



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR SEPTEMBER 17, 2007**

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

This morning the National Hurricane Center noted that tropical activity is possible in the northwestern Caribbean or Eastern Gulf of Mexico by midweek, as an area of unsettled weather moves westward currently near the island of Hispanola. The models differ greatly on how this storm will form, but they all seem to imply that some portion of the Gulf Coast could be at risk from a land falling tropical system this weekend or early next week. An Upper-level low pressure system is forecast to slide southwestward into the Gulf of Mexico and either this upper level low will ventilate the Caribbean and pull the disturbance northward into the Gulf of Mexico from the Caribbean or the upper level low will translate down to the surface and form a tropical cyclone over the Gulf of Mexico on Thursday or Friday. Elsewhere, Tropical Storm Ingrid is dissipating east of the Leeward Islands and redevelopment is not expected during the next couple of days as it moves slowly westward to west-northwestward. The NHC is monitoring another wave in the eastern Atlantic that is currently 1000 miles east of the Lesser Antilles and any developments will be slow to occur as it continues westward at 10 to 15 mph.

ConocoPhillips' Theddlethorpe natural gas terminal in the UK returned to service today, as the company reported that natural gas flows through the terminal had

#### **Generator Problems**

**ERCOT** – American Electric Power's 690 Mw Oklaunion coal-fired power station was shut yesterday to repair a generator leak.

TXU's 545 Mw Sandow #4 coal-fired power unit reduced power yesterday to inspect and repair pollution control equipment.

**NPCC** – Entergy's 852 Mw FitzPatrick nuclear unit had returned to service and was back to 85% of capacity this morning. The unit had been shut on September 12<sup>th</sup> due to debris clogging the water intake.

Constellation Energy's 620 Mw Nine Mile Point #1 nuclear unit dropped to 71% of capacity on Monday. The unit had been at full power on Friday.

Entergy's 506 Mw Vermont Yankee nuclear power unit returned to full power this morning after spending several weeks running at half power.

**MAIN** – Exelon's 867 Mw Dresden #3 nuclear unit dropped to 71% of capacity, off 28% from Friday.

**ECAR** – AEP's 1077 Mw Cook #2 nuclear unit was off line Monday, as operators began a planned refueling outage, that is expected to last five weeks.

**WECC** – pg&e's 404 Mw Helms Pumped Storage hydro unit #2 returned to service on Sunday afternoon.

**SERC** – TVA's 1155 Mw Browns ferry #1 nuclear unit returned to full power. The unit had been running at 73% of capacity on Friday.

Progress Energy's 937 Mw Brunswick #2 nuclear unit returned to full power this morning. The unit on Friday had been running at 74% of power,

Duke Energy's 1129 Mw Catawba #2 nuclear unit was off line Monday morning. The unit had been coasting down last week for its planned 10 week refueling and maintenance outage. The unit had been at 94% of capacity on Friday.

Entergy's 1266 Mw Grand Gulf nuclear power unit exited its recent maintenance outage and was up to 96% of capacity this morning.

**Canada** – OPG's 490 Mw Nanticoke #2 coal-fired power unit shut for short term work.

**The NRC reported that 92,171 Mw of nuclear capacity is on line, up .23% from Friday, and up 4.78% from a year ago.**

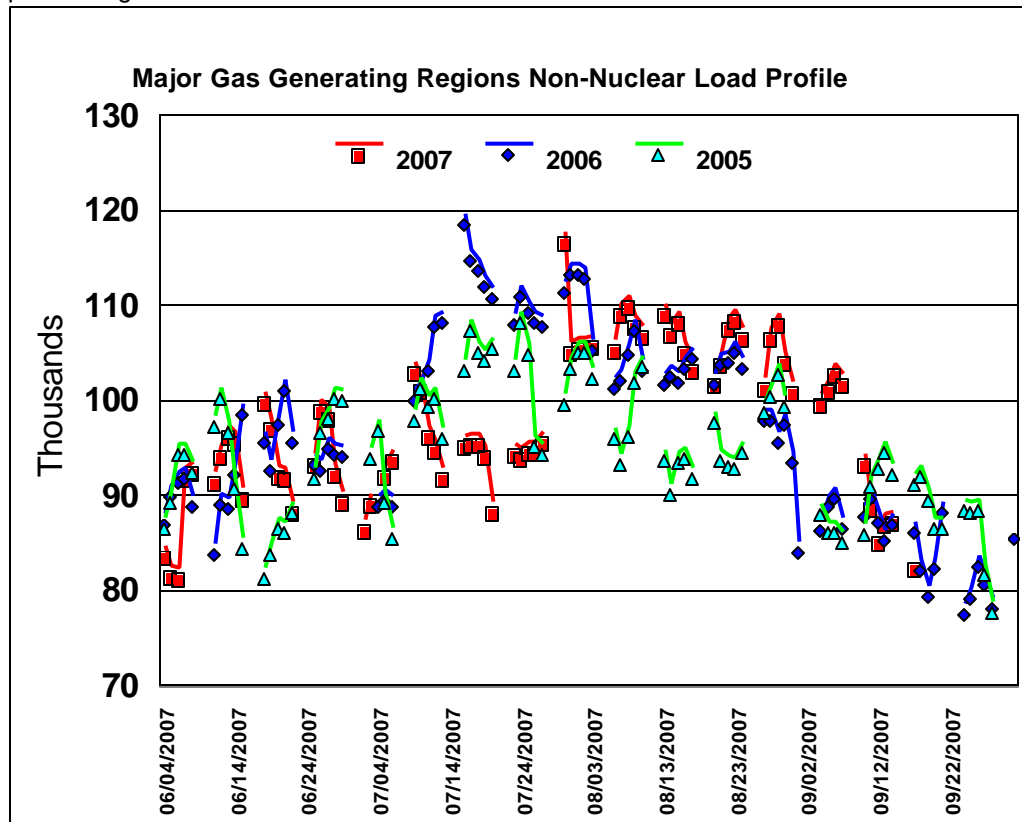
resumed after a two-week maintenance outage. Meanwhile though flows of gas along the BBL pipeline, which were running at 11.2 million cmd on Friday were stopped today for maintenance. The Interconnector Pipeline is due to start up tomorrow after flows along it were halted on September 3<sup>rd</sup>.

