



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino

(212) 624-1132 (888) 885-6100

**www.e-windham.com**

---

### **NATURAL GAS & POWER MARKET REPORT FOR JANUARY 12, 2010**

---

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

The EIA slightly raised its expectations for natural gas output in the U.S.; however the administration expects production to fall by 3% from 2009 levels. In its January Short-Term Energy Outlook, the EIA reported that it expects marketed natural gas production to be down 1.8 million cubic feet per day. The EIA expects that natural gas consumption for 2010 will remain somewhat unchanged as higher prices curb demand. Expectations are for a 2.8% drop in consumption. The EIA expects U.S. imports of LNG to reach 1.76 billion cubic feet per day in 2010, an increase of 0.5 bcf over 2009. Gas production for 2011 is expected to climb 1.3% to 59.17 bcf per day.

Qatar's, the world's largest LNG producer is said to be pumping 54 million tons per year, according to state run Qatargas' chief executive. Approximately 25-30% of Qatargas' LNG output is slated for shipment to the U.S. Separately, Qatargas expects to start up its next two giant LNG production facilities in June and September.

LNG tanker, Methane Shirley Elisabeth is scheduled to arrive at Britain's Dragon LNG terminal in Wales on January 19. The vessel has capacity to carry up to 75,000 cubic meters of super-cooled gas. Algerian tanker Berge Arzew is expected to arrive at UK's IoG terminal on January 15. The Berg Arzew has capacity to carry 138,000 cubic meters of super-cooled gas

Gas prices in Britain edged lower as supplies from Norway returned. Royal Dutch Shell reported that it was ramping up production at its Ormen Lange in the Norwegian Sea after restarting the field on Monday. The field was shut over the weekend due to icing conditions. Britain's National Grid data indicated that supply via Norway's Langeled pipeline was back up to 60 million mcm per day. Production at Norway's Kaarstoe was said to be between 60 and 70 million cubic meters per day and minor adjustments are needed for the facility to return to its 88 mcm capacity.

#### **PIPELINE MAINTENANCE**

Gulf South has announced that it will perform system maintenance on all three units at the Hall Summit Compressor Station beginning January 18 and continuing for five days.

#### **Generator Problems**

**NPCC** - Entergy Corp's 1,020 Mw Indian Point Unit 2 automatically shut Monday due to a main generator electrical trip. The event is being investigated. Separately, production at its 620 Mw Vermont Yankee nuclear plant was reduced to 89%, down from 100% Monday.

Constellation Energy's 1140 Mw Nine Mile #2 nuclear unit has exited its recent outage and had ramped up to full power as of this morning. The unit had dropped off line on January 7<sup>th</sup> due to maintenance work.

FPL's 693 Mw Unit 4 Turkey Point nuclear power station in FI shut early Tuesday from full power on Monday.

**SERC** - Progress Energy's 937 Mw Brunswick #2 nuclear unit ramped up to 91% power early Tuesday, up from 40% power on Monday.

**ERCOT & SPP** - Luminant's 1150 Mw Comanche Peak #1 nuclear unit was at 55% power Monday morning. The unit had been at 30% on Monday

**The NRC reported today that 91,496 Mw of nuclear generation was on line this morning, up 0.23% from yesterday and off some 4.63% from the same time a year ago.**

## **ELECTRIC MARKET NEWS**

According to the EIA's Short-Term Energy report, total electricity consumption for 2010 is expected to increase by 1.9%. This is up from 1.6% from last month's projection. For 2011, The EIA expects consumption to grow by 2% as industrial demand recovers. Strong production, high storage capacity and sluggish demand growth is expected to keep prices from rebounding sharply.

The Edison Electric Institute reported that US electricity output fell by 3.7% last year, the largest percentage decline in more than 70 years. It said US electricity output totaled 3,913,771 gigawatt hours, representing the lowest annual amount since 2004.

## **MARKET COMMENTARY**

A short covering rally led natural gas prices higher today just ahead of this week's expected sharp drop in stocks. Some industry sources saw yesterday's sell-off as a little overdone, as the market reacted to warmer weather reports. The past week's extreme cold weather is expected to have drawn heavily on underground storage, cutting into the year-on year and five-year average surpluses.

Despite expected high draws on storage, inventories are well above normal and are currently 10% above last year's levels. Reports of warmer weather for the U.S. and the return of flow from Norway should help to keep a lid on prices, should inventories post large draws. Our overall outlook on this market remains bearish. We see support in the February contract at \$5.35 and \$5.30 followed by \$5.114 and \$4.90. Resistance we see at \$5.653, \$5.74 and \$5.826. Additional resistance we see at \$6.108 and \$6.30.