



## ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,  
& Karen Palladino

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

[www.e-windham.com](http://www.e-windham.com)

### NATURAL GAS & POWER MARKET REPORT FOR APRIL 6, 2010

#### NATURAL GAS MARKET NEWS

The EIA released their latest Short Term Energy Outlook this morning and it looks for U.S. domestic natural gas production to reach 60.7 bcf/d up dramatically from its estimate just a month ago when it expected production to average just 58.7 bcf/d due to the lagged effect of lower drilling rates last year. This month's higher forecast reflects the latest January 2010 production estimate from the EIA 914 survey and the continuing increase in the number of working natural gas rigs over the last month. The EIA noted though that any significant revision to estimated January 2010 natural gas production would affect this forecast. The agency also looks that if the number of rigs currently working post no further increases then they would look for production to begin to show month to month declines beginning in the second quarter of this year. However, production is not expected to begin to show year over year declines until the first quarter of 2011. The EIA looks for natural gas production in 2011 to 60.12 bcf/d. The EIA estimates that natural gas consumption this year will average 63.8 bcf/d and 63.42 bcf/d in 2011, this is a 1.4% and 1.2% respective increase over last month's estimates. The EIA estimates that natural gas prices in 2010 will average \$4.57 at Henry Hub and \$5.49 in 2011. These price estimates are 14% and 6% lower respectively from last month.

#### Generator Problems

**PJM** – PSEG 1130 Mw Salem #2 nuclear unit was at 76% capacity this morning, up 7% from yesterday.

**NPCC** – Three of OPG's 490 Mw coal fired units at the Nanticoke power station returned to service Tuesday.

**MISO** – NextEra Energy's 514 Mw Point Beach #1 nuclear unit has ramped up to 80% power as of this morning, up 30% from Monday.

**ERCOT** – AEP's Unit #1 at the Welsh coal fired power plant was scheduled to enter a four-day maintenance outage beginning Tuesday afternoon.

The Martin Lake coal fired #2 unit went into maintenance this morning and the outage was expected to last through the afternoon.

**The NRC reported that there was some 74,712 Mw of nuclear power generated today, up 0.3% from yesterday and off 7.2% from a year ago.**

The American Gas Association said Tuesday that it expects U.S. known natural gas reserves were likely to have increased at the end of 2009 for the 11<sup>th</sup> straight year, rising to 250 tcf of gas, the highest level in more than years. Most of this increase in reserves came as the result of gas in shale rock and tight sands.

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	1,249,300	\$4.156	\$0.229	\$0.006	\$0.353	(\$0.162)
Chicago City Gate	518,800	\$4.223	\$0.250	\$0.073	\$0.372	(\$0.122)
NGPL- TX/OK	844,700	\$4.066	\$0.241	(\$0.084)	\$0.363	(\$0.294)
SoCal	455,800	\$4.241	\$0.250	\$0.091	\$0.372	(\$0.156)
PG&E Citygate	735,400	\$4.742	\$0.147	\$0.592	\$0.269	\$0.424
Dominion-South	489,800	\$4.345	\$0.266	\$0.195	\$0.388	(\$0.031)
USTrade Weighted	21,414,100	\$4.194	\$0.231	\$0.044	\$0.35	(\$0.162)

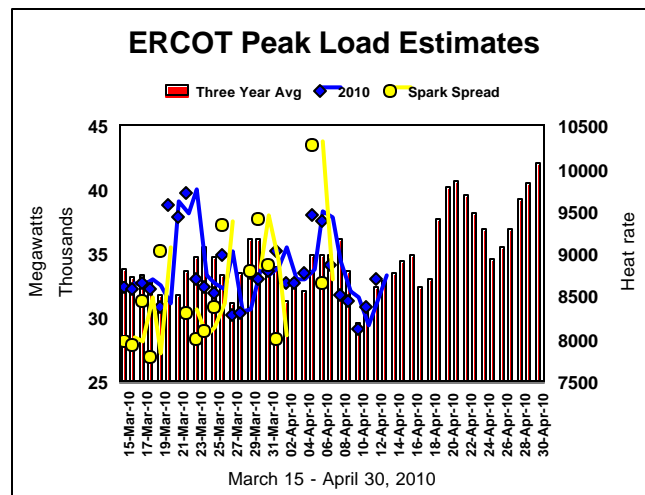
The FERC staff today recommended that East Cheyenne Gas Storage LLC be allowed to move ahead with its proposal to construct an 18.9

bcf facility in Logan County, Colorado.

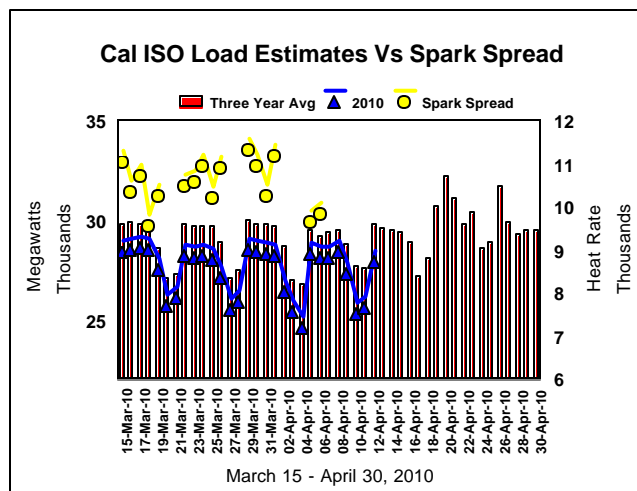
The second phase of Europe's largest LNG terminal at South Hook has now been fully commissioned according to the terminal operator. The expansion now doubles the capacity of the terminal to a sendout rate of 21 bcm a year.