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	1,204,800	\$6.379	\$0.150	(\$0.645)	(\$0.064)	(\$0.403)
Chicago City Gate	550,600	\$6.203	\$0.190	(\$0.389)	(\$0.090)	(\$0.141)
NGPL- TX/OK	617,800	\$6.017	\$0.193	(\$0.575)	(\$0.087)	(\$0.335)
SoCal	740,000	\$5.835	\$0.149	(\$0.757)	(\$0.131)	(\$0.409)
PG&E Citygate	669,900	\$6.257	\$0.135	(\$0.335)	(\$0.145)	(\$0.026)
Dominion-South	261,100	\$6.377	\$0.138	(\$0.215)	(\$0.142)	\$0.058
Transco Zone 6	185,200	\$6.662	\$0.140	\$0.070	(\$0.140)	\$0.354

Woodside Petroleum said today that they have begun exporting gas from its Otway LNG project off southeastern Australia. The \$927 million project was originally expected to come on stream in 2006 but was delayed due to construction

delays with the onshore gas plant.

LNG imports to the U.S. in September slipped further last week, as strong demand from the Far East, particularly Japan, continued to attract extra spot supplies. U.S. LNG imports are expected to total about 50 Bcf, down from an earlier estimate of 59 Bcf and 40% below the August total of 87 Bcf. October imports are forecast to come in at about the same level as September. Prices in Japan have recently climbed to \$10.70 as European and U.S. prices languish between \$6 and \$7.



Chestnut Ridge Storage LLC has launched a nonbinding open season for up to 25 bcf of new natural gas storage capacity at the proposed Junction Natural Gas Storage Facility being developed in southwestern Pennsylvania and northern West Virginia.

Raymond James reported that near-record levels of U.S. natural gas in storage have prompted Wall Street analysts to take a more bearish view of that market, with some slashing 2008 earnings estimates for exploration and production companies. Raymond James is

lowering its natural gas price forecast for 2008 to \$7.00 from \$10.00. They also expect an early 2007 winter rally, based on weather-driven demand versus last year.

**PIPELINE MAINTENANCE**

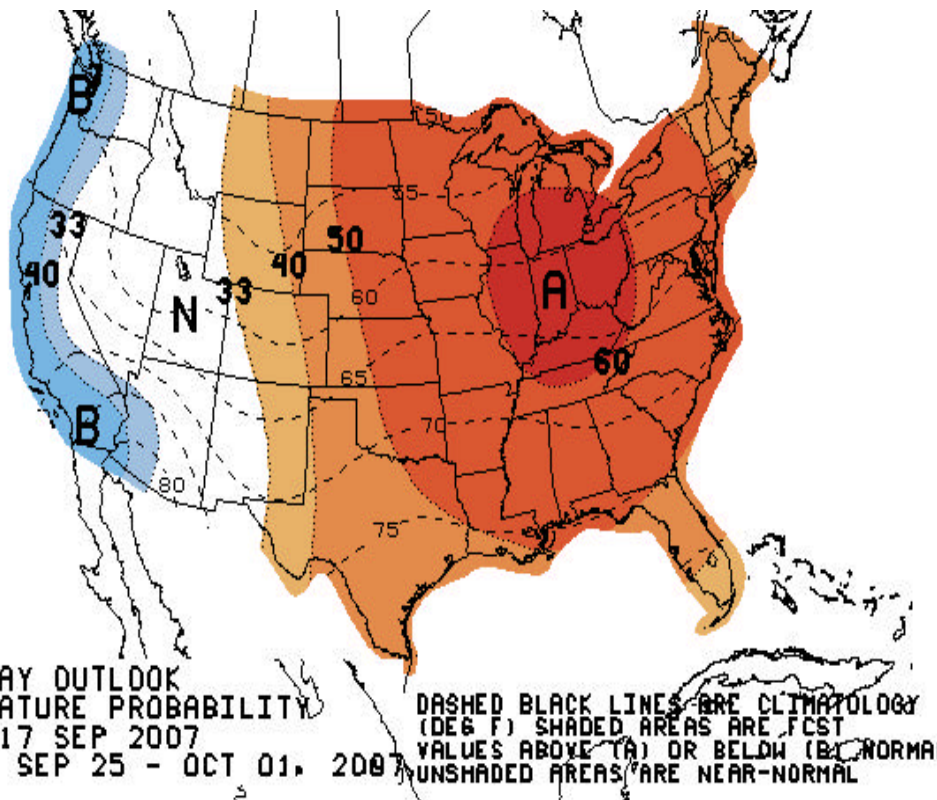
Alliance Pipeline said that the AB31 Karr Meter Station will be unavailable for four hours on September 19 to allow for maintenance to be performed. Station capacity will be lowered to 1642 e3m3 for the day.

