



## **ENERGY RISK MANAGEMENT**

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### **NATURAL GAS & POWER MARKET REPORT FOR APRIL 15, 2010**

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

The EIA noted today that U.S. natural gas inventory levels climbed to record highs for this time of year, reaching 1.756 tcf as a result of a build of 87 bcf. This was the largest build ever for this week and the third largest build for a week in April. This week also marked the first time in eight weeks that stocks climbed back above year ago levels.

The National Weather Service this morning released their updated long-term forecasts. It noted that El Nino conditions are expected to continue at least into May 2010. As a result it sees above normal temperatures for the Pacific Northwest, the desert Southwest and Great Lakes regions, with below normal temperatures across the southern Great Plains, Gulf Coast and Southeast. Their outlook for the June through August sees most of the country west of the Rockies being warmer than normal along with the southeast while the Midwest could see cooler than normal temperatures. The NWS outlook for next winter, December 2010 – February 2011 sees most of the country near normal temperatures, with the southwest above normal temperatures.

Gassco, the North Sea gas infrastructure operator, said it is considering building a new receiving facility at Emden, Germany. If the final go head is given the facility would be operational

#### **EIA Weekly Report**

	04/09/2009	04/02/2009	Change	04/10/2009 *
<b>Producing Region</b>	665	627	38	754
<b>Consuming East</b>	795	750	45	650
<b>Consuming West</b>	296	292	4	287
<b>Total US</b>	1756	1669	87	1692

\*storage figures in Bcf

#### **Generator Problems**

**NPCC**- Entergy's 852 Mw FitzPatrick nuclear unit dropped to 74% power by early Thursday from full power on Wednesday.

Entergy's 1,030 Mw Indian Point 2 nuclear unit continued to ramp up its output. It was as 92% of capacity as of early Thursday, up from 72% on Wednesday. The unit was restarted on April 11<sup>th</sup> following the completion of a planned maintenance and refueling outage.

**PJM** - Exelon's 1134 Mw Limerick #1 nuclear unit ramped up to 80% power this morning, up 50% from Wednesday.

**MISO** – Exelon's 867 Mw Quad Cities #2 nuclear unit has started to exit its refueling outage and was at 12% by early Thursday. The unit has been shut since March 12<sup>th</sup>.

Exelon's 1,128 Mw Byron 1 nuclear unit has ramped up its production to 91% of capacity as of Thursday, up from 80% on Wednesday. The unit is scheduled to shutdown on April 19<sup>th</sup> for routine refueling and maintenance.

The 1,190 Mw Callaway Nuclear unit is scheduled to shutdown on April 18<sup>th</sup> for regularly scheduled refueling and maintenance. The outage is expected to last about 27 days.

Xcel Energy's 538 Mw Prairie Island 2 nuclear unit cut its operations to 80% of capacity early Thursday, down from 86% on Wednesday. The unit is coasting down for a regularly scheduled refueling and maintenance outage, which is scheduled to start on April 17<sup>th</sup>.

**SERC** – The 1,100 Mw Browns Ferry 3 nuclear unit has cut its power once again to 79% of capacity on Thursday, down from 100% on Wednesday. The unit was restarted on April 9<sup>th</sup> after it was shut for a planned maintenance and refueling outage.

