



## ENERGY RISK MANAGEMENT

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

**www.e-windham.com**

### POWER MARKET REPORT FOR FEBRUARY 3, 2009

#### NATURAL GAS MARKET NEWS

The United Steelworkers union and Shell Oil agreed to a basic contract for U.S. refineries and chemical plants Tuesday, averting a possible nationwide strike by 30,000 refinery workers. Local negotiations though could still lead to work stoppages at individual plants as workers and managers finish talks over site specific contracts during the next several weeks.

The Canadian National Energy Board said today that the North American natural gas market is well supplied heading into the final two months of the heating season. They noted that despite strong heating demand, poor industrial demand, steady production levels coupled with high inventories should help keep prices on the defensive. The NEB though warned that lower gas prices will continue to cut drilling activity, which they noted is down 18% from this summer, and will eventually manifest itself in reducing future production levels and then lead to upward price pressure once demand recovers. The NEB also noted that they expect a moderate increase in LNG imports in 2009.

Natural Gas Intelligence was reporting that due to tight credit markets and economy-driven demand destruction is leading to natural gas rigs being laid down faster than originally thought and by the end of this year, may be some 65% lower than in 2008.

#### Generator Problems

**MAPP**- There were media reports this morning that an explosion occurred at Wisconsin Energy's coal fired Elm Road Generating Station. The 1135 Mw facility was also under going a 1230 Mw expansion.

**ERCOT** – Luminant's 750 Mw Martin Lake #3 coal fired unit was expected to be taken off line this evening for repairs on a tube leak. The outage is expected to last one day.

**FRCC** – Progress Energy's Crystal River #3 nuclear unit was off line this morning down 57% from yesterday.

**The NRC reported this morning that 91,940 Mw of nuclear generation capacity was on line, down 0.5% from Monday and 5.63% higher than the same time a year ago.**

#### Natural Gas Cash Market

ICE Next Day Cash Market

Location	Volume	Avg	Change	Basis	Change	Basis 5-Day
	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	789,300	\$5.040	\$0.556	\$0.610	\$0.781	\$0.112
Chicago City Gate	1,051,500	\$5.178	\$0.447	\$0.748	\$0.639	\$0.459
NGPL- TX/OK	1,453,100	\$4.014	\$0.126	(\$0.416)	\$0.318	(\$0.470)
SoCal	364,700	\$4.028	\$0.209	(\$0.402)	\$0.401	(\$0.545)
PG&E Citygate	1,453,100	\$4.014	(\$0.604)	(\$0.416)	(\$0.412)	\$0.113
Dominion-South	409,600	\$6.215	\$0.953	\$1.785	\$1.145	\$1.013
USTRade Weighted	20,605,200	\$4.933	\$0.589	\$0.503	\$0.78	\$0.112

Spain's industry minister reportedly has authorized Enagas to build a new LNG import terminal at the port city of Gijon in Spain's northern Asturias region. The

regasification plant would have a capacity of 800,000 cubic meters, and have two 150,000 cubic meters storage tanks. The facility is expected to be operational by October 2010.

