



## ENERGY RISK MANAGEMENT

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

**www.e-windham.com**

### POWER MARKET REPORT FOR FEBRUARY 25, 2009

#### NATURAL GAS MARKET NEWS

The Texas Railroad Commission reported that the number of new gas wells drilled statewide has risen 43% from about 7,200 in 2005 to 10,400 in 2008. The commission also noted that the number of gas wells operating in the state is up a third to almost 96,000. The commission noted that in the four counties at the heart of the Barnett Shale play, the increase has been even more dramatic, with the number of wells operating up 77% to nearly 10,000 since 2005

Barclay's said that given the abundant natural gas storage capacity in North America, the North American gas market could become a sink for LNG cargoes that go unsold in Europe and Asia due to the global economic crisis as even more production capacity comes on line later this year and next. As a result this is a serious threat to forward natural gas prices in the U.S.

#### Generator Problems

**SERC**- TVA's 1065 Mw Browns Ferry #1 nuclear unit started to exit its recent outage and was at 3% capacity this morning.

**PJM** – Operators at Exelon's 619 Mw Oyster Creek nuclear station said today that a new main power transformer had arrived at the facility last week. The unit has been running at 60% capacity since February 3<sup>rd</sup> when a fire damaged one of the two transformers at the facility. Operators though declined to estimate when the unit would return to full power.

**NPCC** – OPG's 490 Mw coal fired Nanticoke #5 Unit returned to service Wednesday morning. The unit dropped off line yesterday.

Bruce Power's 795 Mw Bruce #8 nuclear unit was taken off line Wednesday afternoon.

Constellation Energy's 621 Mw Nine Mile Point nuclear unit #1 was at 45% power this morning down 55% as operators moved to fix a condenser leak.

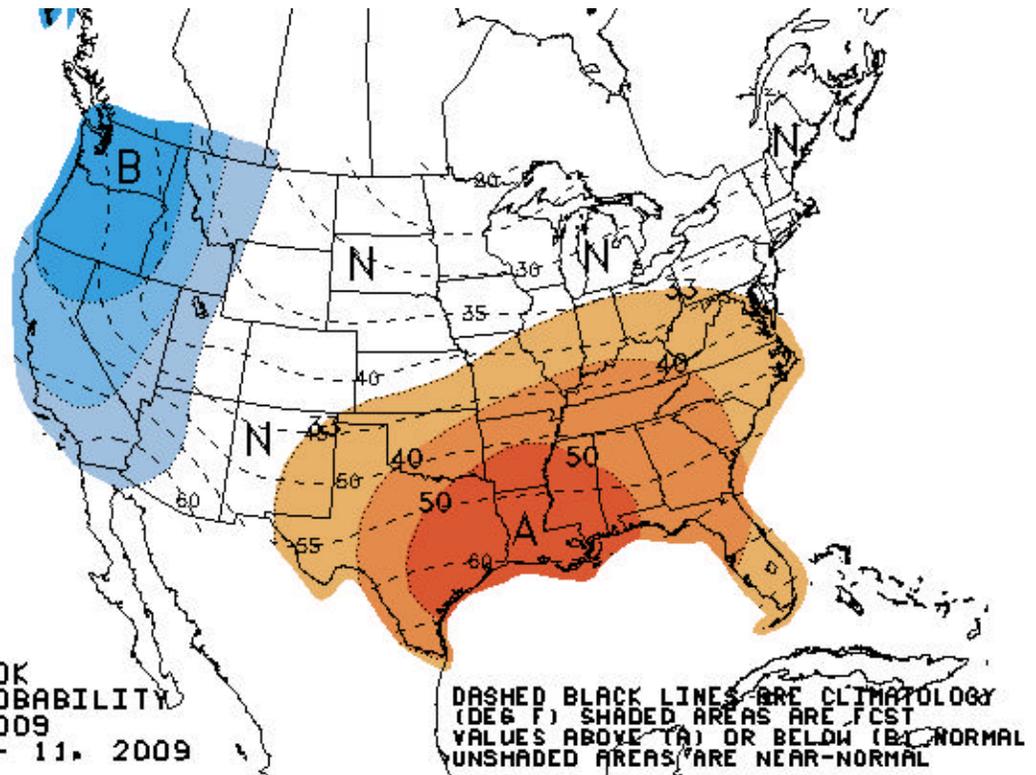
**The NRC reported this morning that 89,937 Mw of nuclear generation capacity was on line, down 0.2% from yesterday but 1.2% higher than the same time a year ago.**

