



## ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,  
& Karen Palladino

(212) 624-1132 (888) 885-6100

[www.e-windham.com](http://www.e-windham.com)

### NATURAL GAS & POWER MARKET REPORT FOR JANUARY 29, 2010

#### NATURAL GAS MARKET NEWS

Baker Hughes reported today that it estimates the number of natural gas drilling rigs looking for natural gas in the United States jumped by 28 rigs to a 10-½ month high of 861.

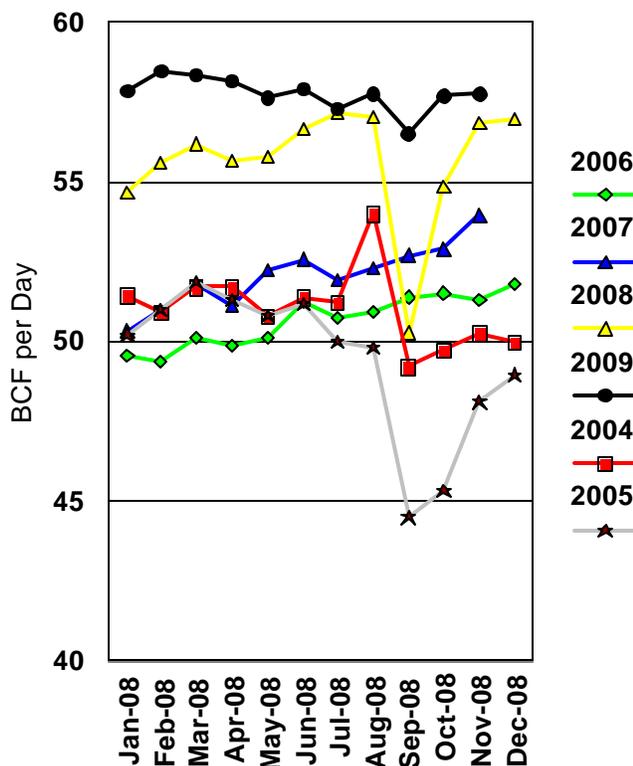
The EIA released their Natural Gas Monthly today. It showed that for November the agency estimated that U.S. domestic natural gas production averaged 57.8 bcf/d, up 0.2% from

#### Generator Problems

CalISO reported this afternoon that 10,350 Mw of generating capacity was offline today. This was down 9.5% from yesterday and some 182% less than the same time a year ago. Some 49.2% of this off line generation today was non gas fired generation, vs 56% a year ago.

The NRC reported today that 95,678 Mw of nuclear generation was on line this morning, basically unchanged from yesterday and up some 1.9% from the same time a year ago.

#### U.S Natural Gas Production



October and some 1.6% higher than the same month a year ago. Net imports were estimated at 6.2 bcf/d up 3.3% from October helped for the most part in by the jump in LNG imports by 40.3% to 1.22 bcf/d on the month. Consumption was estimated at 58.7 bcf/d some 5.2% less than November 2008. All four major consuming sectors were down in November from a year ago. Residential and commercial demand was off 12.2% and 5.1% respectively from a year ago, while industrial and power sectors saw demand contract by 2.6% and 2.4% respectively.

TransCanada and ExxonMobil today raised their cost estimates for their proposed natural gas pipeline to move Alaskan natural gas to the Lower 48 States. The companies estimated the 1700-mile line would cost between \$32-\$41 billion, up from a previous estimate of \$26 billion. The companies outlined that if a smaller option was chosen, that of building a natural gas line from the North Slope to the LNG facility at Valdez, the cost would be \$20-\$26 billion. The new estimates on the cost of the lines, which could be in service by 2020, come as the partners filed plans with the FERC to hold an open season to attract potential shippers.

Chevron reported today that its natural gas production in the United States in the 4Q2009 averaged 1.402 bcf/d down 1.3% from the third quarter but up 6.2% from the same period a year ago.

