



## ENERGY RISK MANAGEMENT

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### NATURAL GAS & POWER MARKET REPORT FOR MAY 5, 2009

#### NATURAL GAS MARKET NEWS

The U.S. Minerals Management Service has cut its forecast for Gulf of Mexico oil production over the next 10 years by 300,000 b/d to between 1.6 and 1.9 million b/d. It also looks for natural gas production will resume its long-term decline after an uptick to more than 7 bcf/d this year. Officials noted that technical and geological challenges of offshore development, particularly in deep water, have slowed some projects and thus contributing to a reduction in forecasts. The agency noted that the recent decline in prices and the downturn in the economy has not yet been a factor in these deep water projects due to their long lead time but that could change. Natural gas output from the Gulf of Mexico had been declining since peaking in 1997 at 14 bcf/d. The start up of the Independence Hub though helped to boost production back over 7 bcf/d in 2008.

#### Generator Problems

**PJM** – PSEG’s Hope Creek nuclear unit was at 35% power this morning, up from 9% registered on Monday.

Exelon’s 619 Mw Oyster Creek nuclear unit was at 70% capacity, up from 66% from Monday’s operating level.

**MISO** – The Wolf Creek 1166 Mw nuclear unit was at full power this morning up 38% from Monday. The unit had been shut back on April 28<sup>th</sup> due to a low steam generator level.

AEP’s 1090 Mw Cook #2 nuclear unit remains off line at 10% capacity this morning, down from the 14% operating level recorded yesterday.

**SERC** – TVA’s 1148 Mw Sequoyah #1 nuclear unit ramped up to 99% power this morning, up 25% from yesterday.

**The NRC reported this morning that 8,506 Mw of nuclear generation capacity was on line, up 1.2% from Friday and up 3.4% from the same time a year ago.**

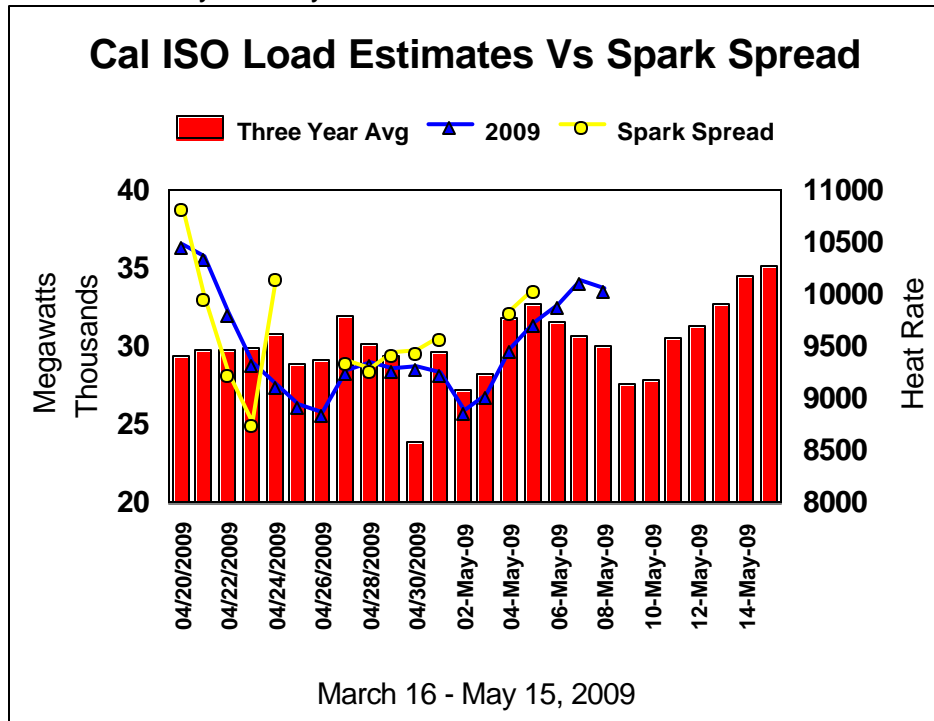
The CEO of Chesapeake Energy said today that he sees a “dramatic reversal” of natural gas prices this coming fall or winter. He noted that natural gas output at the end of the first quarter of 2010 would be down 10% based on current rig counts. He also noted that while service costs are rapidly decreasing, it still does not reflect \$3.50 natural gas prices.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	1,046,100	\$3.620	\$0.151	\$0.003	\$0.226	(\$0.251)
Chicago City Gate	499,200	\$3.514	\$0.130	(\$0.103)	\$0.166	(\$0.202)
NGPL- TXOK	498,500	\$3.323	\$0.130	(\$0.294)	\$0.166	(\$0.376)
SoCal	287,200	\$3.243	\$0.194	(\$0.374)	\$0.230	(\$0.508)
PG&E Citygate	637,000	\$3.559	\$0.186	(\$0.058)	\$0.222	(\$0.163)
Dominion-South	290,600	\$3.935	\$0.147	\$0.318	\$0.183	\$0.167
<b>USTRade Weighted</b>	<b>18,893,400</b>	<b>\$3.490</b>	<b>\$0.190</b>	<b>(\$0.127)</b>	<b>\$0.23</b>	<b>(\$0.251)</b>