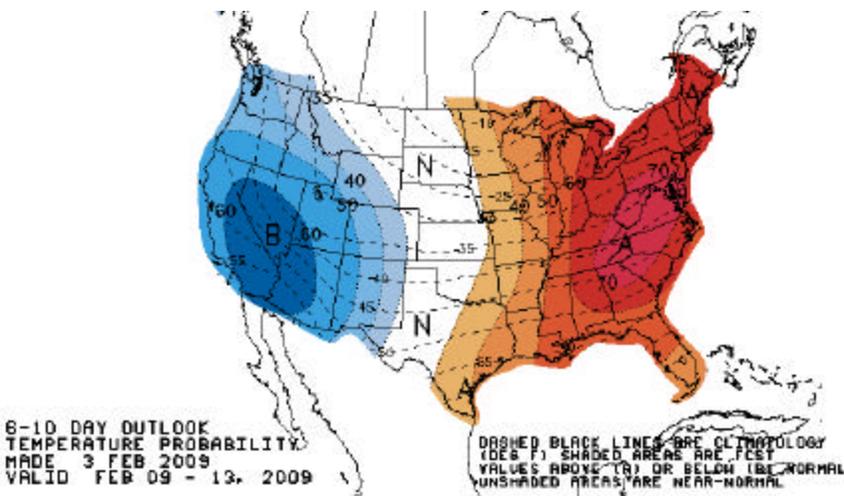
### **PIPELINE MAINTENANCE**

Williston Basin Interstate Pipeline said extensive damage was found at the Cabin Creek compressor station. It is now expected that the engine will not be available for two weeks. As a result restrictions east of Cabin Creek is expected.

### **PIPELINE RESTRICTIONS**

Transco said that due to cold weather in the Northeast expected for Tuesday and Wednesday it would limit excess storage withdrawals and not allow any delivery makeup imbalance transactions on its natural gas pipeline.

FGT said that due to colder temperatures forecasted for its service territory on Wednesday there is the potential it may be forced to issue an OFO.



Northwest Pipeline said that due to current flow conditions, it is reducing the OFO trigger at the Kemmerer compressor station from 680,000 Dth/d to 670,000 Dth/d effective tomorrow.

Rockies Express Pipeline said that effective for today and until further notice it is at capacity for delivered quantities to NGPL Jefferson. Based on the current level of nominations, IT/AOR and secondary quantities are at risk of not being fully scheduled.

NGPL said effective for today and until further notice, Florida Vermillion is at capacity for deliveries. Texas Gas Lowry is also at capacity; while it has limited capacity for gas going northbound through Segment 18.

### **ELECTRIC MARKET NEWS**

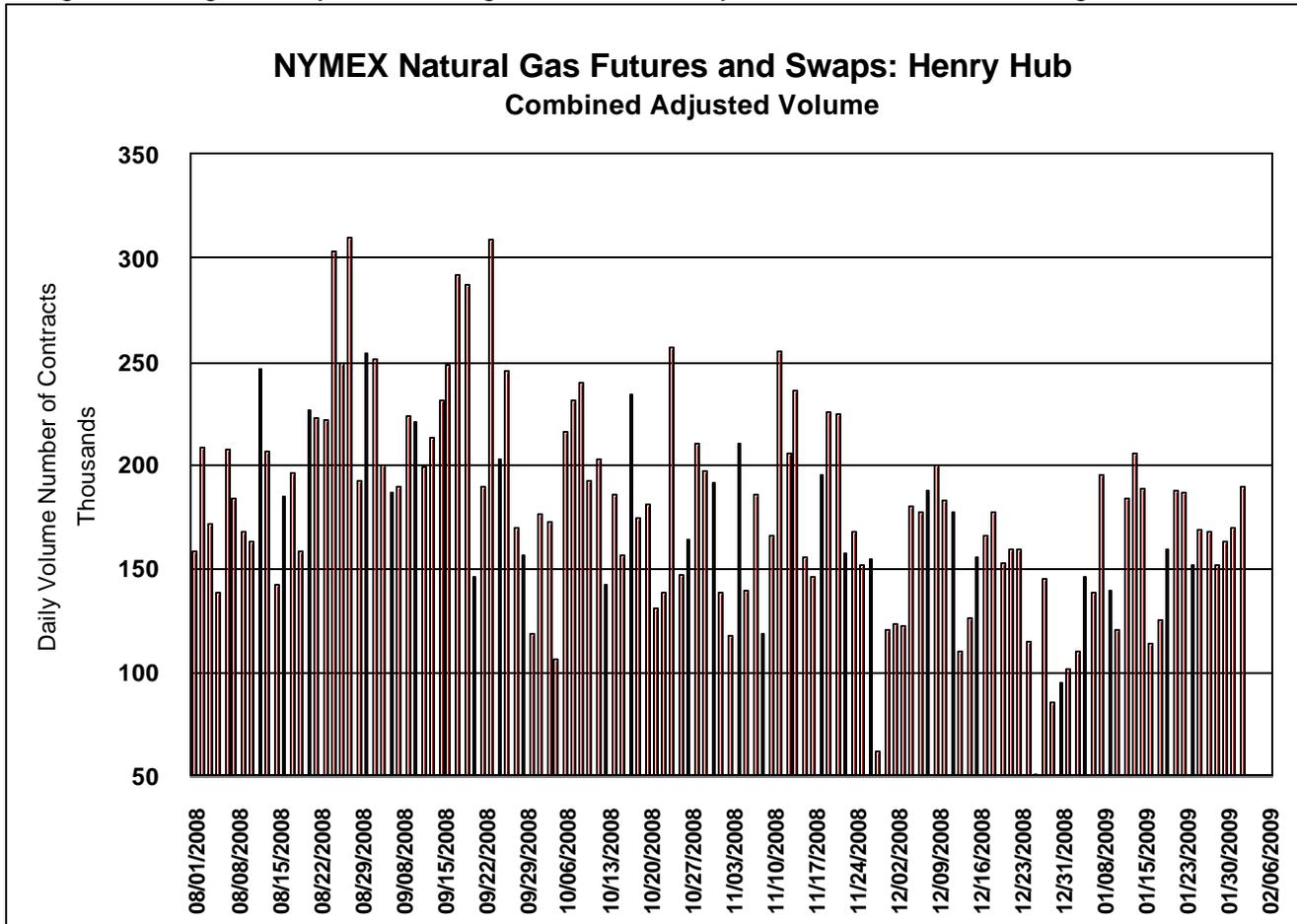
A week after an ice storm swept across the nation's mid section, knocking out service to more than 1.7 million electric customers, some 320,000 customers still remain without service.