National Fuel Gas said that it has scheduled maintenance beginning today with an anticipated shut down time of nine days. Producers are required to cut production of gas by 50% no later than 8:00 am ET.

Sabine Pipeline said that it will undertake Pipeline Integrity Management work on its mainline pipeline system, which will require disruptions in service. In order to facilitate the pigging operations, Sabine will be removing the Gueydan Mainline valve (east of the ANR interconnect) and installing stopple fittings at the east bank Calcasieu River facilities. To minimize the impact to transportation services, Sabine will be installing a pipeline by-pass at both sites. During the installation of the by-pass, Sabine will need to restrict the maximum capacity available for transportation on the Sabine Mainline east of the Calcasieu River and west of the Multifuels/Lake Arthur Interconnect, to the following schedule: September 18-21 – 40,000 dth; September 22-24 – No capacity reduction; September 25-October 1 – 100,000 dth.

**PIPELINE RESTRICTIONS**

Colorado Interstate Gas said it has declared a force majeure due to an outage at its Cheyenne Plains compressor station. Nominations at the Cheyenne Plains delivery points were reduced to zero. Deliveries have been completely cut off on the Wyoming Interstate Company and Colorado Interstate Company gas pipelines.



Northwest Pipeline announced an upcoming unit inspection at the Kemmerer Compressor station. This work was originally scheduled to occur at the end of August but was postponed due to the Green River to Muddy Creek Anomaly. The inspection is scheduled to last six days and will begin September 18 and will be completed on September 23. During the work, the available capacity at the Kemmerer station will be reduced

from 655,000 Dth/d to 619,000 Dth/d.

**ELECTRIC MARKET NEWS**

According to data released by industry information provider Genscape, power generation in the continental U.S. for the week ended September 13 rose 16.42% from the same week a year ago to about 94.36 million Megawatt hour. Power generation is also up 1.57% from the previous week in 2007. This was the first week that Genscape issued the power generation data.

The Texas electricity market has sparked the interest of billionaires Warren Buffet, Bill Gates and Boone Pickens. With futures markets showing the state's electricity prices will rise 24% in a year, Buffet, Gates and Pickens are positioning themselves to profit from the rising electricity prices paid by the 23 million people of Texas. The spot price for electricity in Texas on September 14 was \$65.68 per megawatt hour and the price for delivery a year from now is \$81.25. The cost of power for Texas' industrial consumers was 25% higher than the national average, at 7.83 cents a Kwh in the first six months of 2007, compared with 6.25 cents nationally. For residential customers, the average was 12.4 cents, 19% higher than the U.S. average of 10.41 cents. Buffet has proposed building 1,000 miles of high-voltage transmission lines to distribute electricity from the nation's largest collection of wind farms. Pickens' Mesa Power is planning a \$10 billion 4,000 Mw wind farm in the Texas Panhandle. Gates' Cascade investment vehicle is building and acquiring power assets in Texas and other Southwest States.

#### **MARKET COMMENTARY**

The natural gas market continued its short covering rally, supported by a firm crude oil market, a few tropical waves and some light storage fears. October natural gas broke through last week's highs, besting resistance at 6.50 and extending another 20 cents to a high of 6.68. The October contract settled up 37.4 cents at 6.653.

Calendar spreads continued their tightening as the market prepares for perhaps another below average injection and the likelihood of stocks to fall below last year's levels. Market players now have to eye the possibilities of just how large a potential deficit could become with winter still months away. Current estimates are for a build of 65 Bcf, below the five-year average of 85 Bcf and below the 95 Bcf injected for the same week last year. However, stocks remain on pace to reach the so-called comfort zone of 3.1 Tcf this week, and likely near 3.2 Tcf in the following report. A careful eye remains on the tropics as the second half of the hurricane season threatens to offer more activity than the first half. With nuclear reactors preparing to enter maintenance and refueling season, any early autumn heat will add further demand on natural gas, limiting the amount that can be put into storage. The 814 day temperature forecast calls for above average temperatures in the eastern third of the country, just another reason for shorts to cover their positions. We see resistance at 6.785, 6.884, 7.00 and 7.261. We see support at 6.30-6.35, 6.25, 6.16 and 6.046. We see further support at 5.93 and 5.37.