



## ***ENERGY RISK MANAGEMENT***

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

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

The National Hurricane Center at midday reported that Tropical Depression 4 had formed in the far eastern Atlantic Ocean some 2,000 miles east of the Lesser Antilles. The Center expected the system to reach tropical storm status within the next 24 hours and within 5 days reach a Category 2 hurricane. But the long-range weather models leave open the risk to the U.S. coastline from Brownsville, Texas all the way to the North Carolina coast, if in fact the storm does develop into a hurricane by week's end. The NHC also noted that a broad area of low pressure has finally formed in the southeastern Gulf of Mexico about 90 miles north-northeast of Cancun. Landfall for this system is expected somewhere between Texas and Mexico over the next few days.

Gas flow through the subsea pipeline linking Britain with Belgium switched flow direction this morning to now import the fuel to the U.K.

The Rhode Island's Department of Environmental Management denied Weaver Cover Energy LLC request for a permit and water quality certificate to dredge approximately 230,000 cubic yards of the navigation channel in Mount Hope Bay. Dredging is needed in order to allow tankers to reach the company's proposed LNG terminal at Fall River, MA..

#### **Generator Problems**

**NPCC** – OPG's 515 Mw Pickering #5 nuclear unit returned to service Monday.

**PJM** – Exelon's 619 Mw Oyster Creek nuclear power plant returned to full power Monday following completion of repairs on a steam line. The unit was only at 70% of capacity on Friday.

Dominion's Mount Storm coal fired power plant saw a generator powered down on Friday and has been running at reduced levels since.

**FPCC** – FPL's 1678 Mw St. Lucie nuclear power plant was operating at reduced power as a result of algae and seagrass that is clogging the plant's filtering system. The operating level at Unit #1 was at 76% capacity. The sister unit, Unit #2 was still at full power.

**ERCOT** – Luminant Energy's 565 mw coal fired unit #2 at the Monticello power plant was being restarted today. The unit tripped off line on August 12<sup>th</sup>.

**SPP** – AEP's coal fired Unit #3 at the Welsh power plant was taken off line Saturday and is not expected back in service until late Wednesday, August 15<sup>th</sup>.

**WECC** – the 1087 Mw Diablo Canyon #1 nuclear unit was shut over the weekend. The unit was operating at 95% power on Friday.

**SERC** – Southern's 883 Mw Hatch #2 nuclear unit returned to full power this morning. The unit had been at only 34% of capacity following repairs to a condensate feedwater system on Friday.

TVA's 1065 Mw Browns Ferry #1 nuclear unit was restarting this morning following a trip over the weekend due to a malfunction in a monitoring unit in the plant's recirculation system.

**The NRC reported that 96,053 Mw of nuclear capacity is on line, down 1.64% from Friday, and off 0.05% from a year ago.**

The Indonesian government reportedly will cut its LNG export allocation from the Arun plant by 12 cargoes annually during 2008-2010, in order to meet growing local demand for natural gas. ExxonMobil, which runs the facility though said it, has not received any formal decision from the government concerning exports of LNG during the period. The Arun facility currently has a LNG export commitment of 40-50 cargoes to Japan and South

Korea in 2008. Further cuts for exports from Arun is possible of up to seven additional cargoes given the recent gas production shortfall from the rapidly depleting field.

