



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

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

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR AUGUST 25, 2006**

---

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

The National Hurricane Center announced in its 5pm update that Tropical Depression 5 has strengthened into Tropical Storm Ernesto. Ernesto is about 340 miles south of Puerto Rico. The system has sustained winds of 40 miles per hour and is moving west-northwest at 16 miles per hour. Strong wind shear exists in the central Caribbean and if it remains, Ernesto may weaken when it gets to that point. However, the warm water temperatures continue to add energy to the system. The trajectory has Ernesto in the middle of the Gulf by Wednesday afternoon.

Massachusetts Governor Mitt Romney ordered state energy and public safety agencies to conduct a security review of LNG storage facilities in the state. The review, which was described by the governor's office as "precautionary," was prompted by the disclosure earlier this week that on August 16 two unidentified men cut through a chain link fence at KeySpan's LNG storage facility in Lynn, Massachusetts, and climbed to the top of a storage tank. The review will include an inspection of the facilities' physical plant, their security plans and systems, as well as their training records.

Baker Hughes reported that for the week ending today, the total rig count in the United States decreased by six rigs to a total of 1,756.

#### **PIPELINE RESTRICTIONS**

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

Northwest Pipeline has changed the schedule for the Moab District Hydro-test that was originally scheduled to occur between September 12 and September 16. To accommodate customer requests regarding weekend trading and nominations, the Moab district Hydro-testing has been rescheduled for September 14-18. Consequently, the operational capacity at the Pleasant View compressor station will be zero on those dates. If primary nominations exceed available capacity, Northwest will declare a deficiency period and cut nominations accordingly.

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**

**FRCC** – Progress Energy's 838 Mw Crystal River #3 nuclear unit returned to full power by early today. Yesterday, the unit was operating at 75% capacity after exiting an outage.

**MAAC** – First Energy's 821 Mw Beaver Valley #1 nuclear unit is operating off line at 8% as it begins a short inspection outage. Yesterday, the unit was operating at 97%. Beaver Valley #2 continues to operate at full power.

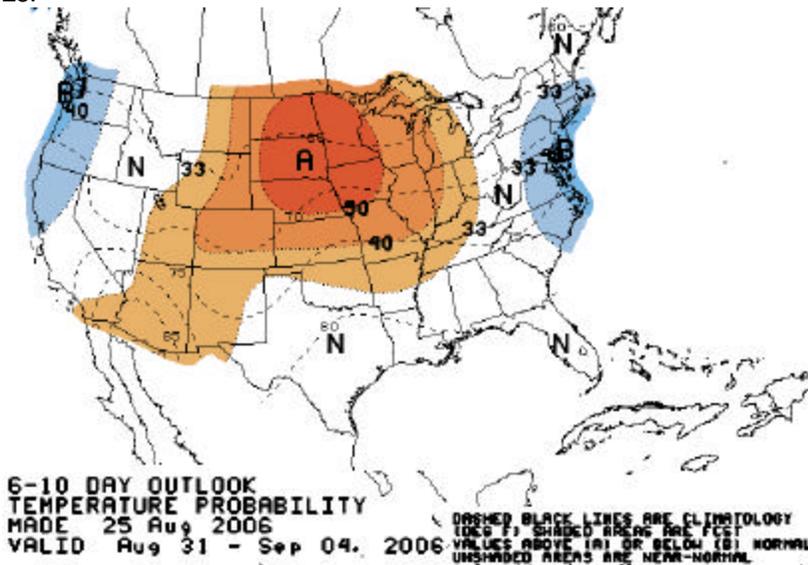
**NPCC** – Entergy's 979 Mw Indian Point #2 nuclear unit restarted and ramped up to 94% capacity. Indian Point #3 continues to operate at full power.

**SERC** – Progress Energy's 938 Mw Brunswick #1 nuclear unit ramped up to 64% capacity by early today. Yesterday, the unit was operating at 24%. Brunswick #2 continues to operate at full power.

**WSCC** – Calpine's 600 Mw Metcalf natural gas-fired power station returned to full power today. On August 23 the unit was reduced by 400 Mw for unplanned reasons.

**The NRC reported this morning that 96,080 Mw of nuclear generating capacity were on line, .77% higher than Thursday, and 2.74% higher than last year levels.**

Transcontinental Gas Pipe Line said that it has completed the purge and pack process for the North High Island Gathering System lateral, which will begin accepting nominations at the NHI lateral locations for gas day August 25.



