



## ***ENERGY RISK MANAGEMENT***

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### **POWER MARKET REPORT FOR JANUARY 20, 2009**

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

The National Weather Service forecast that US heating demand this week is expected to average 3.8% below normal as cold weather in the eastern part of the country will moderate before a mass of cold air moves into the northern part of the country from Canada. Demand for heating oil is expected to be about 1.5% below normal this week while demand for natural gas is expected to average 4.1% above normal.

#### **Generator Problems**

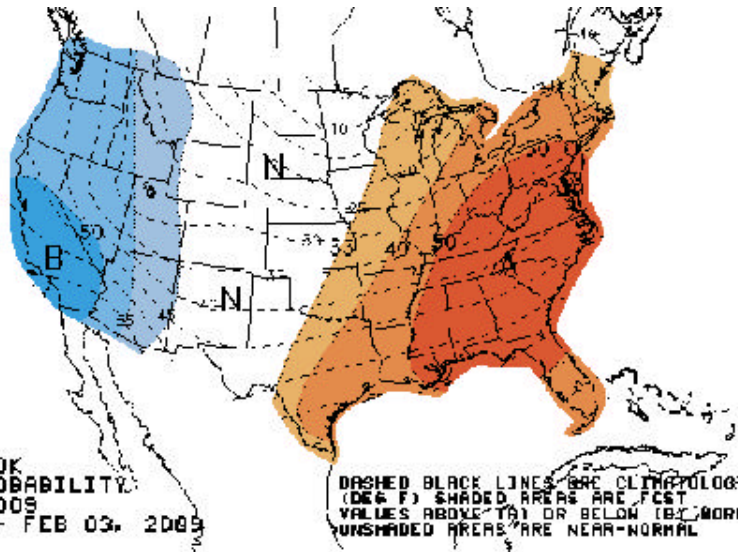
NPCC – Exelon's 1,112 Mw Peach Bottom 3 nuclear unit is operating at a reduced 75% capacity on Tuesday, down from full power.

US liquefied natural gas imports reached an average of 1.45 billion cubic feet/day for the week beginning on January 12. It is the highest level since September 2007. The year to date daily flow average is 1.2 bcf/d, up from 0.9 bcf/d for the whole of 2008.

Gas supplies to Europe through the Ukraine have resumed after disputes over debts between Russian gas export monopoly, Gazprom and Ukraine had been resolved. Confidence though has been harmed due to the lengthy row between the two countries. Ukrainian President, Viktor Yushchenko, termed the deal "less favorable" than a deal negotiated in late 2008. He did not elaborate as to the differences. Fees for the transit of Russian gas through Ukraine to Europe will rise in 2010 to \$2.5 per 1,000 cubic meters per 100 kilometers. The European Union's energy commissioner, Andris Piebalgs said on Tuesday that the deal between the Ukraine and Russia was "comprehensive and is a huge step forward." Piebalgs said that the agreement guarantees that there are no misreadings, misunderstandings or issues that usually arouse a lot of suspicion. This agreement provides for direct contact between Naftogaz and Gazprom. Under the new agreement, Ukrainian Prime Minister Yulia Tymoshenko said the domestic consumers would pay a fixed 2009 price of 422.880 per 1,000 cubic meters of gas imported from Russia. The price will not be revised every quarter and will stay the same through out the year, starting January 1, 2009. Meanwhile, Jose Manuel Barroso, European Commission President, has called for the European Union to reduce its dependency on Russian gas. Barroso was quoted as saying, "I'm not judging intentions. I'm not qualifying the motives. But there is an objective fact; gas from Russia is not coming to the European Unity.

Istvan Kutas, spokesman of gas wholesaler E. On, in Hungary, said that Hungary expects to receive 10 million cubic meters of Russian gas via Ukraine on Tuesday based on notification from Russia's Gazprom.

Germany, which has 46 underground gas storage units does not need to build up a state reserve, according to Hildegard Mueller, BDEW's managing director. These storage units can hold up to 20 billion cubic meters or a quarter of annual consumption. Mueller added that 15 more such sites are planned or under construction.



According to data from storage operators, gas storage levels in Italy fell by 11.5% to 55% of capacity in the week ending January 19<sup>th</sup>. Gas levels in France also fell by 5% to 53% of capacity while gas levels in Germany fell by 2.5% to 56.5% of capacity.

Final authorization has been received for Italian power group Enel SpA to begin

construction on its liquefied natural gas terminal in Sicily. Construction is expected to take between 40–50 months to complete. Enel will use Nigerian gas already in its portfolio and is also looking to close contracts with countries like Algeria, Egypt, Qatar and the Arab Emirates.

Operations at Yemen's first liquefied natural gas plant will be delayed by several months. The \$4 billion Yemen LNG plant was originally scheduled for completion in late 2008 and first LNG shipments in January but is running behind schedule due to technical difficulties and labor and supplier issues. According to a company spokesman, completion of the plant's first train is due to start up at the end of the first quarter or in the beginning of the second quarter.

