

**W** The  
Windham Group



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino

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

**www.e-windham.com**

---

### **POWER MARKET REPORT FOR FEBRUARY 18, 2009**

---

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

According to a Dow Jones Survey, US Henry Hub natural gas futures are seen lower for the seventh month as the economic outlook and declining industrial demand continue to pressure prices lower. The price of natural gas for delivery in the first quarter is seen 1.7% lower than the previous month's estimate at \$5.90/mmbtu. The estimate for the second quarter is down 3.5% at \$5.50/mmbtu. However the price for the fourth quarter is forecast to increase by 0.29% to \$7/mmbtu. The average price of 2009 is estimated at \$6/mmbtu, down 5.5% from a previous estimate.

In hopes of serving as a transit country for fuel from the Middle East and Caspian, Turkish Prime Minister Tayyip Erdogan said that Turkey supports a pipeline being built in the future to carry Caspian natural gas to the Balkans. The destination for the gas would be Albania, Croatia, Bosnia and Montenegro. A pipeline carrying Azeri gas to Greece via Turkey opened in 2007 and will eventually connect with Italy. Under consideration for the new link, is to extend the Turkey–Greece–Italy pipeline. The countries are also considering uniting the networks taking gas from existing gas pipelines in the Balkans to better meet demand, according to an Energy Ministry official.

Ian Craig, the chief executive of Sakhalin Energy, said that Sakhalin Energy will export about 50 cargoes of liquefied natural gas in 2009. Gazprom, Russia's prime gas exporter, controls Sakhalin project 2. According to Craig, the project will ship around 50 145,000 cubic meter tankers of LNG and about 50 cargoes of oil, each 700,00 barrels. A Sakhalin Energy spokesman said that the total LNG volumes are equivalent to 3.2 million tons for this year, about half the earlier government estimates of 6.0 million tons. Cargoes are expected to rise to about 160 cargoes as the facility reaches full capacity next year. Separately, South Korea will start importing Russian natural gas from the Sakhalin 2 project in April, securing about 1.5 million tons of LNG for the next 20 years.

According to India's Oil Minister, Murli Deora, Reliance Industries is expected to begin supplying gas for its deepwater block in the Krishna Godavari basin off of India's east coast. The expected target time is set for April. The federal government has allocated an initial 40 million standard cubic meters of gas from Reliance's D-6 field for gas-based urea plants, LPG plants and power firms.

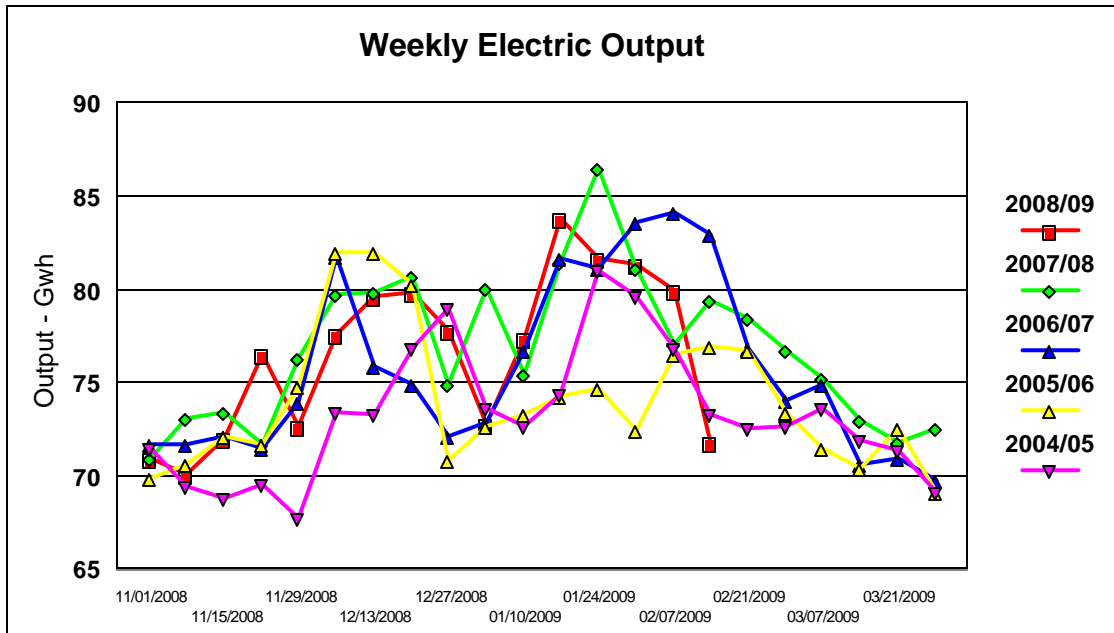
#### **Generator Problems**

**ECAR** – Entergy Corp's 778-MW Palisades nuclear power station was shut by early Wednesday, after running at full power on Tuesday.

**WSCC** – Southern California Edison's 1,070 Mw San Onofre unit 2 resumed operation Wednesday morning after a seven week outage.

Southern California Edison's 472 Mw Mountainview natural gas fired unit 4 returned to service by Tuesday afternoon. The unit was shut by February 16 for planned and unplanned reasons.