El Paso Corporation said its Ruby Pipeline project to move natural gas out of the Rocky Mountain region is on track to begin service in March 2011. The company said on

Monday that it is in “advanced negotiations” with potential partners to finance the project. The pipeline would begin at the Opal, Wyoming Hub and terminate at an interconnect in Malin, Oregon. The 42-inch line would have an initial capacity of 1.3-1.5 bcf/d with the possibility of expanding to 2 bcf/d.

British port authorities report that the Qatari LNG tanker Mozah which is half full is still scheduled to arrive at the South Hook LNG terminal on May 7<sup>th</sup>, while the Excelerate is due to leave the Teesside import facility on Tuesday evening. Sonatrach's LNG tanker Berge Arzew has berthed at the Isle of Grain terminal yesterday.

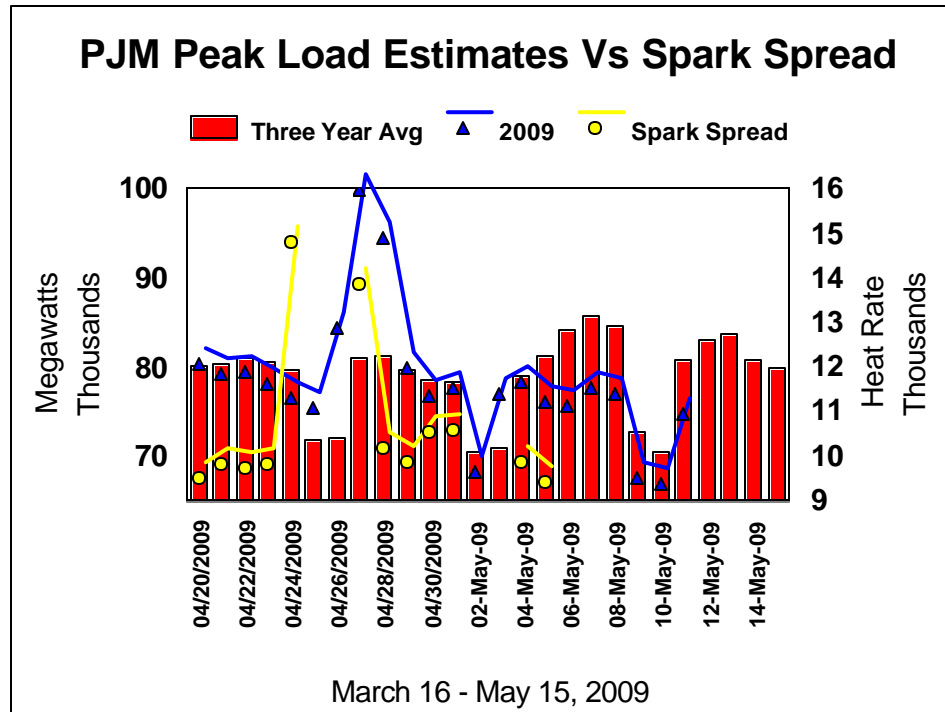


National Grid reported that pipeline flows of natural gas into the UK on the Langed pipeline were shut off as of Tuesday morning and were expected to be stopped for 72 hours as a result of maintenance activities.

