



## ***ENERGY RISK MANAGEMENT***

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### **NATURAL GAS & POWER MARKET REPORT FOR MAY 5, 2010**

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

The Minerals Management Service said today the amount of oil spill-related natural gas production shut in as a safety precaution remained unchanged at 6.2 mmcf/d. The platforms remain shutdown in the Gulf of Mexico.

Statoil said today that they see the gas markets would stay challenging as large-scale development of shale gas and LNG keep prices low. The company though does expect the gas market to gradually tighten and moderate prices increases going forward.

Qatargas said today it would complete scheduled maintenance on two of its LNG production facilities by the end of May. The company reported yesterday that work on Qatargas train 3, which started this week, will be completed by the end of next week. Work on Qatargas train 4, which is yet to start would be completed by the last week of May.

The CEO of Chesapeake Energy said the company continues to focus on developing new oil plays. He reported that the company was moving 13 rigs from shale gas plays to oil and liquids rich plays. He noted that oil and liquids rich gas could account for 50% of the company's revenues by 2012. He noted the company will fund new leasehold purchases with asset sales and expects more shale joint ventures. He said the company would consider selling its big shale gas plays at the right price.

Naftogaz, the state Ukrainian energy company, said today that it had paid its Russian gas bill for April in full. The bill totaled \$419 million versus \$519 million paid in March.

Algeria's Berge Arzew LNG tanker is scheduled to arrive and offload at the Isle of Grain import terminal around May 8<sup>th</sup>.

Sasol reported today that the first production from its gas to liquids project in Nigeria may be delayed further. The plant, which had been slated to begin operations in 2011, had been delayed once until 2012 and is now seen starting in 2013.

#### **Generator Problems**

**NPCC** – Constellation Energy's 1140 Mw Nine Mile Point #2 nuclear unit was at 55% this morning up 30% from Tuesday.

**PJM** – PPL's Susquehanna #1 nuclear unit was at 75% power this morning up 10% from yesterday. The sister unit, #2 remained unchanged at 94% power.

**ERCOT** – NRG Energy's 836 Mw Limestone #1 coal fired unit was expected to return to service after a tube leak repair and other maintenance work has been completed.

STP Nuclear's 1250 Mw South Texas Nuclear Generating Station #2 Unit was at 89% capacity, up 12% from yesterday.

AEP's 528 Mw Welsh #1 coal fired unit tripped off line today due to a problem with a water pump valve. The unit may be restarted on Friday.

**SPP** – Entergy's 836 Mw Arkansas Nuclear One unit #1 was back to full power this morning, up 12% from a year ago.

**MISO** – NextEra Energy's 615 Mw Duane Arnold continues to ramp up, reaching 94% capacity this morning, up 14% from Tuesday.

AEP's 1020 Mw DC Cook #1 nuclear unit was at 56% power this morning, unchanged from yesterday.

**The NRC reported that there was some 84,706 Mw of nuclear power generated today, up 0.9% from yesterday and up 3.8% from a year ago.**

**PIPELINE MAINTENANCE**

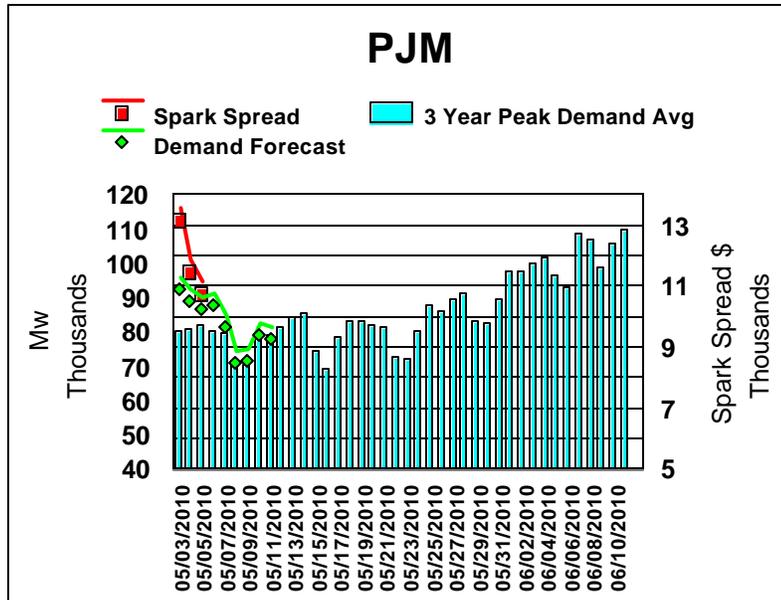
Gulf South said it will perform maintenance on Unit #1 at the Carthage Compressor Station #2 beginning June 14<sup>th</sup> and continuing for approximately 10 days. Capacity through Carthage Compressor Station #2 could be reduced by as much as 30,000 Dth during the work.

NGPL announced its planned maintenance at Station 812, which had been scheduled for May 11-May 13 has ben pushed back to June 2-June 4.