Petrohawk Energy, which has drilled the highest-producing well to date in the Haynesville Shale sector, said today its estimated ultimate recovery in the play has risen to 7.5 Bcfe/d based on the

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	606,500	\$4.201	(\$0.004)	\$0.121	\$0.249	(\$0.191)
Chicago City Gate	895,800	\$3.956	(\$0.075)	(\$0.124)	(\$0.055)	\$0.081
NGPL- TX/OK	981,600	\$3.239	(\$0.035)	(\$0.841)	(\$0.015)	(\$0.689)
SoCal	189,700	\$3.366	(\$0.042)	(\$0.714)	(\$0.022)	(\$0.651)
PG&E Citygate	523,300	\$4.196	\$0.008	\$0.116	\$0.028	\$0.163
Dominion-South	346,600	\$4.495	(\$0.078)	\$0.415	(\$0.058)	\$0.569
UTrade Weighted	15,205,200	\$3.826	\$0.229	(\$0.254)	\$0.25	(\$0.191)

performance data from the first 14 wells completed to date. The company said that despite the current market conditions it has no plans to slow its Haynesville drilling.

PECO announced today that it would lower its natural gas rate by 10% on average for its 485,000 suburban gas customers, effective march 1<sup>st</sup>. Combined with two previous quarterly decreases, the gas commodity portion of PECO's natural gas rate will now be the lowest it has been since December 2003.



The Canadian National Energy Board said today in its Energy Market Assessment that while many sectors of the global economy may have shown signs of recession, the recent downturn is not anticipated to bear too heavily on the demand for natural gas in the long run. The NEB noted that many countries continue to seek to diversify the source of their energy supplies and as a result LNG will be in demand. In North America alone, the supply of LNG is projected to reach 5% of the total natural gas requirement by 2020.

Austria's OMV CEO Wednesday said he does not expect his company to reach agreement on taking a stake in the Iran LNG project anytime soon, despite ongoing negotiations. Iran announced last October that the first LNG from the project would be exported in 2012 and would be sold to the countries that invested in Iran LNG. Multinational companies have held back from making a commitment to LNG projects in Iran due to the threat of the U.S. to impose sanctions against third parties investing in Iran's energy sector.

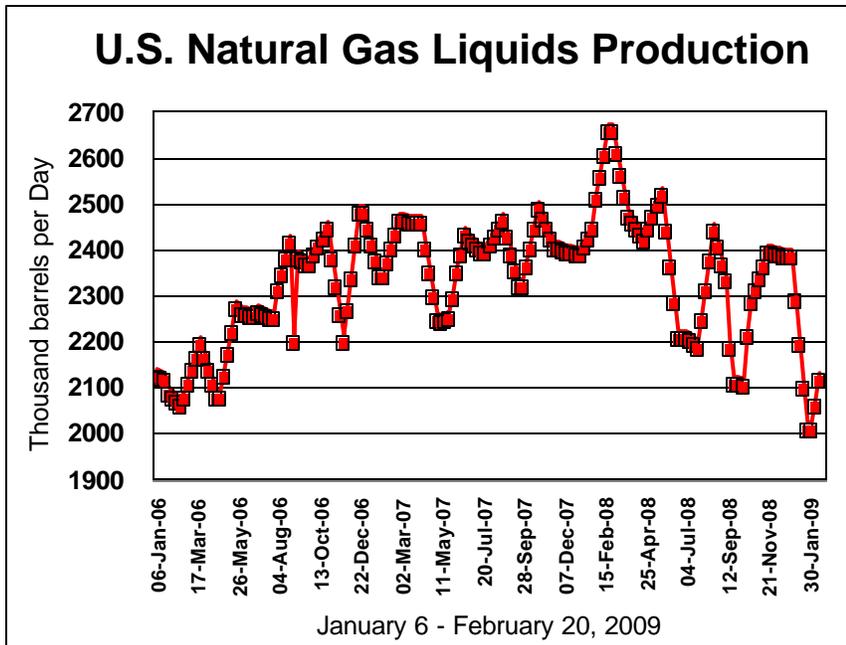
StatoilHydro said Wednesday that it would stop production at a processing plant for its offshore Snoehvit gas field in mid-August for 60-80 days. The LNG processing plant on Melkoya Island in the Arctic has had problems since its start-up in late 2007.

