



## ENERGY RISK MANAGEMENT

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### POWER MARKET REPORT FOR DECEMBER 17, 2007

#### NATURAL GAS MARKET NEWS

A proposed liquefied natural gas (LNG) receiving terminal near the mouth of the Columbia River in Oregon has completed navigation and docking simulation studies for three different sized tankers, Oregon LNG said Monday. The simulations were done by the Pacific Marine Institute in Seattle, and Oregon LNG said they demonstrate the company's proposed site can accommodate all three tanker sizes.

An Omaha, NE-based storage developer filed an application at FERC Friday to build the Junction Natural Gas Storage Facility near Uniontown in southwestern Pennsylvania and northern West Virginia.

FERC late Friday issued a certificate for Guardian Pipeline to expand its system to meet growing demand for natural gas in eastern Wisconsin, which currently is served by only the constrained ANR Pipeline. Guardian's proposed G-II Expansion Project involves the construction and operation of 119.2 miles of 12- to 30- inch diameter pipeline from Ixonia, Wisconsin to Green Bay, Wisconsin to provide up to 437 MMcf/d of new firm capacity. The project would also add 78,000 horsepower of compression, seven new meter stations, and other related facilities along Guardian's existing G-I system to transport an additional 537 MMcf/d of gas from Joliet, Illinois, to Ixonia, Wisconsin.

#### Generator Problems

**ERCOT** – NRG Energy's 868 Mw Limestone #2 coal-fired power station is restarting December 16-18 following work on a transformer.

TXU's 1,150 Mw Comanche Peak #1 ramped up to full power this morning. On Friday, the unit was operating at 70% power. Comanche Peak #2 continues to operate at full power.

**NPCC** – Dominion Resources' 882 Mw Millstone #2 nuclear unit returned to full power today after reducing output over the weekend due to high winds and high tides. Millstone #3 continues to operate at full power.

**SERC** – Entergy Nuclear's 966 Mw River Bend power unit increased production to 98% power.

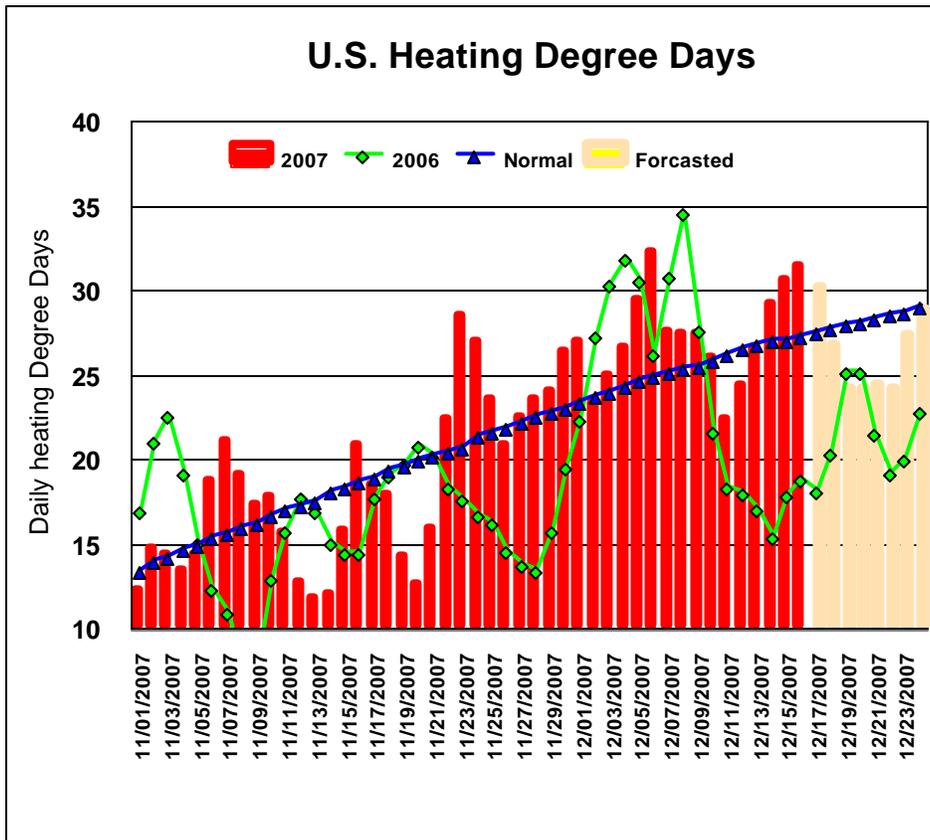
**Canada** – Ontario Power Generation's 490 Mw Nanticoke #1 and #4 coal-fired power units returned to service today.

