



## **ENERGY RISK MANAGEMENT**

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### **POWER MARKET REPORT FOR SEPTEMBER 13, 2007**

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

Tropical Storm Humberto increased strength into a category 1 hurricane status hours before it made land fall on the U.S. Gulf Coast near the same point that the destructive Hurricane Rita came ashore in 2005. Most natural gas processing plants along the coast reported no flooding, outages, or electrical problems in the wake Humberto.

The National Hurricane Center reported that the second area of interest, Tropical Depression 8, remains at the same strength, though intensity is possibly into a tropical storm in the 72-hour period. However, the system is expected to waken as it approaches westerly wind shear at the end of the 72-hour period. The depression is moving toward the west-northwest near 8 mph. A gradual decrease in forward speed is expected during the next 24 hours.

The NOAA reported that the June-August 2007 summer season ended with a long-lasting heat wave that set more than 2,000 new daily high temperature records across the southern and central U.S. The record heat helped make this the second warmest August and the sixth warmest summer on record for the contiguous U.S.

An industry group said U.S. natural gas resources are 17% larger than previously estimated, with the country holding enough gas to match 82 years of production at current rates. The U.S. held 1,525 Tcf of gas at the end of 2006, up from 1,308 Tcf two years earlier.

Speakers at the Industrial Gas Users Association's 2007 natural gas conference said the natural gas market is becoming an increasingly global venture that will prove vital in meeting the growing worldwide demand for energy.

#### **Generator Problems**

**ECAR** – AEP's 1,020 Mw Cook #2 nuclear unit reduced output to 74% power as it approaches a refueling outage.

**ERCOT** – TXU's Luminant generating arm planned to shut the 575 Mw Big Brown #2 coal-fired unit today to repair a boiler tube leak.

AEP's 528 Mw Welsh #3 coal-fired power station is scheduled to restart September 13-17.

**NPCC** – Entergy's 825 Mw FitzPatrick nuclear unit shut this morning after some severe storms that caused debris to accumulate in the plant's intake structure.

Entergy's 535 Mw Vermont Yankee increased output to 62% power. Yesterday, the unit was operating at 46% power.

**PJM** – Exelon's 1,116 Mw Peach Bottom #2 nuclear unit ramped up to full capacity today. Yesterday, the unit was operating at 88% power. Peach Bottom #3 is operating at 88% power.

**SERC** – TVA's 1155 Mw Browns ferry #1 nuclear unit dropped to 55% of capacity this morning. The unit had been operating at full power yesterday.

Entergy's 858 Mw Arkansas #2 nuclear unit reduced output to 85% capacity. Arkansas #1 remains at full power.

Duke Power's 1,129 Mw Catawba #2 nuclear unit reduced power to 94% as it prepares for a refueling and maintenance outage. Catawba #1 remains at full power.

**MAIN** – Exelon's 855 Mw Quad Cities #1 nuclear unit ramped output to 98% power. Yesterday, the unit was operating at 37%.

**Canada** – Ontario Power Generation's 490 Mw Nanticoke #1 coal-fired power station returned to full service.

**The NRC reported that 91,912 Mw of nuclear capacity is on line, down 1.07% from Wednesday, and down 1.30% from a year ago.**

### EIA Weekly Report

	09/07/2007	08/31/2007	Net chg	Last Year
<b>Producing Region</b>	915	903	12	881
<b>Consuming East</b>	1746	1696	50	1772
<b>Consuming West</b>	408	406	2	416
<b>Total US</b>	3069	3005	64	3069

