



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

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### **NATURAL GAS & POWER MARKET REPORT FOR MARCH 4, 2009**

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

The American Gas Association said several tax provisions included in President Barack Obama's budget proposal could hurt natural gas customers. It said the budget will discourage independent energy producers from discovering and producing natural gas due to changes to tax laws that address intangible drilling costs, geological and geophysical expenses, the depletion allowance and the manufacturing deduction.

Sakhalin Energy Investment signed an agreement with Osaka Gas on supplying the japans company with 200,000 metric tons per year of LNG for more than 20 years.

The Ukrainian First Deputy Prime Minister said today that the Ukraine may miss a March 7<sup>th</sup> deadline to pay Gazprom for last month's natural gas imports due to the armed raid today by Ukrainian national security services on Naftogaz's headquarters. The raid was in connection with an investigation into the alleged diversion of gas worth \$900 million. Officials of Naftogaz said the agents were seeking copies of a supply contract signed with Gazprom in January.

GDF Suez's 145,700 cubic meter Maran Gas Coronis liquefied natural gas tanker is scheduled to arrive at the Isle of Grain terminal in Britain on March 9<sup>th</sup> from the Idku production plant in Egypt. BP's British Trader tanker is scheduled to arrive at the terminal on March 6<sup>th</sup>.

Southern Star Energy Inc announced that it drilled the Boyce-Pate 16-1 well, its third planned Haynesville test well on February 19<sup>th</sup>. It is located in the east-central portion of the company's producing Sentell Field in Bossier Parish, Louisiana. It intends to further delineate the Sentell Field in the Cotton Valley Formation before drilling ahead into the deeper Haynesville Formation in this location. It anticipates announcing results later in March. It also stated that completion operations are underway on the L. Moore 20-1 well to test multiple prospective intervals in the Upper Davis section of the Cotton Valley formation. The zone is currently testing at about 400

#### **Generator Problems**

**NPCC** – OPG's 494 Mw Lambton #3 coal fired unit returned to service this morning. The unit was shut on March 2<sup>nd</sup>.

**MISO** – Ameren's 1190 Mw Callaway nuclear unit has exited its outage and was up to 60% by early Wednesday. The unit had been shut down since February 19<sup>th</sup>.

FPL's Duane Arnold nuclear unit has restarted and was at 1% power this morning. The unit has been off line since February 1<sup>st</sup> due to the loss of condenser cooling as it was beginning to coast down for its refueling outage.

**SPP** – Entergy's 843 Mw Unit #1 at the Arkansas Nuclear One power station dipped to 62% power by early Wednesday.

Entergy's 1,207 Mw Grand Gulf nuclear unit 1 cut its operations to 88% capacity on Wednesday from full power on Tuesday.

Duke Energy Corp's 1,129 Mw Catawba Nuclear Station unit 2 is preparing to shutdown for a regularly scheduled refueling and maintenance outage starting Saturday, March 7<sup>th</sup>. The unit was operating at 93% capacity on Wednesday morning.

**The NRC reported this morning that 90,036 Mw of nuclear generation capacity was on line, up 0.34% from yesterday and up 3.17% from the same time a year ago.**

