



## ENERGY RISK MANAGEMENT

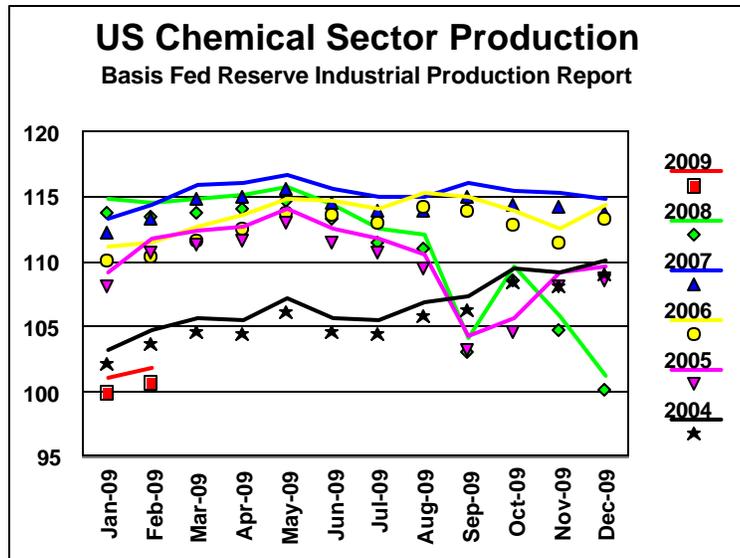
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### NATURAL GAS & POWER MARKET REPORT FOR MARCH 16, 2009

#### NATURAL GAS MARKET NEWS

The Federal Reserve Bank reported today that U.S. industrial production fell for the fourth straight month in February dropping by 1.4% with the factory operating rate dropping to its lowest level in more than a half century of record keeping to 67.4%. This decline came despite a reported rebound in auto production following extended shutdowns in the previous month. In the industrial sectors that are the major consumers of natural gas such as chemicals, steel and food sectors, the demand by this group is off 14.1% from a year ago.



Energy consultant Pan EurAsian estimated that U.S. imports of LNG may rise by as much as 35% in March as a result of weakening demand in both Asia and Europe. The warned that a LNG import surge may be coming in May and June and into the summer.

Raymond James & Associates said in a research note today that it continues to see further price declines in the natural gas this summer pushing prices below the \$3.00

#### Generator Problems

**NPCC** – OPG’s coal fired Nanticoke #5 and #8 units were shut.

**PJM** – Exelon’s 1116 mw Peach Bottom 3 nuclear unit was increased to 98% power this morning, up 13% from Friday.

**MRO** – Xcel Energy shut its 572 Mw Monticello nuclear power plant on March 14<sup>th</sup> for a planned refueling outage.

Exelon’s 855 Mw Quad Cities #1 nuclear unit was 74% capacity, down 22% from Friday’s operating levels.

NPDD’s 791 Mw Cooper nuclear unit continues to ramp higher and was at 75% capacity this morning up 23% from Friday.

**SPP** – Entergy’s 995 Mw Arkansas Nuclear One Unit #2 was taken off line over the weekend for an unplanned outage.

**SERC** – TVA’s 1065 Mw Browns Ferry #1 nuclear unit was at 42% power this morning. The unit returned to service over the past weekend.

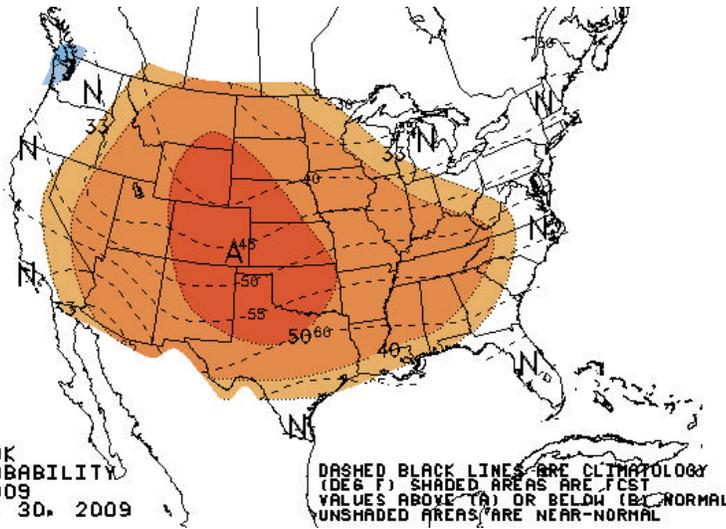
**FRCC** – FPL’s 760 Mw Turkey Point #3 nuclear unit has been shut down. The unit had been at full power on Friday.