The head of Nigeria LNG Limited said today that Nigeria could triple its output of LNG in a few years if planned projects are not cancelled or delayed due to the global economic crisis. He estimated that Nigeria could add 40 million tonnes per year from the current level of 22 million tonne should plans for Brass LNG, Olokola LNG and the expansion of NLNG follow through. Nigeria currently supply's 10% of the world's total LNG supplies.

Total SA and Gazprom said they are interested in participating in a multi-billion dollar project to pipe Nigerian gas across the Sahara and onto Europe. The \$13 billion project could send up to 30 billion cubic meters a year of gas to Europe.

Italian authorities gave approval to the Swiss and Russian owned Avelar Energy to build a storage facility for natural gas in southern Italy that initially will have a capacity of 700 million cubic meters that can be expanded to 1 billion cubic meters.

Britain's Energy and Climate Change Secretary said today that it is vital for Britain to expand its gas storage capacity, especially as its domestic gas production declines and its reliance on gas imports increase.



Gary Gensler, nominated by the Obama administration to head the CFTC, said today that his views on market oversight have changed since 2000 when he supported legislation that exempted the \$58 trillion credit default swap market from oversight. Gensler said he backs position limits on physical commodities and that clearing should be mandatory for standardized OTC derivatives. He also said he was reluctant to see the CFTC brought under the auspices of the Treasury Department or merging it with the SEC. He also noted that the CFTC lacks the funding and

authority to fulfill its mission to enforce laws, prevent fraud and manipulation and guard against excessive speculation.

**PIPELINE RESTRICTIONS**

NGPL said effective today and until further notice ANR South Joliet #2 has limited capacity available for deliveries. Limited ITS/AOR and Secondary Firm transports are available. The company said it also has limited capacity for gas going northbound through Segment 27 on its Gulf Coast mainline.

Colorado Interstate Gas said it is concerned about the performance at the Black Forks interconnect and will place an underperformance warning on the location until further notice. The company said it would continue the underperformance caps at Saddle Draw and Desert Springs.

Tennessee Gas Pipeline said that it has lifted the OFO issued for Zone 4.