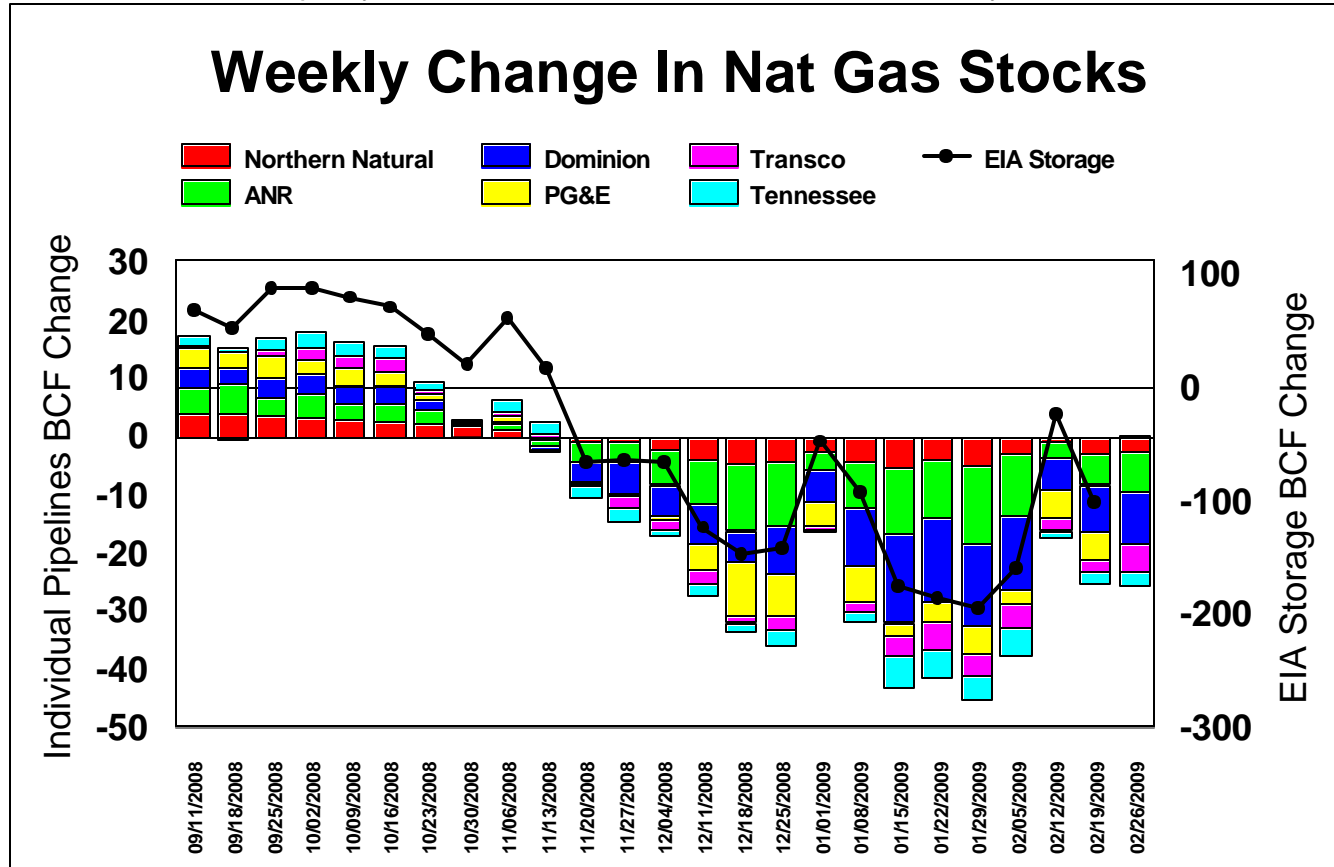
mcf/d. It plans to test this stage for three to four additional weeks before testing additional intervals. It also announced that pipeline construction has started to extend the field gathering system southward to the Cash Point 30-1 location in order to accommodate production from selected Cotton Valley intervals. It anticipates starting completion operations on the Cash Point 30-1 well by early April.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	905,800	\$4.225	(\$0.209)	(\$0.019)	(\$0.365)	(\$0.271)
Chicago City Gate	1,099,400	\$4.013	(\$0.228)	(\$0.231)	(\$0.250)	(\$0.097)
NGPL- TX/OK	692,000	\$3.369	(\$0.093)	(\$0.875)	(\$0.115)	(\$0.846)
SoCal	222,700	\$3.335	(\$0.052)	(\$0.909)	(\$0.074)	(\$0.978)
PG&E Citygate	759,500	\$4.254	(\$0.045)	\$0.010	(\$0.067)	(\$0.005)
Dominion-South	361,700	\$4.567	(\$0.590)	\$0.323	(\$0.612)	\$0.696
UTrade Weighted	17,323,700	\$3.894	(\$0.343)	(\$0.350)	(\$0.36)	(\$0.271)

