



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR APRIL 9, 2010**

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

The Financial Times reported that BP this week has begun shutting down around 50% of the wells associated with its Thunder Horse oil and gas platform in the Gulf of Mexico. The shutdown is expected to last around 60 days. BP will be installing a temporary bypass system to minimize delays on the Thunder Horse project.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 11 to 1,476 this week. It reported that the number of rigs searching for natural gas increased by 10 to 959 on the week. It was the 15<sup>th</sup> consecutive weekly gain.

Gazprom said Friday that it is planning to produce slightly more natural gas in 2010 than previously planned as demand appears to be rising. It is now looking to produce 529 bcm of gas in 2010, some 1.5% higher than its prior projection.

European Union Energy Commissioner Oettinger said on Friday that a final decision on whether to go ahead with the Nabucco gas pipeline project will be made at the end of this year. He noted that there is interest in the project from countries such as Italy, Bulgaria and Greece, as well as from Austria and Germany.

The Indian energy company, Reliance Industries announced that it was buying a 40% stake in Atlas Energy's stake in the Marcellus Shale gas project. Atlas holds about 300,000 acres, largely in southwestern Pennsylvania, out of which 120,000 acres will go to Reliance. Reliance will pay about 4340 million in cash upon closing and then pay \$1.36 billion to the joint venture to develop the shale project.

The LNG tanker, the Iberica Knutsen is slated to arrive from Trinidad to Britain's Isla of grain terminal on April 21<sup>st</sup>. Meanwhile port officials reported that the Qatari LNG tanker Shagra is scheduled to arrive at the South Hook terminal on April 11<sup>th</sup>.

The Norwegian LNG tanker, the Artic Princes is scheduled to arrive at the Zeebrugge terminal delivering Norwegian LNG on April 14<sup>th</sup>.

#### **Generator Problems**

**NPCC** – Hydro-Quebec said it plans to shut its 675 Mw Gentilly #2 nuclear unit today for planned maintenance that could last up to 60 days.

Dominion Resources is preparing its 1,131 Mw Millstone 3 unit for a regularly scheduled refueling and maintenance outage, scheduled to begin April 11<sup>th</sup>.

**SERC** – Southern Nuclear Operating Co's 1,149 Mw Vogtle 1 nuclear unit continues to ramp up its output to 76% as of Friday morning, up from 29% on Thursday. The reactor was restarted on April 6<sup>th</sup> after it was shut in early March for scheduled refueling and maintenance.

The 1,100 Mw Browns Ferry 3 nuclear unit was restarted on April 9<sup>th</sup>, running at 35% of capacity. The unit was shut on March 1 for planned maintenance and refueling.

**MAPP** – The Omaha Public Power District shutdown its 478 Mw Fort Calhoun nuclear unit. The unit was operating at full capacity on Thursday. The reactor was manually tripped to meet the NRC's TS requirements after a valve refused to close on a Steam Generator Isolation Signal.

**The NRC reported that there was some 75,492 Mw of nuclear power generated today, up 0.59% from yesterday and off 5.82% from a year ago.**