**ERCOT** – Luminant’s 575 MW coal fired Unit #2 at the Big Brown power station was expected to be restarted today. The unit has been off line since March 10<sup>th</sup>.

Luminant’s 750 Mw coal fired Martin Lake Unit #3 was shut over the weekend due to ash plugging the back pass of the boiler.

**The NRC reported this morning that 86,424 Mw of nuclear generation capacity was on line, down 1.7% from Friday and up 15% from the same time a year ago.**





NGPL said effective until further notice, Texas Eastern Transmission Cameron has limited capacity for deliveries. Limited ITS/AOR and Secondary Firm transports are available.

Colorado Interstate Gas said that its reduction of operationally available capacity at the Wind River Lateral/Big Horn Constraint, located near the Wyoming and Montana border, from 100 MMcf/d to 90 MMcf/d will remain in effect. The company also reported that it has cancelled the force majeure event at the Morton Compressor Station located on Segment 118. Capacity has been restored to 382 MMcf/d.

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**PIPELINE MAINTENANCE**

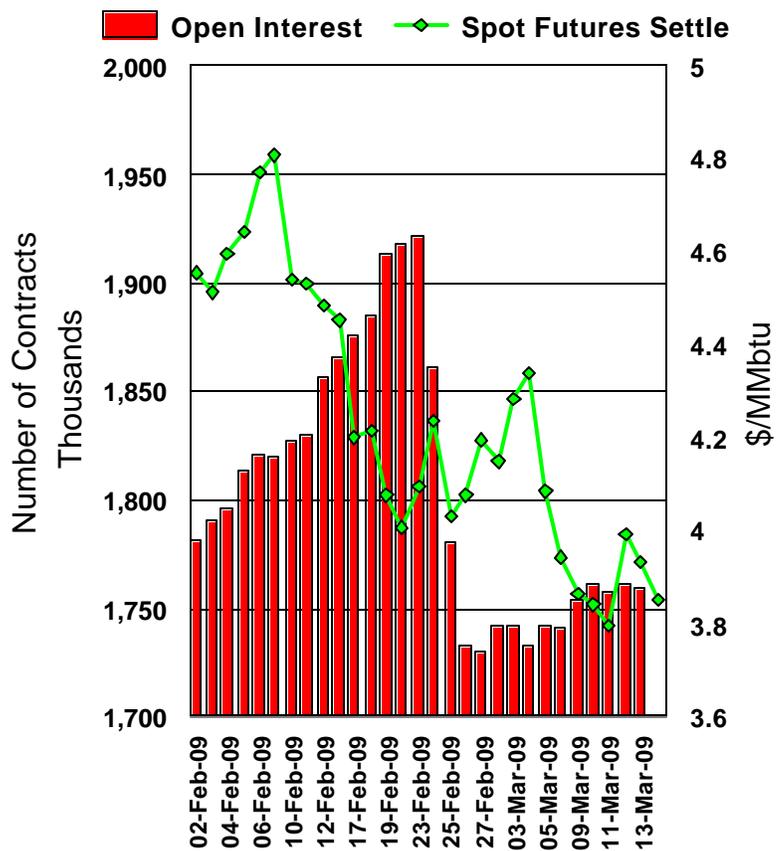
Gulf South Pipeline said it will be performing system maintenance at the Hall Summit Compressor Station on Unit #3 beginning march 23<sup>rd</sup> for approximately 8 hours. Capacity through the station could be reduced by as much as 100,000 Dth.

