



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 9, 2010

#### NATURAL GAS MARKET NEWS

Private weather forecasters continued to look for cold temperatures to remain over much of the eastern half of the nation for February and into March. Accuweather is looking for February to be the coldest nationwide since 1978, with temperatures so far this month averaging 1.9 degrees below normal and looking for the week ending February 15<sup>th</sup> to average 7 degrees below normal with the weeks ending February 22<sup>nd</sup> and March 1<sup>st</sup> averaging 9.5 and 7.5 degrees below normal.

The Onaiza LNG taker has left from Qatar this week was headed to Britain's South Hook terminal.

#### Generator Problems

**NPCC** - OPG's 490 Mw Nanticoke #3 coal fired power station returned to service Tuesday morning. The unit had been shut for repair on February 4<sup>th</sup>.

**MISO** - Exelon's 1043 Mw Clinton nuclear unit was at 28% power this morning, up 11% from yesterday.

**ERCOT & SPP** - STP Nuclear's 1250 Mw South Texas #1 nuclear unit was still off line at 13% power. The reactor was shut on February 3<sup>rd</sup> due to a control rod problem.

**SERC** - Progress Energy's 937 Mw Brunswick #2 nuclear unit was at 65% power this morning up 40% from yesterday.

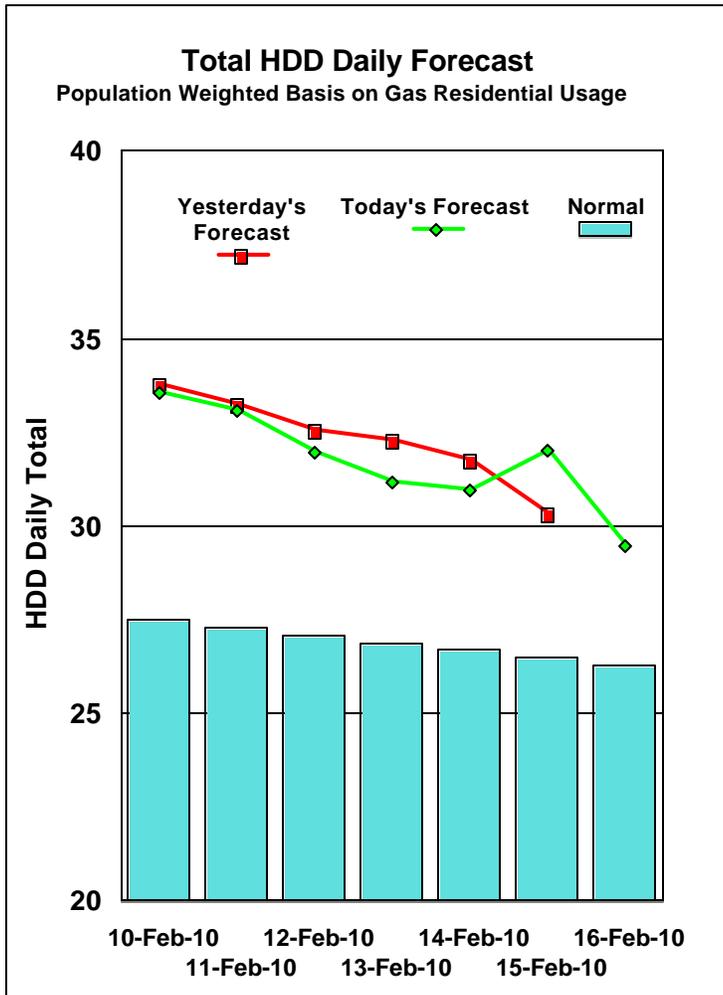
The NRC reported that there was some 92,293 mw of nuclear power generated today, up 0.5% from yesterday and 1.8% higher than a year ago was unavailable today.