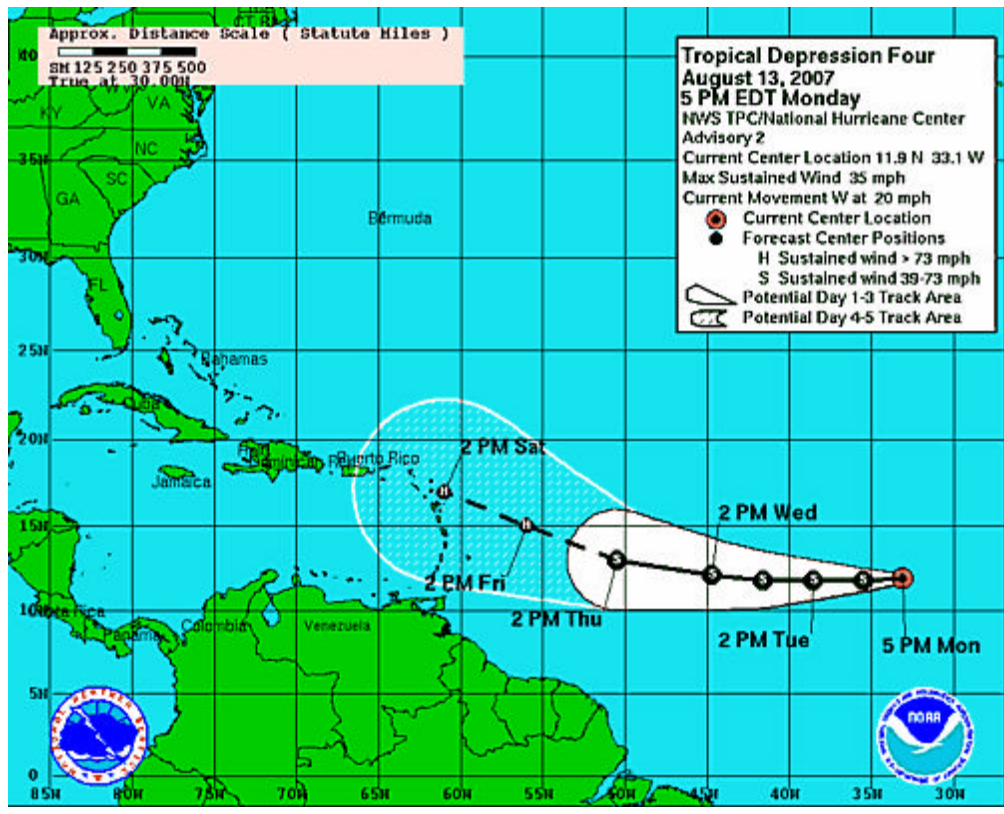
### **PIPELINE RESTRICTIONS**

FGT again declared today as an Overage Alert Day for its market area with a 25% tolerance.

### **PIPELINE MAINTENANCE**

Northern Natural Gas said over the weekend that a leak was discovered near Matagorda Island 686 C. All receipt locations and delivery locations in the area will be shut down until further notice and as a result has declared a Force Majeure on the MOPS.

Gulf South Pipeline said that maintenance at the Bistineau Compressor Station #3 unit originally set to begin today has been delayed due to extension of work on Unit #4. Current work on unit #4 has been slated to last through August 31<sup>st</sup> after which time work on Unit #3 will begin. Capacity through the Bistineau Compressor Station on storage injections could be reduced by as much 100,000 Dth during maintenance. Storage withdrawal will not be affected during the maintenance on Unit #3.



CIG said late Friday that it was forced to declare a Force Majeure event as a result of the loss of compression capacity at its Mocane Compressor Station in Beaver County, OK As a result of an oil leak at a turbocharger, one compressor unit remains out of service and capacity has been reduced by 20 Mmcf/d through the middle of this week.

ANR Pipeline said that it has begun engine maintenance at its Bridgman Compressor Station which will result in capacity reductions of 100-130 MMcf/d for the next two days.

Southern Natural Gas said it has identified an interim solution that will allow approximately 300,000 Dth/d of Main Pass area volumes to flow into the 26" inch line. This 300,000 Dth/d is incremental to the volumes outlined earlier. It hoped to have the solution in place by late Monday.

