



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR FEBRUARY 18, 2010

#### NATURAL GAS MARKET NEWS

The National Oceanic and Atmospheric Administration said below normal temperatures are expected across the south-central and southeastern US, extending into the southern Atlantic states in March. In the Northeast, there isn't any clear weather outlook for March or the three month period. For the region and across the Midwest, NOAA forecasts equal chances of temperatures being normal, above-normal or below-normal. It said below normal temperatures are expected to extend from eastern New Mexico and the southern Plains throughout the Gulf coast and southern Atlantic Coast. The NOAA said El Nino conditions are expected to continue into spring and affect temperatures and precipitation through June.

The US Labor Department reported the number of initial claims for unemployment benefits increased much higher than expected. Initial claims increased by 31,000 to 473,000 in the week ending February 13<sup>th</sup>. The previous week's level was revised upward to 442,000 from 440,000. The four week moving average fell by 1,500 to 467,500 from the previous week's revised average of 469,000. The number of continuing claims in the week ending February 6<sup>th</sup> remained unchanged at 4,563,000 from the preceding week's revised level. The unemployment rate for workers with unemployment insurance for the week ending February 6<sup>th</sup> was 3.5%, also unchanged on the week.

The Labor Department also reported that UN inflation at the wholesale level increased by more than expected in January due to higher energy costs. The Producer Price Index for finished goods

#### EIA Weekly Report

|                  | 02/12/2010 | 02/05/2010 | Change | 02/13/2009 |
|------------------|------------|------------|--------|------------|
| Producing Region | 673        | 736        | -63    | 735        |
| Consuming East   | 1030       | 1135       | -105   | 951        |
| Consuming West   | 322        | 344        | -22    | 314        |
| Total US         | 2025       | 2215       | -190   | 1999       |

\*storage figures in Bcf

#### Generator Problems

**NPCC** – OPG's 490 Mw Nanticoke unit 3 coal fired power plant was shut early Thursday.

OPG's 881 Mw Darlington unit 1 nuclear unit was restarting on Thursday following a four day outage. The unit was shut over the weekend for work related to a generator.

**SERC** – Southern's 883 Mw Hatch #2 nuclear unit was operating at 68% capacity this morning, up from a reduced level of 57% on Wednesday.

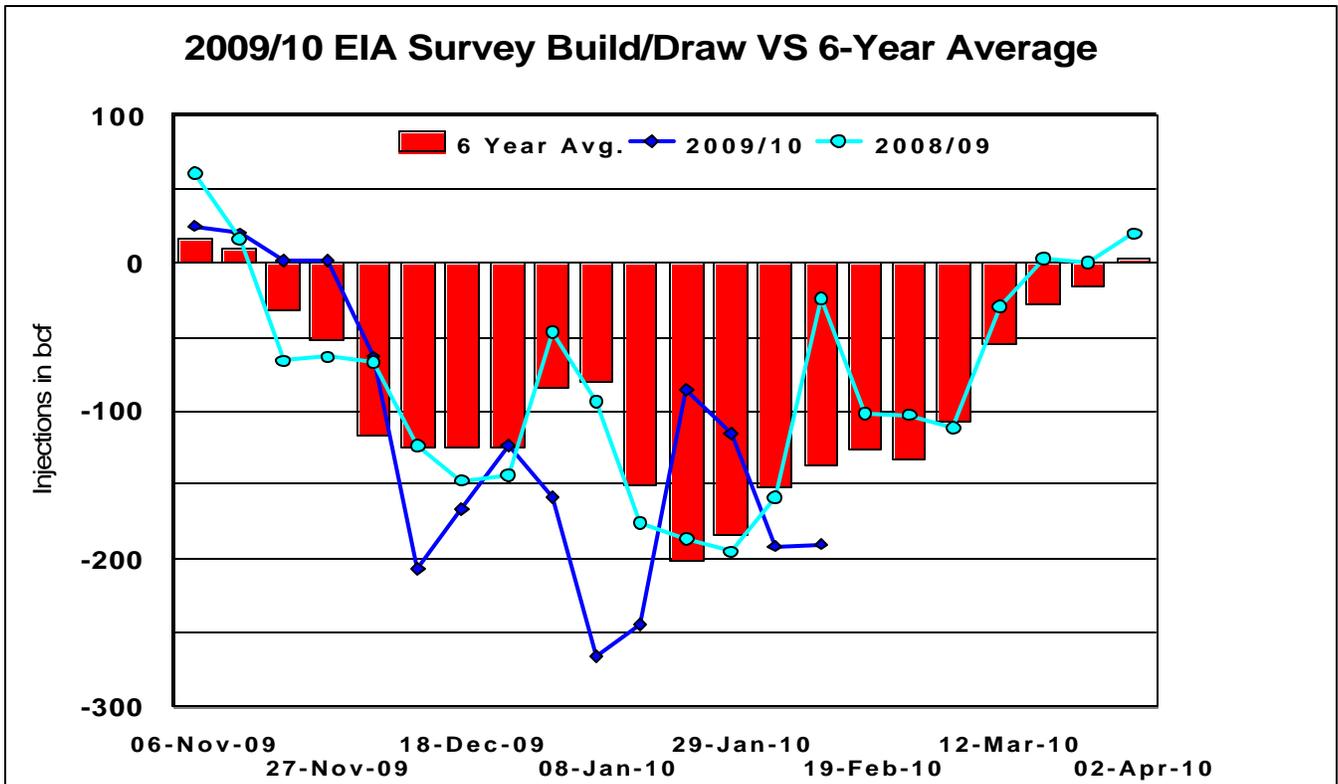
Duke Energy's 1,163 Mw Catawba 1 nuclear unit was taken offline on Thursday. It was operating at full capacity on Wednesday. The reason for the outage was unknown.