Pennsylvania Governor Rendell today proposed to charge natural gas drillers in the state a "severance" tax, a tax policy based on that used in West Virginia. The proposed tax plan would charge drillers 5% of the value of gas at the well head plus 4.7 cents per 1000 cubic feet taken from the

ground, starting on July 1<sup>st</sup>. The proposed tax policy though would need to be passed by the state legislature and could face opposition in the state Senate. An official from

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	632,300	\$5.535	(\$0.198)	\$0.183	(\$0.046)	\$0.254
Chicago City Gate	754,700	\$5.689	(\$0.206)	\$0.337	(\$0.026)	\$0.291
NGPL- TX/OK	1,077,100	\$5.400	(\$0.219)	\$0.048	(\$0.039)	\$0.020
SoCal	370,300	\$5.554	(\$0.245)	\$0.202	(\$0.065)	\$0.196
PG&E Citygate	593,700	\$5.683	(\$0.220)	\$0.331	(\$0.040)	\$0.350
Dominion-South	369,300	\$5.898	(\$0.165)	\$0.546	\$0.015	\$0.506
USTrade Weighted	23,330,700	\$5.597	(\$0.226)	\$0.245	(\$0.05)	\$0.254

Chesapeake Energy, one of the state's largest operators in the Marcellus Shale, said the industry would strongly oppose any attempt to replicate the tax scheme of West Virginia in Pennsylvania.

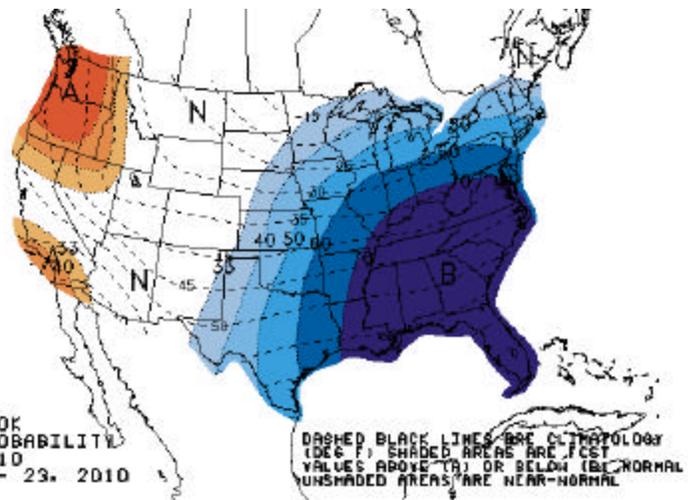