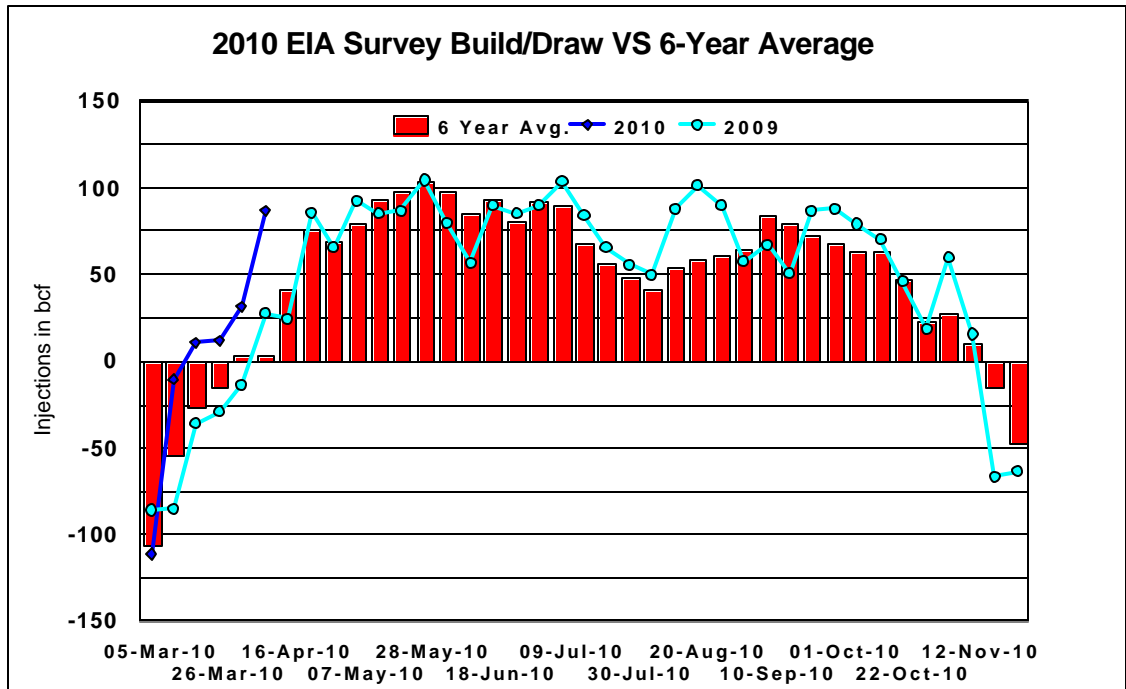
**The NRC reported that there was some 79,201 Mw of nuclear power generated today, up 0.63% from yesterday and off 2.28% from a year ago.**

by 2013-2014.

Statoil said its Kollsnee gas processing plant would shut down for repairs in the second half of this year following a similar turnaround at the Kaarstoe plant. The shut down is expected to take place 1-2 weeks

after the Kaarstoe's work and will last for less than three weeks. The Kaarstoe plant is due to restart after a turnaround in September.

Qatar said it has invited Gazprom to participate in an LNG project at its Northern Field after 2014, when a moratorium on increased production at the field is lifted.



The Ukrainian Fuel and Energy Ministry said the volume of Russian gas transiting through the Ukraine to Europe rose 56.3% to 27.5 billion cubic meters in the first three months of 2010.

**Canadian Gas Association**

**Weekly Storage Report**

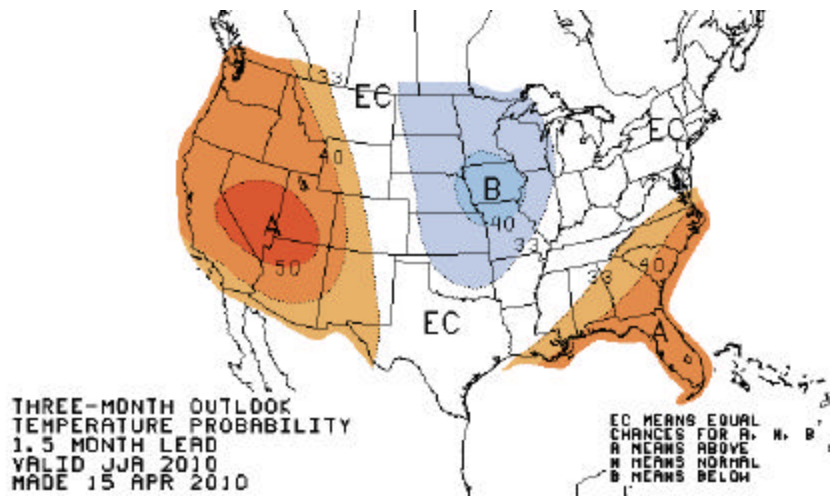
	09-Apr-10	02-Apr-10	10-Apr-09
<b>East</b>	85.1	81.6	60
<b>West</b>	208.4	200.9	141.9
<b>Total</b>	293.5	282.4	201.9