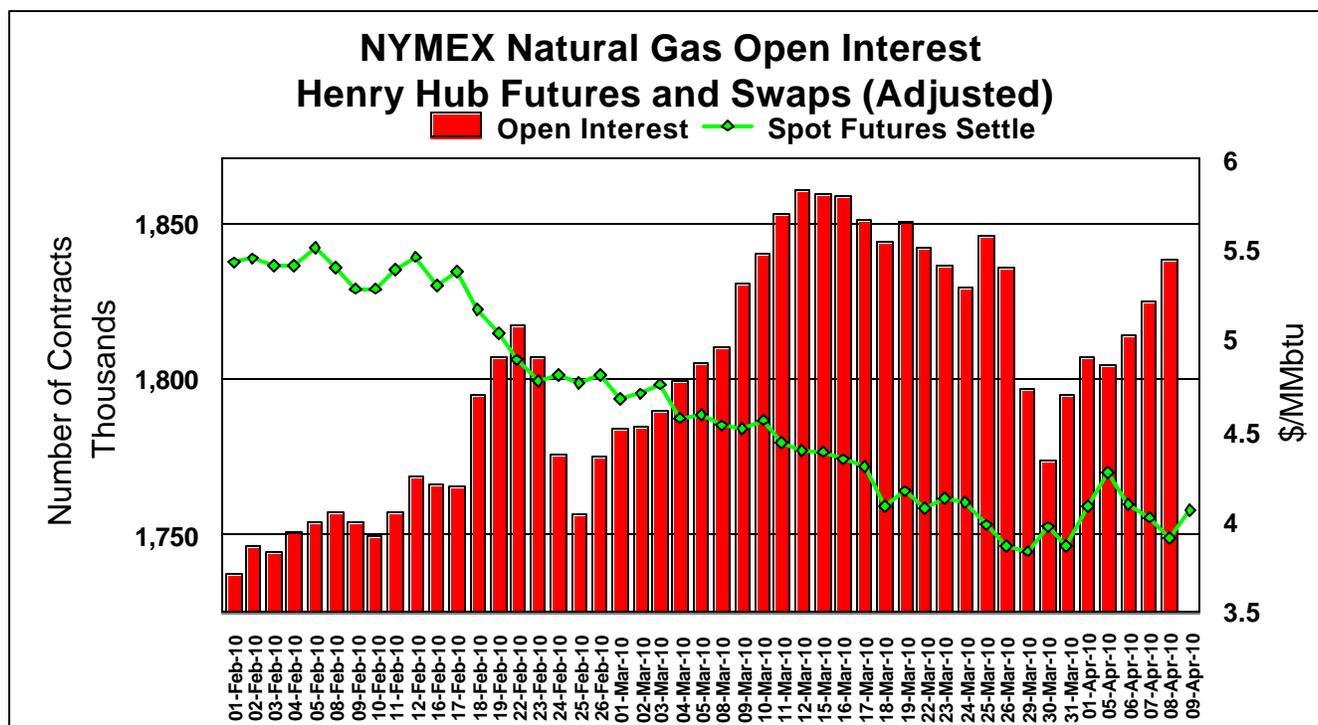
Gassco reported that the Norwegian Kollsnes gas processing plant has returned to full capacity on Friday following an outage that was prompted by a condensate leak back on Wednesday, that forced the closure of the plant for several hours and then reduced operations since.

South Korea's Korea Gas Corp reported Friday that it has sold 3.3 million tones of LNG in March up 33% from a year earlier. Of the total 2 million tones were for household and business consumption while the remainder went to power generation.

**PIPELINE RESTRICTIONS**

SoCal has declared an operational flow order for the Timely Cycle for April 10<sup>th</sup>. The company said it will limit all nominations up to the totally system capacity for Intraday 1 and Intraday 2.

Southern Natural Gas Co said it experienced an unscheduled outage on the Occidental Line in north-central Florida in Hamilton County on April 8<sup>th</sup>.



Transcontinental Gas Pipe Line Co is experiencing an excessive amount of liquid being received at the Bayou Black liquid handling facility in Gibson, Louisiana. As a result, Transco cut the scheduled volumes at meter 2894 on April 8<sup>h</sup> and is not accepting nominations on April 9<sup>h</sup>. It expects this condition to continue for the next several days.

NGPL said NNG-Mills has capacity available for deliveries effective gas day April 9<sup>h</sup> and continuing until further notice.

**PIPELINE MAINTENANCE**

ANR Pipeline Co will continue to conduct repairs at the Eunice Compressor Station in the Southeast Gathering Area in Louisiana in the Southeast Area Fuel Segment. The work will restrict the Patterson to Eunice delivery capacity to 760 mmcf/d through April 15<sup>th</sup>.

Gulf South Pipeline Co will perform meter facility maintenance at its Lonewa interconnect LOC 3362 with Texas Gas Transmission in Ouachita Parish, Louisiana starting April 27<sup>th</sup> and continuing for two

days. Capacity through the meter station will be reduced by about 200,000 Dth/d during the hours of 7am to 7 pm each day.