Dow Jones is reporting that Reliance Industries, India's biggest private refiner by capacity is likely to sign an agreement with a Shell for it to buy up to 4 million cubic meters per day of LNG for two months. It appears that Reliance is in the market for short term supplies of LNG since the Indian government has yet to

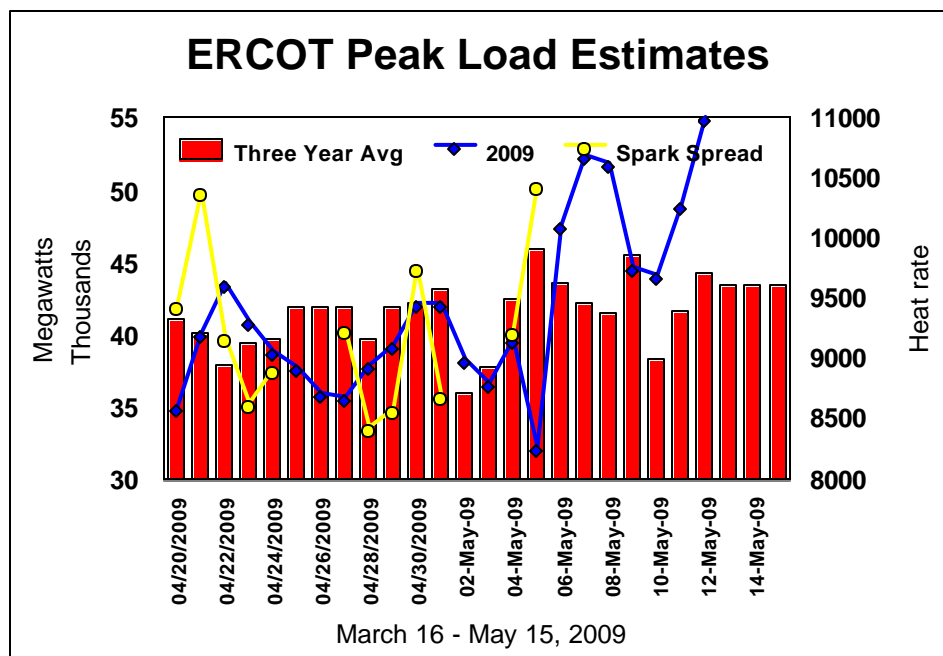
provide the go ahead to Reliance on when and how much of its gas from the new D6 block in the Krishna Godavari basin it will be able to utilize for captive consumption.

Abu Dhabi National Oil Company plans to shut one of its three LNG facilities at Das Island for 50 days of maintenance starting in November the company said today. Train 3, which has the capacity to produce 4 million tones per year, would undergo the work this year. This unit produces nearly half of the LNG output from the facility. Around 85% of the LNG produced at Das Island is exported to Tokyo Electric Power Company. The company also said it will review a study this month whether to upgrade the current facility or build a new one. If proceeding further work would be



expected to be completed by 2019.

French President Sarkozy said today he would like to see the Europe Union to set up a central gas purchasing body to strengthen its negotiating hand with suppliers.



The Sakhalin-1 consortium has agreed to sell 20% of the natural gas extracted from the large oil and gas project to Gazprom. The price of the gas is still being negotiated between the parties. ExxonMobil is the lead operator of the project along with its partners, Rosneft, Itochu, Marubeni and ONGC

Senate Levin and Collins yesterday introduced legislation that seeks to give federal financial regulators immediate authority to regulate the U.S. swaps market.

### **PIPELINE RESTRICTIONS**

CIG said it will place an underperformance cap at the East Rock Springs beginning for the Evening Cycle, for Gas Day May 5<sup>th</sup> and until further notice.

Transco said it has terminated as of today, the Imbalance OFO that began last Friday, May 1<sup>st</sup>. Operating conditions along the pipeline improved. High utilization of firm services, pipeline maintenance as well as various compressor station maintenance activities will continue to impact operating flexibility the company warned.

Tennessee Gas Pipeline said it will accept increases for nominations sourced from meters along the Carthage Line Lateral effective Intraday Cycle 1 for the May 5<sup>th</sup> gas day.

### **ELECTRIC MARKET NEWS**

The Pennsylvania Public Utility Commission said it will schedule additional hearings on the proposed Susquehanna-Roseland transmission line. The project is a new 500 kV 100 mile long transmission line running through eastern half of the state.