**The NRC reported this morning that 91,742 Mw of nuclear generation capacity was on line, down 0.83% from Tuesday and 0.24% lower than the same time a year ago.**



Iran's state Islamic Republic of Iran Broadcasting (IRIB) has reported that Total S.A. will sign a \$5 billion contract with Iran by March 20, to develop phase II of the giant South Pars natural gas field in the

Persian Gulf. The contract calls for Total S.A. to undertake the development of the upstream sector of South Pars phase II and to build LNG plants for the downstream sector. Seifollah Jadhnsaz, a spokesman for IRIB, said that Royal Dutch Shell PLC and Spain's Respol YPF SA, have also come forward for new discussions with Iran. Jadhnsaz said that Italy's Eni S.P.A. is also in discussions about the development of phase III of the Darkhovin oil field.

The American Gas Association (AGA) commended the stimulus package signed yesterday by U.S. President Barack Obama, citing its promotion of energy efficiency. AGA worked diligently over the past weeks to ensure the inclusion of language that would give incentive for revenue decoupling and provide funds for home weatherization. Decoupling breaks the link between utility earnings and customer energy use, and will help to ensure that customers are aware of the amount of energy they using. These provisions will provide natural gas customers with valuable reasons to become more energy conscious.

Ultra Petroleum Corp announced today that its total proved oil and gas reserves for the year ended December 31, 2008, were 3.53 trillion cubic feet of gas equivalent, a 185 increase from 2.98 trillion cubic feet as of December 31, 2007.

Puget Sound Energy placed into service a new \$18 million natural gas project that involved installing a three and a half mile supply pipeline in downtown Bellevue, Washington and the surrounding area. The project construction, which began in July 2008, included constructing a 1.9 mile 16 inch pipeline between an existing main at 140<sup>th</sup> Avenue SE, west along Lake Hills Connector to SE 8<sup>th</sup> Street, and a 1.6 mile 12 inch pipeline that runs along several streets and ends at NE 10<sup>th</sup> Street in downtown Bellevue.

### **PIPELINE RESTRICTIONS**

Northern Natural Gas Co. has issued an SOL for all Market Area Zones for today's gas day due to cold temperature forecasts. Zero % SMS is available.

Natural Gas Pipeline Company said effective for today's gas day and until further notice, it is at capacity for gas going northbound through Segment 13 in Mills Country, Iowa. ITS/AOR and Secondary out of path firm transports are at risk of not being fully scheduled. Meanwhile, Natural Gas Pipeline said effective for today's gas day and until further notice, Texas Eastern Transmission

Cameron is at capacity for deliveries. ITS/AOR and Secondary Firm Transports are at risk of not being fully scheduled. Natural Gas Pipeline Co. also said effective for today's gas day and until further notice, ANR So. Joliet #2 has limited capacity available for deliveries. Limited ITS/AOR and Secondary Firm transports are available.

Effective February 18, and until further notice receipts at the UTOS interconnect will be restricted to 10,000 dekatherms per day until Transco determines that adequate quantities of gas received at the UTOS interconnect are being processed. Transco Pipeline said the natural gas being tendered to the Transco system at the interconnect between Transco and Enbridge Offshore Pipelines L.L.C. does not meet the merchantability requirement in Transco's FERC Gas Tariff.

### **ELECTRIC MARKET NEWS**

The US Energy Department will begin approving loan guarantees later this spring for renewable energy projects. Under the department's loan guarantee program, the department pledges to repay a loan made by a financial institution for a renewable energy project if the project's operator defaults on the loan. The economic stimulus package signed into law this week by President Barack Obama provides \$6 billion in loan guarantees for clean energy and electricity transmission projects.

The field of US companies competing for \$18.5 billion in government backed loans to build new nuclear plants has narrowed to five from about 14. NRG Energy's South Texas Project units 3 and 4, Unistar Nuclear's Calvert Cliffs 3 unit in Maryland and SCANA Corp's two unit expansion at the Summer station in South Carolina are among five projects still under DOE consideration.

The Edison Electric Institute reported that electricity production in the US in the week ending February 14<sup>th</sup> fell by 9.7% on the year to 71,694 Gwh. For the 52 weeks ending February 14<sup>th</sup>, power production was down 1.2% on the year to 4,050,498 Gwh.

### **MARKET COMMENTARY**

The natural gas market broke a five-day losing streak and settled in positive territory on Wednesday. The market opened lower and continued its downward trend in overnight trading in light of the less than supportive weather forecasts. The market sold off to a low of \$4.037, a low not seen since November 15, 2002, when the market saw a low of \$3.90. The market however bounced off that level and retraced some of its earlier losses as the oil market also retraced its recent losses and traded in positive territory. The natural gas market breached the \$4.20 level and posted a high of \$4.254 on some late day short covering. It settled up 1.1 cents at \$4.214.

The market expects the EIA's natural gas storage report to show a much smaller than normal withdrawal from storage amid mild weather and falling industrial demand as evidenced by the fall in electricity production this past week. The EIA inventory report is expected to show a 57 bcf withdrawal for the week ending February 13<sup>th</sup>, with a range from 40 bcf to 87 bcf. The storage estimate falls short from last year's withdrawal of 157 bcf and the five-year average withdrawal of 155 bcf.

While the natural gas market settled near its high and may backfill its gap from \$4.322 to \$4.39, its gains are still seen limited. The market is seen finding resistance in light of the EIA report expected to show a smaller than normal draw in natural gas inventory, lower industrial demand and the lack of supportive weather forecasts. The natural gas market is seen finding resistance at its gap followed by \$4.517. Support is seen at \$4.083, \$4.037, \$3.951 and \$3.866.