



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR SEPTEMBER 18, 2007**

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

The National Hurricane Center reported that tropical activity is possible in a couple of days in the Gulf of Mexico. A large area of cloudiness and thunderstorms extends from the east coast of Florida eastward for a few hundred miles over the western Atlantic and Bahamas and has the potential for subtropical or tropical cyclone formation over the next couple of days as it moves westward over Florida into the eastern Gulf of Mexico. The system is associated with an upper level low over Florida and a tropical wave over the northwestern Bahamas. This system has been labeled Invest 93-L. Track models show the system moving into the Gulf of Mexico and making landfall along the Louisiana Coast. Elsewhere, the NHC continues to monitor the remnants of Ingrid, though redevelopment is unlikely the next couple of days, once it passes the wind shear that tore it apart, some models suggest that it can intensify. Also, a tropical wave 700 miles east of the Lesser Antilles is moving westward at 10 to 15 mph though development is expected to be slow.

The chief executive of EOG Resources said the company has cut natural gas production in the Rocky Mountains in September due to low prices. Spot prices in the Rocky Mountains have been trading under \$1.00. About 50 MMcf a day has been curtailed.

Statoil reported that the world's first LNG plant in the Arctic will start producing LNG this week from the Snoehvit field. Early today, the first tanker to take gas from the field docked at the plant. Statoil said it was still unclear whether the first LNG shipment of 140,000 tonnes would go to Spain or the United States.

Mexico's CFE Federal Electricity Commission awarded Spain's Repsol a contract to supply LNG to a new Pacific coast terminal in Manzanillo.

While they may not agree on the specifics, three of the four sitting commissioners on the U.S. CFTC believe exempt commercial markets like Atlanta-based Intercontinental Exchange require some regulatory oversight.

A unit of Williams announced today it is holding a non-binding open season from September 18 to October 31, for an expansion project designed to provide increased capacity on its Transco natural gas pipeline system to serve markets in the southeastern U.S. Williams' proposed 85 North Expansion project will offer shippers the opportunity to subscribe to incremental year-round firm

#### **Generator Problems**

**ERCOT** – TXU's 750 Mw Martin #1 coal-fired power unit shut to repair tube leaks.

AEP's 675 Mw Pirkey coal-fired power station shut to work on the boiler. The unit is expected to return to service September 21.

**NPCC** – Constellation Energy's 565 Mw Nine Mile Point #1 nuclear unit remains at a reduced level of 72% power as follow-up work is done on the feedwater heater system. Nine Mile Point #2 remains at full power.

Entergy's 825 Mw FitzPatrick nuclear unit has returned to full power.

New York Power Authority's 264 Mw Blenheim-Gilboa #1 pumped storage hydro power station shut for maintenance.

**MAIN** – Exelon's 912 Mw Dresden #3 nuclear unit increased power to 99% capacity. The unit was at 71% power yesterday. Dresden #2 is operating at 98% power.

**SERC** – Entergy's 1,207 Mw Grand Gulf #1 nuclear unit reduced output to 74%. Yesterday, the unit was operating at 96%.

**WSCC** – Energy Northwest's 1,200 Mw Columbia Generating station reduced output to 85% power. Yesterday, the unit was operating at 94% power.

**The NRC reported that 92,129 Mw of nuclear capacity is on line, down .05% from Monday, and up 3.41% from a year ago.**

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	1,516,100	\$6.420	\$0.040	(\$0.454)	\$0.191	(\$0.466)
Chicago City Gate	528,000	\$6.083	(\$0.120)	(\$0.334)	\$0.055	(\$0.228)
NGPL- TX/OK	563,600	\$5.913	(\$0.104)	(\$0.504)	\$0.071	(\$0.417)
SoCal	693,500	\$5.757	(\$0.079)	(\$0.660)	\$0.096	(\$0.539)
PG&E Citygate	697,700	\$6.231	(\$0.026)	(\$0.186)	\$0.149	(\$0.113)
Dominion-South	231,000	\$6.329	(\$0.048)	(\$0.088)	\$0.127	(\$0.023)
Transco Zone 6	180,500	\$6.630	(\$0.032)	\$0.213	\$0.143	\$0.274

transportation service from Transco's Station 85 pool in Choctaw County, Alabama to delivery points upstream of the North Carolina and Virginia border.