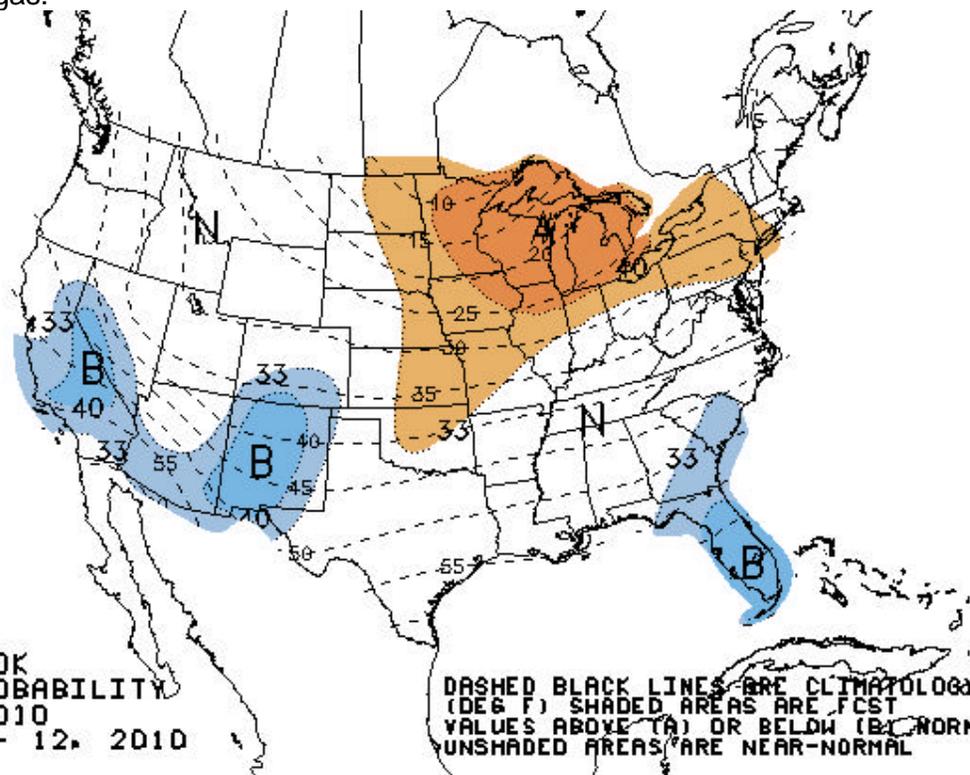
German utility RWE said today that it hopes to secure one of the first supply agreements for the Nabucco gas pipeline during the first six months of this year. The pipeline has a proposed in service date of late 2014.

Reuters published its quarterly survey of natural gas analysts today and it noted that the consensus price forecast for Henry Hub

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	758,200	\$5.256	(\$0.064)	\$0.071	(\$0.105)	\$0.179
Chicago City Gate	698,600	\$5.432	(\$0.077)	\$0.247	(\$0.091)	\$0.289
NGPL- TX/OK	770,000	\$5.127	(\$0.056)	(\$0.058)	(\$0.070)	(\$0.039)
SoCal	448,400	\$5.386	(\$0.035)	\$0.201	(\$0.049)	\$0.200
PG&E Citygate	514,600	\$5.614	(\$0.009)	\$0.429	(\$0.023)	\$0.411
Dominion-South	489,900	\$5.655	(\$0.021)	\$0.470	(\$0.035)	\$0.361
USTrade Weighted	20,119,400	\$5.396	(\$0.091)	\$0.211	(\$0.11)	\$0.179

