



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR DECEMBER 4, 2007**

---

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

The sweeping energy legislation that the House is expected to take up as soon as Wednesday will not fare well with the oil and natural gas industry. Democrats have incorporated a proposal to strip producers of billions of dollars in benefits.

Williams announced today that it has filed an application with the FERC to construct an expansion on its Transco natural gas pipeline system to serve markets in the northeastern United States. The Sentinel expansion is designed to increase Transco's firm transportation capacity by 142 MMcf/d. Phase 1 of the expansion will provide 40 MMcf/d by a target date of November 1, 2008, while Phase 2 will provide 102 MMcf/d by a target date of November 1, 2009. The proposal requires adding or replacing approximately 18 miles of pipe at various locations in Pennsylvania and New Jersey, in addition to compressor facility modification at Transco Station 195 in Delta, Pennsylvania.

#### **Generator Problems**

**SERC** – Dominion Resources' 800 Mw Surry #1 nuclear unit increased production to full capacity. The unit restarted over the weekend and was operating at 75% power yesterday. Surry #2 continues to operate at full power.

**WSCC** – PG&E's 1,100 Mw Diablo Canyon #2 nuclear unit reduced output to 52% power. Yesterday, the unit was operating at full power. Diablo Canyon #1 was reduced to 90% power from full capacity. The reason for the reduction was high ocean swells.

**The NRC reported that 90,782 Mw of nuclear capacity is online, up .37% from Monday, and up 1.08% from a year ago.**

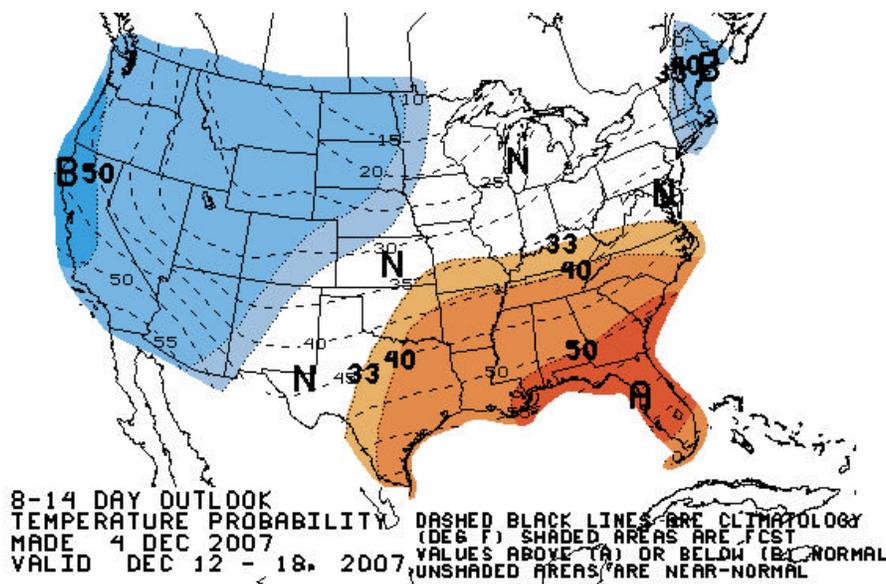
An ExxonMobil Corp. executive said that the LNG growth boom in the industry that has been driven by soaring demand, is at risk due to a sharp surge in costs to develop LNG projects. Exxon projects global demand for LNG to double by 2010 and quadruple by 2020, but a surge in project costs, largely in the past few years, could put the brakes on the bonanza for gas producers. CERA estimates that project costs had risen by 80% since 2000.

Gazprom may get all of Yakutia large gas fields, which belong to the state, after the government decided to qualify those fields as strategic deposits. The government said it had identified 31 strategic gas fields across the country that will be developed for Russia's energy security and will be off-limits for development by foreign firms.

Ukraine has agreed to raise payments for Russian gas by 38% in 2008, Russian gas export monopoly Gazprom said today in a deal likely to remove the threat of supply disruptions to Europe. But in a sign of potential trouble, Ukraine's possible future prime minister, Yulia Tymoshenko, denounced the deal as a "brainless policy" of using intermediaries. The deal had been made with Ukraine's energy minister, Yuri Boiko, and the price of gas would rise to \$179.5 per 1,000 cubic meters from \$130 this year. Boiko is a member of the outgoing Ukrainian cabinet.