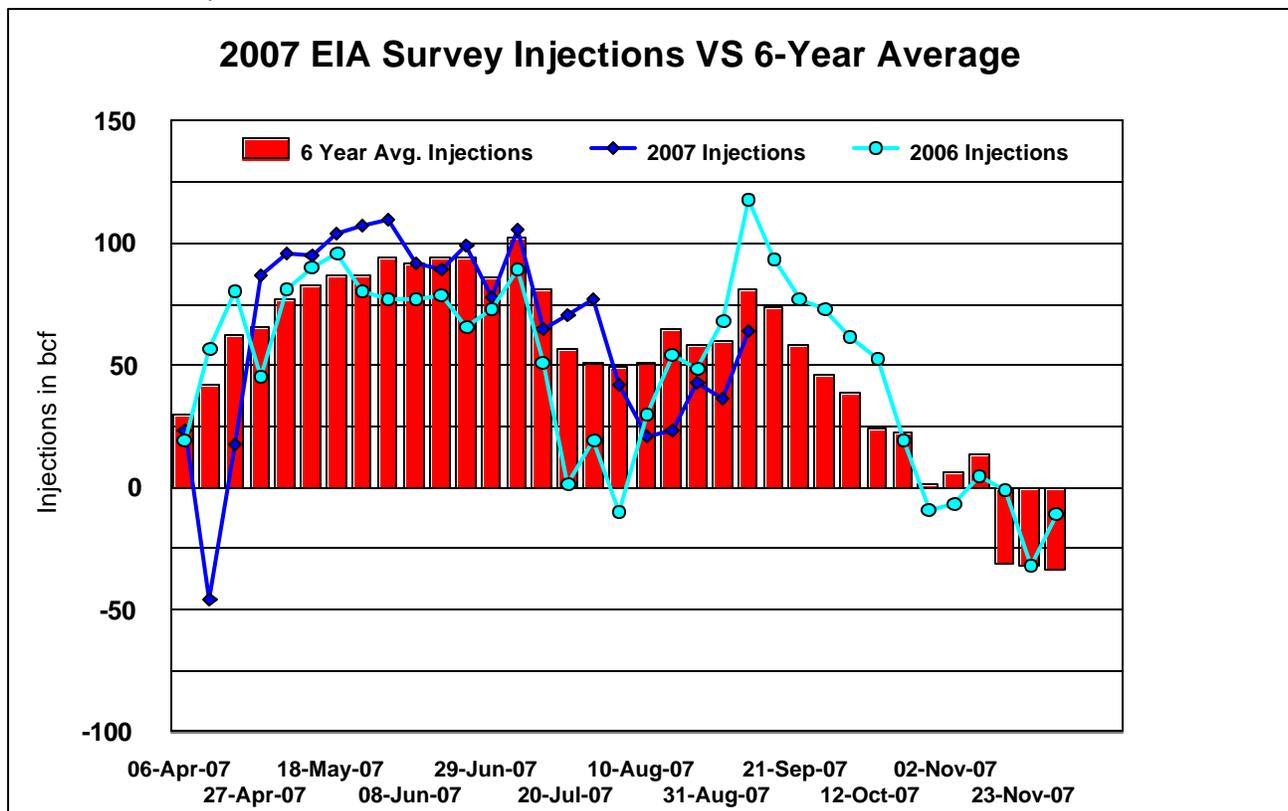
\*storage figures in Bcf

Early next month British gas suppliers will be able to trade capacity rights to import gas in a temporary move to ensure enough of the fuel that heats most UK homes can get into the network this winter. Auctions to be held by network operator National Grid in early October will allow companies to trade and transfer rights to input gas into the grid at different places around the country for the period

from November to March. Last winter, gas suppliers complained not enough capacity was made available to flow gas into the grid through some of the entry points, while other input points were left under used.

### PIPELINE MAINTENANCE

ANR Pipeline Company said that it will begin engine maintenance September 17 at its St. John Compressor Station in Indiana. Total capacity will be reduced by 40 MMcf/d between September 17-20. Based on current nominations along the Michigan Legs, it is anticipated that the above reductions will result in the curtailment of IT and Firm Secondary nominations.