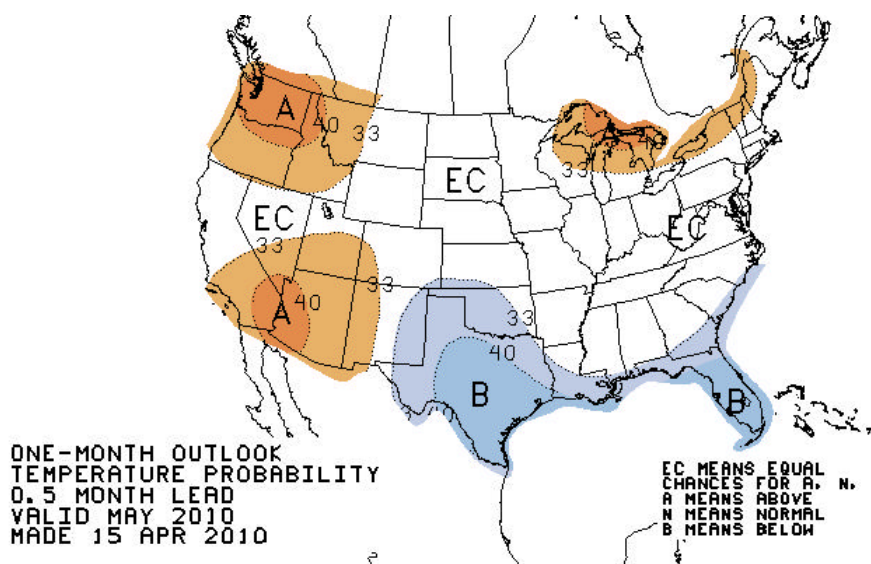
storage figures are in Bcf

Mexico's Pemex is planning to drill its first shale gas well later this year. Pemex' exploration and production chief, Carlos Morales said shale gas exploration could be a candidate for partnerships with foreign energy companies under Mexico's recent energy reforms that allow Pemex to hire private companies as contractors.

The US Labor Department reported that initial claims for unemployment benefits increased by 24,000 to a seasonally adjusted 484,000 in the week ending April 10<sup>th</sup>. The four week moving average increased by 7,500 to 457,750 from the previous week's unrevised average of 450,250. It reported that the number of continuing claims increased by 73,000 to 4,639,000 from the preceding week's revised level of 4,566,000. The unemployment rate for workers with unemployment benefits for the week ending April 3<sup>rd</sup> was 3.6%, an increase of 0.1%.

The US Federal Reserve said US industrial production in March increased by 0.1%. February's industrial production was revised up 0.3% from 0.1%. The rate industries used their capacity increased slightly in March to 73.2% from 73% in February. Separately, the New York Federal Reserve's "Empire State"





general business conditions index increased to 31.86 in April, the highest level since October and up from 22.86 in March. The Philadelphia Federal Reserve Bank said factory activity in the US Mid-Atlantic region grew in April. Its business activity index increased to 20.2 in April from 18.9 in March. Economists had expected a reading of 20.

