\$0.463)	(\$0.227)	(\$0.046)	(\$0.177)
SoCal	913,800	\$5.622	(\$0.482)	(\$0.205)	(\$0.065)	(\$0.244)
PG&E Citygate	862,000	\$5.844	(\$0.465)	\$0.016	(\$0.048)	(\$0.020)
Dominion-South	181,300	\$6.135	(\$0.448)	\$0.308	(\$0.031)	\$0.458
Transco Zone 6	268,800	\$6.306	(\$0.584)	\$0.479	(\$0.167)	\$0.741



that it was starting production from its South Morecambe gas field today, August 21<sup>st</sup>, a day later than originally expected. Meanwhile Total's Elgin-Franklin fields are due to start production today, after being taken off line since July 30<sup>th</sup>.

PEMEX reported that July natural gas production averaged 6.238 bcf/d up 0.7% from June. Natural gas imports in July increased to 416.3 Mmcf/d from 390.4 million cfd in June.

Pluspetrol Peru Corp. has restarted its natural gas

fractionation plant in Pisco after a massive earthquake caused it to shut down last Wednesday. The plant, which is about 90 miles south of Lima and near the epicenter of the 8.0 magnitude earthquake that hit last week is operating at 100%. The company reiterated that the earthquake affected neither its gas liquids nor its natural gas pipelines.

**PIPELINE MAINTENANCE**

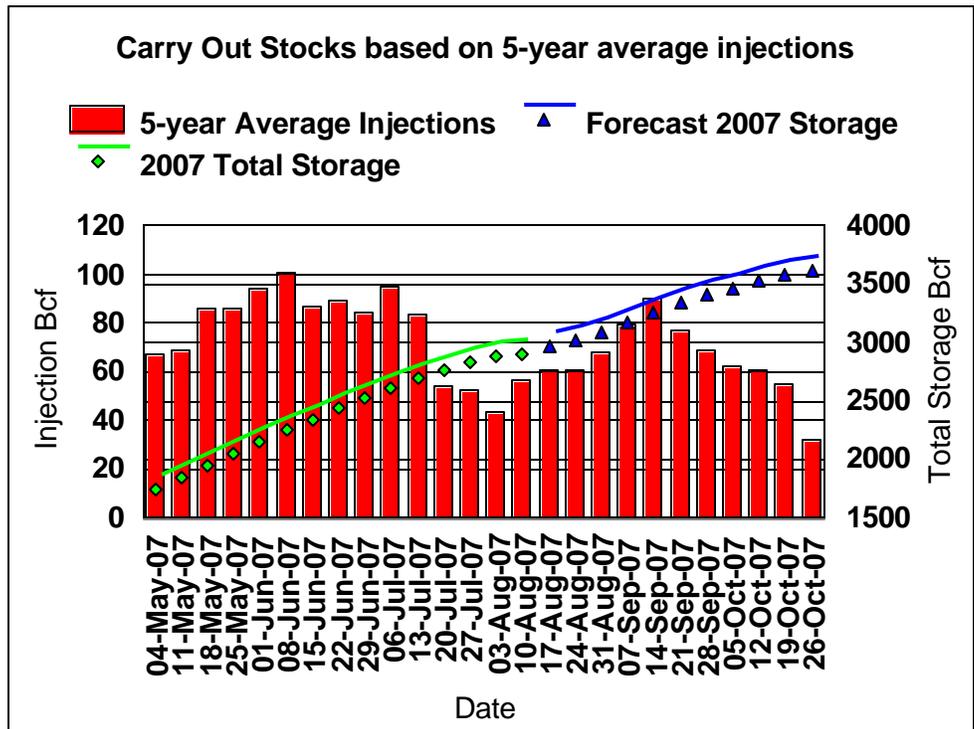
Gulf South Pipeline said that due to the uncertain weather conditions in the Gulf of Mexico, Gulf South's contactor has postponed maintenance at the Eugene Island Offshore Platform Installation by at least two weeks. Gulf South will post a revised begin date as soon as information becomes available.

Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Manning Compressor Station. Maximum capacity to Northern Border-Manning will be limited to 80,000 dkt/d today and 88,000 dkt/d tomorrow.

**PIPELINE RESTRICTIONS**

Florida Gas Transmission said mid- to upper 90-degree weather is forecasted for Florida for today and that linepack is low. Therefore, FGT has issued an Overage Alert Day for FGT's Market Area at 10% tolerance.

Southern Natural Gas Pipeline said that it will be isolating the 20-inch Main Pass-Franklinton line, which is located in offshore Louisiana, from Olga Compressor Station to Gate 7. As a result of this isolation Southern will be unable to accept nominations at the Cox Bay receipt point effective with



the today's evening cycle until further notice. Southern anticipates returning the line to service on August 23. Southern also said that it has experienced an unscheduled outage at the DeArmanville Compressor Station located on the north system in eastern Alabama. As a result of this outage, Southern may be required to allocate/limit interruptible capacity in Group 59 Tallapoosa Group and/or limit deliveries to 6% hourly entitlement rights. At this time Southern does not anticipate any interruption of firm services.

### **ELECTRIC MARKET NEWS**

Genscape reported that for the week ending August 20<sup>th</sup>, U.S. coal supplies at power generators fell nearly 1% on the week. Power stations now have 27.8% more coal on hand than they did for the same week a year ago. Current supplies equate to a forward supply of 51 days of average coal burn, unchanged from the prior week.

US renewable energy consumption increased 7% from 2005 to 2006 at a time when total US energy use declined 1%, according to a report from the EIA. The increase was largely the result of greater reliance on biofuels for transportation and wind for electricity production.

Cooper Nuclear Station will receive additional oversight from the NRC based on a violation that adversely affected the reliability of an emergency diesel generator.

FirstEnergy Corp. announced today plans to expand used nuclear fuel storage capacity at its Perry Nuclear Power Plant. The plans call for installing above-ground, airtight steel and concrete cylindrical canisters, cooled by natural air circulation, to store used fuel assemblies.

### **MARKET COMMENTARY**

The natural gas market continued to sell off, as a serious lack of supportive news saw the front month September contract trade to new lows, reaching a low of 5.752. With Dean avoiding U.S. energy interests, and temperatures across the eastern third of the country below average, soft cash prices and fresh short money had the market weakening across the calendar. Open interest reported at midday by the exchange appears to support our theory that the funds returned to the market and re-established their short positions, as open interest increased by 5,782 contracts. The September contract settled down 22.3 cents at 5.817, the market's lowest settle since October 13, 2006.

Expectations for this week's EIA storage report range between a 20 Bcf build and a 35 Bcf build, though higher than last week's 21 Bcf build, a report within expectations this week will look supportive next to a build of 62 Bcf last year and a five-year average build of 61 Bcf. However, total stocks right now are well above the five-year average and above last year at this time, and if injections for the rest of the season come in close to the 5-year average injections, then total carry out storage will be at another record and this market will make new lows. We see resistance at 5.855, 5.958, 6.137 and 6.24. We see support at 5.676, 5.573 and 5.394.