



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR AUGUST 30, 2007

#### NATURAL GAS MARKET NEWS

The tropical wave some 600 miles east of the Windward Islands, Invest 94-L, the system that helped to spark at least a one day rally in the natural gas market earlier this week continues to struggle to show a form of organization, due to the most part by a large area of dry dusty air remaining just to the north and west of the system. Every time thunderstorms grow around this system, a weak circulation tries to become established, and this cyclonic circulation draws drier air southward into the system. As a result most models earlier this morning did not show this forming into a tropical cyclone and it was to remain a tropical wave at best as it continued to move westward. But by midday the National Hurricane Center reported that in fact the system had shown signs of some development and in fact could become a tropical depression over the next day or two. The global forecasting models

#### EIA Weekly Report

	08/24/2007	08/17/2007	Net chg	Last Year
<b>Producing Region</b>	902	904	-2	833
<b>Consuming East</b>	1657	1613	44	1632
<b>Consuming West</b>	410	409	1	397
<b>Total US</b>	2969	2926	43	2898

\*storage figures in Bcf

though continue to point to the strong potential for tropical cyclone development in the far eastern Atlantic next week. The 10 day GFS model forecasting has up to 3 tropical cyclones forming in the Atlantic during the period with the European model forecasting up two tropical cyclones. So entering the peak few weeks of hurricane season it does appear that we will have something to watch.

#### Canadian Gas Association

#### Weekly Storage Report

	24-Aug-07	17-Aug-07	25-Aug-06
<b>East</b>	210.7	204.3	204.2
<b>West</b>	316.0	314.3	197.8
<b>Total</b>	526.6	518.6	402.0

storage figures are in Bcf

BP reported Thursday that its North Sea CATS gas pipeline would restart "later this week" and that a return to normal throughput levels is expected around the

middle of September. The 36-inch line connects production

#### Generator Problems

**NPCC** – OPG's shut its 535 Mw oil and gas fired Unit #4 at the Lennox power plant. The company also reported that its 494 Mw Lambton coal fired Unit #1 was also taken off line for repairs.

Entergy's 506 Mw Vermont Yankee nuclear unit was shut automatically on Thursday during routine steam valve testing the company said. The unit had been operating at 50% capacity for the last week due to a damaged cooling tower.

**PJM** – Exelon's 1112 Mw Peach Bottom #3 nuclear unit was at 83% of capacity this morning, down 10% from Wednesday. Output was reduced due to the increase in the temperature of a pump seal which was being monitored.

**SERC** – Duke Energy's 846 Mw Oconee #2 nuclear unit was cut back to 73% of capacity to facilitate replacement of a high pressure injection pump.

Southern's 851 Mw Farley #1 nuclear unit slipped to 84% of capacity this morning. The unit had been at full power on Wednesday.

Entergy's 1207 Mw Grand Gulf #1 nuclear unit dropped 3% to 55% of capacity.

**ECAR** – AEP's 1016 Mw Cook #1 nuclear unit ramped up to 50% of capacity as of Thursday morning. The unit was off line Wednesday morning.