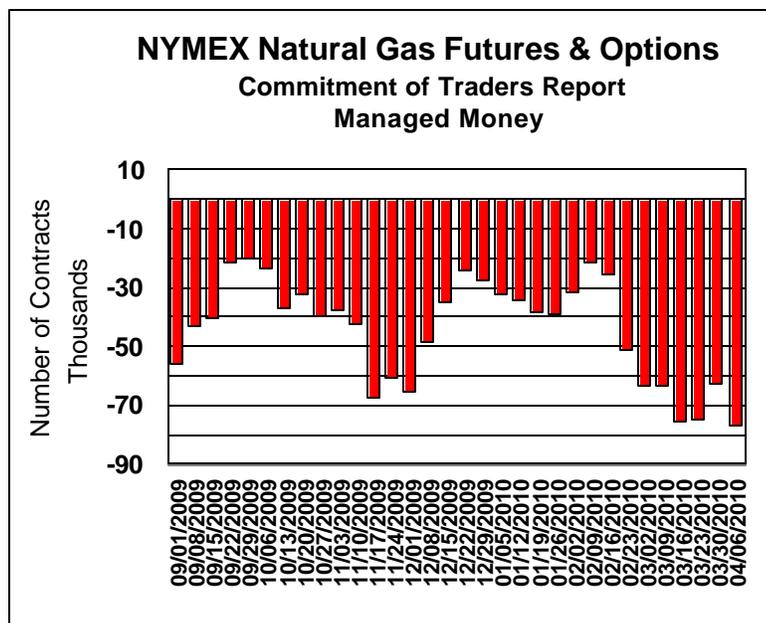
Alliance Pipeline said maintenance at the Morinville Compressor Station is expected to be completed early April 11<sup>th</sup>. System throughput may be increased during the weekend. Meanwhile a routine inspection will require unit#2 at the Whitecourt Meter/Compressor Station to be unavailable for 10 hours on April 12<sup>th</sup>. Station capacity will be reduced to 627 e3m3 on Monday. The Loreburn Compressor Station will be offline for two hours on April 13<sup>th</sup> to perform minor maintenance while the Fairmount compressor station will be offline for eight hours on April 15<sup>th</sup> for routine maintenance. The Irma compressor station will also be offline for eight hours on April 15<sup>th</sup> to allow for routine maintenance.

### **ELECTRIC MARKET NEWS**

The EIA reported that US coal production totaled about 21.4 million tons in the week ending April 2<sup>nd</sup>, unchanged on the week. Coal production for the month of March totaled 97.2 million tons, up 2% on the year.

### **MARKET COMMENTARY**

When the market today was unable to seriously challenge Thursday's lows, it appeared that short covering took hold as shorts looked to cash in on the markets hard three day sell off today. During this prior three-day sell off, open interest in the Henry Hub futures and swaps on a combined and adjusted basis grew by nearly 34,000 contracts. Prices saw steady buying on moderate volume through midday before diminishing trading activity saw the market move into a sideways trading pattern basically back at Thursday's highs. Even with the bearish news that the Baker Hughes rig count showing the 15<sup>th</sup> consecutive weekly increase in the number of drilling rigs searching for natural gas, this market held its price levels. In fact the market basically finished the week at nearly the identical price level it had posted at the end of last week.



This afternoon's Commitment of Traders Report showed the Money Managed sector for the period through Tuesday, April 6<sup>th</sup>, had increased their net short position by over 14,000 contracts, to a near term new high of 76,765 contracts, while at the same time increasing their net long position in the crude market by 18,000 contracts. One has to question just how much more this sector will build their net short position in natural gas.

We would look for resistance on Monday at \$4.096 and \$4.152, which would be the 50% and 62% retracement of this week's sell off. Additional resistance we see at \$4.20 and \$4.234 with more distant resistance at \$4.334 and \$4.534.

Support we see at \$3.876-\$3.856, \$3.81 and \$3.66.

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