



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR MARCH 25, 2010

#### NATURAL GAS MARKET NEWS

Baker Hughes reported that the number of drilling rigs searching for natural gas increased by 2 rigs on the week, marking the 13<sup>th</sup> straight weekly gain.

Statoil ASA announced it has bought an additional 59,000 net acres in the Marcellus Shale region; bring its total acreage assets to 659,000 acres. Statoil made the purchase from Chesapeake Energy for \$253 million.

The Norwegian oil ministry has approved plans to build installations at the Trym gas field in the North Sea. The investment will cost \$428.2 million. The field has an estimated 4.4 bcm of gas and 1.1 million bcm of condensate. The small field is seen to provide profitable production until 2026.

#### Generator Problems

**NPCC** – OPG's 494 Mw coal fired Lambton power station returned Unit #3 to service while Unit #4 was shut.

**PJM** – Constellation Energy's 890 Mw Calvert Cliffs #1 nuclear unit was operating at 95%, up 12% from yesterday.

**MISO** – DTE's 11122 Mw Fermi #2 nuclear unit was shut automatically on Thursday due to a main turbine trip. The unit was expected to return to service within a week.

Energy's 798 Mw Palisades nuclear unit was at 97% power this morning, up 17% from yesterday.

**SERC** – Southern's 876 Mw hatch #1 nuclear unit was at 88% power this morning up 25% from Thursday.

**ERCOT** – Operators at AEP's coal fired 528 Mw Unit #3 at the Welsh power plant were planning to take the unit down Friday afternoon for a maintenance work that was expected to last until the afternoon of Monday, March 29<sup>th</sup>.

Operators at Texas Municipal Power Agency's 462 Mw Gibbons Creek coal fired power plant gave state regulators today a 10 day advanced notice for a scheduled start up of Unit #1 to return from service from its annual maintenance outage. The unit was taken out of service back on March 7<sup>th</sup>.

**The NRC reported that there was some 82,475 Mw of nuclear power generated today, basically unchanged from yesterday and 0.8% better than a year ago.**

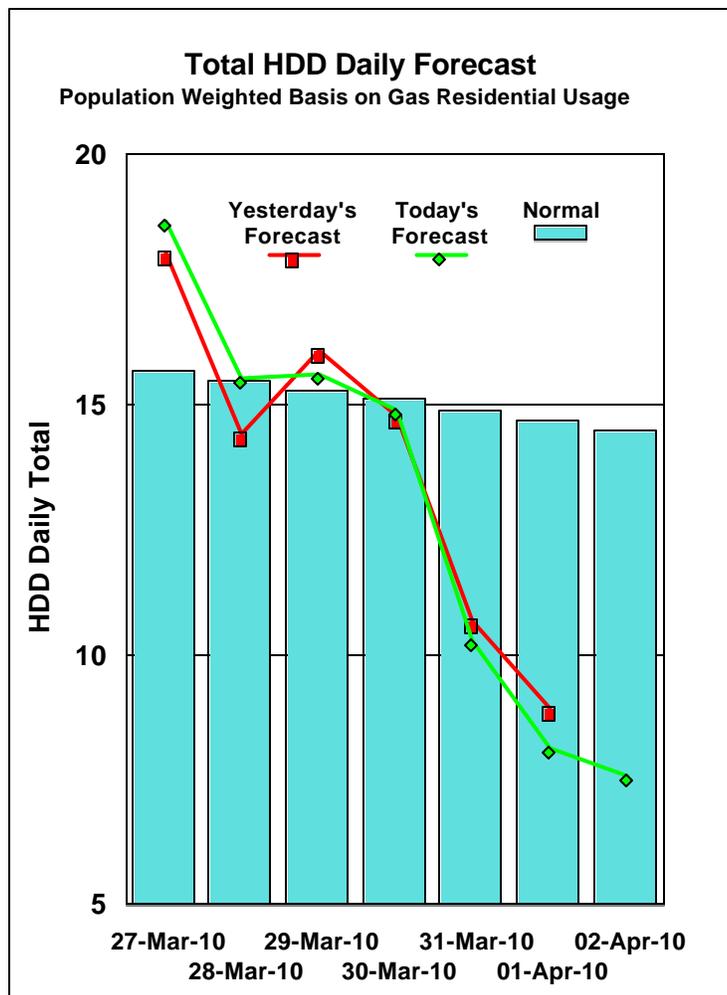
Algeria's energy minister said today that gas producers want eventually to have its gas price at similar levels with oil.

