



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR AUGUST 24, 2006**

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

The National Hurricane Center reported that the wave in the southern Caribbean has developed into Tropical Depression 5, with sustained winds of 30-35 mph. The system is moving northwest at 15 mph, with a trajectory that puts it between the Yucatan and Cuba by Tuesday afternoon.

The U.S. Minerals Management Service (MMS) on Thursday released for comment a proposed second draft for its 2007-2012 Outer Continental Shelf (OCS) leasing program and associated Draft Environmental Impact Statement (DEIS). The five-year proposal includes 21 OCS lease sales in seven of the 26 planning areas: four areas off the coast of Alaska, two areas in the Gulf of Mexico (GOM) and one in the Atlantic off the coast of Virginia.

Finding ways to make the Gulf of Mexico (GOM) offshore oil and natural infrastructure more resilient during hurricanes has been on the minds of many in the energy industry over the course of the past year. Now, BP plc has come up with a \$100 million plan to build the first-ever undersea fiber-optic cable linking oil and gas platforms. It would improve communications and could eventually alleviate some shut ins.

With one commissioner dissenting and another recusing himself, the California Public Utilities Commission (CPUC) Thursday voted 31 to authorize the confidential natural gas wholesale hedging plans of the state's three major private-sector gas utilities for the coming winter season. The approval places all the costs and benefits of the programs on the utilities' ratepayers who are the beneficiaries of the hedging, the CPUC said, although Commissioner Geoffrey Brown disagreed.

#### **PIPELINE RESTRICTIONS**

Florida Gas Transmission said that due to hot temperatures it is issuing an Overage Alert Day at 25% tolerance.

Kern River Pipeline said that line pack is low from Muddy Creek to Elberta and normal downstream of Elberta.

#### **Generator Problems**

**ECAR** – Dominion Resources' 524 Mw Mount Storm #2 coal-fired power station returned to service following repairs to fix a tube leak.

**ERCOT** – American Electric Power's 690 Mw Oklaunion coal-fired power station shut August 24-25 to fix a tube leak.

**FRCC** – Progress Energy's 838 Mw Crystal River #3 nuclear unit exited an outage and ramped up to 75% of capacity by early.

**NPCC** – Entergy's 979 Mw Indian Point #2 nuclear unit shut from full power by early this morning due to an apparent mismatch of primary power and secondary load indications. Indian Point #3 continues to operate at full power.

**SERC** – TVA's 1,100 Mw Browns Ferry #3 nuclear unit returned to full capacity this morning. Unit #2 is also at full power.

Progress Energy's 938 Mw Brunswick #1 nuclear unit ramped output to 24% capacity today. The unit was offline at 2% yesterday. Brunswick #2 continues to operate at full power.

**Canada** – Ontario Power Generation's 535 Mw Lennox #2 oil- and natural gas-fired power station shut for short-term maintenance.

**The NRC reported this morning that 95,381 Mw of nuclear generating capacity were on line, .013% higher than Tuesday, and .75% higher than last year levels.**

## EIA Weekly Report

	08/18/2006	08/11/2006	Net chg	Last Year
<b>Producing Region</b>	827	825	2	745
<b>Consuming East</b>	1639	1591	48	1445
<b>Consuming West</b>	391	384	7	376
<b>Total US</b>	2857	2800	57	2566

\*storage figures in Bcf

Southern Natural Gas Pipeline said that it has experienced an unscheduled engine outage at our white Castle Compressor Station on the west leg upstream of Franklinton Compressor Station in South Louisiana. Based on the best information available at this time Southern now expects this unit at White Castle to be available on August 25. Until this unit is available Southern will be limiting capacity on the west leg upstream of the Franklinton Compressor Station in South Louisiana to 685 MMcf/d.

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.