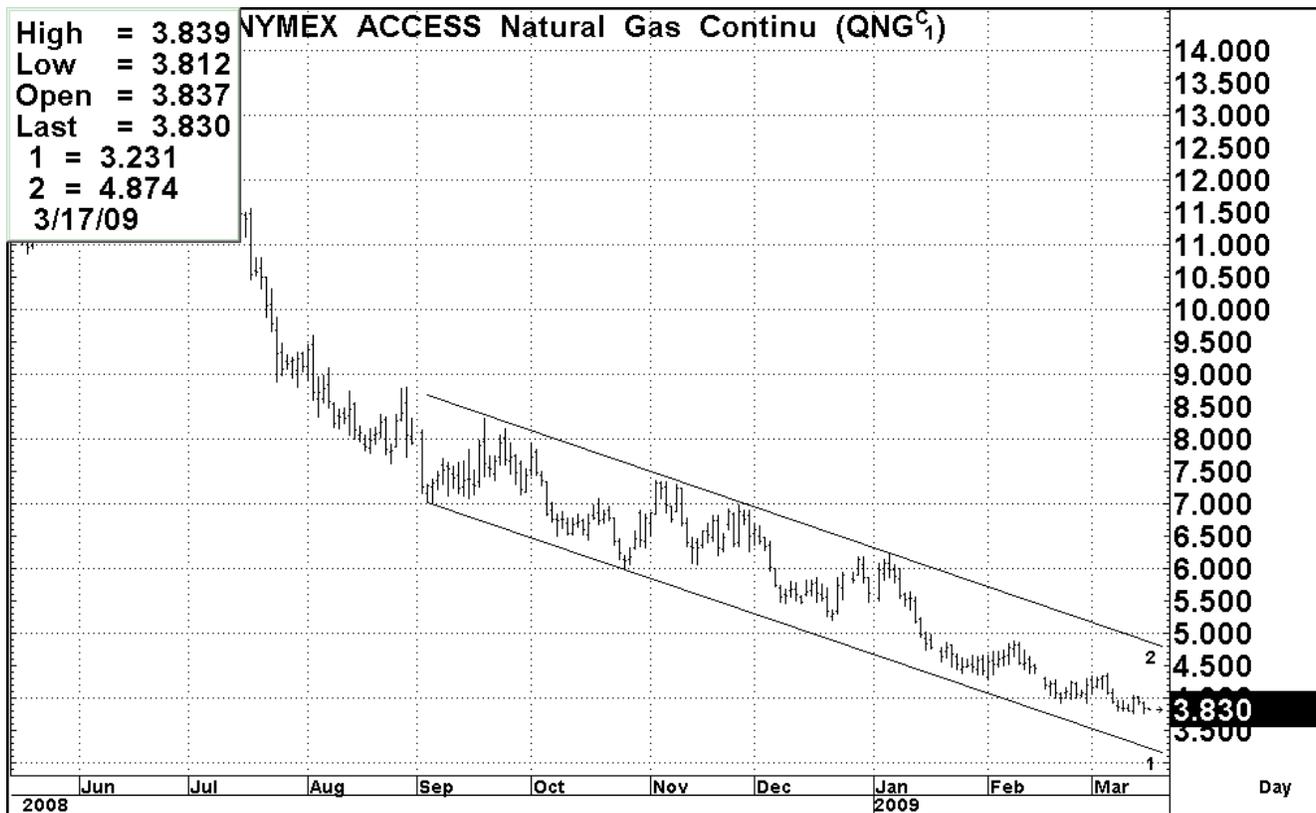
Alliance Pipeline said a routine inspection would require that the gold creek compressor station be taken off line for four hours on March 19<sup>th</sup>. The station capacity will be lowered to 1000 e3m3. The company also reported that inspections and maintenance require the Blueberry Hill Compression Station #2 unit to be off line for 6 hours March 17<sup>th</sup> and for 10 hours on the following day. Capacity at Constraint Point #2 (Blueberry Hill) will be lowered to 11625 on the 17<sup>th</sup> and to 11150 e3m3 on Wednesday.

**ELECTRIC MARKET NEWS**

The Wyoming Colorado Intertie (WCI) has asked the FERC for permission to allow it to sell transmission rights at negotiated rates on the merchant transmission line it is developing that would run between southeast Wyoming to northeast Colorado. The WCI is owned by AES. The

**NYMEX Natural Gas Open Interest  
Henry Hub Futures and Swaps (Adjusted)**





company noted that it has reached agreements to sell 585 Mw to two transmission customers, Duke Energy and GreenHunter Wind. The company is seeking to sell the remaining 265 Mw of capacity at negotiated rates. The target in-service date for the project is June 1, 2013.

The FERC has approved Cal ISO's proposal to launch its market redesign and technology upgrade on March 31<sup>st</sup>, but gave the grid operator the "flexibility to seek a new date if necessary".

**MARKET COMMENTARY**

The natural gas market basically remained on the defensive throughout the day in part due to yet another discouraging economic report, that of the fourth consecutive monthly decline in U.S. industrial production. This coupled with bearish forecasts for limited heating demand across the nation through the end of the month pushed this market to settle lower for the seventh time out of the last eight trading sessions. While the market did move into positive territory briefly at midday, as natural gas prices attempted to follow the oil and equity markets higher, this strength was unsustainable, especially as the rallies in these associated markets began to fail.

We remain bearish on this market given the poor outlook for demand from residential and commercial sectors as the heating season concludes over the next couple of weeks, coupled with the industrial sector continuing to show no near term sign of reversing its negative contracting trend. With the prospects of LNG imports growing over the next several months, the pressure on price should remain despite the expectations for domestic production beginning to decline as rig counts decline sharply.

We see major support in this market at \$3.759. If this is support level is breached we would look for minor support to be found at \$3.671 and \$3.577, followed by major support at \$3.513 and \$3.231. Resistance we see at \$4.07 followed by \$4.13, \$4.38 and \$4.874.

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