Comstock Resources reported today that as a result of its successful drilling program in the Haynesville Shale, its average daily production rate jumped to 207 Mmcfe in the 4Q2009, a 13% increase from 3Q2009 and sharply higher than the 1.5 Mmcfe/d production reported a year ago.

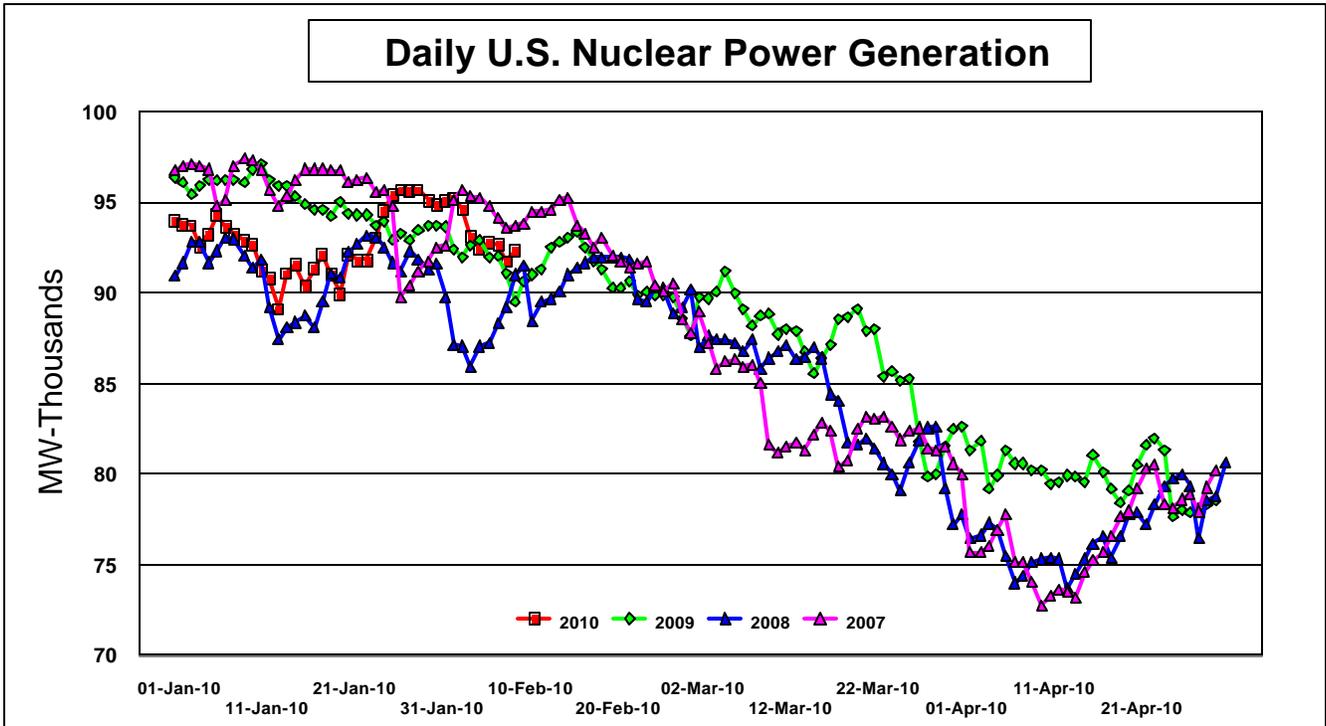
Gazprom officials said today that they expect the terms agreed to with the Ukraine on gas sales back in January 2009 will remain in effect under the new Ukrainian government. Given the positive signals sent so far by the new leadership, Gazprom said it would be prepared to invest in upgrading the Ukrainian gas network. Gazprom said it looks for construction to begin on the South Stream pipeline project in December of 2010, with the start up of Nord Stream Phase One to occur by the 4Q2011. The company also said it does not see mass production of shale gas in Europe due to environmental worries especially to drinking water supplies and it expects LNG to be price competitive with shale gas in the United States. Gazprom's deputy chief executive said that despite the Shtokman project being delayed by three years, he still saw Phase 1 of the project with a targeted production of 23.6 bcm.