The Iranian oil minister has announced that gas deliveries to Turkey have been halted in order to repair a unit used to pressurize the flow of gas. The resumption of gas flow is expected to take up to 24 hours. Iran delivers about 12 – 15 million cubic meters of gas per day to Turkey.

A US district court has granted a temporary restraining order blocking the US Interior Department from finalizing the sales of controversial oil and gas energy exploration leases in Utah following a lawsuit by environmental groups. The groups, including the National Resources Defense Council and the Sierra Club, filed a lawsuit last month with the US District Court for the District of Columbia, are contesting the department's December lease sale of 100,000 acres of Utah land.

### **PIPELINE MAINTENANCE**

Alliance Pipeline said a routine inspection will require unit# 1 at the Whitecourt Lateral Meter/Compressor Station to be unavailable for eight hours on Wednesday. Station capacity will be reduced to 660 e3m3.

Trunkline Gas Co said the outage on the 100-2 Line downstream of Joppa Station between Gate Valve 106-2 and 108-2 has been postponed.

PG&E California Gas Transmission said that its Kettleman compressor K-2 is still experiencing an unplanned outage and will remain out of service through Friday. The compressor was originally expected to return to service on January 16. Due to the outage, Baja path capacity will be limited to 905 mmcf/d.

TransColorado Gas Transmission Co LLC will perform maintenance at its Whitewater Compressor Station on Wednesday. Capacity through Segment 220 will be limited to 382,000 Dth and capacity through Segment 240 will be limited to 412,000 Dth. AOR/IT, secondary and primary FT quantities are at risk of not being fully scheduled. It will also perform maintenance at its Redvale Compressor Station on gas day Wednesday, February 11. Capacity through Segment 230 will be limited to 362,000 Dth/d and capacity through Segment 240 will be limited to 412,000 Dth/d. It will perform maintenance at its Mancos Compressor Station on Wednesday, February 18<sup>th</sup>. Capacity through Segment 230 will be limited to 365,000 Dth/d and capacity through Segment 240 will be limited to 415,000 Dth/d. It will also perform maintenance at its Dolores Compressor Station on gas day Wednesday, February 25<sup>th</sup>. Capacity through Segment 230 will be limited to 355,000 Dth/d and capacity through Segment 240 will be limited to 405,000 Dth/d.

Northwest Pipeline experienced a mechanical failure at the Willard compressor station. During the repairs, available capacity at the station will be reduced to 500,000 Dth/d.

Alliance Pipeline said that minor maintenance will require the Morinville Compressor Station to be offline for three hours on Thursday.

Rockies Express Pipeline will perform quarterly maintenance on its Wamsutter Echo Springs booster station on Tuesday and Wednesday, February 3 and 4. Available capacity at the Wamsutter Echo Springs receipt point will be limited to 65,000 Dth/d each day. AOR/IT, Secondary in-path, Secondary out-of-path and Primary quantities are at risk of not being fully scheduled.

Sea Robin Pipeline Co said it will restart its repair work immediately for the EC 195 and EC 334 segment. Sea Robin anticipates completing the repairs and returning the West Leg to service by March 6.

### **PIPELINE RESTRICTIONS**

Northern Natural Gas co declared an operational flow order for Carlton Resolution Obligation starting Tuesday until further notice. It is flowing at 50% of capacity.

Natural Gas Pipeline Co said Columbia Gulf Pecan Lake is at capacity for deliveries. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled.

Florida Gas Transmission notified customers that it may potentially issue an Overage Alert Day on one of the upcoming gas days due to forecasted cold weather in Florida. If an Overage Alert Day is issued, FGT believes there is a low probability for the need to interrupt previously scheduled Market Area ITS-1 service.

Natural Gas Pipeline Co is at capacity for gas going southbound through Segment 16 located in Atoka County, Oklahoma. Therefore, ITS/AOR and Secondary out-of-path Firm transports are at risk of not being fully scheduled.

### **MARKET COMMENTARY**

The natural gas market continued to trade lower as the comfortable supplies and concerns that a slowing economy will lower demand have limited the market's ability to rally despite the recent strong residential heating demand. The market remained pressured, as weather forecasts are calling for milder temperatures in the next 8-14 days. The natural gas market breached its downward trending channel support at \$4.663 as it sold off to a low of \$4.57 in overnight trading on Globex. Early in the open outcry session, the market bounced off that level and rallied to a high of \$4.775. However the market's gains remained limited as it erased some of its gains and settled in a mostly sideways trading range during the rest of the session. It settled down 15.9 cents at \$4.642.

The natural gas market is seen remaining pressured amid the mild weather forecasts. We still see the market testing the \$4.50-\$4.00 level. It is seen finding support at \$4.637, \$4.57, \$4.55, \$4.457 and \$4.345. Resistance is seen at \$4.755, \$4.755, \$4.867 and \$4.96.