



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR MARCH 3, 2011**

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

##### **North American**

MarkWest Energy reported that its natural gas compressor station in southwestern Pennsylvania has returned to service early Thursday. The unit had suffered a fire on Tuesday.

##### **Generation Outages**

NPCC- OPG's 535 Mw Lennox #1 oil and gas fired power unit was shut late Wednesday evening for planned maintenance.

The NRC reported this morning that some 90,382 Mw of nuclear generation capacity is online, up 0.9% from yesterday and some 4.9% higher than the same day a year ago.

The U.S. Department of Energy reported that the United States imported 40.37 bcf of LNG in January, the highest level since April of last year. The DOE also reported that four cargoes were re-exported in January totaling 12.5 bcf.

##### **EIA Weekly Report**

	02/25/2011	02/18/2011	Change	02/25/2010
<b>Producing Region</b>	696	687	9	584
<b>Consuming East</b>	809	880	-71	872
<b>Consuming West</b>	240	263	-23	298
<b>Total US</b>	1745	1830	-85	1754

\*storage figures in Bcf

Interior Secretary Salazar said today that the U.S. government is reviewing wastewater practices of natural gas drillers after reports that radioactive water was ending up in public waterways. He said his department is working with the EPA to examine water quality issues related to

waste and hydraulic fracturing. He said "we are looking to make sure operators on public lands are not using hydraulic fracturing in a way that is harmful to the environment."

##### **International**

The EU energy commissioner today said that the European Union will not give into Russian demands for exemptions from new EU rules designed to end the dominance of energy monopolies. The EU's "third energy package" enters into force Thursday, forcing the EU's 27 member states to break up giant utilities, so that owners of gas and electric networks can no longer prevent smaller rivals from gaining access to the infrastructure.

##### **Canadian Gas Association**

##### **Weekly Storage Report**

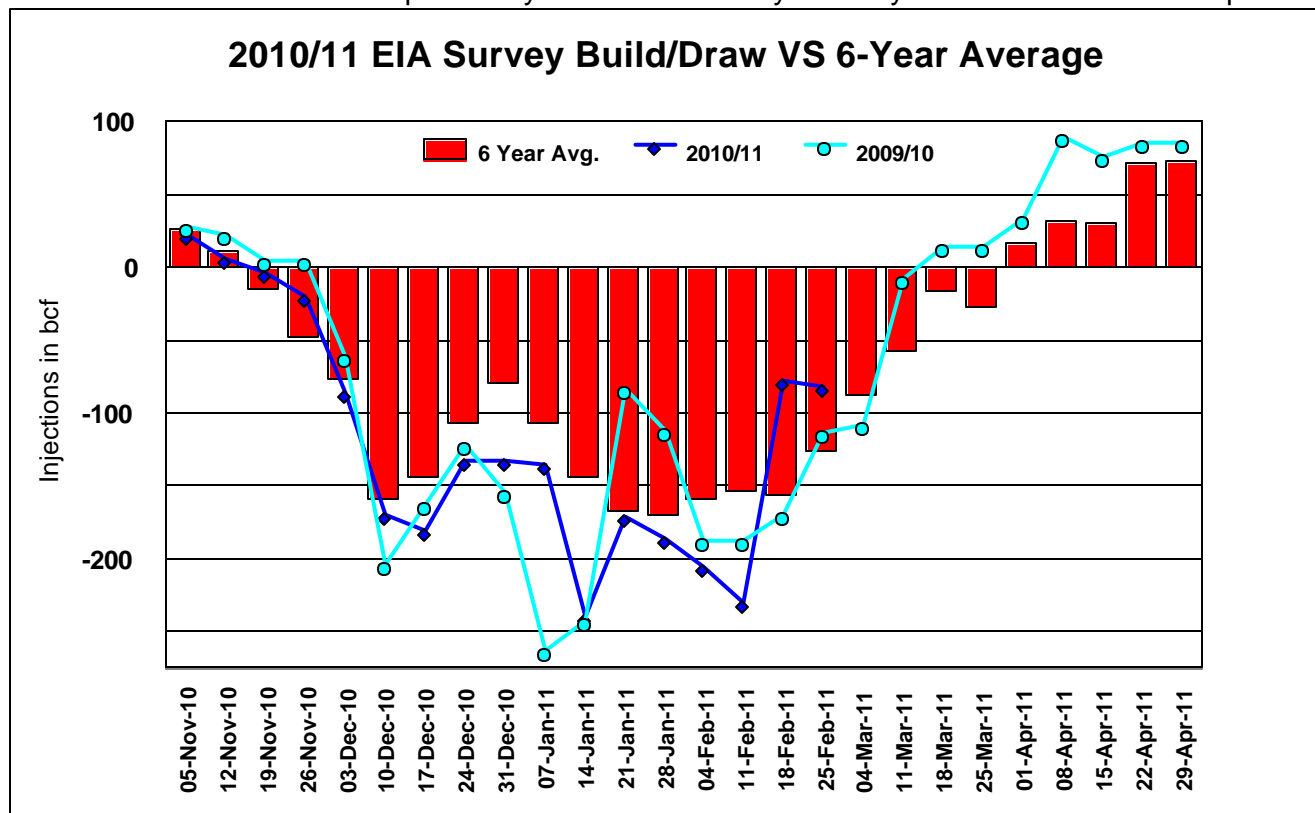
	25-Feb-11	18-Feb-11	26-Feb-10
<b>East</b>	70.6	78.5	80.6
<b>West</b>	176.1	194.6	193.8
<b>Total</b>	246.7	273.1	274.4