Norwegian gas output reached an all time high in January, at 10.6 billion cubic meters, up 6% from December levels. This record was achieved despite some minor disruptions at the Troll field as well as some problems at the Ormen Lange gas field and the Kaarstoe gas processing plant. The Troll and Snoehvit gas field registered the strongest gains on the month.

Indonesia's Pertamina said it looks to export 18 million metric tons of LNG this year compared with 20 million tons shipped last year and said that Indonesia is likely to start importing LNG from next year.



**The EIA announced this afternoon, that due to the recent closure of Federal offices this week, the EIA's Weekly Natural Gas Storage report's release will be delayed by one day and now will be released at 10:30 am EST on Friday.**



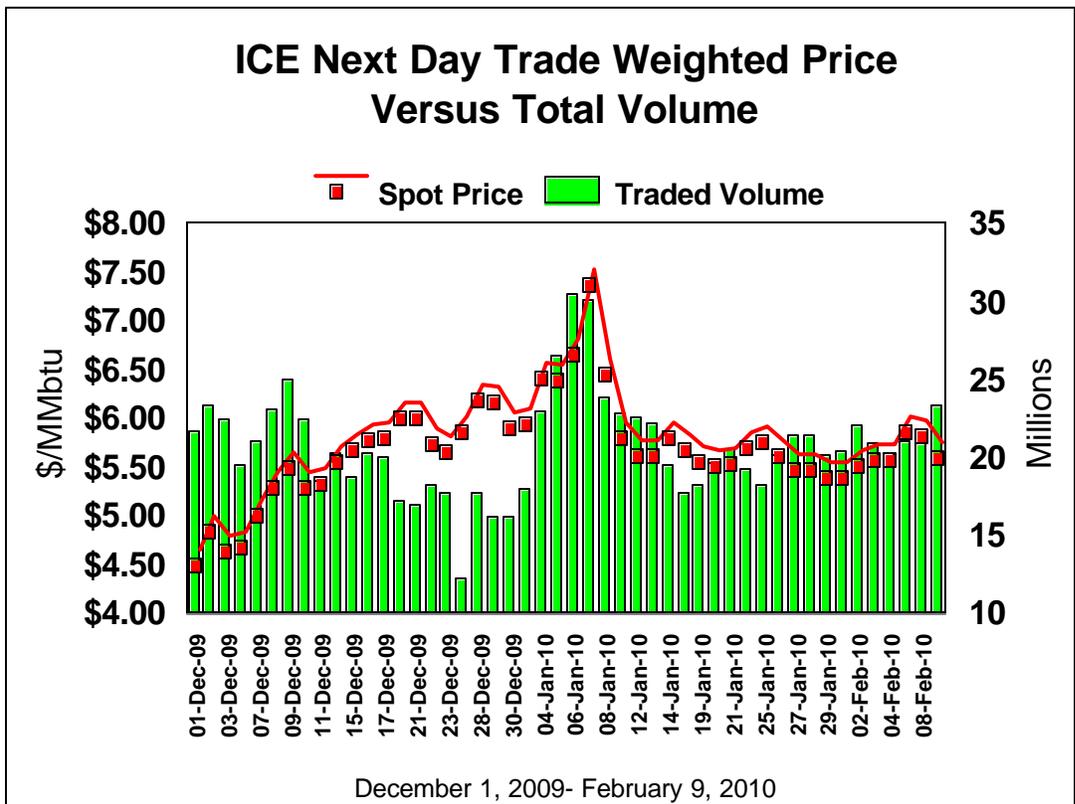
**PIPELINE RESTRICTIONS**

NGPL said that effective for February 9<sup>th</sup> and continuing until further notice, ANR South Joliet #2 has capacity available for deliveries. The company also reported that effective for today and until further notice it is at capacity for northbound flow through Compressor Station 309 located in Bollinger County, Missouri.

Midcontinent Express Pipeline said effective for February 9<sup>th</sup> and continuing until further notice, it has limited capacity available for gas flow to the ENOGEX/MEP Bennington point.

**PIPELINE MAINTENANCE**

Gulf South said it would perform pipeline maintenance on its Index 130 from MP 137.58 to MP 140.13 in Tangipahoa Parish, Louisiana beginning march 1<sup>st</sup> and lasting



March 15<sup>th</sup>. During the work pipeline pressures could be reduced to below normal levels affecting FGT Montpelier/St Helena. The company said it would work with FGT to keep nominations in place.



### ELECTRIC MARKET NEWS

Genscape reported that coal stockpiles at U.S. power plants fell 1.8% this week but remained 10.9% greater than the same week last year.

The U.S. Northwest River Forecast Center reported today that it estimated water flows at the Dalles Dam to be at 76% of normal for the April-September period, a 1% improvement on last week's estimate. Water flows at the Grand Coulee Dam were seen at 78% of normal, 4% better than the prior forecast.

BPA said yesterday that it had reduced its expectations for hydroelectric power revenue in 2010 by more than \$200 million due to declining expectations for water runoff in the Columbia Basin. BPA expects to finish the year with a loss of \$6 million in modified net revenues, instead of the positive revenues of \$231.9 million it predicted at the start of the fiscal year in October 2009.

Norfolk and Southern said that despite the recent snow storm, its coal shipments have experienced little impact from the winter weather so far, and its coal terminal at Lambers Point in the Norfolk area has had no delays. CSX though said that due to recent heavy snows some delays were caused by downed trees along its lines in the West Virginia, Maryland, Pennsylvania, Kentucky and Virginia areas, but no force majeure had been declared.

### MARKET COMMENTARY

The natural gas market today despite finding continued support in the weather forecasting community for colder than normal temperatures for the next several weeks was unable finish the day in positive

territory for the second straight day. The downward move in the futures market seemed to be following the price erosion in the cash markets. Volume in the next day market on ICE was the highest since January 7<sup>th</sup> when the highs for the winter season were established at most trading hubs around the county. It appears that given the ample levels of inventories, the pressure of contractually drawing down storage gas before the end of the winter season has begun to kick in and is acting as a weight around the neck of this market both in the spot month but also for the 12 month strip as well. Technically it appears that the daily 9 day stochastic indicators appear on the verge of rolling over and pointing downward for the first time this month. We see support in the March contract tomorrow at \$5.26-\$5.22 followed by \$5.135, \$5.094 and \$5.06. Additional support we see at \$4.937. Resistance we see at \$5.42, \$5.47 and \$5.52-\$5.54. More distant resistance we see at \$5.68 followed by \$5.804 and \$6.027. Basis the 12-month strip we would look for a key support area to watch tomorrow is a \$5.68.

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