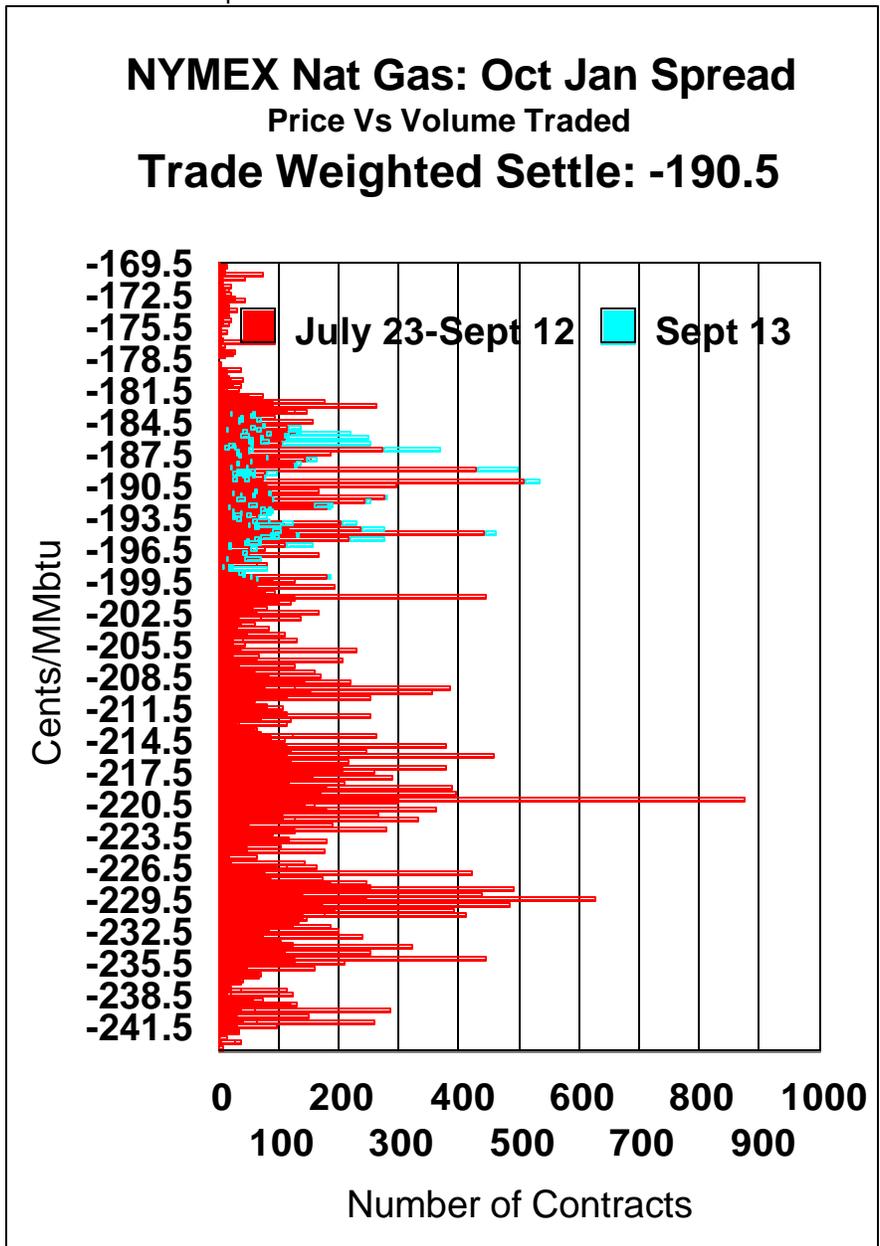
### PIPELINE RESTRICTIONS

Southern Natural Gas Pipeline said that based on the best available information at this time the 20-inch Gate 6 Toca Loop Line is now anticipated to return to service around the end of October. The 20-inch Main Pass Franklinton line was projected to return to service on September 18, but based on pressure restriction issued by the Pipeline and Hazardous Materials Safety Administration the return to service date is now unknown.

Florida Gas Transmission said 90-degree weather is forecasted for Florida for today. Therefore, FGT has issued an Overage Alert Day for FGT's Market Area at 25% tolerance. FGT will not interrupt previously scheduled Market Area ITS-1 service below the elapsed prorated scheduled quantity.

### ELECTRIC MARKET NEWS

Hurricane Humberto knocked power out to over 100,000 customers as it came ashore Thursday morning in Texas. Entergy reported that its electric transmission and distribution system in Louisiana appears to be weathering Tropical Storm Humberto with little serious damage and that only about 6,200 of its customers in the state were without power.



Union Pacific Corp., the no. 1 U.S. railroad, said that it had hauled a record 17.2 million tons of coal from the Powder River Basin in August. The record was thanks to a combination of strong mine production, relatively dry weather and improvements to tracks and service. Despite the improvements, there was still more demand for coal than Union Pacific was able to move.

#### MARKET COMMENTARY

The natural gas market opened weaker ahead of an anticipated injection into storage. The EIA reported that 64 Bcf was injected into the ground, slightly higher than the 62 Bcf street estimates. The market had rallied some 17% in the previous three sessions and with an over bought scenario, coupled with the bearish report, the market came under pressure and remained so for the entire session. October natural gas traded to a low of 6.00 as any hope of bullish news faded. Mild weather for key consuming areas is forecast and with no current threat to energy interests in the Gulf, the spot month finished the session on its lows, settling down 40.9 cents at 6.029.

Calendar spreads, which had shown strength the first part of this week weakened, as total gas in storage stands at 3.069 Tcf, unchanged from the same week last year, but still 260 Bcf or 9%

above the five year average. With this comfortable cushion to meet late summer cooling load or offset any storm-related supply disruptions, upside momentum will continue to be limited. We see resistance at 6.274, 6.49 and 6.627. We see support at 6.00, 5.87, 5.784 and 5.647. We see further support at 5.50 and 5.25.

