



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR APRIL 5, 2010**

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

The National Weather Service reported this morning that for the week ending April 3<sup>rd</sup>, heating degree days on a gas home heating weighted basis stood at just 85 HDD some 28% less than normal and 29.2% less than the same week a year ago. For the current week the NWS is forecasting 60 HDD, which would be 43% less than normal and 49% less than the same week a year ago.

The EIA said Monday that changes in its monthly natural gas production report will likely lead to smaller production estimates for some states, especially key producing states like Texas and Louisiana. The agency said that changes were planned for the 914 Monthly Production report as a result its recent difficulties in accurately balancing production estimates with consumption estimates. EOG Resources, which has been an outspoken critic of the data and has said that "erroneously high" have depressed prices. Analysts at Sanford Bernstein believe the recent data from the government has been in wrong and in fact domestic production is actually falling.

The Department of Justice said today that Mobil Natural Gas and Mobil Exploration and Producing have agreed to pay \$32.2 million to resolve claims that they knowingly under paid royalties from federal and American Indian leases.

#### **PIPELINE MAINTENANCE**

Transco said it will perform facility modifications at the junction platform High Island 154A-V on its North Island System beginning April 6<sup>th</sup> and lasting for approximately three days. During the work approximately 65 MMcf/d of production will be shut-in from upstream.

#### **PIPELINE RESTRICTUIONS**

#### **Generator Problems**

**PJM** – PSEG's 1174 Mw Salem #1 nuclear unit was shut early Monday for planned maintenance.

**NPCC** – Constellation Energy's 1140 Mw Nine Mile Point #2 nuclear unit was shut early Monday for its scheduled refueling outage.

**MISO** – FPL's 514 Mw Point Beach #1 nuclear unit was at 50% power this morning as it ramped back up from its recent refueling outage.

**FRCC** – FPL's 839 Mw St. Lucie #1 nuclear unit was shut this morning for reported planned refueling and maintenance.

**SERC** – Southern's 860 Mw Farley #2 nuclear unit was shut today for planned maintenance and refueling.

Southern's 883 Mw Hatch #2 nuclear unit was shut early Monday for unknown reasons.

TVA's 1126 Mw Sequoyah #2 nuclear unit was back at full power this morning, up from 59% capacity the unit was operating at the end of last week.

**ERCOT** – Luminant's 1150 Mw Comanche Peak #1 nuclear unit was shut for a planned refueling outage.

**WSCC** – Southern California Edison's San Onofre nuclear power plants were undamaged following Sunday's earthquake.

APS's 1311 Mw Palo Verde #1 nuclear unit was shut for planned maintenance today.

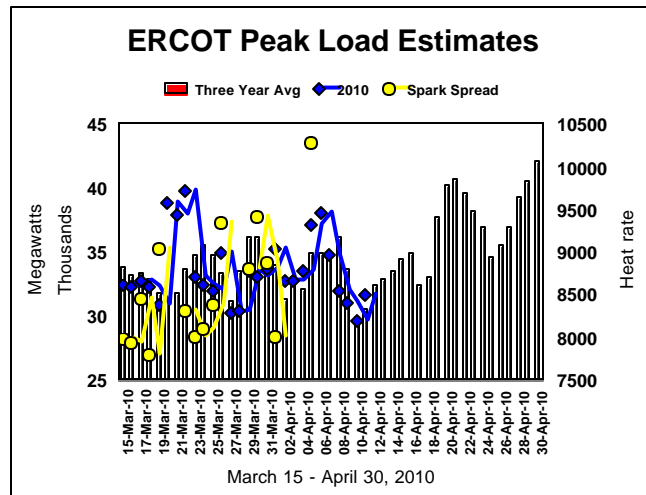
Energy Northwest's 1131 Mw Columbia nuclear unit was back at full power this morning, up from just 62% power on Thursday.