**PIPELINE MAINTENANCE**

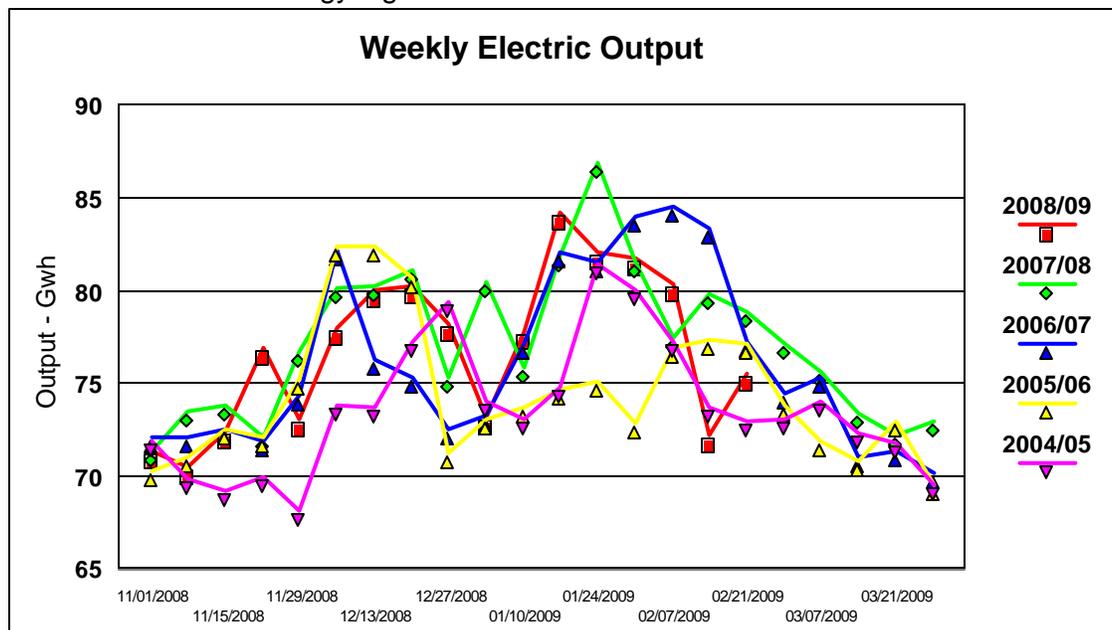
Sabine Pipeline said today it shut its Port Neches compressor station because of mechanical problems and issued a force majeure for several interconnects with its system. These are its Jefferson interconnects with Houston Pipeline, KM Texas Pipeline and Tejas Pipeline. The company expects repairs on the compressor to be completed within 24-48 hours.

Gulf South said it will be performing system maintenance at the Jackson Compressor Station two units, one at a time beginning March 3<sup>rd</sup> and last for two weeks. Capacity through the station is expected to be reduced by as much as 100,000 Dth. The company also reported that it would perform system maintenance at the Destin Compressor Station beginning March 3<sup>rd</sup> and lasting for 22 days. As a result the Destin Compressor will be unavailable during the period.

**ELECTRIC MARKET NEWS**

The Edison Electric Institute reported that for the week ending February 21<sup>st</sup>, U.S. power production reached 75,058 Gwh, up 4.7% from the previous week but 5.7% less than the same week a year ago. For the first eight weeks of this year, U.S. power production has been down 2.4% from 2008.

President Obama last night called for a market-based cap and trade program as an avenue to set limits on carbon-dioxide emissions and let companies trade pollution allowances on a market. BlackRock, the largest publically traded asset manager in the U.S. as well as Duke Energy and the Edison Electric Institute supported the President’s policy proposal and called on Congress for quick action on the clean energy legislation.



The members of the American Public Power Association approved 11 resolutions at its annual conference, which included endorsing policies to improve the bulk electric transmission system and support for

workable federal renewable electricity standard.