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	739,100	\$3.923	(\$0.088)	(\$0.021)	(\$0.094)	(\$0.012)
Chicago City Gate	545,800	\$4.061	(\$0.116)	\$0.117	(\$0.089)	\$0.097
NGPL- TX/OK	959,300	\$3.831	(\$0.096)	(\$0.113)	(\$0.069)	(\$0.137)
SoCal	293,800	\$3.949	(\$0.174)	\$0.005	(\$0.147)	\$0.030
PG&E Citygate	554,900	\$4.371	(\$0.161)	\$0.427	(\$0.134)	\$0.437
Dominion-South	520,300	\$4.063	(\$0.107)	\$0.119	(\$0.080)	\$0.078
USTrade Weighted	18,362,000	\$3.944	(\$0.121)	(\$0.000)	(\$0.09)	(\$0.012)

The Al Thakhira LNG tanker is scheduled to arrive at Belgium's Zeebrugge terminal on April 6<sup>th</sup>. The vessel has a capacity of 138,000 cubic meters.

Meanwhile the Simaisma LNG tanker is scheduled to arrive at the port on April 11<sup>th</sup>. Both ships are carrying LNG from Qatar.

The Ukrainian Prime Minister Mykola Azarov said Friday that he was satisfied with his visit to Russia this week to discuss gas contracts and that Ukraine will only buy as much Russian gas as it needs for winter storage.



Indonesian state energy firm Pertamina is in talks with Korea Gas Corp and Japan's Kyushu Electric on supply deals for LNG from Sulawesi. However no agreement can be finalized unless the government reverses its earlier decision in which it said that LNG from the project must be sold to the domestic market in order to meet Indonesia's energy needs.

### **PIPELINE RESTRICTIONS**

Southern Natural Gas reported that Southeast Supply Header has completed the scheduled maintenance at its Delhi Compressor station ahead of schedule. As a result pipeline capacities have returned to normal operational levels and the force majeure has been cancelled.

PG&E has issued a system wide operational flow order in effect for march 27<sup>th</sup> due to high inventory, with a 7% tolerance.

### **ELECTRIC MARKET NEWS**

Genscape reported that U.S. coal use this week at U.S. power plants fell 4% from the previous week. It also estimated that coal consumption at power plants was 4% less than the same week a year ago.

The EIA reported late yesterday that U.S. coal production for the week ending March 20<sup>th</sup> was basically unchanged from the previous week but was 4.4% lower than the same week a year ago.

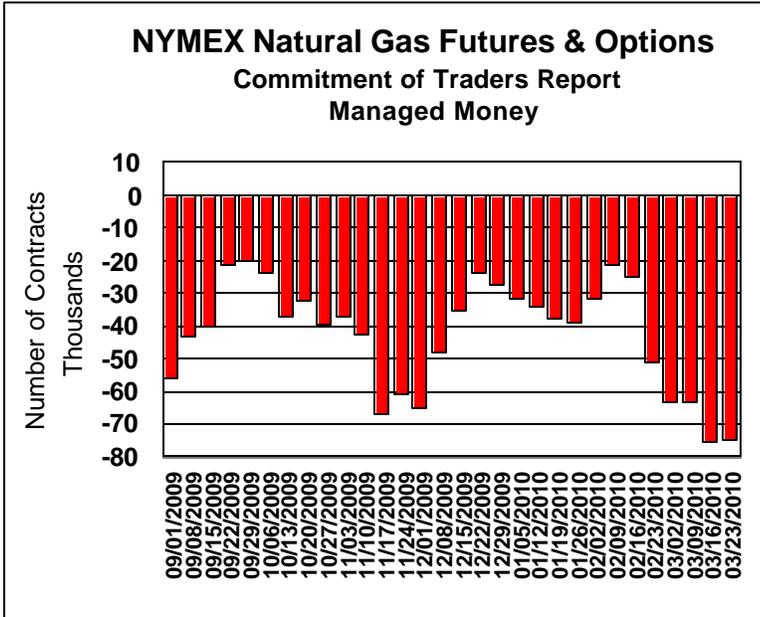
The California Air Resource Board said in a report this week that the state should rely "principally and perhaps exclusively on auctioning as the method for distributing emissions allowances under a state cap and trade program.

Dominion Resources proposed new nuclear unit at its North Anna site in Virginia received its final environmental approval from the NRC. Dominion is the first to obtain a final environmental impact statement from the NRC under an application for a combine construction and operating license. Dominion's competitive process to select a nuclear vendor "is going well" company officials said.

### **MARKET COMMENTARY**

The natural gas market posted yet another strong down session in a row, with most of the day's sell off coming in the final 30 minutes of trading as traders were met with the news of yet another weekly

increase in the number of rigs searching for natural gas, as well as the expiration of the April natural gas options, which saw over 21,000 \$4.00 puts move firmly into the money in the late afternoon.



After the close the CFTC reported that for the week ending Tuesday March 23, 2010 it appeared that commodity funds remained strongly net short the market, decreasing there net short position by on 700 lots on the week.

With the April contract expiring Monday, we would continue to look at the \$3.822 price level as a key support area (62% retracement of the up move from September through January) on the spot continuation chart. Additional support we see at \$3.777, \$3.69 and \$3.581. Resistance we see initially at \$3.94-\$3.96 followed by \$4.05, \$4.09 and \$4.125. Additional resistance we see at \$4.175.

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