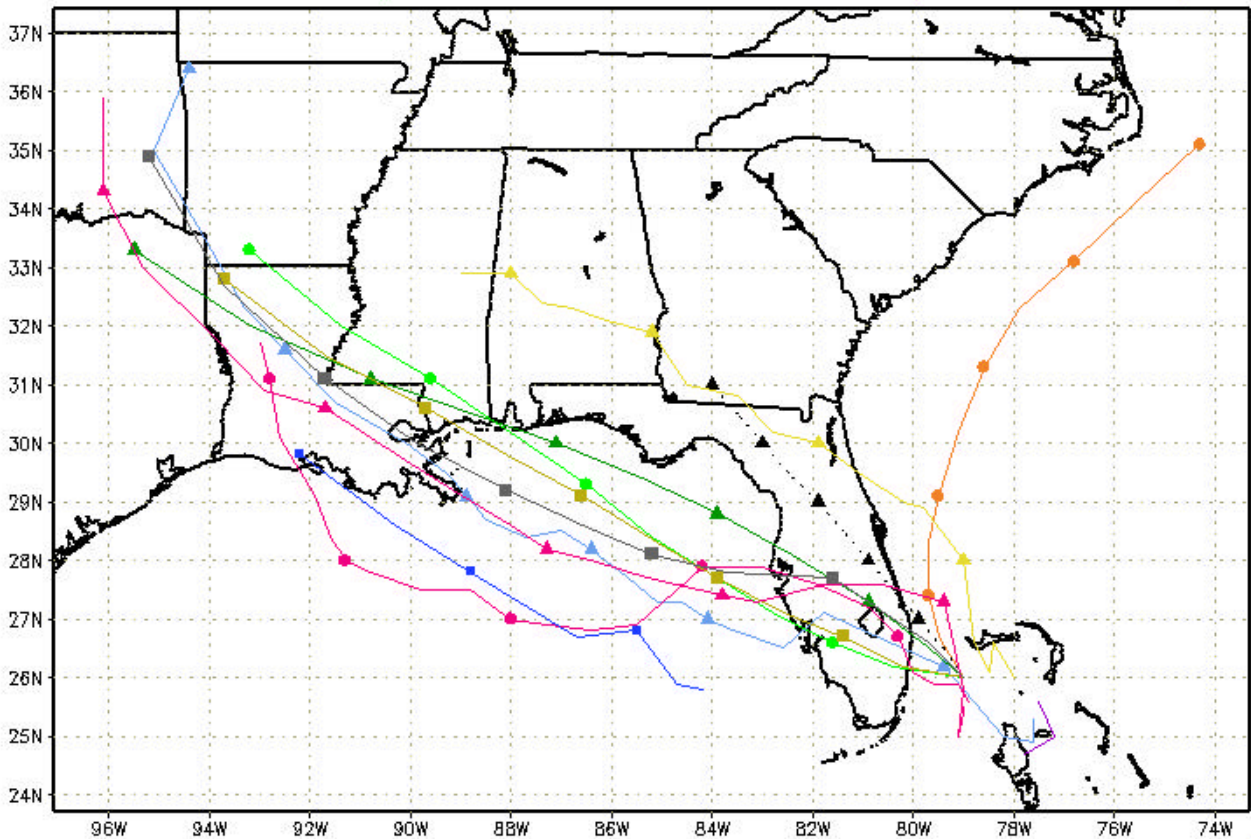
**PIPELINE MAINTENANCE**

Questar Pipeline

Company said that Questar Southern Trails will be performing required maintenance on each of its four compressor station which will reduce capacity. On gas day October 2, capacity will remain 80,000 Dth/d but no deliveries to SoCal MAP 302 will be accepted in cycles 1, 2 and 3. Deliveries will be accepted to SoCal MAP 302 in cycle 4. On gas days October 4, 9 and 11, capacity will be reduced to 60,000 Dth/d in cycles 1, 2 and 3, all delivery points will be available and capacity will return to 80,000 Dth/d in cycle 4.