storage figures are in Bcf

Lithuania's energy minister today called for Gazprom to provide Lithuania with a "fair gas price" or it will go to international arbitration. Lithuania claims that Gazprom's gas price violates an agreement made with Lithuania's gas utility Lietuvos Dujos when it was privatized. Gazprom and Germany's E.ON Ruhrgas respectively own 37.1% and 38.9% stakes in the company. Lithuania said if talks continued to fail in resolving the pricing dispute it would seek arbitration to void the privatization deal.

India's January natural gas output was estimated as being off 6.3% from a year earlier at 4.35 bcm.

Indonesia's BPMigas said it has a total of 20 spot LNG cargoes to sell over the near term. The company is looking to sell six cargoes on tender immediately and the remaining cargoes at a later date when prices improve. Indonesia reportedly will be able to sell 73 LNG cargoes this year in addition to the cargoes that are part of long-term supply contracts. It will ship 45 of those cargoes to South Korea and eight will be for domestic use. The additional spot cargoes have become available largely due to reductions of term volumes requested by some offshore buyers last year due to lower consumption.



**ELECTRIC MARKET NEWS**

Republicans in the U.S. House of Representatives introduced a bill on Thursday that would permanently stop the EPA from regulating emissions blamed for global warming. The Obama Administration though has already made it clear that they would veto this legislation if it made it through Congress.