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	1,132,900	\$3.996	\$0.037	\$0.028	\$0.045	\$0.005
Chicago City Gate	676,200	\$4.055	\$0.052	\$0.087	\$0.077	\$0.060
NGPL- TX/OK	775,000	\$3.894	\$0.018	(\$0.074)	\$0.043	(\$0.079)
SoCal	611,900	\$3.909	\$0.057	(\$0.059)	\$0.082	(\$0.075)
PG&E Citygate	1,169,600	\$4.234	(\$0.034)	\$0.266	(\$0.009)	\$0.329
Dominion-South	784,900	\$4.286	\$0.027	\$0.318	\$0.052	\$0.245
USTrade Weighted	22,362,800	\$3.999	\$0.020	\$0.031	\$0.05	\$0.005

**PIPELINE RESTRICTIONS**

Tennessee Gas Pipeline said that effective for May 5<sup>th</sup> it has restricted through approximately 61% of market to supply secondary out of the path nominations pathed through the Niagara Spur Backhaul point.



Rockies Express Pipeline said that effective for May 5<sup>th</sup> and until further notice it is at capacity for quantities delivered to Tenn/Guernsey. Based on the level of nominations, interruptible transportation/authorized overrun and secondary quantities are at risk of not being scheduled.

NGPL said that effective for May 5<sup>th</sup> and until further notice it is at capacity for gas going southbound through Segment 26 (Compressor Station 302) for deliveries eastbound into Segment 25 or southbound into Segment 22. Interruptible transportation service/authorized overrun and

secondary out of path firm transports are at risk of not being fully scheduled. Withdrawals from South Texas Storage Point will be included for purposes of scheduling.

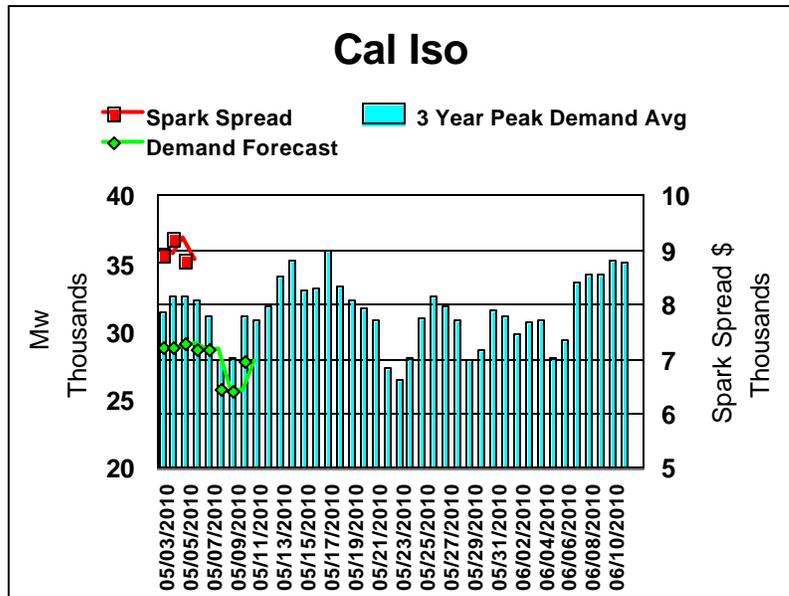
PG&E has issued a system wide OFO for May 6<sup>th</sup> due to anticipated high inventory levels. Tolerance was set at 10%.

**ELECTRIC MARKET NEWS**

PJM said Wednesday that it estimates to have 162,903 Mw of generation available to meet a forecast peak of 135,750 Mw under normal summer weather conditions. This forecast is up 1.5% from last summer. PJM sees a unusually hot summer power demand could peak at 144,612 Mw, still below its 2006 record peak.

California water resource regulators adopted a policy late Tuesday that will eventually force closure or costly changes to 19 coastal power plants that use ocean water for cooling.

EIA reported today that in 2009 carbon dioxide emissions in the United States saw their largest absolute and percentage decline (405 million metric tons or 7%) since the start of its data series dating back to 1949. The decline was driven the economic downturn, combined with an ongoing trend toward a less energy intensive economy and a decrease in the carbon-intensity of the energy supply.



**MARKET COMMENTARY**

The natural gas market continued to float around the \$4.00 price level again today as price pressure from the oil market and moderate power demand for the next week appeared to keep a lid on this market especially in front of tomorrow’s storage report. Market expectations for tomorrow’s EIA Storage Report are running between a 75-85 bcf build with most expectations falling in around a 78-80 bcf build. For the same week a year ago stocks increased by 87 bcf with the five-year seasonal average showing a 71 bcf build.

We feel that it will take a significant deviation from market expectations for tomorrow's storage report in order to break this market out its 5-week sideways trading pattern. Other wise we look for prices to continue to remain mired in this channel in which \$3.879 is support on the down side with \$4.425 on the upside.

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