



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR MARCH 9, 2010**

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

In its Short Term Energy Outlook, the EIA predicted that US natural gas production in 2010 will fall slightly more than previously forecast. US gas production is expected to fall 2.7% to 58.7 bcf/d in 2010. The decline in production is a 2.6% decline the EIA previously predicted. The EIA's 2011 production forecast is for an increase or 1.1%, down from a 1.3% increase that previously estimated. The EIA said that although US gas producers have been increasing the number of rigs searching for natural gas, last year's decline in output will continue to impact production in 2010. Large declines from initial production rates at wells drilled in shale rock formations will also contribute to lower output in 2010. The EIA expects gas inventories at the end of the first quarter to be about 1.549 tcf, about 3.5% above the five year average for the period. Total gas consumption is expected to increase by 0.7% in 2010 to 62.9 bcf/d and fall by 0.4% in 2011. The EIA has previously forecast that consumption would increase by 0.4% in 2010 and a further 0.4% in 2011. Liquefied natural gas imports to the US are expected to increase by 45% in 2010 to 1.8 bcf/d due to new supplies from Russia, Yemen, Qatar and Indonesia. In regards to prices, natural gas prices average estimated to average \$5.17/mmbtu in 2010 and increase to \$5.65/mmbtu in 2011.

#### **Generator Problems**

**NPCC** – Energy's 1030 Mw Indian Point #2 nuclear unit continued coasting down to its planned outage on March 10<sup>th</sup>. The unit was at 95% power on Tuesday, down from 97% on Monday. The outage is expected to last about 25 days.

**PJM** - Exelon Corp's 1,179 Mw Limerick 2 nuclear unit is operating at 27% of capacity as of Tuesday, down from 100% on Monday.

**MAIN** – Exelon Corp's 1,133 Mw LaSalle 1 nuclear unit is operating at 90% of capacity on Tuesday, up from 80% on Monday. The unit was restarted over the weekend after it was shut on February 8<sup>th</sup> for a refueling and maintenance outage.

**SERC** – The 1,207 Mw Grand Gulf nuclear unit has been shut after it was operating at 100% of capacity on Monday. The unit experienced an automatic reactor scram on Monday afternoon due to a low reactor water level.

The Tennessee Valley Authority has reduced operations at its 1,100 Mw Browns Ferry nuclear unit 2 to 19% as of Tuesday, down from 100% capacity on Monday.

Wolf Creek Nuclear Operating Corp's 1,170 Mw Wolf Creek nuclear unit was shutdown again on Tuesday after the unit experienced a manual reactor scram on Monday afternoon. The reactor experienced an A Main Feedwater Pump trip during the plant startup. The unit was recently restarted and operating at 44% of capacity as of early March 8<sup>th</sup>.

**WSCC**- The San Onofre #3 nuclear unit continued to cut its power further to 64% on Tuesday, down from 73% on Monday.

**The NRC reported that there was some 82,436 Mw of nuclear power generated today, down 4.06% from Monday and 7.22% lower than a year ago.**

Japan's Chubu Electric Power Co. has signed an agreement to buy 2 million metric tons of liquefied natural gas from Indonesia's Tangguh block between 2011 and 2015. It will purchase 250,000 tons of LNG a year in 2011 and 2012, then 500,000 tons/year between 2013 and 2015.

## **PIPELINE RESTRICTIONS**

A force majeure event occurred at Rockies Express' Cheyenne Compressor Station on March 8<sup>th</sup> due to a variable frequency drive transformer failure on unit 1. REX is estimating that repairs may be completed on or about March 11<sup>th</sup>. As a result of the failure, continuing until further notice, REX will be scheduling down quantities through Segment 200 to 1,550,000 Dth/d. At this level of scheduled quantities, authorized overrun/interruptible transportation, secondary and primary firm transportation quantities are at risk of not being fully scheduled.

Tennessee Gas Pipeline Co said it will not accept any market to supply increases pathed to meters located on the Niagara Spur effective intraday cycle 1, for gas day of March 9<sup>th</sup> due to increased nominations to capacity.

TransCanada said continuing pressure test on the NPS 20 Peace River Mainline will be completed a few days ahead of schedule. On March 11<sup>th</sup>, restrictions will be lifted at Muskeg Creek, Rainbow Lake South, Hay River South, Hay River, Assumption, Assumption 2, Lennard Creek, Basset Lake, Basset Lake South, Basset Lake West and Zama Lake.

## **PIPELINE MAINTENANCE**

Gulf South received notice of delays during the re-commissioning process at the North Terrebonne Gas Plant that will push the anticipated start-up of the plant from the morning to the evening of March 10<sup>th</sup>. Separately, Gulf South said it will perform meter facility maintenance at Plant Daniels Power Plant beginning March 15<sup>th</sup> and lasting through March 16<sup>th</sup>.

## **ELECTRICITY NEWS**

The EIA reported in its Short Term Energy Outlook that US electricity demand is expected to increase over the next two years. It forecast power demand to increase 2% in 2010, slightly higher than a 1.9% increase projected last month. Total electricity consumption in 2010 is estimated at 10.36 billion kwh/d. The EIA however continued to cut its output for 2011, estimating a 1.5% increase to 10.52 billion kwh/d. It is down from a projected growth of 1.7% a month ago. The estimated average US residential electricity price during 2009 was about 11.5 cents/kwh. It predicts prices to remain at 11.5 cents/kwh in 2010 and increase to 11.6 cents/kwh in 2011. The EIA forecasts US coal production to continue its declines, falling an additional 7% even as domestic demand and exports increase. It projects demand for coal by the power sector will increase by about 3% this year and 1.6% in 2011. The EIA also stated that it expects the country's emissions of carbon dioxide from the burning of fossil fuels to increase by 1.5% this year and an additional 1.2% in 2011 as the economy improves and demand for coal-fired generation increases.

US Energy Secretary Steven Chu said the Department of Energy is investing \$154 million in a Texas clean coal project with NRG Energy Inc. The post combustion capture and sequestration project is designed to demonstrate advanced technology to reduce carbon dioxide emissions. NRG will construct a facility at the 3,600 Mw W.A. Parish unit 7 southwest of Houston.

## **MARKET COMMENTARY**

The natural gas market traded higher early in the session as traders were bargain hunting following the market's recent sell off. It traded to a high of \$4.603 at the start of the open outcry session. However the market erased its gains as the warm weather forecasts outweighed the bargain buying. The market sold off to a low of \$4.476 ahead of the close amid the weather forecasts calling for warmer than normal temperatures in the major gas-consuming regions over the next three weeks. The natural gas market settled down 1.1 cents at \$4.516.

While the market remains technically oversold, the market will remain pressured by the weather forecasts. A private weather forecaster is predicting above normal temperatures in the West, much of the Midwest, Great Lakes region and parts of the Northeast from March 14<sup>th</sup> to March 18<sup>th</sup> while

another forecaster is expecting warmer than normal temperatures in the Northeast, Mid-Atlantic and northern part of the Midwest and West from March 19<sup>th</sup> to March 23<sup>rd</sup>. The natural gas market is seen finding support at its low of \$4.476, \$4.46, \$4.458, \$4.405 and \$4.333. Resistance is seen at \$4.55, \$4.587, its high of \$4.603, \$4.659 and \$4.714.

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