



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR JUNE 15, 2009**

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

California Gas Transmission, a unit of PG&E said it will pursue an expansion of the Baja path to accommodate the 30,000 Dth/day of annual Firm transportation capacity sold during the open season, which ended on June 8. The proposed capacity was awarded to the successful bidding customers Thursday, June 11. CGT has said that it will not pursue the second expansion of 200,000 Dth/day at this time due to insufficient customer interest.

The Midcontinent Express Pipeline LLC asked the FERC for approval to begin service at compressor and booster stations on a 507 mile pipeline that is scheduled for operation by August 1<sup>st</sup>. The pipeline when operational will provide more market access to shale gas producers in the South.

Plans for Newfoundland LNG Ltd's Grassy Point LNG facility in the southeast coast of Newfoundland, Canada have been postponed due to the recession and liquefied natural gas market dynamics.

EnCana Corp. has extended its risk management program for 2010 by establishing fixed price hedges on about 35 percent of the company's expected natural gas production, about 1.39 billion cubic feet per day, at an average of \$6.21 per thousand cubic feet for November 1, 2009 to October 31, 2010. Separately, EnCana said it shut in wells producing a couple of hundred million cubic feet of natural gas in each of Canada and the US due to the low price. It has chosen not to bring some new wells on stream and has shut in other wells where it costs more to produce the gas than it can be sold for.

Qatar's Energy Minister Abdullah al-Attiyah said demand for liquefied natural gas is starting to increase again in some regions as the economic downturn is nearing a bottom. He said that while demand for liquefied natural gas has declined in several countries, Qatar is seeing emerging demand in new markets as they seek security of supply and a transition to a cleaner fuel mix. He said new markets

#### **Generator Problems**

**NPCC** –Ontario Power Generation's 535 Mw #4 nuclear power station shut early Monday.

**FRCC** – FPL Group Inc's St. Lucie 839 Mw #2 nuclear power station exited a refueling outage and ramped up to 74% by early Monday. The unit shut by April 27.

**ECAR** – DTE Energy Co's 1,122 MW #2 at the Fermi power station in MI dropped from full power early Friday to 10% by early Monday.

Perry Nuclear's 1,1260 Mw nuclear power plant is running at 91% power this morning following a weekend reduction in power. The reactor was operating at 100% capacity early Friday.

**WSCC** – Sempra Energy/Occidental Petro. Corp's 525 Mw Elk Hills natural gas-fired power station in CA returned to service by Sunday afternoon. The unit shut June 12 for unplanned reasons.

PG&E's 404 Mw #1 at the Helms hydropower station in CA returned to service by Sunday afternoon. The unit shut by June 10 for unplanned reasons.

**The NRC reported this morning that 93,858 nuclear generation capacity was on line, down 0.29% from Friday and off 2.63% from the same time a year ago.**

will support strong long-term demand growth for LNG as they look to diversify their energy resources to ensure secure supply.

StatoilHydro said it has no production issues that could hamper gas flows to Britain. It restarted gas transit hub at Heimdal platform during the weekend.

Royal Dutch Shell said operations is normal at the Ormen Lange Gas field off Norway.

Algeria's Mourad Didouche liquefied natural gas tanker arrived at Britain's Isle of Grain terminal on Sunday. The tanker can carry 126,000 cubic meters of gas.

Canada will receive its first cargo of liquefied natural gas on June 20 as the Canaport terminal in New Brunswick receives its inaugural cargo.

Canada's SNC-Lavalin Group Inc signed a contract to build gas treatment facilities in Algeria. The deal with the Algerian state energy group Sonatrach involves construction of installations at Rhourde Nouss and Quartzites gas fields in Hamra basin. Algeria's Energy Minister Chakib Khelil has stated that Algeria will increase its gas exports by 30 billion cubic meters to 85 bcm a year in the next five years.

Dutch GasTerra will supply about 15% of GDF Suez SA of France's gas under a new deal running until 2029. GDF Suez plans to use the gas mainly to supply its customers in France and Belgium.

### **PIPELINE RESTRICTIONS**

El Paso Natural Gas said that due to high line pack condition, the probability of declaring a Strained Operating Condition or Critical Operating Condition has been set to moderate for today. Separately, So. Natural Gas said effective with the Intra-Day 2 cycle for Friday, June 12, southern has begun to accept nominations for Eloi Bay.

Tennessee Gas Pipeline Co. a unit of El Paso Corp., said effective Intraday Cycle 1 for the gas day of June 15, due to reduced nominations, Tennessee will accept increases for nominations sourced from meters located on the Carthage Line Lateral.

### **PIPELINE MAINTENANCE**

Operational capacity of the Kern River system will be impacted beginning June 16 and through June 18 due to upcoming Questar maintenance on ML 104. During this period, Questar will not be able to deliver gas to impact the operational capacity of the Kern River system, including the capacity at the Veyo, Coyote Creek and Muddy Creek compressor stations. Kern does not expect any impact to primary firm transportation.

Southern LNG, a unit of El Paso Corp. said preliminary results of the on going investigation associated with Elba III Expansion work, indicates that up to three high pressure secondary pumps on Train 2, each with a send out capability of 180 MMcf/d, have sustained damage. Notice was posted on June 10, indicating that additional send out capability would be available no sooner than Monday, June 15, due to issues in returning Train 2 to service. According to the company, if one of the three damaged pumps is determined to be operable, additional send out capability will be available no sooner than Saturday, June 20, 2009.

Gulf South will be performing system maintenance at the Clarence Compressor Station on Unit #3 beginning at 7:00 am, Wednesday, June 17, and continuing for approximately 5 hours. Based on system operations and nominations, the company does not anticipate any impact to shippers at this time utilizing the Clarence Compressor Station.

Natural Gas Pipeline Co; a unit of Kinder issued a statement saying that on June 16, it will be performing required maintenance on the compressors at Station 106. As a result, compression will be unavailable at this at this station, requiring a reduction in northbound transports through Station 106 into Segment 12 on the Amarillo Line.

### **MARKET COMMENTARY**

The natural gas market rallied during today's session after it posted an inside trading day on Friday. The market was supported by stronger cash prices and technical buying after an early attempt to trade lower failed despite a sell off in the oil market amid the strength in the dollar. The natural gas market posted a low of \$3.825 in overnight trading and bounced off that level and never looked back. It breached its recent highs and rallied to a high of \$4.198 in afternoon trading on short covering. The market remained rangebound during the remainder of the session and settled up 32.5 cents at \$4.182, the highest level since June 2<sup>nd</sup>.

While the natural gas market rallied higher today and settled above the \$4.00 level, its gains are still seen limited by market fundamentals. Lower industrial demand, the high inventory level and mild weather forecasts will limit further price gains. Also, if oil prices continue to trade lower the natural gas market will retrace its recent gains. Support is seen at \$4.10, \$4.02, \$3.939, \$3.825, \$3.741, \$3.695 and \$3.566. Resistance is seen at \$4.198, \$4.284 followed by more distant resistance at \$4.312, \$4.441 and \$4.685.