U.S. coal supplies at U.S. power plants fell 1.7% this week from last week, but were 7.3% greater than the same week a year ago.

U.S. Senator Boxer said that a major component of U.S. climate change legislation could be introduced "in weeks, not months." She is looking for the legislation to set certain and enforceable short and longer term emission targets; ensure state and local entities keep working to address global warming; establish a market based system that cuts carbon emissions; use revenues from this carbon market to help consumers make the transition to clean energy and invest in new technology and efficiency measures; and ensure a level global playing field with incentives for polluting countries to give their share to the international effort to curb climate change.

### **MARKET COMMENTARY**

As colder temperatures moved eastward this morning, the natural gas market started out much stronger as early cash markets were much stronger led by Transco NY City gate which was talked at being \$3-\$10 higher early this morning, while cash Henry Hub was recorded at being over half a dollar



higher. This helped the March contract break above the \$4.66 price resistance of the past week and a half and test the first level of resistance basis the daily pivot numbers. But buyers in the futures market we quickly driven off and prices quickly reversed and moved lower as sellers appear to have seen the rally as a selling opportunity. Prices dropped back towards last week's support levels before some short covering, prompted by a colder outlook for the 11-15 day period for much of the nation appeared to erase basically 50% of the morning's sell off before trading ended for the day. Volume was excellent in the Henry Hub futures and swaps, reaching their highest level since mid January. Trading activity in the 2010 contracts was also strong on the day accounting for over 10% of the day's adjusted volume.

While the cash market appears to have been the main supporting element to this market the prospects of quickly moderating temperatures later this week and into next and beyond appear will put the bulls on the defensive yet again in coming days and that this market will ultimately retest yesterday's lows at \$4.28 followed by major support at \$4.05. Resistance tomorrow we see at today's high of \$4.707 followed by \$4.833, \$4.90 and \$5.03. More distant resistance we see at \$5.27, \$5.494 and \$5.596.