



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 17, 2009**

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

The remnants of Hurricane/Tropical Storm Fred are falling apart and collapsing. The few disorganized showers that are left are some 400 miles northeast of the northern Leeward Islands and are drifting westward at 15 mph. Forecasters now view little or no possibility of this system regenerating as dry air around the system and some wind shear are continuing to take its toll. In fact as of this morning none of the major computer models show any possibility of regeneration. The rest of the tropical Atlantic basin remains extremely quiet, which is very uncharacteristic for the hurricane season being very near its peak climatology. But forecasters at AccuWeather noted this morning that the strong uptick in the SOI that has occurred may mean at least one more active tropical period in the cards possibly for the Gulf of Mexico or the Caribbean.

Chesapeake Energy, Noble Energy and Apache Corp noted this morning that they were joining together to form America's Natural Gas Alliance, a Washington-based lobbyist group aimed at increasing awareness of the benefits of natural gas over competing fuels like coal. The group feels that the current proposed climate change legislation favors competing fuels like coal.

PSE&G has lowered residential natural gas bills by about 7% in advance of the winter heating season. Approved by the New Jersey Board of Public Utilities, the reduction is the third bill decrease for supply since January 1<sup>st</sup>, for a total reduction of 18% from October 2008 rates.

#### **EIA Weekly Report**

	09/11/2009	09/04/2009	Change	09/12/2008
<b>Producing Region</b>	1110	1099	11	801
<b>Consuming East</b>	1876	1831	45	1764
<b>Consuming West</b>	472	462	10	397
<b>Total US</b>	3458	3392	66	2962

\*storage figures in Bcf

#### **Generator Problems**

**NPCC** – OPG's 490 Mw Nanticoke coal fired Units #3 and #4 were shut early Thursday.

**PJM** – PSEG's 1120 Mw Hope Creek nuclear unit was running at 76% capacity down 24% from yesterday.

Exelon's 1143 Mw Limerick #2 nuclear unit was back to full power, up 35% from yesterday.

#### **SERC** –

**MISO** – DTE's 1122 mw Fermi #2 nuclear unit was back at full power this morning, up 55% from yesterday.

**WSCC** – TransAlta's 406 Mw Sundance #4 coal fired unit was shut on September 16<sup>th</sup>.

SCE has restarted its 1172 Mw San Onofre #2 nuclear unit and it was at 60% capacity.

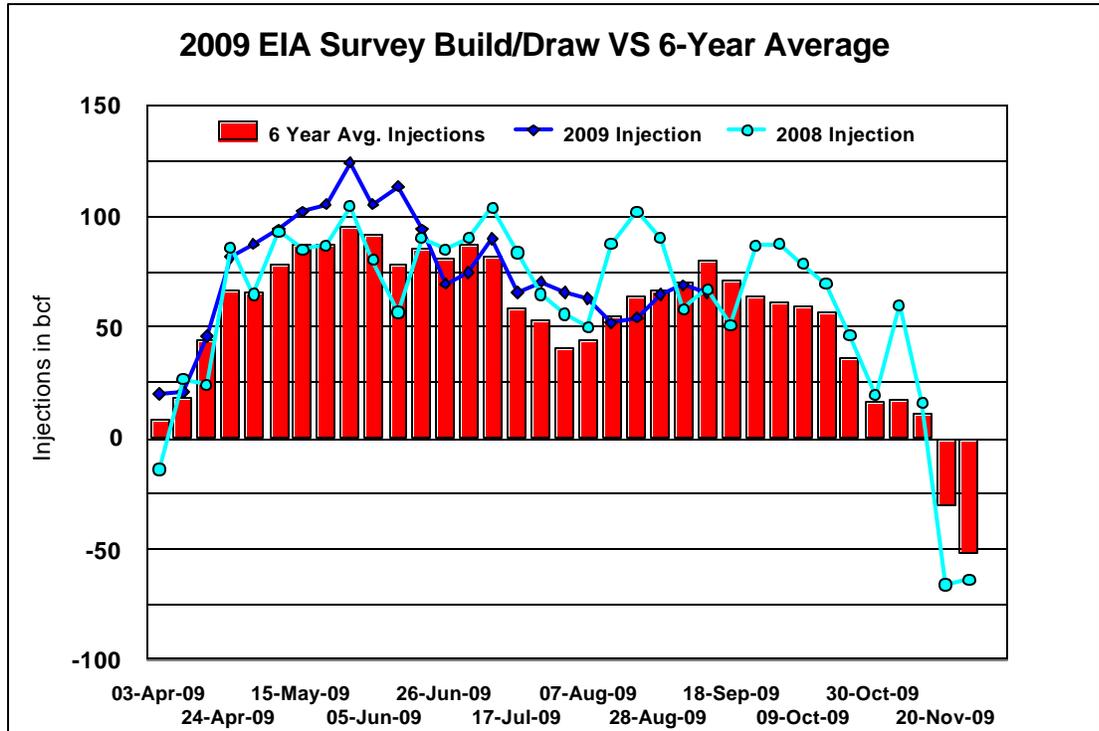
**ERCOT & SPP** – STP Nuclear's 1280 Mw South Texas #2 nuclear unit was taken off line early Thursday for planned maintenance.