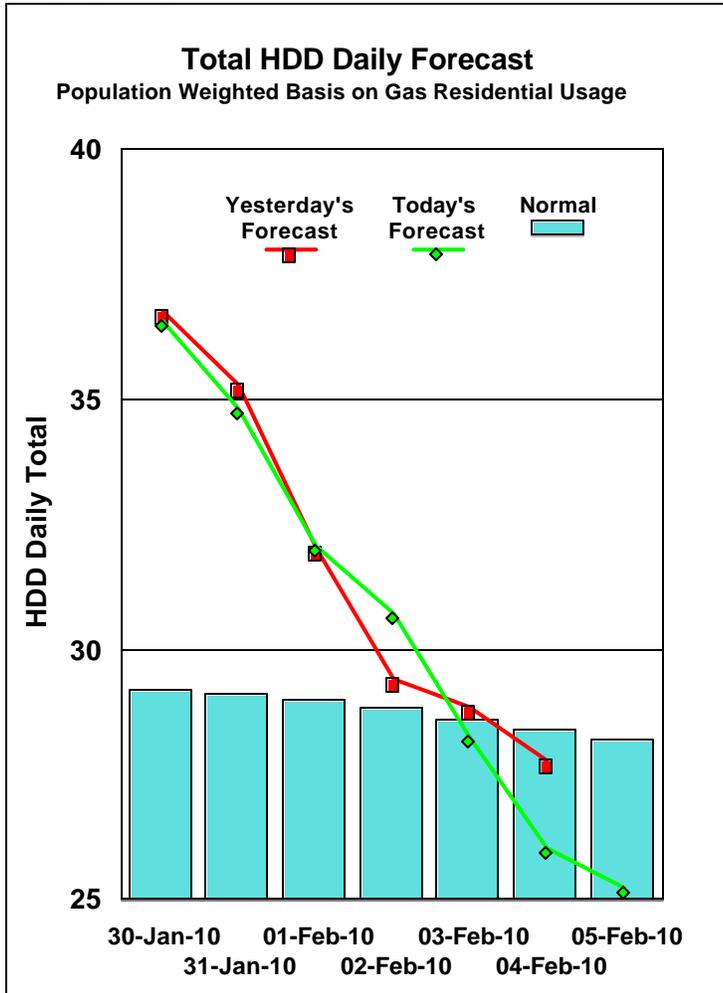
spot prices this year was at \$5.87 per Mmbtu, little changed from last quarter, but nearly 50% from 2009's average price.

Total said it could invest in EDF's Dunkirk LNG project, especially if the company decides to close next month its 137,000 b/d refinery in Dunkirk. The company is under pressure by the government to find a way to offset the impact of 600 jobs that would be loss if the refinery was closed. A LNG terminal in the same city could be a partial answer to the problem. The LNG facility would begin operations in 2014 and handle 13 bcm of gas.



Equitrans LP this week requested FERC permission to expand its facilities in the Marcellus Shale region in order to meet market demand for an additional 92,000 Dth/d of firm off-system delivery capacity into the pipeline systems owned by Texas Eastern, Dominion and Columbia Gas Transmission.

Woodside Petroleum said Friday it is suing a construction union and seeking damages over a strike at its Pluto gas export project as the recent strike forced nearly half the workers at the project to stop work.. The project is facing further strikes in the coming days as well, as the Total Marine maritime workers are planning a 48-hour strike. The current labor unrest is threatening to escalate costs and threaten the target completion date of late 2010. The company in November raised its cost estimate for the project by as much as A\$1.1 billion due to the shortage of skilled labor.



Indonesia's Peteramina said it is seeking a partner for a planned floating LNG receiving terminal it has targeted to build for East Java. The company is looking for a ship owner to participate in the project with a proposed in service date of September 2011.

A congressionally mandated report from the National Research Council released today said that naturally occurring methane hydrate may represent an enormous source of methane, the main component of natural gas, could ultimately augment conventional natural gas supplies. The DOE's Methane Hydrate Research and Development Program has made considerable progress in the past five years toward understanding and developing methane hydrate as a possible energy source. The report noted that commercial production of this methane could be achieved in the United States before 2025. Some of the major challenges to production identified in the report include developing the technology necessary to produce methane from methane hydrate and understanding methane hydrate's potential to behave as a geohazard.

