



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
Karen Palladino & Zachariah Yurch  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

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### **POWER MARKET REPORT FOR DECEMBER 11, 2007**

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

The EIA Short-Term Energy Outlook for December 2007 said that total natural gas consumption is expected to increase by 5.0% in 2007, largely driven by increases in the residential, commercial, and electric power sectors that occurred earlier this year. The projected return to near-normal weather in 2008 is expected to increase total consumption by 1.1%. Total U.S. marketed natural gas production is expected to rise by 2.1% in 2007 and by 1.6% in 2008. Imports of LNG are expected to reach about 790 Bcf in 2007, a 35% increase over 2006, and about 940 Bcf in 2008, a 19% increase over 2007. The Henry Hub spot price averaged \$7.31 in November, \$.37 more than the average in October. Despite high storage levels and the relatively moderate winter weather thus far, the onset of seasonal natural gas demand for space heating has caused a steady increase in the monthly average spot price since September. Spot prices are projected to reach a winter peak of \$8.22 in January 2008. On an annual basis, the Henry Hub spot price is expected to average about \$7.21 in 2007 and \$7.78 in 2008. Last month, the EIA had projected the Henry Hub spot price to average about \$7.30 in 2007 and \$8.01 in 2008.

#### **Generator Problems**

**ECAR** – First Energy's 1,260 Mw Perry nuclear unit ramped up to 65% power today. Yesterday, the unit was operating at 19% power.

**NPCC** – Entergy's 670 Mw Pilgrim nuclear unit shut from full power for short-term planned work

**The NRC reported that 93,111 Mw of nuclear capacity is online, unchanged from Monday, and up 3.66% from a year ago.**

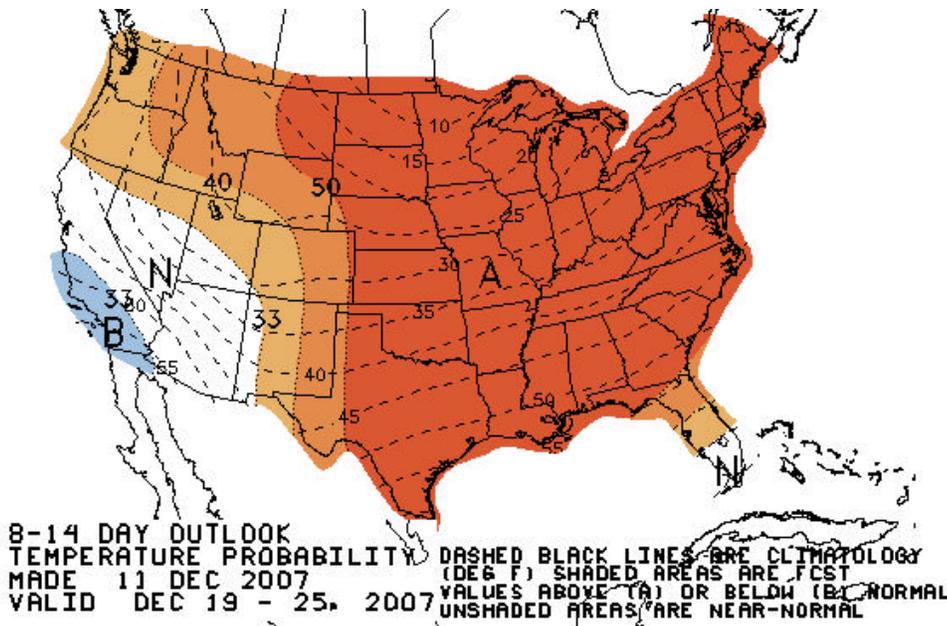
Natural gas originating in Texas and flowing to other states via interstate pipelines increased to a record high 10 Bcf/d last weekend (Dec. 8-9), mostly because of the surging output from the Barnett Shale and East Texas producing basins, according to a report by Golden, CO-based energy consultant Bentek LLC. Texas gas exports jumped 26% compared with the same period a year ago.

El Paso Pipeline Partners announced an expansion of its Wyoming Interstate Company Piceance Basin lateral pipeline to transport growing natural gas supplies from producing areas in Colorado. The \$62 million project provides 230 MMcf/d of new capacity through installation of an additional 25,300 horsepower of compression at the WIC Greasewood Compressor Station in western Colorado and at a new Midpoint Compressor Station in northwestern Colorado. Initially, 50 MMcf/d of new capacity will be in service by the fourth quarter of 2008 and the remainder by the fourth quarter 2009.

