



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR NOVEMBER 30, 2007**

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

The 2007 Atlantic Basin Hurricane Season officially ends today. This year churned out an above average number of names and met the average in most other regards, it just didn't meet pre-season expectations, which made it two years in a row that all the major forecasters overshot their projections. Total shut-in natural gas production as a result of storms this year totaled just over 8 Bcf, which just 0.29% of the total natural gas produced in the Gulf.

StatoilHydro reported that it has temporarily shut down the Ormen Lange gas field in the Norwegian Sea Friday. While the company declined to comment on the cause of the problem, Norwegian media was reporting that a minor gas leak was the cause and that the field would probably restart on Sunday. The field began production in October and eventually is expected to produce up to 20% of Britain's gas needs. The company also said its Snoehvit field and its LNG complex on the Barents Sea would resume production in the second half of December. Originally the company had expected production to resume in the first half of the month as repairs of a seawater leakage problem have taken longer than expected.

County officials closed the record Monday and set Dec. 13 for a vote on NorthernStar Natural Gas' proposed Bradwood Landing liquefied natural gas (LNG) terminal along the Columbia River in Oregon. The company has until Monday, Dec. 3, to add its final rebuttal to opposition to its request for a zoning change to allow the building of the facility.

ConocoPhillips intends to submit a proposal for the long-sought natural gas pipeline to move Alaska's abundant supplies to markets in Canada and the Lower 48. Any other applicants will be known by late today when the state releases the names of all companies submitting applications under the Alaska Gasline Inducement Act (AGIA). The proposal calls for building a \$30 Billion 4 Bcf/d natural gas pipeline from Alaska's North North Slope region. ConocoPhillips said plans to build to pipeline were contingent on Alaska establishing a long-term fiscal framework under which natural gas producers can operate.

While some interim service on the huge Rockies Express natural gas pipeline in the western U.S. could still begin December 15, full in-service on the line may not be available until early February 2008, about a month behind schedule. Kinder Morgan Energy Partners said that due to the large number of tie-ins yet to be completed between the ANR and Panhandle Eastern pipelines, it was estimated full in-service on REX-West may not be available until February.

Gazprom may bring in Total to help it tap a large gas field in Russia's south. The statement comes as another confirmation of Total's growing position in Russia, where it had long been seen as an underdog due to its lengthy disputes with state authorities over a small Siberian deposit. Gazprom and Total will team up on the Astrakhan field, one of Russia's 10 biggest with potential reserves of 2.5 trillion cubic meters under the Russian classification, enough to supply Europe for one year.