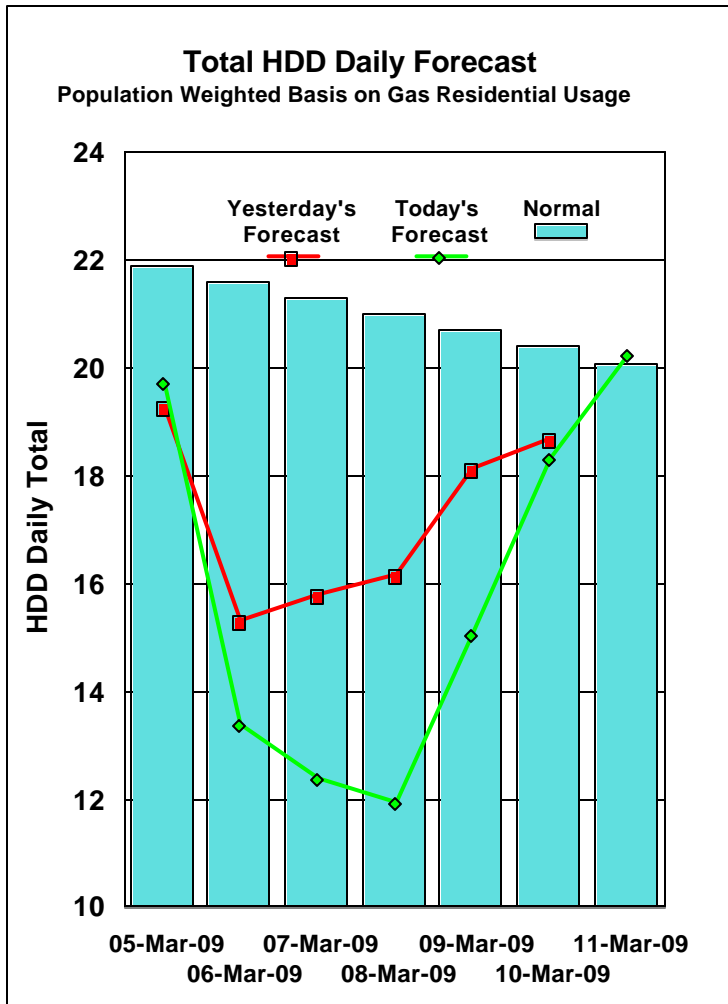
### PIPELINE RESTRICTIONS

Natural Gas Pipeline Co said Texas Eastern Transmission-Cameron is at capacity for deliveries effective Wednesday and until further notice. ITS/AOR and Secondary Firm transports are at risk of not being fully scheduled.

NGPL has limited capacity at Gulf South-Goodrich effective Wednesday and until further notice.



Limited ITS/AOR and Secondary Firm transports are available. NGPL also reported that it has limited capacity available for gas going eastbound through the end of Segment 17 on Wednesday and until further notice. Limited ITS/AOR and Secondary Firm transports are available.



KM Interstate Gas Transmission is at capacity for delivered quantities into Segment 35 located in Fremont County, Wyoming effective for Wednesday's gas day and until further notice.