#### **PIPELINE MAINTENANCE**

Gulf South Pipeline said that it began unscheduled maintenance on Clarence Compressor Station Unit #2 beginning immediately and continuing through December 5. Capacity through the Clarence Compressor Station could be reduced by as much as 100 MMcf/d. Gulf South also said that maintenance on Index 130 in Rankin and Madison Counties, Mississippi has been postponed. The company anticipates revised dates to be determined by the end of this week. The Index 130 project is set for pipeline between MP 248.96 and MP 260.71 in north of the Jackson Compressor Station. Pipeline capacity will be reduced by as much as 300 MMcf/d during the maintenance period.



Northwest Pipeline said that in conjunction with Enterprise's work at the outlet of their Pioneer Plant, Northwest Pipeline will be working on the upgrade to the Frontier receipt meter station December 5-6. During this work, Enterprise will not deliver any gas to Northwest Pipeline at the Frontier receipt point. Effective December 7, the Frontier receipt meter station will be back in service and be able to receive gas from the Enterprise Pioneer Plant.

TransColorado Gas Transmission said that maintenance at the RedVale Compressor Station has been delayed until further notice. The project was originally slated to

begin today.

Williston Basin Interstate Pipeline Company said that planned maintenance will be performed at the Saco Compressor Station through today. Maximum capacity will be approximately 22.5 MMcf/d.

### **PIPELINE RESTRICTIONS**

Columbia Gas Transmission Corp. said that Wednesday would be deemed a "critical day" for natural gas shippers in its Eastern U.S. market areas as cold weather lingered in the region. Based on forecasts, available facilities and capacity utilization, all available capacity would be needed in order to meet firm service obligations, therefore zero non-firm capacity is available.

Northwest Pipeline Company said that effective gas day December 5 and until further notice, the company is issuing a Recall Advisory and invoking its OFO provisions. Primary volumes scheduled north through the Plymouth South Constraint Point of approximately 631 MMcf/d currently exceed the design capacity of 550 MMcf/d and Northwest's physical capacity, which is currently averaging approximately 590 MMcf/d. As a result, Northwest is no longer able to mitigate these high volumes using its limited storage flexibility. Under the Recall Advisory, Northwest hereby requests shippers immediately recall capacity that is subject to OFO recall provisions to the extent they have OFO exposure south through the Plymouth South Constraint Point.

### **ELECTRIC MARKET NEWS**

The coalition of states supporting Illinois' bid to secure the federal FutureGen clean coal project grew yesterday as West Virginia and Michigan added their names to the list. In addition, the more than 20,000 members of the United Mine Workers of America also announced their support for FutureGen in Illinois.

Luminant, a subsidiary of Energy Future Holdings, announced it has applied for membership in the FutureGen Alliance. EFH was formerly known as TXU Corp. before its acquisition by Kohlberg Kravis Roberts and Co., Texas Pacific Group and other investors last month.

Genscape reported that U.S. coal supplies recorded a small gain last week amid larger regional shifts and an increase in days of burn to 58. U.S. power generators had more than 159.2 million tons of coal as of the week ending December 3, up 752,076 tons or 0.47% from the previous week. Power stations had stockpiled 16.7% more coal than they had during the same week in 2006, down from a surplus of 16.9% in last week's report.

### **MARKET COMMENTARY**

The natural gas market showed some early strength, trading in positive territory to a high of 7.279, as some increased heating demand boosted cash prices across the country. However, the market came under pressure with the open of NYMEX, as fundamentals are weak. The January contract slid down the charts to a low of 7.069 before midday. Similar to yesterday, the market pared some of its losses, clawing back to the 7.15 level to settle down 5.9 cents at 7.155.

With little in the form of below average temperatures in the 11-15 day forecast, this market has little reason to move higher. However, after six losing sessions and the price declining 7.35%, the market is due for a corrective bounce, and with this week's inventory report looking for a draw of between 60-95 Bcf, we feel natural gas will find some support in the near term. We see support at 7.05, 7.00, 6.955, 6.84 and 6.80. We see resistance at 7.26, 7.375, 7.47-7.50, 7.644 and 7.787.