The CFTC yesterday levied a total of \$750,000 in fines on three Canadian companies for engaging in "wash" and prearranged trades in the natural gas futures market. In one case the CFTC issued an order filing and simultaneously settling charges against Scotia Capital for prearranging trades in natural gas futures contract on NYMEX during November and December 2006. The order imposes a \$250,000 civil monetary penalty and was ordered to cease and desist from future violations of the Commodity Exchange Act. In a separate case, the CFTC issued an order filing and simultaneously settling charges against Pinemore LP and Birchmore LP, two Canadian limited partnerships based in Calgary, Alberta for engaging in unlawful wash sales in the natural gas futures contract on NYMEX during November and December 2006. The orders did not indicate how much the firms profited from their trading schemes. The order imposes a \$250,000 civil monetary penalty on each limited partnerships which are controlled by the same general partner.

CFTC Commissioner Gensler said today that if Congress is determined to grant commercial end users an exemption from mandatory clearing of OTC derivatives or swaps, the end users still should be required to report their trades.

The US Commerce Department said GDP increased a seasonally adjusted 5.7% annual rate in the fourth quarter of 2009. It is higher than the market expectation of an increase of 4.8%. It was the second consecutive increase after it increased by 2.2% in the third quarter. In all of 2009, GDP fell 2.4%, the largest decline for an entire year since 1946, when GDP fell 10.9%. It also reported that the price index for personal consumption expenditures increased by 2.7% after increasing by 2.6% in the third quarter.

### **PIPELINE RESTRICTIONS**

NGPL said the "Cold Weather Advisory" issued on January 27<sup>th</sup> remains in effect and the company continues to schedule down to a capacity that reflects physical flow for several pipeline pints. All services are at risk of not being fully scheduled. The company also said that effective for gas day January 29<sup>th</sup> and continuing until further notice, it has limited capacity available for deliveries to Trunkline Lakeside.

Tennessee Gas Pipeline reported that it continued its system wide imbalancing warning for today and until further notice.

### **PIPELINE MAINTENANCE**

Gulf South will perform pigging maintenance on Index 270-94 beginning on February 22<sup>nd</sup> and continuing for approximately one week. The work will result in the Little Gypsy Power to LP&L will be shut-in and unavailable for service during the work. The company also reported that it will be performing system maintenance on the Whistler Junction Turbine unit on February 2<sup>nd</sup> and lasting for 72 hours and on the Airport Compressor Station Unit beginning February 3<sup>rd</sup> and lasting for 24 hours.

### **ELECTRIC MARKET NEWS**

The EIA reported late yesterday that U.S. coal production for the week ending January 22<sup>nd</sup> reached 21.2 million short tons, some 6% higher than the previous week and but 2.6% less than the same week a year ago.

NRG Energy said today that it would "wind down" the development of South Texas Project nuclear units #3 and #4 "as quickly as economically possible" if "the project loses its partnership participation or access to the DOE loan guaranty.

Point Carbon released a report today that noted the global carbon market would be worth \$170 billion this year, up 33% from 2009. The report predicts that traded volumes will increase by 5% from 2009, to a total of 8.4 billion metric tons of carbon dioxide equivalent. Volume in the European Union's Emissions Trading Scheme this year is expected to be virtually flat versus 2009, but this market will remain as the world's largest carbon market. The largest growth is expected to come in the United States' Regional Greenhouse Gas Initiative. The report estimates that the RGGI market 985 million tons of CO<sub>2</sub>e, valued at \$2.2 billion, will change hands this year, up 29% from 2009.

Genscape reported that it estimated U.S. coal usage fell by 1% this week from last week as above normal temperatures reduced power generation needs. Compared to the same week a year ago usage was down 9%.