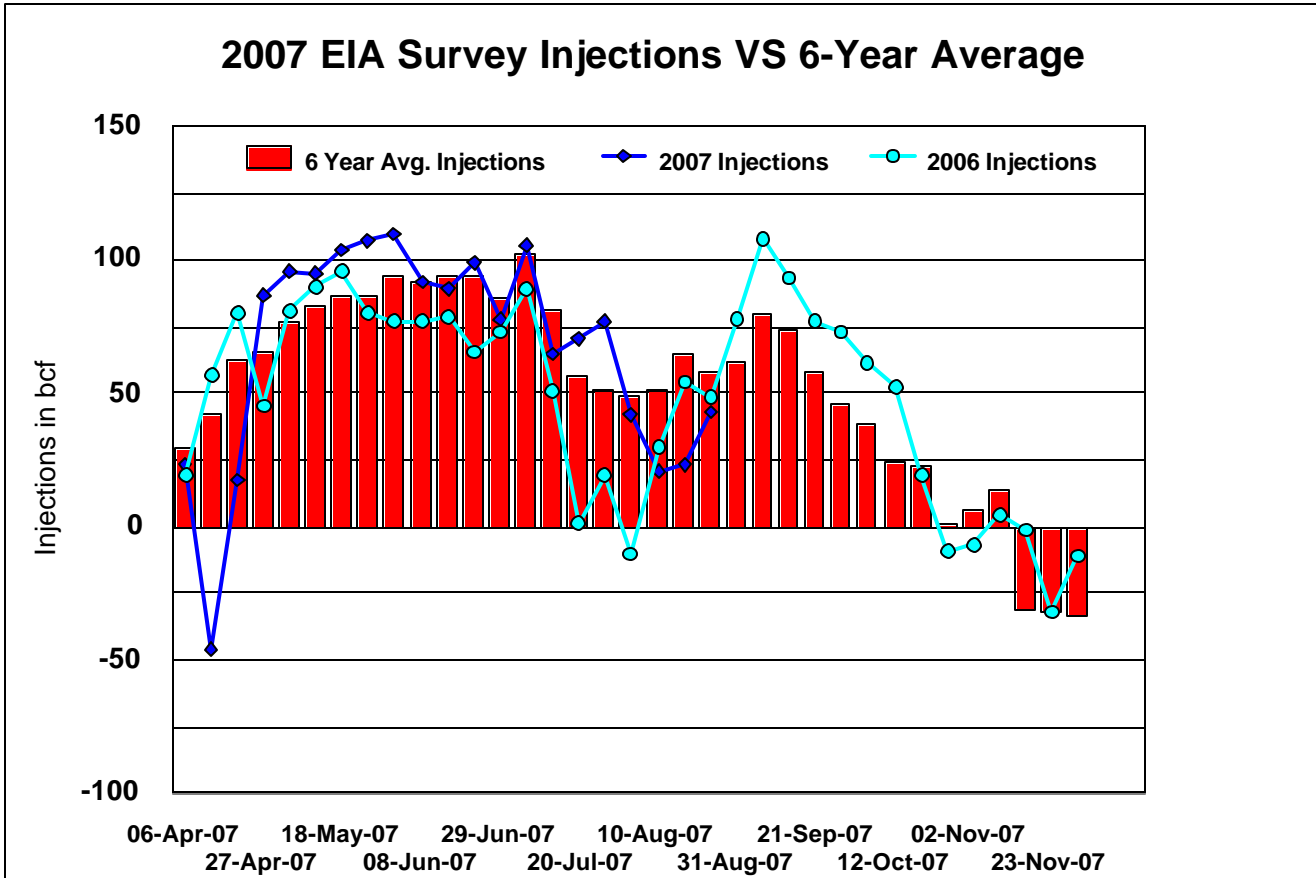
**ERCOT** – Luminant Energy's 575 Mw Big Brown coal fired Unit #2 was operating at reduced capacity Thursday due to maintenance activities.

**The NRC reported that 95,872 Mw of nuclear capacity is on line, up 0.12% from Wednesday, and up 1.13% from a year ago.**

fields in the central North Sea to terminals at Teesside, in northeast England. The pipeline shut at the beginning of July after a ship's anchor damaged the line. Repairs were completed ahead of schedule. Meanwhile ConocoPhillips reported that starting September 3<sup>rd</sup> it is scheduled to shut the Theddlethorpe beach gas terminal for a 14 day planned maintenance period.

Gaz de France said yesterday that it plans to build a new 5 bcm LNG terminal offshore in Italy in the LeMarch region. Construction would begin in 2010

The World Wildlife Fund and several other environmental groups submitted comments to the Canadian regulators, Joint Review Panel , that the \$15.3 billion Mackenzie Valley gas pipeline should be blocked as well as other pipelines in the Canadian north country because governments and energy companies have not planned for