**PIPELINE MAINTENANCE**

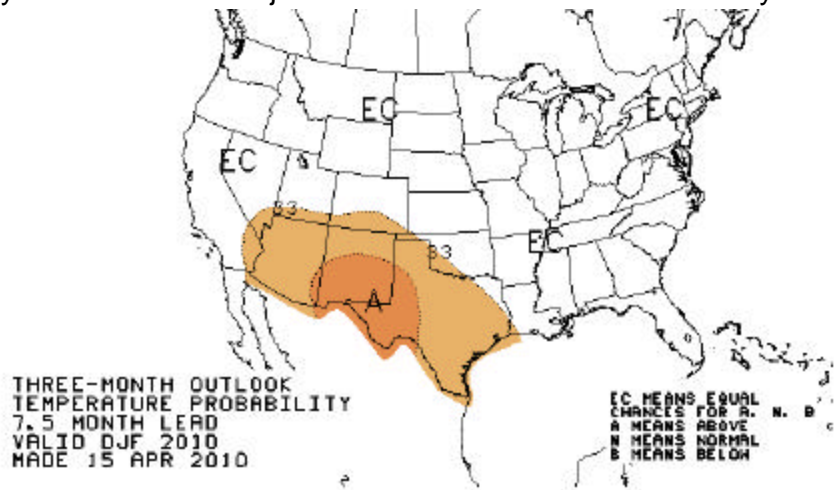
Gulf South Pipeline Co is scheduled to perform in-line inspection on Index 293 from Pointe A La Hache to

Chalmette, Louisiana starting early April 21<sup>st</sup> and continuing for one day.

**PIPELINE RESTRICTIONS**

Rockies Express Pipeline said today that its force majeure remains in effect at the Cheyenne compressor station. REX will schedule down quantities through Segment 200 to 1,550,000 Dth/d until further notice. In addition, REX is completing maintenance at its Steele City, Turney and Mexico compressor stations and will schedule increases to nominations for quantities delivered through Segment 260, 290 and 300.

Northern Natural Gas Co said it has not seen a decline in the carbon dioxide levels at the Trailblazer interconnect nor does NNG believe that the CO2 levels are likely to be reduced from the current levels anytime soon. It expects to schedule between 100,000 Dth/d and 175,000 Dth/d at the Trailblazer interconnect for gas days April 16<sup>th</sup> through April 19<sup>th</sup>.