**The NRC reported that there was some 74,484 Mw of nuclear power generated today, down 7.5% from Thursday and off 8.5% from a year ago.**

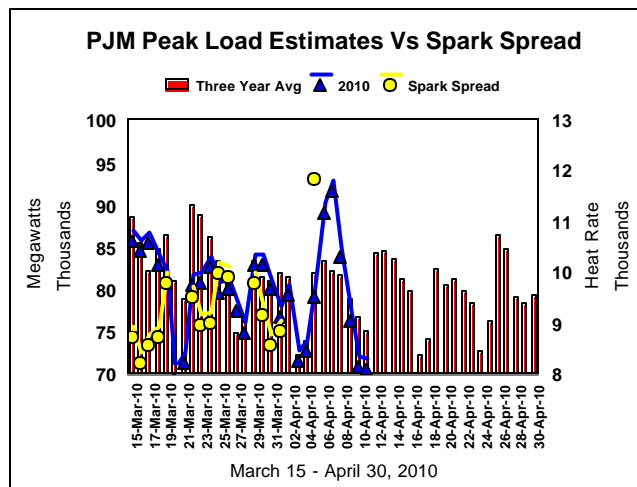
Tennessee Gas Pipeline said that effective Monday morning the imbalance warning issued by the company across the system was lifted.

Trailblazer Pipeline said its force majeure at Station 601 in Logan County, Colorado has been resolved.

Southern Natural said its scheduled shut-in test at the Muldon Storage facility will begin April 6th and last until April 12<sup>th</sup>, resulting in a force majeure event. As a result of the work Southern will reduce each carbon sequestration and storage customer's daily injection quantity and daily withdrawal quantity on a pro-rata basis during the test



PG&E has issued a system wide OFO for April 5<sup>th</sup> due to low inventory. A 7% tolerance was set.



### ELECTRIC MARKET NEWS

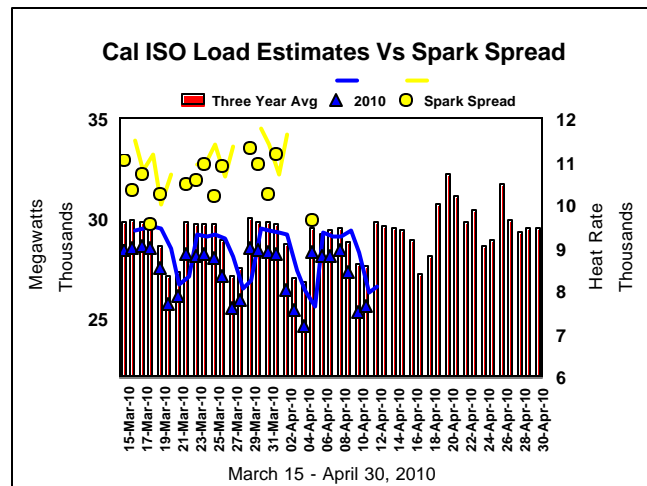
The Advisory Council on Historic Preservation, a federal advisory panel urged the U.S. Interior Department on Friday to block the \$1 billion Cape Wind project off of Cape Cod. The panel said the "indirect and direct effects of the project on the collection of historic properties would be pervasive, destructive and in the instance of seabed construction permanent." While the Interior Department asked the panel for advice it does not have to follow its recommendations when deciding to give final approval for the project. The panel's recommendations came two days after the Cape Wind developers chose Siemens AG to provide the turbines for the project.

Entergy said today that it has canceled its planned spinoff of several of its nuclear power plants due to regulatory difficulties it was experiencing in New York. The utility, the second largest U.S. nuclear plant operator in the United States said it would unwind the business infrastructure associated with the proposed spinoff and take a charge of \$75.7-\$85.1 million.

The EIA reported last week that U.S. coal production for the week ending March 27<sup>th</sup> reached 21.7 million short tons, basically unchanged from the previous week but 10.6% higher than the same week a year ago.