**The NRC reported this morning that 87,971 Mw nuclear generation capacity was on line, down 0.24% from yesterday and off 2.74% from the same time a year ago.**

Norway's petroleum directorate said today that the estimated size of Total's Victoria discovery in the Norwegian Sea has been cut to 20-60 billion cubic meters of recoverable gas, down from the earlier 89

bcm estimate. The company said it will take the next six months analyzing the data to determine if it will seek to proceed with development of the discovery.

Royal Dutch Shell said that ongoing maintenance at its Ormen Lange field in Norway is affecting its gas output, but declined to give specific details. The maintenance started late Wednesday.



Norwegian gas shipper Golar LNG said it has signed an initial deal to sell 1.5 million tons per annum of LNG to Japan's Toyota Tsusho for 2014-2026. The gas will come from the Gladstone LNG facility in Australia that will process coal seam gas.

Port officials at the British Dragon LNG terminal said they expect the Excellence LNG tanker to berth there on September 23.

The Australian Competition and Consumer Commission today said it would allow Chevron and its partners in the Gorgon LNG project to jointly market the gas output from the facility. The regulator felt that allowing this to occur would allow gas to be supplied to Western Australia sooner than it otherwise would be.

Gas storage levels across Europe rose last week according to a Reuters survey. Storage at NBP stood at 98.2%, up 0.3% on the week. Germany storage levels increased on the week increased by 2.3% to 89.1% of capacity.

China National Petroleum said it plans to double natural gas supply to Beijing by 2015 from an estimated 6 bcm capacity this year via the Shaanxi-Beijing pipeline. Gas consumption in the capital has been rising rapidly, but more than five suburban regions of the city still have no access to piped natural gas supplies.

**Canadian Gas Association  
Weekly Storage Report**

	11-Sep-09	04-Sep-09	12-Sep-08
<b>East</b>	227.4	222.7	207.1
<b>West</b>	343.3	340.8	314.3
<b>Total</b>	570.7	563.5	521.3

storage figures are in Bcf

The futures industry group, FIA said the futures market should not impose aggregate position limits on holdings even if financial reform legislation allows them. The trade group said it would expect the CFTC to use its new stand-by position limit authority consistent with the unassailable role for position limits. Meanwhile the American Public Gas Association said processors, distributors and other end users need an exemption from mandatory clearing.

It said mandatory clearing would constitute a significant financial and operation burden on its members. They would have to post a cash reserve with additional payments due on little notice when the market fluctuates.

The IntercontinentalExchange called for the Commodity Futures Trading Commission to set new position limits in commodity exchanges and rejected the position of its competitor, CME Group Inc, which wants exchange operators to regulate themselves. ICE said the CFTC should set and enforce aggregate position limits across commodity trading forums and should have sole authority to grant hedging

exemptions to those limits.

**PIPELINE RESTRICTIONS**

NGPL said effective today and until further notice it has limited capacity available for deliveries. Limited interruptible transportation service/authorized overrun and secondary firm transports are available.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
<u>Location</u>	<u>Traded</u>	<u>Price</u>		(As of 12:30 PM)		<u>Moving Avg</u>
Henry Hub	691,400	\$3.496	\$0.212	(\$0.152)	\$0.137	(\$0.208)
Chicago City Gate	589,800	\$3.559	\$0.152	(\$0.089)	\$0.136	(\$0.201)
NGPL- TX/OK	1,206,100	\$3.442	\$0.181	(\$0.206)	\$0.165	(\$0.328)
SoCal	649,400	\$3.771	\$0.179	\$0.123	\$0.163	(\$0.060)
PG&E Citygate	757,100	\$4.181	\$0.159	\$0.533	\$0.143	\$0.368
Dominion-South	176,400	\$3.520	\$0.096	(\$0.128)	\$0.080	(\$0.193)
USTRade Weighted	20,365,200	\$3.567	\$0.153	(\$0.081)	\$0.14	(\$0.208)

**PIPELINE MAINTENACE**

Gulf South said it has completed the unplanned maintenance at the Airport Compressor Station, which began back on September 15<sup>th</sup>.

**ELECTRICITY NEWS**

California Governor Schwarzenegger said this week he will veto legislation that would have established by 2020 a 33% renewable energy portfolio standard because the bill restricts imports from out of state renewable sources. Instead he has signed an executive order directing the California Air Resources Board to adopt regulations to accomplish the same objective by requiring that utilities meet the standard to reduce green house gas emissions.

The EPA said yesterday that it would reconsider the 2008 national smog standards to ensure they are scientifically sound and protective of human health. In March of 2008 the EPA established an ozone health standard of 75 parts per billion. At the time the Clean Air Scientific Advisory Committee had advised a 60-75 part limit.

**MARKET COMMENTARY**

The natural gas market ended the session at its lows after the market retraced its earlier gains. The market traded mostly sideways ahead of the release of the EIA natural gas storage report but quickly rallied upon the release of the report, which showed a smaller than expected build of 66 bcf on the week. The market rallied close to 30 cents as it posted a high of \$3.90. It however just as quickly gave up its gains and sold off to a low of \$3.442 ahead of the close. It settled down 30.2 cents at \$3.458.

While we remain bearish on the market given the lack of supportive fundamentals, it continues to hold its upward trendline. The market is seen finding support at its low of \$3.442, \$3.30, \$3.237, basis its trendline, \$3.142 and \$2.842. Resistance is seen at \$3.60, \$3.69, \$3.758 and its high of \$3.90. More distant resistance is seen at \$4.058 and \$4.216.

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