**The NRC reported that 93,863 Mw of nuclear capacity is online, up .11% from Friday, and up 2.22% 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	1,207,000	\$7.063	(\$0.031)	\$0.066	\$0.286	\$0.187
Chicago City Gate	891,000	\$7.184	(\$0.006)	\$0.187	\$0.009	\$0.198
NGPL- TX/OK	818,400	\$6.652	(\$0.075)	(\$0.345)	(\$0.060)	(\$0.342)
SoCal	1,006,700	\$6.900	\$0.005	(\$0.097)	\$0.020	(\$0.152)
PG&E Citygate	541,100	\$7.141	(\$0.056)	\$0.144	(\$0.041)	\$0.158
Dominion-South	324,400	\$7.716	(\$0.143)	\$0.719	(\$0.128)	\$0.672
Transco Zone 6	96,400	\$21.417	\$2.043	\$14.420	\$2.058	\$9.842

Qatari gas producer Qatargas said it would supply Mexico's Total Gas & Power with 700,000 tonnes of LNG per year beginning in 2009, for power generation. Qatar Liquefied Gas Co. II would supply the gas to Mexico's Altamira Terminal.

Lawyers for Brian Hunter, Amaranth Advisor's former top natural gas trader, said The U.S. FERC has no case against their battered client because all of his trades were legally executed and did not inject false information into the marketplace.



**PIPELINE MAINTENANCE**

Alliance Pipeline said that scheduled maintenance will require Unit #1 at the Carson Creek Meter/Compressor Station to be unavailable for 10 hours on December 18. Station capacity will be reduced to 342 e3m3 for this gas day. Inspections require the Irma Compression Station to be offline for eight hours starting at 9:00 AM Tuesday. System Throughput (AOS) will be impacted for the gas day of December 18. Also, minor maintenance requires Unit #1 at the Whitecourt Meter/Compressor station to be offline for 10 hours on December 19. Station capacity has been lowered to 626 e3m3 for December 19.

Northern Natural Gas Company said that it has experienced a force majeure situation at the Northrup

compressor station. The dehydration system is currently not operational requiring the station to be shut-in until repairs are made. Northern anticipates the repairs will be completed by the end of December 20 gas day, however, further notice will be posted if this situation is expected to extend. Starting during the Intraday 1 cycle of December 15, capacity was reduced to zero.

**PIPELINE RESTRICTIONS**

Florida Gas Transmission issued a warning to natural gas shippers on its pipeline system due to cold weather forecast for North and Central Florida overnight. The company issued an overage alert at 25% tolerance; meaning shippers must stay within 25% of scheduled volumes in order to maintain system integrity.

El Paso Natural Gas Company said this morning that the current probability of declaring a Strained Operating Condition (SOC) or Critical Operating Condition (COC) has been set to high. This declaration is per a Low Line Pack condition.

**ELECTRIC MARKET NEWS**

Genscape reported that power generation in the continental U.S. in the week ended December 13 was up less than 1% from the week before. Electricity output was 0.78% more than the previous week and 0.73% more than the same week a year ago.

Florida Power & Light needs additional state and federal approval before expanding electric output by 400 Mw at its two Florida nuclear power stations to keep pace with growing demand for power. The Unit of FPL Group crossed its first hurdle last week, obtaining a green light for the \$1.5 billion upgrade from the Florida Public Service Commission after a hearing that attracted little opposition. The state's largest utility plans to add about 100 Mw at each of four reactors in the state. Next, the utility will make filings with a state environmental agency,

the governor's cabinet and the U.S. NRC. Approval could come in early 2011. Installation of new equipment and control systems would begin in 2012 and be completed by 2013.

**MARKET COMMENTARY**

The natural gas market showed early weakness in overnight trading, as prices slipped below 7.00 to an early morning low of 6.914. With cash prices around the Midwest and Northeast trading above futures, the market was supported, moving back above 7.00 to an intra day high of 7.10 in the first hour of the session. With the daily range established, the rest of the session was a sideways pattern on either side of the 7.00 level. The January contract settled up a penny at 7.035 on light volume.

Open interest increased by 11,024 contracts as of Friday, suggesting that more shorts have entered the market given the glut of supply and the above normal temperatures that are forecast through February. Strong support has formed at the 7.00 level after several attempts to breach it have been thwarted by near term weather. At the current storage situation, rallies in this market are to be sold and the larger risk is to the downside. We see resistance at 7.207, 7.25, 7.314, 7.58-7.60 and 8.00. We see support at 7.00, 6.90, 6.80, 6.64 and 6.50-6.47.

**FROM DEC. 5 TO DEC. 16  
Snowpack increases to cover  
nearly 60% of the lower 48**

*Extent of snow on ground*

Dec. 5:  
**24.9%**  
**of U.S.**



Sunday:  
**58.1%**  
**of U.S.**