NYMEX announced that it will expand the listing of consecutive contract months for its natural gas, natural gas swap, and natural gas penultimate swap futures contracts to the current year plus the next 12 years through December 2020. The contracts are currently listed for the current year plus five additional years.

Subtropical storm Olga will weaken into a depression over the next 24 hours after moving inland over the Dominican Republic. After leaving Haiti Wednesday morning, the storm will remain a depression with wind speeds under 39 miles per hour and move west across the northern Caribbean toward Belize and the Yucatan Peninsula in Mexico over the next five days.

The U.S. Coast Guard has reaffirmed an October finding that the waterway approach to Weaver's Cove Energy's proposed LNG terminal in Fall River, Massachusetts, is unsuitable for LNG tanker traffic.



Japanese LNG buyers are in the final stages of talks with Australia's North West Shelf sellers to review prices for term contracts expiring in March 2009. The talks are part of the routine five-yearly price review between the Woodside Petroleum-operated North West Shelf LNG joint venture and its eight Japanese term customers who are contracted to import a combined 7.33 million mt/year over August 1989 to March 2009.

**PIPELINE MAINTENANCE**

TransColorado Gas Transmission said that the

capacity of the maintenance at the Whitewater and Dolores Compressor Stations has been increased for Segment 220 from 340 MMcf/d to 350 MMcf/d and Segment 240 from 390 MMcf/d to 400 MMcf/d. KMITG will be performing maintenance at its Whitewater and Dolores Compressor Stations on gas day December 12. Capacity through Segment 220 will be limited to 350 MMcf/d and capacity through Segment 240 will be limited to 350 MMcf/d. At this level of scheduled quantities, AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled. These projects are anticipated to last 24 hours. Intraday 2 cycle increases will not be scheduled for this maintenance.

Williston Basin Interstate Pipeline Company said that unplanned maintenance will be performed at the Manning Compressor Station. Maximum capacity at Manning will be approximately 125 MMcf/d for gas days December 12-13.

Williams Cos. unit Transcontinental Gas Pipeline Corp. said maintenance work on its natural gas pipeline system in Louisiana would take place January 8-10, shutting in several receipt points upstream of its station 44 in Johnson's Bayou, Louisiana. Affected volumes will be approximately 350 MMcf/d of production and will include gas received on the North High Island lateral and the West Cameron lateral.

Enbridge Offshore Pipelines said that the Barracuda Plant will be performing maintenance on the meter tube between Stingray and Barracuda December 11 and 12. The company requires nominations to reflect zero flow from Stingray into Barracuda for those two days.

**ELECTRIC MARKET NEWS**

Genscape reported that U.S. coal supplies declined last week despite high rail shipments because of cold weather, and days of burn fell to 57. U.S. power generators had more than 158.2 million tons of coal as of the week ending Monday, down 1.025 million tons or .66% from the previous week. Power stations had in stockpiles 16.04% more coal than during the same 2006-week, down from a surplus of 16.7% in last week's report.

The head of the International Energy Agency said power companies around the world would need to build some 30 nuclear plants a year between 2013 and 2030, as well as use other clean or renewable technologies, to meet growing demand and achieve emissions cuts. The aim is to achieve a 50% cut in emissions from 1990 levels by 2050.

Exelon Nuclear, the nation's largest nuclear operator, has signed a multi-billion dollar order with GE Hitachi Nuclear Energy for large forgings and component fabrication for two next-generation ESBWR nuclear reactors, should the company decide to build a new nuclear power plant in Texas.

An explosion at a power plant in Mexico City left millions of people without electricity, but authorities ruled out sabotage. The head of the local power company said the explosion was caused by a short circuit at the plant's substation.

#### **MARKET COMMENTARY**

The natural gas market spiked higher this morning amid the ice storm that is ravaging the Midwest as well as another winter storm possibly entering the Midwest and Northeast over the upcoming weekend. The January contract traded to a high of 7.238, where the market bears came in and offered the market lower, as long term fundamentals remain weak. The market pulled back by midday yet maintained the 7.00, trading to a low of 6.933. The remainder of the session the market strolled higher with crude oil, as market players short covered. The January contract settled up 5.3 cents at 7.085, but continued in after hour trading to 7.12.

With the market expecting its first 3-digit storage draw, and firm cash prices given the current cold temperatures, the 7.00 level continues to hold. However, looking at the longer-term forecast with basically the entire nation with above normal temperatures, the downside remains vulnerable. We see support at 7.00, 6.963, 6.855, 6.80 and 6.64. We see resistance at 7.2 –7.25, 7.345, 7.50 and 8.00.