**PIPELINE MAINTENANCE**

Alliance pipeline said that minor maintenance will require the Carson Creek Unit #1 to be off-line for six hours on August 30. Station Capacity will be lowered to 18.1 MMcf/d. The Carson Creek Compressor is located in Alberta. Alliance also said that minor maintenance will require the Kerrobert Compressor Station to be offline for 60 hours beginning on August 29. AOS will not be impacted by this outage however concurrent Kerrobert outage will impact AOS. The Kerrobert Compressor is located in North Dakota. Allinace also said that minor maintenance will require the Wimbledon Compression Station in North Dakota to be off-line for 10 hours

on August 31. AOS will not be impacted by this outage, however the concurrent Kerrobert outage will impact AOS.

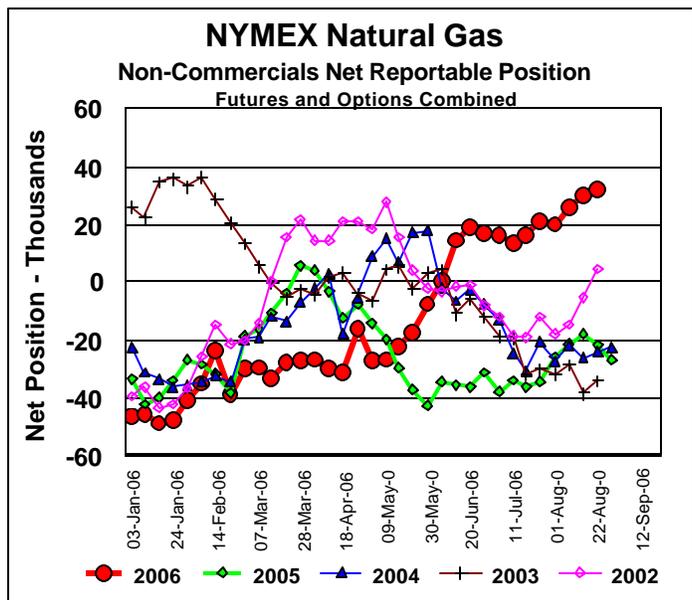
ANR Pipeline Company said that due to an unplanned engine outage, ANR will begin engine maintenance at its St. John Compressor Station located in Indiana in the Northern Fuel Segment, which will reduce the total St. John W-E capacity. Capacity will be reduced by 115 MMcf/d (leaving 1,190 MMcf/d available) through August 28. Based on current nominations along the Michigan Leg, it is anticipated that the above reductions may result in the curtailment of firm secondary and IT nominations.

Transcontinental Gas Pipe Line said that facility modifications associated with jobs 38, 39 and 41 on Transco's Major 2006 Construction Projects list will be completed on August 28. Pipeline anomaly work associated with Job No. 37 has been delayed from the initial schedule and is now scheduled to begin in early September. Once the pipeline anomaly work begins in early September, in conjunction with Job No. 37, Transco does not anticipate having Rate Schedule IT or Secondary FT transportation services available in the segment of its system between Station 190 and Station 200. Transco will provide additional information via line 1 as soon as schedule for this anomaly work has been finalized.

**ELECTRIC MARKET NEWS**

U.S. Senator Diane Feinstein plans to introduce a bill in January that will require the U.S. to launch a cap-and-trade scheme for greenhouse gases and reduce such emissions 10% by 2025. The California Democrat said she also is planning to introduce two other bills in the new Congress that would set a minimum fuel efficiency standard for all cars of 35 miles per gallon by 2017 and a national energy efficiency program that will set standards for appliances and buildings and require utilities to meet some of their power demand through energy efficiency measures.

**MARKET COMMENTARY**



The natural gas market gapped higher by 30.1 cents this morning as Tropical Depression 5 continued to show signs of development and a path aimed at the Gulf. September climbed as high as 7.52 early in the session but as crude oil began giving back some of his overnight storm premium, buying died down and natural gas too came under pressure. September traded to 7.20 by midday and held that level for the afternoon until a late session drop saw the day's low at 7.08. September finished the day up 7.8 cents at 7.157.

By the 5:00 PM National Hurricane Center report, Tropical Depression 5 had strengthened into Tropical Storm Ernesto. As the system approaches the central Caribbean, the higher winds to the west providing significant wind shear have the potential to break up Ernesto, but if the winds move out before Ernesto gets there, conditions exist that we may have a category 1 hurricane by early Monday. Further development to Ernesto will result in prices charging higher to perhaps the 8.50 level. If the system weakens, we will see sub 7.00 prices toward the 6.68 level. The Commitment of Traders Report showed that non-commercial traders increased their net long futures position by 2,443 lots to 34,180 lots and that they increased their net long combined futures and options position by 2,144 lots to 32,111 contracts.