**ERCOT & SPP** – STP Nuclear's 1280 Mw South Texas #1 nuclear unit was at 98% power, up 10% from yesterday.

**FRCC** – FPL Group Inc's 693 Mw Turkey Point 3 nuclear unit was operating reduced to 43% of capacity on Thursday for maintenance work and other testing. The unit's output was cut from full power on Wednesday.

**The NRC reported that there was some 92,552 Mw of nuclear power generated today, down 1.39% from yesterday and 1.37% higher than a year ago.**

increased to a seasonally adjusted 1.4% on the month in January after increasing an upwardly revised 0.4% in December. The core PPI, excluding food and energy, increased 0.3% after remaining flat in December. For the 12 months ending January 2010, the unadjusted PPI increased by 4.6%.



the largest annual increase since October 2008. It reported that energy prices increased by 5.1% in January.

The Federal Energy Regulatory Commission upheld a prior order that approved, despite the objections of Washington Gas Light, Transcontinental Gas Pipe Line's proposal to construct two bidirectional interconnections to receive regasified liquefied natural gas from the proposed Elba Express pipeline system.

The FERC recommended that Florida Gas Transmission Co should be allowed to proceed with its plan to relocate about 2.6 miles of its existing St. Petersburg Lateral and about 444 feet of the existing Clearwater South Lateral located in Pinellas County, Florida.

North Sea gas pipeline operator Gassco said there was no technical problems behind a fall in gas flow through the Langeled pipeline to Britain. Pressure in Langeled fell to about 45 million cubic meters in the afternoon from about 70 mcm Thursday morning.

The Celestine River liquefied natural gas tanker is scheduled to arrive at Britain's Dragon terminal on February 25<sup>th</sup>. The vessel can carry up to 145,000 cubic meters of super-cooled gas and is arriving from Trinidad.

Algeria's Berge Arzew liquefied natural gas tanker is due to arrive at Britain's Isle of Grain terminal on February 21<sup>st</sup>. The Berge Arzew tanker can carry up to 138,000 cubic meters of LNG.

Qatar's Umm Slal liquefied natural gas tanker is scheduled to arrive at the South Hook terminal on February 22<sup>nd</sup>. The vessel can carry up to 240,000 cubic meters of LNG.

Canadian Gas Association

Weekly Storage Report

|       | 12-Feb-10 | 05-Feb-10 | 13-Feb-09 |
|-------|-----------|-----------|-----------|
| East  | 104.6     | 124.5     | 92.9      |
| West  | 212.6     | 223.6     | 187.8     |
| Total | 317.2     | 348.2     | 280.7     |

storage figures are in Bcf

**PIPELINE RESTRICTIONS**

Tennessee Gas Pipeline Co is requesting that customers match physical flow with scheduled quantities to prevent imbalances from occurring across the system that would threaten its operational integrity. Due to moderating weather across Tennessee Gas Pipeline's system, Tennessee does not have the ability to absorb imbalances caused by over-deliveries by receipt point operators into the system and undertakes from the system by delivery point operators.

A gas quality problem was reported at the receipt from Camrick Plant in Beaver County, Oklahoma. The point became unavailable on gas day February 17<sup>th</sup>, intraday 2 cycle and will remain unavailable until further notice.

Rockies Express Pipeline Co is at capacity for quantities delivered to Tenn/Guernsey effective for gas day February 18<sup>th</sup> and until further notice.

**PIPELINE MAINTENANCE**

Gulf South said maintenance on T-1000 at Tallulah has been cancelled until further notice, due to unplanned maintenance on T-3000. It had originally planned the work for February 16<sup>th</sup>, with expectations of a 24 hour turnaround and delayed maintenance to February 17<sup>th</sup> before issuing the cancelation notice.

**MARKET COMMENTARY**

The natural gas market traded higher in overnight trading in follow through from Wednesday's trading and ahead of the release of the EIA's natural gas storage report. The market however retraced its gains and traded lower despite the mostly neutral storage report which showed a draw of 190 bcf from natural gas storage. The market broke out of its recent range as it breached a support line at \$5.256 and sold off to a low of \$5.135 in afternoon trading. The market seemed to be pressured by forecasts for milder, near-seasonal temperatures late this week. The market later retraced some of its losses and settled down 21.4 cents at \$5.172.

The natural gas market is seen finding support at \$5.135, \$5.094, \$5.067, \$5.06, followed by \$4.962 and \$4.786. Resistance is seen at \$5.20, \$5.24, \$5.348 and \$5.419. More distant resistance is seen at \$5.524 and \$5.629.