#### **PIPELINE MAINTENANCE**

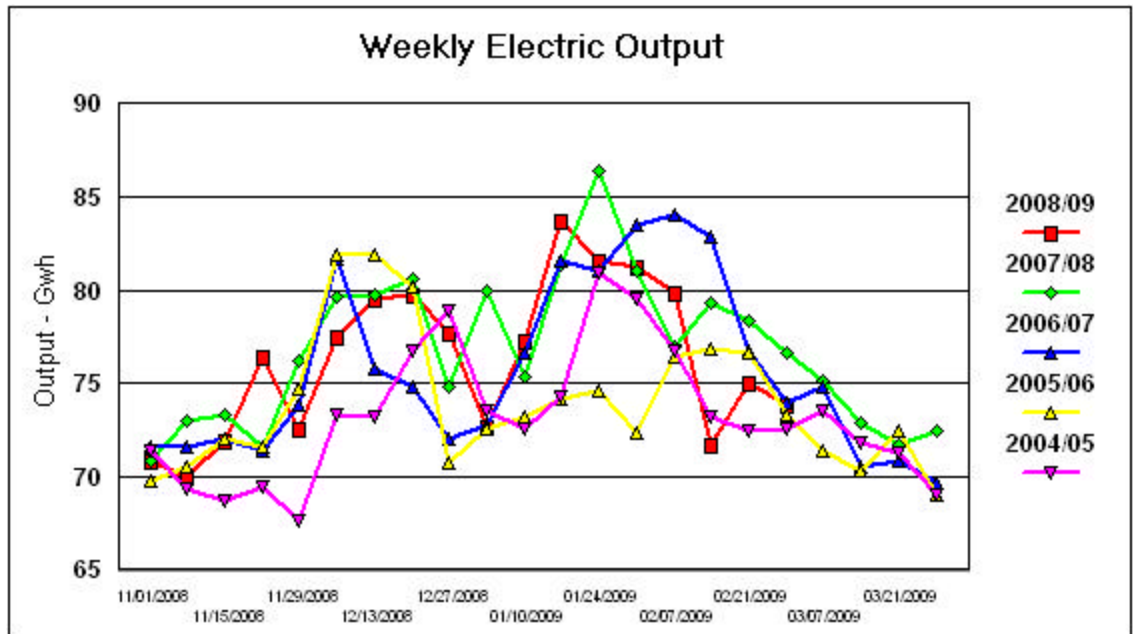
ANR Pipeline will continue unplanned engine repairs at its Joliet Compressor Station, which will reduce the total NGPL-Joliet Interconnect capacity to 90,000 Dth/d available through Wednesday's gas day.

Gulf South Pipeline Co LP will perform system maintenance at the Hall Summit Compressor Station on Unit#2 starting Wednesday, March 11 for about 8 hours. Capacity through the Hall Summit Compressor Station could be reduced by as much as 100,000 Dth for the duration of the maintenance.

Questar Pipeline has been informed of major maintenance affecting Kern River in the Opal area on March 18. As a result, Questar has postponed maintenance at Oak Spring by one week. It will replace the engine on unit #3 at its Oak Spring compressor station on March 24-26. The ML 104 scheduling point will be reduced to

290,000 Dth/d for gas days March 24-26 and return to 500,000 Dth/d for gas day March 27<sup>th</sup>.