#### **Generator Problems**

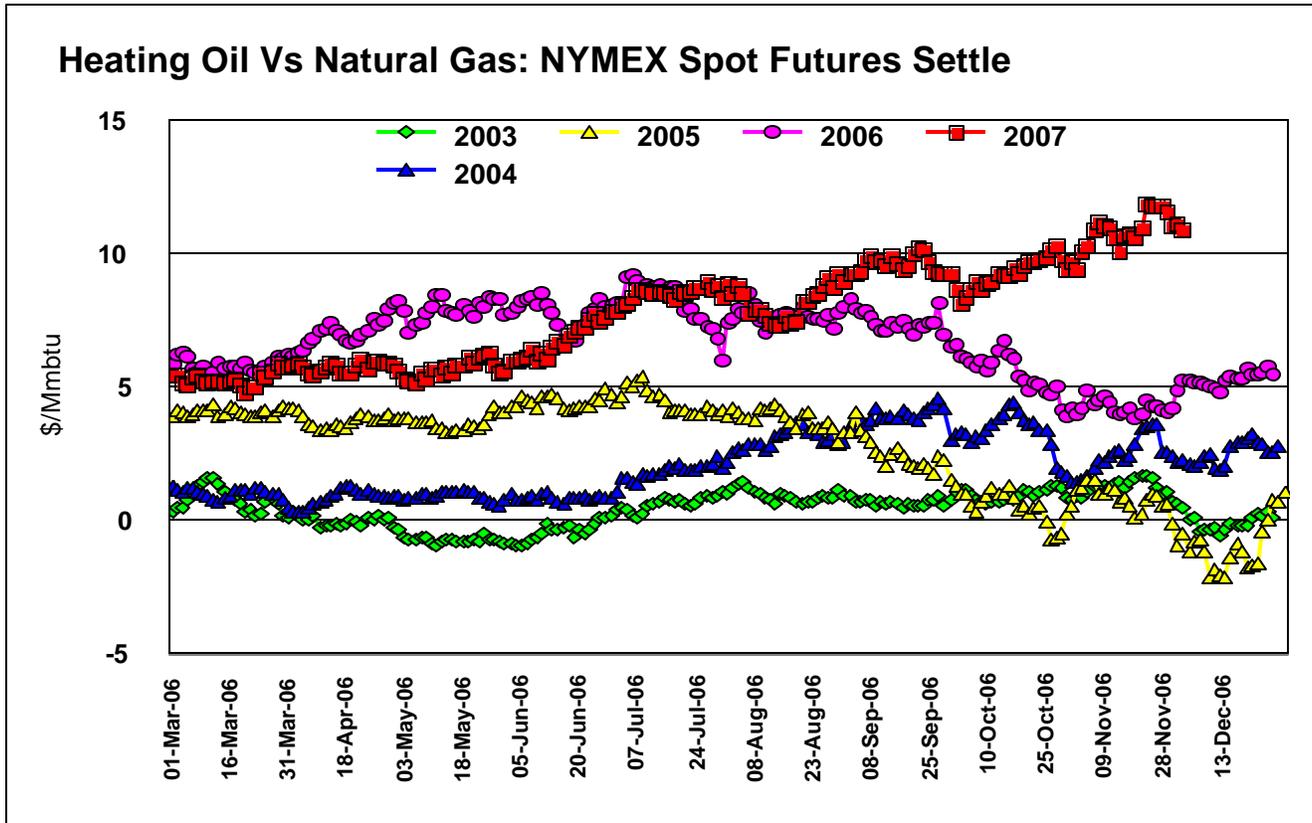
**SERC** – TVA's 1,100 Mw Browns Ferry #3 nuclear unit decreased output to 40% today. Yesterday, the unit was operating at full power. Browns Ferry #1 and #2 remain at full power.

**The NRC reported that 89,515 Mw of nuclear capacity is online, down .60% from Thursday, and up .82% from a year ago.**



two new 1,350 Mw reactors proposed for the South Texas Project site near Bay City. NRG plans call for South Texas Project Unit #3 to be online in 2014 and STP #4 in 2015 at an approximate cost of \$6 billion.

As estimated by the EIA from data on railroad car loadings, U.S. coal production totaled approximately 21.4 million short tons during the week ended November 24. This production estimate is 6% lower than in last week's estimate, and about the same as the estimate reported for the comparable week in 2006. Production east of the Mississippi River totaled 8.3 mmst, and production west of the Mississippi River totaled 13.1 mmst.



As a result of the continuing dry conditions in the Tennessee Valley, TVA's hydroelectric generation remains significantly below normal for the first few months of the 2008 fiscal year. Yearly rainfall amounts in the Valley have been below normal for the past four fiscal years and decreasing each year, with the 2007 rainfall at 33% below normal. As a result, TVA's power generation from hydroelectric plants was 24% below normal in 2007 and 66% below normal so far in this fiscal year, which began October 1.

**MARKET COMMENTARY**

The natural gas market started the session in slightly positive territory, supported by the cash market as cold temperatures blanket some key consuming regions. However, by midday, the market hit a downturn driven by the weakened crude oil market and a more moderate temperature outlook seen for later in December. The January contract plunged to a new low of 7.276. The market did not make any significant bounce, and settled the week down 15 cents at 7.302.

With some weather forecasters calling for temperatures moving back to seasonal or even above normal temperatures later next week and possibly remaining in place for several days or longer, thus forcing many to revise storage withdrawal outlooks for the coming month. We feel that the market will continue to probe the downside, testing initially the 7.25 level as the market searches for fundamental support. Open interest yesterday surged over 15,000 lots elevating total open contracts to 813,414 lots, though still about 100,000 lots less than last year at this time. The April 2008 contract saw open interest rise 5,540 lots. The Commitment of Traders report showed that non-commercial traders reduced their net short futures position by 1,805 lots to

73,859 contracts, while in the combined futures and options report they increased their net short position by 2,186 lots to 89,977 contracts. We see support at 7.25, 7.155, 7.069, 7.00 and 6.86. We see resistance at 7.50, 7.657, 7.75 and 8.00.