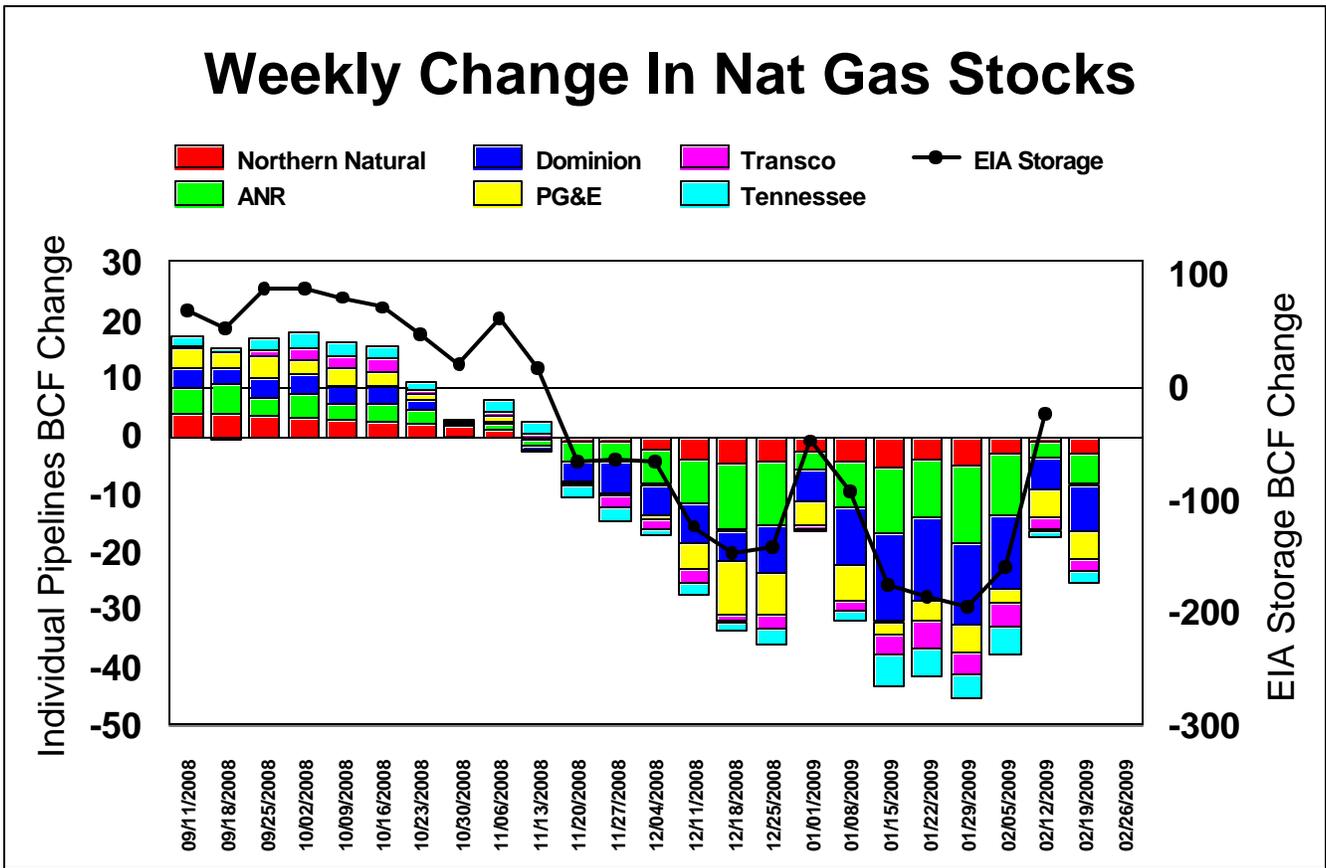
**MARKET COMMENTARY**

While the oil markets were heading higher today the natural gas market was heading in the opposite direction as both the futures and cash markets weakened as the day progressed. The expiring March contract basically erased the gains of the past two trading sessions and while once again challenged the \$4.00 price level, it was able to hold and as a result settled a nickel above it. But this was its second lowest settlement in the March 2009 contract since 2003.

Market expectations for tomorrow’s EIA Natural Gas Storage Report appear to be running between a 90 to 145 bcf decline with the average projection coming in around a 100 bcf decline. Our models continue to indicate that last week’s storage number was too small and as a result could result in our estimate of a drawdown of 100 bcf possibly being too small. For the same week a year ago stocks fell an adjusted 157 bcf, while the five-year seasonal decline is for 145 bcf drawdown.

We would look for tomorrow’s storage report to be the key-pricing indicator for the remainder of the week. We see resistance in the new spot April contract to be found at \$4.18 followed by \$4.224, \$4.26.

More distant resistance we see at \$4.326, \$4.44 and \$4.553 the 38%, 50% and 62% retracement of the February sell off. Support we see at \$4.00, \$3.95, \$3.842 and \$3,70.



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.