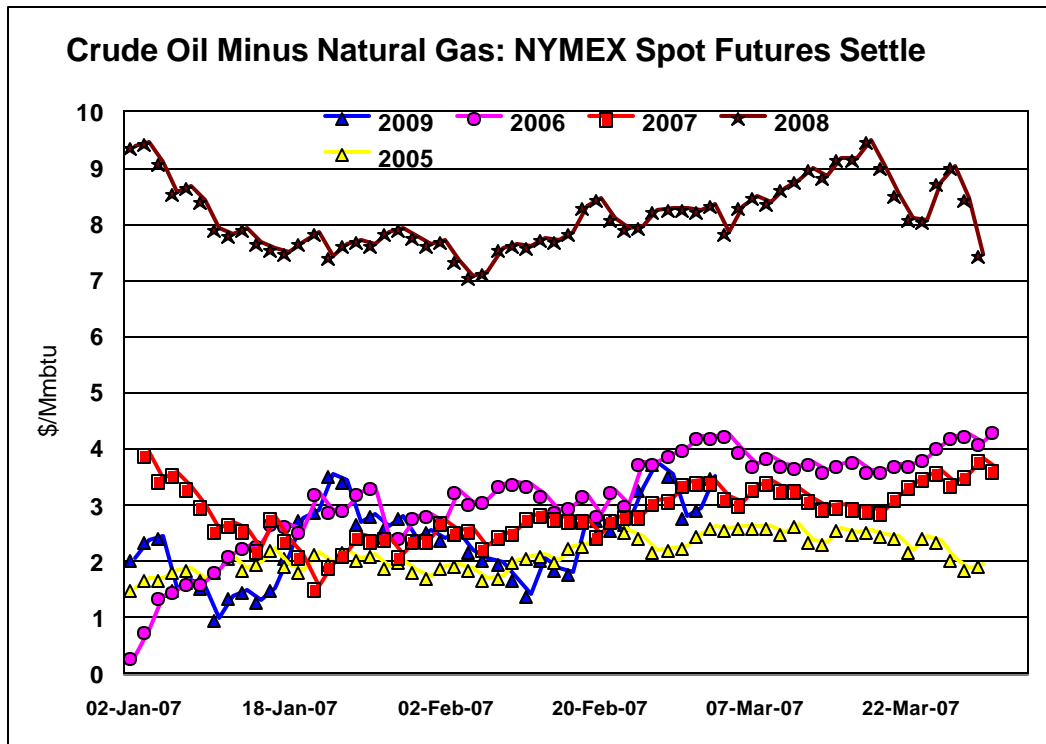
Nautilus Pipeline Co continues to work on the damaged area of the Nautilus system. The duration of the repair is estimated to be 10-15 days weather permitting. The system will remain out of service until further notice. Nautilus is also



requesting bids to purchase about 210,000 Dth, estimated to start March 9<sup>th</sup> at the Manta Ray Meter#992200 for replacement line fill related to the repairs of the Nautilus System.

**ELECTRIC MARKET NEWS**

The Edison Electric Institute reported that electricity generation in the US in the week ending February 28<sup>th</sup> fell by 3.7% on the year and by 1.66% on the week to 73,810 Gwh. For the 52 weeks ending February 28<sup>th</sup>, power generation fell by 1.4% on the year to 4,044,355 Gwh.