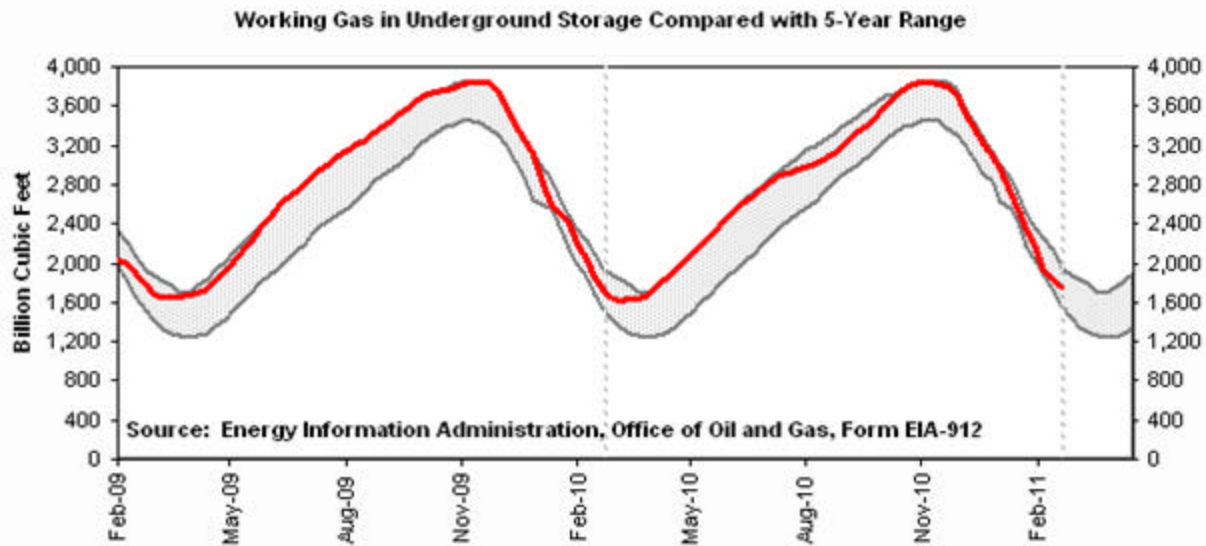
**ECONOMIC NEWS**

The US Labor Department said new claims for unemployment benefits unexpectedly fell in the week ending February 26<sup>th</sup> to its lowest level in more

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	483,000	\$3.751	(\$0.034)	(\$0.056)	(\$0.233)	\$0.078
Chicago City Gate	794,200	\$3.920	(\$0.084)	\$0.113	(\$0.061)	\$0.098
NGPL- TX/OK	921,200	\$3.689	(\$0.014)	(\$0.118)	\$0.009	(\$0.168)
SoCal	572,500	\$3.777	\$0.005	(\$0.030)	\$0.028	(\$0.066)
PG&E Citygate	1,309,000	\$4.019	\$0.011	\$0.212	\$0.034	\$0.148
Dominion-South	502,300	\$3.932	(\$0.098)	\$0.125	(\$0.075)	\$0.116
UStTrade Weighted	20,794,000	\$3.871	(\$0.256)	\$0.064	(\$0.23)	\$0.078

than 2-1/2 years. Initial claims for unemployment benefits fell by 20,000 to a seasonally adjusted 368,000, the lowest amount since May 2008. The four week moving average of unemployment claims fell by 12,750 to 388,500 last week. It said the number of continuing claims fell by 59,000 to 3,774,000 in the week ending February 19<sup>th</sup>. The unemployment rate for workers with unemployment insurance was 3% in the week ending February 19<sup>th</sup>, down from 3.1% the previous week.

The Labor Department reported that US nonfarm productivity grew as expected in the fourth quarter. It stated that productivity increased at an unrevised 2.6% annual rate during the fourth quarter. For all of



2010, productivity expanded 3.9%, the fastest pace since 2002.

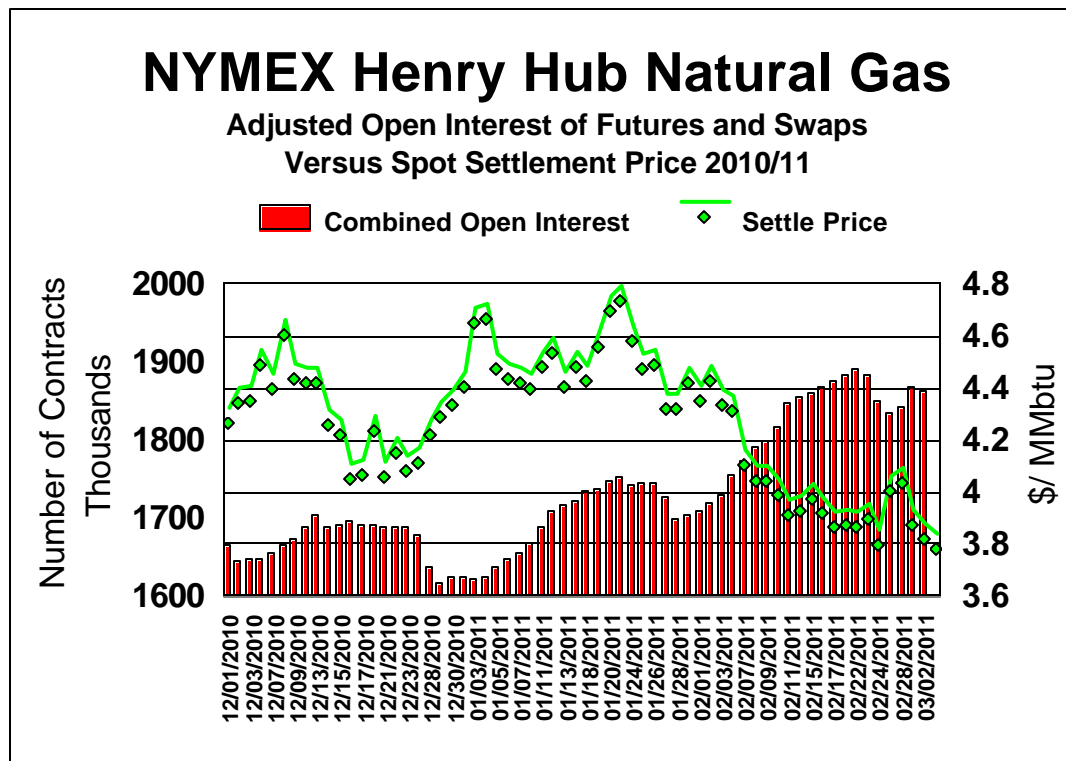
The European Central Bank held interest rates at a record low of 1% as expected on Thursday despite rising inflation fears. Euro zone inflation reached 2.4% in February.