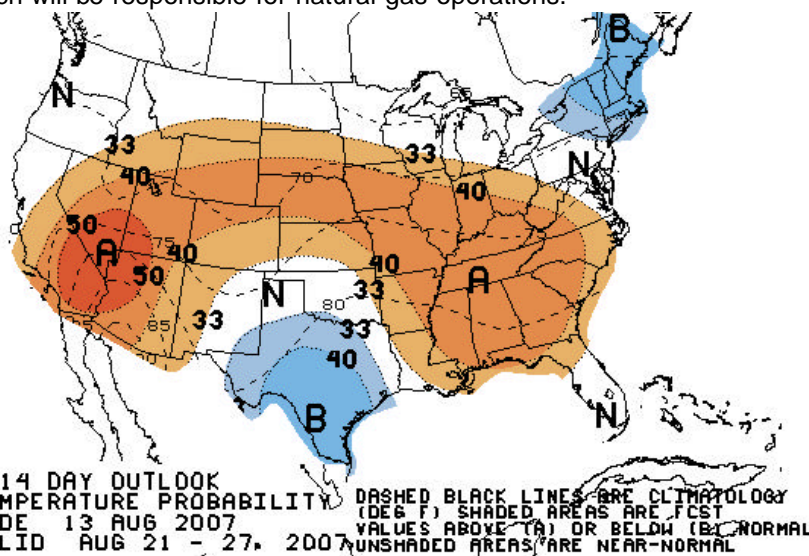
### **ELECTRIC MARKET NEWS**

ERCOT reported that it expects power demand could reach 65,800 Mw e in the afternoon as high temperatures boost air conditioning demand. This would shatter the prior peak demand record of 62,339 Mw set in August of last year.

Dominion Resources said on Monday that it will change its business units to reflect the company's strategic shift and the sale of most of its natural gas assets. The new operating business units will be Dominion Virginia Power, which will be responsible for all regulated electric distribution and transmission operations in Virginia and North

Carolina Dominion Generation, which will be responsible for the company's 26500 Mw of regulated and merchant power generation and Dominion Energy, which will be responsible for natural gas operations.

TXU Corporation said today that it expects to split its current business into three stand-alone businesses if its \$32 billion buyout by a group of investors is not completed. It warned that the market, legislative and regulatory challenges are undermining the integrated business model. A shareholder vote is scheduled for September 7<sup>th</sup>, at which a two-thirds majority is required to go ahead with its proposed sale to a group led by private equity firm's lead by KKR and Texas Pacific Group.



San Diego Gas & Electric is seeking approval from the California Public Utilities Commission to purchase the 480 Mw El Dorado power plant from Sempra Energy for \$189 million.

**MARKET COMMENTARY**

The natural gas market opened with follow through buying as concerns of the season's first tropical threat heightened. September natural gas traded through \$7.00 in early morning trading as the threat spurred continued short covering. Open interest reduced by 13,572 contracts on Friday and over 43,000 contracts last week as the market rose near 12%, led by funds covering near record short exposure. Strength in the cash market today added further support to the market, which traded to a high of 7.127 an hour into the open outcry session. The National Hurricane Center named the tropical wave off the coast of Africa Tropical Depression 4 with the potential to develop into a hurricane by week's end as it approaches the Leeward Islands and the Eastern Caribbean. However, with the close of the cash market, profit taking on the day's rally ultimately pressured the market, and a slight northwardly shift to the trajectory of Tropical Depression 4 sapped the momentum out of the bullish move. September natural gas traded back below 7.00 and into negative territory

before settling down 2.6 cents near the lows at \$6.794.

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	822,500	\$7.152	\$0.583	\$0.038	\$0.543	(\$0.169)
Chicago City Gate	329,100	\$7.022	\$0.584	\$0.154	\$0.496	(\$0.017)
NGPL- TX/OK	851,800	\$6.788	\$0.569	(\$0.081)	\$0.481	(\$0.262)
SoCal	1,111,000	\$6.449	\$0.657	(\$0.419)	\$0.569	(\$0.594)
PG&E Citygate	583,300	\$6.740	\$0.630	(\$0.128)	\$0.542	(\$0.314)
Dominion-South	343,200	\$7.483	\$0.621	\$0.615	\$0.533	\$0.473
Transco Zone 6	353,400	\$7.821	\$0.525	\$0.953	\$0.437	\$0.885

Weather headlines will continue to drive the natural gas market as the slightest shift in trajectory or intensity in Tropical Depression 4 or any subsequent wave will dictate the direction of

the market. Storage fundamentals continue to weigh on the market as expectations for this week's injection range from a 20 Bcf build to 40 Bcf. Carryout expectations continue to call for a record amount leaving the market well supplied for the peak winter season. Technically, the market has made a 50% retracement since the middle of June, trading above 7.041, but its inability to close above that weakens the bull's call. We see support at 6.624, 6.60, 6.45-6.47 and 6.21. We see resistance at 7.041, 7.127, 7.25, 7.32 and 7.38.