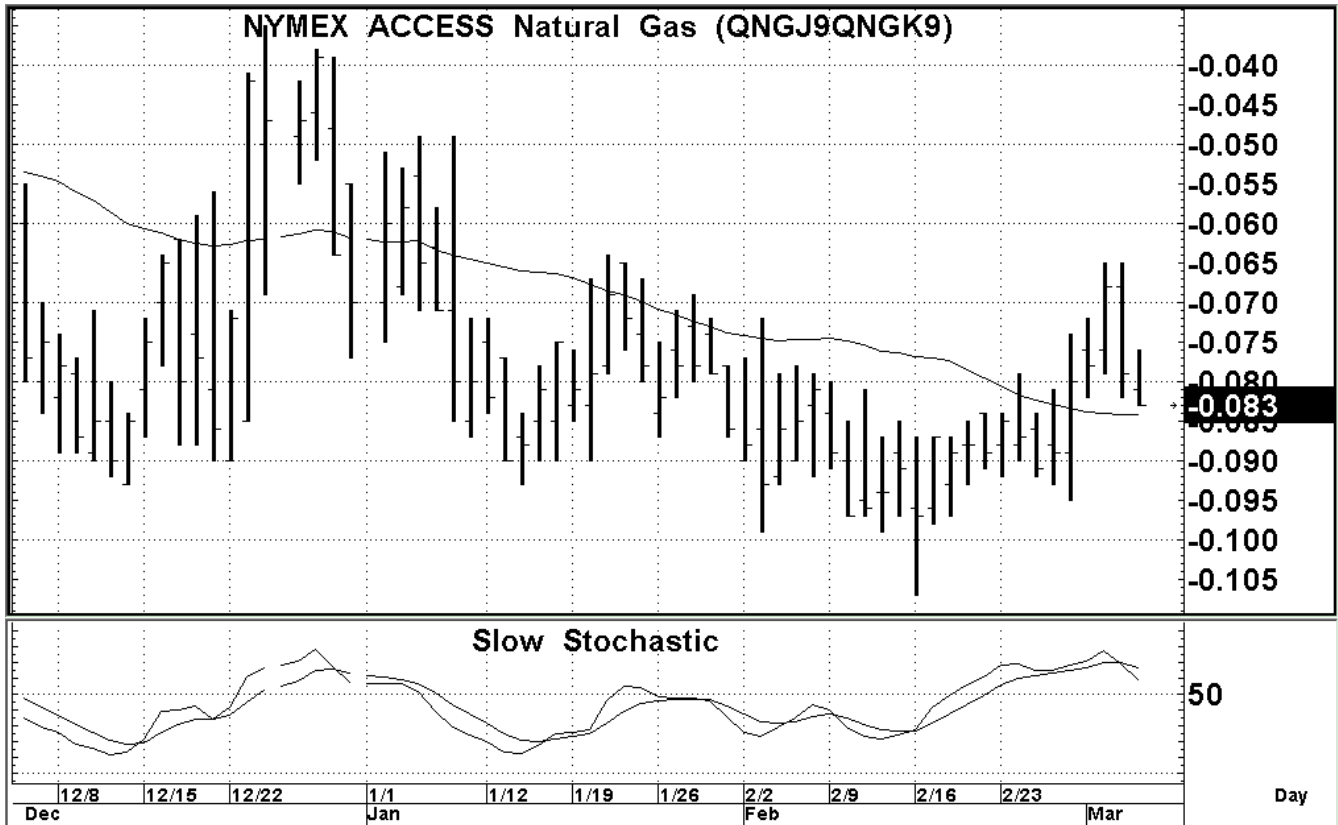


The New York Independent

System Operator stated in its Power Trends 2009 report that the power grid is operating reliably and the wholesale electricity markets are attracting resources efficiently. It said the NYISO will continue to meet accepted reliability standards through 2018. However it reported several foreseeable risks to the economics and reliability of the system, including the impact of the global financial crisis on investment in new resources, the short-term fall in electricity demand due to the current recession that may mask the need to address expected future growth, potentially competing effects of new environmental standards and the desire for lower electricity prices, the state’s dependence on oil and natural gas to generate electricity and an aging fleet of power plants and transmission lines, causing potential environmental, price and reliability concerns. It also noted the need to ongoing efforts to balance economic, environmental and energy challenges.

**MARKET COMMENTARY**

While yesterday saw an inside trading session, today’s trading resulted in an outside trading session as prices dropped down this morning on less than supportive weather forecasts for the next week, but prices were able to be dragged higher through the afternoon by escalating oil prices and stronger equity markets. This market though is awaiting the EIA’s Storage Report scheduled to be released tomorrow morning. Market expectations for the report appear to be running between 75-112 bcf draw down, with the median expectation floating around a 103 bcf decline. Our estimate is basically in sync with this as we are looking for a 105-bcf decline. For the same week a year ago stocks fell an adjusted 139 bcf while the five-year average decline was 121 bcf. As a result we feel if our estimate is realized this market will ultimately feel some downward pressure given the fact that this year’s storage declines will continue to fall behind last year’s levels and the five-year average level. We see resistance tomorrow at \$4.41 followed by \$4.485, \$4.53-\$4.56 and \$4.62. More distant resistance we see at \$4.922. Support we see at \$4.21 followed by \$4.07, \$4.00 and \$3.91.



We feel that given the probability of the continued growing overhang of storage levels, the April-May spread is a sale looking for this spread to head towards an April discount to May by 10-12 cents. A good entry point could be the double top of the past two trading sessions at 6.5-6.7 cent April discount to the May contract.

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