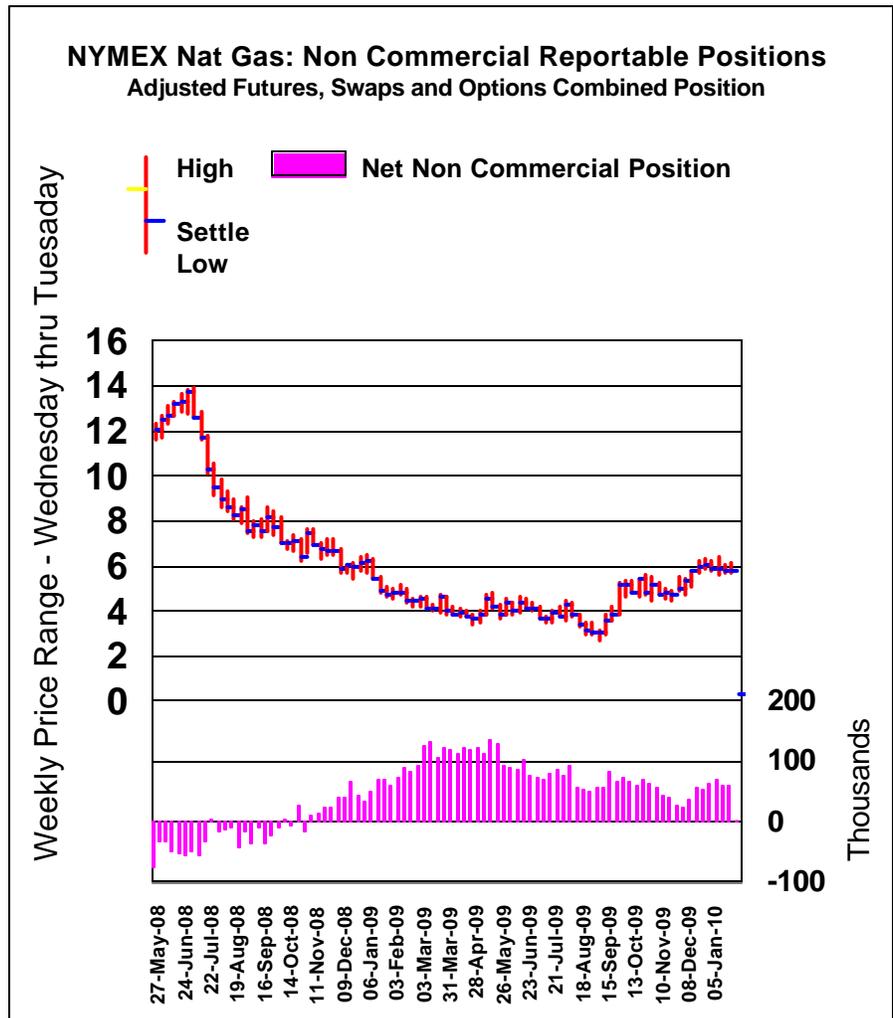
### **MARKET COMMENTARY**

The natural gas market like many commodity markets moved higher this morning supported by the news that the U.S. economy expanded by 5.7% in the fourth quarter. But as the dollar continued to strengthen through the day due to market concerns on the Euro and its risks to the Greek economy, the energy markets returned to the defensive. But while the oil markets were challenging month old lows, the natural gas market was simply finding support down near yesterday's settlement prices.

This evening's Commitment of Traders Report showed that for the week ending January 26<sup>th</sup>, the commercial sector of the market, which had decreased its net short position the week earlier on a combined and adjusted basis in swaps, futures and options, once again was increasing its net short position by just over 3,000 contracts, while the non-commercial sector increased their net length by 1200 lots.

We would look for the weather forecasts to be the primary force in setting the direction for this market next week. But without a broad based consensus for a prolonged cold out break over the next two to three week period we feel the selling pressure will remain on this market especially if the economic gloom from the oil and equity markets continue to be present in the market place.

We see support in the March contract starting at \$5.06-\$5.05, \$5.019, \$4.979, \$4.902 and \$4.864. Resistance we see at \$5.345-\$5.36, \$5.437, \$5.52 and \$5.686.



We see support in the March contract starting at \$5.06-\$5.05, \$5.019, \$4.979, \$4.902 and \$4.864. Resistance we see at \$5.345-\$5.36, \$5.437, \$5.52 and \$5.686.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.