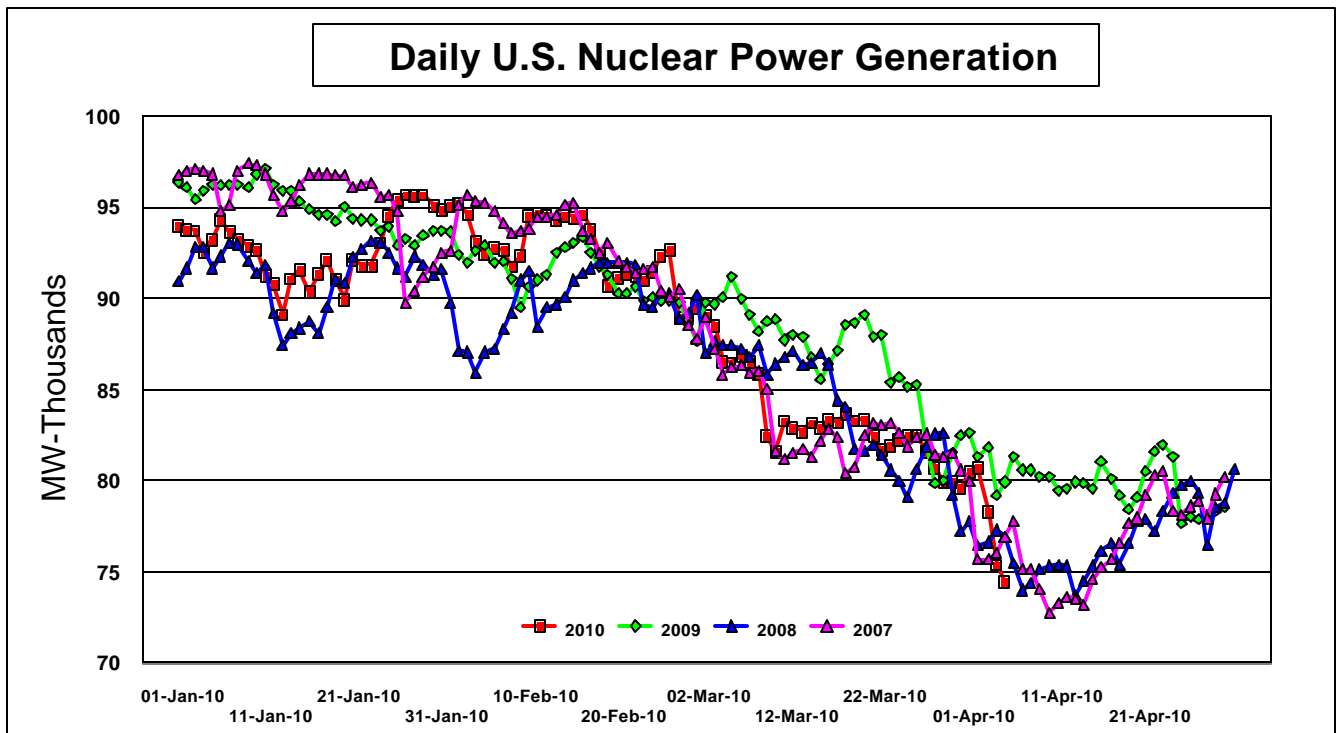
### MARKET COMMENTARY

The natural gas market this morning received a boost from the Wall Street Journal article that again highlighted the difficulties the EIA has had in calculating its monthly domestic natural gas production numbers and how the revisions in the



methodology slated to take effect later this month could impact actual production levels moving forward, possibly revising them lower. This coupled with a sharp drop in nuclear generating levels along with the bullish spill over from Friday's job report in which the oil and other industrial commodity markets moved higher, helped the natural gas market post its second strong and positive settlement. The natural gas market has not seen a move of this magnitude in a two-day period in the spot contract since the first week of December.

We think that we have finally seen the long awaited technical rebound in the natural gas market and the spark came from the Wall Street Journal article to prompt buyers to come back into this market as well as some profit taking for long held shorts. We would continue to look for higher levels to sell this market. At this time we would look to see if the momentum of the past two days finds additional traction and as a result would not rush to sell this market until prices challenge at least the \$4.63-\$4.68 level. Additional major resistance we see at \$4.88, \$4.957 and \$5.20. Support we see at \$4.12, \$4.06, \$4.00 and \$3.81.



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