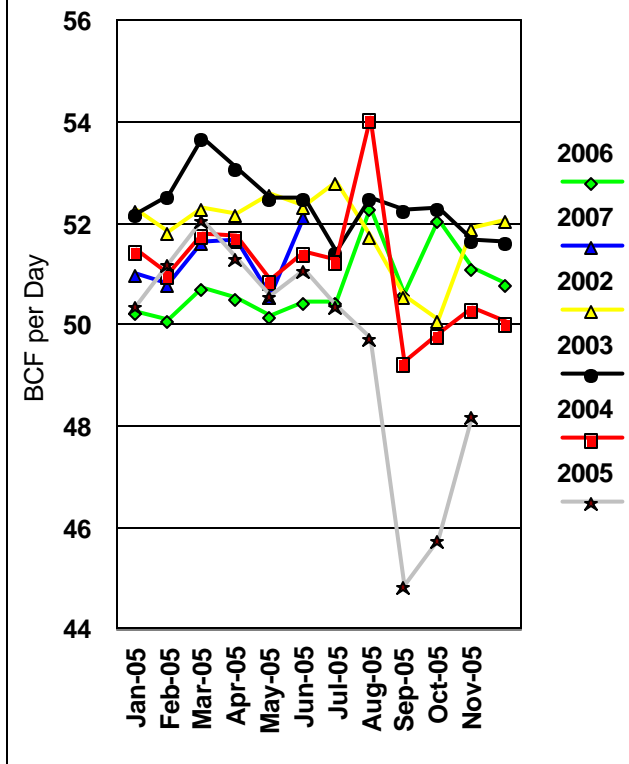


long-term environmental impacts. The Mackenzie pipeline project would ship 1.9 bcf/d of gas along a 750-mile long pipeline.

The EIA today released its August Natural Gas Monthly Report. It showed that domestic production in June reached 52.1 bcf/d, the highest level since August 2006. The agency revised downward its June estimated production from 51.8 bcf/d to 50.5 bcf/d. Production is some 3.4% above the same month a year ago. Net imports of natural gas in June fell to only 9.1 bcf/d the lowest level since November of last year, despite imports of LNG reaching 2.71 bcf/d, nearly 32% above year ago levels. Consumption during June was pegged at 52.6 bcf/d some 0.8% more than June 2006. While power generation demand for natural gas was some 4.7% higher than a year ago, residential and commercial sector saw demand slip by 2.8% and 2.2% respectively, while industrial demand was off 3.1% respectively. Working gas stocks as of the end of June were placed at 2.580 tcf some 35 bcf less than the weekly storage report had reported as of June 30<sup>th</sup>.

The U.S. Commerce Department reported this morning the U.S. Gross Domestic Product rose at a 4% annual rate in the second quarter, up from an initial estimate of 3.4%. The market seemed to expect a 4.1% increase.

## U.S. Natural Gas Production



### PIPELINE RESTRICTIONS

Due to expected weather conditions, FGT continued to issue yet another Overage Alert Day today, with a 15% tolerance.

PG&E California Gas Transmission has called a system wide OFO on its California natural gas pipeline system for today's gas flow due to low inventory.

### PIPELINE MAINTENANCE

NGPL said that starting in September and continuing through December, the company will be constructing facilities associated with capacity previously awarded through an open season to expand the Louisiana Line. It noted that it would be necessary to reduce physical flow through the pipeline during several intermittent periods starting in late October and continuing through early December, for possibly a total of 15 days. It is anticipated that interruptible and secondary services will not be available and firm transportation services will be reduced on those particular days.

Transco said that the Leidy to Long Island Expansion Project will require additional outages at meter Station 6210. Station outages are currently scheduled from today through September 14<sup>th</sup> and again in November. The company does not anticipate any additional transportation constraints associated with the project.

### ELECTRIC MARKET NEWS

Vermont's Public Service commissioner said that the collapse of a cooling tower at the Vermont Yankee nuclear plant appears to have been an isolated problem and that the plant could be back at full power in a matter of days.

The plant has been running at half capacity since the collapse back on August 21<sup>st</sup>.