The Ukrainian Prime Minister warned today that if the price Ukraine pays for Russian gas rises to \$330 per 1,000 cubic meters it will bring that nation's chemical sector to a halt and the metals extraction complex will run at a loss. It would also push up the deficit of the state energy holding company, Naftogaz to \$7.6 billion. The Ukraine reportedly imported gas from Russia in the 1Q2010 at \$305 per tcm but the second quarter price reportedly is slated to rise to \$3.30 tcm according to the state media.

According to shipping sources, there have been three LNG tankers that have arrived in Western



Europe and the UK since April 3<sup>rd</sup> with another four tankers expected to arrive by Sunday.



The Total led Yemen LNG project has announced it had started up its second 3.35 million tons per year liquefaction facility faster than anticipated. The train is expected to achieve full capacity later this year.

The oil minister of Qatar said today that crude oil prices are being pushed higher by speculators who are seeking markets such as commodities that are more stable than stocks or bonds.

Qatar said it is in talks with Pakistan over possible LNG shipments as well as increasing shipments to

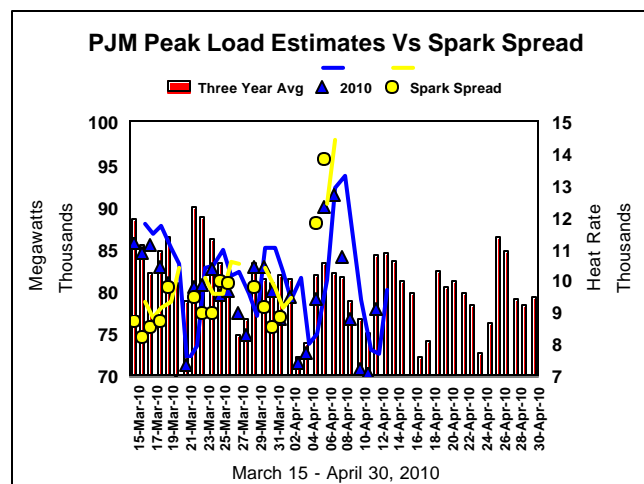
India and China.

**PIPELINE MAINTENANCE**

Gulf South said compressor station maintenance on all five units at the Bistineau Storage Field facility has been rescheduled to begin on April 8<sup>th</sup>. The work was originally scheduled for April 14<sup>th</sup>. The work is expected to take only a couple of hours and physical injections into the storage field will not be accepted during the work, but withdrawals will not be affected.

**PIPELINE RESTRICTIIONS**

Northern Natural Gas said it is experiencing an unprecedented pattern of flows on its system at this time of year. This relates to the continued increase in the level of gas receipts from market area points,



primarily from NBPL and a decrease in the level of field area receipts. Northern said it has the ability to flow gas from receipt points upstream of Beatrice, Nebraska, back into the fields area for delivery into the Cunningham storage facility and has been doing so recently. However the company noted this ability to backflow gas into the field area when gas is sourced from other points further north in the company's market area is extremely limited.

Rockies Express Pipeline said that effective for April 6<sup>th</sup> and lasting until further notice it is at capacity fore delivered quantities through Segment 340 from the Bainbridge Compressor Station to ANR Shelby. Authorized overrun/interruptible transportation and secondary out of path quantities are at risk of not being scheduled.

### **ELECTRIC MARKET NEWS**

Genscape reported that U.S. coal use by U.S. utilities fell 3% last week from the week before, as it appeared some utilities were throttling back coal fired generation in favor of cheaper natural gas generation. Compared to the same week a year ago U.S. coal consumption was down 6%.

The U.S. EPA said today that it will soon, possibly by the end of this month, issue rules that will determine which power plants and factories will face greenhouse gas regulations.

The EIA in their Short Term Energy Outlook looks for power consumption in the U.S. to grow by 2.9% in 2010 and 1.2% in 2011, up 1.3% and 1% from last month's estimates. The EIA noted that last year electricity generation from coal declined by 10.8% while generation from natural gas increased by 5.1% as lower natural gas prices motivated fuel switching in the electric power sector. Although natural gas prices are projected to be higher this year than last year, EIA still expects significant incentives to remain for electricity generation from natural gas, particularly in the South. EIA projects total natural gas generation in the electric power sector to grow by 2% in 2010. Low snow pack in the Pacific Northwest indicates that hydropower generation will be low in 2010.

### **MARKET COMMENTARY**

The bullish euphoria of the past two sessions in the natural gas market was quickly deflated today as traders were slapped across the face by the Short Term Energy Outlook which showed an unexpected increase in projected domestic gas production for 2010, despite earlier comments coming out this week and last from the agency that it would be offering downward revisions in coming weeks. The market basically retraced just slightly more than 50% of the rally since Friday.

We feel today's price action did a lot of damage to the prospects for the recent rally to reach the \$4.60 area where we would like to be a seller once again. But we will not panic and jump into the market to sell at these relatively low price levels. We see key support tomorrow at \$4.066 followed by \$4.01 and \$3.97. Additional support we see at \$3.897 and \$3.81. Resistance we see at \$4.265, \$4.334, \$4.43, \$4.53. Additional resistance we see at \$4.70.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.