### Canadian Gas Association

#### Weekly Storage Report

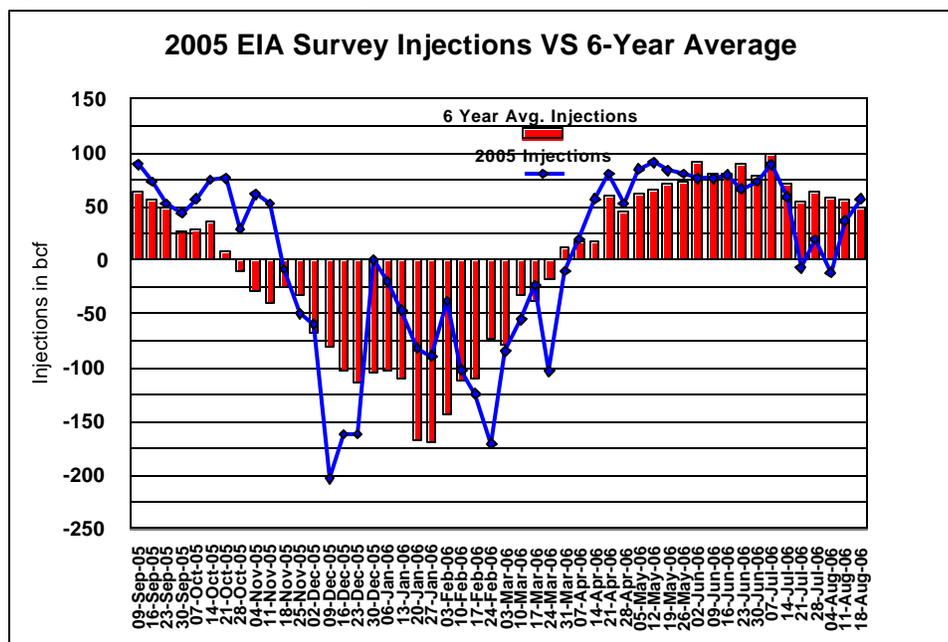
	18-Aug-06	11-Aug-06	19-Aug-05
<b>East</b>	201.2	197.8	185.2
<b>West</b>	195.2	190.7	199.5
<b>Total</b>	396.3	388.5	384.7

storage figures are in Bcf

### PIPELINE MAINTENANCE

Northwest Pipeline has updated the schedule for the Pleasant View to La Plata pig runs that were scheduled to occur between August 28 and September 12. Due to current operating conditions, Northwest will only perform on pig run on August 30. Consequently, the available capacity at the La Plata B compressor station on August 30 will be 250 MMcf. If primary nominations exceed available capacity, Northwest will declare a deficiency period and cut nominations accordingly. Upon reviewing the results of this pig run, Northwest may schedule several additional pig runs through this corridor following the Moab District Hydro-test, which will occur September 12-16.

Panhandle Eastern Pipe Line Company said that there will be an outage on the Louisburg 200 line from Louisburg Station to Gate Valve 201 for anomaly repairs beginning August 28. Expected duration is two days. During this outage, the capacity through Houstonia will be limited to 1,260 MMcf/d. This scheduled project is part of an ongoing integrity program conducted by Panhandle.



### MARKET COMMENTARY

The natural gas market opened 22.5 cents higher as market players continue to monitor the slowly awakening

Atlantic hurricane basin. The EIA reported that 57 Bcf was injected into the ground, slightly higher than mean expectations. The market though climbed to a high of 7.20 following the release of the number, but eventually succumbed to the slightly bearish number and traded down just briefly below 7.00 to a low of 6.94. Support at the 7.00 level has come into place as the market was able to quickly climb back above that level and maintain it through the close. September natural gas finished the session up 20.4 cents at 7.079.

The number was in line with expectation and with last year's build, leaving 2,857 Bcf in storage, 291 Bcf over last year at this time and 339 Bcf above the five-year average. Of more concern is the announcement of Tropical Depression 5, which is the first real threat to energy interests in the Gulf this season. In after hours trading, natural gas moved higher to the 7.30 level on news of the system's development. This leaves the market very

sensitive to storm developments over the next several days. We see support at \$7.00, \$6.70, \$6.60, \$6.45, \$6.43, \$6.32 and \$6.10. We see resistance at \$7.35, \$7.42, \$7.90 and \$7.95. We see further resistance at \$8.00, \$8.24 and \$8.44.