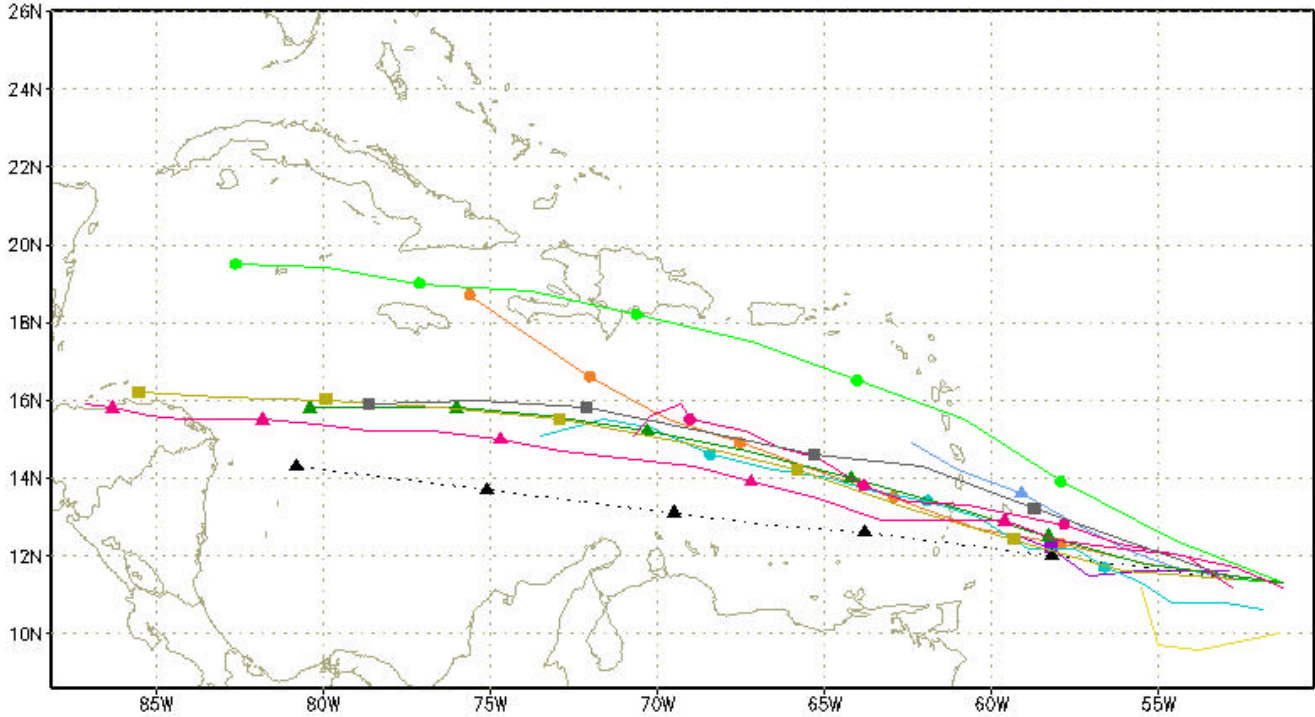
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,398,800	\$5.540	(\$0.104)	(\$0.315)	(\$0.410)	(\$0.163)
Chicago City Gate	319,100	\$5.450	(\$0.167)	(\$0.233)	(\$0.441)	(\$0.053)
NGPL- TX/OK	478,900	\$5.265	(\$0.177)	(\$0.418)	(\$0.451)	(\$0.202)
SoCal	1,193,900	\$5.461	(\$0.023)	(\$0.222)	(\$0.297)	(\$0.190)
PG&E Citygate	884,300	\$5.544	(\$0.064)	(\$0.139)	(\$0.338)	\$0.003
Dominion-South	230,900	\$5.729	(\$0.123)	\$0.046	(\$0.397)	\$0.271
Transco Zone 6	299,300	\$6.018	(\$0.153)	\$0.335	(\$0.427)	\$0.556

would result in mandatory electricity cuts to some business customers. If the operator calls for a Stage 2 emergency it would be the first since July 2006.

Dynegy has completed a \$1 billion financing package to move forward with construction of a 900 Mw, coal fired power plant south of Dallas. Construction of the Sandy Creek Power Generating Station will begin in the fourth quarter, with commercial operations starting in 2012.

The EIA reported today that for the week ending August 25<sup>th</sup> U.S. coal production reached 22.640 million tons, up 0.2% from the previous week and up 1.1% over the same week a year ago.