Transcontinental Gas Pipe Line said it will be performing unanticipated maintenance at its Compressor Station 70 in Tylertown, Mississippi beginning October 1. This maintenance, in conjunction with high storage inventory levels at its Washington Storage field, will significantly limit Transco's upstream flexibility.

- XTRP 18/1800Z    ▲ BAMD 18/1800Z    ▲ GFDL 18/1200Z    ▲ AVNO 18/1200Z    ▲ CMC 18/1200Z
- CONU 18/1800Z    ■ BAMB 18/1800Z    ■ UKM 18/1200Z    ■ AEMN 18/1200Z    ■ LGEM 18/1800Z
- NHC Not Avail    ● BAMS 18/1800Z    ● NGPS Not Avail    ● HWRF 18/1200Z    ● CLP5 18/1800Z



Williston Basin Interstate Pipeline Company said that line corrosion was detected during a mainline inspection of the red line on Line Section 22. Also this week, planned maintenance will be performed at the Little Beaver Compressor Station on September 19. At this time, Williston Basin does not anticipate any restrictions to the system.

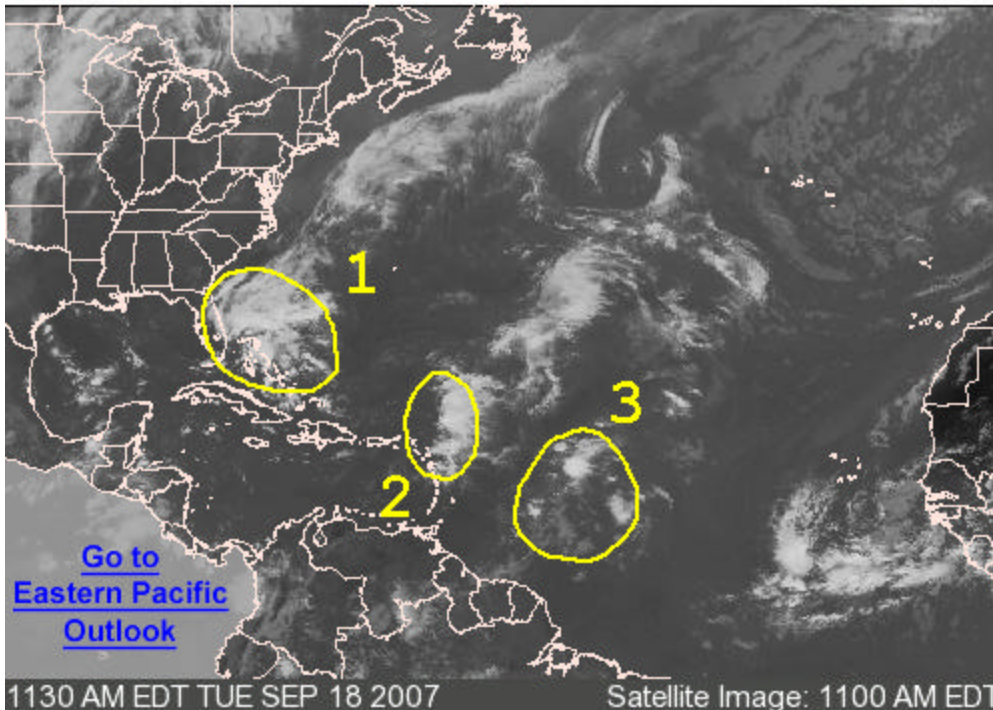
## **PIPELINE RESTRICTIONS**

Northwest Pipeline said it is performing a unit inspection at the Kemmerer Compressor on September 18-23. Primary firm nomination requests through the Kemmerer Compressor have exceeded the available capacity of 619,000 Dth/d. Therefore, Northwest has called a Declared Deficiency Period beginning gas day September 18. Based on the design capacity of 655,000 Dth/d, the Daily Deficiency Volume is 36,000 Dth. The Deficiency

Period is expected to last through the end of gas day September 23.



## **Experimental Graphical Tropical Weather Outlook**



## **ELECTRIC MARKET NEWS**

American Electric Power said it formed a joint venture with MidAmerican Energy Holding to build and own electric transmission facilities in North America. The joint venture, Electric Transmission America, will be a 50-50 partnership to invest in transmission outside Texas' ERCOT region. The two companies already have a joint venture agreement to build transmission in ERCOT.