The EU's statistics agency, Eurostat reported that Euro zone GDP in the fourth quarter increased by 0.3% on the quarter and by 2% on the year while European Union GDP in the fourth quarter increased

by 0.2% on the quarter and by 2.1% on the year.

It also reported that retail sales in the Euro zone in January increased by 0.4% on the month and by 0.7% on the year while retail sales in the EU increased by 0.6% on the month and by 1.9% on the year.

The CME said computer driven trades account for about 45% of all futures volume on the NYMEX but added that concerns raised by traders and regulators about the rapid growth of High Frequency



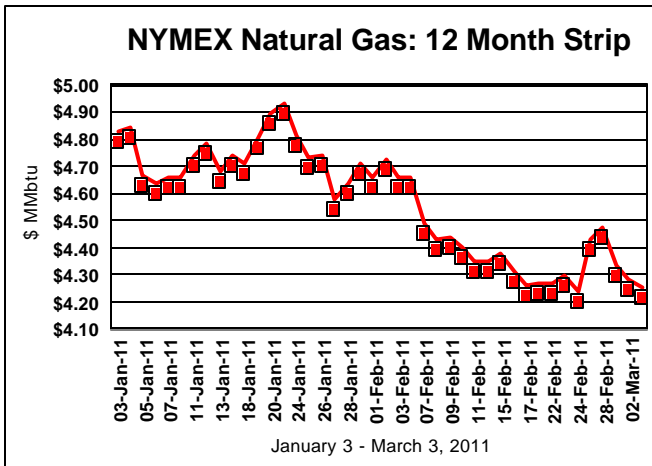
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Trading were misplaced. The CME's chief executive Craig Donohue said short term speculators have always had a role in commodity markets and the rise of automated high-speed trading and arbitrage computer models was just an evolution of that trend.

The new chairman of the Senate Agriculture Committee warned market regulators against overreaching as they implement new rules for over-the-counter derivatives in the Dodd-Frank reform law.

**MARKET COMMENTARY**

The natural gas market continued its recent bearish trend downward, despite receiving a relatively neutral storage report from the EIA at mid morning. With the winter heating season just a few weeks away from conclusion and the expectations for another smaller than normal draw down next week, it appeared that the market was seeking a larger than expect draw down in today's report in order to entice bulls to return to the market. When it was not received, buyers became scarce and prices eroded futher throughout the day. The spot natural gas contract reached its lowest level since November 15<sup>th</sup> of last year. Without a major change in the weather forecast it appears natural gas prices may continue to erode a bit further as bulls have little reason to jump back into this market at this time. We see support basis the April contract at \$3.76 followed by \$3.71, \$3.656, \$3.41 and \$3.255. Resistance we see at \$3.85 followed by \$3.975-\$3.988, \$4.157, \$4.28 and \$4.403.



The 12-month strip, which settled tonight at \$4.223 is on the verge of testing last week's low and should warrant watching tomorrow.

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