--▲-- XTRP 30/1800Z    ▲ BAMD 30/1800Z    ▲ GFDL 30/1800Z    ▲ AVNO 30/1200Z    ▲ GMC 30/1200Z  
 ■ CDNU 30/1800Z    ■ BAMB 30/1800Z    ■ UKM 30/1200Z    ■ AEMN 30/1200Z    ■ LGEM 30/1800Z  
 ● NHC Not Avail    ● BAMS 30/1200Z    ● NGPS 30/1200Z    ● HWRP 30/1200Z    ● CLP5 30/1200Z



**MARKET COMMENTARY**

The market appeared well in tuned today to the periodic updates from the National Hurricane Center. While the early morning update appeared bearish regarding the tropical wave approaching the Windward Islands, as no overnight intensification of the system was present, the midday and again the late afternoon updates both noted slow but steady intensification through the day and the possibility of the system becoming a tropical depression in the next day or two. As a result prices moved back into positive territory and remained there for the balance of the day. Volume today was only 71,663 contracts, a typical quite day after an expiration day.

We would expect that this market while being sensitive to the further developments of the tropical wave approaching the islands, will still have a hrd time selling off substantially in front of a three day weekend during the heart of the hurricane season. As a result we would look for prices to most likely trade between \$5.50-\$5.80, basically the same trading range of the past three trading sessions.

**NYMEX Nat Gas Options Most Active Strikes for August 30, 2007**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LN	10	7	P	4	09/25/2007	0.035	14,150	88.75
LN	10	7	P	3.5	09/25/2007	0.008	9,250	88.59
LN	10	7	P	5	09/25/2007	0.2339	4,606	88.29
LN	10	7	C	6	09/25/2007	0.3793	4,350	85.76
LN	10	7	P	5.5	09/25/2007	0.4457	4,300	88.98
LN	10	7	C	10	09/25/2007	0.0164	3,800	104.90
LN	12	7	C	11	11/27/2007	0.1257	3,650	58.01
LN	10	7	P	4.5	09/25/2007	0.1005	3,325	87.79
LN	3	8	C	10	02/26/2008	0.4407	3,150	46.64
LN	10	7	C	8	09/25/2007	0.0707	2,875	96.09
LN	11	7	P	5.5	10/26/2007	0.2267	2,650	69.23
LN	11	7	C	11	10/26/2007	0.0589	2,650	78.17
LN	11	7	P	4	10/26/2007	0.018	2,600	70.60
LN	10	7	C	7	09/25/2007	0.1593	2,524	90.69
LN	5	8	C	8	04/25/2008	0.5913	2,450	29.06
LN	12	7	C	9.5	11/27/2007	0.2567	2,430	53.48
LN	11	7	P	5	10/26/2007	0.1137	2,200	69.12
LN	10	7	C	6.5	09/25/2007	0.2459	2,185	88.25
LN	3	8	C	9.5	02/26/2008	0.5293	1,950	45.51
LN	11	7	C	9	10/26/2007	0.1664	1,925	72.00
LN	6	8	C	8	05/27/2008	0.6765	1,700	28.06
LN	11	7	P	6	10/26/2007	0.407	1,500	70.68
LN	12	7	P	6	11/27/2007	0.1614	1,450	52.72
LN	1	8	P	7	12/26/2007	0.4082	1,410	50.90
LN	5	8	C	10	04/25/2008	0.2304	1,400	34.57
LN	1	8	C	10	12/26/2007	0.3287	1,250	49.42
LN	5	8	P	7	04/25/2008	0.628	1,250	42.03
LN	10	7	C	5.75	09/25/2007	0.4689	1,220	84.40
LN	3	8	C	12	02/26/2008	0.2375	1,150	51.45
LN	2	8	C	11	01/28/2008	0.2781	1,100	49.19
LN	10	7	C	7.5	09/25/2007	0.1053	1,100	93.44
LN	12	7	C	10	11/27/2007	0.2	1,080	55.04
LN	3	8	C	8	02/26/2008	0.9083	1,050	39.87
LN	2	8	P	7	01/28/2008	0.4466	1,000	48.87
LN	3	8	C	19	02/26/2008	0.0406	1,000	60.33
LN	3	8	P	7	02/26/2008	0.5676	1,000	49.93