The Montana Public Service Commission approved NorthWestern's application to build the Mill Creek generating Station near Anaconda, Montana.

Genscape reported that U.S. coal stocks at U.S. power plants rose 0.5% this week and are some 15.9% greater than the same week a year ago.

Congressman Waxman said today that he was determined to have a new climate change bill passed by the end of year and expected to have the bill finished in Committee by the end of May.

### **MARKET COMMENTARY**

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 05/05/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
LN	10	9	C	5	0.3962	0.4376	4375	0	0
LN	1	10	C	7	0.4076	0.4294	3300	0	0
LN	6	9	P	3	0.0314	0.0254	3225	0.03	0.03
LN	12	9	C	15	0.0049	0.0056	3050	0.0125	0.0125
LN	12	9	C	11	0.0345	0.0383	2500	0.04	0.04
LN	8	9	C	4.5	0.2619	0.3061	2050	0	0
LN	8	9	C	4.25	0.3343	0.3857	2000	0	0
LN	6	9	P	3.25	0.0796	0.0656	1900	0	0
LN	6	9	C	4	0.0929	0.1334	1815	0	0
LN	11	9	C	6	0.345	0.3761	1525	0	0
LN	11	9	P	4.5	0.5738	0.5579	1500	0	0
LN	7	9	C	6	0.0131	0.019	1450	0	0
LN	6	9	C	4.5	0.0263	0.0416	1400	0	0
LN	12	9	C	12	0.0205	0.023	1200	0	0
LN	3	10	P	4	0.1567	0.158	1200	0	0
LN	1	10	P	4	0.1274	0.1293	1200	0	0
LN	9	9	P	3.5	0.3478	0.3239	1125	0	0
LN	9	9	C	4.25	0.4608	0.5135	1000	0	0
LN	9	9	P	2.5	0.0657	0.0605	1000	0	0
LN	6	9	C	5	0.0085	0.0116	1000	0	0
LN	7	9	P	2	0.0058	0.0055	1000	0	0
LN	9	9	P	2	0.0164	0.015	1000	0	0
LN	8	9	C	4	0.4236	0.4828	950	0	0
LN	7	9	P	2.5	0.025	0.0238	800	0	0
LN	1	10	C	12	0.0366	0.0408	775	0	0
LN	7	9	C	4.5	0.1287	0.1637	750	0	0
LN	10	9	P	3.25	0.2933	0.2767	750	0	0
LN	12	9	P	3	0.0301	0.0303	700	0	0
LN	3	10	P	5.75	0.8534	0.8505	685	0	0
LN	3	10	C	5.75	0.8702	0.8958	685	0	0
LN	3	10	C	6	0.7764	0.8002	660	0	0
LN	12	9	P	3.5	0.0772	0.077	650	0	0
LN	12	9	C	7	0.3161	0.3346	650	0	0
LN	3	10	P	6	1.006	1.0012	650	0	0
LN	1	10	C	9	0.1398	0.1513	650	0	0
LN	12	9	C	9	0.1029	0.1115	550	0	0
LN	7	9	P	3.5	0.2338	0.2053	530	0	0
LN	10	9	C	8	0.0732	0.0864	500	0.079	0.079
LN	7	9	C	6.5	0.0062	0.0094	500	0	0
LN	8	9	P	4	0.5473	0.5067	500	0	0
LN	7	10	C	11	0.1019	0.1118	500	0	0
LN	3	10	C	7	0.4948	0.514	500	0	0
LN	3	10	P	3.5	0.0713	0.0724	500	0	0

The natural gas market today took a pause from its recent rally over the past three days as it posted an inside trading sessions. With the equities and oil markets being on the defensive the natural gas futures market failed to breach yesterday's high and through the morning remained on the defensive until midday when prices seemed to bounce as values approached the 38% retracement level of the rally off of last week's lows.

This market while it may take its direction from the oil market tomorrow, we feel it will most likely wait until Thursday's EIA storage report before gaining any traction in either direction. We see support tomorrow at \$3.55 followed by \$3.496 and \$3.438. Additional support we see at \$3.25 and \$3.14. Resistance we see at \$3.725-\$3.74 followed by \$3.79, \$3.858, \$3.916. Additional key resistance we see at \$3.95 and \$4.08.