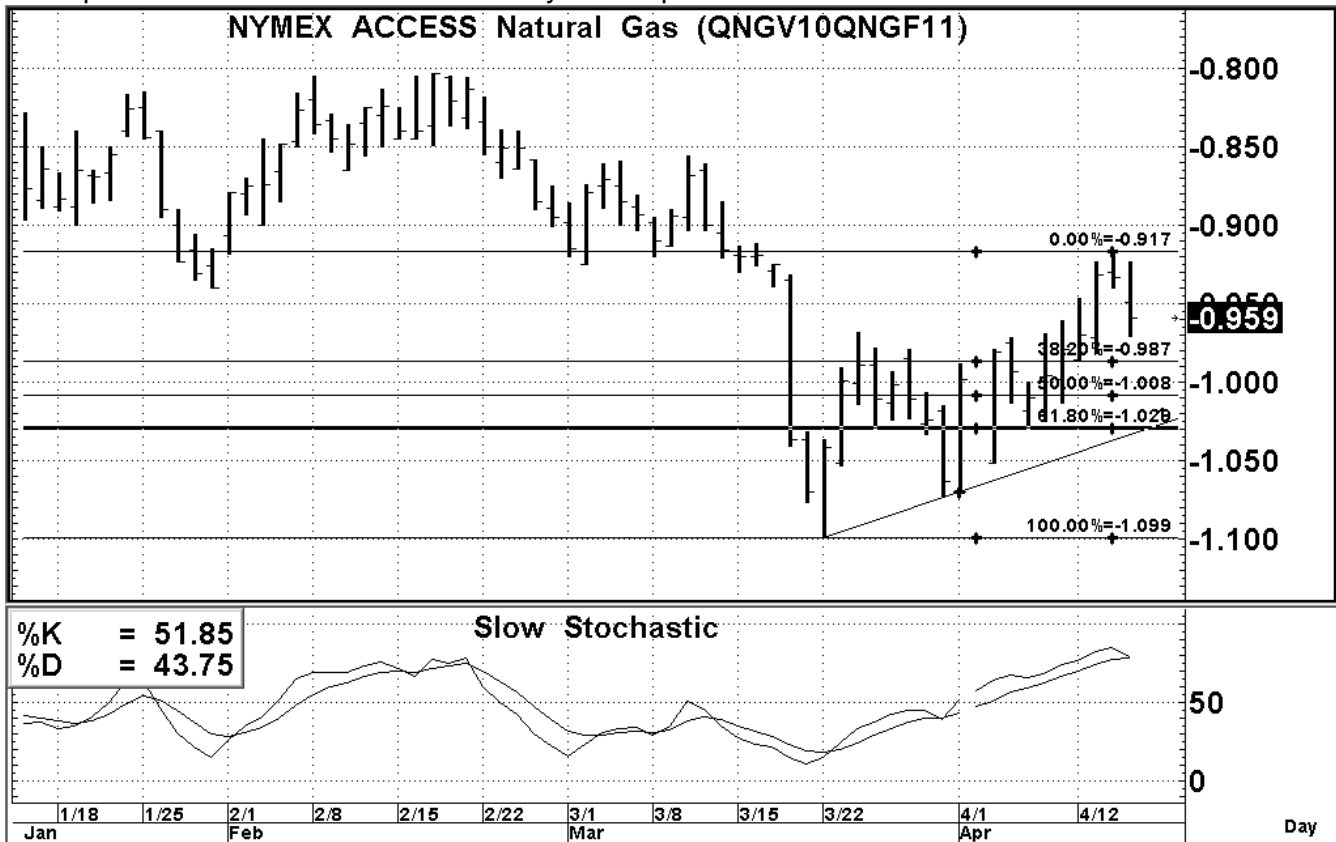
**ELECTRIC MARKET NEWS**

A compromise bill to reduce US emissions of carbon dioxide and other gases blamed for global warming being drafted by Democratic Senator John Kerry, Republican Senator Lindsey Graham and Independent Senator Joseph Lieberman will be unveiled on April 26<sup>th</sup>.

**MARKET COMMENTARY**

Well the natural gas market can just not shake the bearish gloom hanging over this market. Today's inventory report quickly sent the bulls running for the exits as a newly seasonal high injection rate was recorded sending U.S. working gas inventories to an all time seasonal high, some 64 bcf above a year ago and 246 bcf above the five year seasonal average. As a result while prices were in positive territory early this morning, the release of the storage report sent prices tumbling 15 cents lower

initially and then grinding another 5-8 cents lower as the day progressed. While prices still held support basis the lower end of the upward price channel of the past couple weeks, prices still settled below \$4.00 for the first time since last Thursday following the release of a prior bearish inventory report. As a result the daily stochastics apparently have rolled over to the downside for the first time in a week and if we receive yet another lower close tomorrow it could be confirmation of a new downward move. We would look for further confirmation of a downward move tomorrow if we see further price erosion in the Oct-Jan spread. This spread has seen its 9 day stochastic basically point upward since March 23<sup>rd</sup>, but is poised to roll over tomorrow with any further price erosion.



While Friday typically can be a light volume trading day, we would look for strong trading activity especially if prices breach the support area at \$3.913. Additional support we see at \$3.857 and \$3.81. More distant support we see at \$3.66 and \$3.381. Resistance we see at \$4.247, \$4.269, \$4.334 and \$4.483. More distant resistance we see at \$4.691 and \$4.90.

Basis the Oct Jan spread we would recommend be a seller on the opening tomorrow around an October discount of 95 cents or better. We would have an initial downside target of \$1.00-\$1.01 basis an Oct discount and would have a protective stop to the upside of 91.5 cents.

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