Genscape reported that U.S. coal supplies rose last week as mild

temperatures in the East undercut power plant demand for the fourth consecutive week. U.S. power generators had nearly 141.9 million tons of coal as of the week ending September 17, up more than 2.1 million tons from the previous week. Power stations have 52 days of average coal burn, up one from the previous week and they had 11 days more average coal burn than they had during the same week last year.

Great River Energy, a Minnesota electric co-op, has withdrawn from a consortium that planned to build a coal-fired power plant in South Dakota, citing escalating costs, environmental implications and changing power demand.

An executive pitching nuclear power for Alberta raised the specter of a grab on the Canadian province's oil wealth, saying such a plant could prevent cash flowing to Ottawa in the form of carbon taxes. Energy Alberta wants to build a C\$2 billion Candu plant in the Peace River area of northwestern Alberta. The 2,200 Mw project would be Western Canada's first nuclear facility.

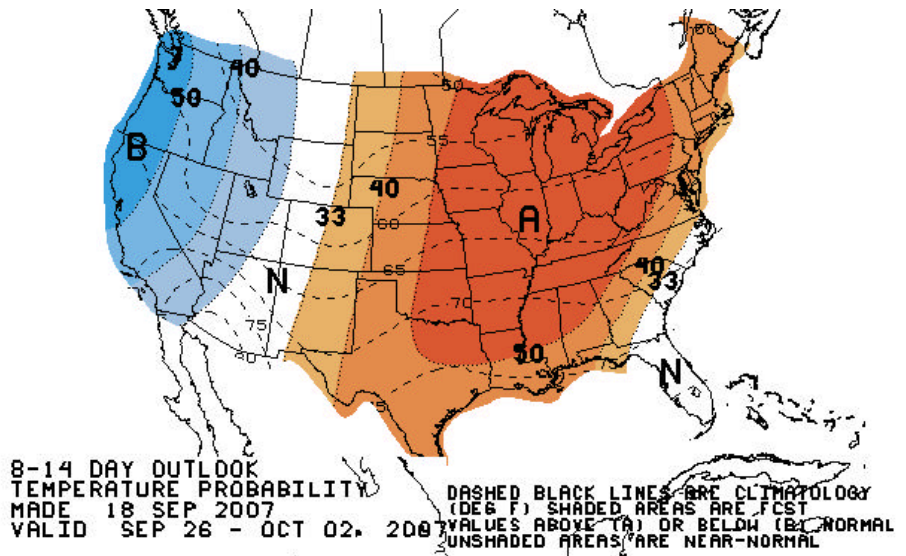
Jo-Carrol Energy announced today its plan to build an 80 Mw biomass-fueled, renewable energy center on approximately 60 acres immediately south of the Danisco plant on Illinois State Route 84 between Savanna and Thomson. The project would be the first of its kind in the state of Illinois. The plant will be fueled by various types of renewable biomass, such as clean waste wood, corn stover and switchgrass. The projected cost of the facility is approximately \$140 million.

California has formed a public-private partnership called the Renewable Energy Transmission Initiative to consider the feasibility of building new transmission lines to access renewable generation.



## **MARKET COMMENTARY**

The natural gas market was lower in early trading as the AM forecast showed a weakening threat to the Gulf of Mexico energy interests. Following Monday's steep rise, profit taking pressured the market down to an intraday low of 6.168. However, the noon weather models showed that the disturbance on the east coast of Florida would move across the peninsula and into the Gulf, where conditions are favorable for development. Models suggest that the system will make land fall somewhere on the Louisiana coast though they are uncertain of the degree of intensity the system will have. October futures rebounded in the second half of the session to trade, but failed to return to positive territory. The front month contract settled down 8.5 cents at 6.568.



Natural gas continues to swing widely through the day as uncertainty in the tropics trumps other market indicators. Above average temperatures creeping across the Midwest and into the northeast have kept cash prices elevated and with those temperatures forecast through the rest of September, that support should remain. The forecast also suggests that injections may continue to be below average and that supplies will now have a deficit compared to a year ago. We see resistance at 6.785, 6.884, 7.00 and 7.20. We see support at 6.50, 6.30-6.35, 6.20 and 6.00. We see further support at 5.947 and 5.725.